



## **REPORT**

**To: Special Harbour Board**

**1 February 2005**

**From: Head of Finance**

### **ESTIMATES – 2005/06**

**Report No: F-003-F**

#### **1.0 Introduction**

- 1.1 On 19 October 2004 the Council approved the Budget Strategy for the 2005/06 estimates process.
- 1.2 Members agreed to authorise the Chief Executive to recognise the Council's interest in the achievement of the Harbour Board's objective of developing a long-term way forward for the Harbour Account, in collaboration with the Oil Terminal and Towage operations.
- 1.3 For information Shetland Towage is not included in the 2005/06 Estimates, at some point in 2005/06 it may be incorporated into the Ports and Harbours operations.

#### **2.0 Format of the Report**

- Section 1 - Introduction
- Section 2 - Format
- Section 3 - 2005/06 Revenue Estimates compared to ceiling for the Support Ledger for Ports & Harbours - Appendices A(1), A(2) and A(3)
  - 2005/06 Revenue Estimates cost centre comparison to ceiling for the Harbour Ledger for Ports & Harbours - Appendices B(1) and B(2)
  - Review of Charges - (separate report Table of Dues 2005/06)
  - 2005/06 Reserve Fund Estimates
- Section 5 - Policy and Delegated Authority
- Section 6 - Conclusions
- Section 7 - Recommendations

### 3.0 2005/06 Estimates Compared to Ceiling

#### 3.1 Support and Recharged Ledgers

##### 3.1.1 Ports & Harbours

Appendix A(1) compares the 2005/06 Support Ledger estimates put forward by the General Manager Ports & Harbours against the ceiling set by the Council for the Ports & Harbours. The position is summarised in the following table:

Table 1 Ports & Harbours Support Ledger	2005/06 Ceiling £000	2005/06 Budget £000	2005/06 Variance £000
Income	-16.9	-16.7	-0.2
Employee Costs	708.9	736.3	-27.4
Operating Costs	187.3	188.4	-1.1
Net Controllable Expenditure	879.3	908.0	-28.7
Financing Costs	31.6	31.6	0.0
Net Recharges	-910.9	-939.6	28.7
Total Net Expenditure	0.0	0.0	0.0

3.1.2 Table 1 shows that there is a unfavourable variance in Net Controllable Departmental expenditure on the Support Ledger of £28,640. This is mainly due to the employment of a Marine Electronic Technician to undertake maintenance that was previously carried out under the Sperry Marine contract which shows as a reduction in the Recharged ledger as discussed in paragraph 3.1.4.

3.1.3 Appendix A(3) compares the 2005/06 Recharged Ledger estimates put forward by the General Manager Ports & Harbours against the ceiling set by the Council for the Ports & Harbours. The position is summarised Table 2 below:

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Table 2 Ports & Harbours Recharged Ledger	2005/06 Ceiling £000	2005/06 Budget £000	2005/06 Variance £000
Income	-66.3	-28.5	-37.9
Employee Costs	574.9	554.4	20.5
Operating Costs	2095.6	2002.0	93.6
Net Controllable Expenditure	2604.2	2527.9	76.3
Financing Costs	0.0	0.0	0.0
Net Recharges	-2604.2	-2527.9	-76.3
Total Net Expenditure	0.0	0.0	0.0

3.1.4 Table 2 shows that there is a favourable variance in Net Controllable Departmental expenditure on the Recharged Ledger of £76,256. This is mainly due to the removal of the Sperry Marine maintenance contract.

### 3.2 Harbour Ledger

#### 3.2.1 Ports & Harbours

Appendix A(2) compares the 2005/06 Harbour estimates put forward by the General Manager Ports & Harbours against the ceiling set by the Council for the Ports & Harbours. The position is summarised in the following table:

Table 3 Ports & Harbours Harbour Ledger	2005/06 Ceiling £000	2005/06 Budget £000	2005/06 Variance £000
Income	-7548.2	-7530.8	-17.4
Employee Costs	2491.9	2454.2	37.7
Operating Costs	1073.1	1072.1	1.0
Transfer Payments	76.3	90.0	-13.7
Net Controllable Expenditure	-3906.8	-3914.5	7.6
Financing Costs	446.0	446.0	0.0
Net Recharges	3460.8	3468.5	-7.6
Total Net Expenditure	0.0	0.0	0.0

3.2.2 Table 3 shows that there is a favourable variance in Net Controllable Departmental expenditure on the Harbour Ledger of £7,649. The

main variance is due to the ceiling containing budget for long service awards, these were one-offs which are not due to be paid again 2005/06.

- 3.2.3 Appendix B (1) and B (2) compare the 2005/06 estimates to the ceiling by cost centre for the Ports & Harbours service. The only major change is the removal of the Sperry Marine maintenance contract under Navigational Aids/Communications cost centre.

### **3.3 Review of Charges**

- 3.3.1 A separate report on the Table of Dues is being presented to the Harbour Board today and as such does not form part of this report.

### **3.4 Reserve Fund Estimates**

- 3.4.1 There is 3 Reserve Fund Estimates for Ports & Harbours namely, Redevelopment West Blacksness and Peerie Dock Symbister. This forms part of the Capital Expenditure report and is reported to the Council separately. The budget for next year is estimated at £306,000.

## **4.0 Financial Implications**

- 4.1 Ports & Harbour's Support is over the net controllable ceiling by £28,640, the Recharged and Harbour estimates are under the net controllable ceilings set by the Council by £76,256 and £7,649 respectively. This is in line with the budget strategy to pursue a long-term viable future for the Port of Sullom Voe.

## **5.0 Policy and Delegated Authority**

- 5.1 The Harbour Board has no authority to approve the revenue estimates report. Therefore, any motion approved by the Harbour Board will form a recommendation to the Shetland Islands Council for their overall consideration within the resources available.
- 5.2 There are no delegated powers for the General Manager Ports & Harbours to determine the level of revenue resources required to fund the Marine Operations Committee's services. The Harbour Board is asked to initially recommend the estimates put forward in this report and forward this to the Council meeting at which the ultimate decisions on the budget are taken.
- 5.3 The ultimate decision on approving the revenue estimates lies with the Council.

## **6.0 Conclusions**

- 6.1 In summary this report sets out the proposed Harbour estimates for 2005/06 financial year, as put forward by the General Manager Ports & Harbours detailed in Appendices A(1), A(2), A(3), B(1) and B (2). These estimates have been compared against the ceilings set by the Council's budget strategy and explanations of any major variances from ceiling have been given.
- 6.2 The budgets put forward by the General Manager Ports & Harbours on the Support Ledger is over by £28,640, the Recharged and Harbour Ledgers are under the ceilings set by the Council's budget strategy for the net controllable element of the budget by £76,256 and £6,749 respectively.
- 6.3 A review of charges is discussed in a separate report titled "Table of Dues 2005/06".
- 6.4 The Reserve Fund estimates put forward by the General Manager Ports & Harbours forms part of the Capital Programme and as such is the subject of a separate report to the Council.

## **7.0 Recommendations**

- 7.1 I recommend that the Harbour Board consider and approve the 2005/06 estimates contained in Appendices A(1), A(2), A(3) and B(1), B(2);
- 7.2 subject to the above, these estimates should be forwarded for consideration by the Council at the final budget-setting meeting on the 10 February 2005.

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## **REPORT**

**To: Special Harbour Board**

**1 February 2005**

**From: Head of Finance**

### **TABLE OF DUES 2005/06 REPORT NO: F-004-F**

#### **1.0 Introduction**

- 1.1 On 19 October 2004 the Council approved the Budget Strategy for the 2005/06 estimates process.
- 1.2 Members agreed to authorise the Chief Executive to recognise the Council's interest in the achievement of the Harbour Board's objective of developing a long-term way forward for the Harbour Account, in collaboration with the Oil Terminal and Towage operations.
- 1.3 The 2005/06 revenue estimates along with the Table of Dues for the Harbour Accounts to be proposed by the General Manager Ports & Harbours will be presented today. It is necessary to set the Dues at this meeting to give the customary six weeks notice of any changes.
- 1.4 This report has been considered by the Harbour User Panels who have an advisory role. The General Manager Ports & Harbours will convey the views of the panels to the Harbour Board.
- 3.4 The key assumptions used in estimating expenditure are provision for 24 launch crew, 15 marine officers, a revised aerial surveillance service and meteorological office service, together with ongoing maintenance and upkeep of the harbour.
- 1.6 For information at some point in 2005/06 Shetland Towage may be incorporated into the Ports and Harbours operations. Should this occur the Table of Dues will be amended in due course.

#### **2.0 Review of Charging Structure**

- 2.1 In accordance with standard practice the proposed complete charging system, to be levied from 1 April 2005, is presented as Appendix A; it incorporates charges for all services.

- 2.2 A consolidated Sullom Voe Port charge, which includes harbour, mooring, pilotage and boarding and landing elements, has now been established. In addition to its usefulness as a tool for comparing the Council's charges with that of our major competitors, it has also simplified the charging process within the Marine Operations Department. It is recommended that the Council increase the charge for 2005/06 by inflation only. The consolidated charge for a segregated ballast tanker visiting the harbour in 2005/06 is proposed to be £0.63 per GT.
- 2.3 Legally the Council is required to stipulate separate charges for each of the chargeable elements and proposals are set out in the Table of Dues (attached as Appendix A). A separate agreement is in place concerning shipping dues paid by the vessel importing Schiehallion cargo.
- 3.4 The Council has generally supported the Green Award Certification Scheme, since its inception in January 1994, by permitting the Director of Marine Operations to participate in the work of its Board of Experts. Its objective is to promote safe and environmentally friendly ship and port management by recognition of high standards of ship operation allied to financial incentives for seeking to operate to these standards. It is considered to be worthy of further support and it is therefore proposed that the Council should continue the rebate this year at the same level of 5% in 2002/03 for Green Award vessels trading to Sullom Voe.
- 2.5 There are a number of charges, which are to be held at the 2004/05 rate under:-
- Scale A – Passengers disembarking per person  
Scale D – Fresh Fish/Farmed Fish/Shellfish landed and Salmon Feed  
Scale F – Ship to Ship Transfer of Oil
- There is a very competitive market in the aforementioned areas and it is considered that if charges were increased this would discourage new customers, and existing customers might take their business elsewhere.
- 2.6 There are 2 new charges being introduced:-
- Under Scale A – Fish Feed Ships regularly involved in the transport of salmon feed using SIC piers and harbours can apply for an annual composite rate charge equivalent to 40 trips x gt rate. This is an area of business that requires special attention due to the nature of their operations in that they make frequent trips in and out of port. This has not previously been covered in the Table of Dues.
- Under Scale D – for Fishermen, vessel owners and agents, if the value of fish consigned through a SIC port, is not declared within 1 calendar month of landing, a charge of £2.50 per box will be levied in lieu of the published dues. Over the last few years there has been a problem with



obtaining the value of consigned fish landed to a truck and hence invoicing. This new charge will only be levied when Agents do not supply the information in the required time scale.

- 2.7 In general, other than that set out in paragraphs 2.5 and 2.6 it is proposed to adjust the charges for non-oil related traffic and for goods dues by 2.5% inflation.

### **3.0 Conclusions**

- 3.1 In summary, this report sets out the proposed Harbour Charges for 2005/06 as put forward by the General Manager Ports & Harbours.
- 3.2 A review of charges at Sullom Voe has been undertaken and the proposals are detailed in Appendix A. It is seventeen years since the equalisation concept was adopted by the Council (February 1988).
- 3.3 A consolidated charge has been established which includes a charge for ship dues, mooring, pilotage and boarding and landing. This charge is £0.63 per GT for segregated ballast tankers and £0.76 for non-segregated.
- 3.4 The charges proposed for all the Council's Harbours (i.e. not just Sullom Voe) are those set for the current year adjusted for inflation and are detailed in Appendix A.
- 3.5 Those charges detailed in paragraph 2.5 are to be held this year at the 2004/05 rate and there are two new charges as set out in paragraph 2.6 for the reasons given the corresponding sections.

### **4.0 Policy and Delegated Authority**

- 4.1 There are no delegated powers of the General Manager Ports & Harbours to determine the level of Harbour Dues, so the Harbour Board is asked to initially approve the Table of Dues.
- 4.2 The Harbour Board has no authority to finally approve the Table of Dues for 2005/06; therefore a decision of the Council is required.

### **5.0 Recommendations**

- 5.1 I recommend that:
- (I) The Harbour Board considers and approves the Table of Dues contained in Appendix A and commends this to the Council.
- (ii) The Council approves the Table of Dues contained in Appendix A.

