Shetland
Islands Council

REPORT

To:	**Harbour Board**	**08 March 2011**
From:	**Harbour Master**	
Report No:	**P&H-09-11-F**	
Subject:	**Ports Project Monitoring Report**	

1 Introduction

1.1 The most up to date information on all projects is incorporated in this report.

1.2 Capital budget monitoring information is attached as Appendix A.

2 Links to Corporate Plan

2.1 Projects in this report would make contributions to the Council's priorities of strengthening rural areas and supporting the local economy.

3 Risk Management

3.1 The contents of this report are for noting only. Each project has been assessed prior to commencement. There are therefore no new risks raised in this report.

4 Reserve Fund Programme Areas

4.1 <u>Dock Symbister – RCM 2309</u>

4.1.1 As previously agreed, no further work will be done on the project until a decision is reached on the solution to the transport link to Whalsay and possible location of the new Whalsay ferry terminal.

4.1.2 Conservation Architects, Groves – Raines, have visited the site and are providing a definitive report on the state of the Dock. This will allow a decision to be made about the ongoing use of the structure. Early indications are that they are satisfied that there is no particular cause for concern at this time, but this will be clarified in the report, which has not yet been received.

4.1.3 The Chairman of the Harbour Board and the Engineering Manager – Ports have held initial discussions with Shetland Amenity Trust about the future of the Dock. These discussions are at a very early stage, and are dependant to some extent on the updated information being supplied by the Conservation Architects.

4.1.4 The Engineering Manager – Ports will provide a verbal update at the meeting.

4.2 Tug Replacement Programme - RCM 2313

4.2.1 The Council accepted the tugs on 03 December 2010, pending completion of a snagging list. Funds were retained until the snagging list was completed.

4.2.2 The tugs departed Spain on Sunday 23 January 2011 and arrived in Shetland 02 February 2011.

4.2.3 At the time of composing the report the crews are undergoing a training and familiarisation period. The Voith training Captain is present for a period of two weeks to aid this process.

4.2.4 The majority of payments have now been made and the project is on budget. There remain some payments for spares yet to arrive, payments to consultants and registration fees.

4.3 Walls – RCM 2316

4.3.1 The Planning Board granted full planning permission for the Walls Pier on 7 July 2010 (Min. Ref. 37/10) (SIC Min. Ref. 131/10). All consents except building warrant are now in place.

4.3.2 Tenders were returned on 21 December 2010 and the contract has been awarded to Airport Civil Engineering Ltd who submitted the lowest tender. In line with the Council aspiration to reduce the capital programme by around £5.2million in 2011/12, and the favourable tender sum received it is proposed to offer up savings of £575k on this project.

4.3.3 A commencement date of 28th March 2011 has been agreed with the contractor and completion is expected to be at the end of February 2012.

4.3.4 Agreement has been reached with the landowner concerned for acquisition of the necessary land.

4.4 Water Main Scalloway RCM 2315

4.4.1 Good progress is being made on this project, which remains on schedule and within budget.

- First Phase – From Castle Street to the Fish Market.

  This phase is complete with all connections made and reinstatement complete.

- Second Phase – From the Fish Market to the East Jetty.

  The new main has been laid and the connections made. Reinstatement is underway.

- Third Phase – From root of East Jetty to Root of West Pier.

  Excavation of the pipe trench has commenced on this section.

All pressure and cleanliness tests carried out so far have been positive, and the project is anticipated to be complete in around three weeks time.

5 Harbour Account

5.1 Plant, Vehicles and Equipment – PCM 2101

5.1.1 The new JCB Telehandler Forklift has been delivered, and staff have had the appropriate training to operate the new type of machine.

5.1.2 Remaining funds have been used to replace one vehicle for the Workshop Supervisor.

5.1.3 The budget will be fully utilised this year.

5.2 Navigational Aids – PCM 2104

5.2.1 Due to the availability of new LED light technology, which has the potential to replace the existing systems at Gluss, discussions between the Engineering Manager – Ports, Marine Officers and the Navigation Light suppliers continue. A survey of Gluss Island has been completed, and the results are encouraging. The Marine Officers are now considering the proposal from the Engineering Manager – Ports, to replace the existing Gluss leading lights with an LED system mounted at Ground level, thus removing the need to spend significant amounts of money refurbishing the existing towers. The Marine Officers will of course seek assurance that any change to the leading light system will offer the same degree of information that the current lights give them when bringing ships into the Harbour.

5.2.2 The budget for this year will now be utilised to continue upgrading existing navigation aids such as Lamba, where it is intended to install replacement LED sector and port entry lights. This will substantially reduce the power requirements, reducing maintenance and improving reliability

5.2.3 The lone worker monitoring system for VTS is expected to arrive in the very near future. Installation of the system is very simple, and the project will be completed before the end of this financial year. The system monitors movement within the VTS centre, and should no such movement be detected for a given period of time, an alarm is sounded. If the VTS operator does not respond to this alarm, a message is sent to a central monitoring centre, which then contacts the designated duty manager to investigate.

5.2.4 The budget will be fully utilised this year.

6 Revenue Projects

6.1 Sullom Voe Terminal Jetty Maintenance Contract

6.1.1 The work scope for this year is being discussed with SVT at the moment. SVT are planning a significant amount of maintenance on Jetties One and Two this year, so detailed plans are being drawn up to ensure that SIC works do not conflict with SVT works.

6.1.2 The Contract remains on programme and within agreed budgets.

6.1.3 Malakoff Limited currently holds the Jetty Maintenance Contract, and now enter the third and final year of the Contract.

6.1.4 The detailed programme of work for this year will be presented to the next meeting of the Board, once it has been agreed with SVT.

7 Other Business

7.1 Scalloway Dredging – RCM 2208

7.1.1 This project was retendered following the decision of the Ports and Harbours Committee on 25 August 2010 (Min Ref 37/10).

7.1.2 Tenders were returned on 16 December 2010. The lowest tender is within budget and the contract has been awarded to Articon from Faroe. In line with the Council aspiration to reduce the capital programme by around £5.2million in 2011/12, and the favourable tender sum received it is proposed to offer up savings of £100k on this project.

7.1.3 The contractor is expected to be on site at the beginning of April 2011 with completion of the work in February 2012.

7.1.4 At the Council meeting on the 27 October 2010 (Min. Ref. 156/10) Members agreed to increase the grant to the North Atlantic Fisheries College to upgrade their seawater intake and filtration system to a maximum of £193.8k funded from the Scalloway dredging budget. The NAFC have now placed orders for the pumps, filters and electrical equipment and manufacture of the intake pipework is underway. The contractor, Ocean Kinetics is expected on site week commencing 28th February 2011.

7.1.5 All required consents for the project are in place and discussions with the Crown Estate regarding their seabed interests are at an advanced stage.

7.2 Fetlar Breakwater GCY7214

7.2.1 All the pre commencement planning consent conditions have been met.

7.2.2 Consents under the Food and Environment Protection Act and the Coast Protection Act have now been granted by the consenting Authorities and an otter disturbance licence has been obtained.

7.2.3 Work has started on site and is progressing on schedule. The breakwater is now over 100m metres out from the shore and work on the pier will start in the near future. It is expected to be complete by the end of December 2011.

7.2.4 Agreement has been reached with the landowner for immediate access to the land.

7.2.5 At its meeting of 28 October 2009, the Council approved their contribution to the funding of this project (Min. Ref. 142/09). A fresh application for European Regional Development Fund (ERDF) contribution was made and a sum of £300k has been approved.

7.2.6 Currently the project lies within the Transport section. However, some level of involvement of Ports and Harbours staff is likely. The breakwater will support a limited berthing facility for small craft that is likely to fall under the remit of Ports and Harbours.

Recent picture of progress on building breakwater

7.3 Ports & Harbours Projects

Project	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Tug Replacement	3,342,345					3,342,345
Tug Replacement	**3,342,345**	**0**	**0**	**0**	**0**	**3,342,345**
Water Main, Scalloway	287,824					287,824
Fish Market Roof, Scalloway			150,000			150,000
Old Breakwater, Symbister			150,000			150,000
Skerries Pier				100,000		100,000
Essential Maintenance	**287,824**	**0**	**300,000**	**100,000**	**0**	**687,824**
Dredging Consents	225,000	2,773,185				2,998,185
Walls Pier	113,000	3,217,946	100,000			3,430,946
Service Improvements	**338,000**	**5,991,131**	**100,000**	**0**	**0**	**6,429,131**
Plant Vehicles & Equipment	143,402	70,000	70,000	70,000	70,000	423,402
Navigational Aids	122,891	70,000	70,000	70,000	70,000	402,891
Tug Jetty CP System		200,000				200,000
Maintenance	**266,293**	**340,000**	**140,000**	**140,000**	**140,000**	**1,026,293**
						0
Overall Total	**4,234,462**	**6,331,131**	**540,000**	**240,000**	**140,000**	**11,485,593**

7.4 Future Projects Not Currently on Approved Capital Programme,

- Peerie Dock, Symbister
- Administration Building, Sella Ness - Refurbishment of fire doors, lighting, suspended ceilings and flooring
- West Pier, Scalloway.
- Sella Ness Pier.

8 Revenue – Significant Maintenance in Other Areas

8.1 The outer face and end of Baltasound Pier has been completely re-fendered.

8.2 A section of timber fender panel has been replaced on the outside of the old breakwater in Symbister Harbour

8.3 Works at Mid Yell Pier, to address various deficiencies in the fendering have been completed.

9 Financial Implications

9.1 This report is for information only. There are no financial implications arising from this report.

10 Policy and Delegated Authority

10.1 Harbour Board has full-delegated authority for the oversight and decision making in respect of the management and operation of the Council's harbour undertakings in accordance with the overall Council policy, revenue budgets and the requirements of the Port Marine Safety Code, as described in Section 16 of the Council's Scheme of Delegations. However, this report is for information only and there are no Policy and Delegated Authority issues to be addressed.

11 Recommendations

I recommend that the Harbour Board note the areas of progress.

25 February 2011
Our Ref: RM/ES RO-PP

Report No: P&H-09-11-F

PORTS & HARBOURS - CAPITAL PROGRAMME

Appendix A

Funding Source	Code	Project	2010/11 Original Budget £	2010/11 Revised Budget £	Actual to 28th February 2011 £	Variance (Revised Budget Less Actual) £
Harbour Account	PCM2101	Plant, Vehicles & Equipment	70,000			
		Equipment		143,402	5,851	137,552
		Vehicle Purchase		0	56,635	(56,635)
		Plant Purchase		0	37,655	(37,655)
		Project Total	70,000	143,402	100,141	43,262

Funding Source	Code	Project	2010/11 Original Budget £	2010/11 Revised Budget £	Actual to 28th February 2011 £	Variance (Revised Budget Less Actual) £
Harbour Account	PCM2104	Navigational Aids, Sullom Voe	70,000			
		Works Contract		35,000	0	35,000
		Other R&M Costs		0	22,000	(22,000)
		Equipment		87,891	88,604	(713)
		Project Total	70,000	122,891	110,604	12,287

Funding Source	Code	Project	2010/11 Original Budget £	2010/11 Revised Budget £	Actual to 28th February 2011 £	Variance (Revised Budget Less Actual) £
Reserve Fund	RCM2208	Scalloway Dredging Consent	3,000,000			
		Works Contract		201,454	4,979	196,475
		Advertising		0	3,751	(3,751)
		Postage		0	6	(6)
		Recharges		23,546	0	23,546
		Project Total	3,000,000	225,000	8,736	216,264

Funding Source	Code	Project	2010/11 Original Budget £	2010/11 Revised Budget £	Actual to 28th February 2011 £	Variance (Revised Budget Less Actual) £
Reserve Fund	RCM2313	Tugs for Sellaness	361,500			
		Works Contract		3,276,425	1,497,088	1,779,337
		Hire/Rent of Property		0	15,003	(15,003)
		Other R&M Costs		0	263	(263)
		Equipment Purchase		0	26	(26)
		Miscellaneous		0	142	(142)
		Car Allowance		0	841	(841)
		Travel Costs		0	59,563	(59,563)
		All Training Costs		0	12,427	(12,427)
		Subsistance		0	32,095	(32,095)
		External Consultants		0	95,472	(95,472)
		Legal Fees		0	838	(838)
		Recharges		65,920	0	65,920
		Project Total	361,500	3,342,345	1,713,758	1,628,587

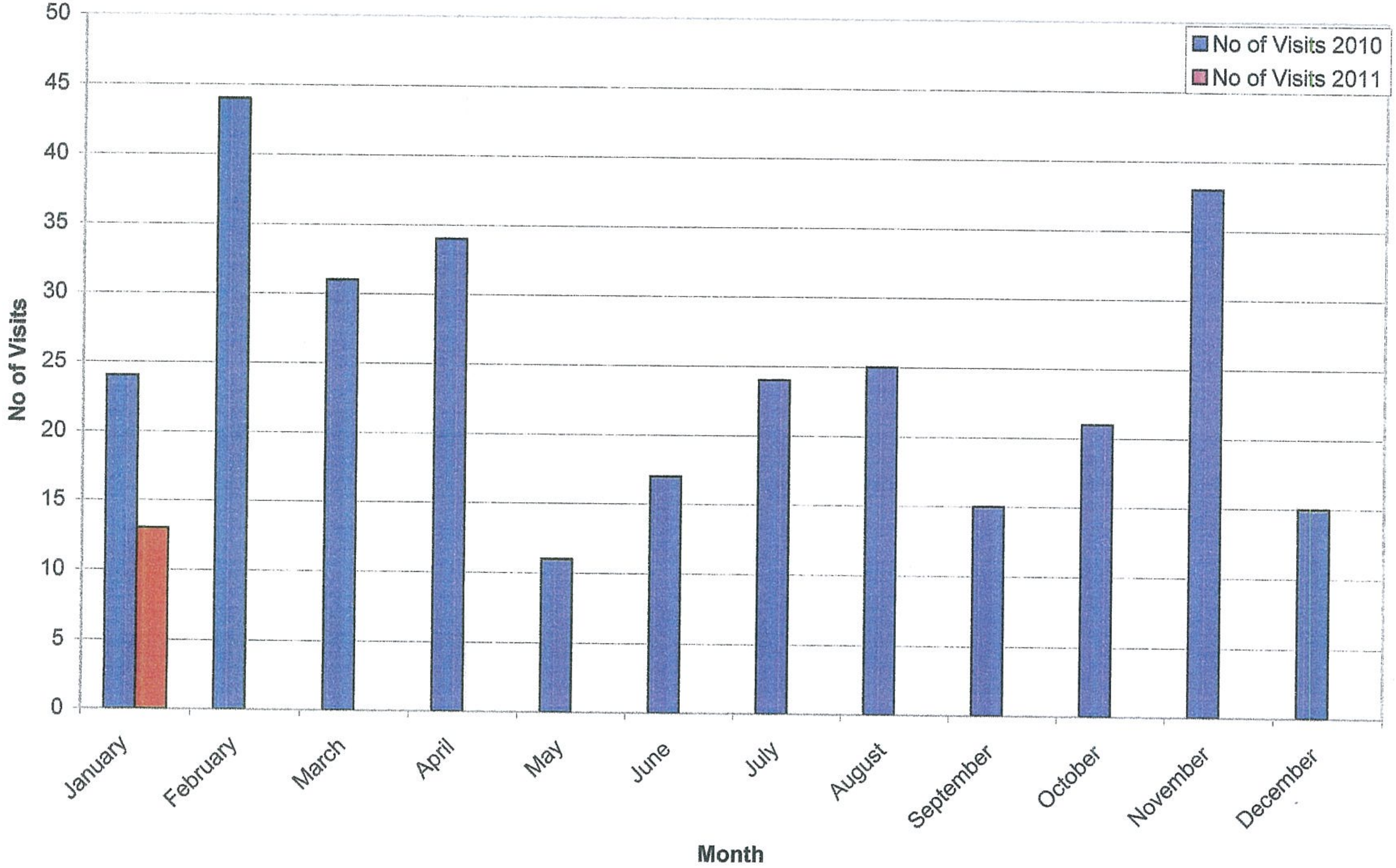
Funding Source	Code	Project	2010/11 Original Budget £	2010/11 Revised Budget £	Actual to 28th February 2011 £	Variance (Revised Budget Less Actual) £
Reserve Fund	RCM2314	Uyeasound Harbour				
		Works Contract		0	(14,419)	14,419
		Project Total	0	0	(14,419)	14,419

Funding Source	Code	Project	2010/11 Original Budget £	2010/11 Revised Budget £	Actual to 28th February 2011 £	Variance (Revised Budget Less Actual) £
Reserve Fund	RCM2315	Scalloway Water Main	250,000			
		Works Contract		250,824	2,507	248,317
		External Consultants		37,000	3,121	33,879
		Project Total	250,000	287,824	5,628	282,196

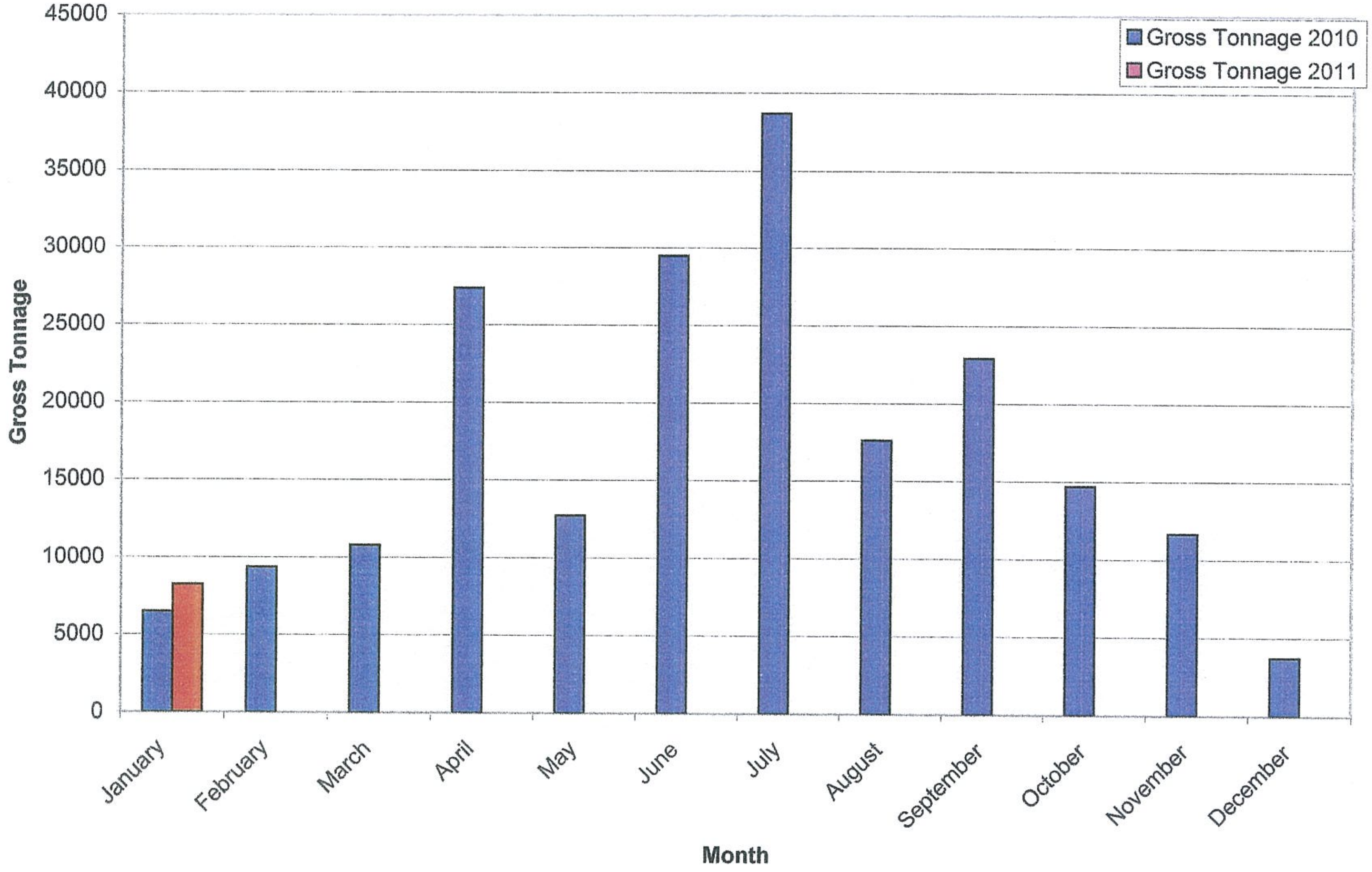
Funding Source	Code	Project	2010/11 Original Budget £	2010/11 Revised Budget £	Actual to 28th February 2011 £	Variance (Revised Budget Less Actual) £
Reserve Fund	RCM2316	Walls Pier	1,400,000			
		Land/Buildings Purchases			8,454	(8,454)
		Works Contract		77,435	1,045	76,390
		Building Warrants		0	700	(700)
		Advertising		0	318	(318)
		External Consultants		0	2,035	(2,035)
		Legal Fees		0	90	(90)
		Recharges		35,565	0	35,565
		Project Total	1,400,000	113,000	12,643	100,357

Funding Source	Code	Project	2010/11 Original Budget £	2010/11 Revised Budget £	Actual to 28th February 2011 £	Variance (Revised Budget Less Actual) £
Harbour Account	PCM2101	Plant, Vehicles & Equipment	70,000	143,402	100,141	43,262
Harbour Account	PCM2104	Navigational Aids, Sullom Voe	70,000	122,891	110,604	12,287
Reserve Fund	RCM2208	Scalloway Dredging Consent	3,000,000	225,000	8,736	216,264
Debt Charges on Harbour Account	RCM2313	Tugs for Sellaness	361,500	3,342,345	1,713,758	1,628,587
Reserve Fund	RCM2314	Uyeasound Harbour	0	0	-14,419	14,419
Reserve Fund	RCM2315	Scalloway Water Main	250,000	287,824	5,628	282,196
Reserve Fund	RCM2316	Walls Pier	1,400,000	113,000	12,643	100,357
SUMMARY		**Projects Total**	**5,151,500**	**4,234,462**	**1,937,090**	**2,297,372**

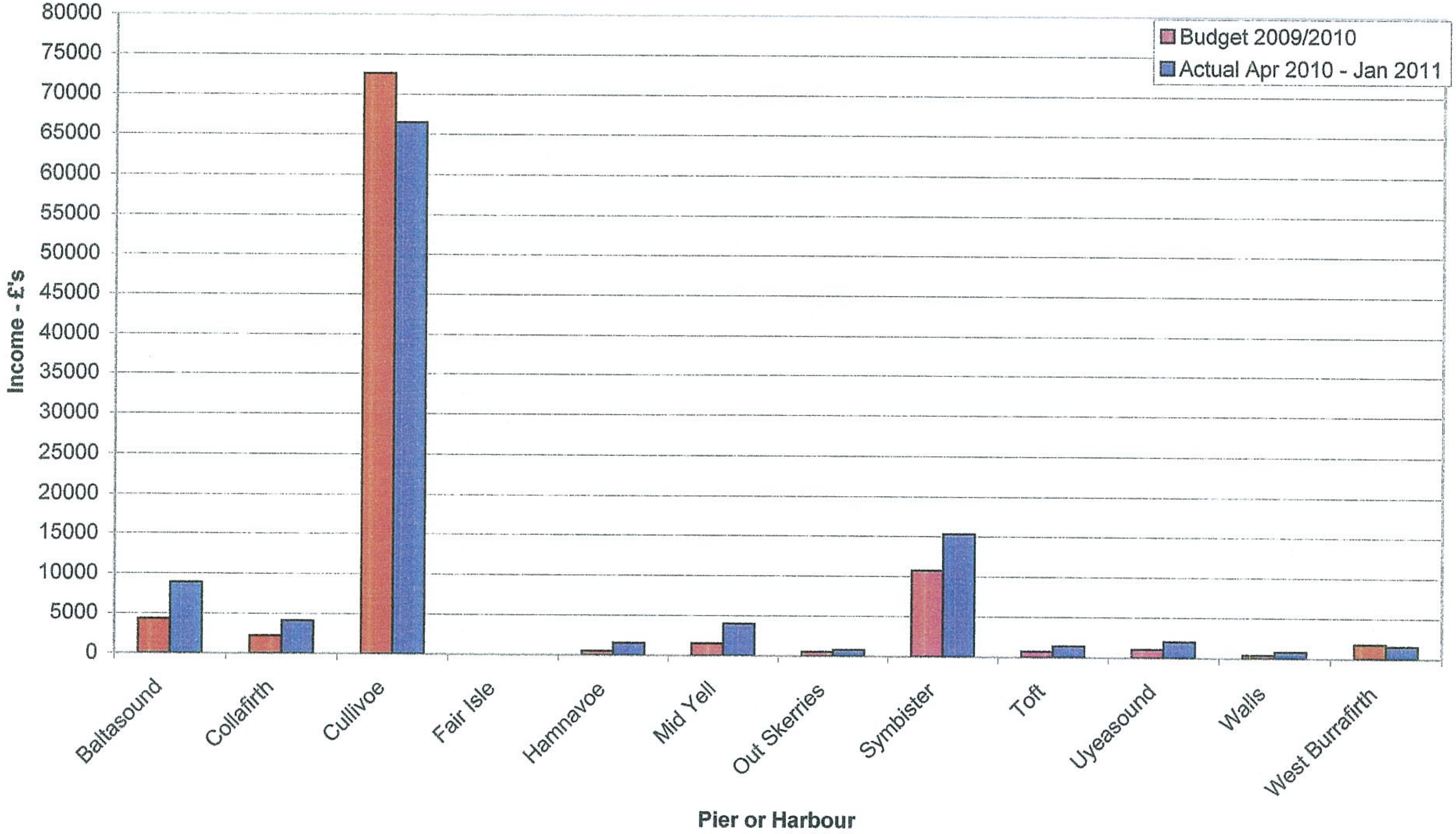
Scalloway Harbour - No of Vessels Visiting for 2010 and 2011 paying Harbour Dues



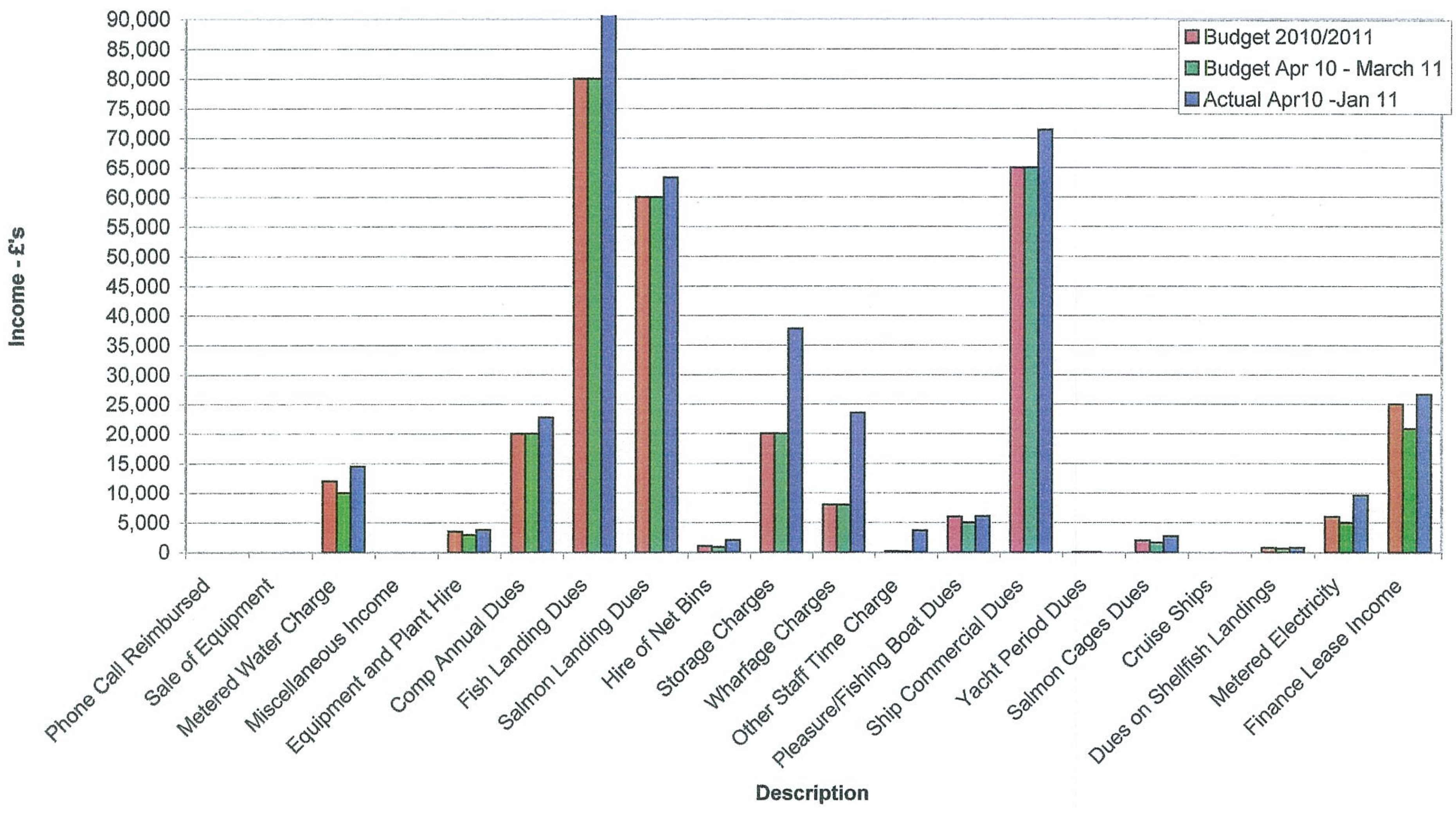
Scalloway Harbour - Gross Tonnage of Vessels Visiting During 2010 versus 2011



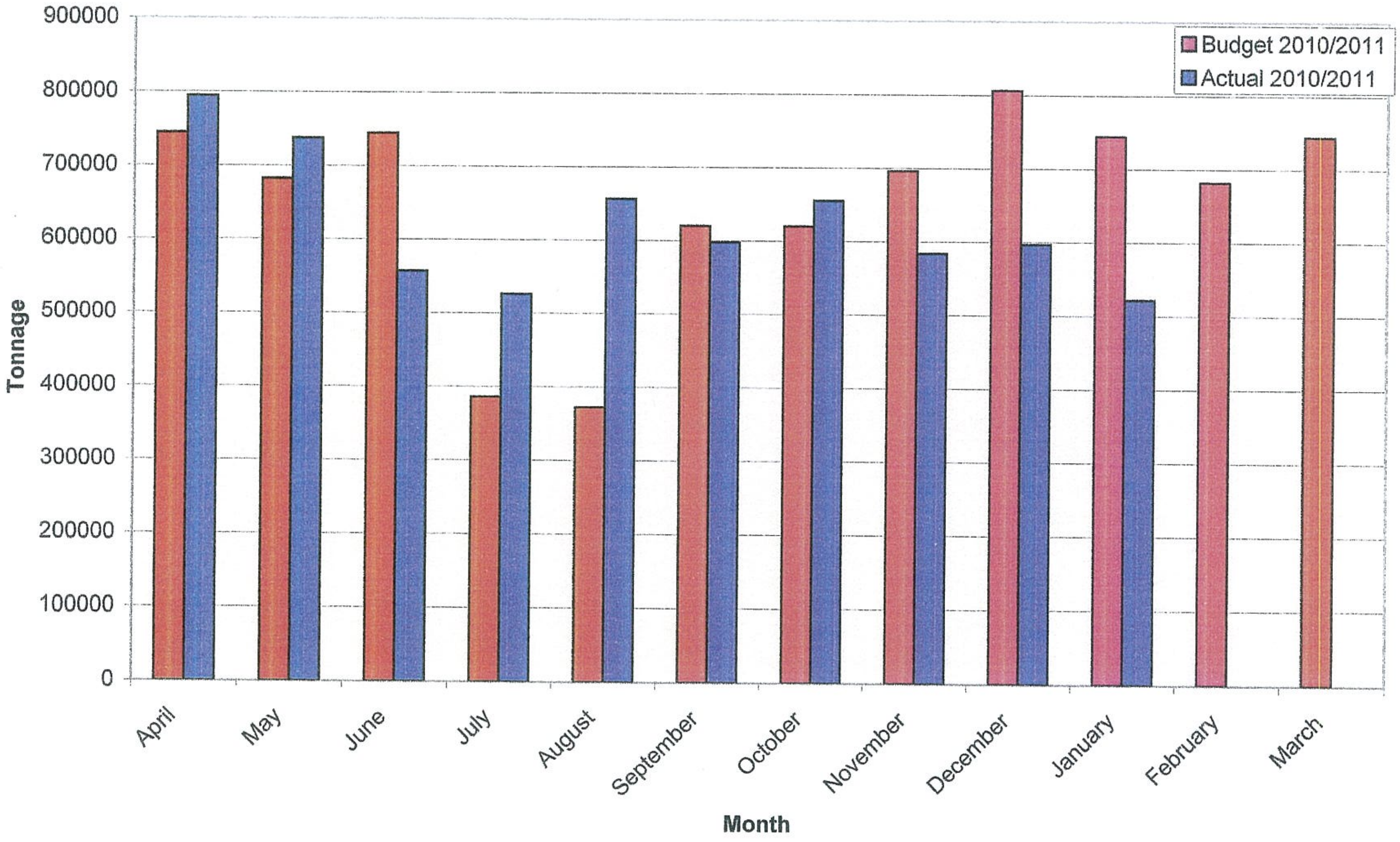
Small Piers/Harbours Income - Budget versus Actual 2009/2010



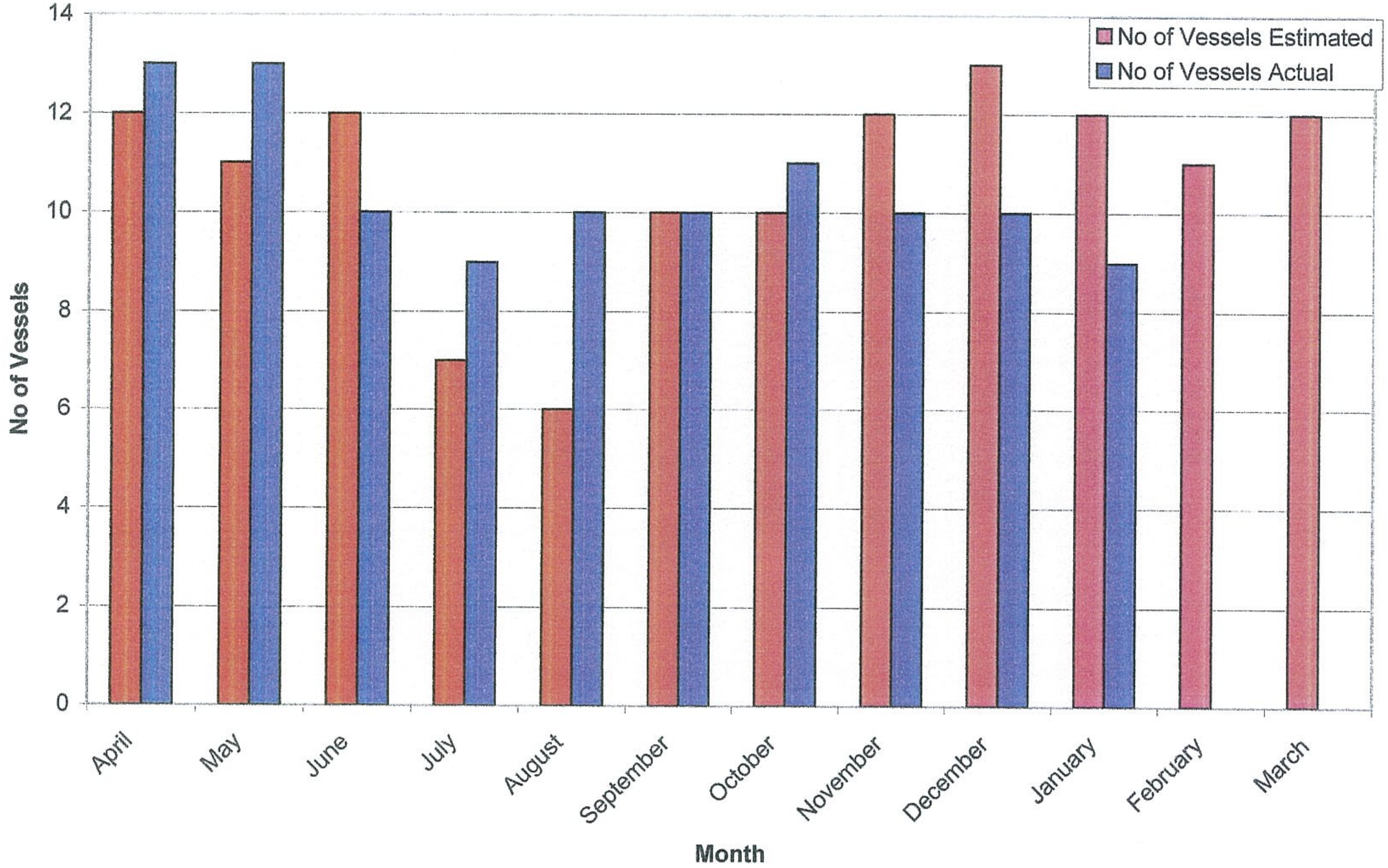
Scalloway Harbour Income - Budget Versus Actual 2009/2010



Gross Tonnage of Vessels Visiting Sullom Voe (excl Schiehallion Imports and Ship to Ship Transfers) Estimated versus Actual 2010/2011



No of Vessels Visiting Sullom Voe (excl Schiehallion Imports and Ship to Ship Transfers) Estimated versus Actual 2010/2011



Shetland
Islands Council

REPORT

To: **Harbour Board** **08 March 2011**

From: **Head of Service**

Report No: **P&H-07-11-F**

Subject: **Port Operations Report**

1 Introduction

1.1 This report provides an overview of port operations since the issue of the last Port Operations Report.

2 Risk Management

2.1 This report is for information only and there are no new identified risks associated with this report.

3 Pilotage

3.1 Sullom Voe

3.1.1 Since the issue of the last Port Operations Report, pilotage operations have been routine with no major incidents.

3.2 Scalloway

3.2.1 During the end of January there were no acts of Pilotage.

3.2.2 There are ten authorised pilots for Scalloway. These are the ten pilots who are also authorised for Sullom Voe.

3.2.3 Details of ship visits to Scalloway are shown in Appendix A.

3.3 Small Piers and Harbours

3.3.1 Appendix B shows the current actual income for small piers and harbours.

4 Staffing – Port Operations

4.1 Appendix C gives the staffing position as at 31 December 2010 showing a total of 146 staff.

5 Port Operations

5.1 Sullom Voe

5.1.1 Appendix D shows the exports and imports at the Port of Sullom Voe.

5.1.2 Appendix E is an abstract of weather delays for January and the cumulative totals for 2011.

5.2 Scalloway

5.2.1 Appendix F shows the fish landing statistics for Scalloway.

5.2.2 Appendix G shows the cargo statistics for Scalloway.

5.2.3 Appendix H shows the summary management accounts for Scalloway.

5.3 Small Piers and Harbours

5.3.1 Appendix I shows the summary management accounts for other small piers and harbours.

5.3.2 Appendix J shows the income / expenditure from 1 April 2010 to 31 January 2011.

6 Shipping Standards

The following incidents have occurred since the last report.

6.1 Ship Incidents

6.1.1 French fishing vessel "Grande Hermine" suffered propeller damage in heavy weather and was piloted into Sullom Voe North tug jetty under the assistance of tugs Dunter and Shalder.

6.1.2 Fishing vessel "Our Gain" suffered a galley fire while alongside Scalloway harbour East Jetty, the incident was attended by the fire brigade and there were no reported casualties.

6.1.3 Tanker Vessel Alfa Britannia sailed with a faulty gyro compass and during pilot disembarkation failed to provide effective means of communication between the bridge and the pilot boarding / disembarkation point. The vessel was advised by the Harbour Master, of being in contravention of harbour safety procedures.

6.1.3 Tanker vessel Evridiki released a tug towing rope in a dangerous way; the vessel was advised by the Harbour Master of being in contravention of harbour safety procedures.

6.1.5 Fishing vessel TH7 Amadeus broke Her moorings in Scalloway harbour, due to exceptionally strong winds. The vessel was assisted late at night in an extremely professional manner by the three Scalloway Pier Masters and the Coast Guard. No injuries were reported.

6.2 Pollution Incidents

6.2.1 No pollution incidents were reported.

7 Small Pier Operational Site visits

7.1 Operational visits and safety inspections are regularly carried out at all the small piers and harbours under the remit of Ports & Harbours Operations. Appendix K lists the most recent visits but does not include maintenance visits.

8 Policy and Delegated Authority

8.1 The Harbour Board has full delegated authority for oversight and decision making in respect of the management and operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code as described in Section 16 of the Council's Scheme of Delegation. The purpose of this report is to inform members on port operations which fall within the responsibility of the Service Head of Ports & Harbours Operations and does not seek any decision. However, this report is for information only and there are no Policy and Delegated Authority issues to address

9 Financial Implications

9.1 There are no financial implications arising from this report.

10 Recommendation

10.1 This report is for noting.

Our Reference: RM/ES RO-PO P&H-07-11-F Date: 08 March 2011

SCALLOWAY 2011
Number of Vessels and GT Totals

APPENDIX A

NO OF VISITS

	UK COMM VISITS	FOREIGN COMM VISITS	STANDBY/ OIL RELATED VISITS	COMMERCIAL (DISC RATE) VISITS	UK FISHING VISITS	FOREIGN FISHING VISITS	CRUISE SHIPS VISITS	SALMON CAGES VISITS	UK YACHT VISITS	FOREIGN YACHT VISITS	SIC VESSEL VISITS	LIFE BOAT VISITS	L/HOUSE TUG& MISC VISITS	TOTAL VISITS
JANUARY	0	1	2	0	10	0	0	0	0	0	0	0	0	**13**
FEBRUARY														**0**
MARCH														**0**
APRIL														**0**
MAY														**0**
JUNE														**0**
JULY														**0**
AUGUST														**0**
SEPTEMBER														**0**
OCTOBER														**0**
NOVEMBER														**0**
DECEMBER														**0**
Total no of Visits	**0**	**1**	**2**	**0**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**13**

GT

	UK COMM GT	FOREIGN COMM GT	STANDBY/ OIL RELATED GT	COMMERCIAL (DISC RATE) GT	UK FISHING GT	FOREIGN FISHING GT	CRUISE SHIPS GT	UK YACHT GT	FOREIGN YACHT GT		TOTAL GT
JANUARY	0	4074	2250	0	1907	0	0	0	0		**8231**
FEBRUARY											**0**
MARCH											**0**
APRIL											**0**
MAY											**0**
JUNE											**0**
JULY											**0**
AUGUST											**0**
SEPTEMBER											**0**
OCTOBER											**0**
NOVEMBER											**0**
DECEMBER											**0**
Total GT	**0**	**4074**	**2250**	**0**	**1907**	**0**	**0**	**0**	**0**		**8231**

Small Piers/Harbours - Income Received
April 2010 to January 2011

APPENDIX B

	Baltasound	Collafirth	Cullivoe	Fair Isle	Hamnavoe	Mid Yell	Out Skerries	Symbister	Toft	Uyeasound	Walls	West Burrafirth	Scalloway
Metered Water Charge	0	0	0	0	0	0	0	0	0	0	0	0	(14,487.54)
Equipment and Plant Hire	0	0	0	0	0	0	0	0	0	0	0	0	(3,792.42)
SalmonTender Dues	0	0	0	0	0	0	0	0	0	0	0	0	0
Comp Annual Dues	(813.26)	(2,362.92)	(2,758.44)	0	(1,103.40)	(1,222.20)	(733.32)	(13,481.10)	(957.39)	(1,118.67)	(710.82)	(556.42)	(22,707.12)
Fish Landing Dues	0	0	(37,631.62)	0	(18.04)	(106.63)	(4.75)	(254.79)	0	0	0	(571.14)	(103,144.95)
Salmon Landing Dues	(559.05)	0	(17,569.97)	0	0	(1,798.13)	0	0	0	0	0	0	(63,300.45)
Hire of Net Bins	0	0	0	0	0	0	0	(231.54)	0	0	0	0	(2,034.33)
Storage Charges	(207.51)	0	0	0	0	(111.84)	0	0	0	(741.48)	(106.14)	(94.98)	(37,768.29)
Net Storage on Pier	0	0	(7.56)	0	0	0	0	0	0	0	0	0	0
Wharfage Charges	0	(20.67)	(2,803.96)	0	(13.94)	0	0	(264.09)	(108.22)	0	(105.47)	(101.67)	(23,474.43)
Staff Time Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	(3,637.69)
Pleasure/Fishing Boat Dues	(942.22)	(277.07)	(772.57)	0	(14.34)	0	0	(72.24)	0	0	0	0	(6,082.23)
Ship Commercial Dues	(1,436.20)	(1,388.47)	(3,491.60)	0	0	(180.60)	0	(545.75)	(192.64)	(126.00)	0	0	(71,352.62)
Yacht Period Dues	0	0	0	0	0	0	0	(14.33)	0	0	0	(21.54)	0
Salmon Cages Dues	0	0	0	0	0	0	0	0	0	0	0	0	(2,701.53)
Cruise Ships	(4,628.70)	0	0	0	0	0	0	0	0	0	0	0	0
Dues on Shellfish Landings	(277.59)	0	0	0	(345.93)	(277.59)	0	(230.62)	(135.00)	0	131.80	(178.52)	(744.48)
Metered Electricity	0	0	(1,436.02)	0	0	0	0	0	0	0	0	0	(9,611.46)
Income Harbour Activities	**(8,864.53)**	**(4,049.13)**	**(66,471.74)**	**0**	**(1,495.65)**	**(3,696.99)**	**(738.07)**	**(15,094.46)**	**(1,393.25)**	**(1,986.15)**	**(790.63)**	**(1,524.27)**	**(364,839.54)**
Phone Call Reimbursed	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale of Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Lease Income	0	0	0	0	0	(250.00)	0	(175.00)	0	0	0	0	(26,655.00)
Miscellaneous Income	0	0	0	0	0	0	0	0	0	0	0	0	0
Income - Other	**0**	**0**	**0**	**0**	**0**	**(250.00)**	**0**	**(175.00)**	**0**	**0**	**0**	**0**	**(26,655.00)**
TOTAL INCOME	**(8,864.53)**	**(4,049.13)**	**(66,471.74)**	**0**	**(1,495.65)**	**(3,946.99)**	**(738.07)**	**(15,269.46)**	**(1,393.25)**	**(1,986.15)**	**(790.63)**	**(1,524.27)**	**(391,494.54)**

Harbour Board **Appendix C**

Staffing Position – 31 December 2010

Post	**Establis**	**Actual**	**Comments**	
Harbour Master	1	1		
Marine Officer/Pilots	10	10		
VTS Operators	5	5	(3 are trainees)	
Port Operations Manager	1	1		
Port Safety Officers	2	2		
Launch Crew Skippers	9	9		
Launch Crew Deckhands	13	10		
Launch Crew Relief's		7		
Tug – Masters	13	13		
Tug - Chief Engineers	12	12		
Tug - 2nd Engineers	8	7		
Tug - Mates	12	12		5 Temp contracts
Tug - GPRs'	5	6	5 Temp contracts	
Tug - Relief's		7		
Assistant Pier Masters (Scalloway)	3	3		
Full Time Harbour Assistant	1	1		
Part Time Harbour Assistants	9	8		
Administration Manager	1	1		
Senior Clerical Assistant	1	1		
Finance Assistants	5	3		
Clerical Assistant	3	2		1 Temp

Cook	1	2	1 persons equating to 1 FTE	1 Temp
Engineering Manager – Marine	1	1		
Engineering Manager – Ports	1	1		
Maintenance Planning Engineer	1	0		
Senior Marine Electronics Engineer	1	1		
Marine Electronics Engineer	1	1		
Engineering Supervisor	1	1		
Engineering Chargehand	1	1		
Electrical Engineer	3	2		
Marine Engineer	2	2		
Welder/Fabricator	2	2		
Maintenance Engineer	1	1		
Engineering Assistant	4	2		
Apprentice – Electrical	1	1		
Apprentice – Mechanical	1	1		
General Assistant	2	2		
Store Keeper	1	1		
Storeman	1	1		
Senior Stores Assistant	1	1		
Stores Assistant	1	1		
Driver	1	0		
Total	143	146		

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Brent Exports													
No of Vessels	7												**7**
GT	398834												**398834**
Cargo C/Wise	0												**0**
Cargo Foreign	577528												**577528**
Schiehallion Exports													
No of Vessels	0												**0**
GT	0												**0**
Cargo C/Wise	0												**0**
Cargo Foreign	0												**0**
Joint Exports													
No of Vessels	0												**0**
GT	0												**0**
Brent C/Wise	0												**0**
Brent Foreign	0												**0**
Schiehallion C/Wise	0												**0**
Schiehallion Foreign	0												**0**
													0
Schiehallion Imports													
No of Ships													**0**
GT													**0**
Schiehallion C/Wise													**0**
Clair Exports													
No of Ships	2												**2**
GT	123181												**123181**
Cargo Coastwise	0												**0**
Cargo Foreign	180545												**180545**
Ship to Ship Imports													
No of Ships	4												**4**
GT	167052												**167052**
STS Crude C/Wise	0												**0**
STS Crude Foreign	239710												**239710**
													0
Ship to Ship Exports													
No of Ships	4												**4**
GT	168530												**168530**
STS Crude C/Wise	0												**0**
STS Crude Foreign	239710												**239710**
													0
Ship To Ship Joint Exp													
No of Ships	0												**0**
GT	0												**0**
STS Crude C/Wise	0												**0**
STS Crude Foreign	0												**0**
Brent C/Wise	0												**0**
Brent Foreign	0												**0**
Schiehallion C/Wise	0												**0**
Schiehallion Foreign	0												**0**
Propane Exports													
No of Vessels	0												**0**
GT	0												**0**
Propane C/Wise	0												**0**
Propane Foreign	0												**0**
													0
Butane Exports													
No of Vessels	0												**0**
GT	0												**0**
Butane C/Wise	0												**0**
Butane Foreign	0												**0**
													0
Joint Exports													
No of Vessels	0												**0**
GT	0												**0**
Propane C/Wise	0												**0**
Propane Foreign	0												**0**
Butane C/Wise	0												**0**
Butane Foreign	0												**0**

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Brent Exports													
No of Vessels	6	7	7	9	8	6	8	6	6	8	8	8	**87**
GT	347180	408190	495499	556840	492988	344165	462834	363487	353569	473817	469758	473087	**5241414**
Cargo C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Cargo Foreign	480492	578264	738874	767554	689704	477175	652299	489319	486915	639501	644047	650253	**7294397**
Schiehallion Exports													
No of Vessels	0	0	2	2	2	1	1	1	1	1	0	0	**11**
GT	0	0	120484	120991	114185	56115	63462	85037	58099	63462	0	0	**681835**
Cargo C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Cargo Foreign	0	0	174624	189485	179392	82660	109021	55171	85305	59036	0	0	**934694**
Joint Exports													
No of Vessels	0	0	0	0	0	0	0	1	0	0	0	0	**1**
GT	0	0	0	0	0	0	0	62877	0	0	0	0	**62877**
Brent C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Brent Foreign	0	0	0	0	0	0	0	52965	0	0	0	0	**52965**
Schiehallion C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Schiehallion Foreign	0	0	0	0	0	0	0	28407	0	0	0	0	**28407**
													0
Schiehallion Imports													
No of Ships	0	3	3	3	4	1	0	0	3	0	0	3	**20**
GT	0	216735	216735	216735	295542	72245	0	0	216735	0	0	226578	**1461305**
Schiehallion C/Wise	0	89899	176410	223326	256218	18542	0	0	88859	0	0	98602	**951856**
Clair Exports													
No of Ships	2	2	3	2	2	2	0	2	3	2	2	2	**24**
GT	114294	119620	181958	116198	115834	121391	0	144756	186145	117818	114374	123380	**1455768**
Cargo Coastwise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Cargo Foreign	181097	181424	264146	177715	176591	181570	0	173354	179986	180725	179422	181261	**2057291**
Ship to Ship Imports													
No of Ships	1	0	0	1	1	0	0	0	0	0	0	1	**4**
GT	42661	0	0	42661	42661	0	0	0	0	0	0	40865	**168848**
STS Crude C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
STS Crude Foreign	59093	0	0	59801	59206	0	0	0	0	0	0	60151	**238251**
													0
Ship to Ship Exports													
No of Ships	1	0	0	1	1	0	0	0	0	0	0	1	**4**
GT	42010	0	0	42010	42010	0	0	0	0	0	0	42835	**168865**
STS Crude C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
STS Crude Foreign	59093	0	0	59801	59206	0	0	0	0	0	0	60151	**238251**
													0
Ship To Ship Joint Exp													
No of Ships	0	0	0	0	0	0	0	0	0	0	0	0	**0**
GT	0	0	0	0	0	0	0	0	0	0	0	0	**0**
STS Crude C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
STS Crude Foreign	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Brent C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Brent Foreign	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Schiehallion C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Schiehallion Foreign	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Propane Exports													
No of Vessels	0	0	0	0	1	0	0	0	0	0	0	0	**1**
GT	0	0	0	0	13893	0	0	0	0	0	0	0	**13893**
Propane C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Propane Foreign	0	0	0	0	8885	0	0	0	0	0	0	0	**8885**
Butane Exports													
No of Vessels	0	0	0	0	0	0	0	0	0	0	0	0	**0**
GT	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Butane C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Butane Foreign	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Joint Exports													
No of Vessels	1	0	0	0	0	1	0	0	0	0	0	0	**2**
GT	17980	0	0	0	0	35158	0	0	0	0	0	0	**53138**
Propane C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Propane Foreign	8010	0	0	0	0	8516	0	0	0	0	0	0	**16526**
Butane C/Wise	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Butane Foreign	3159	0	0	0	0	15027	0	0	0	0	0	0	**18186**

Ports & Harbours Operations

Abstract of Weather Caused Delays at 31 January 2011

	Monthly Totals			**Cumulative Totals**		
	Days	Hours	Mins	Days	Hours	Mins
Berthing Suspension	01	22	00	01	22	00
Unberthing Suspension	00	00	00	00	00	00
Loading Suspension	00	00	00	00	00	00
Boatwork Suspension	00	14	00	00	14	00
Pilotage Suspension	00	00	00	00	00	00
Helicopter Usage	00	00	00	00	00	00
Tug/Pilot Standby	00	00	00	00	00	00
Total Disruption - all Causes	01	02	00	01	02	00
Actual Delays Due to Weather	00	00	00	00	00	00

Fish Landing Statistics - Scalloway
2010/2011

APPENDIX F

FISH LANDINGS - SCALLOWAY		**APRIL**	**MAY**	**JUNE**	**JULY**	**AUG**	**SEPT**	**OCT**	**NOV**	**DEC**	**JAN**	**FEB**	**MARCH**		**TOTAL**
Fish Landed Through Market (Boxes)		4162	3790	3276	2461	4151	5299	2955	8673	2870	4984	0	0		**42621**
Fish Not Put Through Market (Boxes)		0	0	0	0	0	0	0	0	0	0	0	0		**0**
Mackeral Landings		0	0	0	16	525.25	564.75	0	0	0	0	0	0		**1106**
TOTAL NO OF BOXES - (Boxes)		**4162**	**3790**	**3276**	**2477**	**4676.25**	**5863.75**	**2955**	**8673**	**2870**	**4984**	**0**	**0**		**43727**

FISH LANDINGS - CULLIVOE		**APRIL**	**MAY**	**JUNE**	**JULY**	**AUG**	**SEPT**	**OCT**	**NOV**	**DEC**	**JAN**	**FEB**	**MARCH**		**TOTAL**
Fish Landed Through Market (Boxes)		1610	1517	2797	462	1385	451	975	1397	108	0	0	0		**10702**
Fish Not Put Through Market (Boxes)		0	0	0	0	0	0	0	0	0	0	0	0		**0**
Mackeral Landings		0	0	0	0	0	0	0	0	0	0	0	0		**0**
TOTAL NO OF BOXES - (Boxes)		**1610**	**1517**	**2797**	**462**	**1385**	**451**	**975**	**1397**	**108**	**0**	**0**	**0**		**10702**

SCALLOWAY															
DUES PAID ON FISH LANDINGS		**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**		
(Rate = £0.025 per £1.00 Value)		**00/01**	**00/02**	**00/03**	**00/04**	**00/05**	**00/06**	**00/07**	**00/08**	**00/09**	**00/10**	**00/11**	**00/12**		**TOTALS**
LHD Ltd		11611.66	10468.63	10251.98	5740.8	6372.21	11099.86	9004.06	15432.75	11541.33	9978.82	0	0		**101502.10**
Other (Consigned Fish)		554.75	0	0	576.94	0	0	0	0	0	0	0	0		**1131.69**
Mackeral Landings		0	0	0	0	0	0	511.16	0	0	0	0	0		**511.16**
TOTAL FOR LEDGER PERIOD		**12166.41**	**10468.63**	**10251.98**	**6317.74**	**6372.21**	**11099.86**	**9515.22**	**15432.75**	**11541.33**	**9978.82**	**0.00**	**0.00**		**103144.95**

CULLIVOE															
DUES PAID ON FISH LANDINGS		**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**	**PERIOD**		
(Rate = £0.025 per £1.00 Value)		**00/01**	**00/02**	**00/03**	**00/04**	**00/05**	**00/06**	**00/07**	**00/08**	**00/09**	**00/10**	**00/11**	**00/12**		**TOTALS**
LHD Ltd		5332.96	5744.57	6278.45	3524.92	4071.54	4066.09	2280.10	2771.02	1682.74	1234.99	0	0		**36987.38**
Other (Consigned Fish)		0	0	0	644.24	0	0	0	0	0	0	0	0		**644.24**
TOTAL FOR LEDGER PERIOD		**5332.96**	**5744.57**	**6278.45**	**4169.16**	**4071.54**	**4066.09**	**2280.10**	**2771.02**	**1682.74**	**1234.99**	**0.00**	**0.00**		**37631.62**

APPENDIX G

Scalloway Harbour
Wharfage Charges 2009/2010

WHARFAGE - Imports		APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH		TOTAL (tonnes)
Inward - Tonnes (Misc)		1481.544	0.000	171.633	164.000	0.000	3980.622	0.000	0.000	0.000	0.000	0.000	0.000		5797.799
Salmon Nets - Tonnes (In)		0.000	10.000	35.000	10.000	0.000	0.000	0.000	115.000	30.000	0.000	0.000	0.000		200.000
Fish Feed - Tonnes (In)		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000
TOTAL CARGO		**1481.544**	**10.000**	**206.633**	**174.000**	**0.000**	**3980.622**	**0.000**	**115.000**	**30.000**	**0.000**	**0.000**	**0.000**		**5997.799**

WHARFAGE - Exports		APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH		TOTAL (tonnes)
Tonnes (Misc)		0.000	0.000	0.000	160.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		160.000
Ice Loaded		141.100	123.650	77.150	0.000	0.000	398.500	72.600	208.600	64.450	0.000	0.000	0.000		1086.050
Gas Oil Bunkers		657.737	126.785	2322.042	625.260	430.665	2132.351	254.579	161.205	1126.217	0.000	0.000	0.000		7836.841
Fish Feed		24.000	0.000	659.000	861.000	420.000	1080.000	1319.000	1454.000	1153.000	0.000	0.000	0.000		6970.000
Salmon Nets		18.000	0.000	4.000	0.000	0.000	0.000	0.000	16.000	12.000	0.000	0.000	0.000		50.000
TOTAL		**840.837**	**250.435**	**3062.192**	**1646.260**	**850.665**	**3610.851**	**1646.179**	**1839.805**	**2355.667**	**0.000**	**0.000**	**0.000**		**16102.891**

Appendix I

Other Small Piers/Harbours
(Part 2 - Harbours)
Summary Management Accounts - Revenue
April 2010 to January 2011

	Annual Budget 2010/2011	Actual April 2010 to January 2011	Variance (Adverse)/Favourable
All Income	(96,290)	(106,529.87)	10,239.87
Total Income	**(96,290)**	**(106,529.87)**	**10,239.87**
Employee Costs	28,893	24,109.13	4,783.87
Agency Payments	-	-	-
Property And Fixed Plant	131,696	74,280.15	57,415.85
Supplies and Services	100,025	66,892.54	33,132.46
Transport and Mobile Plant	3,060	1,642.86	1,417.14
Administration	-	-	-
Total Expenditure	**263,674**	**166,924.68**	**96,749.32**
Net Revenue Expenditure/(Income)	**167,384**	**60,394.81**	**106,989.19**

NB Financing Costs and Recharges are not included in the above figures, as these are dealt with seperately at the year end. The above is "controllable costs".

Appendix H

SCALLOWAY HARBOUR
Summary Management Accounts - Revenue
April 2010 to January 2011

	Annual Budget 2010/2011	Actual April 2010 - January 2011	Variance (Adverse)/Favourable
Fish Landing Dues	(80,000)	(103,144.95)	23,144.95
Other Dues/Charges	(250,950)	(328,643.47)	77,693.47
Total Income	**(330,950)**	**(431,788.42)**	**100,838.42**
Employee Costs	140,915	131,897.39	9,017.61
Administration	22,525	10,408.08	12,116.92
Agency Payments	2,000	-	2,000.00
Property and Fixed Plant	124,565	78,647.91	45,917.09
Supplies & Services	48,500	25,426.72	23,073.28
Transport and Mobile Plant	18,756	10,852.33	7,903.67
	-		
Total Expenditure	**357,261**	**257,232.43**	**100,028.57**
Net Revenue Expenditure/(Income)	**26,311**	**(174,555.99)**	**200,866.99**

NB Financing Costs and Recharges are not included in the above figures, as these are dealt with seperately at the year end. The above are "controllable costs"

Small Piers/Harbours - Income/Expenditure
1st April 2010 to 31st January 2011

APPENDIX J

	Baltasound	Billister	Collafirth	Cullivoe	Easterdale	Fair Isle	Hamnavoe	Melby	Mid Yell	Out Skerries	Symbister	Toft	Uyeasound	Walls	West Burrafirth	Overall Total
Employee Costs	618	0	443	443	0	0	516	0	0	354	20,158	443	177	443	516	**24,109**
Property and Fixed Plant	24,323	10	986	10,271	148	24,578	232	148	847	2,984	6,838	16	1,922	136	842	**74,281**
Supplies and Services	24,071	5	385	1,645	0	154	5,749	0	16,135	557	17,518	29	42	0	601	**66,893**
Transport and Mobile Plant	236	0	0	0	0	0	0	0	0	0	0	0	1,407	0	0	**1,643**
Sub-Total Expenditure	**49,248**	**16**	**1,814**	**12,359**	**148**	**24,732**	**6,497**	**148**	**16,982**	**3,895**	**44,514**	**487**	**3,548**	**579**	**1,959**	**166,925**
Total Income	**(8,865)**	**0**	**(4,049)**	**(66,472)**	**0**	**0**	**(1,496)**	**0**	**(3,947)**	**(738)**	**(15,269)**	**(1,393)**	**(1,986)**	**(791)**	**(1,524)**	**(106,530)**
Net Total (Income)/Expenditure	**40,384**	**16**	**(2,236)**	**(54,113)**	**148**	**24,732**	**5,001**	**148**	**13,035**	**3,157**	**29,244**	**(906)**	**1,562**	**(212)**	**434**	**60,395**

Shetland
Islands Council

REPORT

To: **Harbour Board** **08 March 2011**

From: **Harbour Master / Head of Service**

Report No: **P&H-08-11-F**

Subject: **Status Update Report**

1. Introduction

1.1 This report updates the Harbour Board on the status of a number of items which have been the subject of previous reports.

2. Links to Corporate Priorities

2.1 This report is for noting however the items included in the report lead to promoting the ideals of Sustainable Economy in the Corporate Plan.

3. Risk Management

3.1 The contents of this report are for noting only and there are no immediate risks identified in this report.

4. Ship to Ship

4.1 At the time of creating this report there have been seven Ship-to-Ship transfers in this financial year.

4.2 The Ship-to-Ship Transfer guidelines, as discussed in report P&H-09-10-F [Min Ref. 14/10], were laid before parliament on 09 April 2010 as “S.I. 2010 No. 1228 - The Merchant Shipping (Ship-to-Ship Transfers) Regulations 2010”.

4.3 The implementation of the legislation following the MCA consultation, without any further feedback or notification, came as somewhat of a surprise to the shipping and ports industries and led to unfavourable responses from the industry. This in turn has resulted in the Under Secretary for Transport, Mike Penning to announce a delay of the implementation of the legislation to 01 April 2011 and the request for information from all concerned parties.

4.4 The Harbour Master has formally applied to the Secretary of State for permission to maintain Ship-to-Ship operations under the Transitional Provision in regulation 8 of SI 2010 No. 1228. If granted this will allow the port to continue operating Ship-to-Ship operations after 01 April while guidance from the MCA is received on what will be required in the environmental statement.

5. Exercise Sula

5.1 The Maritime and Coastguard Agency is planning a major oil exercise entitled Exercise Sula on 18 and 19 May 2011. The exercise is designed to test the National Contingency Plan. It will also involve the table top exercising of the Shetland Marine Pollution Contingency Plan.

5.2 The Emergency Planning and Resilience unit are part of the planning team for the exercise.

5.3 A stakeholders meeting was held in Aberdeen on 10 February 2011. The Emergency Planning Officer, the Harbour Master and a representative from BP Sullom Voe attended.

6. Oil

6.1 At the time of creating the report, the Brent Bravo platform is still out of operation. However production is continuing on the other fields (e.g. Cormorant, Alwyn, Thistle, Murchison, Dunlin, Eider, Hutton etc.) Ninian remains unaffected, with imports coming in on a different pipeline.

6.2 Schiehallion has suffered some difficulties resulting in a brief suspension of shuttle tanker service.

6.3 An invitation has been made to BP Schiehallion to attend the Harbour Board. The Harbour Master is currently awaiting an official reply. At the time of composing this report, it is thought unlikely that any representation at the Harbour Board would be before April 2011.

6.4 BP has announced that is to sell a number of oil and gas fields in the UK. These are mainly located in the Southern North Sea. BP stated that "these divestments will allow BP to focus resources and investment on its diverse central North Sea, northern North Sea, West of Shetland and Norway assets and on successful delivery of its new major projects.

6.5 Oil and Gas UK have released a report that mentions the increased activity to the West of Shetland. The report is attached as Appendix A.

6.6 Following a court application lodged by Greenpeace, the High Court is to consider an application to review the government's decision to grant deepwater drilling licences for areas to the West of Shetland. The department of energy and climate change (DECC) has been given 35 days to prepare its response, after which a hearing date will be set.

7 Exhibition

7.1 The fishing exhibition, Fishing Expo 2011, scheduled for 24 to 26 March in Glasgow, has been cancelled. The event will be replaced by an evening event on 25 March at which plans will be revealed for the 25th anniversary exhibition in March 2012.

7.2 The Port Operations Manager is making good progress in preparing for the All Energy exhibition in Aberdeen on 18 and 19 May and also the Scottish Skipper Expo in Aberdeen on 24 and 25 June 2011.

8 Business

8.1 As part of the Total project, vessels are due to arrive in early March to commence laying some of the pipe work. The vessels will be using the Construction Jetty to land equipment and carry aggregate to the pipe laying areas. The increase in shipping will be a welcome increase in activity and income for the port.

8.2 Areas of land within the industrial estate are now generating an income to Ports and Harbours. This currently includes the old Shetland Towage building; the land directly adjacent to the roads depot and the land designated for the accommodation units.

8.3 Work is well in hand to attract back the Foinhaven cable replacement work for Scalloway Harbour. It is hoped that this will be carried out in the summer.

8.4 The service is also working to secure some new business in relation to the aquaculture industry and treatment of produce.

9 Coastguard

9.1 The Harbour Master, with help from the Environmental Liaison Officer, has been working on the Council's response to the MCA consultation on the Modernisation of the Coastguard service. The response is subject to a separate report on the agenda for the Council on 08 March 2011. The report will be available on the Council website.

9.2 The Harbour Master has also put forward the main points contained in the briefing document to the British Ports Association in Lerwick on 17 February 2011.

9.3 The Harbour Master will be attending a meeting in Edinburgh on 04 March 2011 on the subject of the Emergency Towing Vessel. The invitation came via the British Ports Association. Representatives of Transport Scotland and the MCA will also attend the meeting.

10 Financial Implications

10.1 This report is for noting only and there are no financial implications arising from this report.

11 Policy and Delegated Authority

11.1 The Harbour Authority has full delegated authority of the oversight and decision making in respect of the management and operation of the Council's harbour undertakings in accordance with overall Council policy, revenue budgets and the requirements of the Port Marine Safety Code, as described in section 16 of the Council's Share of Delegations.

12 Recommendations

12.1 I recommend that the Harbour Board note the contents of this report.

Our Reference: RM/ES RO-PO P&H-08 -11-F Date: 25 February 2011

Appendix A

Oil & Gas UK

the voice of the offshore industry

2011 Oil & Gas UK Activity Survey

The 2011 Oil & Gas UK Activity Survey

1) Summary of Findings

The Oil & Gas UK 2011 Activity Survey reports on our industry's activity on the UK Continental Shelf (UKCS) over the previous year and looks forward to expected activity over this and the next four to five years. The Survey is based on the latest data supplied by all the leading Exploration and Production companies operating in the UK. This provides a uniquely well informed insight into the opportunities and potential of this vital sector of the UK economy. The key results can be summarised as follows:

In 2010 the industry:

- Produced 2.3 million barrels of oil and gas equivalent (boepd), (5% less than in 2009)
- Invested £6.0 billion of capital, similar to that achieved in 2006 (£4.9 billion in 2009)
- Spent £6.9 billion on operating costs (5% higher than 2009)
- Drilled 129 development wells (130 wells in 2009)
- Spent £1.1 billion drilling 62 exploration and appraisal wells (65 wells in 2009)
- Discovered a further 300-400 million boe
- Initiated the development of thirteen new fields (six in 2009) and four major incremental projects (three in 2009)
- Paid more than £9.3 billion in production taxes (fiscal year 2010-11)
- Supported employment of around 440,000 people across the UK (~45% of them in Scotland)

Looking forward to this year and beyond ….

Oil & Gas Reserves:

- Total reserves in the survey, including additional incremental recovery from existing fields and the development of new fields, have risen to 11.6 boe, reflecting increased activity across the UKCS and particularly west of Shetland. This is up 1.3 billion boe compared with a year ago, on a like for like basis;
- Current expectations are at least 10.5 billion boe of these 11.6 billion boe have a 50% or greater chance of being recovered;
- Proven reserves, in existing fields or in projects currently under development, have increased substantially to 6.0 billion boe (5.25 billion boe last year). This reflects the scale of the new developments and incremental projects which received investment approval in 2010;
- Probable and possible reserves from projects which are yet to be approved total 5.6 billion boe, a small decrease from the 5.8 billion boe in last year's survey.

Potential New Fields Development

- 67 new field developments have been reported in respondent's business plans, down from 73 the previous year, ranging from more than 90% to less than 10% probability of being developed;
- These potential new field developments include 3.1 billion barrels of recoverable reserves, with the ten largest fields accounting for over 60% of capital expenditure. Four of these are west of Shetland, three in the central North Sea and three in the northern North Sea;

- Nearly 60% of new fields seeking to be developed have reserves of less than 20 million boe. However, in contrast there are eight fields with expected recoverable reserves in excess of 100 million boe, these being located across the west of Shetland, central and northern North Sea.

Incremental Development in and around existing fields

- There are plans to potentially develop 2.6 billion boe from 160 projects in existing fields;
- These projects are typically small in size with three quarters being less than ten million barrels;
- When taken together with general investment to extend the productive life of existing infrastructure, this is expected to require £1.5-2 billion of investment per annum.

Production

- Last year total production from the UKCS (0.85 billion boe) declined by around 5%, this is less than the average of around 6.5 % per annum seen over the last ten years;
- Over the next 5 years, the decline rate could halve to around 3% per annum as a number of large new developments come on stream reflecting the increased investment plans for the UKCS.

Capital Investment

- Capital Investment on the UKCS may rise to £8 billion or above in 2011, driven upwards by the wave of new field developments initiated over the last year;
- Currently sanctioned plans will lead to investment of up to £22 billion most of which will be spent over the next five years. However, investment could exceed £40 billion over this period if the current rate of investment continues;
- Over the next decade and beyond, up to £70 billion could be invested in the UKCS, some £10 billion higher than forecast in last year's survey.

Operating Costs

- The cost of operating the UKCS has seen a small increase over the last year to £6.9 billion, up around 5% compared with 2009;
- Operating costs per barrel have risen by around 10% reflecting both the increase in costs as well as the decline in production over the last year.

E&A Activity

- 61 Exploration & Appraisal wells are currently being planned for 2011; this sees a return to the ten year rolling average of around 60 wells per annum, but is significantly below the rate (>100 pa) seen in 2007/8,
- The 26th licensing round saw 144 licences awarded to small, independent and majors, with 45 held back for environmental reasons; 12 firm and 17 contingent wells have been committed.

Decommissioning

- Decommissioning costs are projected to increase by 11% overall, over the period 2011-2040, to £29 billion;
- It is observed that a number of fields could still be operating through the 2040's.

2) Foreword

We are pleased to report on the results of our latest Activity Survey, incorporating exploration, investment, production and decommissioning data, which provide a unique insight both into the achievements of the UK's offshore oil and gas industry in 2010 and into the plans and challenges it faces in 2011 and beyond.

Business confidence is up - investment is rising sharply following five years of decline
The last twelve months have seen a significant turn around in the outlook for the UK's offshore oil and gas industry. With 2010's 26th Licensing Round attracting the highest number of applications since the First Round and Oil & Gas UK's quarterly business confidence index recording steady growth, the rising enthusiasm of companies to invest was apparent; the 2011 Activity Survey cements that conclusion.

For the first time in five years, investment increased substantially in 2010 to £6 billion, a result of the recent approval of a number of new large field developments to the west of Shetland, in the central North Sea and to a lesser extent in the northern North Sea. It is anticipated that investment could rise to around £8 billion in 2011, which would be 60 per cent higher than in 2009. The plans currently tabled by companies to bring oil and gas discoveries into production over the next five years suggest potential of up to £40 billion of investment, 20 per cent higher than what was anticipated in last year's survey. This will have a significant impact on production and lead to the rate of decline halving over the next five years to around 3 per cent per annum.

This level of activity is sustainable but requires critical issues to be addressed
The recent increase in activity has not been driven solely by changes in oil price over the last few months, but more by a renewed confidence in the UKCS and the capabilities of its world class supply chain. Investment plans, which had in part been held back by the recession, constraints on finance and the collapse in oil price in 2008/9, are now coming to the fore. The significant number of projects which are being considered for investment but have not yet received investment approval suggests that the rebound in investment witnessed in 2010 will be sustained for a number of years; new projects such as heavy oil developments in the central and northern North Sea and new oil field developments west of Shetland will also play their part in years to come.

The first question to raise is whether the UK's **oil and gas supply chain** can accommodate the increase in activity we highlight and the good news here is twofold. Firstly, many companies have been planning for this upturn over the last two years; during the downturn in 2008/9 fewer jobs were lost than anticipated as companies sought to retain skills and capacity and such long term planning is now being put to good use. Secondly, organisations such as OPITO have been active in re-training skilled personnel who have suffered redundancy from other sectors of the economy for employment in the oil and gas industry. We still anticipate that another 10-15,000 jobs will be created throughout our supply chain across the UK as a result of the increased investment.

We cannot, however, be complacent; the Activity Survey also shows that the UKCS is mature and high cost. Rising costs combined with the decline in production meant unit operating costs rose by 10 per cent in 2010 and new discoveries, whilst doing well by recent standards, were materially smaller than in younger oil and gas provinces around the world.

In a challenging commercial environment such as this, any barrier to investment, whether under the control of Government or industry, needs to be addressed. A priority for investors considering the best destination for their capital is a predictable fiscal regime. The current Coalition Government's assurances on the overall stability of the fiscal regime, affirmed in the last budget, have succeeded in boosting investor confidence. This, combined with the recent adjustments to the regime to encourage the development of some of the most demanding and economically marginal new fields, such as small fields, gas fields west of Shetland and heavy oil opportunities, has improved the competitive position of the UKCS and underpins much of the upturn in investment.

However, this predictability is lacking regarding **companies' access to accrued decommissioning tax relief.** Whilst industry is wholly committed to ensuring that its share of the cost of decommissioning is fully funded and securely available at the required time, it remains uncertain whether Government has a similarly commitment to meet its share of the costs. Indeed, the industry is required to provide financial security for the Government's share of the cost on top of its own which undermines investor confidence. It also ties up capital that could be more productively used; solving this issue could ultimately free up tens of billions of pounds for further investment, significantly extending the life of many assets and existing infrastructure. Importantly, ensuring asset integrity and infrastructure life extension are being adequately controlled is the subject of a Health and Safety Executive programme running from 2010 to 2013 in which the industry is keenly engaged. Whilst there are no easy solutions, industry is committed to work with Government to ensure certainty on the future access to accrued tax reliefs is achieved, using commercial, licensing or legislative means.

One factor crucial to enabling oil and gas operations to continue efficiently and which is well within the industry's control is the **regaining of public confidence after the oil spill in the Gulf of Mexico** in 2010, which saw the loss of eleven lives with the blowout of the Macondo well. The UK's offshore industry responded immediately. In order to review well operations and ensure appropriate lessons were learnt from the Gulf of Mexico incident, Oil & Gas UK together with the industry's regulators and trade unions rapidly established the Oil Spill Prevention and Response Advisory Group. OSPRAG carried out a fundamental review of the regulatory regime in the UK and concluded that there is a high degree of confidence in it; this was reinforced in reports from the House of Commons Energy and Climate Change Select Committee and the European Commission.

Where the need for enhancements has been identified, work on their implementation is well underway. Best well life cycle practices are being shared through a new Oil & Gas UK forum; further specialised equipment to contain an oil spill has now been ordered and during 2011 this capability will be bolstered by the production of a new device to achieve well capping. In order to demonstrate and test the UK's oil spill contingency arrangements, a major two day oil spill response exercise in the west of Shetland will take place in May 2011.

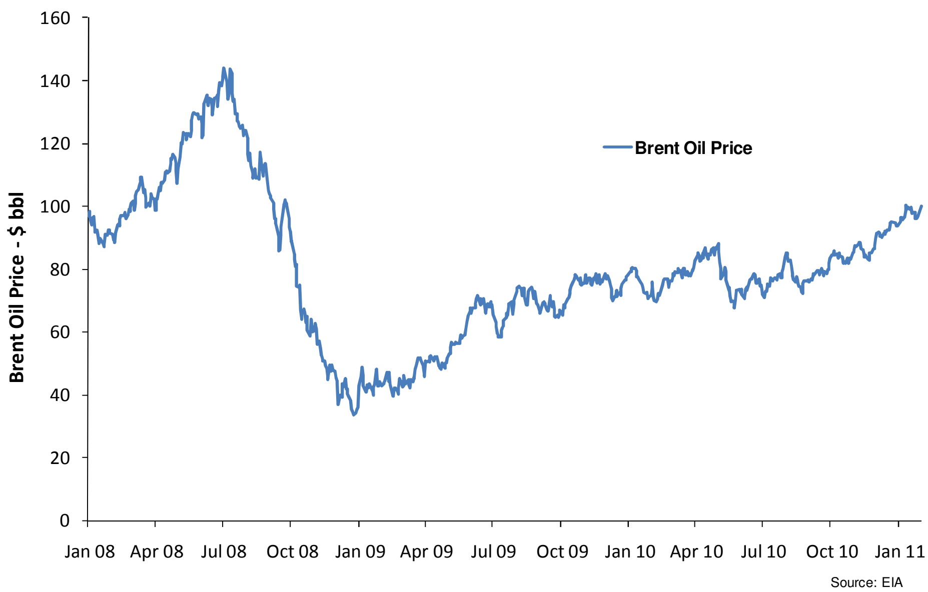
The UK's offshore oil and gas industry continues to be a vital part of the nation's economy, as a source of energy, revenue, exports, skills and technology. Last year's Activity Survey contained the bold statement that the UK oil and gas industry had a role to play in rebalancing the UK economy as it emerged from recession; here we demonstrate that we are playing our part. We anticipate that in 2010 this industry provided just under 60 per cent of the UK's total energy supply, and looking forward to 2011 will contribute a quarter of total UK corporation tax, develop and then export skills and technology to the tune of £6 billion and support the employment of almost half a million people across the UK. There are significant challenges ahead of us. If the Government and industry work closely together to address these, I am confident that we have the capability and resources to drive economic growth for decades to come, ensuring the UK oil and gas industry remains a significant sector beyond 2030.

Malcolm Webb, Chief Executive, Oil & Gas UK

3) Oil and Gas Prices

For much of the last year, the Brent oil price has been trading in the range of $70 – 85/bbl. However in the final quarter of 2010, it began to rise steadily and broke through the $100 bbl barrier in late January 2011 amid concerns of growing political instability in the Middle East. Fundamental factors have returned to influence price over the last year, particularly increased demand for energy from the emerging economies, driven by their growth in GDP, coupled with the relative weakness of the US dollar. As a consequence, the yearly average price of Brent crude was $80 bbl, a significant increase on the previous yearly average of $62/bbl.

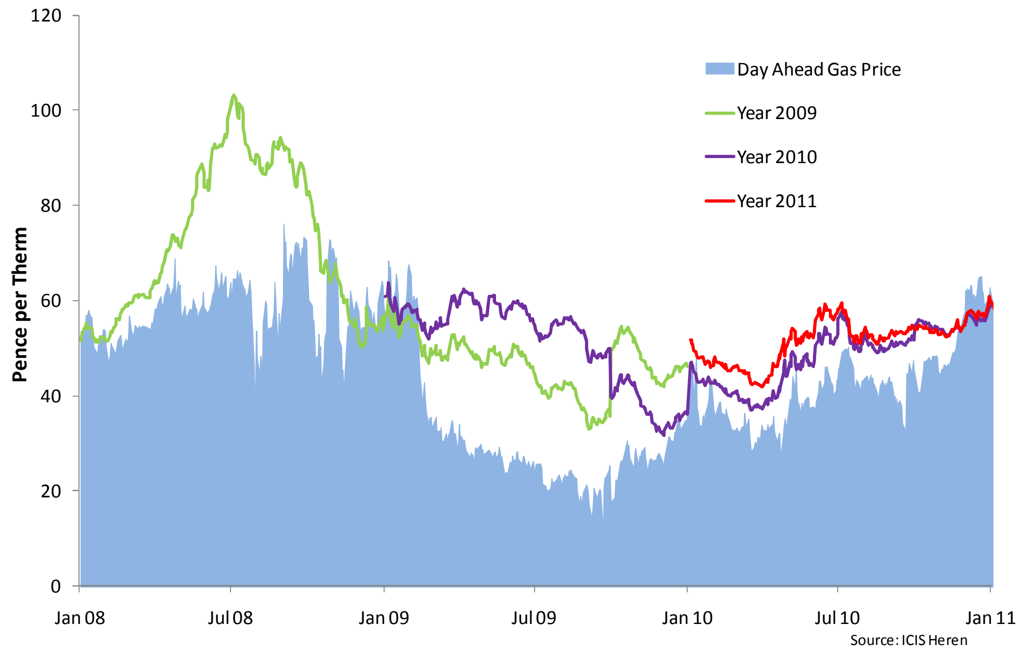
Figure 1: Daily Brent Oil Price 2008-2011



Gas prices recovered gradually through 2010 from the low ones seen in 2009. The NBP day ahead price remained below 40 p/th for most of the first five months of the year, the lowest being 28 p/th at the end of April. Prices rose through the second half of the year before spiking in late November and again in December because of very high demand in severe weather conditions. Analysis by National Grid has revealed that, of the ten days of highest demand for gas ever recorded, no less than nine of them occurred in 2010 – three in January and six in December. Prices have in part been buoyed throughout the year by continental buyers taking advantage of arbitrage between UK spot prices and higher priced oil indexed contracts. In addition, the recovery from 2009's recession, especially in the Far-East, has raised energy prices generally with arbitrage of uncontracted cargoes of LNG between Europe and Asia becoming evident.

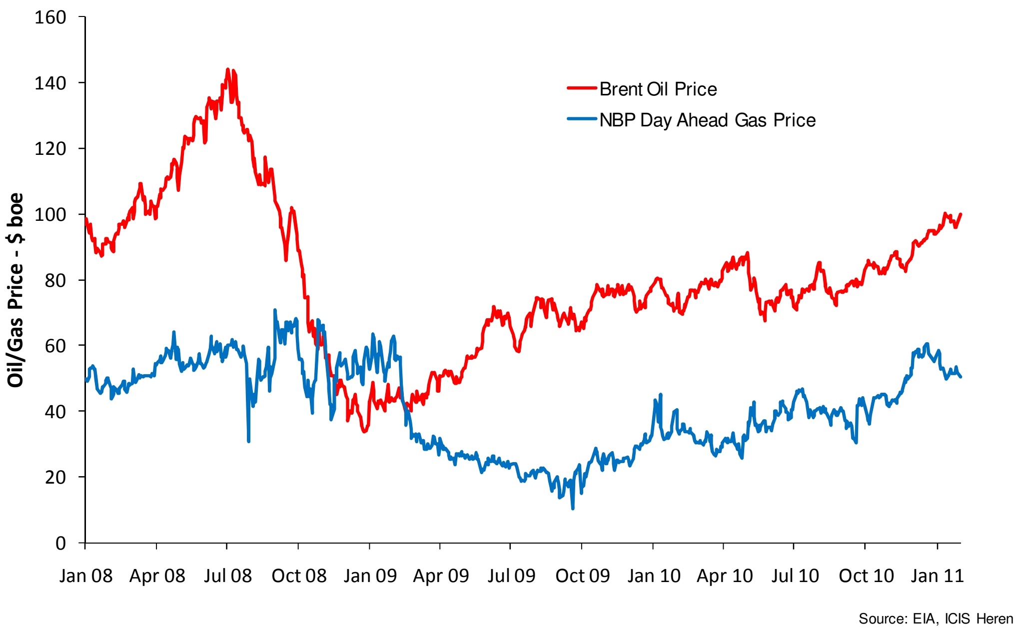
The average day ahead price for 2010 was 42.5 p/th and the futures market suggests that gas prices are expected to remain above 50 p/th in 2011.

Figure 2: NBP Day-ahead and Forward Gas Prices 2008-2011



Whilst UK gas prices traded at the NBP are higher than they were a year ago, gas continues to be priced at around half that of oil on an energy equivalent basis. Given the costs of development for either are similar, price expectations makes it less attractive to develop gas opportunities on the UKCS.

Figure 3: Comparison Brent Oil and NBP Gas Price ($/boe) 2008 - 2011



4) Oil & Gas Reserves

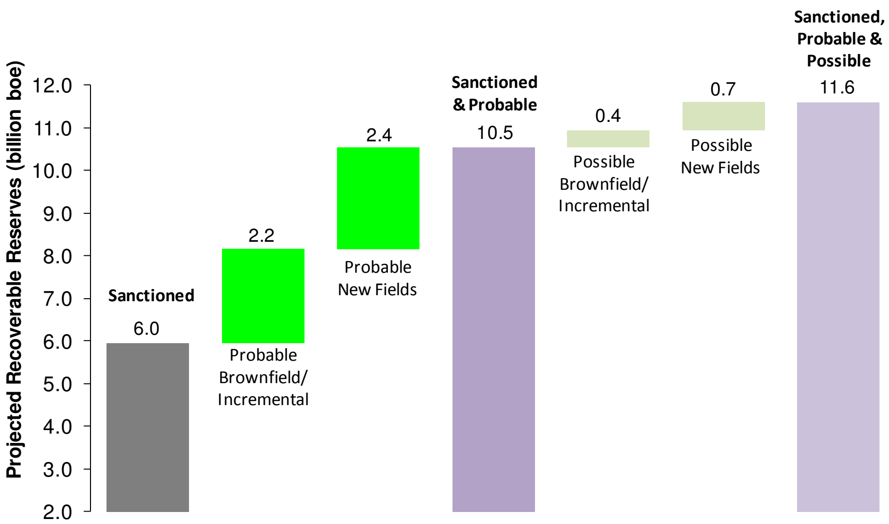
This year's activity survey shows that companies latest business plans could lead to the recovery of up to 11.6 billion barrels of oil and gas equivalent (boe) from 2011 – 2050. This is a significant increase compared to last year's survey which forecast 11.1 billion boe to be recovered from 2010 - 2050. Whilst the latest survey shows a 0.5 billion boe increase, when last year's production of 0.85 billion boe is taken in to account, the actual increase is 1.3 billion boe on a like for like basis.

This latest survey includes:

- 6.0 billion boe from existing fields and currently sanctioned investments,
- 3.1 billion boe from development of new fields,
- 2.6 billion boe from incremental investment in existing fields (called brown field developments).

The 11.6 billion boe covers a range of probabilities of recovery, reflecting both the underlying economics as well as technological challenges associated with these developments. Proven and probable reserves (greater than 50% probability) make up 10.5 billion boe whilst possible reserves (less than 50% probability) total 1.1 billion boe.

Figure 4: Build-up of Activity Survey 2011 Reserves Base

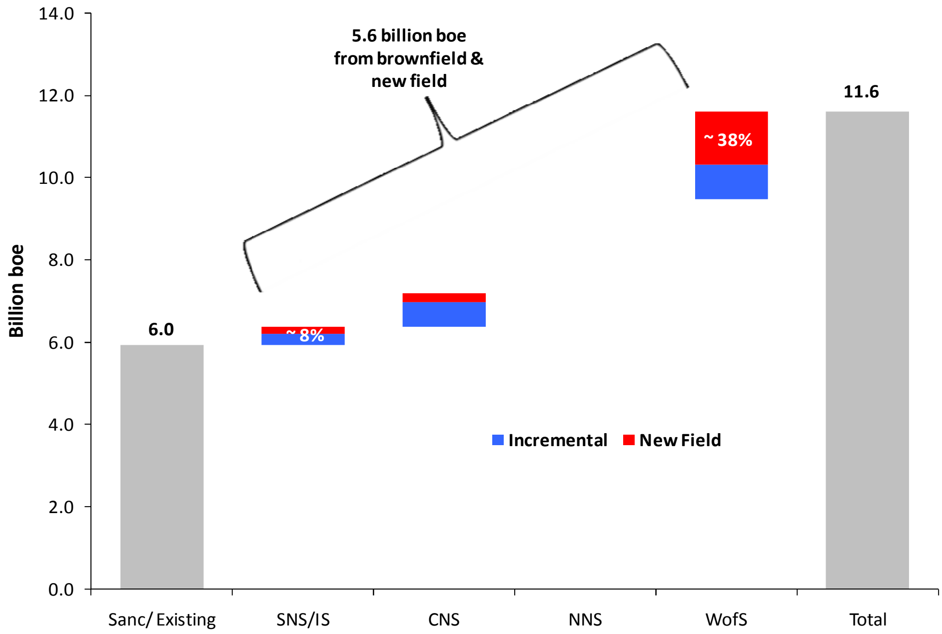


The increase in sanctioned reserves has been the result of a number of new developments and incremental projects securing a firm investment decision over the last 12 months, these are located across the UKCS. Consequently, sanctioned reserves now account for over 60% of future recoverable reserves, an increase of 5% on a year ago.

The growth of UKCS total reserves has mainly occurred west of Shetland with proven, probable and possible reserves up 31% based on current business plans from 2011 onwards when compared to last year's survey. This is driven by the upward revision of reserves from previously known developments and also the discovery of several large fields in the area.

Within the latest survey, new reserves will potentially be developed across the UKCS, with nearly 40% of the additions coming from west of Shetland, just under 30% coming from the central and northern North Sea, whilst the southern North Sea and Irish Sea make up less than 10%. These potential new reserves include projects which range from less than 10% through to 90% or better chance of proceeding.

Figure 5: Reserves Growth by Region

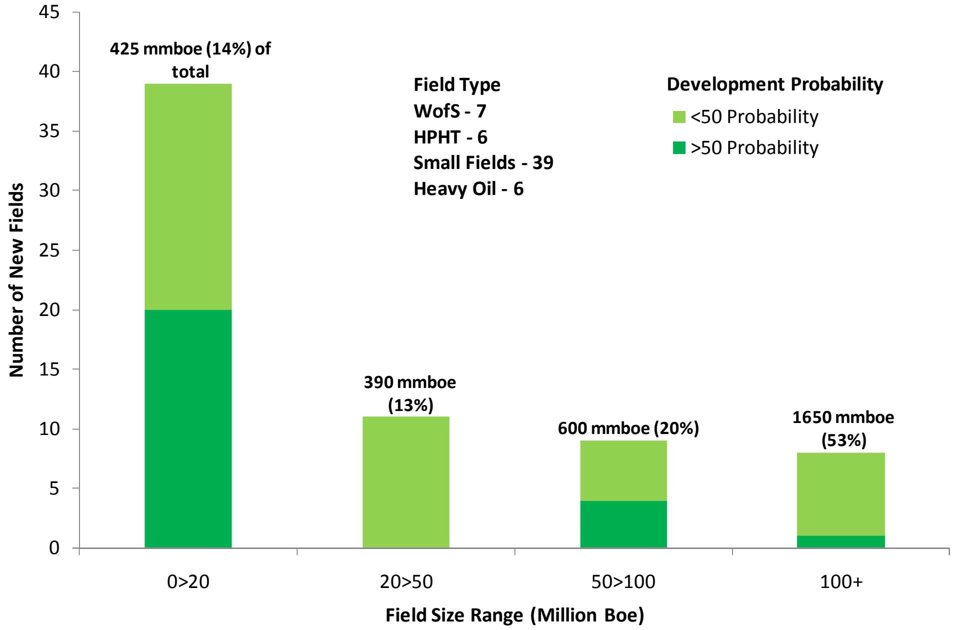


New Field Development

Thirteen fields received a firm investment decision in 2010 and moved into the sanctioned base of reserves. Whilst this did not represent a significant increase in the number of fields gaining approval in 2010 compared with recent years, these contained a number of large developments, increasing the average field size under development last year to in excess of 45 million boe. For comparison, field developments have typically averaged 20 million boe or less over the last decade. Eight potential new field developments were reported this year's survey and as a result, including other changes, the survey now holds 67 potential new field developments, compared with 73 a year ago.

The 67 potential field developments range from fields of less than 5 million boe to those above 100 million boe of recoverable reserves and include eight large fields with reserves exceeding 100 million barrels. These eight fields account for more than half of the total new field reserves and capital expenditure. This shows the importance of some of these larger developments and the role they can play in supplying the UK's energy needs. However, with the remaining 59 fields requiring development to recover the residual 1.4 billion boe there will be substantial competition for resources within the supply chain. With larger developments likely to take precedence it will make it more challenging to achieve the development of some of the smaller fields within the portfolio.

Figure 6: Distribution of New Field Size



There has also been an increase in potential new development activity in small field and heavy oil fields aided by the allowances introduced in 2009. For instance, this year's survey includes six potential new heavy oil developments across the UKCS, double the number being pursued three years ago, together delivering 850 million boe.

The latest plans show an increase in the number of potential small field developments with a rise in potential projects to 39 (36 last year) including fields approved in 2010. These represent around 430 million boe of reserves and £5 billion of capital investment.

Incremental development in and around existing fields

Current business plans show that new incremental investment in existing fields has the potential to deliver an additional 2.6 billion boe over time. These potential incremental reserves come from more than 160 projects which vary significantly in size. The data show most incremental projects are small with over half less than 5 million boe, and another quarter less than 10 million boe in size. In contrast, the top ten incremental projects contain more than two thirds of the total incremental reserves which from this year's survey are yet to be developed.

Sustaining incremental investment in existing fields is critical to the longevity of the UKCS. Oil & Gas UK recognises that further analysis is required to gain a better insight into long term trends, particularly on mature assets, some of which are evidently struggling to sustain investment in marginal projects.

Ultimate Recovery

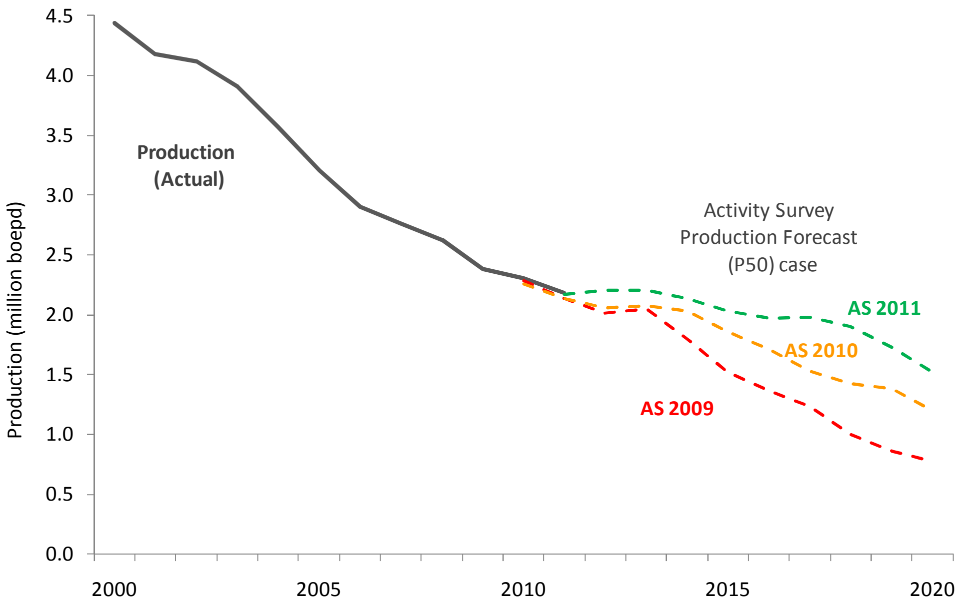
Oil & Gas UK estimates that there is still somewhere up to 24 billion boe to be recovered from the UKCS in the fullness of time, of which the results of exploration could ultimately contribute around 5-8.5 billion boe.

It is also estimated that exploration added between 300-400 million boe of new oil and gas resources during 2010. However these volumes are not reflected in the investment and production forecasts provided in this survey, because further work will be required to mature their development.

5) Production

In 2010, total UKCS production is estimated to have been 2.3 million boepd[1] (~0.85 billion boe), a decrease of around 5% on 2009. Oil production fell by around 3% whilst gas production fell by around 6%, slightly less than expected despite significant maintenance shutdowns during the summer period. A similar rate of decline is anticipated in 2011 with annual production falling to around 2.2 million boepd.

Figure 7: UKCS Production Outlook



However, the production outlook during the middle of this decade and beyond shows a more positive story. As figure 7 illustrates, recent surveys have shown a gradual improvement in the production outlook in the years ahead. If investment plans proceed as expected then sufficient new production will be brought on-stream to slow the decline rate over the next 5 years. The latest forecast suggests production has the potential to decline at around 3% per annum through to 2016, less than half the average decline rate of 6.5% per annum experienced over the last decade. This anticipates the development of a number of large new fields, which would then come on stream over the period, supported by sustained investment in existing fields.

[1] boepd – barrels of oil equivalent per day

Figure 8: UKCS Oil and Gas Production 2009-2021

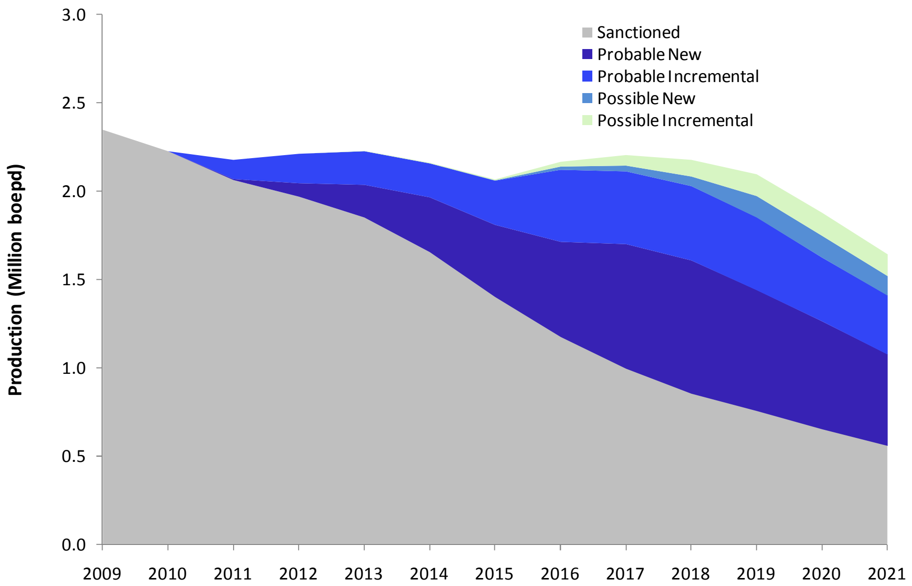
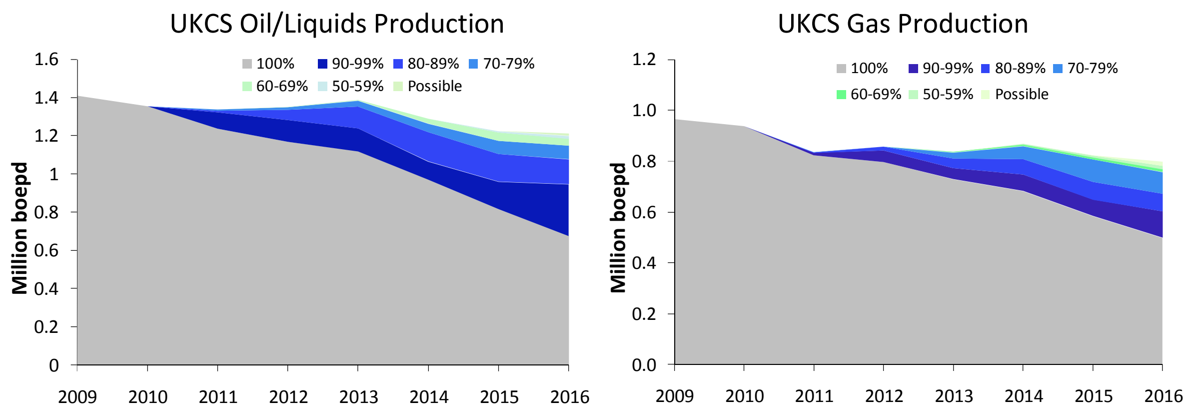


Figure 8 provides a forecast of production, the baseline showing sanctioned production, both from existing fields and ongoing investment in new fields. This indicates an underlying decline rate for the UKCS over the next decade of around 10% per annum in already sanctioned production, which is lower than the 15% more routinely seen in recent years. Even sustaining the 10% decline rate in sanctioned production will still require the further investment of £22 billion to bring currently sanctioned projects in new fields and existing fields on stream.

However, existing sanctioned investments will be insufficient to stem the decline of the UKCS, which would halve production by 2017 unless new investment continues at the current pace. This will require the development of small fields and sustained incremental investment alongside the larger fields currently in the portfolio.

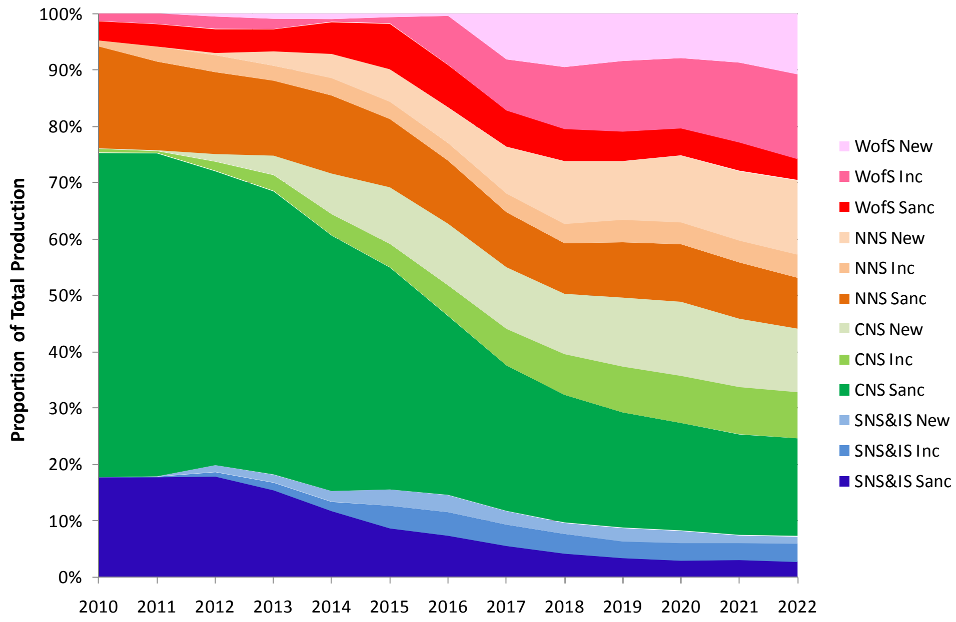
Figure 9: UKCS Oil and Gas Production 2009-2016



Both oil and gas production see similar rates of decline during this period at around 3% per annum, with new gas production largely coming from west of Shetland and new oil production from the northern and central North Sea. In order to achieve this production outlook, capital investment of over £8 billion per annum is expected to be required through to 2015.

The balance of where production derives from gradually changes across the UKCS over the next decade. The west of Shetland grows from a 5% share in 2010 to 25% of total production in 2020. Similarly, further new developments and brownfield investment in the northern North Sea and central North Sea will see them in 2020 account for 26% and 40% respectively of total production.

Figure 10: UKCS Oil & Gas Production Outlook, Proportioned by Region 2010-2022 (assuming of full development case)



6) Investment and Expenditure

a) Capital Investment

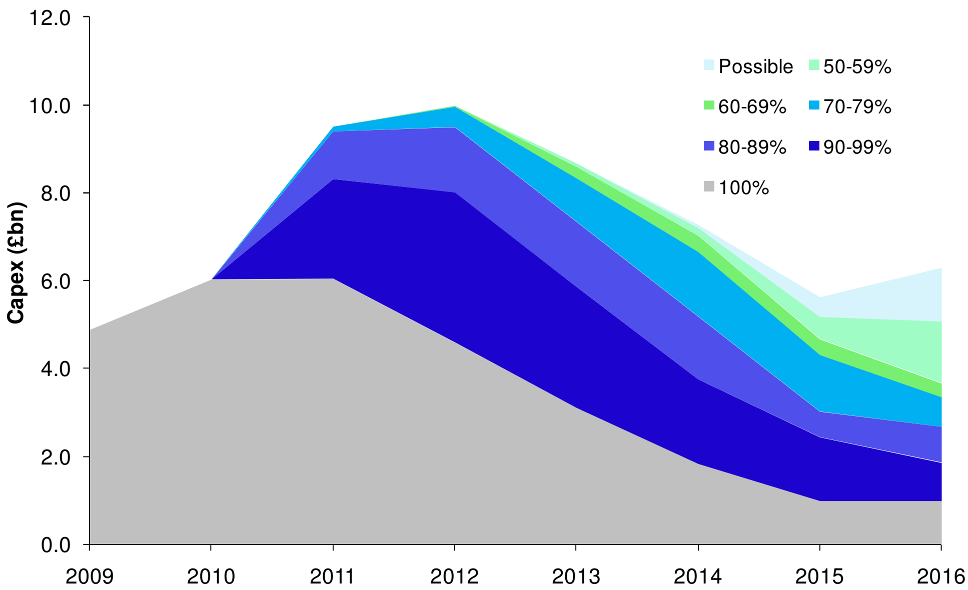
In last year's survey, capital investment was forecast to rise to around £5.5 billion in 2010; however the latest survey shows investment was higher than expected rising to around £6.0 billion last year. This is an increase of 20% on the £4.9 billion spent in 2009, and approaching the rate of investment last seen, in real terms, in 2006. The additional growth in capital expenditure last year was primarily from new projects which had not previously been factored into last year's forecast, rather than growth in costs from existing projects.

2010 saw an increase in the number of projects being approved, returning to the rate of field developments typically seen in 2007/8 after a sharp drop in 2009. However last year included a number of much larger developments than has been routinely the case in recent years. As a result, the projects initiated in 2010, which include both new field developments and incremental developments of existing fields, will result in around £9 billion being spent to deliver 1.2 billion boe of reserves over time.

Looking forward to this and future year's activities, this year's survey identifies plans to invest up to £70 billion over the next four decades from both ongoing plans as well as potential new projects, these ranging in probability of proceeding from 90% or greater through to 10 % or less. Current projections consist of:-

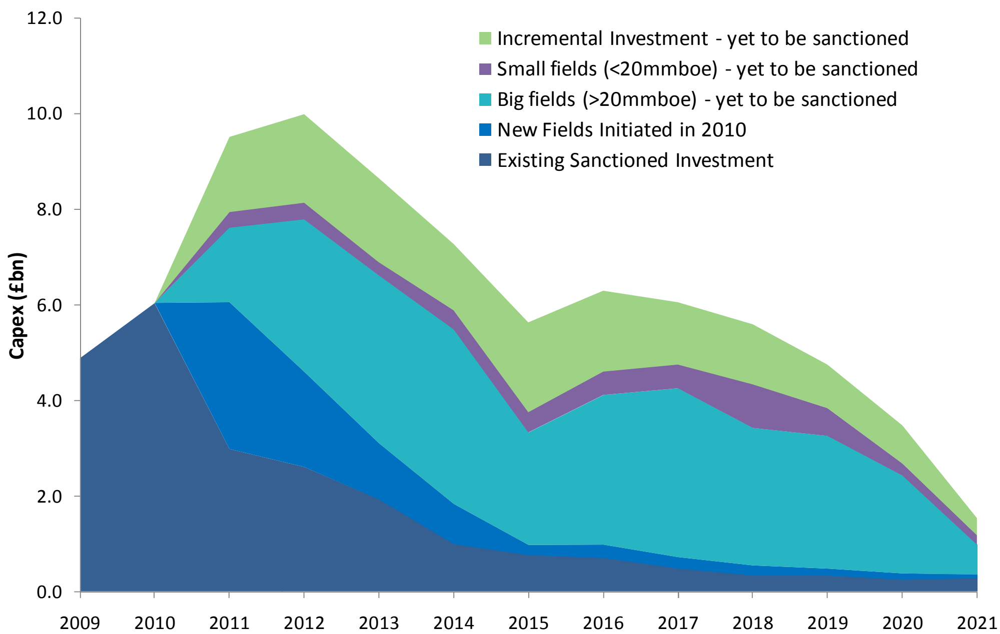
i) £22 billion of ongoing sanctioned investments, 60% of which is forecast to be spent in the next three years,
ii) Potential investments of £32 billion to develop 3.0 billion boe in 67 new fields and,
iii) Potential investments of £20 billion to develop a further 2.4 billion boe in existing fields (incremental investment).

Figure 11: UKCS Investment Outlook 2009-2016



As a consequence, there is expected to be a considerable increase in capital investment over the next few years. It is anticipated that investment will rise to £8 billion or above during 2011/2012, even taking a conservative perspective based on investments with a 90% or greater probability of proceeding. Investment could rise higher than this in 2011 although it is anticipated there is still substantial risk of project slippage. Undoubtedly, whilst precise comparisons are difficult to make because of the difficulty of assessing inflation in the energy sector, investment in 2011/12 is still expected to be the highest seen for at least a decade. Equally positive, even assuming some project slippage, the survey suggests that investment has the potential to be sustained at around £8 billion per annum over the next five years.

Figure 12: Investment Outlook by Project Type



Undoubtedly, such a wave of investment will test the capacity of the oil and gas supply chain. However, it is noted that many companies have been planning for such an upturn over the last two years, not least based on information provided through previous activity surveys and from DECC. During the downturn in 2008/9 it was notable that fewer jobs were lost than anticipated as companies sought to retain skills and capacity and these retained capabilities are now being deployed to meet growing demand within our sector.

There remains a real risk of increased inflationary pressures and trends will be monitored carefully during the coming year. Besides our own portfolio of investment, there is strong global demand across the oil and gas sector, driven by the growth of the emerging economies. This should increase the export of goods and services across the UK's oil and gas supply chain; however it will also place additional demands on the industry in the UK. This is further exacerbated by the wider demands on the whole of the energy supply chain in the UK as the country seeks to broaden its energy mix with substantial investments planned in the renewable sector, particularly offshore wind, and also in nuclear power. Constraints on capacity within the supply chain could yet lead to a slow down in investment and lead to significant slippage in the current rate of developments.

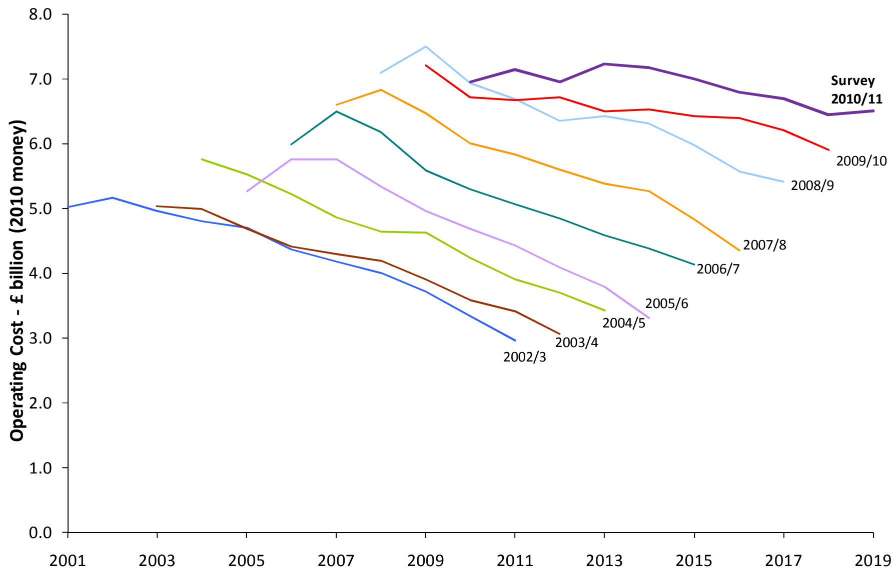
It is also observed that increased pressures on the UK's oil and gas supply chain could make it harder to attract investment in small fields with preference instead being given to large fields which potentially present more attractive commercial opportunities.

The industry is not complacent and organisations such as OPITO have been active in re-training skilled personnel who have suffered redundancy from other sectors of the economy for employment in the oil and gas industry. Even given the above, it is anticipated that another 10-15,000 jobs will be created throughout the supply chain across the UK as a result of the increased investment.

b) Operating Expenditure

Total operating costs in 2010 expenditure were estimated at £6.9 billion, an increase of 5% on 2009. Looking forward, operating costs show a similar increase over the next five years when compared to last year's survey. This increase in operating expenditure is not solely from cost increases in existing fields, but is also a result of the continued development of new fields which have entered this year's survey. Companies are actively seeking to contain cost increases following the collapse in oil price in 2008/9. Looking forward, operating expenditure is due to peak in 2013 at over £7 billion; however it remains fairly flat through to 2020 as new developments come on stream and the operating expenditure of existing fields declines by between 5-6% per annum as older fields cease production.

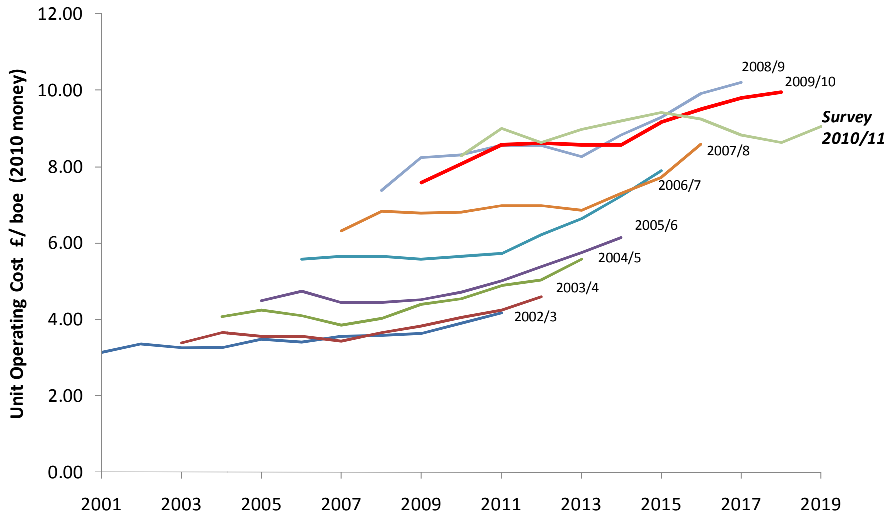
Figure 13: Growth in Operating Costs over the Decade



c) Unit Operating Costs

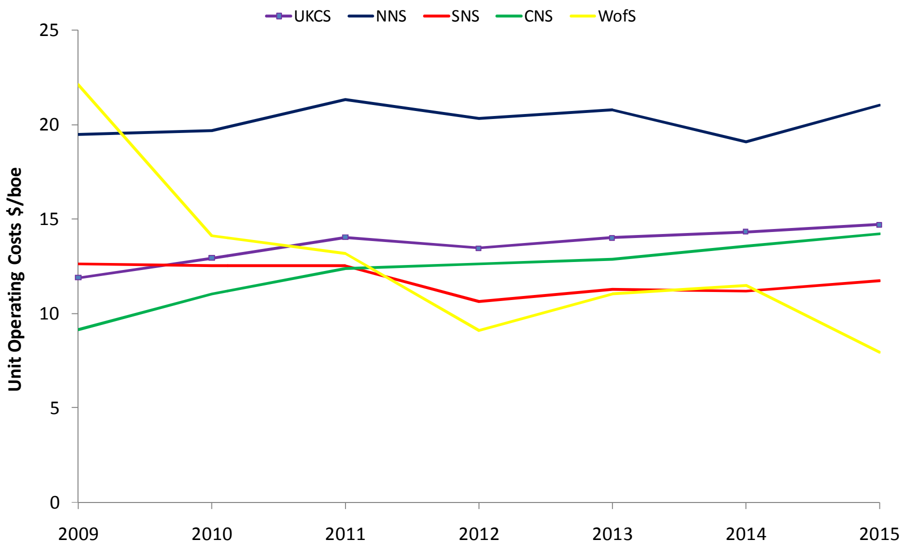
Unit operating costs in 2010 averaged £8.3/boe and are expected to increase further in 2011 to £9/boe, a rise of nearly 10%; this is caused by an increase in operating expenditure matched by a decline in production. Based on existing sanctioned investments, which still require the investment of £22 billion, unit operating costs will rise on average at over 10% a year until 2020, by which point they would reach £14/boe. Clearly such a trend would be unsustainable; however, if investment is sustained at current rates, the rise in unit operating costs may only be fairly modest over this decade.

Figure 14: Growth in Unit Operating Costs over Decade



Unit operating costs vary significantly field by field; however, when averages are considered by region, unit operating costs are fairly consistent. Currently the northern North Sea is about 30% more expensive than the UKCS as a whole, reflecting the maturity of the assets and declining production in that region.

Figure 15: Unit Operating Costs by Region (assuming sustained investment case)



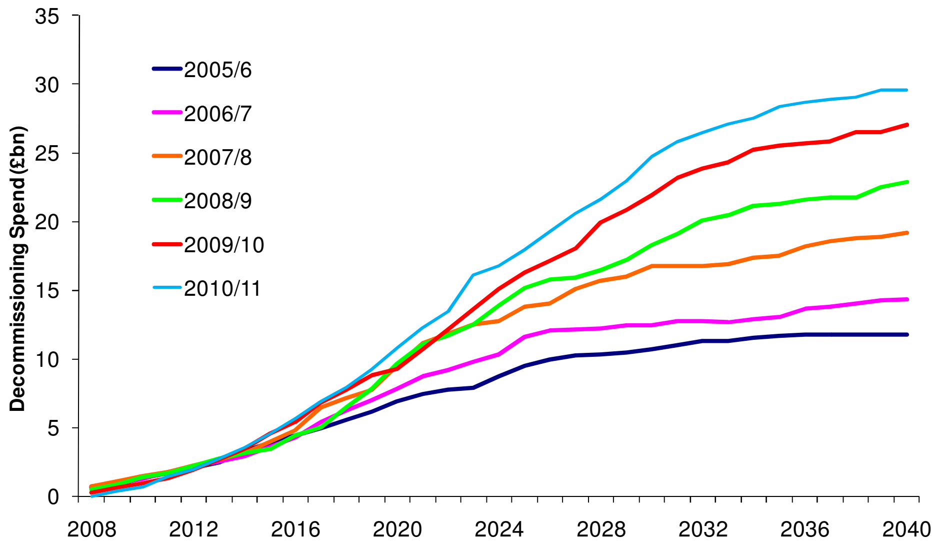
d) Unit Technical Costs

Across the portfolio of opportunities on the UKCS unit development costs averaged in 2010 at £10/boe ($15.5/boe) and unit operating costs £8/boe ($12.5/boe). Costs have remained in line with last year's forecasts with unit technical costs (capex plus opex) on average showing an increase of 9% to £18/boe ($28/boe). It should be noted that the quoted unit technical costs exclude the costs of investment finance, exploration and appraisal drilling and general onshore expenses for the venture.

e) Decommissioning

Decommissioning costs have continued to rise with future costs forecast to reach £29 billion over the period 2011-2040, an increase of 11% on last year's projections. Nearly 75% of the increase in decommissioning costs is the result of rising costs on existing fields whilst the remaining 25% is from developments which have newly entered the survey. Costs for fields which enter decommissioning over the next five years have largely remained unchanged, not least as companies have already developed detailed decommissioning programmes for these projects. However, costs for fields being decommissioned after around 2017/18 have continued to escalate in light of current experiences and insight into existing decommissioning programmes.

Figure 16: UKCS Projected Cumulative Decommissioning Costs 2008-2040



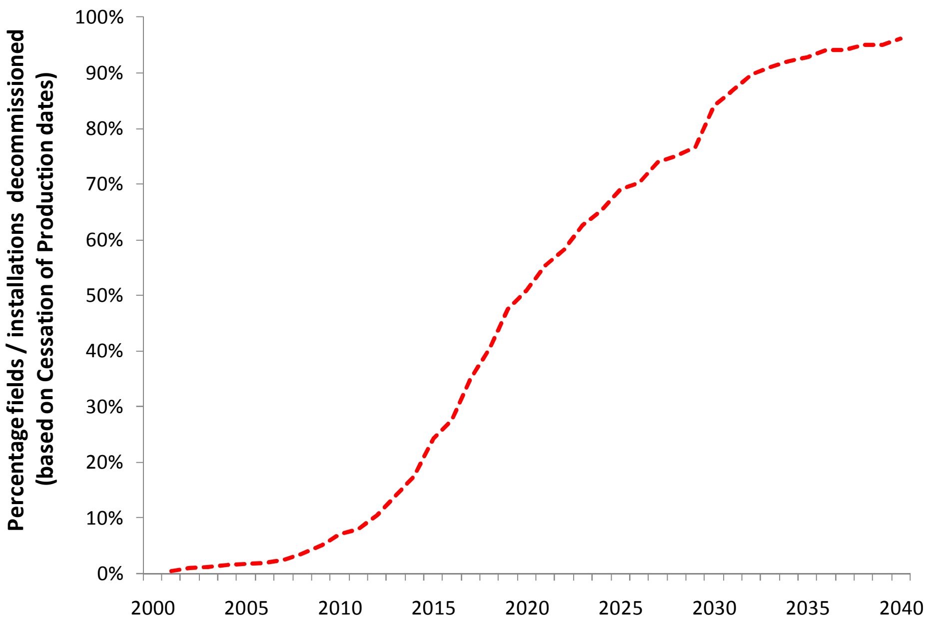
Source: Oil & Gas UK

The majority of UKCS decommissioning costs are focused in the central and northern North Sea which account for £13 billion (43%) and £11 billion (36%) respectively; southern North Sea and Irish Sea costs are £4.5 billion (15%). West of Shetland represents an increasing proportion of decommissioning costs as more new developments take place in the area and now accounts for £2 billion (6%).

Over the next decade the UKCS can expect to see a large number of fields and installations cease production and commence decommissioning. Whilst current indications are that around half of existing fields could be decommissioned by 2020, this will only absorb about 25% of the total decommissioning cost, primarily as decommissioning activity is initially concentrated in the southern North Sea.

Oil & Gas UK will be publishing a more detailed study of the decommissioning market later in the year which will provide an insight into the market segments and the expenditure associated with each.

Figure 17: Proportion of Fields Ceasing Production (based on existing plans)



The UKCS is facing a bigger challenge than ever to sustain the productive life of existing infrastructure and postpone decommissioning. Over the last five to six years many fields have seen their decommissioning dates move back; however, this trend has now slowed down and dates have not moved significantly over the last two years. Whilst some fields, both existing and new, are now predicted to be in production well beyond 2040, other fields are moving resolutely towards being decommissioned over this decade, potentially leading to the loss of critical infrastructure.

Measures can still be taken to make a radical difference to this outlook. Importantly, more needs to be done to promote incremental investment in late life assets which will otherwise be decommissioned in the near term. Of crucial importance for investors is the need for certainty regarding companies' future access to accrued decommissioning tax relief. Whilst industry is wholly committed to ensuring that its share of the cost of decommissioning is fully funded and securely available at the required time, uncertainty remains regarding accrued tax relief for decommissioning. This uncertainty reduces the attractiveness of investing in mature fields which are otherwise approaching the end of their productive life.

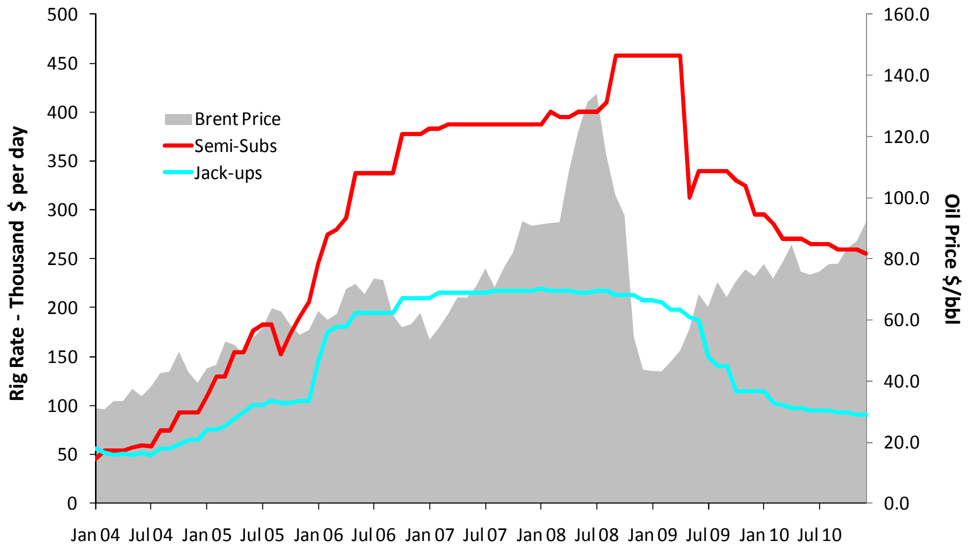
Additionally, the current regime also requires companies to provide decommissioning security for both the Government's share of the cost as well as its own. This ties up valuable capital that could be more productively used to reinvest in the UKCS and further undermines investor's confidence in the existing regime. Solving these issues could ultimately free up tens of billions of pounds for further investment, significantly extending the life of many assets and existing infrastructure.

7) Drilling / Exploration and Appraisal (E&A) Activity

a) Rig Rates

During 2010 rates for new drilling contracts have continued to fall steadily, both for semi-submersible and jack-up rigs. These are now substantially below their peak in 2008. Semi-submersible drilling rates were at $255,000 per day in December 2010 representing a 45% fall from the high prices from September ‘08 - April ’09. Jack-up drilling rates have followed a similar trend; in December 2010, they were $91,000 per day, a fall of 55% from the high price in January ’08.

Figure 18: Typical North Sea Rig Rates 2004-2011
(excludes platform based drilling)



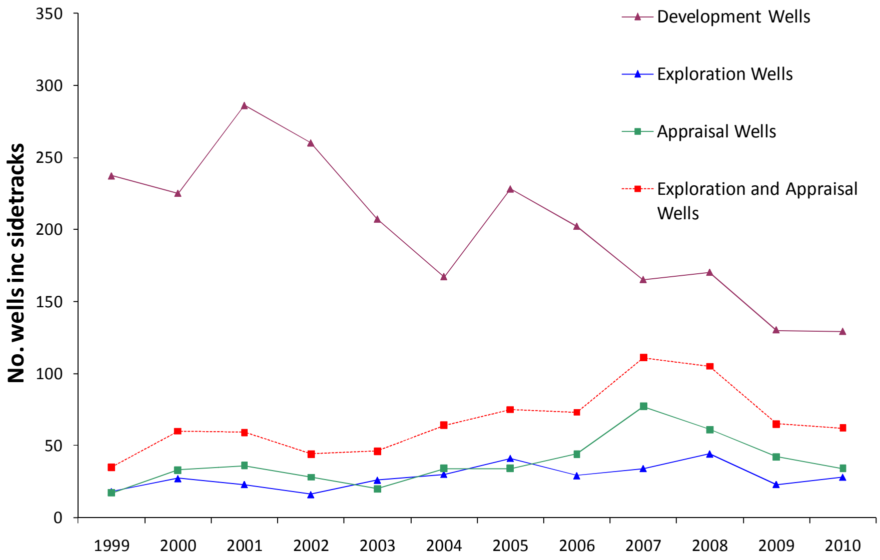
Source: Platts & North Sea Reporter

There has been increased demand for drilling rigs in early 2011 suggesting that we will begin to see upward pressure on day rates, particularly with the impact of rising commodity prices. Contract awards in January 2011 were the highest seen in one month since January 2006. Whilst the figures shown are average day rates, it should be noted that these can vary considerably depending on the rig specification, meaning costs will be significantly affected by the conditions in the area being drilled; e.g. day rates for a high-spec Jack-up now exceed $200,000, more than twice the standard rate.

b) Development Drilling

A total of 129 development wells (including sidetracks) were drilled in 2010, remaining the same as the 130 wells drilled in 2009. This suggests that the ten-year decline in development drilling may have halted after the number had fallen by 50% over the last decade.

Figure 19: UKCS Drilling Activity 1999-2010

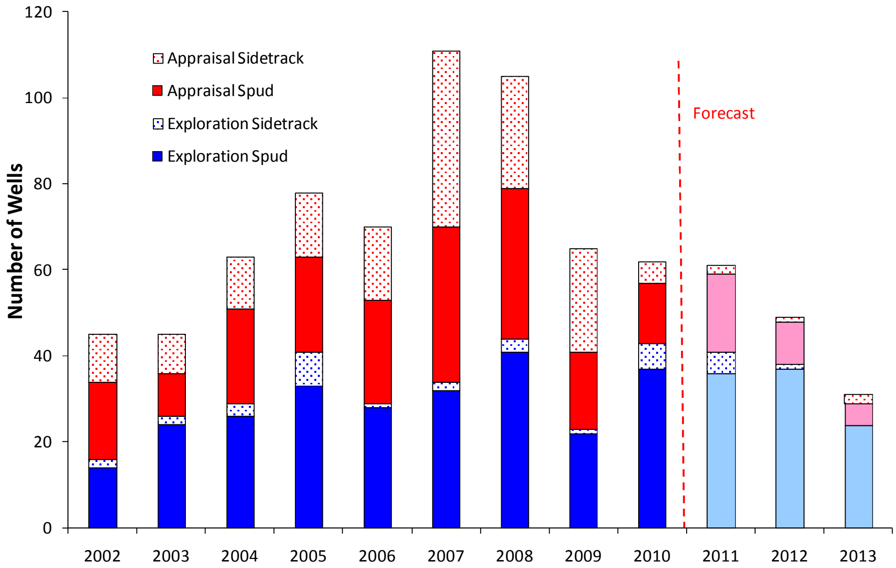


c) Exploration and Appraisal (E&A) Drilling

Last year's survey suggested that E&A drilling activity in 2010 would remain similar to that in 2009, and this was indeed the case with 62 wells drilled compared with 65 in the previous year. However the number of exploration wells drilled increased from 23 to 28, with the small fall in appraisal activity, 34 being drilled in 2010 compared with 42 in 2009. This fall in appraisal drilling is though in part a consequence of the drop in exploration drilling seen in 2009 and it is anticipated that this should recover in 2011. Early indications are that around 300-400 million boe were discovered in 2010, similar to that achieved in 2009.

The 26th license round awards were announced in October 2010, showing strong interest in developing resources in the UKCS, 144 licences have been awarded so far and 45 prospective licences await further environmental assessment. As part of the licence awards, 12 firm wells and 17 contingent wells have been planned for the next two years. Almost a quarter of all licences awarded were to exploration companies, and licences will be operated by 53 different companies. Of the licences awarded: 114 are traditional licences, 27 are promote licences, and 1 is a frontier licence, with 2 licences still to be confirmed. More than half of the licences awarded so far are in the central North Sea, and a significant number have been awarded to the west of Shetland.

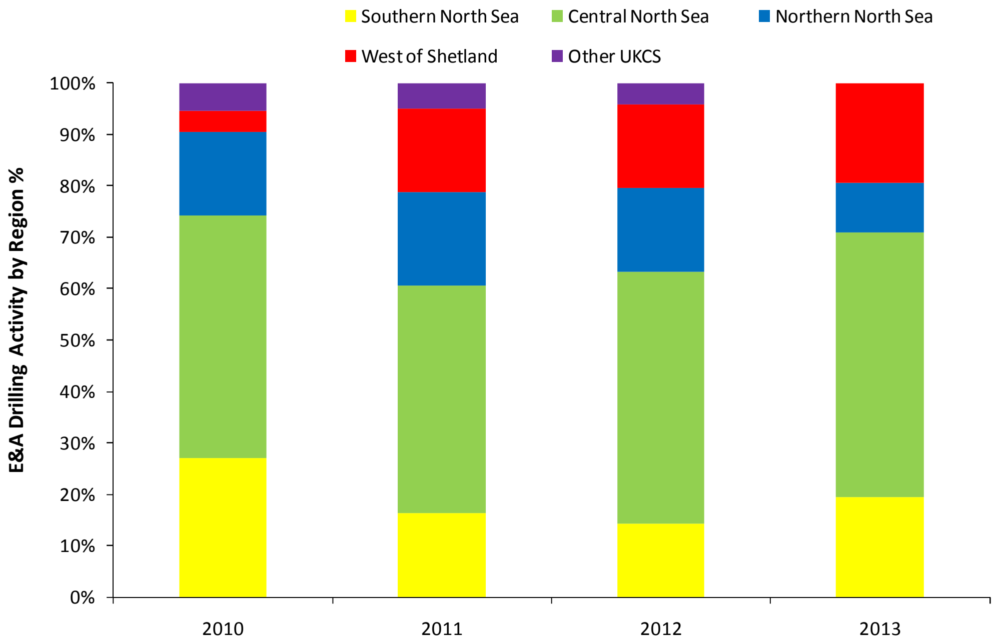
Figure 20: UKCS E&A Activity 2002-2013



The E&A forecast for 2011 indicates similar activity to 2010 with 61 wells planned for the year. As with previous years, the survey shows a reduction in activity in 2012 and 2013; however, this is primarily a result of limited planning horizons rather than any anticipated tail off in activity. Excluding 2007 and 2008, which were exceptional years, the rate of E&A drilling has averaged around 60 wells per year over the last decade and current plans are consistent with that trend. As operators firm up their plans, the number of E&A wells planned for 2012 should trend up to match the rate of activity seen in recent years.

In 2009 there was a distinct move towards wells with better prospects, albeit potentially with lower reward, leading to the commercial success rate rising to 60%. In 2010 this success rate has fallen to 30%, another signal of a return to normal activity – the long term average success rate is around 30-40%. This also shows that the discoveries in 2010 were on average larger than in 2009.

Figure 21: E&A Drilling Activity by Region (assuming all firm and non-firm wells drilled)



In 2010 the southern and central North Sea remained very important for E&A with more than 70% of wells drilled being in these areas and strong activity in these areas is forecast to continue. Fewer E&A wells were drilled to the west of Shetland than in 2009, although the proportion is forecast to increase to more than 10% in 2011. Activity in the northern North Sea appears set to decline in 2012 and 2013, falling to 10% of E&A drilling.

Total expenditure on E&A was around £1.1 billion in 2010, similar to that in 2009. The central North Sea saw the largest expenditure, followed by the southern North Sea. Expenditure west of Shetland increased again in 2010 although the number of wells drilled was fewer than in 2009. Total expenditure on E&A is anticipated to increase sharply in 2011 and could rise to £1.3 billion or above. It is noted that drilling costs west of Shetland are significantly more expensive, with an average of more than two or three times the cost of a well elsewhere in the UKCS.

Exploration drilling, especially in the deep water to the west of Shetland, has been under scrutiny in 2010 following the Macondo incident in the Gulf of Mexico and this is likely to continue in 2011, especially as activity in deep water areas is forecast to increase. However, currently the impact on activity in the UK appears to be limited, with drilling in 2010 being similar to that predicted in the previous year's E&A survey.

Summary Table of Key Statistics

Money of the day	**2008**		**2009**		**2010**		***2011 Forecast***	
Total production	2.64 mln boe/d		2.4 mln boe/d		2.3 mln boe/d		~2.2 mln boe/d	
Oil / liquids	1.5 mln boe/d		1.4 mln boe/d		1.35 mln boe/d		~1.3 mln boe/d	
Gas	1.15 mln boe/d 185 mln m3/d		1.0 mln boe/d 165 mln m3/d		0.94 mln boe/d 155 mln m3/d		~0.85 mln boe/d ~145 mln m3/d	
Total (£bln)	£ 13.1 bln		£12.5 bln		~£14.0 bln		~£16.4 bln	
Capex	£ 4.8 bln		£4.9 bln		£6.0 bln		~£8.0 bln	
Opex	£ 7.0 bln		£6.6 bln		£6.9 bln		~£7.1 bln	
Exporation & Appraisal	£1.3 bln		~£1 bln		£1.1 bln		~£1.3 bln	
Unit Technical Cost ($/boe)	29		27		28		~30	
Unit Dev't Cost ($/boe)	16		15		15.5		~16-19	
Unit Operating Cost ($/boe)	13		12		12.5		~14	
Unit Technical Cost (£/boe)	16		16		18		~20	
Unit Dev't Cost (£/boe)	9		9		10		~10-12	
Unit Operating Cost (£/boe)	7		7.5		8		~9	
Oil price (avge)	$97 per bbl		$ 62 per bbl		$80 per bbl		~	
Gas price (avge – day-ahead)	58 p/th		30 p/th		42.5 p/th		~	
Effective Oil Price	$ 84 per bbl		$ 48 per bbl		$63		~	
Direct N. Sea tax revenues (Fiscal year)	£ 12.9 billion		£ 6.5 billion		*£9.3 billion*		*>£11bln (estimated)*	
Well drilled	incl. sidetracks	excl. sidetracks	incl. sidetracks	excl. sidetracks	incl. sidetracks	excl. sidetracks	incl. sidetracks	excl. sidetracks
Exploration	57	46	*23*	22	*28*	27	*41*	36
Appraisal	52	37	*42*	18	*34*	21	*20*	18
Development	168	72	*130*	77	*129*	71		
Total	**277**	**155**	***195***	**117**	***191***	**119**		
New field approvals	12		6		13		~	
Incremental projects	10		3		4		~	
New field start-ups (Excludes incrementals)	22 (380 mln boe)		8 (150 mln boe)		8 (84 mln boe)		~	
Exploration Volumes Discovered	~ 400 - 600 mln boe		~ 300 - 400 mln boe		~ 300 - 400 mln boe		~	

The data source for all graphs is Oil & Gas UK unless stated otherwise.

Oil & Gas UK

the voice of the offshore industry

E: info@oilandgasuk.co.uk | **W:** www.oilandgasuk.co.uk

Shetland
Islands Council

REPORT

To: Harbour Board **8 March 2011**

From: Head of Finance
Executive Services Department

Revenue Monitoring 2010/11 - Period 10
Ports & Harbours Operations
Report No: F-015-F

1. Introduction

1.1 The purpose of this report is to provide Members with up-to-date revenue monitoring information for 2010/11 for Ports & Harbours Operations.

2. Links to Corporate Priorities

2.1 This report links to the Council's corporate priorities, defined in its Corporate Plan, specifically in relation to reviewing financial performance relative to the Council's financial policies.

3. Risk Management

3.1 This is an information report therefore there are no risks associated with the recommendation.

4. Background

4.1 The financial data in this report includes employee costs; operating costs (property costs, supplies & services, administration, transport and agency payments); transfer payments (grants); and income (fees and charges, grant funding and rents).

4.2 The appendix shows the annual budget, year to date (YTD) budget, YTD actual and YTD variance. It is the YTD variances that are referred to in this report. The YTD budget is derived from setting a budget profile, which estimates when spending will occur or income will be received. The YTD variance shows how actual activity has varied from the YTD budget.

5. Financial position at Period 10

5.1 This report presents the overall Ports & Harbours revenue monitoring position as at the end of period 10 (January 2011), showing controllable budgets both by service area and subjective category attached as Appendix A.

5.2 The information in Appendix A indicates that Ports & Harbours Operations have an overspend of £1.5m as at period 10 against YTD budgets set.

5.3 Jetties & Spur Booms maintenance costs have been excluded as they are fully funded by BP and will therefore have an overall zero effect on figures.

5.4 A breakdown of the position in relation to each area of the Port Operations is as follows:

5.4.1 Ports Management

This area is £54k underspent against budgets set at period 10 due mainly to underspends on salary costs in relation to vacant posts and other general savings which is a real underspend and likely to continue to year end.

5.4.2 Sullom Voe

There is currently an overspend of £221k against budgets to period 10 which is mainly due to harbour dues, pilotage dues and towage dues being less than anticipated to this point in the year by a total of £705k in relation to reduced tanker traffic. Ship to ship transfers are also showing a reduction in income of £89k against budgets set to period 10 although this is expected to improve to the end of the year. This underachievement of income is offset by increased income from storage charges in relation to the Total Project and underspends on Tug maintenance which has yet to be carried out. The position on Sullom Voe will hinge on the level of tanker traffic during the remainder of the year.

5.4.3 Scalloway

This area is currently £142k underspent against budgets to period 10. This is mainly due to increased dues on fish landings and storage and wharfage charges, and income from pilotage dues which were not budgeted and is a real underspend position.

5.4.4 Other Piers

There is an underspend of £59k across the small piers against budgets to period 10. This is made up of underspends on pier maintenance and increased income on annual dues, storage and wharfage charges and shellfish dues across all piers and cruise ship income on Baltasound. This is a real underspend position.

5.4.5 Port Engineering Services

There is an underspend of £38k against budgets to period 10 across Engineering Services. This is due to a reduction in staffing and a vacant post, and is a real underspend position.

5.4.6 Ports for the Future

The budgeted return to the Reserves for the port in 2010/11 is £3.9m which includes a savings contribution from Ports for the Future Project of £940k and the related sale of two tugs of £1.4m. It is now thought unlikely that the majority of these savings can be realised during the remainder of this financial year and therefore an outturn deficit of £1.6m is predicted.

5.4.7 Major profiling variances have been adjusted to enable an accurate picture.

6. Financial Implications

6.1 On 19 August 2009 (SIC Min Ref 107/09) Council approved the budget strategy to be adopted for the Harbour Account in 2010/11. Members agreed that the Harbour Account should continue to pursue efficiency savings and appropriate charging levels to at least maintain the level of profitability on the Harbour Account at £4m per annum.

6.2 On 17 February 2010 (SIC Min Ref 18/10) the 2010/11 budget for the Harbour Account was approved by Council, proposing a return from the Harbour Account of £3.9m.

6.3 At the end of period 10 Ports & Harbours Operations have an overspend of £1.5m against YTD budgets.

6.4 It is predicted that there will be an outturn deficit on Ports & Harbours Operations in the region of £1.6m due mainly to the inability to realise savings from the Ports for the Future project during this financial year. This figure will also be affected by tanker traffic numbers should they be less than predicted.

7. Policy & Delegated Authority

7.1 The Harbour Board has full delegated authority for the oversight and decision making in respect of the management and operation of the Council's harbour undertakings in accordance with the overall Council policy, revenue budgets and the requirements of the Port Marine Safety Code, as described in Section 16 of the Council's Scheme of Delegations.

8. Conclusion

8.1 Appendix A to this report provides the most up-to-date financial information on harbour activities in 2010/11. This shows an overspend position of £1.5m against YTD budgets at period 10.

8.2 An outturn deficit of £1.6m is predicted, mainly due to savings on the Ports for the Future project being delayed until the next financial year.

9. Recommendation

9.1 I recommend that the Harbour Board note the information contained in this report.

Date: 1 March 2011 Report No: F-015-F
Ref: GJ/HKT/BR

Ports & Harbours Revenue Monitoring 2010/11
1 April 2010 to 31January 2011 - Period 10

Report No: F-015 Appendix A

Revenue Expenditure by Service Controllable Budgets Only	**Annual Budget** **£**	**Year to Date Budget** **£**	**Year to Date Actual** **£**	**Year to Date Variance (Adverse)/ Favourable** **£**	**Main Reasons for Variances**
Ports Management	1,006,416	796,978	742,768	54,210	Underspends on vacancy salary costs
Sullom Voe	-4,497,448	-4,211,214	-3,990,043	(221,171)	Reduction in harbour dues, pilotage dues and towage dues in relation to less tanker traffic than anticipated offset by income from Total project and underspends on Tug maintenance.
Scalloway	26,311	-32,141	-174,556	142,415	Increased period dues on commercial shipping, wharfage and storage charges.
Other Piers	167,451	119,707	60,395	59,312	Increased period dues on commercial shipping, wharfage and storage charges, salmon & fish landings and underspends on pier maintenance.
Port Engineering Services	616,218	504,666	466,881	37,785	Underspends on basic salary and overtime due to reduction in staff.
Ports for the Future	-871,240	-871,240	0	(871,240)	Savings to be identified from Ports for the Future Project not yet realised.
Tug Sale Capital Receipts	-1,400,000	-1,400,000	-726,381	(673,619)	Sale of second tug not yet possible.
Transfer to Funds	3,897,769	0	0	0	Budgeted return to Reserves profiled to end of year
Ports & Harbours Total Variance	**-1,054,523**	**-5,093,244**	**-3,620,936**	**(1,472,308)**	

Revenue Expenditure by Subjective Controllable Budgets Only	**Annual Budget** **£**	**Year to Date Budget** **£**	**Year to Date Actual** **£**	**Year to Date Variance (Adverse)/ Favourable** **£**	
Basic Pay	4,801,571	3,978,898	3,941,036	37,862	Underspends on vacant posts in Ports Management and VTS. VTS posts now filled but Pilots covering until new VTS staff fully trained.
Overtime	485,660	403,637	402,264	1,373	Reduction in overtime in Ports Management & Ports Engineering
Other Employee Costs	1,221,167	851,247	1,687,653	(836,406)	Savings to be identified from Ports for the Future Project not yet realised offset by other vacant posts savings.
Employee Costs (sub total)	**6,508,398**	**5,233,782**	**6,030,953**	**(797,171)**	
Travel & Subsistence	195,374	147,262	138,855	8,407	Underspends on mileage and travel costs in Ports Management, Engineering and Towage
Property Costs	1,137,085	805,068	699,945	105,123	Underspends on electricity and repairs & maintenance across Service
Other Operating Costs	2,744,808	1,716,175	1,152,715	563,460	Underspends on hired & contracted services for Tug maintenance, transport fuel and equipment purchase.
Operating Costs (sub total)	**4,077,267**	**2,668,505**	**1,991,515**	**676,990**	
Transfer Payments (sub total)	**3,978,349**	**80,580**	**92,411**	**(11,831)**	
Income (sub total)	**-15,618,537**	**-13,076,111**	**-11,735,815**	**(1,340,296)**	Reduction in towage, pilotage and harbour dues and sale of second tug not yet achieved.
Ports & Harbours Total Variance	**-1,054,523**	**-5,093,244**	**-3,620,936**	**(1,472,308)**	
Jetties & Spur Booms excluded - fully funded by BP	*-146,654*	*42,946*	*-146,522*	*189,468*	