

MINUTE

“PUBLIC”

Harbour Board
Council Chamber, Town Hall, Lerwick
Thursday 7 February 2013 at 10am

Present:

M Burgess	A Cooper
B Fox	R Henderson
A Manson	F Robertson
M Stout	A Westlake

Apologies:

None

In Attendance:

P Crossland, Director of Infrastructure Services
C Reeves, Acting Harbour Master
J Gray, Executive Manager – Finance
A Inkster, Team Leader – Port Engineering
B Robb, Senior Management Accountant
P Wishart, Solicitor
A Cogle, Team Leader - Administration
L Gair, Committee Officer

Chair

Ms A Manson, Chair, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

01/13 Minutes

The Board approved the minutes of the meeting held on 22 November 2012 on the motion of Mr Henderson seconded by Mr Fox.

02/13 Management Accounts for Harbour Board: 2012-13 – Quarter 3 (April 2012 – December 2012)

The Board considered a report by the Executive Manager – Finance (Report No: F-013-F), which enabled the Harbour Board to monitor the financial performance of services within its remit to ensure that expenditure incurred and income generated had been delivered within the approved budget, so that timely action can be taken when required to mitigate projected overspends and reduction in income.

The Executive Manager – Finance introduced the report and responded to Member's questions and comments:

- Members were advised that the figures presented were less than budgeted due to the reduction in throughput of the Brent Crude and the Schiehallion field. The Executive Manager – Finance responded to a query advising that this reduction was in the region of 20 tankers per year.

- The relevance of the content of the Risk Management paragraph was questioned and Officers were asked what was being done about the situation. The Executive Manager – Finance advised that this was a paragraph that would be refreshed for future reports presented in 2013/14.
- Officers were asked what operational impact the cuts would have and what would be compromised. The Director - Infrastructure Services explained that the operational budget had been cut line by line and there had been a reduction in staffing through the ports to the future project. He said that little reduction could now be made while the port continued to meet the Terminal's requirement for a 24/7 operation. He said that cuts have however been made at a level that would not compromise safety or compliance with the relevant regulations.
- Members queried the legal implications relating to the pension fund obligations if employees from the Tugs were to be transferred to another organisation. It was agreed that this should be considered in more detail under the ports project.
- Members discussed the value of the fish landings in areas such as Cullivoe and it was agreed that Officer should ensure that the value that the Council receives for fish landings is in line with the Scottish Government's annual Statistics.
- It was also recognised that any savings made would reduce the level of service provided but it was important to look after ports such as Scalloway to ensure that growth is not jeopardised.

Mr Robertson moved that the Board approve the recommendations contained in the report, seconded by Mr Henderson.

Decision:

The Board **RESOLVED** to:

- review the Revenue Management Accounts, from 1 April 2012 – 31 December 2012, including the projected outturn position; and
- instruct the Director of Infrastructure Services to reduce expenditure to mitigate the reduction in surplus without compromising safety or regulatory compliance, and **RECOMMEND** to Council that the reduction in income on the Harbour Account be treated as a corporate financial risk.

03/13 Infrastructure Services Quarter 3 Performance Overview

The Board considered a report by the Director of Infrastructure Services (Report No: P&H-05-13-F), which summarised the activity and performance of the Infrastructure Services Department, as it pertains to the functional responsibilities of the Harbour Board, for the third quarter of 2012/13 against the objectives and actions in the Infrastructure Services Directorate Plan.

The Director - Infrastructure Services introduced the report and referred to the weather damage sustained by the pontoon at Baltasound Pier. He said this matter would be the subject of a report presented to the next meeting of the Board.

The Director - Infrastructure Services responded to Member's questions and comments:

- In referring to the last three bullets under the heading "Improved Reputation" on page 15 the Director - Infrastructure Services confirmed that some work had been done, particularly during the ferries review consultation process, but it was

intended that more would be done and formally documented in the Departmental Service Plan with specific actions that are measurable.

- Following discussion regarding progress made under PHS9 “Improved Information Flow” it was agreed that the Executive Manager – Executive Services be asked to provide an update on the use of social media. It was also agreed that this would form part of the Service Plan for next year so that it could be monitored by the Board.
- Members commented on the performance indicators and noted that the level of sickness was at 2% which was in line with the private sector and below the Council average of 5%. In commenting on the budget pressures faced by ports and harbours operations, Members sought reassurance that safety would not be compromised. The Director - Infrastructure Services reiterated his comments from the previous item and confirmed that cuts had been made at a level that would not compromise safety or compliance. He advised that the graphs in the appendices would highlight any trends that may develop. The Director - Infrastructure Services also reminded Members that they would receive regular audit reports from the Independent Designated Person.

The Board unanimously approve the recommendations contained in the report.

Decision:

The Board **RESOLVED** to note the contents of the report.

04/13 Pilotage Accounts for Harbour Board: 2012-13 Quarter 3 (April 2012 – December 2012)

The Board considered a report by the Executive Manager – Finance (Report No: F-001-F), which enabled monitoring of the financial performance of the pilotage services.

The Executive Manager – Finance introduced the report.

During discussions Members commented and asked questions on the content of the report and its appendix. The Director - Infrastructure Services agreed that a breakdown of the administration costs would be provided to Members by email. A request was made that the charges made for these services be changed to bring this account into balance. This would not make a difference to the charging structure but would tidy up the compounded charges therefore not cost the customer anymore and it would not affect the published schedule.

In response to a query Officers explained that there was no legal requirement to break even or to report quarterly.

The Executive Manager – Finance agreed to look at the figures relating to Scalloway and advise Members separately why no costs had been attributed to Scalloway.

Decision:

The Board **RESOLVED** to review the Pilotage Accounts, from 1 April 2012 – 31 December 2012.

05/13 Capital and Revenue Projects Progress Report

The Board noted a report by the Team Leader – Ports Engineering (Report No: P&H-01-13-F), which provided an update on issues pertaining to the Ports and Harbours Operations projects.

Officers provided updates on the following projects and responded to questions.

Dock Symbister – RCM 2309 - Members noted that there were ongoing discussions with the Amenity Trust on this matter. Members were advised that any health and safety issues would be addressed but the would continue to be monitored closely. Officers explained that the Council's solution would be to fill in the dock to protect the structure for future excavation, if and when funds allow. However Officers would continue to look for a solution with Shetland Amenity Trust.

Walls – RCM 2316 – Mr Robertson expressed his appreciation for the involvement of Officers at the Pier User Group meetings. Members noted the good progress made on the project so far and were advised that the project was on budget and on schedule. It was also noted that the Pier User Group were in discussions with the Team Leader - Port Engineering regarding the provision of power and the Team Leader - Port Engineering confirmed that this was being looked into.

In response to a comment from a Member, the Team Leader – Port Engineering advised that the rental of bays had been discussed at the Pier Users Group and confirmed that the bays would be advertised in early course in order ensure that income can be generated from the early occupancy of the bays as soon as they become available. He added that an advert should be submitted before the next Harbour Board meeting.

The Director - Infrastructure Services confirmed to Members that following the recent Council decision the public toilets being built at the Walls Pier would be transferred to the Ferry Services to operate and maintain.

Skerries South Mouth Dredging – GCY 7215 – Members urged officers to pursue a new schedule of works from the Contractor in order to progress this project. The Team Leader – Port Engineering advised that he would be meeting with the Capital Programme Service following the meeting where this matter would be addressed.

Navigational Aids – PCM 2104 – The Board discussed the difficulty in recruiting to electrical engineers posts which has resulted in contractors being required for the maintenance of lights across the Ports and Harbours Operations activities.

Small Ports – Condition Surveys - A Member commented on the safety issues that may arise as a result of the erosion of the steel structures of small piers, if work is not done to mitigate this. The Director - Infrastructure Services advised that this would form part of the next asset management plan, and it would include the issues and costs involved in addressing the erosion. He said that Members would have the opportunity to consider and prioritise which projects are urgent. The Director - Infrastructure Services advised that there were a number of measures that could be put in place to mitigate against the risks in this regard including implementing weight limits on the piers.

The Director - Infrastructure Services agreed that, as there is no regular presence on small piers, it was important to consider what options are available to ensure as much income is received from the commercial use of the pier as possible. Members

considered this may be an area that the community would be able to assist with and it was agreed that this would be discussed with the Pier Users Group.

Mr Robertson moved that the Board approve the recommendations contained in the report, seconded by Mr Cooper.

Decision:

The Board **RESOLVED** to note the contents of the report.

06/13 **Harbourmaster's Report**

The Board noted a report by the Harbour Master – Ports and Harbours Operations (Report No: P&H-02-13-F), which informed Members and Port Marine Safety Code (PMSC) Duty holder of the professional concerns and current status as reported by the Harbourmaster.

The Harbourmaster introduced the report and responded to questions.

During consideration of the report, Members noted that the benefit of this report was to demonstrate continuous improvement and to demonstrate that things were being done better.

Members were concerned that there was still a perception that Scalloway Harbour was difficult to use, and it was suggested that when completed the risk assessment be used to show the Industry that Scalloway is a safe and well managed port. Officers agreed.

The Harbourmaster responded to a query regarding the reporting of near misses and advised that these incidents should be investigated as part of the Port Marine Safety Code. He explained that the port is compliant with the legal requirements and a lot of discussion was had with the regulators on what it means for the future. The Harbourmaster confirmed that the only increase in work would be in relation to reporting incidents to the regulator, however the port is able to demonstrate compliance and he said that he was confident from the external Designated Person's Audit that this is being done properly.

Decision:

The Board **RESOLVED** to consider the contents of the reports in its role as Duty Holder, and noted that the necessary management and operational mechanisms have been put in place to fulfil that function.

07/13 **Pilot Training in Rotterdam**

The Board considered a report by the Harbourmaster (Report No: P&H-04-13-F), which presented a comparison of training facilities and costs in Scalloway and Rotterdam in relation to Pilot training.

The Harbourmaster summarised the main terms of the report, highlighting the Council's requirement to provide the training and explained what facilities and expertise could be provided in Rotterdam as opposed to Scalloway.

During consideration of the report Members discussed whether Scalloway could provide the service if a sufficiently high level of experience was put into it. The Director - Infrastructure Services suggested that this would be possible but as there were only 6 pilots to be trained ever two years there may not be a good business case for the

Council to present on this. The Harbourmaster explained that the Port Marine Safety Code is clear on what the Council's responsibilities are as a Harbour Authority and its staff have to be adequately trained. The Director - Infrastructure Services added that the operation of the Sullom Voe Port, as a large oil terminal, is unique in Shetland and as such external training was required. He said that there was a cost involved in keeping the port safe and this was part of that cost. The Director - Infrastructure Services concluded by saying that it was the professional recommendation of Officers that this training be undertaken in Rotterdam.

In response to a query the Senior Management Accountant agreed to provide information relating to paragraph 7.7 and confirm whether the training budget of £45,000 was for the pilotage function or for Ports and Harbour Operations as a whole.

Members unanimously agreed that it was important for pilots to be trained to the highest standard. The Harbourmaster said that the Scalloway training facility could not provide the full pilotage training, but would be useful for refresher training.

Mr Cooper moved that the Board approve the recommendations contained in the report, seconded by Mr Robertson.

Decision:

The Board **RESOLVED** to note the training of the six Marine Pilots in Rotterdam on a two yearly cycle on the basis of due diligence and international recognition, also using the Scalloway facility as appropriate.

08/13 2013/14 Budget and Charging Proposals Harbour Board

The Board considered a report by the Executive Manager – Finance (Report No: F-005-13-F), which enabled consideration of the budget proposals for services within the Board's remit, which will in turn contribute towards meeting the overall target set in the Medium Term Financial Plan.

The Executive Manager – Finance summarised the main terms of the report and advised that the 30% increase in charges had not been done in isolation and would be reviewed if there were changes in the future as throughput increases.

In response to a question, the Director - Infrastructure Services explained that consolidated charges were banded depending on the size of the vessel, but all vessels still require 4 tugs to berth no matter what size they are. He said that as a result of removing the banding there were some smaller vessels that may see a greater percentage increase. The Director - Infrastructure Services advised that charges would now be based on gross tonnes. He said that it was difficult to tell how many vessels would be affected but with some work this information could be provided, however Members agreed that this was not required.

Members discussed the wishes of the Terminal for the Council to continue to provide a 24/7 port at a time when throughput has significantly reduced. Members agreed that this should be looked at and discussed with stakeholders. Officers cautioned however that a reduction in the port's operating hours would not produce the same percentage of savings as there would be ongoing costs in relation to the fixed assets.

Members also commented on the need for 5 to 10 year projections from the industry on what activity was likely to come through the port. It was suggested that this would help to provide some structure allowing management to project staffing levels and

operational costs. It would also provide a benchmark for where the port will be when this term of the Council comes to an end and the way forward should be shared with the Industry.

Mr Cooper referred to the charges for farmed fish detailed in Appendix 3 and said that this charge had historically been based on an ad velorum rate at ½%, but this had been changed to a price per tonne. He said that looking at the salmon prices per kilo it would be appropriate to charge more per tonne to bring it more in line with the ½ ad velorum rate. Following some discussion on the matter Mr Cooper said it was important to pay attention to what the industry was doing and charge accordingly. He said that this increase would be subject to review

Mr Cooper moved that the Board approve the recommendations contained in the report, with the addition that there is an increase in the Rate on Goods for Farmed Fish per tonne from £8.61 to £13.50, seconded by Mr Fox.

Decision:

The Board **RECOMMENDED** that the Council resolve to approve the budget proposals and charges for 2013-14 included in the report and set out in detail in the budget activity sheet and Tables of Dues for 2013-14, with an amendment to Appendix 3 Scale D to increase the Rates on Goods for Farmed Fish per tonne from £8.61 to £13.50.

In order to avoid the disclosure of exempt information, Ms Manson moved, Mr Henderson seconded, and the Board RESOLVED to exclude the public in terms of the relevant legislation during consideration of the following item of business.

09/13 **Commercial Report**

The Board considered a report by the Harbour Master – Ports and Harbours Operations, which informed Members of recent commercial activity in the Port.

The Harbourmaster summarised the main terms of the report and the Board noted the updates.

Decision:

The Board **RESOLVED** to note the potential business opportunities detailed in the report.

The meeting concluded at 12.30pm.

Chair