



**Special Harbour Board
Special Shetland Islands Council**

**8 February 2012
9 February 2012**

Harbour Dues 2012/13	
F-008-F	
Report Presented by Head of Finance and Executive Manager – Harbour Master and Port Operations	Corporate Services and Infrastructure Services

1.0 Summary

1.1 The purpose of this Report is to consider and approve the Harbour Dues for 2012/13. The charging basis has changed to alter the banding range for towage charges for tankers resulting in an increase in towage income. The average rate of increase is 5.5%, resulting in an overall estimated increase in Harbour income of £2m. The Harbour Users Panels expressed disappointment at the proposed increases, but accepted that it was necessary. The Harbour Users Panels also discussed the change in towage bands and expressed a desire to get the new charges on the Worldscale as soon as possible. There is a requirement to publicise any changes to Harbour Dues six weeks before the implementation date of 1 April 2012.

2.0 Decisions Required

2.1 The Harbour Board recommends that the Council RESOLVES to approve and implement the Tables of Dues at Appendices A and B with effect from 1 April 2012.

3.0 Detail

3.1 On 19 August 2009 (min ref: 107/09), the Shetland Islands Council approved the budget strategy to be adopted for the Harbour Account through to 2016. 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 to 2016. This is to recognise the commercial trading nature of the harbour activities in relation to the port of Sullom Voe. Adopting the Harbour Dues and fees and charges as set out in this Report would mean that the overall financial objective has been met, with an overall estimated surplus for 2012/13 at £5.2m.

- 3.2 The Charge Equalisation Reserves which were set up to enable the phased closure of the Port (then expected around 2000/01) without distorting charge levels unreasonably, was eliminated in 2005/06. The Port now requires, as a minimum, to operate without drawing on any Reserves. Charge setting in the future will predominantly be influenced by the volumes of oil passing through the Terminal in the absence of a mechanism to cushion the impact of a continued volume decline.
- 3.3 The proposed charging system is to be levied from 1 April 2012. Sullom Voe charges are presented as Appendix A (this also incorporates charges for all services not just Harbour Dues). Appendix B sets out the charges for all Ports and Harbours facilities. It is proposed to adjust the charges by 5.5% except for those items detailed in paragraph 3.6 below.
- 3.4 A consolidated Sullom Voe Port charge, which includes harbour, mooring, pilotage and boarding and landing elements, has been established. It is recommended that the Council increase the charge for 2012/13 by 5.5%, to support the viability of the Port. In addition, it is proposed that the middle band for charging for towage services be modified from 65,000gt-100,000gt to 60,000gt-100,000gt. The consolidated charge for a segregated ballast tanker visiting the harbour in 2012/13 is proposed to be £0.96 per gross tonne (gt), compared to £0.91 in the current year.
- 3.5 Legally the Council is required to stipulate separate charges for each of the chargeable elements and proposals are set out in the Table of Dues (attached as Appendix A). A separate agreement is in place concerning shipping dues paid by the vessel importing Schiehallion cargo.
- 3.6 Some charges have remained at the same rate as last year or have been increased at a different rate, as follows:-
- (a) Scale D - the ad valorem charge for fish and shellfish remains at the same rate; and
 - (b) Scale F - Ship-to-Ship transfer of oil charges have increased by one pence and the charging structure modified.
- 3.7 New charges have also been inserted into the proposed Tables of Dues, these include:
- (a) a security administration charge;
 - (b) a charge for staff investigating oil related incidents;
 - (c) a charge for vessels working within the Harbour Limits of Yell Sound;
 - (d) a charge for renewable devices that do not fit under current charges;
 - (e) a charge for the removal of waste oil;
 - (f) an increased charge for the minimum payment for the supply of water; and
 - (g) a change to the pilotage charges at Scalloway.

Charges and Yield

- 3.8 It is proposed to increase the fees and charges by 5.5%, increasing income by £2m which is estimated to provide an overall return of £5.2m to Reserves. Table 1 below sets out the estimated yield for the major income streams, should the proposals be accepted. The basis of the earnings assumptions have been checked and are considered to be realistic. The yield is considered to be achievable, based on the current projected volume of traffic but does not take into consideration any major unforeseen disruption to service.

Table 1: Charges and Yield

Charge Type	Annual Yield (£000)
Harbour Dues	6,157
Compounded Annual Dues	148
Period Dues	74
Fish/Pleasure Boat Dues	11
Mooring	332
Boarding & Landing	371
Pilotage	766
Towage	7,168
Fish, Salmon & Shellfish Dues	244
Ship to Ship	200
Others	2,902
Total	18,373

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 – The proposed charges were considered and accepted at the Harbour Users Panels on 12 January 2012.
- 4.3 Policy And/Or Delegated Authority –
- 4.3.1 Under section 2.7.3 of the Council's Scheme of Administration and Delegations, the Harbour Board should consider all development proposals and changes of service level within the harbour undertaking, including dues and charges, and make appropriate recommendations to the Council.
- 4.3.2 Setting of dues and charges is a matter reserved by the Council.

4.4 Risk Management – The main risk for the Harbour Account is to ensure that the income levels can be secured, recognising the commercial trading environment in which the service operates. Failure to achieve the predicted income carries a significant risk of the Council's financial policies not being adhered to resulting in a further draw on Reserves.

4.5 Equalities, Health And Human Rights – NONE.

4.6 Environmental – NONE.

Resources

4.7 Financial – This Report sets out the proposed Harbour Charges to be levied for the financial year 2012/13.

4.8 Legal – There is a legal obligation to give the harbour users six weeks' notice of any changes to Harbour Dues.

4.9 Human Resources – NONE.

4.10 Assets And Property – NONE.

5.0 Conclusions

5.1 This report sets out the proposed Harbour Charges for 2012/13 as put forward by the Executive Manager - Harbour Master and Port Operations, in consultation with the Harbour Users Panels.

5.2 A review of charges at Sullom Voe has been undertaken and the proposals are detailed in Appendix A. Changes are proposed with respect of the banding for towage charges and an overall average rate of increase has been set at 5.5%.

5.3 The charges proposed for all the Council's harbours (including Sullom Voe) are detailed in Appendix B. These charges are proposed to be increased by an average of 5.5%.

5.4 Some exceptions have been made, where it is suggested that some charges remain at the current level and others are increased at a different rate, as specified in paragraph 3.6 above.

5.5 New charges have been identified as set out at paragraph 3.7 above.

5.6 The policy direction is to secure £4m of profit from the Harbour Account, on an annual basis until the review point at 2016. This objective has been met, with a net surplus of £5.2m estimated for 2012/13, if the increases on fees, charges and harbour dues set out in this Report are implemented and there is no significant deviation in shipping numbers.

For further information please contact:

Hazel Sutherland, Head of Finance

Telephone: 01595 744607

E-mail: hazel.Sutherland@shetland.gov.uk

Roger Moore – Executive Manager - Harbour Master & Port Operations

Telephone: 01595 744201

Email: roger.moore@shetland.gov.uk

30 January 2012

List of Appendices

Appendix A: Charges for the Port of Sullom Voe 2012/13

Appendix B: Charges for all Piers and Harbours 2012/13

Background documents:

NONE

END

**SHETLAND ISLANDS COUNCIL
TABLE OF DUES TO BE LEVIED AT SULLOM VOE
FROM 1ST APRIL 2012
(Harbours Act 1964)**

DEFINITION

1. Segregated Ballast Tanker

1.1 A tanker holding an International Oil Pollution Certificate showing the ship to have segregated ballast tanks in full compliance with Regulation 13 of MARPOL. In addition the ship must be operated in this manner.

CONSOLIDATED CHARGE

2. Consolidated Charge

2.1 The consolidated charge for segregated ballast tankers entering the Port of Sullom Voe will be £0.96 for segregated ballast tankers and £1.15 for LPG/Other vessels. This charge is made up of the following elements, ship dues, pilotage, mooring and boarding and landing.

Example - Consolidated Charge for segregated ballast tankers is made up of the following:

Shipping Dues	applied per visit	£0.79
Mooring Charge	applied per visit	£0.03
Pilotage Charge	applied (£0.046 x 2)	£0.10
B & L Charge	applied (£0.020 x 2)	£0.04
Total Consolidated Charge		£0.96

RATES AND CONDITIONS OF TOWAGE – SULLOM VOE AREA

3. Cost per arrival/departure

Gross Tonnage	Per Visit - Tanker	
	Arrival	Departure
0 up to but not including 10,000	£17,863	£8,932
10,000 up to but not including 60,000	£21,864	£10,932
60,000 up to but not including 100,000	£32,950	£16,475
over 100,000	£46,239	£34,679

Gross Tonnage	Per Visit - LPG/Other	
	Arrival	Departure
0 up to but not including 10,000	£8,932	£8,932
10,000 up to but not including 60,000	£16,398	£10,932
60,000 up to but not including 100,000	£32,950	£16,475
over 100,000	£46,239	£34,679

4. **Tariff - Towage**

4.1 Cancellation

A charge of 10 per cent of the above rates will apply if tugs depart the tug jetty and are cancelled before making fast to vessel.

4.2 Aborted Berthings or Sailings

A charge of 50 per cent of the above rates will apply if a movement is unable to be completed after a tug or tugs have been made fast, or have commenced assistance.

4.3 Push Up

A charge of £723 per tug per hour or part thereof will be levied if a tug or tugs are required to push-up on a vessel during periods of extreme weather conditions.

4.4 Escorting Charges

Minimum charge of £2,220 for 3 hours and £723 per hour, per tug thereafter.

4.5 Standby Charge

A charge of £723 per tug per hour or part thereof will be levied if tugs are not used within an hour of order time.

4.6 Fire fighting and Oil Dispersal Duties

Within the Terminal and approaches will be charged at a minimum of £2,220 per 3 hours and £723 per hour per tug thereafter plus cost of fire fighting foam and oil dispersant liquids.

4.7 Late Order Charges

A surcharge of 15 per cent may be charged if less than 12 hours notice is given in writing.

4.8 Bunker Charges

A bunker surcharge will be charged per tug movement, dependent on fuel costs (rates available on application).

4.9 Other

Charges for towage operations not listed above are charged on a case-by-case basis. Rates available on application at time of hire.

**ALL TOWAGE UNDERTAKEN SUBJECT TO UNITED KINGDOM STANDARD
CONDITIONS FOR TOWAGE AND OTHER SERVICES (REVISED 1986)
COPIES OF WHICH ARE AVAILABLE ON REQUEST**

SHIPS DUES

Conditions

1. Ship Dues shall apply to all vessels entering the limits of any of the Council's harbours except in circumstances mentioned at (2) and (3) below. These rates shall also be charged by way of berth rents where a Council pier is used in any location outside the Council's harbour areas. Vessels will be allowed to overstay the four-day period in port without additional charge if the harbour is closed, or if cargo/unberthing is suspended due to adverse weather conditions, or if the vessel is permitted to wait alongside until a second crude oil type becomes available. For the avoidance of doubt, if for operational reasons, the Terminal requires the berth to be vacated, then the above will NOT apply.
2. Ship Dues will not be levied on any vessel, which enters a harbour area in order to enable a pilot to board in difficult weather conditions, and subsequently has to depart as a result of the pilot not being able to board. Pilotage and Boarding and Landing charges will however apply in accordance with section 2 (ii) of the schedule of Pilotage Charges.
3. If a vessel is required to leave the harbour by the Harbourmaster for any reason unconnected with defects in the vessel, or the vessel's operation, no ship dues will be levied on the subsequent re-entry. Please note this concession does not apply to pilotage, boarding and landing or mooring boats.
4. An International Tonnage Certificate (1969) shall be produced to the Harbourmaster.
5. In calculating charges a fraction of a gross tonne shall be reckoned as one gross tonne.
6. Craft based at Sullom Voe and operated by the Oil Industry for the sole purpose of pollution control shall be exempted from Harbour Dues provided they occupy berths designated by the Harbourmaster. When berthed other than at a berth designated for the purpose by the Harbourmaster the full Harbour Dues will be payable.
7. With reference to the four-day period in section 1 above, the following times will be subtracted from the overall time in port:
 - (a) Tankers that for operational reasons, are called to the pilot station in advance of bad weather conditions, a fixed period of 12 hours.
 - (b) Tankers that are required to move berth for two or more types of crude oil, a fixed period of three hours per move.
8. Ships dues are inclusive of a fee for garbage waste disposal.

SCALE A - VESSELS PER ENTRY AND STAY PER FOUR-DAY PERIOD OR PART THEREOF

VESSELS ENGAGED IN THE PROVISION OF SERVICES, SUPPLY OF MATERIALS OR EXPORT OF PRODUCTS FROM THE SULLOM VOE OIL TERMINAL AND THE GAS PROCESSING PLANT

Per gross tonne	Segregated ballast tankers	£0.80
	LPG	£0.95
	Other	£0.84

ANY OTHER VESSEL CALLING AT A COUNCIL PIER OR HARBOUR

Per gross ton	£0.48
Barges - Gross Tonnage by calculation or certificate	£0.48
Passenger vessels/Accommodation Barges – Long Term Rate (minimum 1 month stay – per GT per day)	£0.08
Passengers disembarking per person - (tourist traffic/passenger liners only)	£2.38
Vessels and barges working within the harbour limits in Yell Sound and not passing inward past number 5 buoy will be charged per gross tonne. (Note: vessels transiting Yell Sound are not liable to charges.)	£0.40
Vessels (renewable devices etc) which have no GT assigned	
Up to 40 metres- per 4 day period	£6.00 per metre
Rate for each metre in excess of 40 metres per 4 day period	£4.00 per metre

Annual Compounded or Composite Rates

Proof of 3rd party insurance cover is required before annual composite rates are applied. Movements within the harbour prior to successful application of annual composite rates will be charged at published period rates.

Live Fish Carriers

Vessels carrying live fish can apply for an annual composite rate charge equivalent to 40 trips x gt rate.

Fish Feed Ships

Vessels regularly involved in the transport of salmon feed using SIC pier and harbours can apply for an annual composite rate charge equivalent to 40 trips x gt rate.

For vessels primarily engaged in the supply/operation or harvesting of farmed fish/farmed shellfish can apply for an annual rate based on the gt bands below:

Up to 15 gt	£198.30
16 gt to 100 gt	£396.61
101 gt to 150 gt	£1,983.03
151 gt to 200 gt	£2,771.15

201 gt to 300 gt	£3,966.04
301 gt to 400 gt	£5,288.07
401 gt to 500 gt	£6,610.08

SALMON CAGES LAUNCHED AND FLOATING IN HARBOUR per 4 day period

Up to 70 Metre Cage	£39.75
70 Metre Cage	£40.08
80 Metre Cage	£46.57
90 Metre Cage	£52.42
100 Metre Cage and over	£58.24
MINIMUM CHARGE PER ENTRY AND STAY	£9.00

SCALE B - COMPOUNDED ADVANCE ANNUAL CHARGES COVERING USE OF ALL COUNCIL PIERS AND HARBOURS

Proof of 3rd party insurance cover is required before annual compounded rates are applied. Movements within the harbour prior to successful application of annual compounded rates will be charged at published period rates.

A seasonal compound annual fee, payable in advance, will be charged for each pleasure craft berthed within a Harbour area, but not within an established Marina.

The following seasonal fee covers 1 April to 30 September, inclusive:

a) Exceeding 15m overall length	£108.39
b) Exceeding 10m and up to 15m	£79.52
c) Up to 10m	£50.57

Charge per calendar month between 1 October and 31 March inclusive, in addition to section 1 above:

a) Exceeding 15m overall length	£27.12
b) Exceeding 10m and up to 15m	£19.89
c) Up to 10m	£12.66

For registered fishing vessels and salmon farm tenders

(a) Up to and including 8m overall length	£31.97
(b) In excess of 8m overall length, per metre or part of overall length	£22.57

Vessels regularly providing services within a Council harbour (over 8 metres overall length) - per gross tonne	£35.80
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The compounded charge herein referred to shall cease to be applicable to any vessel continuously occupying a berth at a pier for a period in excess of 2 calendar months. Such vessels will then be liable for period dues as per Scale A.

GOODS DUES

Conditions:

9. (i) Goods dues shall apply to all goods discharged or loaded over one of the Council's piers or handled in the fish market, or to any transfer of goods from craft to craft, craft to shore and from shore to craft which takes place within the limits of a Council harbour but which does not involve the use of a pier except as in (ii) below. Goods dues SHALL NOT apply to goods carried on scheduled ferry services operated or subsidised by the Council. Goods dues SHALL NOT apply in respect of oil or gas loaded into tankers over the oil jetties in Sullom Voe.
- (ii) Salmon Farmers and Shellfish Farmers operating within or serviced from a harbour area but not making use of a Council pier or landing place are required to pay a due of £161.87 annually. Where a Council pier or landing place is used, the full tariff is applicable.

SCALE C - RATES ON FISHING GEAR

Vessels storing nets on any pier, outwith designated net mending areas - per net per day £38.15

However, where nets are stored in bins as provided by the Council the following bin rates apply:

Per Glass Fibre Bin per annum	£138.37
Per Small Metal Bin (1.925m x 1.925m) per annum	£302.07
Per Large Metal Bin (1.925m x 2.60m) per annum	£342.08

The above rates are inclusive of insurance and shall be applied to pro rata on a daily basis as appropriate.

Where insufficient bins are available to meet demand, charges are abated for nets left in the designated storage areas to those applicable to a large metal storage bin during the period until a bin is available.

Charge for the use of designated net mending area where not paying compounded dues or landing dues on that visit - £81.33 per net for the first seven days, thereafter the rates for use of hard standing areas will apply.

Where excessive waste net materials are left behind after use of the net mending area vessels will be charged for collection and disposal of the materials.

Minimum Charge per hour £35.08

SCALE D - RATES ON GOODS

Fresh fish and shellfish - per £1.00 value ad valorem	£0.025
Farmed Fish - per tonne	£8.32
Farmed Shellfish - per tonne	£4.16
Any fish or shellfish landed outwith a Council pier and stored	

in the Fish market – per £1.00 value ad valorem £0.025

Fishing vessels less than 15gt engaged in inshore fishing will be required to purchase a Landing Disc for 6 or 12 months as below:

6 month disc	£70.02
12 month disc	£127.74

Vessels as above who land mackerel through Scalloway Fish Market will be eligible to apply for a 6 or 12 month disc as above.

NB This exemption will not apply to fish/shellfish being landed through the Fish Market other than as stated above.

Fishermen, vessel owners and agents are advised that if the value of fish consigned through a Shetland Islands Council port is not declared within 1 calendar month of landing, a charge of £3.19 per box will be levied in lieu of the published dues.

Tractors, lorries, machinery and motor cars, (any goods which they might be carrying will be charged separately in accordance with the table of dues) - per tonne £7.46

Bulk Materials

Aggregates both coarse and fine, fertilisers, boulders and cement/sand - per tonne (bulk includes carriage in flexible intermediate bulk containers - FIBC's)	£0.19
Salmon Feed - per tonne	£1.46
Salmon Nets (from/to cages) per net	£22.50
Ice – per tonne	£1.85
Fuel/Gas Oil/Diesel	£1.85
Live Animals	£0.39
Any other goods not specified above, per tonne	£1.91
Minimum charge on any one item	£7.73

Water Per Tonne	£1.91
Min Charge	£10.00

When water is supplied from the water bollards a minimum charge of £6.36 will apply over a seven day period.

Where staff are required outwith normal working hours an additional charge will apply. Rates available on application.

Electricity - when electricity is supplied from the power bollards a minimum charge of £6.36 will apply over a seven day period.

Where staff are required outwith normal working hours an additional charge will apply. Rates available on application.

SCALE E - RATES FOR USE OF HARD STANDING AREA

Outdoor Storage

Short Term - per square metre per day £0.19

Long Term (min 120 days) - per square metre per day £0.08

(NB: Long Term Storage rates only apply on receipt of a written request)

Warehouse – Indoor Storage, Scalloway

Short Term – per square meter per day £0.27

Long Term (min 120 days) - per square metre per day £0.09

(NB: Long Term Storage rates for Warehouse will only apply on receipt of a written request)

Trailers/Containers parked on harbour property not engaged in loading/discharging of goods unless a written request for long term storage is received shall be liable for the following charge

Per day £4.46

Minimum charge £6.37

However, to avoid any delay to the ship when bulk cargo is being handled e.g. sand, aggregate, limestone etc., the consignee/shipper shall be assigned an area of the quay for stock piling purposes at the rate of 400m² per 1000 tonnes. The shipper shall be responsible for clearing up the designated area after the total cargo has been shipped. One week (7 days) per cargo will be allowed free of hard standing storage fees. Any cargo remaining after one week will attract hard standing storage dues at the above rate.

Salmon Cages under Construction

Storage of parts before construction commences – as hard standing rate above.

Whilst construction takes place - £70.16 per day plus hard standing charge for parts.

Charges for building aquaculture cages in harbour waters will be based on the area times an assumed GROSS TONNAGE. Therefore charges will be levied as per Scale A plus hard standing charge for parts.

CHARGES FOR HARBOUR CRAFT AND PLANT

10. A daily hire rate for any of the following plant can be negotiated at time of hire.

Hire of the Sullom Spindrift/ Sullom Shoormal/ Sullom Spray per hour or part thereof £345.00

Hire of the Sullom 'A', 'B' or 'C' per hour or part thereof £122.31

Hire of Sullom Shearwater per hour or part thereof £156.64
(Subject to availability)

Hire of the Marine Travel Lift per hour or part thereof £134.84

Hire of Fork Lift Truck per hour or part thereof £40.00

SCALE F – MISCELLANEOUS CHARGES

1. Attendance of Officers and Administrative Support

This charge is levied on all parties responsible for the incident, jointly and severally, when officers of the Harbour Authority attend oil pollution incidents to investigate the cause and / or supervise the clean-up and for any other appropriate recharges

Administrative Support

£80 per officer per hour or part thereof.

£35 per hour or part thereof.

2. Security

A security / administration surcharge is applicable to all vessels, not belonging to the Authority, that are required to report to the Harbour Authority under ISPS regulations and that are not on annual dues.

£55 per visit

A security / administration surcharge is applicable to all vessels, not belonging to the Authority, that are required to report to the Harbour Authority under ISPS regulations and have paid annual dues.

£55 per year.

3. Waste Oil

Where the port removes waste oil a charge is levied jointly and severally on the parties responsible for waste oil.

£ Cost plus 10%

4. Access

Gangways - where available and supplied - per day £33.24
per week £99.70
Personnel access control barriers - where available - per day. £3.33
Long Term Rates available on request.

SCALE G – SHIP-TO-SHIP TRANSFER OF OIL

1. Ship-to-ship transfers of oil at a Sullom Voe Terminal jetty, excluding bunker transfers:

(a) Import vessel(s) per gross cargo tonne Free of Charge
(b) Export vessel £0.39

The above includes Ship Dues/Pilotage/Boarding and Landing/Mooring/Normal Towage. Any other services will be charged as detailed in the Table of Dues.

For each STS operation up to three hires of the Harbour Launch will be allowed free of charge, thereafter the full hourly/part thereof hire charge for Harbour Craft will apply.

2. Where an export tanker loads crude ex shore tankage before or after a ship-to-ship transfer:

(a) Import vessel(s) per gross cargo tonne	Free of Charge
(b) Export vessel per gross tonne	£0.39
(c) Export vessel will be moved once	Free of Charge

Thereafter the export vessel will attract Ship Dues/Pilotage/Boarding and Landing/departure towage, as published, and any other harbour charges as detailed in the Table of Dues.

3. Hire of craft to transfer hoses and fenders to/from vessels involved in Ship-to-Ship operations:

- (a) Deployment of materials £1055 (includes hire of vessel up to 3 hours). Hourly rate of hire thereafter £320.
- (b) Retrieval of materials £686 (includes hire of vessel up to 2 hours). Hourly rate of hire thereafter £320.

Note: Above figures do not include hire of any shore cranes.

**SULLOM VOE HARBOUR AREA
SCHEDULE OF MOORING RATES
Effective from 1st April 2012**

1. At any one of the oil loading jetties, per mooring operation:

Segregated ballast tankers	£0.03
LPG/Other	£0.05

A 'mooring operation' shall be any occasion on which the services of one or more mooring boats are required for the purposes of mooring. Where a vessel is required to shift from one jetty to another the above rates will apply for each separate mooring.

At any other jetty - per mooring boat per hour or part thereof	£122.31
At any jetty but not requiring a mooring boat - per hour or part thereof	£56.53

**SULLOM VOE HARBOUR AREA
SCHEDULE OF PILOTAGE CHARGES
(PILOTAGE ACT 1987)
Effective from 1st April 2012**

1. The following charge is payable for piloting a vessel inwards or outwards in the Harbour Area and for each piloted movement within the harbour:

Segregated ballast tankers - per gross tonne	£0.046
LPG/Other - per gross tonne	£0.06

Minimum charge per act of pilotage £120.00

2. A charge of £70.84 per hour or part thereof shall be applicable in the following cases:
 - (i) When a pilot is requested for the departure, moving or arrival of a vessel and the vessel fails to move or arrive within one hour of the stated time of departure, move or arrival;
 - (ii) When a pilot is requested and the requirement is cancelled after the pilot has set out to undertake pilotage;
 - (iii) For detention aboard ship of a pilot by request of the Master, Owner or Agent and no pilotage service is being rendered, and
 - (iv) When a pilot is in attendance on board a vessel berthed alongside during periods of severe weather.
3. Vessels, which are being towed, by a vessel under pilotage and any vessel being led within the Harbour Area by a vessel which is under pilotage shall pay pilotage dues as if the pilot were on board.
4. Marine Officers of the Shetland Islands Council undergoing training may from time to time accompany the pilot but such trainees shall not be considered to be assistants to the pilot and no extra charge shall accrue to any vessel in respect of such trainees.
5. An International Tonnage Certificate (1969) shall be produced to the Harbourmaster.
6. In calculating pilotage charges a fraction of a gross tonne shall be reckoned as one gross tonne.

**SULLOM VOE HARBOUR AREA
SCHEDULE OF BOARDING AND LANDING CHARGES
(PILOTAGE ACT 1987)
Effective from 1 April 2012**

1. For each act of pilotage undertaken every vessel shall pay a boarding fee or a landing fee of:

Segregated ballast tankers - per gross tonne	£0.02
LPG/Other - per gross tonne	£0.02
Minimum charge per act of pilotage	£120.00
2. If the pilot launch is detained under any of the circumstances as mentioned in paragraph two of the scale of charges for pilotage a charge shall apply as follows:

For each hour or part thereof	£345.00
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3. When a helicopter is used to board or land the Pilot all charges incurred in respect of aircraft usage, including abortive missions, will be charged to the ship's account. In addition, as a launch is required for safety cover, the normal boarding and landing fee will be charged.
4. An International Tonnage Certificate (1969) shall be produced to the Harbourmaster.
5. In calculating charges a fraction of a gross tonne shall be reckoned as one gross tonne.
6. Vessels which cannot provide regulation boarding equipment and in particular those with forward leading accommodation ladders, may receive or land their pilots by helicopter, if a helicopter is available. In such cases all charges incurred in respect of aircraft usage, including abortive missions will be charged to the ships account.
7. Special rates are applicable for the performance of duties outside those normally associated with pilotage and these are available on request from the Executive Manager / Harbourmaster – Ports and Harbours Operations.

The Shetland Islands Council reserve the right to apply discretionary rates to any charge in the Table of Dues on application.

**SHETLAND ISLANDS COUNCIL
TABLE OF DUES TO BE LEVIED AT ALL PIERS AND HARBOURS
FROM 1ST APRIL 2012
(Harbours Act 1964)**

DEFINITION

SHIPS DUES

Conditions

1. Ship Dues shall apply to all vessels entering the limits of any of the Council's harbours except in circumstances mentioned at (2) and (3) below. These rates shall also be charged by way of berth rents where a Council pier is used in any location outside the Council's harbour areas. Vessels will be allowed to overstay the four-day period in port without additional charge if the harbour is closed, or if cargo/unberthing is suspended due to adverse weather conditions.
2. Ship Dues will not be levied on any vessel, which enters a harbour area in order to enable a pilot to board in difficult weather conditions, and subsequently has to depart as a result of the pilot not being able to board. Pilotage and Boarding and Landing charges will however apply in accordance with section 2 (ii) of the schedule of Pilotage Charges.
3. If a vessel is required to leave the harbour by the Harbourmaster for any reason unconnected with defects in the vessel, or the vessel's operation, no ship dues will be levied on the subsequent re-entry. Please note this concession does not apply to pilotage, boarding and landing or mooring boats.
4. An International Tonnage Certificate (1969) shall be produced to the Harbourmaster.
5. In calculating charges a fraction of a gross ton shall be reckoned as one gross ton.
6. Ships dues are inclusive of a fee for garbage waste disposal.

SCALE A - VESSELS PER ENTRY AND STAY PER FOUR-DAY PERIOD OR PART THEREOF

VESSELS CALLING AT SCALLOWAY HARBOUR

Per gross ton	£0.48
Passengers disembarking per person - (tourist traffic/passenger liners only)	£2.38

ANY OTHER VESSEL CALLING AT A COUNCIL PIER OR HARBOUR

Per gross tonne	£0.48
Barges – Gross Tonnage by calculation or certificate	£0.48
Passengers disembarking per person - (tourist traffic/passenger liners only)	£2.38
Vessels (renewable devices etc) which have no GT assigned	
Up to 40 metres- per 4 day period	£6.00 per metre
Rate for each metre in excess of 40 metres per 4 day period	£4.00 per metre

Annual Compounded or Composite Rates

Proof of 3rd party insurance cover is required before annual composite rates are applied. Movements within the harbour prior to successful application of annual composite rates will be charged at published period rates.

Live Fish Carriers

Vessels carrying live fish can apply for an annual composite rate charge equivalent to 40 trips x gt rate

Fish Feed Ships

Vessels regularly involved in the transport of salmon feed using SIC piers and harbours can apply for an annual composite rate charge equivalent to 40 trips x gt rate.

For vessels primarily engaged in the supply/operation or harvesting of farmed fish/farmed shellfish can apply for an annual rate based on the gt bands below:

Up to 15 gt	£198.30
16 gt to 100 gt	£396.61
101 gt to 150 gt	£1,983.03
151 gt to 200 gt	£2,771.15
201 gt to 300 gt	£3,966.04
301 gt to 400 gt	£5,288.07
401 gt to 500 gt	£6,610.08

SALMON CAGES LAUNCHED AND FLOATING IN HARBOUR

Per 4 day period

Up to 70 Metre Cage	£39.75
70 Metre Cage	£40.08
80 Metre Cage	£46.57
90 Metre Cage	£52.42
100 Metre Cage and over	£58.24
MINIMUM CHARGE PER ENTRY AND STAY	£9.00

SCALE B - COMPOUNDED ADVANCE ANNUAL CHARGES COVERING USE OF ALL COUNCIL PIERS AND HARBOURS

Proof of 3rd party insurance cover is required before annual compounded rates are applied. Movements within the harbour prior to successful application of annual compounded rates will be charged at published period rates.

A seasonal compound annual fee, payable in advance, will be charged for each pleasure craft berthed within a Harbour area, but not within an established Marina.

The following seasonal fee covers 1 April to 30 September, inclusive:

(a) Exceeding 15m overall length	£108.39
(b) Exceeding 10m and up to 15m	£79.52
(c) Up to 10m	£50.57

Charge per calendar month between 1 October and 31 March inclusive, in addition to section 1 above:

(a) Exceeding 15m overall length	£27.12
(b) Exceeding 10m and up to 15m	£19.89
(c) Up to 10m	£12.66

For registered fishing vessels and salmon farm tenders:

(a) Up to and including 8m overall length	£31.97
(b) In excess of 8m overall length, per metre or part of overall length	£22.57

Vessels regularly providing services within a Council harbour (over 8 metres overall length) - per gross ton £35.80

The compounded charge herein referred to shall cease to be applicable to any vessel continuously occupying a berth at a pier for a period in excess of 2 calendar months. Such vessels will then be liable for period dues as per Scale A.

GOODS DUES

Conditions:

7. (i) Goods dues shall apply to all goods discharged or loaded over one of the Council's piers or handled in the fish market, or to any transfer of goods from craft to craft, craft to shore and from shore to craft which takes place within the limits of a Council harbour but which does not involve the use of a pier except as in (ii) below. Goods dues SHALL NOT apply to goods carried on scheduled ferry services operated or subsidised by the Council. Goods dues SHALL NOT apply in respect of oil or gas loaded into tankers over the oil jetties in Sullom Voe.
- (ii) Salmon Farmers and Shellfish Farmers operating within or serviced from a harbour area but not making use of a Council pier or landing place are required to pay a due of £161.87 annually. Where a Council pier or landing place is used, the full tariff is applicable.

SCALE C - RATES ON FISHING GEAR

Vessels storing nets on any pier, outwith designated net mending areas:

Per net per day £38.15

However, where nets are stored in bins as provided by the Council the following bin rates apply:

Per Glass Fibre Bin per annum	£138.36
Per Small Metal Bin (1.925m x 1.925m) per annum	£302.16
Per Large Metal Bin (1.925m x 2.60m) per annum	£342.12

The above rates are inclusive of insurance and shall be applied to pro rata on a daily basis as appropriate.

Where insufficient bins are available to meet demand, charges are abated for nets left in the designated storage areas to those applicable to a large metal storage bin during the period until a bin is available.

Charge for the use of designated net mending area where not paying compounded dues or landing dues on that visit - £81.33 per net for the first seven days, thereafter the rates for use of hard standing areas will apply.

Where excessive waste net materials are left behind after use of the net mending area vessels will be charged for collection and disposal of the materials.

Minimum charge per hour	£35.08
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SCALE D - RATES ON GOODS

Fresh fish and shellfish - per £1.00 value ad valorem	£0.025
Farmed Fish - per tonne	£8.32
Farmed Shellfish - per tonne	£4.16
Any fish or shellfish landed outwith a Council pier and stored in the Fish Market - per £1.00 value ad valorem	£0.025

Fishing vessels less than 15gt engaged in inshore fishing will be required to purchase a Landing Disc for 6 or 12 months as below:

6 month disc	£70.02
12 month disc	£127.74

Vessels as above who land mackerel through Scalloway Fish Market will be eligible to apply for a 6 or 12 month disc as above.

NB This exemption will not apply to fish/shellfish being landed through the Fish Market other than as stated above.

Fishermen, vessel owners and agents are advised that if the value of fish consigned through a Shetland Islands Council port is not declared within 1 calendar month of landing, a charge of £3.19 per box will be levied in lieu of the published dues.

Tractors, lorries, machinery and motor cars, (any goods which they might be carrying will be charged separately in accordance with the Table of Dues) - per tonne	£7.46
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Bulk Materials

Aggregates both coarse and fine, fertilisers, boulders and cement/sand - per tonne (bulk includes carriage in flexible intermediate bulk containers - FIBC's)	£0.19
Salmon Feed - per tonne	£1.46
Salmon Nets (from/to cages) per net	£22.50
Ice – per tonne	£1.85
Fuel/Gas Oil/Diesel	£1.85
Live Animals	£0.39
Any other goods not specified above, per tonne	£1.91
Minimum charge on any one item	£7.73

Water Per Tonne	£1.91
Min Charge	£10.00

When water is supplied from the water bollards a minimum charge of £6.36 will apply over a seven day period.

Where staff are required outwith normal working hours an additional charge will apply. Rates available on application.

Electricity - when electricity is supplied from the power bollards a minimum charge of £6.36 will apply over a seven day period.

Where staff are required outwith normal working hours an additional charge will apply. Rates available on application.

SCALE E - RATES FOR USE OF HARD STANDING AREA

Outdoor Storage

Short Term - per square metre per day	£0.19
Long Term (min 120 days) - per square metre per day (NB: Long term storage rates only apply on receipt of a written request)	£0.08

Warehouse – Indoor Storage, Scalloway

Short Term - per square metre per day	£0.27
Long Term (min 120 days) - per square metre per day (NB: Long term storage rates for Warehouse will only apply on receipt of a written request)	£0.09

Trailers/Containers parked on harbour property not engaged in loading/discharging of goods unless a written request for long term storage is received shall be liable for the following charge:

Per day	£4.46
Minimum charge	£6.37

However, to avoid any delay to the ship when bulk cargo is being handled e.g. sand, aggregate, limestone etc., the consignee/shipper shall be assigned an area of the quay for stock piling purposes at the rate of 400m² per 1000 tonnes. The shipper shall be responsible for clearing up the designated area after the total cargo has been shipped. One week (7 days) per cargo will be allowed free of hard standing storage fees. Any

cargo remaining after one week will attract hard standing storage dues at the above rate.

SALMON CAGES UNDER CONSTRUCTION

Storage of parts before construction commences – as hard standing rate above.

Whilst construction takes place - £70.16 per day plus hard standing charge for parts.

Charges for building aquaculture cages in harbour waters will be based on the area times an assumed GROSS TONNAGE. Therefore charges will be levied as per Scale A plus hard standing charge for parts.

CHARGES FOR HARBOUR CRAFT AND PLANT (BASED AT SCALLOWAY HARBOUR)

8. A daily hire rate for any of the following plant can be negotiated at time of hire.

Hire of the Scalloway Harbour Launch per hour or part thereof	£85.45
Hire of the Scalloway Harbour Launch to assist berthing per hour or part thereof	£162.75
Hire of Fork Lift Truck per hour or part thereof	£39.81
Hire of power washers per hour or part thereof	£18.30
Hire of Sullom Spindrifft/Spray/Shoormal (if available) per hour or part thereof	£345.00

SCALE F – MISCELLANEOUS CHARGES

1. Attendance of Officers and Administrative Support

This charge is levied on all parties responsible for the incident, jointly and severally, when officers of the Harbour Authority attend oil pollution incidents to investigate the cause and / or supervise the clean-up and for any other appropriate recharges	£80 per officer per hour or part thereof.
Administrative Support	£35 per hour or part thereof.

2. Security

A security / administration surcharge is applicable to all vessels, not belonging to the Authority, that are required to report to the Harbour Authority under ISPS regulations and that are not on annual dues.	£55 per visit
A security / administration surcharge is applicable to all vessels, not belonging to the Authority, that are required to report to the Harbour Authority under ISPS regulations and have paid annual dues.	£55 per year.

3. Waste Oil

Where the port removes waste oil a charge is levied jointly and severally on the parties responsible for waste oil.

£ Cost plus 10%

4. Access

Gangways - where available and supplied - per day	£33.24
per week	£99.70
Personnel access control barriers - where available - per day.	£3.33
Long Term Rates available on request.	

**SCALLOWAY HARBOUR AREA
SCHEDULE OF PILOTAGE CHARGES
(PILOTAGE ACT 1987)
Effective from 1 April 2012**

1. The following charge is payable for piloting a vessel less than 300 Gross Tonnage inwards or outwards in the Pilotage District to or from either an anchorage, buoy or berth and for each piloted movement within the harbour:

Per act of pilotage £39.00

2. Vessels in excess of 300 Gross Tonnage entering Scalloway Harbour shall pay the following charge

Per gross ton £0.13

3. A charge of £39.00 per hour or part thereof shall be applicable in the following cases:

(i) When a pilot is requested for the departure, shifting or arrival of a vessel and the vessel fails to move or arrive within one hour of the stated time of departure, shift or arrival;

(ii) When a pilot is requested and the request is cancelled after the pilot has set out to undertake pilotage, and

(iii) For detention aboard ship of a pilot by request of the Master, Owner or Agent and no pilotage service is being rendered.

4. Vessels that are being towed by a vessel under pilotage and any vessel being led within the Pilotage District by a vessel, which is under pilotage, shall pay pilotage dues as if the pilot were on board.

5. Marine Officers of the Shetland Islands Council undergoing training may from time to time accompany the licensed pilot but such trainees shall not be considered to be assistants to the pilot and no extra charge shall accrue to any vessel in respect of such trainees.

6. An International Tonnage Certificate (1969) shall be produced to the Harbourmaster.

7. In calculating charges a fraction of a gross ton shall be reckoned as one gross ton.
8. Special rates are applicable for the performance of duties outside those normally associated with pilotage and these are available on request from the Executive Manager - Harbourmaster & Port Operations.

SCALLOWAY HARBOUR AREA
SCHEDULE OF BOARDING AND LANDING CHARGES
(PILOTAGE ACT 1987)
Effective from 1 April 2012

1. For each act of pilotage undertaken every vessel shall pay a boarding fee or a landing fee of:

£85.45 per hour or part thereof for use of the pilot cutter plus, outside normal working hours, there shall be an additional charge for labour involved. Rates available on application.
2. If the pilot launch is detained by virtue of any of the circumstances in paragraph three of the scale of pilotage charges, a charge shall apply as follows:

For each hour or part thereof £85.45
3. An International Tonnage Certificate (1969) shall be produced to the Harbourmaster.
4. In calculating charges a fraction of a gross ton shall be reckoned as one gross ton.

The Shetland Islands Council reserves the right to apply discretionary rates to any charge in the Table of Dues on application.



**Special Harbour Board
Special Shetland Islands Council**

**8 February 2012
9 February 2012**

Harbour Account Revenues Estimates 2012/13

F-009-F

**Report Presented by Head of Finance and
Executive Manager – Harbour Master and
Port Operations**

**Corporate Services and
Infrastructure Services**

1.0 Summary

1.1 The purpose of this Report is to:

- approve the revenue budget for 2012/13 for the Harbour Account;
- consider and approve the funding mechanism for the outstanding liability of £7.6m to the Pension Fund in respect of the Shetland Towage; and
- note the Marine Superannuation Fund actuarial valuation as at January 2012; and
- agree to a formal process for costing all the potential future liabilities for the closure of Sullom Voe Harbour operation, including when and how to hold any future liability in the accounts.

1.2 The overall financial policy objective is to secure an annual surplus of £4m on the Harbour Account, to contribute to other services and projects. That objective has been achieved, with an estimated surplus of £5.4m in 2012/13, subject to the predicted levels of shipping being achieved.

2.0 Decisions Required

2.1 That the Harbour Board recommends that the Council RESOLVES to approve to:

- a) fund the outstanding liability of £7.6m to Shetland Islands Council Pension Fund in respect of the Shetland Towage deficit by four near equal instalments of £2m from the Harbour Account surpluses between 2012/13 and 2015/16, subject to review each year in line with income projections;
- b) note the Marine Superannuation actuarial valuation indicates an estimated additional requirement of £7.8m at January 2012;

- c) undertake a formal project to calculate all the potential liabilities from the closure of the port of Sullom Voe which will include a recommendation as to how and when to hold any provision for future liabilities in the accounts and the impact that might have on the current policy of a target of £4m per annum;
- d) agree the overall Harbour Account estimates set out at Appendix 1; and
- e) note the availability of £2.2m to contribute to the reserves, to pay for General Fund projects and programmes, leaving £1.2m as a general contribution to the Reserve Fund to help replenish the reserves in the longer term, to £250m over a 10 year period.

3.0 Detail

3.1 On 19 August 2009 (min ref:107/09), the Shetland Islands Council approved the budget strategy to be adopted for the Harbour Account through to 2016. 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. This is to recognise the commercial trading nature of the harbour activities in relation to the port of Sullom Voe.

3.2 The strategic objectives for the Harbour Authority are:

- realise required return as set by Council;
- maintain Document of Compliance for towage service and ISO accreditation for the port;
- achieve necessary permits to continue and promote Ship-to-Ship Transfer operations;
- develop a prioritised port development strategy;
- assist in development of marine renewables;
- assist in maximising opportunities for servicing off-shore renewables, including the development of infrastructure (ports and vessels) and skills;
- work with the oil industry and other marine sectors to identify future opportunities and diversification for Sullom Voe Terminal;
- working towards sustainable and efficient service;
- continuing to support our infrastructure throughout Shetland; and
- providing access to learning and development opportunities for all employees.

3.3 The Director of Infrastructure Services and the Director of Development Services are working together on the long term future for the port of Sullom Voe. This work will investigate the most cost effective way of maintaining existing service levels, recognising the changing pattern of business needs at the port. The work programme will also draw on the

recommendations from *Professor A G Kemp of Aberdeen University, 'Potential Diversification of Uses for Sullom Voe Terminal'*, reported to Development Committee on 19 November 2009, as to future business opportunities and investment potential to secure the viability of the port into the longer term. This work will form part of the business planning process for the port and will be reported each year in terms of business opportunities and the long term investment requirements, together with an assessment of the business risk and viability.

3.4 The Harbour Account activity has gone through a period of significant structural change, through the Ports for the Future project and investment in new vessels. This has resulted in changes to staffing levels and patterns of work, all of which has now been captured in the estimates for 2012/13.

3.5 The Harbour Account is required to operate at a surplus.

3.6 Harbour Dues

A separate report on the Harbour Dues and other fees and charges is prepared and, as such, does not form part of this report. However it should be noted that Sullom Voe Harbour charges are proposed to increase by 5.5% and income arising from that level of charging is included in these estimates. The overall yield from fees and charges is estimated to generate a surplus of £5.4m in 2012/13.

3.7 Expenditure

3.7.1 The services supported by the Harbour Account are set out below in Table 1, showing an estimate of the cost for 2012/13 and a comparison with the current year.

Table 1: Services Summary

Service	2011/12	2012/13	Fav/(Adv) Variance £000
	Approved Budget £000	Proposed Estimate £000	
Management & Support Services	1,699	1,586	113
Sullom Voe	-4,592	-7,920	3,328
Other Harbours	790	938	-148
Surplus on Harbour Activity	-2,103	-5,396	3,292
Transfer to Reserves	2,103	5,396	-3,292
Total	0	0	0

3.7.2 The costs are also presented on the type of expenditure incurred on harbour activities, in Table 2, as follows:

Table 2: Type of Costs Summary

Service	2011/12	2012/13	Fav/(Adv) Variance £000
	Approved	Proposed	
	Budget	Estimate	
	£000	£000	
Management & Support Services	1,699	1,586	113
Direct Staffing Costs	5,923	4,707	1,217
Operating Costs	5,010	5,590	-580
Capital Financing Costs	2,839	2,507	333
Depreciation to General Fund	-1,355	-1,434	79
Income	-16,220	-18,351	2,131
Surplus on Harbour Account	-2,103	-5,396	3,292
Transfer to Reserves	2,103	5,396	-3,292
Total	0	0	0

- 3.7.3 The main variances over the current year are in respect of staffing costs, operating costs and income. The staffing costs have reduced as a result of the implementation of the Ports for the Future project, in respect of overall staffing numbers and shift patterns. The operating costs are increased in relation to additional jetty maintenance, wholly funded by BP, and income is estimated to increase by £2.1m, over the current year budget as outlined in the Harbour Dues report.
- 3.7.4 The capital financing costs for 2012/13 under the agreed funding mechanism for the new vessels is £1.1m. This is based on an outstanding debt level of £14.5m, plus interest and expenses. The debt is carried internally by the Council (on the Capital Fund) and is in respect of the financing arrangements for the new vessels.
- 3.7.5 The outstanding Pension Fund liability in respect of the Shetland Towage transfer needs to be addressed. In 2009, when the Shetland Towage operations were transferred into the Council and merged with the harbour operations, the outstanding pension liability was calculated at £4m. The main reason for the deficit is that the Council agreed to more preferential pension terms for the then Shetland Towage staff who transferred to the Council, than would have been available to other eligible organisations joining the Pension Scheme, in awarding year for year scheme membership. An actuarial valuation was carried out in 2010, which increased the deficit to £8m. At that time, the Council put on hold any decision on how best to address the issue, as several reviews were outstanding, namely: Single Status; Ports for the Future; and Pathfinder (the national procurement review of pension fund arrangements). Now these reviews are complete, it is possible to address the matter. The actuarial valuation of the Pension Fund has just been completed and the deficit is now valued at £7.6m. In light of the fact that it is a Harbour Account matter, for a service which is predominantly commercial in nature, it is appropriate that the cost should fall to the Harbour Account. It is therefore proposed

that the cost of the outstanding liability of £7.6m be met by four near equal instalments of about £2m per annum, from the surpluses generated on the Harbour Account between 2012/13 and 2015/16. This will reduce the ability of the Harbour Account to contribute surpluses to fund other services and projects.

- 3.7.6 In developing the Council's Reserves Policies, there has been no explicit direction yet set for the value of each of the funds which combine to make up the policy target of replenishing the reserves to £250m over a 10 year period. There is merit in ensuring that the Reserve Fund makes up a significant proportion of the value of the funds, because it is the most flexible in use and application. If Members are minded to give greater protection to the Reserve Fund, when moving towards the policy target over the next 10 years, there is a mechanism whereby the deficit of £7.6m payable to the Pension Fund in respect of Shetland Towage could be taken from the Capital Fund instead. By doing so, the Council would reduce the value of the Capital Fund by £7.6m and increase the value of the Reserve Fund by £7.6m, over the period in question.
- 3.7.7 The Council holds a specific ring fenced reserve, called the Marine Superannuation Fund, which was valued at £2.6m at 31 March 2011. The Fund exists to hold in reserve the estimated cost of enhanced exit packages for staff working within this service, should the port of Sullom Voe close. An actuarial valuation has been carried out as at January 2012 and the estimated additional requirement is valued at £7.8m. There is no statutory duty for the Council to hold this fund and no other staff group within the Council has anything similar in place.
- 3.7.8 Instead of moving immediately to make a recommendation to contribute the deficit of £7.8m into the Marine Superannuation Fund in respect only of staffing liabilities, it is proposed instead to consider the wider implications of all the potential future liabilities which might fall, were the port of Sullom Voe to close. This work will assist the Council to develop a policy on how much reserves need to be set aside for potential future costs, and what a reasonable timescale might be. There is a direct connection to the work being developed by the Directors of Infrastructure and Development into the long term future viability of the port. In this way, the investment requirements, all the future potential costs and the likely timescales for each can be drawn together and matched to the Council's overall financial policy framework.

3.8 Reserves

- 3.8.1 The Marine Superannuation Fund was valued at £2.6m at 31 March 2011. The Fund is used to set aside the cost of enhanced exit packages for the staff working in this field, were the port of Sullom Voe to close with immediate effect. An actuarial valuation has been carried out and the deficit to be met is £7.8m. It is not proposed to make any further contribution to the Marine Superannuation Fund until the work is complete on

the long term development strategy for the port of Sullom Voe, alongside a project on identifying all the potential liabilities from closure.

3.8.2 The Pilot Boat Renewal Fund was valued at £0.9m at 31 March 2011. There are no plans to use this Fund in 2012/13.

3.8.3 The Harbour Account Bad Debt Provision was valued at £9,521 at 31 March 2011. The actual level of write-offs over the past three years has been:

2008/09 - £5,662
 2009/10 - £3,606
 2010/11 - £6,961

An estimate of the current situation is a need to write off £3,778. The level of provision is therefore considered adequate, as it represents more than 2 years worth of potential write-offs for bad debts. There is therefore no proposed charge to the Revenue Account to increase the level of provision.

3.9 Overview

3.9.1 Table 3 below shows the overall position on the Harbour Account.

Table 3: Overall Harbour Account Estimates

Overall Harbour Estimates	2011/12 Approved Budget	2012/13 Proposed Estimates
	£000	£000
Expenditure:		
Management & Support Services	1,699	1,586
Sullom Voe	12,515	11,378
Other Harbours	1,258	1,426
	15,471	14,389
Income:		
Harbour Dues	-13,551	-15,330
Fees & Charges	-2,669	-3,021
Depreciation to General Fund	-1,355	-1,434
	-17,575	-19,785
Surplus on Harbour Activities	-2,103	-5,396
Surplus transferred to Reserves	2,103	5,396

3.9.2 The detailed breakdown of services for 2012/13 is shown in Appendix 1.

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 – Section 2.7.3 of the Council's Scheme of Administration and Delegations states that the Harbour Board will consider all Harbour undertakings including dues and charges and make appropriate recommendation to the Council. Approval of the Budget is a matter reserved by the Council. Once approved, the budget forms the basis of the Director of Infrastructure’s delegated authority to deliver services, within policy and within budget.
- 4.4 Risk Management – The main risk for the Harbour Account is to ensure that the income levels can be secured, recognising the commercial trading environment in which the service operates.
- 4.5 Equalities, Health And Human Rights – NONE.
- 4.6 Environmental – NONE.

Resources

- 4.7 Financial – This Report sets the resources to be allocated, by way of budget provision, to each service within the Harbour Account for 2012/13.
- 4.8 Legal – NONE.
- 4.9 Human Resources – NONE.
- 4.10 Assets And Property – NONE.

5.0 Conclusions

- 5.1 The policy direction is to secure £4m profit from the Harbour Account, on an annual basis until the review point at 2016. This objective has been met, with a net surplus of £5.4m estimated for 2012/13.
- 5.2 The Revenue Budget put forward by the Executive Manager – Harbour Master and Port Operations is robust. The income assumptions are reasonable and based on current predictions and information, considering all the variable factors associated with trading in a commercial environment.

- 5.3 The port operation has gone through a period of significant change, with the implementation of the Ports for the Future project and the investment in new vessels.
- 5.4 The outstanding liability to the Shetland Islands Council Pension Fund in relation to the Shetland Towage transfer is valued at £7.6m and it is proposed to meet that cost by four near equal instalments from the surpluses between 2012/13 and 2015/16.
- 5.5 To support the future financial planning for the Harbour Account, it is proposed to undertake a formal project to investigate all the potential liabilities in connection with the port of Sullom Voe were it to close. This will help to inform the Council as to how much to set aside for this purpose and within what timescale. There is a natural link with the project to establish a Port Development Strategy.
- 5.6 Early predictions for the following financial years show a significant reduction in throughput, and thus income, to the Harbour Account. Work will be required throughout the upcoming year to plan and manage for the predicted reduction in throughput and to maximise returns to the Reserve Fund.
- 5.7 Overall, a surplus of £5.4m is estimated to be generated in 2012/13. Of this amount, £2.0m could fund a contribution to the liability in respect of the Pension Fund, £2.2m can be made available to the Council to fund other projects and services, as set out in the Strategic Budget Plan, leaving £1.2m as a contribution to the Reserve Fund, to start to replenish the reserves over the next 10 years.

For further information please contact:

Hazel Sutherland, Head of Finance

Telephone: 01595 744607

E-mail: hazel.Sutherland@shetland.gov.uk

Roger Moore – Harbour Master / Executive Manager – Port Operations

Telephone: 01595 744201

Email: roger.moore@shetland.gov.uk

2 February 2012

List of Appendices

Appendix 1: Detailed Cost Centres / Services 2012/13

Background documents:

NONE

END

**SHETLAND ISLANDS COUNCIL
2012/13 REVENUE ESTIMATES**

F-009 Appendix 1

	Approved Budget 2011/12 £	Proposed Estimate 2012/13 £	Fav/(Adverse) Variance £	
SUPPORT LEDGER : COST CENTRE SUMMARY (excluding recharges out)				
SRM0001	Recruitment Expenses	17,000	17,000	-
SRM0100	Support Services	260,464	266,686	(6,222)
SRM2000	Operations Management	1,292,740	1,188,656	104,084
SRM2001	Towage Management	40,346	24,440	15,906
SRM3001	Port Engineering Services	556,432	546,405	10,027
SRM3050	Port Admin Building	142,594	133,011	9,583
TOTAL		2,309,576	2,176,198	133,378

HARBOUR ACCOUNT : COST CENTRE SUMMARY

PRM0150	Canteen Service	25,386	28,922	(3,536)
PRM2002	Depreciation	-1,354,816	-1,434,052	79,236
PRM2100	Sullom Voe	-5,915,400	-6,197,622	282,222
PRM2101	B & L Sullom Voe	-281,862	-280,137	(1,725)
PRM2102	Pilotage Sullom Voe	-719,294	-720,404	1,110
PRM2103	Mooring Sullom Voe	-309,446	-307,849	(1,597)
PRM2104	Ship to Ship	-267,681	-170,284	(97,397)
PRM2110	Marine Officers	940,407	630,918	309,489
PRM2111	Launch Crews	1,319,957	1,007,378	312,579
PRM2112	Towage Crews	-1,959,077	-4,259,249	2,300,172
PRM2113	VTS Operators	294,603	333,550	(38,947)
PRM2116	Pollution Control	65,637	60,433	5,204
PRM2120	SOTEAG	9,849	9,121	728
PRM2121	SVA	106,000	106,000	-
PRM2122	SVOSAG	9,049	8,321	728
PRM2140	Nav Aids/Comms - SV	229,223	178,876	50,347
PRM2141	Buildings - SV	210,623	274,980	(64,357)
PRM2142	Pilot Boats - SV	387,344	396,871	(9,527)
PRM2143	Mooring Boats - SV	69,315	79,203	(9,888)
PRM2144	Workboats - SV	50,971	34,208	16,763
PRM2145	Vehicles - SV	111,380	108,917	2,463
PRM2146	Plant - SV	89,602	22,482	67,120
PRM2147	Sellaness Tug Jetty	306,967	111,673	195,294
PRM2148	Tug Boats - SV	3,341,162	3,197,184	143,978
PRM2150	Jetties/Spur Booms - SV	166,907	207,017	(40,110)
PRM2200	Blacksness	234,243	413,161	(178,918)
PRM2201	B & L Scalloway	-7,000	-7,000	-
PRM2202	Pilotage Scalloway	-9,500	-14,500	5,000
PRM2205	Nav Aids Scalloway	45,267	54,467	(9,200)
PRM2206	Pilot Boat Scalloway	7,324	9,535	(2,211)
PRM2207	Workboat Scalloway	33,716	31,902	1,814

**SHETLAND ISLANDS COUNCIL
2012/13 REVENUE ESTIMATES**

F-009 Appendix 1

		Approved Budget 2011/12 £	Proposed Estimate 2012/13 £	Fav/(Adverse) Variance £
PRM2208	Vehicles Scalloway	9,125	7,135	1,990
PRM2300	Baltasound	27,979	35,145	(7,166)
PRM2301	Collafirth	36,636	33,754	2,882
PRM2302	Toft	4,028	6,234	(2,206)
PRM2303	Garth & Graven Pier	10,667	10,127	540
PRM2310	Billister	4,800	2,036	2,764
PRM2312	Cullivoe	19,627	23,450	(3,823)
PRM2313	Easterdale	6,009	5,453	556
PRM2314	Fair Isle	31,901	30,891	1,010
PRM2315	Hamnavoe	4,912	6,804	(1,892)
PRM2316	Melby Pier	225	227	(2)
PRM2317	Mid Yell	59,021	28,087	30,934
PRM2318	Out Skerries	30,996	50,718	(19,722)
PRM2319	Symbister	215,065	247,110	(32,045)
PRM2320	Toogs	6,786	6,233	553
PRM2321	Uyeasound	149,226	151,665	(2,439)
PRM2322	Vaila/Grutness	22,492	19,713	2,779
PRM2323	West Burrafirth	26,137	25,219	918
PRM2324	Humber Inflatable	24	21	3
PRM2325	Orkney Spinner	8	6	2
PRM2326	Avon Searider	19	16	3
TOTAL		-2,103,461	-5,395,934	3,292,473

RECHARGED LEDGER : COST CENTRE SUMMARY (excluding recharges out)

VRM3205	Nav Aids Sullom Voe	41,694	42,447	(753)
VRM3206	Radar Sullom Voe	15,856	16,055	(199)
VRM3207	VHF Radio Sullom Voe	10,500	10,500	-
VRM3210	Maintenance Workshop	74,955	65,773	9,182
VRM3211	Helicopter Hangar	4,521	4,938	(417)
VRM3212	Meteorological Office	2,572	2,696	(124)
VRM3213	Long Term Store	2,763	2,949	(186)
VRM3214	Crew Accommodation	7,523	8,128	(605)
VRM3215	Pollution Store	20,566	22,982	(2,416)
VRM3221	Sullom Shoormal	40,820	40,615	205
VRM3222	Sullom Spindrift	38,970	38,561	409
VRM3223	Sullom Spray	36,469	36,060	409
VRM3225	Dunter	435,257	321,328	113,929
VRM3226	Shalder	165,442	197,702	(32,260)
VRM3228	Tirrick	186,269	376,030	(189,761)
VRM3229	Tystie	410,238	325,309	84,929
VRM3230	Sullom A	7,119	7,057	62
VRM3231	Sullom B	22,119	22,057	62
VRM3232	Sullom C	7,119	7,057	62
VRM3235	Vehicles Sullom Voe	32,730	32,730	-
VRM3236	Boat Hoist	-1,031	-1,029	(2)
VRM3237	Small Plant	4,810	4,810	-
VRM3239	Sullom Shearwater	13,429	13,321	108
VRM3240	Tug Jetty	60,674	71,087	(10,413)
VRM3241	Solan	414,084	340,139	73,945
VRM3242	Bonxie	414,084	340,139	73,945

**SHETLAND ISLANDS COUNCIL
2012/13 REVENUE ESTIMATES**

F-009 Appendix 1

	Approved Budget 2011/12 £	Proposed Estimate 2012/13 £	Fav/(Adverse) Variance £	
VRM3250	Jetty 1	7,504	154,360	(146,856)
VRM3251	Jetty 2	7,504	173,896	(166,392)
VRM3252	Jetty 3	7,504	173,896	(166,392)
VRM3253	Jetty 4	7,510	173,902	(166,392)
VRM3254	Construction Jetty	32,130	34,862	(2,732)
VRM3255	Spur Booms	12,510	12,510	-
VRM3256	Jetties Diving	50,000	0	50,000
VRM3257	Jetties Maintenance Contract	950,000	950,000	-
VRM3259	Jetties Cathodic Protection	50,000	0	50,000
VRM3261	Nav Aids Scalloway	12,025	12,025	-
VRM3262	Offices & Stores Scalloway	30,824	32,161	(1,337)
VRM3263	Fish Market	24,444	105,547	(81,103)
VRM3264	Piers Scalloway	83,133	107,189	(24,056)
VRM3266	Vehicles Scalloway	4,548	4,330	218
VRM3267	Lyrie	12,956	12,811	145
VRM3270	Baltasound Pier Maintenance	26,560	26,810	(250)
VRM3271	Collafirth Pier Maintenance	28,230	28,283	(53)
VRM3272	Toft Pier Maintenance	3,561	3,589	(28)
VRM3273	Garth Pier Maintenance	9,554	9,581	(27)
VRM3280	Billister Pier Maintenance	2,017	2,036	(19)
VRM3282	Cullivoe Pier Maintenance	32,090	32,909	(819)
VRM3283	Easterdale Pier Maintenance	5,452	5,453	(1)
VRM3284	Fair Isle Pier Maintenance	16,777	17,016	(239)
VRM3285	Hamnavoe Pier Maintenance	4,166	4,195	(29)
VRM3286	Melby Pier Maintenance	77	81	(4)
VRM3287	Mid Yell Pier Maintenance	27,627	17,664	9,963
VRM3288	Out Skerries Pier Maintenance	7,848	23,060	(15,212)
VRM3289	Symbister Pier Maintenance	30,613	50,876	(20,263)
VRM3290	Toogs Pier Maintenance	6,229	6,233	(4)
VRM3291	Uyeasound Pier Maintenance	10,294	10,489	(195)
VRM3292	Vaila/Gruting Pier Maintenance	10,987	11,047	(60)
VRM3293	West Burrafirth Pier Maintenance	11,747	9,318	2,429
TOTAL		3,995,973	4,555,570	(559,597)