

**Harbour Board****26 January 2012****Port Projects**

PH-02-12-F

Report Presented by Harbour Master**Ports and Harbours Operations****1.0 Summary**

- 1.1 This report updates the Board on issues pertaining to the projects relating to Ports and Harbours Operations and the Planning, Performance Management Framework.

2.0 Decision Required

- 2.1 The Harbour Board are recommended to:
- 2.1.1 Note contents and areas of progress; and
 - 2.1.2 Discuss and highlight any areas of concern.

3.0 Detail

Ports and Harbours currently has an interest in the following projects:

Capital

- 3.1 Scalloway Dredging – RCM 2208
- 3.1.1 This project was retendered following the decision of the Harbour Board on 25 August 2010 (Min Ref 37/10).
 - 3.1.2 Tenders were returned on 16 December 2010. The lowest tender was within budget and the contract was 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 a reduction of £100k has been made to this projects budget.

- 3.1.3 The dredger completed the removal of the loose material on the site and moved to another job while drilling and blasting of the underlying rock was taking place.
- 3.1.4 The drilling crew left site in October 2011 whilst leaving a section of the middle of the channel to be completed. This was agreed with the harbour authority to allow the anchor handling vessels to complete their contract to the west of Shetland.
- 3.1.5 The barge crew arrived back in Shetland and started work on completing the outstanding drilling and blasting in the channel on 10th January 2012. It is expected that this part of the operation will take 2 to 3 weeks to complete depending on the weather conditions.
- 3.1.6 The dredger has now returned to Shetland and is currently in Lerwick awaiting a weather window to tow around to Scalloway. The dump barge is in Scalloway awaiting the arrival of the dredger. It is expected that the removal of the blasted material will take 1½ to 2 months to complete.
- 3.1.7 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. To date £177,451.81 has been claimed and paid to the NAFC Marine Centre.
- 3.1.8 All required consents for the project are in place and discussions with the Crown Estate regarding their seabed interests are at an advanced stage.
- 3.2 Dock Symbister – RCM 2309
 - 3.2.1 As previously agreed, no decision will be taken on this project until a decision is reached on the solution to the transport link to Whalsay and possible location of the new Whalsay ferry terminal.
- 3.3 Walls – RCM 2316
 - 3.3.1 The contract for Walls Pier with Airport Civil Engineering Ltd was terminated on 20 December 2011.
 - 3.3.2 At the meeting of Executive Committee on 19 December 2011 (Min Ref. 52/11), Members instructed the Executive Manager – Capital Programme, in consultation with the Executive Manager – Governance and Law, to enter into negotiations to appoint a contractor, subject to agreeing terms that can be accommodated within the existing project parameters, but that in the event of failure to agree such terms, to tender the remaining works.
 - 3.3.3 Negotiations are currently ongoing and a verbal update can be provided at the meeting.

3.4 Fetlar Breakwater – GCY 7214

- 3.4.1 All the pre commencement planning consent conditions have been met. Agreement has also been reached with the Planning Department to permit working between 10th April 2011 and 31st July 2011 through the bird-breeding season.
- 3.4.2 The Council decided at their meeting of 27th July 2011 (SIC Min Ref. 79/11) to proceed with the 40metre extension to the breakwater. Planning consent for the extension was granted together with the consent from Marine Scotland.
- 3.4.3 Work on the breakwater is continuing. The breakwater is reached its extended length and the external faces have been armoured up to MHWS. The first phase of raising the breakwater up to its final level has taken place. The final raising to finished level will take place from the outer end and working back towards the shore.
- 3.4.4 The pier construction is underway with 4 of the 6 sections of the rear beam now complete up to the underside of the pier deck. This part of the work is tidal dependent, which has caused some delays to the programme for the pier.
- 3.4.5 Reinforcement cages have been made up in readiness for incorporation in to the pier structure.
- 3.4.6 All the precast units and most of the materials required are now on site. Stair base precast units have been placed on the seabed in their final positions.
- 3.4.7 All land issues have been resolved and the boundary fence has been erected around the site.
- 3.4.8 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.
- 3.4.9 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. Hamars Ness is a designated Harbour Area for which the Council has jurisdiction as harbour authority under the ZCC Act 1974.

3.5 Skerries South Mouth Dredging – GCY 7215

- 3.5.1 This is a Development Services transport project, however since it is located within a Harbour Area this item has been included in this report for information to members.

- 3.5.2 This project falls within the protected Historic wreck site of the Kennemerland. Consent to undertake the dredging within this protected area has been granted by Historic Scotland together with Dredging consent from Marine Scotland.
- 3.5.3 The project was retendered however the offer received remained over budget. The Council at its meeting on 7th December 2011 (SIC Min. Ref 112/11) agreed to increase the budget by £40k to allow the project to proceed.
- 3.5.4 An application for ERDF funding is currently being made and subject to a successful outcome the contract can be awarded to the lowest Tenderer. It is anticipated that work can begin on site in April / May 2012.

Harbour Account

3.6 Plant, Vehicles and Equipment – PCM 2101

- 3.6.1 The budget for 2011/12 will be used to continue replacing Department vehicles where necessary, and the overhaul of one Pilot Launch engine. Quotations for this work are currently being sought from suitably qualified contractors.

3.7 Navigational Aids – PCM 2104

- 3.7.1 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 Pilots and the Navigation Light suppliers continue. A survey of Gluss Island has been completed, and the results are encouraging. A representative from the LED navigation light manufacturer 'VEGA' visited Shetland at the end of June, and confirmed that new flat mounted LED technology was applicable to this project. A further visit by representatives of this company occurred in mid November to discuss the finer detail of their proposal. Work will continue with the Marine Pilots and staff to assess the practicality and risk before presenting findings to the Technical Working Group.

Revenue Projects

3.8 Sullom Voe Terminal Maintenance Contract

- 3.8.1 Malakoff Limited currently holds the Jetty Maintenance Contract. The Engineering Manager is due to shortly meet with the contractor and carry out the negotiations as approved by the Harbour Board on 22 November 2011 (Harbour Board Min. Ref 31/11).

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This report supports the aspirations in the Corporate Plan in making sure we organise and carry out all our business properly.
- 4.2 Community /Stakeholder Issues – The community and stakeholders of the Ports and Harbours operation have an interest in ensuring that new capital projects are properly monitored and ensuring that they are completed within budget and on schedule.
- 4.3 Policy And/Or Delegated Authority – The Scheme of Administration and Delegations sets out the role and authority of the Harbour Board under paragraph 2.7.

In accordance with Section 2.3.1(2) of the Scheme of Administration and Delegations, the Harbour Board has delegated authority to monitor and review the achievements of key outcomes within its functional areas and to monitor the relevant Planning and Performance Management Framework.

- 4.4 Risk Management – None arising from this report.
- 4.5 Equalities, Health And Human Rights – None arising from this report.
- 4.6 Environmental – None arising from this report.

Resources

- 4.7 Financial – None arising from this report.
- 4.8 Legal – There are no known legal issues arising from this report.
- 4.9 Human Resources – None arising from this report.
- 4.10 Assets And Property – None arising from this report.

5.0 Conclusions

- 5.1 Projects in this report continue to be monitored in line with Council procedures and guidelines.

For further information please contact:

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18 January 2012

List of Appendices

Appendix 1: Photo of Fetlar Breakwater

Background documents:

Harbour Board Min Ref 37/10

SIC Min. Ref. 156/10

SIC Min. Ref. 131/10

SIC Min. Ref. 142/09

SIC Min. Ref 112/11

Harbour Board Min. Ref 31/11

Executive Services Min. Ref. 52/11

Capital Project Information available on the Ports and Harbours [website](#)

Appendix 1 - P&H-02-12

Fetlar Breakwater 11 January 2012



**Harbour Board****26 January 2012****All Energy 2012****PH-03-12-F****Report Presented by Harbour Master****Ports and Harbours Operations****1.0 Summary**

- 1.1 The purpose of this report is to seek the Harbour Board's endorsement for Officer's to attend the All Energy Event following the successful participation in last year's event.

2.0 Decision Required

- 2.1 I recommend that the Harbour Board's endorse the Harbour Master's decision for Ports and Harbours to exhibit at the All Energy event in Aberdeen in May 2012.

3.0 Detail

- 3.1 The Harbour Board, on 20 January 2011, approved Ports and Harbours exhibiting on a joint Shetland stand at the All Energy Exhibition at Aberdeen in May 2011.
- 3.2 Ports and Harbours Operations attended and exhibited at the event last year along with many of our competitors, including Orkney. It has been recognised that Shetland potentially offers excellent facilities for renewable energy. Many contacts were made and the stand attracted a lot of visitors.
- 3.3 The exhibition is growing every year and is seen as the major UK event for all those interested and dealing with renewable energy. In 2011 there were over 580 exhibitors from 20 countries with an estimated 8,000 visitors from over 50 countries.
- 3.4 Renewables, particularly marine renewables, are seen as an important part of the future for many of our facilities. Work has continued to

market Shetland ports in the potential for marine renewables. This included Ports and Harbours exhibiting at the Dynamic Shetland renewable energy event in November 2011. To continue the marketing of the port facilities it is proposed that Ports and Harbour will again exhibit on a joint Shetland stand at the “All Energy” event in Aberdeen on 23 and 24 May 2012.

- 3.5 At present five other organisations / companies have expressed an interest in the stand, which is co-ordinated by Highlands and Islands Enterprise. A stand of 48 square metres has been provisionally reserved. Each participant will have an equal share of the stand. It is proposed that the Dynamic Shetland branding is continued for this event.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This report support the aspirations in the Corporate Plan to with regard to:

4.1.1 Development of renewables

4.1.2 Maintaining a Sustainable Environment.

- Wealthier: Our renewable energy resources will be used as a stimulus for economic growth.
- Maximise opportunities for servicing off-shore renewables, including the development of infrastructure (ports and vessels) and skills.

- 4.2 Community /Stakeholder Issues – None.

- 4.3 Policy And/Or Delegated Authority – The Scheme of Administration and Delegations states that the role and authority of the Harbour Board is:

4.3.1 Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code; and

4.3.2 Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function; and

4.3.3 To consider all development proposals and changes of service level within the harbour undertaking, including dues and charges, and make appropriate recommendations to the Council

- 4.4 Risk Management – Failure to exhibit risks loss of future business and market identity.

- 4.4 Equalities, Health And Human Rights – None.

4.5 Environmental – None.

Resources

4.6 Financial – The cost of the exhibition will depend on the number of participants. Each exhibitor will pay a proportion of the stand and ground rental. Present indications are that the cost to Ports and Harbours would be in the region of £5,000. Additional costs will include travel, subsistence, accommodation and on stand promotional items. All costs can be met within existing budgets.

4.7 Legal – None.

4.8 Human Resources – As mentioned in accompanying reports, resourcing this event may prove challenging. However the event is important and appropriate resources will be sourced.

4.9 Assets And Property – None.

5.0 Conclusions

5.1 Exhibiting at the All Energy event on a joint Shetland stand goes towards helping meet objectives in the Council's Corporate Plan. The facilities of Ports and Harbours Operations potentially complement and serve the needs of the renewable industry, particularly marine renewables. Renewables are forecast to be an important part of Shetland's future. The exhibition is an ideal opportunity to highlight the facilities Shetland, as a whole, has to offer in the form of renewable energy. It is also an ideal venue to meet prospective customers and developers and discover their needs. It is the view of the Harbour Master that this is an event that the Council should participate in and that Ports and Harbours should participate and exhibit at.

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16 January 2012

List of Appendices

Background documents:

[Min Ref 06/11](#)

[All Energy Brochure](#)

END

**Harbour Board****26 January 2012****Development and Marketing of Council's Ports and Harbours****P&H-01-12-F****Report Presented by Harbour Master****Ports and Harbours Operations****1.0 Summary**

- 1.1 The purpose of this report is to describe to Members proposals for the development and marketing of the Council's ports and harbours facilities.

2.0 Decision Required

- 2.1 The Harbour Board are recommended to:
- 2.1.1 Approve Option 3, set out in paragraph 3.5, with the addition that should any suitably displaced staff be identified they are seconded to the project; and
 - 2.1.2 Instructs officers to review the progress made and report back to the Board within one year's time at which the Board will consider further options for future development and marketing.

3.0 Detail

- 3.1 The Harbour Board instructed Officers to look at options for marketing and developing the facilities of the Shetland Islands Council Ports and Harbours Operations.
- 3.2 A report, "P&H-20-11-F Development and Marketing of Council's Ports and Harbours", was presented to the Harbour Board on 01 September 2011 (Min. Ref. 25/11). At this meeting the Harbour Board resolved that a further report be presented to provide more detail on two of the options presented, namely:

- 3.3 **Option 1** – That a tender exercise is carried out to contract the production of development plans and marketing to a third party.
- 3.3.1 The Tender Option has been investigated. Consultants and companies are available to undertake producing a marketing strategy, plan and materials including web-based material. Some will also undertake direct marketing at exhibitions, events and customer meetings. It is important to note that if Members chose this option, the consultant / company may be based some distance from Shetland and will take some time to learn the assets and marketability of Shetland.
- 3.4 **Option 2** – That a marketing project be set up using displaced, suitably skilled Council employees.
- 3.4.1 No known currently displaced employees have been identified with the necessary skills and experience to undertake the work envisaged. It may be possible that suitable candidates are identified in the future. Any work assigned to such candidates would be on a project basis and honorariums sought, if appropriate.
- 3.4.2 Dialogue with Development Services has shed light on a possible further option of joint working.
- 3.5 **Option 3** - A member of Development Services with experience in marketing would be available to spend 50% of their time working directly for Ports & Harbours. This would be formalised through a local Service Level Agreement. The Director of Development Services is in agreement to this option but has highlighted that the loss of the equivalent of 50% of a staff member will impact on other areas of work carried out by the Development Service. Although such an agreement would have a cost implication for the Harbour Account, there would be no increase in the Council's overall budgets or staffing levels.
- 3.6 The suggested scope of the work to be undertaken will include:
- 3.6.1 Instigate and formulate a marketing and advertisement strategy for the Council's ports and harbours facilities; and
- 3.6.2 Identify areas of potential new business and development and make recommendations on how to maximise the opportunities; and
- 3.6.3 Initiate contact with current and potential users of the ports and harbours facilities with the aim of both developing and promoting business; and
- 3.6.4 Develop an improved proactive customer feedback system.
- 3.7 It is envisaged that the work will be spread over one year, concluding in March 2013.
- 3.8 Members of the Harbour Board should be aware that successful marketing of the ports infrastructure and facilities might not show immediate results. Many shipping companies have itineraries confirmed years in advance. Many businesses have built up working

relationships in other facilities and it may take time for a significant change to be made.

- 3.9 Members of the Harbour Board should also be aware of a new initiative led by the Director of Infrastructure commencing in January 2012. This will involve the setting up of a Sullom Voe Development Group / Forum under the chairmanship of the Director of Infrastructure Services. Proposals and outcomes from this body may have relevance to the marketing and development of the assets and facilities of Ports & Harbours.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This report proposes options that would support the aspirations in the Corporate Plan to:
- 4.1.1 Maximize opportunities for servicing off shore renewables, including the development of infrastructure (ports and vessels) and skills (Maintaining a Sustainable economy – Wealthier).
 - 4.1.2 Work with oil industry and other marine sectors to identify future opportunities for Sullom Voe Terminal (W3 – Priority Development – Shetlands Reputation).
- 4.2 Community /Stakeholder Issues – None. However, should development plans proceed, there will be a requirement to engage with stakeholders.
- 4.3 Policy And/Or Delegated Authority – The Scheme of Administration and Delegations states that the role and authority of the Harbour Board is:
- 4.3.1 Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code; and
 - 4.3.2 Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function; and
 - 4.3.3 To consider all development proposals and changes of service level within the harbour undertaking, including dues and charges, and make appropriate recommendations to the Council
- Authorisation of tendering below £50,000 is within the remit of the Executive Manager.
- 4.4 Risk Management – Failure to successfully market and develop the port facilities will result in a reduction in income. It is therefore important for the long term good of Shetland's Ports and Harbours. Additionally, there are risks relating to each of the options listed above

- 4.4.1 In relation to option 1. Lack of existing local knowledge and understanding, may present difficulties and may see the cost of these services being spent outside of Shetland, when the expertise already exists locally within the Economic Development Service.
- 4.4.2 In relation to option 2. There are currently no displaced employees with the right skills/experience mix and, indeed, there may not be in the foreseeable future. This option therefore carries the risk of being unfulfilled if relying on displaced staff only.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None at this stage. However any potential development plans produced as a result of this exercise may require a strategic environmental assessment.

Resources

- 4.7 Financial – There is currently no budget in place for any additional tendering or staff. A port is a modal gateway for business, not only generating income in it's own right, but also supporting and encouraging private business. Marketing of the port can, and should, produce increased income through increased business and shipping.
- 4.7.1 **Option 1** - Should Option 1 be chosen indicative costs vary from £160 to £450 per day plus expenses. Estimating three months work over the year would equate to between £11,000 and £30,000 plus expenses in the region of £3,000 to £5,000. Costs for materials should be able to be met from within existing budgets.
- 4.7.2 **Option 2** – Should Option 2 be chosen existing budgets for displaced staff members would be transferred with them to Ports & Harbours resulting in no additional cost to the Harbour Account.
- 4.7.3 **Option 3** – Should Option 3 be chosen there will be a cost implication to the Harbour Account in the region of £20,000 recharged from Development Services. This additional cost would be funded from the proceeds of the port and would reduce the return to the Council at the end of the financial year by the same amount. However a saving of equal amount will be achieved in Development Services. There is also likely to be additional cost in travel if this option is chosen. However this can be met from within existing Ports & Harbours budgets
- 4.8 Legal – There are no known legal issues arising from this report. However the development of a Service Level Agreement, new business, or any tendering exercise, may need the input of legal advice to comply with the appropriate legislation and codes of practice.
- 4.9 Human Resources – Utilising staff with the appropriate skills and experience displaced as a result of management restructuring will have

the advantage of retaining skilled and knowledgeable Council employees.

- 4.10 Assets And Property – None. However development of any new business is likely to require an input from the Assets and Property department.

5.0 Conclusions

- 5.1 Development and successful marketing is key to the ports industry. The report invites Board Members to discuss and recommend a course of action in respect of developing and marketing the Council's ports and harbours. The recommendation of the Harbour Master is that Option 3 be approved and also that should any suitably displaced staff be identified they are seconded to the project.

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16 January 2012

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None

Background documents:

Min Ref 25/11

[Report P&H-20-11-F](#)

Min Ref 210/11

[Report DV025-F](#)

[Report DV041-F2](#)

[Report P&H-21-10](#)

[P&H-20-09-F](#)

[Report DV063-F](#)

[Report DV050-F](#)

END

**Harbour Board****26 January 2012****Management Accounts for Harbour Board –
Harbour Master & Port Operations: April – Sept 2011****F-002-F****Report Presented by Head of Finance****Finance Services****1.0 Summary**

- 1.1 The purpose of this report is to enable the Harbour Board to monitor the financial performance of services within their remit, on the revenue and capital accounts, in order to determine that the expenditure levels and income generated will be delivered within the approved budget for the current financial year. There are no specific actions to take, at this stage in the year beyond ensuring that the budgeted return to Reserves is achieved.

2.0 Decision Required

- 2.1 The Harbour Board is asked to RESOLVE to:
- review the Revenue Management Accounts, from 1 April 2011 – 30 September 2011;
 - review the Capital Management Accounts, from 1 April 2011 – 30 September 2011; and
 - review the progress on ensuring that the budgeted return to Reserves is achieved in the current financial year.

3.0 Detail

- 3.1 This Report presents the second quarter's Management Accounts, the 6-month period from 1 April 2011 to 30 September 2011. The Report shows the overall position on:
- the revenue account (which includes the Harbour Account, the Reserve Fund, the Support Services ledger and any rechargeable costs);
 - the capital programme.

- 3.2 The Report describes any changes to expenditure or income which has occurred since the budget was set in February 2011. The Harbour Board has responsibility for Harbour Master & Port Operations finances.
- 3.3 The position is summarised in Table 1 below, showing the revised budget and a comparison of the actual spend and income against what was expected at the time the budget was set.

Table 1:
Revenue Account - Revenue Management Accounts for 6 Months
(April – Sept 2011)

Harbour Master & Port Operations

Description	Annual Revised Budget 2011/12 £m	6 Months Budget 2011/12 £m	6 Months Actual 2011/12 £m	6 Months Difference 2011/12 £m
Ports Management	1.1	0.5	0.4	0.1
Sullom Voe	-5.1	-2.1	-1.2	-0.9
Scalloway	0.0	0.0	-0.1	0.1
Other Piers	0.1	0.1	-0.1	0.1
Port Engineering	0.6	0.2	0.2	0.0
Jetties & Spur Booms	-0.1	-0.1	0.1	-0.2
TOTAL Controllable Cost	-3.5	-1.3	-0.7	-0.7

- 3.4 The table above shows that there is a reduction in budgeted income of £0.9m on Sullom Voe due to less tankers arriving at Sullom Voe than expected, and reduced income of £0.2m on Jetties & Spur Booms maintenance due to timing of payments, as this service is fully funded by BP. These overspends are offset by general underspending/increased income across the remaining service areas resulting in an overall reduction in budgeted income against 6 month budget of £0.7m (54%).
- 3.5 Under Harbour Master & Port Operations service there is a budgeted requirement to achieve a £2.1m return to Reserves in 2011/12. The Executive Manager - Harbour Master & Port Operations has indicated that the estimated outturn is a £1.8m return which is a shortfall of £0.3m. This is due to fewer tankers, of a smaller average gross tonnage, arriving at Sullom Voe than predicted. Traditionally the summer season does show a fall in traffic that normally picks up in the autumn. However, both Clair and Schiehallion have not realised expected throughput.
- 3.6 The Executive Manager Harbour Master & Port Operations has intimated the following actions to mitigate the reduction in return to Reserves:-
- cessation of all but essential training;
 - tighter controls on overtime;

- re-assessment of workload to identify work which can be put on hold or cancelled; and
 - renew attempts to increase income.
- 3.7 For the services within the remit of the Harbour Board, the summary capital management accounts are set out in Table 2 below with further detail included at Appendix 1. This covers the services provided by Harbour Master & Port Operations.

Table 2:
Capital Management Accounts for 6 Months (April – Sept 2011)

Harbour Master & Port Operations

Description	Annual Revised Budget 2011/12 £m	6 Months Actual 2011/12 £m	Estimated Outturn 2011/12 £m	Difference 2011/12 £m
Harbour Account	0.4	0.0	0.2	0.2
Reserve Fund	6.8	3.8	6.8	0.0
TOTAL	7.2	3.8	7.0	0.2

- 3.8 There is an estimated annual underspend of £0.2m (3%) overall against annual budget for 2011/12. This underspend is due to work not yet started on Cathodic Protection on the Tug Jetty. In light of the current financial situation, a review on the need and urgency of this project is being undertaken. This will cost in the region of £25k. The remainder of the budget is unlikely to be spent on this project in this financial year, however, until further work is completed and other demands assessed, it is not possible to accurately predict any savings at this time.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – There is a specific objective within the Corporate Improvement Action plan to ensure that, “the Council has established a rigorous process to ensure that its use of resources is on a footing consistent with implementing and sustaining its financial strategy, and demonstrate that it delivers services in a way which achieves Best Value”.
- 4.2 Community /Stakeholder Issues – None.
- 4.3 Policy And/Or Delegated Authority –The Scheme of Administration and Delegations sets out the role and authority of the Harbour Board under paragraph 2.7.
- 4.4 Risk Management – There is a risk that the budgeted return to Reserves will not be delivered resulting in reduced funds available for future service provision.
- 4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial – There is a need to secure the budgeted return to Reserves of £2.1m to ensure that the budget set in February 2011 is met.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5.0 Conclusions

5.1 This report presents the Harbour Board's revenue and capital management accounts for the first 6 months of the year (1 April 2011 – 30 Sept 2011).

5.2 On the capital account, for the first 6 months, spending is on target at 53% and has been estimated to be underspent by the end of the year as detailed in paragraph 3.8 above.

5.3 On the revenue account, expenditure and income on the core budgets is overspent for the first 6 months as described in paragraph 3.4 above.

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Appendix 1 – Capital Management Accounts, 1 April 2011 – 30 September 2011, for Harbour Master & Port Operations

Background documents:

Approved Budget Report, SIC February 2011

<http://www.shetland.gov.uk/coins/agenda.asp?meetingid=3195>

Financial Policy Report, SIC March 2011

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=11959>

Financial Planning & Budgeting Framework Report, SIC July 2011

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=12344>

Reserves Policy Update, Executive October 2011

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=12580>

Strategic Budget Plan 2012/13 Onwards, Executive October 2011

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=12561>

Reserves Policy Update, Executive December 2011

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=12839>

END

Capital Management Accounts
F-002 Appendix 1
1 April 2011 - 30 September 2011 for Harbour Master & Port Operations
Capital Expenditure - Harbour Account

Cost Centre	Description	Revised Budget £	YTD Actual £	Estimated Outturn £	Est Year End Variance (Adv) / Fav £	Actual Spend as a %
PCM2101	Plant Vehicles & Equip	70,000	50	70,000	0	
PCM2104	Nava Aids - Sullom Voe	70,000	6,012	70,000	0	
PCM2135	Mooring Winches	0	0		0	
PCM2138	Tystie Re-engine	27,387	(36,563)	27,387	0	
PCM2139	Dunter Re-engine	27,387	42,886	27,387	0	
PCM2140	Tug Jetty CP System	200,000	0	20,000	180,000	
HARBOUR ACCOUNT TOTAL		394,774	12,385	214,774	180,000	3%
RCM2208	Scalloway Dredging	2,872,663	2,978,642	2,872,663	0	
RCM2309	Peerie Dock, Symbister	0		0	0	
RCM2313	Tugs for Sella Ness	1,214,297	40,743	1,214,297	0	
RCM2314	Uyeasound Harbour Project	0	0	0	0	
RCM2315	Scalloway Water Main	50,000	3,618	50,000	0	
RCM2316	Walls Pier	2,642,946	741,989	2,642,946	0	
RESERVE FUND TOTAL		6,779,906	3,764,992	6,779,906	0	56%
OVERALL TOTAL		7,174,680	3,777,378	6,994,680	180,000	53%

**Harbour Board****26 January 2012**

Harbour Master's Report	
P&H-04-12-F	
Report Presented by Harbour Master	Ports and Harbours Operations

1.0 Summary

- 1.1 The purpose of this report is to brief and inform the Members and Port Marine Safety Code Duty Holder of the professional concerns and current status as seen by the Harbour Master.

2.0 Decision Required

- 2.1 The Harbour Board are recommended to:
- 2.1.1 Agree the Harbour Master's decision to tender for appropriate external assistance in undertaking a major review and updating of the Safety Management System and Formal Risk Assessment; and
 - 2.1.2 Note the Harbour Master and Director are reviewing the operation of the pilot launch service; and
 - 2.1.3 Agree the Harbour Master's decision to identify suitable additional resources to ensure the 24/7, 365 day operation of Scalloway.

3.0 Detail

- 3.1 The Harbour Master is accountable to the Harbour Authority for the safety of marine operations in the Authorities harbour areas. This duty is enshrined in the Port Marine Safety Code and the Safety Management System.

- 3.2 The Harbour Master is also an Executive Manager and subject to the instructions and directions of the Council, Chief Executive, Corporate Management Team and Directors.
- 3.3 Under the Port Marine Safety Code, the Harbour Master must report to the Duty Holder concerns regarding resourcing and issues regarding safety and compliance.
- 3.4 The Port Marine Safety Code introduces a national standard for every aspect of port marine safety and establishes a measure by which harbour authorities can be accountable for the legal powers and duties, which they have to run their harbours safely. Nationally agreed competence standards have been developed to support the Code.
- 3.5 The Safety Management System is externally audited annually by Det Norske Veritas (DNV) and has accredited the port with ISO 9001:2008 status.
- 3.6 The last external audit was conducted in July 2011 and the findings reported to the Harbour Board.
- 3.7 Following this, the Harbour Master has had some time to reflect and analyse the current status of the port operations and review some concerns that need action.
- 3.8 The economic climate has changed significantly over the last few years and Port Operations needs to both become more efficient and to attract new business.
- 3.9 The financial challenges facing the Authority will place additional pressure on the port to find further efficiencies and additional business.
- 3.10 The number and character of shipping in Sullom Voe has changed over the last few years. The port saw the last gas tanker, the Clipper Sky, depart the port on 10 June 2010 and tanker numbers in the port have slowly dropped over the last few years. However the business related to the TOTAL development has meant an increase in other traffic in the port and an increase in additional work for management and staff, particularly over the summer months. November 2008 saw the start of winter Ship-to-Ship business transferring Russian gas condensate. The port has managed to secure this business each successive winter in the face of stiff international competition.
- 3.11 The service has undergone a number of reviews and some major changes over the last few years. The service is no longer a stand-alone directorate and has become part of Infrastructure Services Directorate. Vessel Traffic Services Operators (VTSO) have been established and Pilots no longer routinely operate this service, new tugs are being introduced, shifts have changed in many areas, staffing numbers have reduced and staff terms and conditions have changed.
- 3.12 Throughout the process of this corporate change, which is still on going, many of the changes have been difficult and unpopular and legacy issues often complicate matters.

- 3.13 Staff, throughout the service, are professional and are committed to maintaining a safe operation. However unpopular changes have made it difficult to maintain the level of flexibility that was previously accepted as normal. Generally this has an impact on operational deliverability and has not had a direct impact on safety. Office and managerial time has been more concentrated on dealing with immediate operational, media, personnel and union issues and less on the strategic and non-time critical tasks.
- 3.14 The lack of continuity in management and a reduction in the clerical and finance staff has also added to the challenges and workload.
- 3.15 Filing, meetings and documentation are all key areas of any Safety Management System. With the changes and resources available it is increasingly difficult to keep up with the all these requirements in a timely and proper fashion.
- 3.16 The changes and efficiencies made require that a number of updates and amendments are required to the Safety Management System. This is currently being progressed and should be completed shortly.
- 3.17 Although the harbour is demonstrably safe in all its elements the Safety Management System is based on the original Formal Risk Assessment for the port. Both the Formal Risk Assessment and the Safety Management System are now in need of a major revision. This will provide a confident basis to continue to enforce the importance of safety simultaneously with the steps needed to embed the recent changes in the day to day operation for the future.
- 3.18 Due to the Council's wider directives, delays introduced by the change process and the requirement to follow the Council's wider policies and procedures, Ports and Harbours will be reduced to the Harbour Master as the only manager for the operations. This is insufficient, on a long term basis, to meet all the statutory and local requirements in maintaining and operating the ports, harbours, Vessel Traffic Service, towage fleet, pilot launch service and emergency response. Advertisement for the posts, initially on an internal basis, was done late December. It is unlikely that the posts will be filled before April at the earliest. Interim measures to alleviate this issue are currently being considered.
- 3.19 Due to the range of responsibilities and assets, it takes time before a new manager is fully familiarised and qualified. As such the resource for dealing with the work involved in a major revision of the formal risk assessment and Safety Management system is currently not available within the service. Additionally there is a benefit in having persons not directly involved with the management of the service to provide an unbiased and professional input to the Safety Management System. It is the recommendation of the Harbour Master that the service tenders for an external body to assist in revising the Safety Management System and the ports Formal Risk Assessment and to provide a "call off" service to cater for peak work loads which may occur in the future.
- 3.20 As this is an important safety critical function it is further proposed that this tender is done on a quality / cost basis and that the tender

assessment panel includes appropriate representation from across the service.

- 3.21 Any revised Safety Management System will be presented to the Harbour Board to be scrutinised and accepted.
- 3.22 Reviews of administration and business support are beginning and will affect the staff within Ports and Harbours to some degree. It is important that the port and associated management structure are adequately resourced and that the Harbour Master retains the authority to ensure, accountability, continuity, business resilience and emergency response.
- 3.23 As a result of the changes introduced through the Ports for the Future project the service that can currently be provided by the Pilot Launches may lead to shipping being delayed. The Ports for the Future project committed to a review of the working patterns for this service should issues arise and as a result the Harbour Master and Director of Infrastructure Services have commenced discussions with the launch crews and are investigating workable solutions. However these discussions are at an early stage.
- 3.24 The service provided at Scalloway is currently under resourced to provide a 24/7, 365 day a year harbour and currently requires existing staff to work significant amounts of additional hours to maintain this service. This is a credit to the good will and professionalism of the staff involved. To maintain the safe operation of Scalloway on a 24/7, 365 day a year basis additional resources will need to be deployed. The Harbour Master is investigating the most appropriate and cost effective solution.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This report proposes options that would support the aspirations in the Corporate Plan to with regard to:
 - 4.1.1 Maintaining a Sustainable Environment
 - 4.1.2 Organising Ourselves Better
- 4.2 Community /Stakeholder Issues – Community and stakeholders have a vested interest in ensuring that the port operation is managed and operated safely and in accordance with legislation and industry best practice. The process of finalising the Risk Assessment and Safety Management System will include consultation with stakeholders.
- 4.3 Policy And/Or Delegated Authority – The Scheme of Administration and Delegations states that the role and authority of the Harbour Board is:
 - 4.3.1 Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall

Council policy and the requirements of the Port Marine Safety Code; and

- 4.3.2 Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function; and
- 4.3.3 To consider all development proposals and changes of service level within the harbour undertaking, including dues and charges, and make appropriate recommendations to the Council

Authorisation of tendering below £50,000 is within the remit of the Executive Manager.

4.4 Risk Management –

- 4.4.1 Failure to update the Safety Management System, Formal Risk Assessment and adequately resource the port facilities will leave the Harbour Authority liable to prosecution and increase the risk of an incident occurring within the harbour facilities.
- 4.4.2 Failure to reduce the net ongoing running costs of the Council carries a significant risk of the Council's financial policies not being adhered to and will require a further draw on Reserves.

4.5 Equalities, Health And Human Rights – None.

- 4.6 Environmental – Failure to update the Safety Management System, Formal Risk Assessment and adequately resource the port facilities will increase the risk of an incident leading to a potential environmental problem.

Resources

4.7 Financial –

- 4.7.1 There is currently no budget in place for any additional tendering or staff. Budgets for this proposal and work will have to be found from within existing budgets. Budgets are in place for the vacant management posts and adequate clerical cover.
- 4.7.2 Under the Local Government in Scotland Act 2003, the Council has a duty to make arrangements, which secure Best Value. Best Value is continuous improvement in the performance of the authority's functions taking into account efficiency, effectiveness, economy and equal opportunities.

All options for the proposal in this report have been assessed from a cost/quality/outcomes perspective and this proposal has been suggested to secure the best value for the outcomes required.

- 4.7.3 The Council approved a Financial Framework and Reserves Policy which includes:

- A presumption against service extension, which will cost more; and
- A focus on efficiencies, especially internal efficiencies; and
- Priority to be given to the provision of statutory services.

The proposal in this report is compliant with the Council's Framework and Reserves Policy with regards to statutory services.

- 4.8 Legal – Input from legal will be required for any tender and associated contract.
- 4.9 Human Resources – Delays in the Team Leader posts will leave the port without proper and adequate management cover. Short-term solutions are being investigated. However it is important that a period of stability and continuity is achieved to ensure proper standards are maintained and enforced. Adequate clerical support needs to be retained. A professional resource is also needed to assist in updating the Safety Management System. Advice and assistance from Human Resources will be needed throughout the period of recruitment and any further changes to staff levels.
- 4.10 Assets And Property – None.

5.0 Conclusions

- 5.1 The port operation and structure has undergone a number of changes over the last few years. The cumulative effect of all of the changes deserves a health check and recommendations for improvement with an action plan to be endorsed confidently by the new Board (post May elections) and implemented by Management secure in the knowledge that it will result in the necessary restatement that each of our principle harbours exceed minimum safety standards, in spite of the changes and efficiencies we have put in place. This review, called for by Management and the Board jointly, is therefore timely and will also give the foundation for meeting the exacting audit requirements for the forthcoming year and on into the future. Its timing linked to the recruitment of new managers, coupled with endeavours addressed elsewhere on the agenda for re-focussed marketing of the ports, are further justifications for tackling a refresh of our Marine Safety System at this particular time and in the manner suggested in this report in view of current resource constraints.
- 5.2 Challenges still face the service, however the time to update and re-visit the Formal Port Risk Assessment and Safety Management System is now. To allow this to happen in a professional and reasonable timeframe assistance from an appropriate external source will be required.

For further information please contact:

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13 January 2012

List of Appendices

None

Background documents:

[Report P&H-16-11-F2](#)

[Report P&H-12-11-F](#)

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