

Report to Partnership Meeting 13 September 2019

RESEARCH AND STRATEGY DELIVERY

Orkney Inter-island Transport Study – Outline Business Case

PURPOSE OF REPORT

To update Members on the progress of the work to undertake an Outline Business Case STAG Part 2 Appraisal of transport connectivity to the outlying islands of Orkney and the ongoing work of the Northern Isles Inter-Island Working Group.

Background

Northern Isles Inter-Island Working Group

Following the publication of the Scottish Ferries Plan in December 2012, Orkney Islands Council and Shetland Islands Council lobbied the Scottish Government to address funding of inter-island ferry services as part of the “Our Islands Our Future” campaign. Arising from this, Scottish Government acknowledged the disproportionate financial burdens placed on Orkney Islands Council and Shetland Islands Council in the provision of inter-island ferry services and committed to addressing the matter. Their commitment was expressed in various statements, perhaps most precisely and concisely in Empowering Scotland’s Islands Communities where it was stated: -

Inter-island ferries and fixed links

“Inter-island ferries in some areas, particularly the Northern Isles, are provided by the local authorities and funded on a different basis from CHFS (Clyde and Hebridean) services. The Scottish Government understands the significant financial challenges that can fall on individual local authorities, and is committed to the principle of fair-funding in the provision of ferries and ferry infrastructure.

The Scottish Government recognises that the provision of transport services should not place a disproportionate financial burden on any Council such that it could be counter to the principles of Article 170, with particular reference to the revenue and ferry replacement costs of the internal ferry services of Orkney and Shetland, and commits to meaningful negotiation now to conclude this issue.

The Minister for Transport and the Islands, Derek Mackay MSP, proposed that a short-life working group be established comprising the necessary Scottish Government and Council officers, to consider the issues raised and report regularly to Scottish Government Ministers and Councils on progress. The Working Group would look to establish what would be required for a long-term solution in the overall provision and funding of internal ferry services.

The Working Group has met on a monthly basis since 2015 and Ministers have been kept informed of the Group's progress. The Working Group agreed that the most appropriate method to confirm the funding required to provide appropriate inter island ferry services would be to commission studies by independent experts to inform business cases. These business cases were agreed to follow the principles of the Routes and Services Methodology that was applied in determining the levels of services required for those ferry services currently supported, as detailed in the Ferries Plan (2013-22)

Orkney Inter-Island Transport Study: Outline Business Case (OBC)

In partnership with Orkney Islands Council and Highlands and Islands Enterprise, HIITRANS commissioned transport consultants Peter Brett Associates in October 2018 to undertake capital Outline Business Cases in relation to inter-island transport to the following island groups of the Orkney Islands:

- Outer North Isles
- Rousay / Egilsay / Wyre

The scope also included the undertaking of an Outline Business Case for the revenue budget for the Orkney Network as a whole. The Client Group has been chaired by Orkney Islands Council.

ZetTrans are undertaking a separate Outline Business Cases for inter-island transport within the Shetland Island Council area.

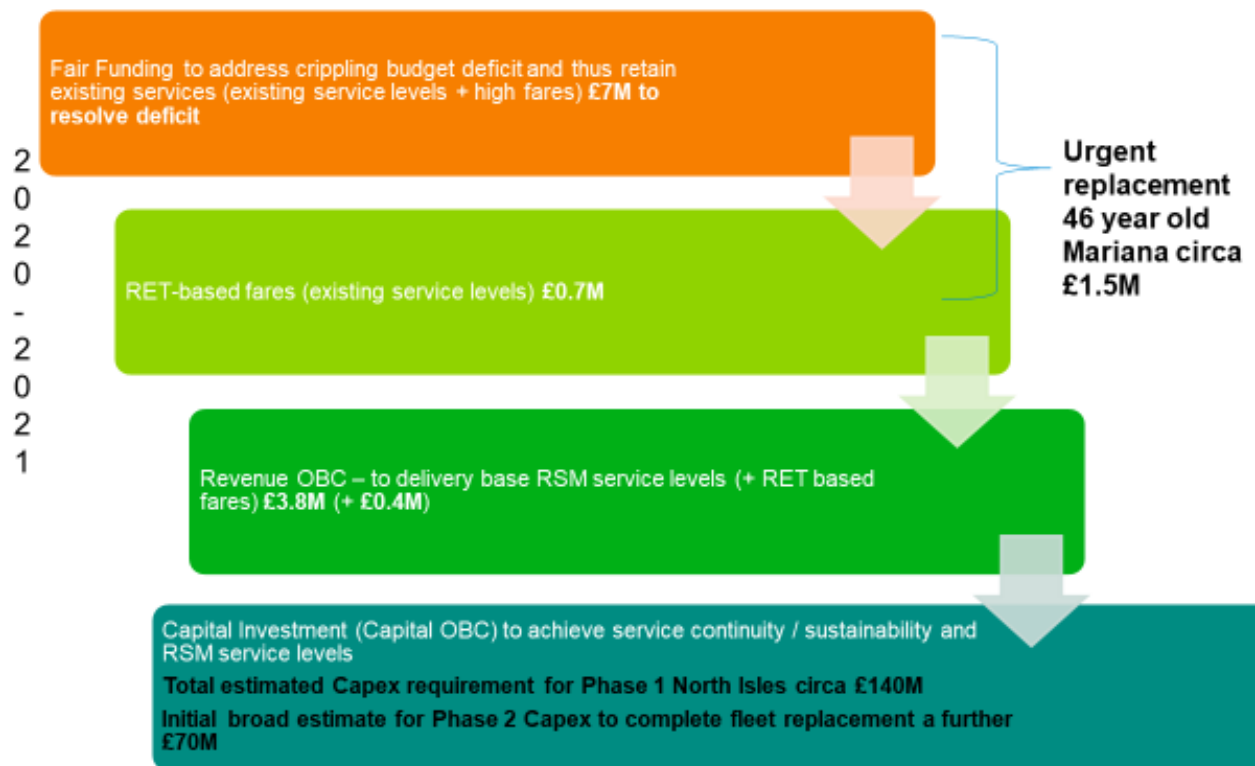
The work programme for the Outline Business case is set over financial years 2018/19 and 2019/20. The first phase of the commission is now drawing to its conclusion with the revenue Outline Business Case completed. The scope of second phase, which will consider some of the detailed port and vessel infrastructure, is currently in the process of being finalised.

The responsibility for providing services has also been considered by the working group. This has led Orkney Islands Council to seek a Transfer of Responsibility (ToR) to Scottish Government.

As part of the budget process for 2018-19 and 2019-20 the Scottish Government has already provided additional revenue funding to both Orkney and Shetland Island Councils. However, further funding is required to ensure both councils are fully revenue funded for the services they currently operate. This does not include RET figures, which have not been ratified by the Working Group and require further consideration by Transport Scotland.

For 2020/21 Orkney Islands Council will require a total of £7M p/a for fair funding/fully revenue funded for existing service levels. This is an additional £1.7m on top of the £5.3m which has been provided in 2019/20. £0.7m of this total is as a result of RET fares, which has not yet been agreed.

The graphic on the following page illustrates the emerging work from the Capital and Revenue OBC's.



Next Steps

HITRANS are committed to supporting the OBC work which is an essential element in securing a fair funding settlement that enables connectivity to residents of the Orkney outer islands to be treated the same as residents of other islands where services are secured by Transport Scotland. At the HITRANS Partnership meeting in February, Members approved a recommendation for the Director to work with Orkney Islands Council and HIE to ensure a funding solution that will enable the essential Capital Outline Business Case work to be completed.

Recommendation

Members are invited to:

1. Note this report.

RISK REGISTER

RTS Delivery

Impact - Positive

Comment – This work supports RTS Strategic priority to enhance intra-regional connectivity between island and peripheral communities and regional centres and national gateways.

Policy

Impact - Positive

Comment - This work supports implementation of several policies relating to aviation and ferry services but also social inclusion and accessibility.

Financial

Impact –

Budget line and value – An allocation of funding for the development of STAG Appraisals has been identified in the 2018 / 2019 Business Plan under Regionally Significant Project Development

Equality

Impact – Positive

Comment – This work supports the Scottish Ferries Plan’s commitment that communities are treated in a way consistent with other communities for whom Transport Scotland already has responsibility for ferries provision.

Report by: Neil MacRae
Designation: Partnership Manager
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