



<b>Meeting(s):</b>	Harbour Board	6 March 2017
<b>Report Title:</b>	Ports and Harbours Performance Report – 3 <sup>rd</sup> Quarter 2016/17	
<b>Reference Number:</b>	PH-01-17F	
<b>Author / Job Title:</b>	Acting Executive Manager Ports & Harbours	

<b>1.0</b>	<b>Decisions / Action required:</b>
1.1	The Harbour Board should consider the performance of the Ports and Harbours Service against its stated objectives and planned actions and give direction on any aspect of the managerial and operational activities as Duty Holder under the Port Marine Safety Code.
<b>2.0</b>	<b>High Level Summary:</b>
2.1	The Ports and Harbours Service Plan 2016/17 is grouped under four main themes, a summary of overall progress on each is provided below along with an indication of where issues have arisen.
2.2	<b>Effective Management Systems</b>  Highlights <ul style="list-style-type: none"> <li>○ Review and update of harbour dues carried out in consultation with users.</li> <li>○ Programme of SMS &amp; ISM audit, review update and training.</li> </ul>
2.3	<b>Technical Projects</b>  Highlights <ul style="list-style-type: none"> <li>○ Tug bare boat charter concluded, Tug Tirrick to be marketed and sold.</li> <li>○ Scalloway Fishmarket Outline Business Case approved, professional advisors appointed, Full Business Case prepared.</li> <li>○ VTS Radar upgrade tenders being evaluated.</li> <li>○ Toft Pier interim options in place and Strategic Outline Case prepared.</li> </ul>
2.4	<b>Workforce Planning and Development</b>  Highlights <ul style="list-style-type: none"> <li>○ Harbourmaster appointment made.</li> <li>○ Team leader - Port and Marine Operations appointment made.</li> <li>○ Future workforce planning activity continues in light of possible SVT</li> </ul>

	operational changes, projected tanker movement numbers and the strategic review of the Port of Sullom Voe.
	<p>Issues</p> <ul style="list-style-type: none"> <li>○ The number of change pressures affecting the workforce; future volume uncertainty, changes to technology, potential for changing responsibilities, age profile, etc. makes planning very complex.</li> </ul>
<b>2.5</b>	<b>Strategic Planning</b>
	<p>Highlights</p> <ul style="list-style-type: none"> <li>○ Dialog on SVT operational arrangements, jetty provision and maintenance and joint BP/SIC joint pollution response arrangements continuing.</li> </ul> <p>Issues</p> <ul style="list-style-type: none"> <li>○ Change of SVT operator opportunities and issues under evaluation.</li> </ul>
<b>2.6</b>	Details of progress on the actions set out in the 2016/17 Ports & Harbours Service Plan is set out in Appendix 1 to this report.
<b>3.0</b>	<b>Corporate Priorities and Joint Working:</b>
<b>3.1</b>	<p>Effective Planning and Performance Management are key aspects of Best Value and features of “Our Plan”, the Council’s Corporate Plan 2016-2020.</p> <ul style="list-style-type: none"> <li>• Our performance as an organisation will be managed effectively, with high standards being applied to the performance of staff and services. Poor performance will be dealt with, and good service performance will be highlighted and shared.</li> </ul>
<b>3.2</b>	Shetland is a group of islands and Our Plan identifies transport links to and from, and within, the islands as our life blood. Shetland’s Ports and Harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right Ports & Harbours infrastructure in place that cannot happen and new business opportunities and wealth creation cannot take place.
<b>3.3</b>	If we are to enjoy a strong economy with well-paid jobs we have to make sure that we have the Port infrastructure required to support key business sectors, especially those depending on the utilisation of local resources, meet individual and business needs and deliver economic growth.
<b>4.0</b>	<b>Key Issues:</b>
<b>4.1</b>	The Harbour Board is invited to comment on any matter which they see as significant to sustaining and improving service delivery.
<b>5.0</b>	<b>Exempt and/or confidential information:</b>
	None

6.0	<b>Implications :</b> <i>Identify any issues or aspects of the report that have implications under the following headings</i>
<b>6.1 Service Users, Patients and Communities:</b>	Relevant consultation with customers and other stakeholders is on-going as an integral part of each aspect of service delivery. The consultation on fees and charges has taken into account harbour users feedback.
<b>6.2 Human Resources and Organisational Development:</b>	<p>There are a number of actions in this service plan with staffing implications. Care is taken to ensure that staff are involved and informed about plans that might affect them, that HR are closely involved and that relevant Council policies are followed.</p> <p>A contract with specialist HR support for the recruitment of Harbourmaster has been placed with Navis Consulting This has been done as a single sourced procurement due to their proprietary knowledge from the previously tendered ports benchmarking exercise.</p>
<b>6.3 Equality, Diversity and Human Rights:</b>	None
<b>6.4 Legal:</b>	Specialist legal advice sourced through existing contracts has been used to support some actions, particularly around the acquisition and disposal of vessels. The Council's shipbrokers are also closely involved in providing advice on these actions.
<b>6.5 Finance:</b>	The actions, measures and risk management described in this report will be delivered within existing approved budgets and are aimed at ensuring delivery of the Council's agreed budget strategy.
<b>6.6 Assets and Property:</b>	There are a number of actions and projects that have significant asset implications, particularly in relation to boats, piers and other harbour infrastructure. Council support services, through Estates Services, Capital Projects and Procurement, have been involved early in all relevant proposals. All projects are also subject to the Council's Gateway Process for capital prioritisation.
<b>6.7 ICT and new technologies:</b>	None
<b>6.8 Environmental:</b>	None
<b>6.9 Risk Management:</b>	Embedding a culture of continuous improvement and customer focus are key aspects of the Council's improvement activity. Effective performance

	<p>management is an important component of that which requires the production and consideration of these reports. Failure to deliver and embed this increases the risk of the Council working inefficiently, failing to focus on customer needs and being subject to further negative external scrutiny.</p> <p>The Port Marine Safety Code requires that all marine risks are formally assessed and are eliminated or reduced to as low as reasonably practicable in accordance with good practice.</p>	
<b>6.10 Policy and Delegated Authority:</b>	<p><b>Harbour Board</b></p> <p>Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code.</p> <p>Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function.</p> <p>Consider all development proposals and changes of service level within the harbour undertaking; including dues and charges, and make appropriate recommendations to the Council</p>	
<b>6.11 Previously considered by:</b>	None	

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**Appendices:**

*Appendix 1 – Action Plan Summary*

**Background Documents:**

*Ports & Harbours Service Plan 2016/17*

Item	Status	
<b>Management Systems</b>		
Programme of SMS & ISM audit, review, update and training	Short term plan in place, Implementation of PMSC external review recommendations by end March 2017.	<b>G</b>
Review Tug Maintenance Management	Immediate maintenance actions including drydocks carried out from May to October 2016.	<b>G</b>
Ensure all contracts are let in line with Council procurement procedures	Regular Procurement staff engagement. Tug Tender, VTS Radar, Scalloway Fishmarket tenders out, Tender documents for term contract for Electrical & Mechanical services with Procurement & Legal, to be issued by end March 2017.	<b>G</b>
Review and update Table of Dues in consultation with users.	Informal and formal Harbour User meetings held. Short life team convened to review and update table of dues. New table of dues recommended for Council approval March 2017.	<b>G</b>
Monitor Revenue budgets and prepare for next year's budget exercise	Quarterly Budget meetings with Finance.	<b>G</b>
Review Risk management registers and make sure they are up to date	Arrangements reviewed, improvement recommendations implemented.	<b>G</b>
<b>Technical Projects</b>		
VTS Radar	Tender documents issued, tenders back, award March 2017.	<b>G</b>
Gluss Lights	New lights have arrived from supplier, to be installed in line with VTS works.	<b>G</b>
Tug Bareboat Charter	Tender evaluation complete, anticipated contract award March 2017, charter vessel in service for April/May 2017. Tug Tirrick to be marketed and sold.	<b>G</b>
Toft Pier	Interim options implemented, Strategic Outline Case reported March 2017.	<b>A</b>
Scalloway Fishmarket	Outline business case for refurbished / extended Scalloway Fishmarket approved by Council October 2016. Professional advisors being appointed, Full Business Case to be reported March 2017.	<b>G</b>

Item	Status	
<b>Workforce Development</b>		
Meeting the requirements of the new STCW qualification regime	Training programme completed by December 2016 including arrangements to ensure Ops continue safely during periods of staff absence.	<b>G</b>
Management Review & Engineering workshop supervision arrangements	Proposals approved by Council, implementation proceeding. Team Leader Port and Marine Operations appointed, Harbourmaster appointment made March 2017.	<b>G</b>
Workforce planning for coming years – Anticipated Traffic Changes / Port Operations Changes / Aging Workforce / Effective Management and Supervision Arrangements	Traffic forecasts updated, considering proposals from BP on future operational requirements, holding discussions around pollution response, considering potential for Shuttle Tanker and other business opportunities to inform additional demand and options.	<b>G</b>
<b>Strategic Planning</b>		
Investigate and plan a sustainable future for Sullom Voe Harbour in partnership with Government and the Oil industry	Update report June 2016, further evidence gathering and evaluation ongoing. Next update to Council mid 2017	<b>G</b>
Small Ports Development/Maintenance plan	2016/17 works being carried out. Anticipated expenditure in 2017/18 and future years approved in October 2017 for Capital Programme and Revenue budget setting.	<b>G</b>
Ferry Terminals Development/ Maintenance plan	2016/17 works being carried out. Anticipated expenditure in 2017/18 and future years approved in October 2017 for Capital Programme and Revenue budget setting.	<b>G</b>
Marketing strategy for Scalloway Harbour	Attendance at Fishing exhibition Aberdeen – May 2016. Feature and advertise in relevant publications. Progress joint working with LPA where possible. Planning for Oil & Gas expo 2017 with other promotional work.	<b>G</b>
Clarify the potential for future shuttle tanker operations using Port of Sullom Voe	Report on potential for shuttle tanker operations completed by Wood Mackenzie November 2016, findings being considered. Further engagement with SVT, OGA, other shipping service partners and potential customers planned to investigate progressing opportunities.	<b>G</b>



<b>Meeting(s):</b>	Harbour Board	6 March 2017
<b>Report Title:</b>	Management Accounts for Harbour Board: 2016/17 - Projected Outturn at Quarter 3	
<b>Reference Number:</b>	F-016-F	
<b>Author / Job Title:</b>	Jonathan Belford, Executive Manager - Finance	

### 1.0 Decisions / Action required:

- 1.1 The Harbour Board RESOLVES to review the Management Accounts showing the projected outturn position at Quarter 3.

### 2.0 High Level Summary:

- 2.1 The purpose of this report is to enable the Harbour Board to monitor the financial performance of services within its remit to ensure that Members are aware of the forecast income and expenditure and the impact that this will have with regard to delivering the approved budget. This report shows the projected financial consequence of the service performance detailed in the Ports & Harbours Performance Report, and allows the Board the opportunity to provide early instruction to officers to address any forecast overspends or shortfall in income in order that the budget is delivered by the year-end.
- 2.2 This report describes the projected outturn position for 2016/17 as at the end of the third quarter for revenue and capital. The forecasts have been determined by Finance Services after consultation with the relevant budget responsible officers.
- 2.3 The projected outturn position for services under the remit of the Harbour Board is a reduction in surplus of £317k (3%) on revenue, which means that the services under the remit of the Board are not on course to provide their budgeted surplus to reserves.
- 2.4 The projected outturn position for the services under the remit of the Harbour Board is an underspend of £1.927m on capital in 2016/17, with a requirement for slippage of £1.466m to 2017/18 resulting in an overall underspend of £461k (15%), which means that the services under the remit of the Board are collectively on course to spend less than their Council approved budget.
- 2.5 The projected outturn position for the Shetland Gas Plant is an increase in income of £59k (9%).
- 2.6 See appendices 1 and 2 attached for detailed information on the revenue and capital outturn position.

### 3.0 Corporate Priorities and Joint Working:

3.1	There is a specific objective in the Corporate Plan that the Council will have excellent financial management arrangements to ensure that it continues to keep a balanced and sustainable budget, and is living within its means; and that the Council continues to pursue a range of measures which will enable effective and successful management of its finances over the medium to long term. This involves correct alignment of the Council's resources with its priorities and expected outcomes, and maintaining a strong and resilient balance sheet.
<b>4.0 Key Issues:</b>	
4.1	On 10 February 2016 (SIC Min Ref: 2/16) the Council approved the 2016/17 revenue and capital budgets for the Council (including the General Fund, Harbour Account, Housing Revenue Account and Spend to Save) requiring a draw from reserves of £8.106m. It is vital to the economic wellbeing of the Council that the financial resources are managed effectively and expenditure and income is delivered in line with the budget, as any overspends will result in a further draw on reserves and would be evidence that the Council is living beyond its means.
4.2	This report forms a part of the financial governance and stewardship framework which ensures that the financial position of the Council is acknowledged, understood and quantified on a regular basis. It provides assurance to the Corporate Management Team and the Board that resources are being managed effectively and allows corrective action to be taken where necessary.
<b>5.0 Exempt and/or confidential information:</b>	
5.1	None
<b>6.0 Implications : <i>Identify any issues or aspects of the report that have implications under the following headings</i></b>	
<b>6.1 Service Users, Patients and Communities:</b>	None
<b>6.2 Human Resources and Organisational Development:</b>	None
<b>6.3 Equality, Diversity and Human Rights:</b>	None
<b>6.4 Legal:</b>	None
<b>6.5 Finance:</b>	The 2016/17 Council budget does not require a draw on reserves in excess of the returns that the fund managers can make on average in a year, and therefore demonstrates that the



	<p>Council is living within its means. To achieve this, a one-off underspend from the 2015/16 budget has been used to balance the General Fund. This is a one-off solution for 2016/17.</p> <p>For every £1m of reserves spent in excess of a sustainable level will mean that the Council will have to make additional savings of £73k each year in the future as a result of not being able to invest that £1m with fund managers to make a return.</p> <p>It is therefore vital that the Council delivers its 2016/17 budget, and this report demonstrates that the services under the remit of the Harbour Board are not projecting to achieve this.</p>
<b>6.6 Assets and Property:</b>	None
<b>6.7 ICT and new technologies:</b>	None
<b>6.8 Environmental:</b>	None
<b>6.9 Risk Management:</b>	<p>There are numerous risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.</p> <p>From a financial perspective, risks are an integral part of planning for the future, as assumptions are required to be made. These assumptions can be affected by many internal and external factors, such as supply and demand, which may have a detrimental financial impact.</p> <p>The main financial risks for services under the Board's remit are:</p> <ul style="list-style-type: none"> <li>• any reduction in tanker traffic at Sullom Voe;</li> <li>• reliance on oil and gas prices for the throughput element of the rental agreement for both Sullom Voe Terminal and the Shetland Gas Plant; and</li> <li>• increasing maintenance requirements on ageing tugs and other port infrastructure.</li> </ul> <p>This report is part of the framework that provides assurance, or recognition of any deviation from the budget that may place the Council in a financially challenging position and requires remedial action.</p> <p>A strong balance sheet and the availability of usable reserves ensures that the Council is prepared for significant unforeseen events.</p> <p>Any draw on reserves beyond the Council's sustainable level would have an adverse impact on the level of returns from the Council's long-term investments. This situation would require to be addressed quickly to ensure no long term erosion of the</p>

	investments.	
<b>6.10 Policy and Delegated Authority:</b>	Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Board may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council. The Council approved both revenue and capital budgets for the 2016/17 financial year. This report provides information to enable the Board to ensure that the services within its remit are operating within the approved budgets.	
<b>6.11 Previously considered by:</b>	n/a	n/a

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**Appendices:**

Appendix 1 - Harbour Board Projected Revenue Outturn Position for 2016/17

Appendix 2 - Harbour Board Projected Capital Outturn Position for 2016/17

**Background Documents:**

SIC Budget Book 2016-17, SIC 10 February 2016

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18870>

## Harbour Board

## 1. Projected Revenue Outturn Position 2016/17

Projected Outturn Variance Quarter 2 (Adv)/Pos £000	Service Area	Annual Budget at Quarter 3 (Adv)/Pos £000	Outturn at Quarter 3 (Adv)/Pos £000	Projected Outturn Variance Quarter 3 (Adv)/Pos £000
(214)	Sullom Voe	(8,947)	(8,208)	(739)
(158)	Scalloway	145	247	(102)
61	Other Piers	527	381	146
505	Terminals	(2,055)	(2,433)	378
<b>194</b>	<b>Total Ports &amp; Harbours Operations</b>	<b>(10,330)</b>	<b>(10,013)</b>	<b>(317)</b>
(144)	Shetland Gas Plant	(694)	(753)	59
<b>50</b>	<b>Overall Total</b>	<b>(11,024)</b>	<b>(10,766)</b>	<b>(258)</b>

The projected outturn variance figures at quarter 2 are included above for reference. The main reasons for the changes from the quarter 2 projected outturn variance to the quarter 3 position is:

- less tanker movements at Sullom Voe than anticipated; and
- receipt of throughput rent from the Shetland Gas Plant which was not anticipated due to increased gas prices.

An explanation for the main variances by service area is set out below.

### 1.1 Sullom Voe – projected outturn variance (£739k) (8%)

This variance is due to:

- extended drydocks required for tugs due to unexpected extensive additional repair works which were only identified once the vessels went into drydock (£828k);
- reduced tanker income due to the weather, a Clair platform pollution incident and offshore maintenance impacting on the number of tankers (£643k);
- no ship to ship business anticipated this year due to general reduction in ship to ship transfers across North Sea oil industry due to depressed prices combined with strong competition from other locations (£120k);

- additional overtime for Towage crews due to extended drydocks and training required for the new tug vessel to be chartered in March 2017 (£129k);
- additional consultants' costs for shuttle tanker study which is part of the Port Strategic Review project. Approved 4 November 2015, SIC, Min Ref: SIC-1104-PH-14 (£100k);
- additional overtime for Marine Officers as the current operation is being covered by 5 pilots until negotiations on future shipping needs and terminal operating hours have been concluded (£74k); offset by
- additional income specifically budgeted to meet prior year losses £812k;
- underspending on engineering employee costs due to vacant posts pending recruitment; and employment of lower grade staff £159k;
- projected underspend on vessel fuel due to low oil price at the start of the year £140k;
- underspending on Port Operations' employee costs pending recruitment and finalisation of the staffing structure under the Ports Management Review £104k; and
- additional commercial ship dues for the accommodation barge at Sellaness which was not known when budgets were set £62k.

## **1.2 Scalloway – projected outturn variance (£102k) (70%)**

This variance is due to:

- reduced harbour dues for loss of accommodation vessel earlier than anticipated; and reduction in oil related vessels visiting the port in current climate (£191k);
- unexpected repairs required for wave screen and fendering at the South Quay (£85k); offset by
- additional dues on fish, salmon and shellfish landings due to general increase in fishing industry activity during the year £187k.

## **1.3 Other Piers - projected outturn variance £146k (28%)**

This variance mainly relates to additional dues on fish and salmon landings at Cullivoe in line with general increase in fisheries industry activity £119k.

## **1.4 Terminals – projected outturn variance £378k (18%)**

This variance is due to:

- reduction in funding requirement from revenue for the capital terminal painting works for Toft, Ulsta and Hamarsness which are being postponed to future years as they are in better condition than originally anticipated £389k; offset by
- repairs to the Gutcher Ferry Terminal following damage caused to the fenders when the ferry vessel struck the quay in high winds (£61k);

## **1.5 Shetland Gas Plant - projected outturn variance £59k (9%)**

Throughput income higher than anticipated due to recent increase in gas price £60k.



## Harbour Board

### 2. Projected Capital Outturn Position 2016/17

Overall Projected Outturn Variance Quarter 2 (Adv)/ Pos  £000	Service	Revised Annual Budget at Quarter 3 (Adv)/Pos  £000	Projected Outturn at Quarter 3 (Adv)/Pos  £000	Budget v Projected Outturn Variance Quarter 3 (Adv)/ Pos  £000	Slippage required in 2017/18  £000	Overall Projected Outturn Variance Quarter 3 (Adv)/ Pos  £000
376	Ports & Harbours Operations	3,008	1,081	1,927	1,466	461
<b>376</b>	<b>Total Controllable Costs</b>	<b>3,008</b>	<b>1,081</b>	<b>1,927</b>	<b>1,466</b>	<b>461</b>

The projected outturn variance figure at quarter 2 is included above for reference.

#### 2.1 Ports & Harbours Operations – projected outturn variance £461k (15%)

An explanation for the significant variances are detailed below:

- On completion of detailed condition surveys, Toft, Ulsta and Hamarsness Terminals' condition are better than anticipated so full painting works have been postponed and re-scheduled to future years £389k; and
- Cullivoe original finger pier tender price less than budgeted £90k.

#### Slippage

A total of £1.466m will be slippage into 2017/18 as follows:

- purchase of the VTS radar replacement to slip into 2017/18. Tenders are currently being evaluated, to be awarded by the end of March 2017 £1m;
- only design fees required for Baltasound old pier pile repairs this year as completion of other projects means this project will slip to next year £228k;
- slippage required for the Gluss lights project which is to be done as part of the VTS contract in 2017/18 whilst specialist resources are on site £108k;
- design of Scalloway Fishmarket will continue into 2017/18 with professional fees payable in the next year £100k;
- the ferry terminal disabled access works will be continued in 2017/18 due to lack of resources in the current year and to align with other planned refurbishment works £30k.







<b>Meeting(s):</b>	Harbour Board	6 March 2017
<b>Report Title:</b>	2016/17 Pilotage Accounts - Projected Outturn at Quarter 3	
<b>Reference Number:</b>	F-017-F	
<b>Author / Job Title:</b>	Jonathan Belford, Executive Manager - Finance	

<b>1.0</b>	<b>Decisions / Action required:</b>
1.1	The Harbour Board RESOLVE to review the Pilotage Accounts showing the projected outturn position at Quarter 3.
<b>2.0</b>	<b>High Level Summary:</b>
2.1	The purpose of this report is to enable the Harbour Board to monitor the financial performance of the pilotage services provided by the Council.
2.2	This report presents the projected outturn position for 2016/17 as at the end of the third quarter.
2.3	The projected outturn position is a reduction in net surplus of £54k (4%) against net income budget of £1.322m which results in a projected net surplus of £1.268m.
2.4	The projected outturn Pilotage Accounts at Quarter 3 are attached as Appendix 1 to this report.
<b>3.0</b>	<b>Corporate Priorities and Joint Working:</b>
3.1	It is a corporate priority to ensure that the Council has excellent financial management arrangements.
<b>4.0</b>	<b>Key Issues:</b>
4.1	There is a requirement to prepare accounts relating to pilotage under Section 14 of the Pilotage Act 1987. The details of what must be included in these accounts are set out in regulations (The Statutory Harbour Undertakings (Pilotage Accounts) (Regulations) 1988, SI 1988/2216).
4.2	The accounts must show the details of revenue from pilotage charges and the use of pilotage exemption certificates; and total expenditure incurred in providing the service of a pilot, providing, maintaining and operating any pilot boats and administrative or other associated costs.
<b>5.0</b>	<b>Exempt and/or confidential information:</b>
5.1	None

<b>6.0 Implications :</b>		
<b>6.1 Service Users, Patients and Communities:</b>	None	
<b>6.2 Human Resources and Organisational Development:</b>	None	
<b>6.3 Equality, Diversity and Human Rights:</b>	None	
<b>6.4 Legal:</b>	The Council has statutory obligations to keep separate accounts in respect of the harbour undertaking and also separate pilotage accounts. Section 3(1) of the ZCC Act states that the harbour undertaking means "the harbour undertaking for the time being of the Council authorised by this Act". This means that the harbour undertaking must be considered only in terms of what the Council is authorised or duty bound to do under the ZCC Act. Pilotage is part of the harbour undertaking and income and expenditure is accounted for accordingly.	
<b>6.5 Finance:</b>	<p>The projected outturn position is a reduction in net surplus of £54k against annual budget.</p> <p>The main reason for the variance is reduced income for Boarding &amp; Landing and Pilotage dues at Sullom Voe due to a reduction in tanker numbers as a result of adverse weather, Clair Platform pollution incident and offshore maintenance.</p>	
<b>6.6 Assets and Property:</b>	None	
<b>6.7 ICT and new technologies:</b>	None	
<b>6.8 Environmental:</b>	None	
<b>6.9 Risk Management:</b>	Failure to keep Pilotage Accounts would place the Council in breach of its legal duties.	
<b>6.10 Policy and Delegated Authority:</b>	Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Board may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council; more specifically referred to in paragraph 2.7.	
<b>6.11</b>	n/a	n/a

<b>Previously considered by:</b>		
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February 2017

**Appendices:**

Appendix 1 – 2016/17 Pilotage Accounts - Projected Outturn at Quarter 3

**Background Documents:**

None



## 2016/17 Pilotage Accounts - Projected Outturn at Quarter 3

## F-017 - Appendix 1

	Sullom Voe			Scalloway			Overall		
	Annual Budget	Projected Outturn	Variance (Adv)/Fav	Annual Budget	Projected Outturn	Variance (Adv)/Fav	Annual Budget	Projected Outturn	Variance (Adv)/Fav
<b>Charges in respect of :</b>	£	£	£	£	£	£	£	£	£
Boarding & Landing	-723,184	-700,883	(22,301)	-11,251	-15,251	4,000	-734,435	-716,134	(18,301)
Pilotage Services provided as authorised by section 10(1) of the Pilotage Act 1987	-1,815,639	-1,759,782	(55,857)	-35,000	-25,000	(10,000)	-1,850,639	-1,784,782	(65,857)
Use of PEC issued as authorised by section 10(3) of the Pilotage Act 1987	0	0	0	0	0	0	0	0	0
<b>TOTAL INCOME</b>	<b>-2,538,823</b>	<b>-2,460,665</b>	<b>(78,158)</b>	<b>-46,251</b>	<b>-40,251</b>	<b>(6,000)</b>	<b>-2,585,074</b>	<b>-2,500,916</b>	<b>(84,158)</b>
Boarding & Landing	412,098	416,928	(4,830)	3,176	3,417	(241)	415,274	420,345	(5,071)
Pilotage	641,228	641,228	0	28,927	20,647	8,280	670,155	661,875	8,280
<b>Sub-Total Employee Costs</b>	<b>1,053,326</b>	<b>1,058,156</b>	<b>(4,830)</b>	<b>32,103</b>	<b>24,064</b>	<b>8,039</b>	<b>1,085,429</b>	<b>1,082,220</b>	<b>3,209</b>
Boarding & Landing	12,557	10,702	1,855	1,584	1,584	0	14,141	12,286	1,855
Pilotage	4,596	3,186	1,410	94	94	0	4,690	3,280	1,410
<b>Sub-Total Supplies &amp; Services</b>	<b>17,153</b>	<b>13,888</b>	<b>3,265</b>	<b>1,678</b>	<b>1,678</b>	<b>0</b>	<b>18,831</b>	<b>15,566</b>	<b>3,265</b>
Boarding & Landing	52,158	45,101	7,057	6,188	6,188	0	58,346	51,289	7,057
Pilotage	4,139	3,906	233	22	22	0	4,161	3,928	233
<b>Sub-Total Transport &amp; Mobile Plant</b>	<b>56,297</b>	<b>49,007</b>	<b>7,290</b>	<b>6,210</b>	<b>6,210</b>	<b>0</b>	<b>62,507</b>	<b>55,217</b>	<b>7,290</b>
Boarding & Landing	22,130	13,827	8,303	2,501	2,501	0	24,631	16,328	8,303
Pilotage	196	0	196	4	4	0	200	4	196
<b>Sub-Total Property &amp; Fixed Plant</b>	<b>22,326</b>	<b>13,827</b>	<b>8,499</b>	<b>2,505</b>	<b>2,505</b>	<b>0</b>	<b>24,831</b>	<b>16,332</b>	<b>8,499</b>
Meeting Liabilities under Part III of the Act	0	0	0	0	0	0	0	0	0
Boarding & Landing	13,539	12,745	794	83	83	0	13,622	12,828	794
Pilotage	53,577	50,194	3,383	4,300	480	3,820	57,877	50,674	7,203
<b>Sub-Total Admin and Other Costs</b>	<b>67,116</b>	<b>62,939</b>	<b>4,177</b>	<b>4,383</b>	<b>563</b>	<b>3,820</b>	<b>71,499</b>	<b>63,502</b>	<b>7,997</b>
<b>TOTAL EXPENDITURE</b>	<b>1,216,218</b>	<b>1,197,817</b>	<b>18,401</b>	<b>46,879</b>	<b>35,020</b>	<b>11,859</b>	<b>1,263,097</b>	<b>1,232,837</b>	<b>30,260</b>
<b>NET TOTAL</b>	<b>-1,322,605</b>	<b>-1,262,848</b>	<b>(59,757)</b>	<b>628</b>	<b>-5,231</b>	<b>5,859</b>	<b>-1,321,977</b>	<b>-1,268,079</b>	<b>(53,898)</b>





<b>Meeting(s):</b>	Harbour Board	6 March 2017
<b>Report Title:</b>	Harbourmasters Report	
<b>Reference Number:</b>	PH-02-17F	
<b>Author / Job Title:</b>	Brian Dalziel, Interim Harbourmaster	

<b>1.0</b>	<b>Decisions / Action required:</b>
1.1	That the Harbour Board resolve to consider the content of this report in its role as duty holder, and note that the necessary management and operational mechanisms are in place to fulfil that function.
<b>2.0</b>	<b>High Level Summary:</b>
2.1	Captain Trevor Auld is appointed as the designated person (HB Min. ref 29/12) provides independent assurance to the Duty Holder that the marine SMS for which the Duty Holder is responsible, is working effectively. Captain Auld's report is attached as Appendix 1.
2.2	No incidents have been reported since last meeting.
2.3	The Guide to Good Practice, for the Port Marine Safety Code has been published.
2.4	The DPA for towage, Mr Kevin Main, has prepared a report on the towage fleet, attached as Appendix 2.
<b>3.0</b>	<b>Corporate Priorities and Joint Working:</b>
3.1	The actions in this report will contribute to the outcomes of the Council's Corporate Plan 2016/20.
<b>4.0</b>	<b>Key Issues:</b>
4.1	The Guidance to the latest version of the Port Marine Safety Code has now been issued, this outlines the changes to the latest version and outlines the application of the Code. The DP notes that the review of the SMS should be completed by 31-03-2018.
4.2	Pontoons are in place as a "short term fix" at the Toft pier. The use and suitability of these continue to be reviewed. Barriers remain in place to stop the use of the old pier.
4.3	Discussions are ongoing with BP as to the future plans for oil spill response at the terminal.
4.4	Internal Audit of SIC Safety Management System to be completed before June

2017	
4.5	The bridging Document identified in the DP report is likely to be delayed due to Enquest taking on the management of the terminal from BP.
<b>5.0 Exempt and/or confidential information:</b>	
None	
<b>6.0 Implications :</b>	
<b>6.1 Service Users, Patients and Communities:</b>	That the SIC continues to provide a competent service to port users in line with the Service Plan.
<b>6.2 Human Resources and Organisational Development:</b>	None
<b>6.3 Equality, Diversity and Human Rights:</b>	None
<b>6.4 Legal:</b>	Changes to the Sullom Voe Directions and Pilotage Directions are still with legal, these changes are required to address the change in service at the port.
<b>6.5 Finance:</b>	None
<b>6.6 Assets and Property:</b>	None
<b>6.7 ICT and new technologies:</b>	None
<b>6.8 Environmental:</b>	None
<b>6.9 Risk Management:</b>	Failure to comply with the requirements of the Port Marine Safety Code could lead to regulatory action.
<b>6.10 Policy and Delegated Authority:</b>	<p>The scheme of Administration and Delegations states that the role of the Harbour Board is:</p> <p>6.11 Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code.</p> <p>6.12 Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function</p>



	6.13 To consider all development proposals and changes of service level within the harbour undertaking, including dues and charges, and make appropriate recommendations to the Council.	
<b>6.11 Previously considered by:</b>		

**Contact Details:**

Brian Dalziel, Interim Harbourmaster, 01595 744209, [brian.dalziel@shetland.gov.uk](mailto:brian.dalziel@shetland.gov.uk)

**Appendices:**

Appendix 1- DP report to Harbour Board

Appendix 2- Towage DPA report to the Harbour Board

**Background Documents:**

None



## Designated Person Report: 06 March 2017

This Designated Person (DP) report is provided as an independent view on Shetland Islands Council's (SIC) performance against the requirements and standards under the latest edition of the Port Marine Safety Code (PMSC). The report is submitted to the SIC Harbour Board, and copied to the Harbour Master for information.

### Introduction

Since my report to the Harbour Board meeting of 07 December 2016 I have maintained a regular dialogue on marine matters with SIC's Interim Harbour Master through telephone calls and an exchange of emails. I have also monitored both SIC's website <http://www.shetland.gov.uk> and SIC's port specific website <http://www.shetland.gov.uk/ports> for items relating to the reported actions, involvement and decisions taken by the Harbour Board and SIC's appointed officers. Prior to writing this report I had a telephone conversation with SIC's Interim Harbour Master in which we discussed the assessing measures and effectiveness of the current Marine Safety Management System.

### Guide to Good Practice on Port Marine Operations

The latest revision of the Guide to Good Practice on Port Marine Operations was published onto the [www.gov.uk](http://www.gov.uk) website on 08 February 2017. The revised Guide includes a number of changes, the most notable of which is the division of 'Risk Assessments' and 'Marine Safety Management System' into two separate sections.

The Guide's contents page now lists the following sections:

- Introduction
- Section 1: The Legal Background
- Section 2: Accountability of the Duty Holder
- Section 3: Consultation
- Section 4: Risk Assessment
- Section 5: Marine Safety Management Systems (MSMS)
- Section 6: Emergency Preparedness and Response
- Section 7: Conservancy
- Section 8: Management of Navigation
- Section 9: Pilotage
- Section 10: Towage operations
- Section 11: Marine Services
- Section 12: Professional Qualifications and Competencies for Port Marine Personnel
- Section 13: Accident Reporting & Investigation

(Reference: A Guide to Good Practice on Port Marine Operations Prepared in conjunction with the PMSC, 2017)

It is recommended that all members of the Harbour Board (as Duty Holder) should familiarise themselves with the revised Guide and review any implications for their marine operations.

## Monitoring Measures

**Technical Working Group:** The draft minutes of the Technical Working Group (TWG) meeting held on 19 January 2017 record the ongoing good practice of bringing together SIC personnel from different disciplines and port stakeholders to discuss a range of safety and operational issues of common interest.

It was noted as evidence of good practice that the meeting discussed recent marine incident reports in SIC's ports and harbours and a report (#14) published in the MAIB Safety Digest 2/2016, concerning the failure of a pilot ladder on board a large roll-on, roll-off passenger vessel during a routine harbour pilot transfer evolution in sheltered calm seas.

**Examination and Technical Group:** The minutes of the Examination and Technical Group (E&TG) meeting held on 14 November 2016 record the process leading to the successful revalidation of the authorisations of four Class 1 marine pilots.

The minutes also record, as evidence of good practice, that the E&TG then discussed future training requirements, notably use of the Rotterdam simulator and the possibility of using the NAFC Marine Centre simulator for refreshing competence in the pilotage of large offshore vessels in the Scalloway Harbour area.

It is intended that the E&TG will review the current marine pilot training programme against Paragraph 4.14 of the Code, namely: *'CHAs are encouraged to implement the international recommendations on the training and certification and operational procedures for pilots contained within International Maritime Organisation resolution A960.'*

**Safety Sub-Committee - Ports:** The 73rd meeting of the Safety Sub-Committee 'Ports' was held on 02 February 2017. The draft minutes of the meetings continue to demonstrate the active involvement of marine personnel in all aspects of port safety. The minutes note that alternative arrangements may be required at future meetings to ensure the attendance of a representative of the pilot launch crews.

In matters arising, the meeting discussed additional crew and man overboard exercises at Scalloway Harbour, procedures for visitors to vessels, and further reports of fishing vessels in Yell Sound failing to monitor Sullom Voe VTS on VHF Channel 14. In any other business, the meeting discussed a suggested amendment to the outcome of the current marine risk assessment concerning personnel transfer at sea.

**Small Ports:** The table entitled 'Operational and Safety Visits to Small Ports & Harbours 2017', as posted on the website [www.shetland.gov.uk](http://www.shetland.gov.uk), records that visits to Walls, West Burrafirth, Sandness Billister and Collafirth took place on 18 January 2017 and a visit to Symbister was undertaken on 10 February 2017. All small ports have now received at least one operational and safety visit within a twelve month period.

[With reference to minute 28/16 (Harbour Master's Report) of the Harbour Board meeting of 07 December 2016, it is acknowledged that Toft Pier is part of the Sullom Voe Harbour Area and, as such, reference to operational and safety visits or other marine issues concerning the pier will not appear in future DP reports under the sub-heading of 'Small Ports']

In my report to the Harbour Board meeting of 29 August 2016, I noted that further consideration should be given to the inclusion in the published record of 'Operational and Safety Visits to Small Ports & Harbours' of reports on the status of all the ferry piers and terminals inside and outside the

Statutory Harbour Authority's area of jurisdiction (as listed in Section 2.2.14 of SIC's Small Ports Marine Safety Management System (2015)). In the continued absence of such a documented system, the Harbour Board (as Duty Holder) should be mindful of Paragraph 3.3 of the revised Code, which states:

*"For the purposes of the Code, the duty holder should ensure that the organisation discharges its responsibilities in respect of the following areas:*

*Safe and efficient port marine operations:*

- *Take reasonable care, so long as the harbour/facility is open for public use, that all who may choose to navigate in it may do so without danger to their lives or property.*
- *Conserve and promote the safe use of the harbour/facility and prevent loss or injury through the organisation's negligence."*

(Reference: PMSC, 2016)

**Towage:** A Tug masters' and chief engineers' meeting were held on 13 January 2017. There were no reports of near misses, accidents or incidents. The project status report for the new tug was discussed with acknowledgement that as a consequence of its purchase all existing training programmes, risk assessments, SIC's Marine Safety Management Systems and the Towage Safety Management System will require review.

**Incidents and Accidents:** No incident reports were recorded in the MarNIS database in the period 01 November 2016 to 01 February 2017.

## Audits

**Internal audits:** No internal audits of existing SIC Marine Safety Management Systems' (MSMS) procedures have been undertaken since June 2016.

With regard to internal audits, the Harbour Board (as Duty Holder) should be aware that the Shetland Islands Council Marine Safety Management System (2015) states, in paragraph 3.8.2, that *'there will be an annual internal local Marine SMS audit (carried out at selected SIC Ports on a rolling basis) and an annual internal review of the SIC Marine and Quality Policy and SIC Marine SMS.'* To be compliant with this statement, an internal audit of SIC's Marine Safety Managements Systems should be completed before June 2017.

**External audits:** The following recommendations from the external audit of the MSMSs undertaken in October 2015 remain open:

- Recommendation 2: A bridging document between the Port and the Terminal (*at Sullom Voe*) has still to be discussed. It is acknowledged that this recommendation was made with regard to BP and the situation may change when EnQuest's position is established.
- Recommendations 8: Running the pilot launch with blacked out windows has been deemed an unacceptable risk and an alternative training programme to simulate operating the launch in reduced visibility has yet to be developed. It is intended that this matter will be discussed at the next meeting of the Safety Sub-Committee – Ports
- Recommendation 9: A safety drill matrix for pilot boat crews has still to be produced.

**Consultation:** When considering proposed changes to existing marine legislation, the Harbour Board (as Duty Holder) should be mindful that Section 2.29 of the Port Marine Safety Code (PMSC, 2016) which states: *'Notwithstanding the duties and powers an organisation may have, it should seek to maintain a consensus about safe navigation in its harbour or facility with users and service providers as far as possible.'* The particular requirement for 'consensus' should be noted. The following is ongoing:

- Proposals to update the Sullom Voe General/Pilotage Directions 2001 are currently under review by SIC's legal services.
- It is noted that consultation with stakeholders following closure of Old Toft Pier on grounds of safety (SIC Notice to Mariners 8/2016) is ongoing.

**Harbour Board Meetings:** The public agenda for the Harbour Board meetings of 07 December 2016 and the accompanying Decision Note was posted on the website [www.shetland.gov.uk](http://www.shetland.gov.uk) in a timely manner. It is evidence of good practice and in full accordance with the principles of the Code, that the decision note publically acknowledges the Harbour Board's role as Duty Holder.

**Training:** The three training matrices continue to be reviewed regularly and updated as staff change, training courses are completed, and qualifications obtained or revalidated. The following are noted:

- Four marine pilots have revalidated their pilotage authorisations.
- Annual assessments of four VTS Officers are overdue.
- Revalidation of the Certificate of Competency of one marine pilot and one VTSO is overdue.

**Marine Circulars and Notices to Mariners:** Stakeholder information regarding marine and operational safety has been posted in a timely manner through the issue of marine circulars and Notices to Mariners. The latter have been posted and maintained on SIC's ports specific website: <http://www.shetland.gov.uk/ports/notices.asp>.

- Latest Notice to Mariners:
  - No 8/2016 - Old Toft Pier - Closed to all uses and access
  - No 1/2017 - Notices remaining in force.
- Latest Marine Circulars
  - No 1/2017 - New Lundqvist tankers - adequate arrival deadweight

## Assessing Measures

Key Performance Indicators (KPI):

### 1. Open Incident KPI Reports (from the MarNIS database) for Sullom Voe, Scalloway and the Small Ports: Open Incident status on the 01 February 2017

Location	Open NS Reports	Open PE Reports	Open EP Reports	Open CM Reports	Open PS Reports
Sullom Voe	4	0	1	0	0
Scalloway	0	0	0	0	0
Small Ports	0	0	0	0	0
'Open' Reports which have yet to be closed formally by the Examination and Technical Group. NS Nautical Safety PE Port Efficiency EP Environmental Protection CM Crisis Management PS Personnel and Public Safety					

2. Risk assessments KPIs (from the MarNIS database) for Sullom Voe, Scalloway and the Small Ports for the period ending 01 February 2017

Location	Nautical Safety Assessments	Port Efficiency Assessments	Environmental Protection Assessments	Crisis Management Assessments	Mean Assessment Score*
Sullom Voe	25	6	7	0	3.80
Scalloway	19	6	5	0	3.90
Small Ports	16	3	4	0	3.85
<b>Totals</b>	<b>60</b>	<b>15</b>	<b>16</b>	<b>0</b>	
* A mean assessment score between 3 and 5.99 means that the risks are as low as reasonably practicable (ALARP).					

3. Overdue risk assessments KPIs (from the MarNIS database) for Shetland (including Sullom Voe, Scalloway and the Small Ports) for the period ending 01 February 2017

Overdue Risk Assessment KPIs	Total Shetland
Overdue Nautical Safety Assessments	0
Overdue Port Efficiency Assessments	0
Overdue Environmental Protection Assessments	0
Overdue Crisis Management Assessments	0

4. Number of port marine employees with in-date qualifications required for their job role, expressed as a percentage of the total number of employees undertaking port marine activities and requiring job specific qualifications

Employee Group	Group Number	Number holding essential in-date qualifications	KPI (%)
Marine Pilots	5	5	100
Vessel Traffic Service Officers (including relief VTSO and Interim Harbour Master)	9	9	100
Small Ports Officers (including relief SPOs)	6	6	100
Launch Crews	15	15	100
<b>Total overall</b>	<b>35</b>	<b>35</b>	<b>100</b>

5. Availability of Aids to Navigation (in three classification bands) expressed as a percentage of total availability over the three year period 13 February 2014 to 13 February 2017.

IALA Category	No of Aids	No of Failures	Availability (%)	Target Availability (%)
Category 1*	50	2	99.96	99.80
Category 2**	70	3	99.81	99.00
Category 3***	14	2	98.72	97.00
<p>Note: The availability of all aids to navigation exceeds the target set by the Northern Lighthouse Board (NLB).</p> <p>* Category 1. An aid to navigation that is considered by the NLB to be of primary navigation significance. It includes the lighted aids to navigation and racons that are considered essential for marking landfalls and primary routes.</p> <p>** Category 2. An aid to navigation that is considered by the NLB to be of navigational significance. It includes lighted aids to navigation and racons that mark secondary routes and those used to supplement the marking of primary routes.</p> <p>*** Category 3. An aid to navigation that is considered by the NLB to be of less navigational significance than Cat 1 and 2.</p>				

## Effectiveness of the Marine Safety Management Systems

It is acknowledged that work is underway to review SIC's current Marine Safety Management System to ensure compliance with the newly published (November 2016) Port Marine Safety Code. This includes consideration of best practice advice from the associated 'Guide to Good Practice on Port Marine Operations', published in February 2017.

It is important this review and update of the Marine Safety Management System is completed within a realistic timescale as the next Duty Holder compliance statement to the Maritime and Coastguard Agency (responsible in turn to the Secretary of State for Transport) is due on, or before, 31 March 2018.

In the interim, the monitoring and assessing measures described in this report provide assurance that the Marine Safety Management System for Sullom Voe, Scalloway and the Small Ports of West Burra (Hamna Voe); West Burrafirth; Housa Voe, Papa Stour; Mid Yell, Yell; Cullivoe, Baltasound; Unst; Uyeasound, Unst; Hamars Ness, Fetlar; Symbister, Whalsay Out Skerries (two separate areas: West Voe and South North-East Mouth); and North Haven (Fair Isle) are working effectively and in compliance with the Port Marine Safety Code published in March 2015.

Captain Trevor Auld  
Designated Person (PMSC)



**Shetland Islands Council**  
**Towage Operations Designated Persons' Report**



SIC Harbour Board

February 2017

***Under the ISM (International Safety Management) Code the responsibilities and the minimum authority of the Designated Person Ashore (DPA) is:*** *To ensure the safe operation of each ship and to provide a link between the Company and those on board, every Company, as appropriate, should designate a person or persons ashore having direct access to the highest level of management. The responsibility and authority of the designated person or persons should include monitoring the safety and pollution prevention aspects of the operation of each ship and ensuring that adequate resources and shore-based support are applied, as required.*

**Review of Sea Staff Training needs**

Bare boat charter arrangements are almost complete to ensure the delivery of a new Escort Tug in place of 'Tirrick'. Accordingly, management focus must be in the preparation of key staff for the change. A Training Plan to ensure all staff collectively and individually gain the relevant skills and knowledge required to safely operate the new vessel is required. Fulfilling the familiarisation needs of Masters and all Crew prior to the vessel entering Operation is essential in the pursuit of good Safety Management.

**Representations To / From Designated Person**

There has been no contact made to the Towage DPA since the previous Report.  
The role of Towage DPA currently sits with Kevin Main, Team Leader Marine Ports & Harbour.

**External DOC Audit**

An external Audit of the Management of the Towage Safety Management System and accompanying documentation is required to be carried out by September 2017.

**Internal ISM Audits**

Annual ISM internal audits of all current Tug fleet are due by early March 2017.

**External SMC Renewals**

Renewals of all Safety Management Certificates of all current Tug fleet are due by early 2018.

**Accidents/Incidents**

There have been no reportable occurrences made to the DPA since the previous Harbour Board meeting.

**SMS Review**

The SMS is currently under review with particular focus on new vessel functions.

**Risk Assessments**

A comprehensive review of all adopted generic Risk Assessments in Towage Operations has been extended to accommodate the new Tug and SMS review.





<b>Meeting(s):</b>	Harbour Board Policy and Resources Shetland Islands Council	6 March 2017 7 March 2017 8 March 2017
<b>Report Title:</b>	Fresh/Caught Shellfish Landing Dues 2017/18	
<b>Reference Number:</b>	PH-04-17F	
<b>Author / Job Title:</b>	John Smith, Acting Executive Manager Ports & Harbours Jonathan Belford, Executive Manager - Finance	

### 1.0 Decisions / Action required:

- 1.1 That the Harbour Board:
  - 1.1.1 consider the arrangements for live caught shellfish landing charges detailed in Appendix 1 and RECOMMEND its preferred approach to Policy Resources Committee and Council to set the charges for 2017/18.
  - 1.1.2 RECOMMEND removal of the Live Fish/Fish Feed x 40 trip charges to provide clarity for aquaculture vessel charging as set out in 2.4.

### 2.0 High Level Summary:

- 2.1 A number of recent attempts have been made to design and implement satisfactory arrangements for declarations and charges relating to live caught shellfish landed at Council piers.
- 2.2 Considerable consultation has been carried out with the industry but none of the previous charging structures have proved effective for information gathering or income collection.
- 2.3 This is an unsatisfactory situation as income which the Council is entitled to may not be fully recovered and spending decisions relating to the maintenance and investment in marine infrastructure may be very difficult to evaluate on an objective basis.
- 2.4 In addition, clarification was sought at the Harbour Board meeting on the 10<sup>th</sup> February 2017 (min. ref. 01/17) about the difference between live fish carrier charges and aquaculture vessel charges. This will be addressed by removing the Live Fish/Fish Feed x 40 trip charges and will be covered under the charges for Aquaculture Vessels in the 2017/18 table of dues.

<b>3.0 Corporate Priorities and Joint Working:</b>	
3.1	Shetland is a group of islands and Our Plan identifies transport links to and from, and within, the islands as our life blood. Shetland's Ports and Harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right Ports & Harbours infrastructure in place that cannot happen and new business opportunities and wealth creation cannot take place.
3.2	If we are to enjoy a strong economy with well-paid jobs we have to make sure that we have the Port infrastructure required to support key business sectors, especially those depending on the utilisation of local resources, meet individual and business needs and deliver economic growth.
<b>4.0 Key Issues:</b>	
4.1	Appendix 1 to this report sets out the proposals which have emerged from the latest discussions held with industry representatives at the request of the Harbour Board before setting the 2017/18 dues.
4.2	The Harbour Board is asked to consider which way forward is preferred and what level of charge is deemed appropriate to be recommended for approval.
<b>5.0 Exempt and/or confidential information:</b>	
None	
<b>6.0 Implications :</b>	
<b>6.1 Service Users, Patients and Communities:</b>	Considerable consultation has been carried out with the industry but none of the schemes set out in recent Table of Dues have proved effective for information gathering or income collection.
<b>6.2 Human Resources and Organisational Development:</b>	None
<b>6.3 Equality, Diversity and Human Rights:</b>	None
<b>6.4 Legal:</b>	Harbour charges are levied by the Council under the provisions of the 1964 Harbour Act. Failure to pay the relevant charges is an offence with a range of provisions for resolution.
<b>6.5 Finance:</b>	The Council's approved Charging Framework states that the Council has a central objective to deliver Best Value services to the Shetland community. A key element of this is that the Council should set equitable prices for chargeable services, which support the Council and service priorities, whilst promoting social inclusion.

	<p>The charges set for 2015/16 for caught shellfish were:</p> <p>£0.025 per £1.00 value ad valorem; or fishing vessels less than 15gt engaged in inshore fishing will be required to purchase a Landing Disc for 6 or 12 months as below:</p> <p>(a) 6 month disc (April to Sept) £76.88 (b) 12 month disc (April to March) £140.27</p> <p>If no landing disc purchased in advance of landings, ad valorem rate will apply.</p> <p>It is estimated that £2m of caught shellfish was landed at Council piers in 2015/16 and that the value of landings in 2016/17 are even higher. This should have resulted in income of up to £50k for landing fees reduced by the number of boats under 15gt who purchased landing discs.</p> <p>The income received for shellfish landings in 2015/16 was £3k at Scalloway and £2k at all other Council piers and no discs were purchased.</p> <p>The charges set for 2016/17 for caught shellfish are:</p> <p>£0.025 per £1.00 value ad valorem; or fishing vessels less than 5gt engaged in inshore fishing will be required to purchase a Landing Disc for 6 or 12 months, as below:</p> <p>(a) 6 month disc (April to Sept) £79.19 (b) 12 month disc (April to March) £144.48</p> <p>To date landing fees of £16k have been received in Scalloway and £2k at all other Council piers, and 9 landing discs have been purchased for £1.3k in 2016/17.</p> <p>Proposal 1 in Appendix 1 would set the charge for 2017/18 in the range of 1% to 2.5% of caught shellfish landings at Council piers would result in income of £20k to £50k per annum.</p> <p>Proposal 2 in Appendix 1 would set the charge for 2017/18 of a flat fee in the range of £150 to £250 per annum per shellfish boat using Council piers would result in income of £7,500 to £12,500 per annum.</p> <p>Full details of the background financial information and levels of charging are included in Appendix 1 at section 5 for consideration.</p>
<b>6.6 Assets and Property:</b>	No direct issues however landing information and income from usage charges forms part of the business case for maintenance and investment in port infrastructure.
<b>6.7 ICT and new technologies:</b>	

<b>6.8 Environmental:</b>	
<b>6.9 Risk Management:</b>	The Port Marine Safety Code requires that all marine risks are formally assessed and are eliminated or reduced to as low as reasonably practicable in accordance with good practice.
<b>6.10 Policy and Delegated Authority:</b>	The Harbour Board has delegated authority under section 2.7.3 of the Council's Scheme of Administration and Delegations to consider all development proposals and changes of service level within the harbour undertaking, including dues and charges, and make appropriate recommendation to Policy and Resources Committee and the Council. Approval of the revenue budget requires a decision of the Council, in terms of Section 2.1.3 of the Council's Scheme of Delegations.
<b>6.11 Previously considered by:</b>	<p>The 2017-18 Budget &amp; Charging Proposals for the Harbour was considered by:</p> <p>Harbour Board - 10 February 2017 – Min. Ref. 01/17; and</p> <p>through the Shetland Islands Council's Budget Book 2017/18 presented to:</p> <p>Policy and Resources Committee - 13 February 2017 – Min. Ref. 07/17 and</p> <p>Shetland Islands Council - 15 February 2017 – Min. Ref. 07/17.</p>

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**Appendices:**

*Appendix 1 – Live Caught Shellfish Landing Charges 2017/18*

**Background Documents:**

## **Caught Shellfish Landing Charges**

**20<sup>th</sup> Feb 2017**

### **1. Introduction**

A number of recent attempts have been made to design and implement satisfactory arrangements for declarations and charges relating to caught shellfish landed at Council piers.

Considerable consultation has been carried out with the industry but none of the charging schemes in recent Tables of Dues have proved effective for information gathering or income collection.

When considering the most recent proposals for 2017/18 dues, the Harbour Board asked that further discussions were held with the industry to seek further information and consult further on their proposals on the most effective way forward.

### **2. Background**

Arrangements for the operation of piers and harbours include charges levied on users in various forms for their use of facilities and services. In the main these are commercial arrangements for the provision of non statutory services and are at the discretion of the Harbour operator.

Charges are subject to regular review and there is an obligation on the Council, as a harbour operator, to consult with harbour users where representations about the nature and level of charges applied in the various sectors are made and proposals discussed.

In most areas of operation and for most sectors the charges are complied with and collected in line with their structure.

The collection of charges for caught shellfish have proved problematical for Shetland Islands Council for a number of years. Fundamentally this would seem to have stemmed from reluctance by shell fishermen to make the arrangements necessary to comply with the collection of those charges.

The reasons for this compliance difficulty offered by the industry have included:

- their level being felt unfair when compared with other sectors e.g. whitefish boats enjoy better services, fish market etc, aquaculture charges are at a lower % level of market value than for caught shellfish;
- a flat rate charge is not fair between shell fishermen as this does not reflect the differences between individual boats income levels;
- a banded charge is not being fair between shell fishermen as banding levels on vessel size do not always reflect a boat's income;
- a token level annual landing charge is not worth paying as the total income generated is insufficient;
- landing level related charges should not be levied as the cost and complexity of collection is not worthwhile for the income that would be obtained; and

- it is not fair of the Council to expect fishermen to declare landings and therefore acknowledge liability to charges on an “honesty” basis as this allows some fishermen to avoid paying by not declaring all of their landings.

### **3. Overall Council Charging Policy Framework**

All charges levied by the Council must comply with the requirements of the Council's 2016 Charging Framework, That Framework says the following principles apply to the setting of fees and charges by the Council:

- 3.1 All services must adhere to this framework and the principles outlined here, any exceptions must have Council approval.
- 3.2 The Council's charging framework is designed to create a consistent approach to charging across the Council and each Director is responsible for ensuring its application.
- 3.3 Fees and charges can have a positive impact on service delivery and therefore should not automatically be considered detrimental or controversial.
- 3.4 The reason for levying a charge and the basis on which the charge will be levied should be transparent and must be considered against the Council's objectives. Charges should first and foremost be in accordance with legislative or regulatory requirements and be set to deliver policy objectives. Where appropriate it may also be used as a means to generate income.

The Council's main objectives in terms of principle 3.4 above, are for charges to help identify usage and generate reasonable income for the provision of a non-statutory service.

Without reliable information on landings it is very difficult to be clear about the need for services and to evaluate either Council or wider benefits of the business case for any proposed investment.

### **4. Proposals**

The Council has recently tried charging schemes based on landing values, the “ad-valorem” approach and schemes based on a flat fee, the “landing disc” and combinations of the two, so far none of these arrangements have worked very well.

Any further proposals will still have to be constructed around one of these approaches. The opportunity for a more effective outcome from any future arrangement will be a combination of industry acceptance and the Council's appetite for the enforcement of any regime.

Two alternatives have emerged from analysis of data and consultation with the industry. Both allow for discounts from standard charges for the Shetland inshore shellfish fleet.



Charges applied to larger offshore shellfish fishing vessels are levied at 2.5% of the value of landings. Landings by these vessels appear to be declared consistently and all charges collected via agents.

The two main proposals which have been discussed with industry representatives are:

<b>Proposal 1 - Caught Shellfish - discounted ad valorem rate.</b>  Vessels under 15 metres who undertake to provide weekly details of the weight/value of their caught shellfish landings directly to the Council, including place of landing, or who provide the Council with authorisation to access their landing information from the relevant agent /buyer will qualify for a reduced ad valorem rate.	Range discussed between 1% to 2% -  Standard rate 2.5%
<b>Proposal 2 – Caught Shellfish - discounted annual landing charge.</b>  Vessels under 15 metres can qualify for a discounted annual charge to cover all caught shellfish landings at Council piers on application.	Range discussed between £150 - £250 per vessel.

**Proposal 1** would associate charges with the value of activity, it would require some administrative effort by all parties but would generate information on landings at individual Council piers.

Industry representatives are of the opinion that charging 2.5% of value is “unfair” to shell fishermen when compared with other sectors and indicated that acceptance and compliance would be better if the level of charge was lower.

**Proposal 2** would be the same charge for all vessels regardless of size or amount of landings; this would be administratively simple but not would generate any information on landings at individual Council piers.

Industry representatives believe a flat rate charge at a low level would now be complied with by all vessels and would at least represent progress on the acceptance of some charge being applied for the use of landing facilities. This flat rate charge at a low level was their preferred arrangement.

## 5. Financial Information

5.1 £3.84 million of caught Shellfish were landed in Shetland in 2015, it is estimated that the value of landings in 2016 have been somewhat higher.

5.2 Those landings are split between Council piers (50%), Lerwick Harbour (25%) and other community and private piers (25%).

- 5.3 That would indicate an estimated value of some £2 million of caught shellfish landed at Council piers in 2015.

(Figures from Shetland Fisheries Statistics 2015 and Marine Management Organisation - Monthly Sea Fisheries Statistics.)

- 5.4 A little over 100 vessels have SSMO shellfish licences. It is estimated half of these are active and land at Council piers in any year, approximately 50 vessels.
- 5.5 Earnings of individual vessels are not generally available but it is estimated that the best performing inshore shellfish vessels gross around £250,000 per annum.
- 5.6 In 2015/16 an annual "landing disc" scheme covering all landings was available to all vessels under 15 gross tonnes at a cost of £140 per annum, vessels without an annual disc were expected to pay 2.5% ad valorem charges.

Total 2015/16 caught shellfish landing income was £5k - no boats bought landing discs.

- 5.7 In 2016/17 The "landing disc" scheme was only available to boats under 5 gross tonnes, again at a cost of £145 per annum. Vessels without an annual disc were expected to pay 2.5% ad valorem charges.

Total 2016/17 caught shellfish landing income so far is £16k – 9 boats have bought landing discs resulting in income of £1.3k.

- 5.8 In relation to Proposal 1:

2.5% of estimated caught shellfish landings at Council piers would result in approximately £50,000 of charges if fully collected;

2% of estimated caught shellfish landings at Council piers would result in approximately £40,000 of charges if fully collected: and

1% of estimated caught shellfish landings at Council piers would result in approximately £20,000 of charges if fully collected.

- 5.9 In relation to Proposal 2:

A flat fee of £250 per annum for each shellfish boat using any Council pier would result in approximately £12,500 of charges if fully collected;

A flat fee of £200 per annum for each shellfish boat using any Council pier would result in approximately £10,000 of charges if fully collected; and

A flat fee of £150 per annum for each shellfish boat using any Council pier would result in approximately £7,500 of charges if fully collected.

## **6. Further Background Information**

### **6.1 Council landing charges for other sectors.**

**Fresh Fish/ Caught Fish** – No Change Proposed – level of dues considered in detail as part of the Scalloway Fishmarket business case and found to be in line with other ports landing costs. Landings for this sector are declared and paid in a satisfactory manner, typically through agents.

**Farmed Fish / Farmed Shellfish** – Inflation only increase proposed for this year. Charges for both industries will be re-evaluated in detail as the Strategic Outline Cases for the piers and harbours most used by these sectors are done during 2017/18.

**Charges for non declared landings** – A table of rates for landings across all seafood sectors which have not been declared based on estimated volumes and values and the application of a higher rate (approximately double standard rate).

### **6.2 Other sources of Shellfish landing data**

Commercial shellfish landings are highly regulated at both national and local level. All commercial fishermen, including shell fishermen have to complete weekly “Fish1” forms which include species, volume and place of landing for Marine Scotland / Marine Management Agency which are then cross referenced to returns made by agents and fish buyers.

That data is eventually published in aggregated form by Marine Scotland with a several month time lag, the published aggregate data does identify place of landing but does not identify individual vessels. Marine Scotland say they are unable to supply that data to the Council at a more detailed level due to data protection.

Shetland Shellfish Management Organisation also gathers returns data from their members which includes place of landing and volume. That data is not published and returns are thought to be patchy.

Agents and Buyers hold information on landings and values for their vessels but cannot supply that data to the Council without the permission of individual vessels owners.

The Council has recently overhauled its arrangements for the local collection of data by pier assistants which will provide more detailed information on vessels general usage of piers but cannot always be precise about landing volumes.

Efforts continue to combine these various sources of data to best effect. This will mean the Council is much better placed to pursue estimated landings going forward than it has been previously and therefore be more proactive around charging.

### **6.3 Charges for Shellfish landed in Shetland at non Council piers;**

A 2.5% value charge is charged at Lerwick Harbour for caught shellfish and would appear to be generally complied with. Landings on LPA piers are declared on behalf of vessels by their agents and payments made accordingly.

Landings of caught shellfish are also made at various community and private piers and marinas such as Lerwick Marina, Skeld, Voe, Ronas Voe, Bridge End, Aiths Voe and Hamnavoe, Eshaness. The basis of any charging for these landings is a matter for the individual pier/ marina owner and is not known.

#### **6.4 Charges for Shellfish landed in other Scottish Ports;**

Aberdeenshire Council, Moray Council, Fife Council, Highland Council, Argyle and Bute Council and Western Isles Council all charge ad valorem dues for caught shellfish of between 1.5% and 4%, as do the ports of Scrabster, Fraserburgh and Peterhead. These dues are collected direct, through boats agents or through buyers.

Orkney Islands Council currently levies no landing charges for caught shellfish, whitefish, farmed salmon or farmed shellfish.

.....Ends

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Shetland Islands Council

20<sup>th</sup> February 2017