

<b>MEETING</b>	<b>COUNCIL BOARD</b>
<b>DATE</b>	<b>1 November 2011</b>
<b>TITLE</b>	<b>Hafan, Pwllheli</b>
<b>PURPOSE</b>	<b>To seek the Board's approval</b>
<b>RECOMMENDATION</b>	<p>a) To support the Hafan, Pwllheli Action Plan and associated funding arrangements</p> <p>b) To note the need to respond rapidly to the various challenges facing Hafan and reduce the financial risks to the Council during 2012/13</p> <p>c) To note the intention to move ahead to prepare a long term plan for Hafan, Pwllheli</p>
<b>AUTHOR</b>	<b>Sioned Williams, Head of Economy and Community Department</b>
<b>PORTFOLIO LEADER</b>	<b>Councillor Roy Owen</b>

## **1. BACKGROUND**

- 1.1 Since its development at the beginning of the 1990s, Hafan, Pwllheli has evolved to be one of the best sailing destinations in western Britain. It provides 410 pontoon pontoons and offers access to the best sailing waters in the UK. Hafan offers a range of marina facilities including offices, changing rooms, showers, toilets, a safe boat storage area, a 40 tonne crane, a mobile crane and parking provision.
- 1.2 Over the years, Hafan, Pwllheli has been very successful in establishing Pwllheli as an international sailing destination and in doing so also stimulating economic activity in the area. In 2002, the Council commissioned an economic impact assessment of Hafan and, based on this research work, it was estimated that Hafan had created or supported approximately 200 jobs and had resulted in a £20 million turnover in the local economy annually. Also, associated benefits such as improving the image of the area, amenities, marketing profile and business confidence were also identified. The Hafan therefore is an extremely important economic asset which also contributes to the Council's financial strategy.
- 1.3 Pwllheli also attracts a number of national and international events and competitions. Within sailing circles, Pwllheli is considered to be one of three locations which can host major dingy sailing competitions (the other two being Weymouth in England, and Largs in Scotland). This year, as well as hosting a number of smaller competitions, Pwllheli Sailing Club attracted 11 key championships involving approximately 1,500 competitors. This success also reflects the outstanding sailing waters within Tremadog Bay.
- 1.4 However, several challenges have been identified which could result in undermining the success associated with Hafan. There is a broad range and complexity of considerations involving Hafan and the harbour in Pwllheli, but the main challenges can be summarised as follows:

- i) The economic recession has had an impact on the maritime sector (and demand for pontoons)
- ii) Silting levels in the channel affecting the access to the harbour
- iii) Lack of capacity in suitable locations for disposing of dredged material from the harbour
- iv) Recent increase in costs such as VAT and fuel which affect the marine sector
- v) The delicate condition of the maritime sector has led to increasing competition amongst marinas for customers

1.5 The purpose of this report is to try to summarise the main considerations associated with the aforementioned matters and to present an action plan in order to respond positively to the situation. The Action Plan has been developed in order to respond immediately and specifically for the 2012/13 season onwards. However, individual measures are also likely to contribute to long term improvements.

1.6 In the Department's Business Plan for 2011/12, it is intended to undertake a review of the management arrangements for Hafan, Pwllheli, taking the development of the Sailing Academy, the management of the harbour, the dredging strategy and future opportunities into account. As part of the work, it is also intended to commission a report considering long term management models. It is anticipated that this will be initial work, and further work will be required to weigh up the various considerations such as the Council's priorities and objectives, responsibilities, deliverability, financial risks, and possible timescales. In practice, it is not anticipated that the important investment of the Pwllheli Sailing Academy will be completed until 2013 and there is a need for a coherent and sustainable plan for the long term which will maximise the value and potential of the associated resources.

1.7 As a result of the current situation, it is also worth noting a great deal of officers' time and efforts have been spent on trying to respond to the current challenges. In order to maximise the value of Hafan, the current challenges need to be responded to, which would also provide a basis and contribute to the future success of the Hafan.

## **2. KEY MATTERS ARISING**

2.1 Whilst noting the broad range of the current challenges facing Hafan, two key matters are central to them, which are also within the Council's control, namely:

- a) Harbour (and channel) dredging matters
- b) Hafan Pwllheli annual fees

2.2 These key matters are considered in turn.

### **2.3 Harbour Dredging Matters**

2.3.1 Gwynedd Council is responsible for dredging matters in the channel and within the harbour. This is undertaken by the Coastal Defence Unit, Gwynedd Consultancy Department with input from the Maritime Unit, Economy and Community Department.

- 2.3.2 Prior to arranging any dredging work within the harbour, a range of statutory consents (planning permission, FEPA licences, Coastal Protection Consent etc) from various statutory agencies are required. Also, there are several environmental designations and considerations relating to the area including Special Area of Conservation, Site of Special Scientific Interest and a nature reserve. In practice, we need to prepare proposals which take account of the environmental restrictions and designations and, often, the work of preparing the details and necessary data can be lengthy and costly.
- 2.3.3 In the case of Pwllheli harbour there are other important restrictions which are relevant in terms of preparing or implementing schemes, such as:
- Lack of capacity for disposing dredged material from the harbour
  - Substantial capital cost involved with dredging schemes
- 2.3.4 In 2008, the Council prepared a long term Dredging Strategy which incorporated the relevant constraints. In accordance with this strategy, a substantial dredging programme was arranged in 2010 - however the contractor experienced operational difficulties and there was a substantial delay in completing the work. In general, it appears that the scheme has fulfilled the objective of dredging in line with the design level; however, it appeared that some areas in the channel were marginal and likely to silt further with time.
- 2.3.5 During winter 2010/11, extremely high levels of silting were experienced near the channel entrance and further work was arranged in April 2011 to remove over 54,000 tonnes. There were also levels of silting in specific places in the channel and further work to level out the harbour bed was arranged during the summer as a temporary measure only. Silting in specific areas of the channel can restrict access in and egress out of the harbour, dependent on the condition of the tide and the depth of the vessels.
- 2.3.6 The past two years in particular have shown the strength of the natural coastal processes at work and how changeable the harbour environment is. Hydrographic Surveys show that the natural depth of the channel has moved to where piles and moorings are present. In planning for the future, relocating some of the piles would allow the natural depths of the channel to be used for navigational purposes, and reduce the need for substantial dredging and its disposal.
- 2.3.7 A key element when considering dredging matters is the method / location for disposing of dredged material. Historically, a stockpile has been located near to the mouth of the harbour with the sediment used for beaches replenishment, with grant assistance of up to 85% offered by the Assembly. Unfortunately, this grant is not available and this stockpile area is completely full at present and there is a real need to move it.
- 2.3.8 In 2001, the Council also established a stilling lagoon with a capacity for up to 22,000 m<sup>3</sup> of sediment on a plot of land to the south of Hafan. This lagoon was emptied for the first time in 2010 (as part of the dredging scheme) but as a result of the substantial silting experienced in 2010/11 this lagoon is already half full. The current lack of capacity to deal with sediment from the harbour is a significant barrier at present.

2.3.9 In view of the developments over the last three years, and the development of the Pwllheli Sailing Academy proposal, an opportunity exists to review and update the Dredging Strategy for the harbour area.

#### 2.4 Hafan Pwllheli Annual Fees

2.4.1 Over the years, Hafan has been very successful with all the pontoons normally full from year to year along with a waiting list. It is likely that the success and the significant demand for pontoons have been a consideration when the fees have been revised since 2005/6 when the following increases were seen:

<u>Year</u>	<u>Inflation</u>	<u>Increase in fees</u>
2005/6	5.00%	+ 10%
2006/7	2.44%	+ 6%
2007/8	2.63%	+10%
2008/9	2.96%	+6%
2009/10	3.26%	+4%
2010/11	0.64%	0
2011/12	1.90%	+1%
<b>Accumulative Total</b>	<b>20.0%</b>	<b>42.8%</b>

2.4.2 During this period, the demand for pontoons remained high, and the increases in fees also enabled the Council to establish dredging and maintenance funds to invest in the Hafan.

2.4.3 At present, the annual fees for pontoons in Pwllheli are amongst the highest in Wales. The following table shows rough comparisons with other locations in Wales:

<u>Location</u>	<u>Annual Fee (£/m)</u>	<u>Example: 9m Boat</u>	<u>Tide Access (HW+/-)</u>
Deganway	£379	£3,411 p.a.	3.5
Hafan, Pwllheli	£355	£3,195 p.a.	5
Conwy	£352	£3,168 p.a.	3.5
Holyhead	£318	£2,262 p.a.	Full Access
Neyland	£310	£2,790 p.a.	Full Access
Port Dinorwig	£290	£2,610 p.a.	3
Aberystwyth	£288	£2,592 p.a.	3
Penarth	£257	£2,313	Full Access
Swansea	£230	£2,070 p.a.	4.5
Cardiff Bay	£220	£1,980 p.a.	Full Access
Victoria Dock	£213	£1,917 p.a.	3
Milford Haven	£196	£1,764 p.a.	4

(Source: PBO 2011 Marina Price Guide)

2.4.4 The financial climate has had an effect on the marine sector, with some locations developing marketing campaigns and financial packages to retain or attract customers. This year, it was seen that some customers moved from Pwllheli to other locations along the coast.

- 2.4.5 As well as the wider economy, the maritime sector has also faced additional challenges such as an increase in VAT rate, a substantial increase in fuel prices and a reduction in bank loans which has affected the sale of boats. The Council has attempted to respond to the situation by not increasing the fees (or inflation) in 2010/11 or in 2011/12 (inflation of 1%).
- 2.4.6 However, at present (2011/12 year) approximately 47 pontoon berths are empty in the Hafan. Although the Hafan continues to generate a substantial net income, it is estimated that 47 empty berths reduces the annual income by approximately £165,000
- 2.4.7 When trying to question customers about their decision to leave Pwllheli or end the agreement, several reasons have been given, such as:
- Annual fees and other costs
  - The channel entrance has been reduced by silting leading to restricted use
  - Financial climate
  - Competitive packages offered by other locations
- 2.4.8 In preparing the Action Plan, it is believed that opportunity exists to respond positively to the aforementioned matters in order to strengthen the status of Hafan, Pwllheli as a competitive and successful location.

### 3. FINANCIAL PROFILE AND RISKS

- 3.1 The Hafan budget can be summarised as follows (based on 2011/12 budget)

<b>HAFAN, PWLLHELI BUDGETS</b>	£
<b>Income Target</b>	
Pontoons Fees (100%)	(1,321,850)
Other Fees	(285,620)
<b>Sub-total</b>	<b>(1,607,470)</b>
<b>Costs</b>	
Staff	261,260
Crown Lease Agreement	160,750
Dredging Fund	112,380
Capital Costs – Asset Rent	38,540
Other Costs	266,770
<b>Sub-total</b>	<b>839,700</b>
<b>Hafan 2011-12 Final Budget</b>	<b>(767,770)</b>

- 3.2 The Hafan's budgets show a surplus of £767,770. In addition, Maritime Funds have been established (by increasing fees above inflation) worth £109,830. The difference between the Hafan's final budget and expenditure on the maritime funds (approximately £657,870) contributes towards the Council's Financial Strategy.

<b><i>Maritime Funds</i></b>	
<i>Safety Boat Replacement Fund</i>	<i>£41,020</i>
<i>Hafan and Maritime Replacement and Improvements Fund</i>	<i>£68,810</i>
<i>Total</i>	<i>£109,830</i>

- 3.3 At present, approximately £112,380 is allocated to the Dredging Fund annually. Historically, dredging schemes have been organised every three or four years when adequate funding is available.

#### Condition of the Market

- 3.4 The economic recession has affected the maritime sector which is in a delicate condition at present. It is true to say that marina developments over the last decade have increased the supply of pontoons; however, more recently, some marinas have been seen being more proactive in attracting new customers. In an increasingly competitive market it is likely that should the Council not respond positively, the demand for pontoons would reduce and the associated income would also reduce.
- 3.5 During the last year, there has been a reduction in the number of customers in Hafan, with approximately 47 pontoons empty which reflects the nature of the current challenges. Despite uncertain macro economic forecasts, there is an opportunity for the Council to respond positively to the situation by responding to the requirements of the market. In light of the current challenges, failing to respond could result in an increasing number of pontoons being empty for 2012/13, which would involve a risk of a further reduction in income.
- 3.6 Hafan is an extremely important economic asset for the area, especially the town of Pwllheli. Naturally, empty pontoons mean that the resources are not used in full, which results in a reduction in activities. Vacant pontoons have an effect on businesses around the harbour due to the reduction in customers and business. Since Hafan was established, an important cluster of maritime businesses have developed in Pwllheli and it is clear a close correlation exists between the prosperity of these companies and a successful Hafan. An increase in the number of vacant pontoons therefore has further implications for the local economy.

#### **4. HAFAN PWLLHELI ACTION PLAN 2012/13**

- 4.1 In order to respond to the challenges facing Hafan and to show the Council's commitment to the success of the Hafan, the harbour and associated businesses, the following Action Plan has been prepared. It has been prepared taking into account various constraints and opportunities with measures developed to make the Hafan more attractive and competitive in order to ensure its future success.
- 4.2 A summary of the Action Plan is seen in **Appendix 1**.

- 4.3 In essence, it is a plan to attract more customers to Hafan in order to maximise the income for the local economy and the Council's financial strategy.

Financial Assumptions

- 4.4 During the 2011/12 season, 47 pontoons were empty and, consequently it is estimated that the income loss for the authority was approximately £165,000. In view of the current challenges, there are concerns that the number of empty pontoons could significantly increase in 2012/13 unless measures are put in place to resolve the situation. A loss of between approximately 60 and 70 boats would result in a situation where as little as 300 out of the 410 pontoons would be in use.
- 4.5 The following estimate provides an illustrative summary of the effect of options on the possible demand for pontoons in Hafan for 2012/13, and the associated implications on the income levels.

	<b>Implementation 'Cost'</b>	<b>Estimated Pontoons</b>	<b>Gross Income</b>	<b>Income Reduction (compared full)</b>
<b><u>2011/12</u></b>				
<i>Current Situation</i>	-	363	£1,270,500	<b>£164,500</b>
<b><u>2012/13</u></b>				
<b><u>Option 1</u></b> 'Do nothing'	None	310	£1,085,000	<b>£350,000</b>
<b><u>Option 2</u></b> No fee increase (or inflation)	£70,000	350	£1,225,000	<b>£210,000</b>
<b><u>Option 3</u></b> Increase Fees (4.2%) Discount Scheme	£100,000	360	£1,260,000	<b>£175,000</b>
<b><u>Option 4</u></b> No fee increase Discount Scheme	£170,000	390	£1,365,000	<b>£70,000</b>

\*Income Target (100% of 410 = £1,435,000)

- 4.6 Option 4 is based on measures which have been incorporated in the proposed Action Plan. It is estimated that it could be possible to fill up to 390 of the pontoons which would create an additional income of approximately £280,000 compared with 310 pontoons full.
- 4.7 Whilst the implementation costs have been identified in terms of not increasing the annual fees, along with introducing a discount scheme, the estimations noted above show that increasing the demand for pontoons would result in a net increase in income. It is unlikely that all Hafan pontoons will be full during 2012/13 and, as part of the Council's

financial management arrangements, it is also recommended that there is a need to adapt the income target (£70,000).

#### Funding the Action Plan

- 4.8 The challenges currently facing Hafan have been identified as a significant risk during the ‘Cyflawni’ business planning process. The value or cost of adopting the proposed arrangements in relation to the 2012/13 fees include not increasing inflation (£70,000); and introducing a discount scheme to customers who customers who would purchase their pontoons immediately for 2012/13 (£100,000).
- 4.9 As previously noted, Hafan budgets include annual financial contributions of £112,380 to the Dredging Fund and £109,830 to the Maritime Funds (equipment, pontoons etc.).
- 4.10 It is recommended that current balances within these funds are used to carry out urgent work to remove the stockpile from the channel entrance, and navigation improvements within the channel. The proposed work would offer improvements for the 2012/13 season as well as offer long term advantages and opportunities.

		<u>Hafan Action Plan</u>
<b>DREDGING FUND</b>		
<u>Current Balance</u>	<u>£40,000</u>	
	-£40,000	Removal of stockpile from entrance
Remaining Balance 2011/12	£0	
<b>MARITIME FUNDS</b>		
<u>Current Balance</u>	<u>£434,000</u>	
Less Hoist Commitment	-£160,000	
Less Tractor Commitment	-£30,000	
Sub-total	<u>£244,000</u>	
	-£110,000	Removal of stockpile from entrance
	-£50,000	Navigation improvements
<u>Remaining Balance 2011/12</u>	<u>£84,000</u>	

- 4.11 There is increasing pressure on these funds due to the age of equipment along with historic considerations which highlight dredging requirements.
- 4.12 Investment needs have already been identified for 2013/14 (e.g. taking advantage of equipment and machinery in terms of the Sailing Academy Scheme, renewing operational equipment) and securing annual contributions to these funds will be paramount during the coming years.

#### Timetable

- 4.13 The Action Plan has been developed with the intention of offering a suite of operational measures which respond to current challenges and customer needs, which could also raise



confidence within the sector and ensure that Hafan Pwllheli remains attractive, competitive and successful.

- 4.14 In order to take full advantage, the package would need to be promoted and marketed, in particular the proposed fees for 2012/13 and any discount scheme, during November 2011. Any delay after this could undermine the efficacy of the measures to retain existing customers and / or attract new customers to Hafan since the Autumn is a key period during when customers make arrangements for the next season.
- 4.15 It is anticipated that there will be strong competition for customers this year and it is hoped that confirming the Action Plan arrangements will enable the Council to be proactive in marketing Hafan during this important period. Adopting the discount scheme (as is already operational in other locations) would offer encouragement to customers to confirm arrangements and register before the end of December. Even at the end of this period, there will be an opportunity for the Council to continue with its marketing campaign and promote the resources of Hafan along with various aspects of the Action Plan.
- 4.16 Some aspects of the Action Plan will offer immediate improvements for the 2012/13 season, and other aspects will need to be developed further during this period and consider long term needs. Hafan Pwllheli is an extremely valuable asset, and even given current challenges, opportunities exist to respond and ensure the future success of the Hafan.

## **5. RECOMMENDATIONS**

- 5.1 It is recommended that the Board:
- a) Supports the Hafan Pwllheli Action Plan and associated funding arrangements
  - b) Notes the need to respond rapidly to the various challenges facing Hafan and reduce the financial risks to the Council during 2012/13
  - c) Moves ahead with the proposal of putting a long term plan in place

---

A Opinion of the Local Member:

---

B Opinion of the Statutory Officers:

1. Chief Executive

“The note in paragraph 1.3 summarises the challenges that the Hafan faces. As the report highlights, there is a need to address issues in the short and longer term. I approve the recommendations as they stand.”

2. Monitoring Officer:

“Nothing to add regarding propriety.”

3. Chief Finance Officer:

“As section 1.6 of the Head of Economy and Community’s report states, there will be a review with a vision on maximising the long term benefit of the Council’s assets at Pwllheli Harbour. Over the last successful decade, please note with regard to 2.4.1 that there will be an opportunity to increase prices over inflation and success in order to attract income for the benefit of the Council’s Maritime Unit as explained in 3.1 and 3.2. By now, the condition of the general market, competition in the specific sector, and the environment in the harbour/channel means that it won’t be possible to continue to contribute approximately £650 to the Council. By providing a commercial resource, a supply response is required to the change in demand for services, and I believe that the implement scheme is a fair response to the Hafan’s challenges. A commitment of £240,000 in the budget for 2012/13 means - £70,000 to acknowledge a probable 70% usage level of the moorings (instead of 100%), another £70,000 in order to freeze inflation (0% instead of 4.2%) on the income target, and £100,000 (once in 2012/13) for the discount scheme.

Obviously, this will intensify the Council’s difficult financial situation, however the opinion of the relevant managers is that rising fees means a reduction in the demand in moorings and a further loss, and it must be acknowledged that a number of commercial units will have to reduce their prices this year. Furthermore, it is asked in this report for early decisions that prejudice the 2012/13 budget processes and decisions on the ‘bids’, however the report’s author will be able to explain the commercial justifications over implementing and offering early terms.”

---

C Background Papers:

---

CH. Policy Implications:

---

**APPENDIX 1: HAFAN, PWLLHELJ ACTION PLAN 2012/13**

	<b>Plan / Aspect</b>	<b>Brief Description</b>	<b>Associated opportunities</b>	<b>Implementation Cost</b>	<b>Timetable</b>
1.	Hafan, Pwllheli Annual Fees for 2012/13	Ensure no increase in fees for Hafan for 2012/13. Arrangements to be published immediately in order to encourage existing customers to remain in Pwllheli.	<ul style="list-style-type: none"> <li>• Respond to our customers and fragile market</li> <li>• Reduce the likelihood of several customers leaving Hafan</li> <li>• Reduce the number of empty pontoons</li> <li>• Reduce financial risks to the Council</li> </ul>	Estimated inflation £70,000 (4.2%)	November 2011
2.	Adjustment to 2012/13 Income Target	Adjust Hafan income target based on 95% occupancy	<ul style="list-style-type: none"> <li>• 100% occupancy unlikely to be achieved during 2012/13</li> <li>• Strengthen financial management within the Council</li> </ul>	£70,000	November 2011
3.	Financial Incentive Package	Offer a package of incentive measures for Hafan users, including a Discount Scheme for customers who register payments for 2012/13 before the end of December 2011.  Arrangements to be promoted immediately in order to encourage existing and new customers to register for 2012/13.	<ul style="list-style-type: none"> <li>• Hafan will be more competitive</li> <li>• Stimulate additional demand for pontoons</li> <li>• Attract new customers</li> <li>• Reduce the number of empty pontoons</li> <li>• Reduce financial risks to the Council</li> <li>• Reduce competition from other locations</li> </ul>	£100,000	November 2011
4.	Removal of stockpile from entrance channel	Removal of existing sediments as part of beach replenishment / flood reduction scheme.  Increase the area's capacity to store and dispose of sediments in future.	<ul style="list-style-type: none"> <li>• Increase capacity and overcome dredging barrier</li> <li>• Improvements to neighbouring beaches (and reducing flood risk)</li> <li>• Contribute to long term provision and strategy</li> <li>• Facilitate future dredging options</li> </ul>	£150,000 (Dredging / Replacement Funds)	March / April 2012

	<b>Plan / Aspect</b>	<b>Brief Description</b>	<b>Associated opportunities</b>	<b>Implementation Cost</b>	<b>Timetable</b>
5.	Navigation improvements in the channel	Measures for improving navigation to access the harbour. The proposal includes relocating pontoons in the channel and/or further levelling work as required	<ul style="list-style-type: none"> <li>Natural channel offers deep access to the harbour</li> <li>Improvement for the 2012/13 season</li> <li>Respond to concerns about access to the harbour</li> <li>Contribute to long term strategy</li> </ul>	£50,000 (Replacement Fund)	March 2012
6.	Pwllheli Sailing Academy Scheme Opportunities	The preparation work on the Academy Scheme is underway. Opportunity to plan together and make further use of the dredging machinery and equipment to be used in 2013. Opportunity to update and review the long term Dredging Strategy.	<ul style="list-style-type: none"> <li>Opportunity to incorporate dredging needs with financial savings when planning together</li> <li>Preparation work is underway.</li> <li>Increase confidence amongst local businesses</li> <li>Plan for the long term</li> </ul>	To be confirmed (Dredging Fund)	2012/13 period
7.	Promotion and Marketing	Campaign to raise awareness of the measures to be implemented within the Action Plan. Marketing the availability of pontoons in Pwllheli to the maritime sector, targeting industry publications.	<ul style="list-style-type: none"> <li>Raise awareness of measures</li> <li>Communication Plan – for marketing and sharing information between various local organisations</li> <li>Reduce the number of empty pontoons</li> <li>Opportunity to raise awareness of the Sailing Academy investment</li> </ul>	Work programmes and core revenue	November 2011
8.	Investments in Hafan	Opportunity to raise awareness of the proposed improvements and investments for Hafan (e.g. purchase of new Hoist)	<ul style="list-style-type: none"> <li>Raise awareness of the Council's commitment to Hafan</li> <li>Implement Communication Plan</li> <li>Increase confidence regarding long term commitment</li> </ul>	Various	November 2011