

**Special Harbour Board
Council Chamber, Town Hall, Lerwick
Wednesday 8 February 2012 at 2pm**

Present:

A T J Cooper	E L Fullerton
R S Henderson	J H Henry
A Polson	R C Nickerson
F A Robertson	D A Sandison
A Spence	J Tait

Apologies:

A T Doull
C Smith

In Attendance:

P Crossland, Director of Infrastructure Services
R Moore, Executive Manager - Harbour Master and Port Operations
B Robb, Management Accountant
H Sutherland, Head of Finance
L Gair, Committee Officer

Chair

Mr R S Henderson, Chair, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

09/12 Harbour Dues 2012/13

The Board considered a report by the Head of Finance and the Executive Manager – Harbour Master and Port Operations (Report No: F-008-F), which sought approval of the Harbour Dues for 2012/13.

The Executive Manager - Harbour Master and Port Operations introduced the main terms of the report, highlighting the key changes to the table dues and responded to questions presented by Members.

During discussions concern was expressed regarding the new charge for waste oil removal and the possibility that this may be a disincentive to boat owners taking waste oil ashore. Members did not wish to see fly tipping happen after the work that had been put into encouraging boat owners to dispose of their waste products in a responsible way. The Committee noted that the projected income for this charge was not very high.

Members discussed the throughput predictions as well as the increase in activity within the port from the Total project and anticipated renewables. The Executive

Manager – Ports and Harbours Operations explained that the forecasted tonnage, which would achieve an income provided by users, had been based upon information received with past trends included. He said that the figure and was less optimistic than the prediction provided. He also advised that the figures looked good for this year but this was not expected to be at the same level in the following two years.

Mr Nickerson referred to paragraph 3.1 and the projected £4m surplus. He recalled that this had been reduced to £3m in 2011 but the Head of Finance said that she had not found the formal recommendation and it had not been reflected in the budget process carried out in November 2011. She confirmed to Members that she would check the position again and advise Members.

Mr Cooper said that he was concerned that the pilotage and boarding and landing account was not trading a surplus and requested a report to the first Harbour Board meeting of the new Council, on what would be required for this to happen.

Mr Cooper also noted the need for all vessels to be adequately insured and the Board unanimously agreed, that a sentence be added to ensure that this requirement be applied to paid dues as well as compounded dues.

Mr Nickerson moved that the Board approve the recommendations contained in the report with the inclusion that a report on pilotage, boarding and landing dues be presented as requested by Mr Cooper and that the new charge reported at paragraph “3.7e waste oil charge” be removed. Mr Cooper seconded on the basis that if the pilotage, boarding and landing dues matter is resolved, the overall position on the harbour account is not seriously affected.

Decision:

The Harbour Board recommends that the Council **RESOLVED** to approve and implement the Table of Dues at Appendices A and B with effect from 1 April 2012 with the removal of 3.7e “a charge for the removal of waste oil” within Appendix A, and the addition of a sentence that addresses the issue of insurance on paid dues as well as compounded dues.

The Board further **RESOLVED** that a report be presented to the next meeting of the Harbour Board on the pilotage, boarding and landing dues and what is require so that it can trade in surplus.

10/12 Harbour Account Revenues Estimates 2012/13

The Board considered a report by the Head of Finance and the Executive Manager – Harbour Master and Port Operations (Report No: F-009-F) which sought approval of the revenue budget for 2012/13 for the Harbour Account, the funding mechanism for the outstanding liability of £7.6m to the Pension Fund in respect of Shetland Towage. In addition the Council was asked to note the Marine Superintendent Fund actuarial valuation as at January 2012. The report also sought agreement of the formal process for costing all the potential future liabilities of the closure of Sullom Voe Harbour operation, including when and how to hold any future liability in the accounts.

The Head of Finance introduced the main terms of the report and responded to Members’ questions.

During discussions, the Head of Finance explained the position with regard to the Pension Fund Liability and the need to now address the deficit. She explained that her primary concern was to ensure that the Shetland Islands Council Pension Fund was secure into the future. The Head of Finance explained the options, amounts and timescale for the payments to be made and advised that there was sufficient flexibility in the arrangement that would allow future payments to be smaller if the funds were not available in any year.

A Member expressed concern that in the future the towage function may leave the Council and at that point the Council would have to pay out the full figure. The Head of Finance advised that the valuation on fund transfer was done on the current position and not what may happen in the future. In response to a further query, the Head of Finance explained how the Actuaries evaluate the fund and explained that this is done every three years. She explained that payment of the fund was delayed due to the review of Scottish pension funds that looked for cost efficiency in amalgamating to one fund. This was held back to see what was happening nationally before dealing with it locally and there was also the single status process to complete. The Head of Finance said that this was the first time that the variables had been stable enough to make a recommendation to Members.

Members discussed the need to look beyond one-year budgets particularly as Schehallion would be going off stream next year. It was agreed that the port should consider the short, medium and long term. Mr Spence agreed and said that the Terminal needed to understand the medium to long-term costs within the Harbour. He said that the Terminal would be able to assist by supporting the long-term throughput predictions. The Director of Infrastructure referred to the last Harbour Board where he indicated that a business plan would be reported in June. He said that he would take on board the requirement for this to consider the short, medium and long term.

Mr Cooper expressed concern regarding recommendation 2.1c and said that the reserve fund needs a funding cushion for the Harbour Account deficit into the future. The Head of Finance confirmed that at the Council meeting the next day she would question the Council's reliance on the Harbour Account surplus. She said it was important to find out what the cost might be for closure at any time and see what all the potential liabilities would be, but she said that she would not wish to sterilise funds and reserve levels could better match what the intended steps were for the future.

Mr Cooper moved that the Board approve the recommendations contained in the report with the addition that Officers look at the strategic direction in the short, medium and long-term, and report to the first Harbour Board meeting of the new Council. Mr Sandison seconded.

Decision:

The Harbour Board recommends that the Council **RESOLVED** to approve:

- (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 in Appendix 1;
- (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; and
- (f) instruct Officers to report on the strategic direction in the short, medium and long-term, to the first Harbour Board meeting of the new Council.

The meeting concluded at 4.20 pm.

Chair