

MINUTE

A&B - Public

Harbour Board

Council Chamber, Town Hall, Lerwick

Tuesday 18 August 2015 at 2.00 pm

Present:

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

Apologies:

None

In Attendance:

M Sandison, Director of Infrastructure Services
B Dalziel, Pilot/Harbour Master
A Inkster, Team Leader – Port Engineering
B Kerr, Senior Communications Officer
B Robb, Management Accountant
S Summers, Administration Manager
P Wishart, Solicitor
L Geddes, Committee Officer

Also in Attendance:

A Blackadder, AB Associates

Chair

Ms A Manson, Chair of the Board, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

Minutes

The Board approved the minutes of the meetings held on i) 29 April 2015, on the motion of Mr Henderson, seconded by Mr Stout, and ii) 26 May 2015, on the motion of Mr Stout, seconded by Mr Henderson.

17/15 Ports and Harbours Performance Report – 1st Quarter 2015/16 – April to June

The Board considered a report by the Executive Manager – Change Programme (PH-10-15-F) which summarised the activity and performance of the Ports and Harbours Service for the reporting period.

The Director of Infrastructure Services summarised the main terms of the report, outlining the progress that had been made on the Ports and Harbours Service Plan 2015/16. She highlighted in particular the presentation on strategic options for the future of the port of Sullom Voe that Members and staff had recently attended, and advised that a report would be presented to the next meeting of the Board. Toft Pier would be considered at today's meeting, with service needs cases/business cases

for other proposed ferry/terminal works being submitted to inform upcoming budgeting exercises, and reported to the Board at its next meeting. Seminars would be held in September regarding the Scalloway Harbour Development business case.

The Director of Infrastructure Services then responded to questions, and the Board noted the following:

- A short-life team had been convened to review and update the table of dues, which would be recommended to the Council for approval by October 2015. The team had been asked to consider a number of charges that may either be out of date or did not reflect services provided, such as *ad valorem* charges for salmon.
- Each service within Infrastructure Services was asked to develop its own Risk Register and most used the Council format. However in a marine environment, there were specialist systems which were more appropriate to use. Any risks replicated across more than one service would go on the Infrastructure Risk Register, as would any risks which were deemed to be 'high'. It was important to continue to revisit all the risk registers to ensure they were still current.
- Contingency arrangements were currently being developed in respect of Scalloway Fishmarket. An order had been placed for refrigeration work and door repairs in order to ensure that the fishmarket remained operational, regardless of how long it took for the development plan actions to be completed.
- A quarterly report was produced on invoices over £10,000 in order to ensure that everything was being appropriately procured, and there were options within the Council's Standing Orders to carry out emergency works. An issue had been identified in relation to generators supplied at Scalloway Harbour which had been quickly resolved.
- The report prepared by Price Waterhouse Cooper regarding the business case for the future of the port of Sullom Voe had been seen by Members at a seminar the previous week. It would be presented to the Council for decision, via the Harbour Board and Policy and Resources Committee.
- There had been substantial improvements in the management arrangements since this financial year. The British Ports Association was currently completing a piece of work looking at governance arrangements for both trust and local authority ports and would be producing guidelines. The Council would feed into this piece of work and consider relevant recommendations.
- Plans for a new towage fleet were not currently in the Council's Asset Investment Plan, and there was a need to carry out some work this year to get this into the Plan to set out what was required in terms of the future for towage operations. Appropriate provision would be required if the Council was going to run towage operations, so a business case needed to be prepared to ensure that it did appear in the Asset Investment Plan. It was acknowledged that a decision on the future of the Sullom Voe Terminal would have an impact, but there was a need to establish exactly where money might be spent in order to get it into the Plan.
- Interim arrangements were in place regarding the discharge of harbourmaster duties. This situation was under review and was an ongoing piece of work.

- The transfer of the Symbister Small Dock currently sat with Legal Services, and further information would be circulated to the Board as soon as it was available.
- There was currently no clearer project plan in place with respect to the new Port Control/Port Administration Building at Sella Ness.

Decision:

The Board noted the contents of the report.

18/15

Management Accounts for Harbour Board:

2015/16 – Projected Outturn at Quarter 1

The Board considered a report by the Executive Manager – Finance (F-036-F) which enabled the noting of the financial performance of services within its remit to ensure that Members are aware of the forecast income and expenditure, and the impact that this will have with regard to delivering the approved budget.

The Management Accountant summarised the main terms of the report, highlighting that there was a reduction in surplus of £512,000 on revenue and an underspend of £440,000 on capital. The income budget for the Total Gas Plant had been based on the Gas Plant being operational in 2015/16, and it was prudent to assume, at this stage, that it may not be operational in the current year. However it was hoped that more comprehensive information would be available for Quarter 2.

It was noted that there had been fewer tankers as a result of a longer shutdown than anticipated of the Brent and Ninian fields this summer. Further information would be sought from the industry to enable more accurate projections in future.

It was suggested that the Risk Management section of the report should be reviewed so that it was more specific and relevant to the Board, and the Management Accountant advised that she would report this back to the Executive Manager – Finance.

Decision:

The Board reviewed the Management Accounts showing the projected outturn position at Quarter 1.

19/15

Pilotage Accounts for Harbour Board

2015/16 – Quarter 1 (April – June 2015)

The Board considered a report by the Executive Manager – Finance (F-038-F) which enabled the monitoring of the financial performance of the Pilotage Services provided by the Council.

The Management Accountant summarised the main terms of the report, advising that there was a reduction in surplus against the annual budget which was largely as a result of lower tanker numbers.

It was noted that the “Gemini” was continuing to occupy one of the berths at Scalloway so there were fewer ships than normal, but income was being received for berth occupancy.

Decision:

The Board reviewed the Pilotage Accounts showing the outturn position at Quarter 1.

20/15 **Harbourmaster's Report**

The Board considered a report by the Acting Harbourmaster (PH-11-15-F) which briefed and informed the Port Marine Safety Code (PMSC) Duty Holder of the professional concerns and current status.

The Board noted the report.

Decision:

The Board considered the content of the report in its role as Duty Holder, noting the necessary management and operational mechanisms that are in place to fulfil that function.

21/15 **Toft Pier**

The Board considered a report by the Team Leader – Port Engineering (PH-12-15-F) which advised on the current condition of the Toft Pier, building on information previously presented to the Board.

The Team Leader – Port Engineering summarised the main terms of the report, and introduced Mr A Blackadder, AB Associates, who presented the findings of his study to the Board.

Mr Blackadder advised that given the limited facilities and space at the Pier, it was remarkably well used, particularly by the fishing industry. There were five vessels predominantly based there and the fish landings were significant, placing Toft after Lerwick, Scalloway and Cullivoe in terms of landings. The aquaculture industry did not use it as much, and there was very little community use. However the income and expenditure figures illustrated that expenditure exceeded income, and there had been a significant deficit over the last six years. There was evidence of under-recording of fish landings, and this had been ascertained on the basis of figures received from Marine Scotland. The lost income over the last six years would have more than covered the deficit. This was without taking account of possible landing dues that may have been due in respect of salmon and mussels, as there was anecdotal evidence of these landings. If all these dues had been collected, there should have been a positive balance on the account.

He went on to say that in respect of economic impact, it had been estimated that there were nine direct jobs related to the five vessels who were the most regular users of the Pier, and a turnover of £0.5million when all indirect activities were taken into account. Whilst the social and community impact of Toft was not very significant, the gross impact of the Pier spread across Shetland was estimated at 17 jobs and output of £0.75million. This would be a case for retaining Toft Pier, assuming the business was not transferrable elsewhere. There was a lack of alternatives, as Toft was seen as having a strategic location in terms of shellfish grounds and was close to salmon and mussel farm sites. It was also well linked into the road network, which was seen as a priority by the catching sector and was reflected in the landing figures.

Mr Blackadder, the Team Leader – Port Engineering and Director of Infrastructure Services, and the Administration Manager then responded to questions, and the Board noted the following:

- No consultation had yet taken place with building contractors regards the cost of repairs, and this had not formed part of the remit of the study. In preparing estimates, a bill of quantities had been prepared by the Council and costs from

previous projects and recent tendering exercises, such as Walls Pier, had been taken into account. So it was felt that they were as accurate as they could be in respect of the local industry.

- The study had not included privately selling the Pier as an option.
- The collection of landing dues took place on an honesty basis and was self-reported by the boats. In the past, the Council had access to fish landing data, and this enabled the Council to approach the boats regarding their landings. However it was no longer possible to get this information due to data protection legislation, and some discussion had taken place as to whether it would be possible to challenge this. It was also intended to meet industry bodies to discuss with them the challenges the Council was facing, and to ask them to consider their priorities, as income currently being achieved did not suggest that there was investment capacity.
- The income from Toft Pier did not cover expenses. The average income over the last eight years was £2,500 while average expenditure was £11,000. There was evidence to suggest that if income had been collected from fish landings, it would have cleared the deficit on running costs. For last year alone, £1,500 had been collected. But the information received suggested that the income that should have been received was £68,000 over five years.
- The responsibility for paying landing dues rested with the boat, not their agents. As the Council could not insist on the information relating to the value of the catch being provided, it relied on either the boat or their agent providing this information on an honesty basis. The alternative of manning piers 24 hours a day would be cost prohibitive for the financial returns.
- There is provision in the Council's Table of Dues for boats under 15gt to apply for an annual landing disc. This was currently under review as there had not been a big uptake, with only two boats applying. It was likely that it would be recommended that this option be removed from the Harbour Dues.
- An Assistant Pier Master had recently been appointed at Toft Pier. This was not a full-time position, and they could only report what they say when they were in the area. Consideration had been given to placing a camera in the vicinity of Council piers so that they could be monitored. However aside from the technical difficulties in doing this in some areas, there would be a large staff cost involved in monitoring this data on a daily basis.
- Consideration had been given to using Sella Ness as an alternative to Toft. However there was a question relating to replacement of the structure there, and a business case would have to be prepared for this should it be agreed that Sella Ness could be an alternative.

Discussion took place regarding the under-collection of landing dues, and it was felt that the Harbour Board had a duty to raise this matter wherever possible in order that it could maximise returns and continue to provide infrastructure to benefit industry. This was a wider issue in relation to all the small ports in Shetland, not just Toft Pier. It was suggested that there was a message to be sent to the industry that the failure to provide information to the Council was going to have a longer-term impact on the industry with regard to the provision of infrastructure for them. Whilst Toft Pier was

second to Cullivoe in terms of landings at small piers, it would be difficult for the Council to produce a business case for retaining Toft, given the income and expenditure figures.

Concern was expressed that the option appraisal had not included privately selling the Pier, as it was suggested that the fishing industry could have been approached to see if it would be interested, given that it had expressed a desire to retain the Pier and given the value of landings that took place over the Pier. However it was noted that Toft Pier was in the Sullom Voe Harbour Area, and that there would therefore be barriers to selling the Pier.

It was commented that whilst Toft Pier was in a good strategic position, it was not used to the extent that it could be. There were issues in getting fuel to the Pier, and it could not really be used as a working pier. There was also a lack of berthing space, and there was a need for further discussion with the industries to ascertain what their needs were. These were issues that would require to be addressed if the Pier was to be replaced and, if addressed, it may put the Council in a better position in negotiating with agents, shipowners and private users regarding the declaration of income, and in attracting more users.

Mr Cooper moved that the Board note the contents of the report, agree that the option to replace with a new structure of a similar size be progressed to a fully costed business case for consideration under the Council's Gateway Process for capital project prioritisation, and agree that the Council should work with the fishing, shellfish and aquaculture industries to ensure that this option meets their needs, and that the industries will be prepared to pay for usage.

Mr Robertson seconded.

Concern was expressed that the Council may be progressing a recommendation based on assumptions of potential income and expenditure. However it was pointed out that the fishing and aquaculture industries were worth three times the oil industry to the Shetland community, and that the Council should therefore be sending out a message that it was willing to support these industries.

The Director of Infrastructure Services advised that when the business case was being developed, it would be checked that the Council's assumptions agreed with the assumptions of the industries, and expectations would be built into the costed business case.

It was noted that the issue relating to *ad valorem* dues would be discussed when the Harbour Dues were set for the following year

Decision:

The Board **RESOLVED** to:

- note the contents of the report; and
- consider the options contained within the report
- agreed that the option to replace with a new structure of a similar size be progressed to a fully costed business case for consideration under the Council's Gateway Process for capital project prioritisation

- agreed that the Council should work with the fishing, shellfish and aquaculture industries to ensure that this option meets their needs, and that the industries will be prepared to pay for usage.

22/15 **Harbour Board Business Programme – 2015/16**

The Board considered a report by the Team Leader – Administration (GL-34-15-F) which informed of the planned business to be presented to the Board for the financial year to 31 March 2015.

The Board noted the report and approved the Business Programme.

Decision:

The Board considered its planned business for the financial year to 31 March 2016 and **RESOLVED** to approve any changes or additions to the Business Programme.

The meeting concluded at 3.15pm.

Chair