
EYEMOUTH HARBOUR TRUST – EXTENSION OF FUNDING SUPPORT

Report by The Chief Financial Officer

EXECUTIVE COMMITTEE

17 September 2019

1. PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to seek approval from Members to continue the current arrangement whereby the Council underwrites a development loan provided in the 1990's from the Public works Loans Board (PWLB) to Eyemouth Harbour Trust.**
- 1.2 The Harbour Trust is proactive in seeking to control its operating costs and in identifying new opportunities to increase income from the harbour. The support from the Council has enabled the Trust to bring forward a range of harbour improvements and development projects that have helped bring in new income and diversify the activity of the harbour.
- 1.3 The Trust acknowledges that the development and improvements they have made in the last five years would not have been possible without the Council support. However, the operating environment facing the Trust continues to present significant challenges. Should the Trust fail there is the potential to compromise the Council's financial interests as well as causing a major economic issue within Eyemouth. The Council is being asked to continue to alleviate a significant financial burden on the Trust in providing long-term stability into the future.

2. RECOMMENDATIONS

2.1 It is recommended that the Executive Committee :-

- (a) Notes the progress made by Eyemouth Harbour Trust in developing new sources of income, controlling operating costs and recovering debts;**
- (b) Agrees that the Council should continue its support of Eyemouth Harbour Trust by continuing to fund the Public Works Loan Board annual loan repayments of £62k for a further 10-year period; and**
- (c) Agrees that the Chief Financial Officer continues to receive regular financial and operating reports from the Harbour Trust.**

3. BACKGROUND

- 3.1 Eyemouth Harbour Trust (the Trust) has been experiencing financial difficulties for some years, primarily due to the long-term challenges faced by the fishing industry. This has had a detrimental effect on the Trust's financial position and its long term sustainability.
- 3.2 The Council acts as guarantor for the repayment, with interest, of a £1m loan provided to the Trust by the Public Works Loan Board (PWLB) to finance an extension and upgrade to the harbour in the 1990's. The loan is for a period of 50 years commencing June 1998 and has approximately 29 years to run to maturity at a fixed interest rate of 5.75%. The terms of the loan require the Trust to repay the PWLB twice yearly instalments of principle and interest combined. Each instalment is £31k. There is a standard security in place to protect the Council.
- 3.3 Since the commencement of the loan, and despite the dedicated efforts of the Trustees, the Trust regularly struggled to make these payments. Officers from the Finance and Economic Development Services, along with local Elected Members, attend Trust meetings when possible and the financial position of the Trust is shared with officers on an 'open book' basis.
- 3.4 The Trust has previously approached the PWLB to renegotiate the loan or allow for a 'repayment holiday', but PWLB has refused this. In view of this, in March 2010 the Council agreed to provide financial assistance to the Trust and to fund the PWLB loan for a 5 year period. That initial five year period was extended in 2015 for a further 5-year period, ending in 2020. The Trustees met recently with senior officers to discuss continuation of the current arrangement.

4. THE ECONOMIC ROLE OF THE HARBOUR

- 4.1 The Trust reported a trading loss of £47.3k in its 2017 accounts and £66k in its 2018 accounts, the latest available. These figures include a significant depreciation charge due to the nature of the Trusts harbour based assets. Whilst the Trust continues to trade effectively, it remains 'squeezed' between historic debt and the need to prepare for the inevitable costs of maintaining the aging port infrastructure. The Council's continuing support in relation to the PWLB debt is crucial to allow the port to be sustained for to future generations in a sound and safe state.
- 4.2 The economic benefits of a successful and profitable harbour to Eyemouth, East Berwickshire and the wider Scottish Borders remain significant. The value of fish landings in Eyemouth, although reducing year on year, was still £2.9 million in 2014 compared to £4.3 million in 2006. Since 2014 there has been some positive progress with the value of landings increasing to £4.04 million in 2018. Income to the Harbour Trust from fish landings is still its most significant income source.
- 4.3 The fishing sector still directly employs a significant number of fishermen who are based in Eyemouth. The size of the local fleet has increased from 18 vessels in 2014 to 26 vessels in 2018. In addition to the local fleet, each year a number of visiting vessels, including scallop dredgers, utilise the port's facilities for a period over the summer and winter fishing seasons. These have been fairly stable over the period with 50 vessels in 2014 and 51 in 2018. More significant are the wider economic linkages to

the processing and local tourism industries.

- 4.4 The Council's interests in supporting Eyemouth and the local economy are clearly best served by assisting Eyemouth Harbour Trust to achieve a more solid financial base for the long term.

5. BUSINESS DEVELOPMENT ACTIVITY

- 5.1 During the past 5 years, the Trust has been able to develop initiatives with a view to sustaining long term viability for the harbour. These initiatives have only been made possible by the support from the Council in relation to the PWLB repayments.
- 5.2 The Trust has been proactive and positive about its business development over the last five years. It has focused on improving and managing its cash-flow in a more business-like way; controlling its costs and expenditure more closely; working with creditors and debtors more closely; and identifying and investing in new sources of income. The role of the Trust's Business Manager and the team that has been developed by the Trust has been crucial in this approach. The Trustees themselves have also shown leadership and have been proactive and forward thinking in their decision making.
- 5.3 One element of this positive approach has been a range of improvements to the harbour infrastructure through delivery of several development projects, including:

- An upgrade of the ice making facility in support of the local fishing fleet
- Installation of railings along a public walkway to prevent falls into the River Eye
- A replacement bridge over the River Eye – upgrading an essential pedestrian link between the two sides of the town
- Upgrade of the CCTV around the harbour, improving security and safety
- Installation of a solar array on the harbour building, providing an income stream and cutting energy costs.

None of this would have been possible without the technical and financial support of the Council.

- 5.4 The Trust has also put significant resources into planning and marketing activity to raise the profile of the harbour in the offshore wind industry. As a direct result of that project, Eyemouth continues to be considered as a potential 'operations and maintenance' base for the "Neart na Gaoithe" proposed offshore wind farm in the Firth of Forth. This would offer a key diversification opportunity for the harbour and local businesses and could bring significant economic benefits to the area. The Harbour Trust has been key in taking this work forward.
- 5.5 The Trust has been positive in working with the local community and supporting the work undertaken to develop a vision for Eyemouth. In order to develop its team, and to provide work opportunities for local young people, the Trust has also taken on two Modern Apprentices who are getting experience of working in an office and the day to day running of an active harbour.

- 5.6 The Trust has worked with other local partners to initiate a tourism related marketing campaign 'Visit Berwickshire Coast', which aims to increase footfall and visitor spend in the East Berwickshire area. Part of that has been the Trust's efforts to attract cruise ships to Eyemouth and the Scottish Borders. Since 2014, there have been 4 cruise calls to the harbour, bringing an additional 640 visitors into the area through the port's gateway.
- 5.7 Despite the positive progress the Trust has made in recent years in diversifying sources of income and controlling costs, the short term future remains challenging, with ongoing trading deficits forecast. If the Council was to withdraw support for the PWLB liability at this time, it is estimated that the harbour would once again be in a financial crisis within 2 years based on current financial forecasts.

6 IMPLICATIONS

6.1 Financial

- (a) The Executive Committee on 24 March 2015 agreed to underwrite the 50 year loan from the Public Works Loans Board for a 5-year period. This arrangement is now coming to an end and the Trust has asked the Council to continue to underwrite the loan from the Council's revenue budget.
- (b) This arrangement avoids the need to reassign the PWLB loan and the associated legal complexities. It is recommended that an extension of the agreement to make repayments on behalf of the Trust for a further 10-year period is put in place. This will provide improved long-term financial certainty which may enable the Trust to recover to a more sustainable financial position. This will be dependent on the on-going changes in the fisheries sector and the related value of landings at Eyemouth.
- (c) The costs to the Council of the proposal would be a recurring £62k per annum from 2020/21 onwards subject to review after 5 years. The funding is provided via existing Economic Development Service budget.

6.2 Risk and Mitigations

- (a) The key risk in relation to this issue is that the Council acts as guarantor for the repayment, with interest, of a £1 million loan provided to the Trust by the PWLB. If the Trust cannot meet repayments then the Council will have to repay the whole amount, or make long term repayments. If the Trust was to be wound up, it is likely that the responsibility for operating the Harbour would fall to the Council. It remains the case that closure of the Harbour would have a major economic impact on Eyemouth from both a fishing and tourism perspective, so that the Council would have to ensure its continued operation.

- (b) The nature of these risks indicates that the Council should continue to support the Trust as fully as possible and thereby agree to meet the PWLB repayments (£62k p.a.) for a period of 5 years. Even with this support the Trust faces very difficult trading conditions and will continue to require to work hard to control costs, to increase its income wherever possible, and to control its cash flow very closely.
- (c) The approach recommended will reduce the risk of the Council having to take over and run the Harbour, which would expose it to the costs above, plus a significant annual expenditure burden in operating the Harbour, and the additional risks of owning/operating a Harbour site.

6.3 Equalities

An equality impact assessment (EIA) is not required as this report relates to the continuation of existing marine economy support. A key aspect of the Council’s Economic Development Team’s work is to reduce barriers to economic inequality and encourage inclusive economic growth. Maintaining the economic viability of Eyemouth Harbour contributes to inclusive growth opportunities in East Berwickshire.

6.4 Acting Sustainably

The marine economy delivers a number of key outputs and outcomes that provide economic benefit and benefits to help sustain local communities. Eyemouth Harbour has a positive economic impact on the town and surrounding rural areas in East Berwickshire.

6.5 Carbon Management

There are no direct implications for the Council’s carbon emissions from this proposal.

6.6 Rural Proofing

Rural proofing is not required because this project does not change Council strategy or policy. However, the marine economy is important for the rural communities of East Berwickshire, often providing some of the limited employment opportunities in the area.

6.7 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to be made to the Scheme of Administration or the Scheme of Delegation as a result of this report.

8 CONSULTATION

- 8.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR, the Clerk to the Council and Communications are being consulted and their comments will be reported at Committee.

Approved by

David Robertson
Chief Financial Officer

Signature

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Background Papers: None

Previous Minute Reference: Executive Committee, 24 March 2015

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