

**Harbour Board****22 November 2012****Management Accounts for Harbour Board  
2012/13 - Quarter 2 (April 2012 - September 2012)****F-055-F****Report Presented by Executive Manager -  
Finance****Corporate 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 its remit to ensure that expenditure incurred and income generated has been delivered within the approved budget, so that timely action can be taken when required to mitigate projected overspends and reduction in income. The report reviews for the first quarter:-

- the projected outturn position for the year; and
- the revenue management accounts.

1.2 The projected outturn is a reduction in surplus of £1.952m. Action is required to address this.

**2.0 Decision Required**

2.1 The Harbour Board is asked to RESOLVE to:

- review the Revenue Management Accounts, from 1 April 2012 – 30 June 2012, including the projected outturn position; and
- identify and/or instruct officers to bring forward alternative proposals to Council to address the projected reduction in surplus.

**3.0 Detail**

3.1.1 The budgeted expenditure and income levels included in the services within the remit of the Harbour Board were approved by the Council on 9 February 2012 (SIC Min Ref 12/12). As such, they form part of the Council's objectives of reducing General Fund expenditure to £119.9m in 2012/13, which includes the requirement to make savings of £15.6m

across the Council this year. This is necessary to move the Council towards a position of financial sustainability.

- 3.1.2 At present the Council's level of expenditure is not sustainable and if left unchecked will result in reserves becoming fully depleted by 2017/18.
- 3.1.3 Any instances whereby an expenditure budget is overspent, budgeted income is not achieved, or savings targets are not being achieved, have a direct impact on the Council's reserves. It is therefore vital to the future economic wellbeing of the Council that its overall budget, incorporating that of the services within the remit of the Harbour Board, are delivered in full.
- 3.2 Appendix 1 shows the projected outturn position for the first quarter by service area along with explanations of the major variances. This appendix shows the most vital information indicating the likelihood of an additional draw on reserves being required, in breach of Council policy.
- 3.3 Appendix 2 shows the revenue management accounts for the first quarter by service area along with explanations of the major variances.

## **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 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Board may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council; more specifically referred to in paragraph 2.7. The Council approved a budget on 9 February 2012 for the 2012/13 financial year. This Report provides information to enable the Board to ensure that the services within its remit are operating within the approved budgets.

#### **4.4 Risk Management**

There is a risk that services will not be delivered within the approved 2012/13 budget resulting in an additional draw on reserves, which is unsustainable.

#### **4.5 Equalities, Health And Human Rights – None.**

#### **4.6 Environmental – None.**

## Resources

### 4.7 Financial

4.7.1 The approved surplus of £5.175m from the operation of the Council's harbour undertaking is not likely to be achieved and there is a need to find one-off savings as a temporary substitute.

4.7.2 At the end of quarter 2 the projected outturn is £3.223m, a reduction of £1.952m.

4.7.3 Once the approved transfer of £2m for the pension liability in relation to the transfer of Shetland Towage employees to the Council has been met, the contribution available for allocation to the Reserve Fund will be reduced to £1.223m.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

## **5.0 Conclusions**

5.1 The outturn position is projected to be a reduction in surplus of £1.952m, therefore alternative savings require to be found to ensure that an additional draw on reserves will not be required.

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### List of Appendices

Appendix 1 – Ports & Harbours Operations - Outturn Position for 2012/13

Appendix 2 – Ports & Harbours Operations - Revenue Management Accounts (April to June 2012)

### Background documents:

Approved Budget Report, SIC 9 February 2012

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=3449>

END

**Ports & Harbours Operations****Projected Outturn 2012/13**

Description	Annual Outturn 2011/12 £000	Annual Budget 2012/13 £000	Projected Outturn 2012/13 £000	Budget v Proj. Outturn Variance £000
Ports Management & Engineering	25	26	(45)	71
Sullom Voe	(2,363)	(5,770)	(3,674)	(2,095)
Scalloway	103	302	251	51
Other Piers	50	267	245	22
Jetties & Spur Booms	0	0	0	0
<b>Total</b>	<b>(2,185)</b>	<b>(5,175)</b>	<b>(3,223)</b>	<b>(1,952)</b>
<b>Payment for Pension Liability</b>	<b>0</b>	<b>2,000</b>	<b>2,000</b>	<b>0</b>
<b>Contribution to Reserve Fund</b>	<b>(2,185)</b>	<b>(3,175)</b>	<b>(1,223)</b>	<b>(1,952)</b>

**Explanation of Projected Outturn Variances:****Ports Management**

- £0.064m underspend on employee costs relating to vacant posts of General Manager and Senior Marine Electronic Engineer within Ports Management.

**Sullom Voe**

- £2m reduction in income relating to lower tanker traffic than anticipated due to a reduction in throughput of Brent crude. This drop is in excess of the figures provided by the terminal operators when the budget was set.
- £0.270m reduction in income relating to less tanker traffic at the end of the year due to early closure of Schiehallion, which was announced after budgets set in February 2012.
- £0.092m overspend in relation to the hire of towage services to cover Tirrick's refit period.

**Scalloway**

- £0.050m increased income relating to additional traffic with increased oil related activity west of Shetland, and increased lease income for the warehouse on the Pier.

**Ports & Harbours Operations****Revenue Management Accounts (April 2012 – September 2012)**

<b>Description</b>	<b>Quarter 2 Budget 2012/13 £000</b>	<b>Quarter 2 Actual 2012/13 £000</b>	<b>Quarter 2 Variance 2012/13 £000</b>
Ports Management & Engineering	17	11	6
Sullom Voe	(3,401)	(2,978)	(423)
Scalloway	112	(30)	142
Other Piers	120	77	43
Jetties & Spur Booms	0	721	(721)
<b>Total</b>	<b>(3,151)</b>	<b>(2,199)</b>	<b>(952)</b>

**Explanations of Real Variances:****Sullom Voe:**

- £1.073m less income than anticipated on harbour, pilotage, towage and mooring dues relating to a reduction in tanker traffic during the period.
- £0.092m overspend in relation to the hire of towage services to cover Tirrick's refit period.
- £0.184m underspend on vessel maintenance and fuel costs for two new tugs which are currently out of service.
- £0.140m underspend on vessel maintenance costs for the other four tugs due to increased operational requirements relating to the inactive new tugs.
- £0.080m increased income against budget set relating to the Harbour Agreement 5(c) payment.

**Explanations of Variances relating to Timing Differences:****Jetties & Spur Booms:**

- £0.721m overspend relates to jetty maintenance work by contractors. This is not a real overspend, it is a timing difference against budget plan and is fully funded by BP.



**Harbour Board****22 November 2012****Pilotage Accounts for Harbour Board:  
2012-13 - Quarter 2 (April – September 2012)****F-056-F****Report Presented by Executive Manager -  
Finance****Corporate Services****1.0 Summary**

- 1.1 The purpose of this report is to enable the Harbour Board to monitor the financial performance of the pilotage services, as requested by Members of the Harbour Board at their meeting on 27 June 2012 (Min Ref 17/12).

**2.0 Decision Required**

- 2.1 The Harbour Board is asked to RESOLVE to review the Pilotage Accounts, from 1 April 2012 – 30 September 2012.

**3.0 Detail**

- 3.1 There is a requirement to prepare accounts relating to pilotage under Section 14 of the Pilotage Act 1987.
- 3.2 The details of what must be included in these accounts is set out in regulations (The Statutory Harbour Undertakings (Pilotage Accounts) (Regulations) 1988, SI 1988/2216).

The accounts must show the details of:

- revenue from pilotage charges and details of the use of pilotage exemption certificates; and
  - total expenditure incurred in providing the service of a pilot, providing, maintaining and operating any pilot boats and administrative or other associated costs.
- 3.3 These accounts must be available for inspection by the public at the harbour authority's offices. Members of the public shall be able to buy a copy for a reasonable fee.

- 3.4 The Council is also under a duty to keep accounts in respect of the “harbour undertaking” in accordance with section 65 of the Zetland County Council Act 1974, (ZCC Act). Pilotage is part of the harbour undertaking and as such should appear in those accounts. Any surplus on the harbour undertaking is credited to the Reserve Fund set up under Section 67 of the ZCC Act.
- 3.5 The Pilotage Accounts for the period 1 April 2012 to 30 September 2012 are attached as 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 2.1.2(3) of the Council’s Scheme of Administration and Delegations states that the Board may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council; more specifically referred to in paragraph 2.7.
- 4.4 Risk Management – Failure to review the Pilotage Accounts would place the Council in breach of its legal duties.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None.

### Resources

- 4.7 Financial
- 4.7.1 The Pilotage Accounts for the period 1 April 2012 to 30 September 2012 report a net deficit of £0.162m.
- 4.7.2 The annual budget on the Pilotage Accounts is a net deficit of £0.327m. At the end of quarter 2 the projected outturn on the Pilotage Accounts is a net deficit of £0.414m.
- 4.8 Legal – The Council has statutory obligations to keep separate accounts in respect of the harbour undertaking and also separate pilotage accounts. Section 3(1) of the ZCC Act states that the harbour undertaking means “the harbour undertaking for the time being of the Council authorised by this Act”. This means that the harbour undertaking must be considered only in terms of what the Council is authorised or duty bound to do under the ZCC Act. Pilotage is part of



the harbour undertaking and income and expenditure is accounted for accordingly.

4.9 Human Resources – None.

4.10 Assets And Property – None.

## **5.0 Conclusions**

5.1 This report sets out the legal regulations surrounding the preparation of Pilotage Accounts and presents the 2012/13 Quarter 2 Pilotage Accounts to the Board for review.

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### List of Appendices

Appendix 1 – 2012/13 Quarter 2 Pilotage Accounts

### Background documents:

None

END



## 2012/13 Pilotage Accounts - Period 6

## F-056 - Appendix 1

	<b>Sullom Voe</b>		<b>Scalloway</b>		<b>Overall Pilotage Account</b>		<b>Overall Pilotage Account</b>	
	Year to Date Budget £	Year to Date Actual £	Year to Date Budget £	Year to Date Actual £	Year to Date Budget £	Year to Date Actual £	Annual Budget £	Projected Annual Outturn £
<b>Charges in respect of :</b>								
Boarding & Landing	(185,295)	(174,040)	(3,500)	(7,867)	(188,795)	(181,906)	(395,989)	(361,989)
Pilotage Services provided as authorised by section 10(1) of the Pilotage Act 1987	(375,680)	(360,832)	(7,500)	(15,168)	(383,180)	(376,000)	(813,329)	(765,717)
Use of PEC issued as authorised by section 10(3) of the Pilotage Act 1987	0	0	0	0	0	0	0	0
<b>TOTAL INCOME</b>	<b>(560,975)</b>	<b>(534,872)</b>	<b>(11,000)</b>	<b>(23,034)</b>	<b>(571,975)</b>	<b>(557,906)</b>	<b>(1,209,318)</b>	<b>(1,127,706)</b>
<b>Employee Costs:</b>								
Boarding & Landing	215,375	206,855	1,049	1,002	216,424	207,858	433,773	417,575
Pilotage	319,908	334,230	9,412	8,155	329,320	342,385	660,201	688,741
<b>Total Employee Costs</b>	<b>535,283</b>	<b>541,085</b>	<b>10,462</b>	<b>9,157</b>	<b>545,744</b>	<b>550,242</b>	<b>1,093,974</b>	<b>1,106,316</b>
<b>Supplies &amp; Services</b>								
Boarding & Landing	2,152	1,548	0	0	2,152	1,548	4,304	4,304
Pilotage	3,075	1,614	0	0	3,075	1,614	6,150	6,150
<b>Total Supplies &amp; Services</b>	<b>5,227</b>	<b>3,162</b>	<b>0</b>	<b>0</b>	<b>5,227</b>	<b>3,162</b>	<b>10,454</b>	<b>10,454</b>
<b>Transport &amp; Mobile Plant:</b>								
Boarding & Landing	40,803	48,864	0	0	40,803	48,864	156,607	156,312
Pilotage	6,350	3,487	355	383	6,705	3,870	13,409	9,409
<b>Total Transport &amp; Mobile Plant</b>	<b>47,153</b>	<b>52,351</b>	<b>355</b>	<b>383</b>	<b>47,508</b>	<b>52,734</b>	<b>170,016</b>	<b>165,721</b>
<b>Property &amp; Fixed Plant:</b>								
Boarding & Landing	111	158	0	0	111	158	221	221
Pilotage	0	0	0	0	0	0	0	0
<b>Total Property &amp; Fixed Plant</b>	<b>111</b>	<b>158</b>	<b>0</b>	<b>0</b>	<b>111</b>	<b>158</b>	<b>221</b>	<b>221</b>
Meeting Liabilities under Part III of the Act	0	0	0	0	0	0	0	0
<b>Administration and other costs not included above in respect of pilotage functions:</b>								
Boarding & Landing	71,021	52,745	3,468	2,631	74,489	55,376	148,976	146,517
Pilotage	56,569	57,813	0	0	56,569	57,813	113,136	112,886
<b>Total Admin and Other Costs</b>	<b>127,590</b>	<b>110,558</b>	<b>3,468</b>	<b>2,631</b>	<b>131,058</b>	<b>113,189</b>	<b>262,112</b>	<b>259,403</b>
<b>TOTAL EXPENDITURE</b>	<b>715,364</b>	<b>707,313</b>	<b>14,284</b>	<b>12,171</b>	<b>729,649</b>	<b>719,484</b>	<b>1,536,778</b>	<b>1,542,115</b>
<b>(Surplus)/Deficit</b>	<b>154,389</b>	<b>172,442</b>	<b>3,284</b>	<b>(10,863)</b>	<b>157,674</b>	<b>161,578</b>	<b>327,459</b>	<b>414,409</b>



**Harbour Board****22 November 2012****Infrastructure Services Quarter 2 Performance Overview****P&H-23-12F****Report Presented by Director of  
Infrastructure Services****Infrastructure Services Department****1.0 Summary**

- 1.1 This report summarises the activity and performance of the Infrastructure Services Department as it pertains to the functional responsibilities of the Harbour Board for the second quarter of 2012/13 against the objectives and actions in the Infrastructure Services Directorate Plan endorsed by the Environment and Transport Committee on 6 June 2012 (Min Ref: 11/12) and the Harbour Board on the 27 June 2012 (Min Ref 18/12).

**2.0 Decisions Required**

- 2.1 Members are requested to discuss the contents of this report and comment on progress against objectives and outcomes as it pertains to the Ports and Harbours Service to inform activity for the remainder of this financial year and to inform the planning process for the next and future years.

**3.0 Directorate Plan Objectives and Actions**

- 3.1 The Harbour Board endorsed the Infrastructure Services Directorate Plan on 27 June 2012. The Council's Planning and Performance Management Framework and the Council's constitutional arrangements require periodic reporting of activity and performance to functional committees.
- 3.3 The Infrastructure Services Directorate Plan identified 21 service actions for improvement, operational service delivery, budget savings and risk management in a comprehensive action plan for the Ports and Harbours service within the Infrastructure Services Directorate as part of the service planning process for 2012/13; the overall performance of the Service against these actions is that 95% of actions are currently

on track and classified as Green or Amber and 5% are classified as Red and are “off track” as detailed below:

Service	Number of Actions	RAG Rating	Q1	%	Q2	%
Ports and Harbours Service Action Plan	21	Green	14	67	12	57
		Amber	1	5	8	38
		Red	6	28	1	5

3.4 This represents an improvement from the previous quarter when 28% were categorised as off track, however a number of actions have moved from green to amber and a concerted effort will be made during the quarter 3 to ensure that these move back to green.

3.5 Details of the 1 action categorised as RED pertaining to the Ports and Harbours Service Action Plan are given in Appendix 2 together with the corrective actions which are proposed to bring these actions back on track.

#### 4.0 Performance Indicators

4.1. The Infrastructure Services Directorate Plan included performance indicators for both the Directorate and the service action plans. Work is on-going within both the Directorate and the Ports and Harbours Service to develop these indicators to allow full reporting in the later quarters of this year. Appendix 2 gives the “corporate health” performance indicators for the service in terms of, FTE numbers, overtime hours and costs, mileage costs and sickness details.

#### 5.0 Budget

5.1. A detailed report on the quarter 2 financial position of the Harbour Account is presented at Item 1 on this agenda.

#### 6.0 Implications

##### Strategic

6.1. Delivery On Corporate Priorities – Effective Planning and Performance Management are key features of the Council’s Improvement Plan and part of the “Organising our Business” priority in the Council’s Improvement Plan.

6.2. Community /Stakeholder Issues – None.

6.3. Policy And/Or Delegated Authority –

The Council’s Constitution – Part C - Scheme of Administration and Delegations provides in its terms of reference for Functional Committees (2.3.1 (2)) that they:

“Monitor and review achievement of key outcomes in the Service Plans within their functional area by ensuring –

- (a) Appropriate performance measures are in place, and to monitor the relevant Planning and Performance Management Framework.
- (b) Best Value in the use of resources to achieve these key outcomes is met within a performance culture of continuous improvement and customer focus.”

6.4. Risk Management – Embedding a culture of continuous improvement and customer focus are key aspects of the Council’s improvement activity. Effective performance management is an important component of that which requires the production and consideration of these reports. Failure to deliver and embed this increases the risk of the Council working inefficiently, failing to focus on customer needs and being subject to further negative external scrutiny.

6.5. Equalities, Health And Human Rights – None.

6.6. Environmental – None.

#### Resources

6.7. Financial – The actions, measures and risk management described in this report has been delivered within existing approved budgets.

6.8. Legal – None.

6.9. Human Resources - None.

6.10. Assets And Property – None.

## **7.0 Conclusion**

7.1. The report demonstrates good progress against the priorities identified in the 2012/13 Infrastructure Services Directorate Plan. For actions that are rated as Red or Amber corrective action has been or will be taken.

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9 November 2012

#### List of Appendices

Appendix 1 - Off Target Actions and Corrective Action

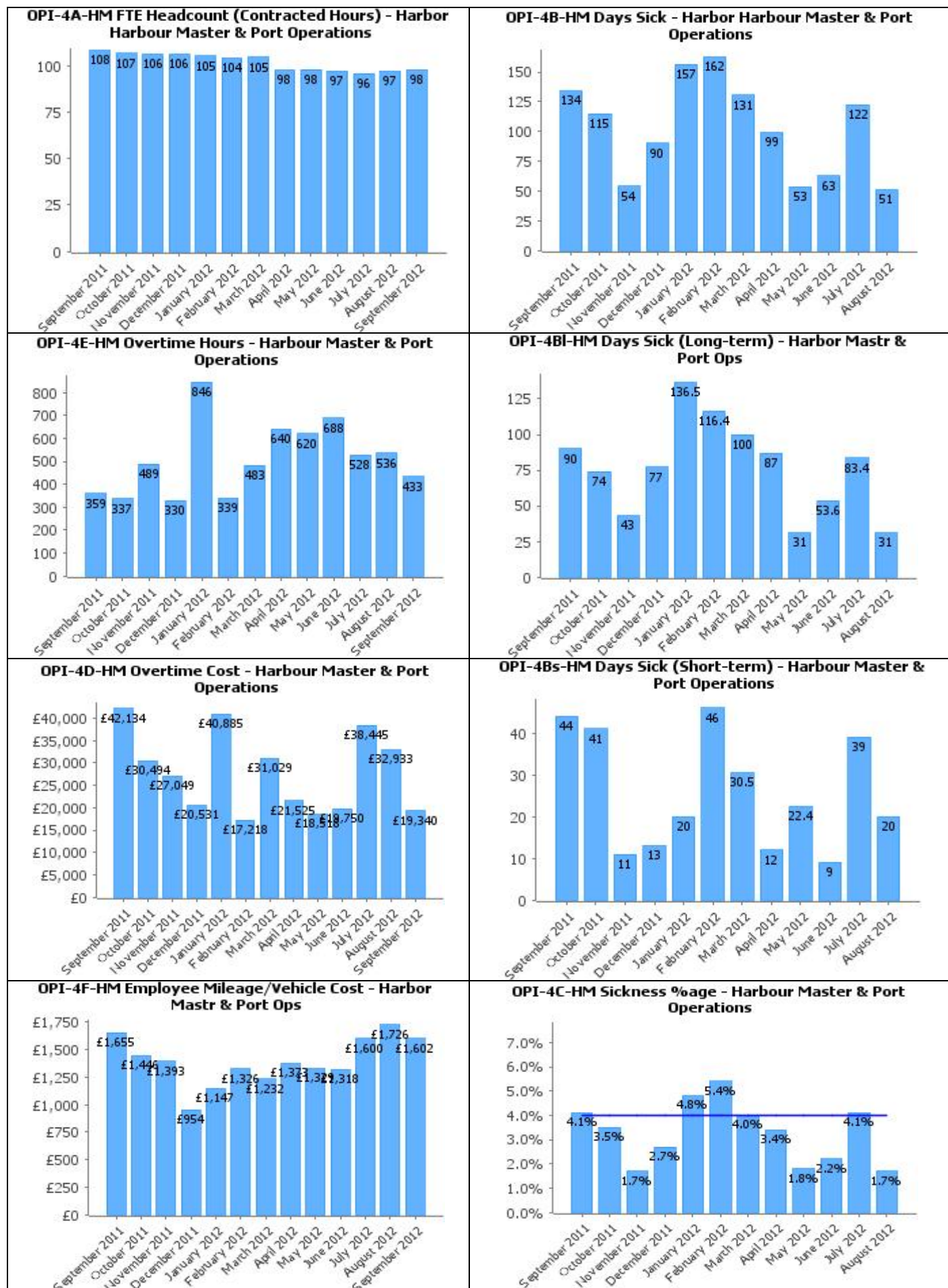
Appendix 2 – Corporate Health Indicators

**Appendix 1 Off Target Actions And Proposed Corrective Action (Red Indicators in Service Plan)**  
**2nd Quarter: April to Sept 2012 Inclusive**

Operational Service Delivery Actions							
Ref	Outcome for the Customer	Objective	Action	Alignment with Council Action Plan			Reason For Off Target Performance And Corrective Action For Next Quarter
				SOA Ref	IP Ref	BS Ref	
PHS9	<b>Improved Information Flow</b>	Increase business throughput and improve performance reporting to users of the service.	Research and develop online information and marketing streams (e.g. Twitter, Facebook). (EM)	<b>1 (4)</b>	<b>1.4</b> <b>3.2</b>		The current level of staff resources mean that this target has slipped. Will be picked up by new Executive Manager.



## Appendix 2 Corporate Performance Indicators





**Harbour Board****22 November 2012****Capital and Revenue Project Progress Report****P&H-20-12F****Team Leader – Port Engineering****Infrastructure Services Department****1.0 Summary**

- 1.1 This report updates the Board on issues pertaining to the projects relating to Ports and Harbours Operations and Appendix 1 provides photographs of project progress for members information.

**2.0 Decision Required**

- 2.1 The Harbour Board are recommended to:
- 2.1.1 Note the contents of the report and areas of progress made; 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 Programme Projects****3.1 Dock Symbister – RCM 2309**

- 3.1.1 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 if required.
- 3.1.2 Local Consulting Engineers, Arch Henderson and Partners recently visited the Dock, to update previous surveys they had carried out on the structure in recent years.

- 3.1.3 In summary, their report indicates that deterioration of the structure as a whole continues, with the East side of the dock causing the most concern.
- 3.1.4 With regard to the West pier, the report states that it does not show deterioration to the same extent that the East side exhibits, but there is no doubt that the structure is not as stable as it should be.
- 3.1.5 It is evident from the latest survey that a decision on the future of this structure cannot be deferred for much longer.
- 3.1.6 A meeting was recently held with Shetland Amenity Trust, to discuss option for the future of the dock. The Director of Infrastructure Services will update members of the Board at the next meeting.

### 3.2 Walls – RCM 2316

- 3.2.1 The contractor Frank L Johnston (Shetland) Ltd started work on site on 16<sup>th</sup> April 2012 with an agreed completion date of 15<sup>th</sup> June 2013. Work is progressing well and the contractor has mobilised all the plant, equipment and materials required to complete the project.
- 3.2.2 Much of the utilities work in the vicinity of the pier area has been completed. Precast concreting of the pile wall anchor blocks has also been completed. The reinforced concrete base and guide piles for the passenger landing pontoon have been successfully installed and dredging work in front of the quay face is virtually complete.
- 3.2.3 The contractor's attention has recently turned to piling work and the erection of the new ferry building. He has mobilised and erected his temporary works for the piling operations and piling is now progressing on the east-west orientated quay wall. The ferry building foundations have also been constructed and the steel frame for the new building erected.
- 3.2.4 The project remains on schedule to be completed within budget and before the completion date of June 2013.

### 3.3 Fetlar Breakwater – GCY 7214

- 3.3.1 The project is now complete and a Completion Certificate was issued to the contractor on 12<sup>th</sup> September 2012.
- 3.3.2 An official opening ceremony will take place on 1<sup>st</sup> December 2012.
- 3.3.3 The as-built drawings and the Health and Safety file are currently being prepared.

3.3.4 Currently the project lies within the Transport section. However the breakwater supports 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.

### 3.4 Skerries South Mouth Dredging – GCY 7215

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

3.4.2 The contract was awarded to Tulloch Developments Ltd. A start date was agreed with the contractor of 27<sup>th</sup> August 2012 with a contract period of 4 weeks. Unfortunately a suitable weather window was not available within this period so no work other than mobilisation of the contractors barge in Lerwick has taken place. The contractor has been asked to provide his proposals for the completion of the project and await his response.

### Harbour Account Capital Projects

### 3.5 Plant, Vehicles and Equipment – PCM 2101

3.5.1 This budget will be used to continue replacing plant and equipment around the Harbour as necessary. Further work to overhaul Pilot Vessel engines is planned for this financial year.

### 3.6 Navigational Aids – PCM 2104

3.6.1 This budget will be used to continue the upgrade of navigational aids and in particular, the adoption of new LED technology. Incorporation of LED lanterns has already proved to be a complete success, with availability much increased through the dark winter months.

3.6.2 The replacement and fitting of the new LED lights at Gluss is ongoing, and agreement in principal to alter the distance between the lights has been received from the Pilots. The project proposes to remove the two 30 metre towers and football stadium style light arrays on Gluss Isle, and replace them with new LED light arrays on much smaller structures. This will result in savings due to the maintenance required on the existing towers, and also much reduced running costs for the LED arrays. Smaller structures will also provide easier access for maintenance staff, with Health and Safety issues also much reduced. Discussions are ongoing with the Light supplier, to firm up proposals and costs to allow the project to progress.

## Harbour Account Revenue Projects

### 3.7 Sullom Voe Terminal Maintenance Contract

3.7.1 Malakoff Limited held the Jetty Maintenance Contract, however this Contract has now expired and the process of advertising for a new three year contract has begun. To date, a number of expressions of interest have been received, and pre-qualification questionnaires have been sent to those companies.

3.7.2 The intention is to have the new contract in place, to allow the successful contractor to start on site in the early spring of 2013.

3.7.3 The Contract has progressed well in all areas, remaining on programme and within agreed budgets for the duration of the works.

### 3.8 Small Ports – Condition Surveys

3.8.1 A local Civil Engineering Consultant has commenced condition surveys on all small Ports. These will form a baseline to allow maintenance activities for the next five years to be formulated. Results of these surveys are starting to be submitted, and of particular concern is the widespread evidence of Advanced Low Water Corrosion (ALWC), which has manifested itself in the last few years on a number of small Ports. This phenomenon results in particularly aggressive rates of corrosion on steel sheet piled structures, significantly reducing their working lives.

3.8.2 Draft reports have now been completed, and are with the Team Leader – Port Engineering for review.

3.8.3 It is likely that significant additional resources will be required to address this issue and a further update will be brought to the Board once the scale of the issue has been identified.

## **4.0 Implications**

### Strategic

4.1 Delivery On Corporate Priorities – The actions in this report will contribute to the SOA outcomes 1 and 3 in the Council Action Plan 2012/13 of

“Shetland has sustainable economic growth with good employment opportunities”

“We have financial sustainability & balance across all sectors”

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 – Failure to tackle the Advanced Low Water Corrosion where it occurs, will eventually lead to a failure of the structure affected. Failure to address this issue may, over time, also raise the risk of harm to persons or property using the facility. 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 arising from this report.

- 4.6 Environmental – None arising from this report.

#### Resources

- 4.7 Financial

4.7.1 It is likely that significant additional resources will be required to address the effects of Advanced Low Water Corrosion. A further report will be brought to the Board on the potential costs likely to be incurred once the scale of the issue has been identified.

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.

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

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

- 4.8 Legal – There are no known legal issues arising from this report. Governance and Law provide advice and assistance on the full range of Council services, duties and functions including those in 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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*9 November 2012*

### List of Appendices:

Appendix 1 – Project Progress Photographs.

### Background documents:

None.

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



## **Appendix One – Project Progress Photographs**

### **Walls Pier**



1. View on inner quay face showing completed concrete capping beam.



2. Work continues on outer leg of pier, with pile guides in position and first piles driven.



3. Foundations and frame for Ferry Terminal waiting room.

**Harbour Board****22 November 2012****Harbourmaster's Report*****P&H-19-12-F*****Harbour Master, Ports & Harbours Operations****Infrastructure Services Department****1.0 Summary**

- 1.1 The purpose of this report is to brief and inform the Members and Port Marine Safety Code (PMSC) Duty Holder of the professional concerns and current status as reported by the Harbourmaster.

**2.0 Decision Required**

The Harbour Board is recommended to:

- 2.1 consider the content of this report in its role as Duty Holder, and note that the necessary management and operational mechanisms are in place to fulfill that function.

**3.0 Detail**

- 3.1 Navigational Risk Assessment. The Harbour Board were informed on the 6<sup>th</sup> September 2012 (Min. Ref. 29/12, report P&H-16-12-F), that ABP Marine Environmental Research Ltd (ABP Mer), a subsidiary of Associated British Ports, had been appointed to undertake a major review and update of the Safety Management system and Formal Risk Assessment.

ABP Mer commenced work on this project in September and have been working with Port Staff to progress the project with a view to completion of the project by the end of the calendar year. It was hoped that the work would have been substantially completed to the point where it could be reported to this meeting of the Board. However, the scale of the work is significant and the report will not be available until the end of the year (in accordance with the contract) and as such will be reported to the next scheduled meeting of the Harbour Board.

- 3.2 Designated Person. At the meeting of the Harbour Board on the 6<sup>th</sup> September 2012 (Min. Ref. 29/12, report P&H-16-12-F) the Board were informed that Captain Trevor Auld had been appointed as the designated person to provide independent assurance directly to the duty holder that

the marine safety management system, for which the duty holder is responsible, is working effectively. Captain Auld's report is attached as Appendix A.

- 3.3 ISO 9001:2008 certification. The port of Sullom Voe is certified under the above international quality standard. The latest audit was undertaken on 10<sup>th</sup> – 11<sup>th</sup> July 2012 by our auditors Det Norske Veritas (DNV). The results of the Audit were reported to the Harbour Board on the 6<sup>th</sup> September 2012 (Min. Ref. 29/12, report P&H-16-12-F) and the six minor non-conformities and these have now been closed out as detailed below:

No	Type	Description	Action Taken	Status
1	Minor	Storage and archive control to be improved	Completed to close out audit – further works continuing	closed
2	Minor	Performance monitoring using a format other than that in the SMS	Manual being updated to reflect current practice.	closed
3	Minor	VTS logbook being amended to reflect new working rotas, but changes not routinely initialled	New booklets submitted to MCA (see below) for approval. No adverse response from them to date so booklets in use.	closed
4	Minor	Not all audits were scheduled and planned based on status and importance	Audit plan updated	closed
5	Minor	Signatures and authorities were not up to date owing to recent management changes	Updated in SMS but possible further review.	closed
6	Minor	Quality Policy similarly not up to date	New draft ready, as above re TWG	closed

- 3.4 Maritime & Coastguard Agency (MCA) audit of VTS. The latest audit was reported to the Harbour Board at previous meetings. I can advise that the closing out of the non-conformities is still on track and contact has been maintained with the auditors.

No	Audit comment	Progress / Action Taken	Due date
1	Navigational Risk Assessment	Contractor appointed as above – anticipate completion by due date (see paragraph 3.1)	Dec 2012
2	VTS manning	Port Safety Officer and two pilots now fully trained, remaining four pilots will undertake training as soon as possible – next course available February 2013	Closed
3	VTS annual assessment documentation to prepare	Draft copies with MCA – will need their acceptance to close this item and to date no response has been received	August 2012
4	Vacant post – QA Manager	Deputy Harbourmaster in post and fully trained.	Closed
5	Vacant post – Deputy Harbourmaster	Peter Morgan took up position in July 2012.	Closed

- 3.5 Tug DOC audit. Between this report being prepared and the Harbour Board meeting, the MCA will be conducting the annual Document of

Compliance audit on the tug operation. An update report will be made to the Harbour Board, prior to the presentation of a report at the next meeting of the Board.

- 3.6 Scalloway Manning. Progress is continuing at looking at working patterns and number of staff required to maintain an adequate level of service at Scalloway. Discussions have taken place with the existing workforce and their input to taking the port forward is invaluable

## 4.0 Implications

### Strategic

- 4.1 Delivery On Corporate Priorities – The actions in this report will contribute to the SOA outcomes 1 and 3 in the Council Action Plan 2012/13 of

“Shetland has sustainable economic growth with good employment opportunities”

“We have financial sustainability & balance across all sectors”

- 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.

- 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 fulfill 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 comply with the requirements of the PMSC could lead to regulatory action.

- 4.4 Equalities, Health And Human Rights – None.

- 4.5 Environmental – None.

### Resources

- 4.6 Financial – There are no direct financial implications to this report.

- 4.7 Legal – None.

- 4.8 Human Resources – None.

4.9 Assets And Property – None.

## **5.0 Conclusion**

5.1 This report is an update of current issues in the operation of Ports and Harbours within Shetland.

For further information please contact:  
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*9 November 2012*

### List of Appendices

Appendix A Designated Person Report – Captain Trevor Auld

### Background documents:

None



## Designated Person Report – 22 November 2012

This Designated Person report is provided as an independent view on Shetland Islands Council (SIC) performance against the requirements and standards under the Port Marine Safety Code (PMSC). The report is submitted to the SIC Harbour Board, and copied to the Harbour Master for information.

### Introduction

Following my appointment on 12 July 2012 as Designated Person, I met with the Harbour Board, Harbour Master and other marine department personnel in Sullom Voe and Scalloway Harbour during the period 3 September to 8 September 2012, and also took the opportunity whilst in the Shetland Islands to familiarise myself with the ports and their adjacent harbours and harbour approaches.

In a letter to the Harbour Master dated 27 September 2012, I explained how, in accordance with 'The Guide to Good Practice on Port Marine Operations (2009)'<sup>1</sup> I will, with his cooperation, take appropriate measures to determine whether the individual elements of the Marine Safety Management System meet the requirements of the Port Marine Safety Code.

In summary these measures include, but are not limited to, the following:

- *Monitoring the thoroughness of the risk assessment process and the validity of the assessment conclusions.*
- *Monitoring the thoroughness of the incident investigation process and the validity of the investigation conclusions.*
- *Monitoring the application of lessons learnt from individual and industry experience and incident investigation.*
- *Assessing the validity and effectiveness of indicators used to measure performance against the requirements and standards in the Code.*
- *Assessing the validity and effectiveness of consultation processes used to involve and secure the commitment of all appropriate stakeholders.*

### Measures

- a) **Monitoring:** I have asked the Harbour Master to forward to me copies of the minutes from meetings of the Harbour Board, Technical Working Group, Examination Panel, Ports and Harbours Safety Operations Committee and the Ports and Harbours Safety Operations Sub Committee. I have also asked for copies of all incident and accident reports and training records. In addition I will monitor the Shetland Islands Council website for details of all reports relating to the Harbour Board and the ports and harbours for which they have responsibility under the Port Marine Safety Code.
- b) **Assessing:** I will assess the performance of the Marine Safety Management System through the following key performance indicators [KPI]:

<sup>1</sup> A Guide To Good Practice On Port Marine Operations: Department for Transport. [www.dft.gov.uk/mca/gtgp\\_aug\\_2009.pdf](http://www.dft.gov.uk/mca/gtgp_aug_2009.pdf)

- Number of completed marine incident/accident reports for Sullom Voe and Scalloway Harbour reviewed by the Technical Working Group expressed as a percentage of all completed marine incident/accident reports.
- Number of hours in which the Sullom Voe's Traffic Organisation Service VTS functioned as a fully operational service. This will be reported as a percentage of the total number of operational hours.
- Number of Marine Risk Assessments for Sullom Voe and Scalloway Harbour exceeding the review date as a percentage of the total number of marine risk assessments.
- Number of port marine employees with time-expired qualifications required for their job role, expressed as a percentage of the total number of employees undertaking port marine activities.
- Availability of Aids to Navigation (in three classification bands) expressed as a percentage of total availability over a three year period.

I will also assess the extent to which the Harbour Board directly, or through its appointed officers and representatives, consults, as appropriate, with those likely to be involved in or affected by the Marine Safety Management System to develop a consensus about safe navigation in the harbours and harbour approaches of Sullom Voe and Scalloway.

### **Effectiveness of the Marine Safety Management Systems**

In order to inform the Harbour Board about the effectiveness of the Marine Safety Management Systems for Sullom Voe and Scalloway Harbour in ensuring compliance with the Port Marine Safety Code it is my intention in future submissions to report, as outlined above, on items I have monitored, what I have assessed and the conclusions about compliance which I could deduce from the exercise.

In this, my first report, I do not have sufficient information to give the Harbour Board a categorical assurance that the Marine Safety Management System is in full compliance with the Port Marine Safety Code. I did however, take the opportunity prior to writing this report to speak to the Harbour Master and was assured that both Sullom Voe and Scalloway Harbour were functioning normally, with no significant marine incidents or accidents for the period September to November 2012.

It is expected that Risk Assessments and the Audits of Sullom Voe and Scalloway Harbour undertaken by ABPmer in September 2012, will be fully concluded by the end of 2012. I will monitor the manner in which the recommendations are received and implemented, and report accordingly on progress towards meeting the observations and actions identified through the Audit process.

**Captain Trevor Auld**  
**Designated Person (PMSC)**