

MINUTE

AB - PUBLIC

Harbour Board

Council Chamber, Town Hall, Lerwick

Wednesday 26 November 2014 at 10.00am

Present:

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

Apologies:

None

In Attendance:

M Sandison, Director of Infrastructure Services
P Bryant, Executive Manager – Harbourmaster and Port Operations
J Gray, Executive Manager – Finance
C Reeves, Harbourmaster
A Inkster, Team Leader – Port Engineering
S Polson, Marine Pilot
P Wishart, Solicitor
C Anderson, Senior Communications Officer
L Gair, Committee Officer

Also in attendance:

G Cleaver

Chair

Ms A Manson, Chair of the Board, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

42/14 Management Accounts for Harbour Board: 2014/15 – Projected Outturn at Quarter 2

The Board considered a report by the Executive Manager – Finance (F-051-F), which enabled the monitoring of the financial performance of services within its remit to ensure that Members were aware of the forecast income and expenditure and the impact that this will have with regard to delivering an approved budget.

The Executive Manager – Finance introduced the report, and in response to a comment from a Member he agreed that the wording in future reports would be changed to reflect the provision of services as a business rather than a public service.

The Executive Manager – Finance also agreed to change the terminology in the report and appendices to reflect the net cost being reduced as opposed to there being an underspend.

Decision:

The Board **RESOLVED** to review the Management Accounts showing the projected outturn position at Quarter 2.

43/14 **Pilotage Accounts for Harbour Board 2014/15 Quarter 2 (April – September 2014)**

The Board noted a report by the Executive Manager – Finance (F-053-F), which enabled the monitoring of the financial performance of the Pilotage services provided by the Council.

Decision:

The Board **RESOLVED** to: review the Pilotage Accounts showing the projected outturn position at Quarter 2.

44/14 **2015-16 Budget and Charging Proposals – Harbour Board**

The Board considered a report by the Executive Manager – Finance (F-062-F), which enabled consideration the budget proposals for services within the Board's remit, which will in turn contribute towards ensuring that the Harbour Board meets the surplus target as set out in the Medium Term Financial Plan.

The Executive Manager – Finance introduced the report. In response to a query he advised that the last update from Total on the expected throughput was in May 2014. The Executive Manager – Finance added that the model had been checked and was competent. He agreed to provide an updated estimate to Members of the Harbour Board.

In response to a question, the Director of Infrastructure Services advised that the towage charge is based on the cost of the port and recovered through the charges the Council applied.

A Member commented on the percentage increase in charges of 3% on all other charges. He referred to the different charging categories for fishing related activities and questioned why different vessels were being treated differently from live fish carriers and said that this was not an equal rate. The Member commented on the conflict and inequality of the charges.

The Director of Infrastructure Services said that if Members were minded to instruct officers to review the charges this would be carried out.

The Member stated that fresh fish, shellfish and farmed fish had been charged at 2.5% ad velorum rate since the 1960's and if that was the same across the board the Scalloway Harbour, in particular, would be all the richer receiving in excess of £2m from industry. In response to a query, the Member advised that there had never been a ground up review on the charges and over the years things had happened that had led to inequalities. He said that this was Council business and it needed to look at the charges in commercial terms.

During debate Members agreed that a review of the charging structure was required but concern was expressed that the last increase was 62% and to change to an ad velorum charge could potentially see increases from £12 to well over £100. It was

also noted that the charges need to be set in a way that retains customers therefore it was important to work with industry on the charges.

(Mr Cleaver left the meeting)

Mr Cooper moved that the Board accept the charging structure as it is with the proviso that a review is carried out on charging of all harbour users in an equal process by the end of September 2015. He said that the proposals should be discussed with the industry on the charging structure that deals equitably with all harbour users with an implementation date being open to debate. Mr Fox seconded.

Decision:

The Board **RECOMMENDED** that the Policy and Resources Committee and the Council resolve to approve the budget proposals for 2015-16 included in the report and Table of Dues on the proviso that Officers review the charging of all harbour users in an equal process by the end of September 2015 and that the proposals are presented to the industry on the charging structure that deals equitably with all harbour users with an implementation date being open to debate.

45/14 **Sellaness Port Operation – Financial Modelling**

The Board considered a report by the Executive Manager – Finance (F-074-F), which presented a specific piece of financial modelling designed to estimate future surpluses from the Sellaness Port (the “Port”) operation.

The Executive Manager – Finance introduced the report and explained that the Council was looking at the long term financial planning and said that the Housing Revenue Account investment plan covered the next 25 years and this report was the start of a piece of work to do the same for the Harbour Account.

The Executive Manager – Finance advised that a model had been worked up on what profits it may make but was based on a lot of assumptions. He said that the report demonstrates that the Port should be able to make a profit up to 2050. Solace was asked to come up with a valuation on the Port based on the information available at the time but that was not set in stone. The Executive Manager – Finance said that in conclusion something had to change in order to get the return needed by reorganising the Port or by asking the industry to pay.

The Executive Manager – Finance stated that this report was for noting and to get the go ahead from the Harbour Board to continue to do more work on obtaining better projections, to engage more with the industry and to update the model. The Executive Manager – Finance said that it would be another six months before the work was complete.

During debate Members welcomed the root and branch approach commenting that it sits well with other long term financial planning work. Members also commented that this piece of work would provide a case for changes and management systems and would be useful if used wisely.

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

Decision:

The Board **RECOMMENDED** that the Policy and Resources Committee resolve to approve that a further report be presented in 2015 upon completion of the additional work required in order to provide the Council with updated and more robust financial modelling.

The meeting concluded at 10.35am.

Chair