

**Report to Partnership Meeting 8 February 2019**

**RESEARCH AND STRATEGY DELIVERY**

**Orkney Connectivity (Internal / External)**

**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 procurement of the next Northern Isles Ferry Services (NIFS) Contract.

**Background**

In partnership with other funding partners (Orkney Islands Council and Highlands and Islands Enterprise HIE)) HITRANS 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 includes the undertaking of an Outline Business Case for the revenue budget for the Orkney Network as a whole. The Client Group is chaired by Orkney Islands Council.

ZetTrans are undertaking a separate Outline Business Cases for inter-island transport within the Shetland Island Council area. The OBC's will contribute to the remit of a Working Group established by Scottish Ministers to develop a mutually agreed way forward between Scottish Government and the two Local Authorities in relation to funding and responsibility for inter-island transport services.

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

The work programme for the Outline Business case is set over financial years 2018/19 and 2019/20. The first years' fees amount to £160,830 while the estimated budget required to complete the OBS in 2019/2020 is £141,300. It was originally anticipated that the complete works would be in the order of £200k, but due to the complexity of the task the proposal came back significantly higher in value, at around £300k in total.

The earlier Strategic Business Case was undertaken on the basis of a four-way split between Transport Scotland, HIE, HITRANS and Orkney Islands Council. It was anticipated that this arrangement would also form the basis for funding the development work and appraisal required for the Outline Business Case.

Transport Scotland confirmed in December 2018 that they would not be making any contribution to the OBC development in 2018/19 and 2019/20, and it was their expectation that Orkney (and Shetland) would fund the OBC's from existing allocations. This is clearly a change to earlier

positions whereby Transport Scotland have contributed actively as partners in the studies, including financially.

Without confirmation one way or another from Transport Scotland in November 2018, HITRANS issued a Task Order on behalf of the partners to PBA for £143,320, which comprises the previously agreed contributions of £56,660 from Orkney Islands Council, £56,660 from HITRANS and £30,000 from HIE (and excluding the expected £56,660 from Transport Scotland). PBA (and partners) are progressing with the OBC, and have indicated that based on their forecast resource usage, that they expect to hit the initial Task Order ceiling in early March 2019.

For the Outline Business Case to continue the funds to complete year 1 (£17,510) and then £141,300 for the work in year 2 require to be identified. The expectation was that the year 2 as well as first year costs would have been split between the four partners.

Orkney Islands Council has requested support from the remaining partners, HITRANS and HIE, in completing this important next stage in the work required to establish the preferred option for Inter-Island transport and the associated economic case.

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. Members are asked to mandate the Director and Partnership Manager to work with Orkney Islands Council and HIE to agree a way forward on funding the OBC work in 2018/19 and into 2019/20. This is not intended to place any expectation on any other partner but with the work already commissioned and underway there is an urgent need to find agreement to ensure the funding gap is covered.

### **Northern Isles Ferry Services (NIFS) Contract**

Transport Scotland announced on 17<sup>th</sup> January 2019 that the Invitation to Tender for the next contract to run the Northern Isles Ferry Services has been issued to three bidders.

Submission of final tenders is scheduled for March 2019, with a view to awarding the contract in July 2019. The contract is estimated to be worth £370m and will run for eight years with all the routes within the network being tendered as a single bundle.

In any engagement with prospective operators, HITRANS will seek to highlight a number of issues including: the importance of a year round middle of the day sailing between Scrabster and Stromness: ensuring that the new contract provider demonstrates how it will work with providers of other transport modes to facilitate a smarter and more integrated end to end journey for passengers: ensure senior local management positions are located in Orkney and Shetland islands: and provide high quality consultation arrangements that enable all the communities and business sectors that use the services have regular dialogue and engagement with the service provider.

### **Recommendation**

Members are invited to:

1. Note this report.
2. Delegate responsibility to HITRANS Director to work with partners to identify a funding solution that will enable the essential OBC work to be completed. .

## **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  
**Date:** 30<sup>th</sup> January 2019