

**Harbour Board****1 March 2016****Management Accounts for Harbour Board:
2015/16 – Projected Outturn at Quarter 3****F-005-F****Report Presented by Executive Manager -
Finance****Corporate Services****1. 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 Members are aware of the forecast income and expenditure and the impact that this will have with regard to delivering the approved budget. This report shows the projected financial consequence of the service performance detailed in the Ports & Harbours Performance Report, and allows the Board the opportunity to provide early instruction to officers to address any forecast overspends or shortfall in income in order that the budget is delivered by the year-end.
- 1.2 This report presents the projected outturn position for 2015/16 as at the end of the third quarter for revenue and capital. The forecasts have been determined by Finance Service after consultation with the relevant Budget Responsible Officers.
- 1.3 The projected outturn position for operational services under the remit of the Harbour Board is an adverse variance of £1.334m on revenue and an underspend of £418k on capital.
- 1.4 The projected outturn position for the other income from the Terminal berthing charge, Shetland Gas Plant and Marine Fund contribution is a reduction in budgeted income of £1.144m.

2. Decision Required

- 2.1 That the Harbour Board RESOLVE to review the Management Accounts showing the projected outturn position at quarter 3.

3. Detail

- 3.1 On 3 December 2014 (SIC Min Ref: 96/14) the Council approved the 2015/16 revenue and capital budgets (including the General Fund, Harbour Account, Housing Revenue Account and Spend to Save) requiring a draw from reserves of £7.646m. It is vital to the economic wellbeing of the Council that the financial resources are managed effectively and expenditure and income is delivered in line with the budget, as any overspends will result in a further draw on reserves, and would be evidence that the Council is living beyond its means.
- 3.2 This report forms a part of the financial governance and stewardship framework that ensures that the financial position of the organisation is acknowledged, understood and quantified on a regular basis. It provides assurance to the Corporate Management Team and the Board that resources are being managed effectively and allows corrective action to be taken where necessary.
- 3.3 Since the approval of the 2015/16 budget, revisions to the revenue and capital budgets have been incorporated for the Council's budget carry forward scheme, and for the re-instatement of the budgets for the tug vessels Solan and Bonxie. Therefore, this report refers to the revised revenue and capital budgets that are now in place.

Revenue

- 3.4 The projected revenue outturn position for the Harbour Board is an adverse variance of £1.334m (174%) for Ports & Harbours operational budgets, which means that the services under the remit of the Board are not on course to provide their budgeted surplus to reserves. There is also a projected reduction in other income from the Shetland Gas Plant, Terminal berthing charge and the Marine Fund of £1.144m (25%). See appendix 1 to this report for further detail.

Capital

- 3.5 The projected outturn position for the Harbour Board capital project expenditure is an underspend of £418k (42%), which means that the services under the remit of the Board are on course to spend less than their Council approved budget. See appendix 2 to this report for further detail.

4. Implications

Strategic

4.1 Delivery On Corporate Priorities

There is a specific objective within the Corporate Plan to ensure that the Council is “continuing to keep to a balanced and sustainable budget, and are living within our means”, and that the Council continues to pursue a range of measures which will enable effective and successful management of its finances over the medium to long term. This involves correct alignment of the

Council's resources with its priorities and expected outcomes, and maintaining a strong and resilient balance sheet.

The Medium Term Financial Plan also includes a stated objective to achieve financial sustainability over the lifetime of the Council.

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. The Council approved both revenue and capital budgets for the 2015/16 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

4.4.1 There are numerous financial risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.

4.4.2 From a financial perspective risks are an integral part of planning for the future, as assumptions are made. These assumptions can be affected by many internal and external factors, such as supply and demand, which may have a detrimental financial impact.

4.4.3 The main financial risks for the services in this report are:

- reduction in tanker traffic at Sullom Voe;
- the delay in Shetland Gas Plant becoming operational; and
- reliance on oil and gas prices for the throughput agreements for both the Sullom Voe Harbour and the Shetland Gas Plant.

4.4.4 These risks are outwith the control of the Council, therefore having access to the most up-to-date information helps the Council to plan for any realisation of these risks.

4.4.5 If these risks are not addressed, the Council may be in breach of its policy in the Medium Term Financial Plan that "The oil industry should never be subsidised by Shetland taxpayers, and that over the whole remaining lifetime of the Port the total value of the surpluses generated on the capital invested should be at least equal to the average rate of return that would be generated if the capital was invested with the Council's fund managers."

4.4.6 This report is part of the framework that provides assurance, or recognition of any deviation from the budget that may place the Council in a financially challenging position and require remedial action.

- 4.4.7 A strong balance sheet and the availability of usable reserves ensures that the Council is prepared for significant unforeseen events should they arise.
- 4.4.8 Any draw on reserves beyond the Council's sustainable level would have an adverse impact on the level of returns from the Council's long-term investments. This situation would require to be addressed quickly to ensure no long term erosion of the investments.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial

- 4.7.1 The 2015/16 Council budget does not require a draw on reserves in excess of the returns that the fund managers can make on average in a year, and therefore demonstrates that the Council is living within its means.
- 4.7.2 Every £1m of reserves spent in excess of a sustainable level will mean that the Council will have to make additional savings of £50k each year in the future as a result of not being able to invest that £1m with fund managers to make a return.
- 4.7.3 It is therefore vital that the Council delivers its 2015/16 budget, and this report demonstrates that the services under the remit of the Harbour Board are not projecting to achieve this. This is mainly due to the reduction in tanker traffic at Sullom Voe and the global low oil price affecting throughput income. Also the delay in the Shetland Gas Plant becoming operational and the low gas price have also resulted in a substantial shortfall in budgeted income.
- 4.7.4 There are three main elements which create the overall Harbour Account projected reduction in surplus of £2.478m:
- Ports & Harbours Operations - there is a projected negative variance of £1.334m against budget set of £766k net income. This will result in the requirement for a draw from the Reserve Fund of £568k.
 - Shetland Gas Plant - there is a projected negative variance on the income from the Shetland Gas Plant of £1.230m against budget set of £1.430m which will result in a reduced contribution to reserves of £200k.
 - Terminal Berthing Charge – there is a projected increase in surplus on the berthing charge to Ferry Operations Service for use of terminal infrastructure of £80k against budget set of £3.045m which will result in an increased contribution to reserves of £3.125m.

- 4.7.5 As described above, although the overall projected return to reserves from the Harbour Account is £2.901m against budget set of £5.379m, this surplus is mainly derived from the terminal berthing charges to Ferry Operations Service and is therefore funded from within the Council and does not result in additional income to the Council overall.
- 4.7.6 The Harbour Board capital programme has a projected underspend of £418k due to delays on the terminal life extension programme resulting in savings in the current financial year.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5. Conclusions

- 5.1 The overall projected outturn position for the services under the remit of the Harbour Board is a reduction in surplus of £2.478m against budget on revenue and an underspend of £418k on capital projects.

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List of Appendices

Appendix 1 – Projected Revenue Outturn Position 2015/16

Appendix 2 – Projected Capital Outturn Position 2015/16

Background documents:

SIC Budget Book 2015-16, SIC 3 December 2014

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16958>

Harbour Board

1. Projected Revenue Outturn Position 2015/16

Projected Proj.Outturn Variance (Adv)/Pos at Q2 £000	Service Area	Revised Annual Budget Q3 £000	Projected Outturn at Q3 £000	Budget v Proj.Outturn Variance (Adv)/Pos at Q3 £000
(2,931)	Sullom Voe	(1,203)	1,028	(2,231)
354	Scalloway	(322)	(744)	422
193	Other Piers	109	(92)	201
364	Terminals	650	376	274
(2,020)	Ports & Harbours Operations	(766)	568	(1,334)
0	Terminal Berthing Charge	(3,045)	(3,125)	80
6	Marine Fund Contribution	(138)	(144)	6
(1,180)	Shetland Gas Plant	(1,430)	(200)	(1,230)
(1,174)	Other Income	(4,613)	(3,469)	(1,144)
(3,194)	Overall Contribution to Reserve Fund	(5,379)	(2,901)	(2,478)

The projected outturn variance figures at quarter 2 are included above for reference. The main reasons for the changes from the quarter 2 projected outturn variance to the quarter 3 position are receipt of updated tanker traffic projections from the Sullom Voe Terminal operators, and a reduction in fuel costs due to the current lower fuel price.

An explanation for the main variances by service is set out below:

1.1 Sullom Voe – projected outturn variance (£2.231m) (185%)

This projected variance relates to:

- reduction in tanker traffic, partly due to the extended maintenance shutdown of the Clair Field Platform (£2.094m);
- reduction in the Harbour Throughput Agreement payment from Sullom Voe Terminal due to the low oil price and related Permanent Crude Oil Index which are used in the calculation (£312k);

- additional backlog maintenance costs for major works and engine overhauls for tugs Shalder and Tirrick resulting from minimal maintenance over the last few years whilst awaiting a review of tug requirements in relation to the purchase of Solan & Bonxie (£205k);
- overtime for towage crews when 4th tug duty is required on tankers exiting the Port, and overtime requirement for transporting vessels south for drydocking (£150k);
- on job training supervision requirements for new Marine Officer (£100k);
- reduction in management and engineering costs due to vacant posts £338k; and
- reduction in fuel costs due to lower fuel price against budget set £256k.

1.2 Scalloway – projected outturn variance £422k (131%)

This projected variance relates to:

- increased income from the accommodation barge and vessel which remained at Blacksness Pier longer than anticipated £524k;
- increased fish and salmon landings at Scalloway £130k;
- essential refrigeration and door maintenance works at Scalloway fishmarket (£180k); and
- emergency repairs to wave screen and tow rails at Scalloway pier (£60k)

1.3 Other Piers - projected outturn variance £201k (184%)

This projected variance relates to:

- minor underspending on maintenance costs across all piers £74k; and
- increased salmon and storage income at Cullivoe, Walls & Mid Yell £94k.

1.4 Terminals – projected outturn variance £274k (42%)

This projected variance relates to underspending on maintenance with only terminal condition survey works undertaken this year to inform future years' maintenance requirements £264k.

1.5 Terminal Berthing Charge - projected outturn variance £80k (3%)

This projected variance relates to an increase in ferry berthing income from budget set due to ferry schedule changes £80k.

1.6 Marine Fund Contribution - projected outturn variance £6k (4%)

This projected variance relates to a minor increase in funding required for unfunded pension costs.

1.7 Shetland Gas Plant - projected outturn variance (£1.230m) (86%)

The income budget was based on the Shetland Gas Plant being operational for the full year 2015/16, however, it only became operational on 8th February 2016. The throughput rental is also based on the gas price which is lower than the estimated price used when setting the budget.

Harbour Board

2. Projected Capital Outturn Position 2015/16

Proj.Outturn Variance at (Adv)/Pos at Q2 £000	Service	Revised Annual Budget Q3 £000	Projected Outturn at Q3 £000	Proj.Outturn Variance at (Adv)/Pos at Q3 £000
339	Ports & Harbours	984	566	418
339	Total Controllable Costs	984	566	418

The projected outturn variance figures at quarter 2 are included above for reference.

2.1 Ports & Harbours Operations – projected outturn variance £418k (42%)

The projected outturn variance is due to the delay in works commencing on the terminal life extensions as a result of ongoing contract preparation work, resulting in savings in the current financial year of £418k.

**Harbour Board****1 March 2016****Pilotage Accounts for Harbour Board:
2015/16 - Projected outturn at Quarter 3****F-007-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 provided by the Council.
- 1.2 This report presents the outturn position for 2015/16 as at the end of the third quarter.
- 1.3 The projected outturn position shows an adverse variance of £371k (94%) against annual income budget of £394k which results in an overall net surplus of £23k.

2.0 Decision Required

- 2.1 That the Harbour Board RESOLVE to review the Pilotage Accounts showing the projected outturn position at quarter 3.

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 are 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 showing the projected outturn position at quarter 3 are attached as Appendix 1.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities
This report contributes to the Corporate Plan by ensuring that good-quality information is provided regularly to enable high standards of governance.
- 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 keep 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 overall projected outturn position shows an adverse variance of £371k against annual budget.
- 4.7.2 The main reasons for the variance are:
- reduction in pilotage income from reduced tanker traffic at Sullom Voe for the extended maintenance shutdown of the Clair Field £287k;

- staff supervision costs for on-the-job training of new Marine Officer £100k; and
- additional training costs for Marine Officers £32k.

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 The overall projected outturn position is an adverse variance of £371k (94%) against annual income budget of £394k which results in an overall net surplus of £23k.

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List of Appendices

Appendix 1 – 2015/16 Projected Outturn at Quarter 3

Background documents:

None

END

2015/16 Pilotage Accounts - Projected Outturn at Quarter 3

F-007 - Appendix 1

	Sullom Voe			Scalloway			Overall		
	Annual Budget	Projected Outturn	Variance (Adv)/Fav	Annual Budget	Projected Outturn	Variance (Adv)/Fav	Annual Budget	Projected Outturn	Variance (Adv)/Fav
Charges in respect of :	£	£	£	£	£	£	£	£	£
Boarding & Landing	-473,021	-351,153	(121,868)	-13,246	-10,000	(3,246)	-486,267	-361,153	(125,114)
Pilotage Services provided as authorised by section 10(1) of the Use of PEC issued as authorised by section 10(3) of the Pilotage Act 1987	-1,159,795	-964,431	(195,364)	-35,000	-35,000	0	-1,194,795	-999,431	(195,364)
	0	0	0	0	0	0	0	0	0
TOTAL INCOME	-1,632,816	-1,315,584	(317,232)	-48,246	-45,000	(3,246)	-1,681,062	-1,360,584	(320,478)
Boarding & Landing	400,370	400,370	0	3,060	2,967	93	403,430	403,337	93
Pilotage	627,872	693,027	(65,155)	21,418	21,361	57	649,290	714,388	(65,098)
Sub-Total Employee Costs	1,028,242	1,093,397	(65,155)	24,478	24,328	150	1,052,720	1,117,725	(65,005)
Boarding & Landing	9,736	4,427	5,309	828	1,155	(327)	10,564	5,582	4,982
Pilotage	4,465	4,497	(32)	44	0	44	4,509	4,497	12
Sub-Total Supplies & Services	14,201	8,924	5,277	872	1,155	(283)	15,073	10,079	4,994
Boarding & Landing	95,840	65,086	30,754	9,982	6,052	3,930	105,822	71,138	34,684
Pilotage	5,239	4,842	397	28	0	28	5,267	4,842	425
Sub-Total Transport & Mobile Plant	101,079	69,928	31,151	10,010	6,052	3,958	111,089	75,980	35,109
Boarding & Landing	7,504	6,863	641	0	0	0	7,504	6,863	641
Pilotage	646	646	0	6	0	6	652	646	6
Sub-Total Property & Fixed Plant	8,150	7,509	641	6	0	6	8,156	7,509	647
Meeting Liabilities under Part III of the Act	0	0	0	0	0	0	0	0	0
Boarding & Landing	11,847	8,142	3,705	197	39	158	12,044	8,181	3,863
Pilotage	48,779	82,010	(33,231)	38,930	35,873	3,057	87,709	117,883	(30,174)
Sub-Total Admin and Other Costs	60,626	90,152	(29,526)	39,127	35,912	3,215	99,753	126,064	(26,311)
TOTAL EXPENDITURE	1,212,298	1,269,910	(57,612)	74,493	67,447	7,046	1,286,791	1,337,357	(50,566)
NET TOTAL	-420,518	-45,674	(374,844)	26,247	22,447	3,800	-394,271	-23,227	(371,044)

**Harbour Board****1 March 2016****Ports and Harbours Performance Report – 3rd Quarter 2015/16****PH-02-16F****Acting Executive Manager- Ports and Harbours****Infrastructure Services Department****1.0 Summary**

- 1.1 This report summarises the activity and performance of the Ports & Harbours Service for the reporting period above. Progress reports are submitted to the Harbour Board on a quarterly basis to allow Members to monitor the delivery of the Ports & Harbours service plan.

2.0 Decisions Required

- 2.1 The Harbour Board should discuss the contents of this report and make any relevant comments on progress against priorities to inform further activity within the remainder of this year, and the planning process for next and future years.

3.0 Detail

- 3.1 The Ports and Harbours Service Plan 2015/16 is grouped under four main themes, a summary of overall progress on each is provided below along with an indication of where issues have arisen.

3.2 Effective Management Systems**Highlights**

- 5 yearly external review of the Port SMS received and action plan developed has been performed.
- Internal audit arrangements reviewed and updated.
- Towage & multi-agency emergency exercise performed.

3.3 Technical Projects**Highlights**

- The essential maintenance on Scalloway Fishmarket refrigeration systems has been completed and door replacement is under way.
- Tender return is awaited for VTS radar and associated communications systems
- Tenders are under evaluation for replacement Gluss lights
- Solan sale completed and Bonxie sale due to complete late February. Breakdown and dry dock cover contracts in place to provide cover for the remaining vessels.

3.4 Workforce Planning and Development

Highlights

- New Marine Pilot nearing completion of familiarisation and training programme.
- VTS recruitment in progress.
- The local sourcing of training to meet STCW (Manila) training requirements has proved difficult but training contracts are in place and a training programme has commenced.

Issues

- Future workforce planning activity needs to be revised in light of projected tanker movements as part of the strategic review of the Port of Sullom Voe.

3.5 Strategic Planning

Highlights

- Members have approved next stages in the Port of Sullom Voe and Scalloway Harbour review projects, update on progress will be brought to the next Harbour Board meeting.

3.6 Further details of progress on the Ports & Harbours Service Plan is set out in Appendix 1 to this report.

3.7 The Harbour Board is invited to comment on any matter which they see as significant to sustaining and improving service delivery.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – Effective Planning and Performance Management are key aspects of Best Value values and features of “Our Plan”, the Council’s Corporate Plan.

Shetland is a group of islands and Our Plan identifies transport links to and from, and within, the islands as our life blood. Shetland’s Ports and Harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right Ports & Harbours

infrastructure in place that cannot happen and new business opportunities and wealth creation cannot take place.

If we are to enjoy a strong economy with well-paid jobs we have to make sure that we have the Port infrastructure required to support key business sectors, especially those depending on the utilisation of local resources, meet individual and business needs and deliver economic growth.

4.2 Community /Stakeholder Issues – Consultation with customers and other stakeholders is on-going as an integral part of each aspect of service delivery.

4.3 Policy And/Or Delegated Authority –

4.3.1 The Council's Constitution – Part C - Scheme of Administration and Delegations provides at 2.7:

Harbour Board

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;

Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function; and

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 – 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.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial – The actions, measures and risk management described in this report are unable to be delivered within existing approved harbour operations budgets in 2015/16. This is due to reduced harbour generated income resulting in a decrease in the surplus on the Harbour Account. The surplus on the Harbour Account is from the terminal berthing charges to Ferry Operations Service, which is funded from the

General Fund and does not generate additional income to the Council's reserves.

- 4.8 Legal – Specialist legal advice is required for some actions included in the service plan, particularly the acquisition and disposal of vessels. The Councils appointed shipbrokers are closely involved in providing advice on these actions.
- 4.9 Human Resources - There are a range of actions in this service plan with staffing implications. Care is taken to ensure that staff are involved and informed about plans that might affect them, that HR are closely involved and that relevant Council policies are followed.
- 4.10 Assets And Property – There are a number of actions and projects that have significant asset implications, particularly in relation to boats, piers and other harbour infrastructure. Capital Programme Service is involved early in all capital project proposals and all proposals are subject to the Council's Gateway Process for capital prioritisation.

5.0 Conclusion

- 5.1 The Ports and Harbours Service Plan is the key performance management document for the Service. It sets out our aims, objectives and actions for the year. This report demonstrates good progress against the priorities identified.

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18 February 2016

Appendices

Appendix 1 – Progress on actions

Background Documents

Ports & Harbours 2015/16 Service Plan

http://www.shetland.gov.uk/about_performance/PerformanceReports.asp

Ports & Harbours 2015/16 Action Plan – March Update

Item	Status	
Management Systems		
Reinstate Technical Working Group	Up and running again	G
Hold regular Management team meetings	Monthly meetings happening	G
Port SMS External review for PMSC	Carried out last week in October	G
Port SMS ISO 9001 External Audit	Done in August, accreditation revalidated	G
Tug OVID Audit	Done in July	G
Towage SMS - ISM audits	Performed last week in September, action plan agreed.	G
Port SMS –ISO 9001 Internal Audits	New schedule drafted - More internal auditors required	A
Towage SMS – ISM Internal Audits	New schedule needed - More internal auditors recruited	G
Renewal of Port Designated Person	Done in June	G
Review tug maintenance management	Arrangements under review	A
Make sure contracts are let in line with procurement procedures	Term contract for Electrical Services ready to be advertised Mechanical & Engineering services by April 2016	A
Make sure stores are managed in line with Audit recommendations	Done - Further Audit comment anticipated April 2016	G
Review and Update “Table of Dues”	New table of dues approved by Council.	G
Budgets and next year’s budget exercise	Prepared in line with revenue estimates timetable	G
Review long term capital needs	Prepared in line with Capital Programme method	G
Review all Risk management registers	RiskWeb and MarNis updated for Port SMS. Still some work to do to transfer Towage SMS risks to MarNis.	G
Update Business Continuity Plan	Updated November 2015.	G
Plan emergency exercises	Exercise conducted February 2016.	G
Harbour Board governance and management arrangements	Part of “In House” option within strategic review project. Initial recommendations by September 2016	G
Grocery procurement	Fresh Meat and Fish now being supplied under Council wide contract.	G
Technical Projects		
Complete Refendering of Jetty 2.	On time & under budget	G
Replace VTS radar at Sullom Voe to maintain safe Ops.	Tendering ongoing, new system to be implemented during.	G
Replace Gluss Lights.	Tender returns being evaluated, new leading lights installed and commissioned during 2016	G
Solan/Bonxie at operational capability / support marketing activity.	Solan sold December 2015, Bonxie sale due to complete later February 2016	A
Plans for next steps with Tug fleet.	PID / Business Needs Case completed. Arrangements in	A

Ports & Harbours 2015/16 Action Plan – March Update

Item	Status	
	place for 2016 breakdown and dry dock cover. Options to be developed within Port Strategic review project.	
Essential maintenance at Scalloway Fishmarket.	Works to be carried out under Building Services contracts by mid 2016.	G
Transfer small dock Symbister to Shetland Amenity Trust	Done	G
Sellaness Industrial Site Development	Monitor any developments	G
Workforce Development		
STCW qualifications (Manila Training)	Training programme now underway to implement the necessary training by December 2016	A
Harbourmaster replacement	Completed June 2015	G
Marine Pilot appointment	Appointment made September 2015	G
Launch Crew appointments	Completed July 2015	G
Tug Crew temporary appointments	Process of moving from temporary contracts to permanent ones completed.	G
Pilot Launch shift arrangements	Monitor trial of new arrangements.	G
VTS shift arrangements	New arrangements to be continued.	G
Workshop supervision arrangements	Under review.	G
Port Safety / Pollution Control arrangements	Report on options to be prepared in line with the completion of BP/SVT review with recommendations on actions.	G
Workforce planning for coming years	Demand and forecasts to be produced as part of strategic review project by March 2016.	A
Strategic Planning		
Investigate strategic options for the future of the port of Sullom Voe	Work on "Outline Business Case" from November into 2016 with regular update reports to Council. Recommendations anticipated late 2016.	G
Develop Scalloway Harbour business plan	Work on "Outline Business Case" from November into 2016 with regular update reports to Council. Recommendations anticipated mid 2016.	G
Small Ports Development/Maintenance plan	Update re Toft Pier to March Harbour Board. Regular progress reporting on other actions.	A
Ferry Terminals Development/Maintenance plan	Regular progress reporting on approved actions.	G
Marketing strategy for Scalloway Harbour	Executive manager to review options and prepare report as part of Scalloway Harbour review.	G

**Harbour Board****1 March 2016**

Harbour Board Business Programme – 2016/17	
GL-11-16-F	
Team Leader – Administration	Governance and Law Corporate Services

1.0 Summary

- 1.1 The purpose of this report is to inform the Board of the planned business to be presented to Board for the financial year 1 April 2016 to 31 March 2017, and discuss with Officers any changes or additions required to that programme.

2.0 Decision Required

- 2.1 That the Harbour Board considers its business planned for the financial year 1 April 2016 to 31 March 2017, and RESOLVES to approve any changes or additions to the Business programme.

3.0 Detail

- 3.1 The Council approved the schedule of meetings for 2016/17 at its meeting on 16 December 2015 (Min Ref: 79/15).
- 3.2 It was agreed that the Business Programmes for each Committee/Board would be presented to the Planning and Performance Management Framework (PPMF) meetings scheduled to be held week beginning 29 February 2016.
- 3.3 The manner in which meetings have been scheduled is described below:
- Ordinary meetings have been scheduled, although some have no scheduled business at this stage. Where there is still no scheduled business within two weeks of the meeting, the meeting will be cancelled;
 - Special meetings may be called on specific dates for some items – other agenda items can be added, if time permits;
 - PPMF = Planning and Performance Management Framework meetings have been called for all Committees and Council once per

quarter. These meetings are time restricted, with a specific focus on PPMF only, and therefore no other business will be permitted on those agendas;

- Budget = Budget setting meetings – other agenda items can be added, if time permits, or if required as part of the budget setting process; and
- In consultation with the Chair and relevant Members and Officers, and if required according to the circumstances, the time, date, venue and location of any meeting may be changed, or special meetings added.

3.4 The Business Programme for 2016/17 will be presented by Committee Services to the Council and each Committee/Board on a quarterly basis for discussion and approval, particularly in relation to the remaining projects and reports which are listed at the end of the business programme page for each Committee/Board as still to be scheduled.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – The recommendation in this report is consistent with the following corporate priorities:

Our Corporate Plan 2013-17

- To be able to provide high quality and cost effective services to people in Shetland, our organisation has to be run properly.
- Fully align the timetables, time spans and approaches for financial planning relating to the medium term yearly budgeting with Council, directorate and service planning.

4.2 Community /Stakeholder Issues – The Business Plan provides the community and other stakeholders with important information, along with the Council's Corporate and Directorate Plans, as to the planned business for the coming year.

4.3 Policy And/Or Delegated Authority – Maintaining a Business Programme ensures the effectiveness of the Council's planning and performance management framework. The Business Programme supports each Committees/Board' role, as set out in paragraph 2.3 of the Council's Scheme of Administration and Delegations, in monitoring and reviewing achievements of key outcomes within its functional areas, whilst ensuring best value in the use of resources is met to achieve these outcomes within a performance culture of continuous improvement and customer focus.

4.4 Risk Management – The risks associated with setting the Business Programme are around the challenges for officers meeting the timescales required, and any part of the business programme slipping and causing reputational damage to the Council. Equally, not applying the Business Programme would result in decision making being unplanned and haphazard and aligning the Council's Business Programme with the objectives and actions contained in its corporate plans could mitigate against those risks.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial – The there are no direct financial implications in this report, but indirect costs may be avoided by optimising Member and officer time.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5.0 Conclusions

5.1 The presentation of the Business Programme 2016/17 on a quarterly basis provides a focussed approach to the business of the Board, and allows senior Officers an opportunity to update the Board on changes and/or additions required to the Business Programme in a planned and measured way.

For further information please contact:

Leisel Gair

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23 February 2016

List of Appendices

Appendix 1 – Harbour Board Meeting Dates and Business Programme 2016/17

Background documents:

Report GL-60-F: SIC Diary of Meetings 2016/17

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=4785>



Harbour Board - Meeting Dates and Business Programme 2016/17 as at Tuesday, 23 February 2016

Harbour Board			
<i>D= Delegated R=Referred</i>			
Quarter 1 1 April 2016 to 30 June 2016	Date of Meeting	Business	
	<i>Ordinary</i> 13 April 2016 10 a.m.	Scalloway – Project Update	D
		Sullom Voe – Project Update	D
	<i>PPMF & Ordinary</i> 23 May 2016 3.30 p.m.	Management Accounts – Quarter 4	D
		Pilotage Accounts – Quarter 4	D
		Harbourmaster's Report	D
		Ports and Harbours Service Plan – Performance Overview – Quarter 4	D
		Harbour Board Business Programme 2016/17	D
Quarter 2 1 July 2016 to 30 September 2016	Date of Meeting	Business	
	<i>Ordinary</i> 15 June 2016 10 a.m.	Scalloway – Project Update	D
		Sullom Voe – Project Update	D
	<i>PPMF & Ordinary</i> 29 August 2016 3.30 p.m.	Management Accounts – Quarter 1	D
		Pilotage Accounts – Quarter 1	D
		Harbourmaster's Report	D
		Ports and Harbours Service Plan – Performance Overview – Quarter 1	D
		Harbour Board Business Programme 2016/17	D



Harbour Board - Meeting Dates and Business Programme 2016/17 as at Tuesday, 23 February 2016

Harbour Board - continued			
		<i>D= Delegated R=Referred</i>	
Quarter 3 1 October 2016 to 31 December 2016	Date of Meeting	Business	
	<i>Ordinary</i> 5 October 2016 10 am.	Small Ports Update	D
		SVT Update	D
		Comprehensive Review of Harbour Development	D
	<i>PPMF, Budgets & Ordinary</i> 7 December 2016 10 a.m.	Harbourmaster's Report	D
		Ports and Harbours Service Plan – Performance Overview – Quarter 2	D
		Management Accounts – Quarter 2	D
		Pilotage Accounts – Quarter 2	D
		2016-17 Budget Proposals and Charges	R P&R 7 Dec SIC 14 Dec
		Harbour Board Business Programme 2016/17	D
Quarter 4 1 January 2017 to 31 March 2017	Date of Meeting	Business	
	<i>Ordinary</i> 8 February 2017 10 a.m.		
	<i>PPMF & Ordinary</i> 6 March 2017 3.30 p.m.	Management Accounts – Quarter 3	D
		Pilotage Accounts – Quarter 3	D
		Harbourmaster's Report	D
		Ports and Harbours Service Plan - Performance Overview Q3	D
		Harbour Board Business Programme 2017/18	D

Planned Committee business still to be scheduled - as at Tuesday, 23 February 2016

tbcc = to be confirmed

PPMF = Planning and Performance Management Framework meetings – no other business to be added

Budget = Budget setting meetings – other items can be added if time permits

Ordinary = Ordinary meetings – other items can be added

Special = Special meetings arranged for particular item(s) – other items can be added if time permits

END OF BUSINESS PROGRAMME as at Tuesday, 23 February 2016

**Harbour Board****1 March 2016****Harbourmaster's Report****PH-04-16F****Interim Harbourmaster****Infrastructure Services Department****1.0 Summary**

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

2.0 Decision Required

- 2.1 That the Harbour Board resolve to 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 Designated Person. Captain Trevor Auld, appointed as the designated person (Harbour Board Min. ref. 29/12), provides 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 1. The recent PMSC audit identified 15 recommendations which were discussed at the Examination and Technical Committee meeting on 14 January 2015. There were no recommendations of 'high importance'. It was resolved to discuss the findings further at the next TWG meeting. With regard to the VTSO annual assessments, it was felt that attendance at the required refresher training in the previous twelve months removed the requirement for an annual assessment in that particular year.
- 3.2 Incidents. Three incidents are reported since the last report was presented to the Harbour Board on 17 November 2015 and are listed in the table below.

Incident	Date	Vessel	Incident	Examination Panel	Officers Actions	Status
Scalloway	31-10-15	Eems Delta	Heavy contact with pier.		Reported to MAIB	Closed

Sullom Voe	23-10-15	Solviken	Various issues on arrival	Yes	Protest letter sent	Closed
Sullom Voe	08-12-15	Primorsky Prospect	Near Miss Potential close quarters	No	Reported to VTS	Closed

3.3 Regs4Ships Port Marine Safety Code audit completed and issued, Examination panel has considered the findings and these will go to the Technical Working Group. The report was favourable and no serious issues identified.

3.4 Harbourmaster attended the MCA meeting in Edinburgh on behalf of the Council to discuss the future of the Emergency Towing Vessel. A brief report was submitted to the Director of Infrastructure Services.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – The actions in this report will contribute to the outcomes in the Council’s Corporate Plan 2013/17 of:

“Helping build a healthy economy and strong communities”

“To be able to provide high-quality and cost-effective services to people and communities in Shetland, our organisation has to be run properly”

“We are determined that we will be run to the very highest standards”

4.2 Community /Stakeholder Issues – Community and stakeholders have a vested interest in ensuring that port operations are 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:

Brian Dalziel, Interim Harbourmaster

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17 February 2016

List of Appendices

Appendix 1 Designated Person Report – Captain Trevor Auld

Background documents: None

Designated Person Report – 1 March 2016

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

Introduction

Since my report to the Harbour Board meeting of 17 November 2015 I have maintained a regular dialogue on marine matters with SIC's Harbour Master through telephone calls and an exchange of emails. I have also monitored both SIC's website <http://www.shetland.gov.uk> and SIC's port specific website <http://www.shetland.gov.uk/ports> for items relating to the reported actions, involvement and decisions taken by the Harbour Board and SIC's appointed officers. Prior to writing this report I had a telephone conversation with SIC's Harbour Master in which we discussed, in accordance with an agreed questionnaire: monitoring measures, assessing measures and effectiveness of the current Marine Safety Management Systems.

Port Marine Safety Code – Independent External Audit - October 2015

An independent external audit of SIC's compliance with the Port Marine Safety Code was undertaken in October 2015. The audit report, described in greater detail later in this DP report, concluded with the following summary:

'This audit confirms that that there is sufficient indication that the requirements of the Port Marine Safety Code are met and that duty holder is discharging its functions in accordance with the 8 principles stated in the Code.'

It is recommended in Section 4.4.13 of the 'Port Marine Safety Code: Guide to Good Practice on Port Marine Operations' (March 2015) that an external audit should take place every three years. The audit carried out in September 2012, plus the audit in October 2015 satisfies this recommendation.

Monitoring Measures

Technical Working Group – The draft minutes of the Technical Working Group (TWG) meeting held on 4 November 2015, record the ongoing good practice of bringing together SIC personnel from different disciplines and port stakeholders to discuss a range of safety and operational issues of common interest.

In matters arising, the TWG discussed: the situation regarding Solan and Bonxie, upgrade to the VTS radar system, Gluss LED display, trainee pilot's progress and the effectiveness of the new pilot boat shift system. As specific agenda items the TWG discussed the Port Marine Safety Code, the minutes of the Examination Panel meeting held on 26 October 2015 and recent marine incident reports.

Examination and Technical Group – The minutes of the Examination and Technical Group held on 14 January 2016 record that the following items were discussed: the ongoing training of the recently appointed marine pilot, marine and operational safety criteria for the planned departure of the Bibby Challenge from Scalloway and the Port Marine Safety Code external audit report.

Safety Sub-Committee: Ports – the 69th meeting of the Safety Sub-Committee 'Ports' was held on 2 February 2016. The draft minutes of the meeting continue to demonstrate the active involvement of marine personnel in all aspects of port safety.

In matters arising, the meeting discussed: an update to the emergency plan to take into account the new launch crew shift system, additional procedures, training and regular drills with pilots, a review of permitted berthing at the north end of Commercial Quay in Scalloway, plus recent potential / near-miss and actual incidents.

Incident reports on the MAIB's website had been reviewed prior to the meeting but none were considered of direct relevance to marine operations in SIC's ports and harbours. The meeting was informed that an updated MAIB Safety Digest had been published in October 2015 which included various interesting articles. Inclusion of MAIB's reports on the meeting agenda is evidence of good practice.

The meeting was informed that a table-top Emergency Response exercise 'Fairlead', involving senior representatives of SIC and other stakeholder organisations would be held on Friday 12 February 2016. Minutes recording the progress of the exercise, decisions made and their outcomes were not available at the time of compiling this report.

Small Ports – The table entitled 'Operational and Safety Visits to Small Ports & Harbours 2016', as posted on the website www.shetland.gov.uk, records that visits to Toft, Mid Yell, Cullivoe, Uyeasound, Balta Sound, Easterdale, Toogs, Hamnavoe, Walls, West Burrafirth and Billister took place in January 2016. Visits are not recorded for Symbister, Out Skerries or Fair Isle.

Towage – Tug masters' and chief engineers' meetings were held on 8 January 2016 and 8 February 2016. Both meetings were very well attended. Items discussed included: crew training, ISM Code, near misses or accidents/incidents, Ports and Harbours action plan update and operational issues of concern. It was noted in the minutes of the January meeting that electronic copies of the revised Tug Safety Management System had been sent to each tug in December 2015 and lots of feedback was received. The feedback would form part of the next review.

Incidents and Accidents

The following recent incidents have been recorded in the MarNIS database:

23 October 2015	Significant operational issues including poor situation awareness of the bridge team, failure to prepare anchors correctly and the use of excessively weighted heaving lines, were experienced onboard the inbound tanker 'Solviken' at Sullom Voe. A letter regarding the issues and identifying the necessary corrective actions has been sent to the ship's agent by the Harbour Master.
31 October 2015	In adverse weather conditions the small general cargo vessel 'Eems Delta' struck the West Commercial Quay in Scalloway, and holed its forward ballast tank on the starboard side. The incident was investigated and reported to the MAIB.
8 December 2015	A near close quarters situation between an outbound tanker and a small fishing vessel in the navigation channel, Yell Sound was reported by the tanker's Master to VTS. A warning to keep clear of the channel was issued to the fishing vessel by the on-duty VTSO.

Audits

Internal audits of existing MSMS procedures continue to be undertaken on a regular basis.

An external audit of SIC's compliance with the Port Marine Safety Code was undertaken between 26 October and 30 October 2015 by Regs4ships Ltd. In addition to the summary statement of compliance with the Port Marine Safety Code's eight principles, the auditor included the following executive summary:

- "We find that there is sufficient indication that the requirements of the Port Marine Safety Code are met.
- This finding is justified by this sampling review coupled with the reports from the Designated Person, the internal audits conducted by the Port Safety Officer and the MCA "aide memoire" completed by the Port Safety Officer.
- As a consequence of this sampling process we make the following 15 recommendations *(details of which are in section 4 of the Audit report)*".
 - **Recommendation 1:** Succession planning for senior officers is considered by the harbour board.
 - **Recommendation 2:** The 5 management systems at Sullom Voe are considered holistically to ensure they dovetail without conflict and have identified and managed all the risks associated with a major port and terminal. A bridging document between the Port and the Terminal may deserve merit.
 - **Recommendation 3:** The relationship between the Harbour Master and the Tug Manager is reviewed and reflected in their job descriptions. If the Harbour Master is the line manager for the Tug Manager and by extension has some responsibility for the safe operation of the tugs this should be articulated in the tug Safety Management System. (It's our view The Harbour Master cannot be the line manager of the Tug Manager yet be divorced from the safe operation of the tugs).
 - **Recommendation 4:** The Passage Plan and MPX form is reviewed in accordance with the latest guidance and a copy is kept ashore after the act of pilotage. The completed MPX forms should be subject to regular scrutiny by the Harbour Master and audited by the Port Safety Officer and Designated Person. The MPX form must record all aspects of the planned passage including the planned execution of the turn off the berth.
 - **Recommendation 5:** Whilst the Pilotage Directions at Sullom Voe contain requirements for pilot boarding, we recommend that all pilots, pilot launch crews and other officers involved in pilot transfers have access to copies of the Embarkation and Disembarkation of Pilots Code of Safe Practice. All pilots and pilot boat crews should acknowledge in writing that they have read, understood and will comply with the requirements of the Code. The Pilotage Directions in respect of pilot transfers should be reviewed in the light of the guidance in the Code. The PMSC Safety Management System should refer to the Embarkation and Disembarkation of Pilots Code of Safe Practice.
 - **Recommendation 6:** MAIB reports and digests and publications from other flag states pertinent to pilotage and port operations should be formally circulated to all marine staff and they should be signed off when read. Pertinent reports should be discussed at safety meetings. The MAIB report on the tanker "Vallermosa" which lost control and hit two tankers alongside Fawley Oil Terminal and the Transport Malta report into the serious injury on the pilot boat "Charlie 1" provide important lessons.
 - **Recommendation 7:** The Harbour Master to issue a Local Notice to Mariners (accompanied by a General Direction if deemed necessary) clearly stating the status of the berths on Old West Pier and prohibiting the use of any berths not presently safe or suitable for vessels or classes of vessel.

- **Recommendation 8.** All pilot boat crews are trained to operate in fog. This can be achieved by blacking out the pilot cutter windows and practicing blind navigation relying solely on aids to navigation. All training and Continuing Professional Development should be recorded and incorporated into the SMS.
- **Recommendation 9.** A drill matrix for pilot boat crews is compiled and included in the SMS. Records of all drills to be maintained centrally.
- **Recommendation 10.** The use of the pilot boats should follow a schedule to ensure planned rotation.
- **Recommendation 11.** All tug personnel should be trained in tug operations in reduced visibility. The training should be in accordance with a training matrix in the SMS and should be centrally recorded.
- **Recommendation 12.** The requirement to keep all weathertight and watertight doors shut on the tugs whilst operational should be re-iterated and enforced by the tug Captains. All tug crews should sign an instruction requiring weathertight doors to remain closed and secured other than when passing through.
- **Recommendation 13.** All personnel throughout SIC should be equipped with lifejackets fitted with crutch straps and they should be worn correctly fitted at all times. All personnel should watch <https://www.youtube.com/watch?v=NNfXMLG5pi4> [How to wear a lifejacket correctly - brought to you by the RNLI RYA and MCA - stay safe on the water] and sign that they have done so.
- **Recommendation 14.** The Safety Management System for the small ports is revisited after formal assessment of risks. The precautions to be put in place should be proportional to the identified risks and may include warning signs and/or a Local Notice to Mariners that warns of the risks and the precautions that users of the facilities should take themselves.
- **Recommendation 15.** All refuelling facilities should be regularly inspected (regardless of who owns and controls them) and spills and leaks rectified immediately to remove the fire and pollution risk.

(Regs4ships, 2015)

The external audit report has been reviewed by the Examination and Technical Group and the Safety Sub-Committee: Ports and will be an item on the agenda of the next Technical Working Group. In response to Recommendation 4, an appropriate procedure has already been put in place to collect and retain copies of the Master Pilot exchange (MPX) forms.

Consultation – Active engagement with port and harbour stakeholders by members of the Harbour Board and its appointed officers continues to provide evidence of SIC's commitment to the importance of meaningful and ongoing consultation with local and national organisations.

Board members and the Harbour Master continue good lines of communication, with attendance at meetings as a stakeholder and Harbour Authority representative, these include:

- October 2015 Shetland Fishermen's Association meeting - Collafirth
- February 2016 MCA Emergency Towing Vessel meeting - Edinburgh.

Harbour Board Meetings - The public agenda for the Harbour Board meeting of 17 November 2015 and the accompanying Decision Notes were posted on the website www.shetland.gov.uk in a timely manner.

Training –The three training matrices continue to be reviewed regularly and updated as staff change, training courses are completed and qualifications are obtained or revalidated.

Marine simulator training (Shiphandling) for two pilots and the trainee pilot will take place in Rotterdam between 1– 4 March 2016.

VTs Annual Assessments for two VTsOs and a relief VTsO have yet to be completed.

Interviews for a VTsO vacancy are to be held in week commencing 22 February 2016.

Marine Circulars and Notices to Mariners – Stakeholder information regarding marine and operational safety has been posted in a timely manner through the issue of marine circulars and Notices to Mariners. The latter have been posted and maintained on SIC's ports specific website: <http://www.shetland.gov.uk/ports/notices.asp>.

- Latest Notice to Mariners No4/2015 – Bathymetric Seafloor Survey – Sullom Voe
- Latest Marine Circular No1/2016 – Relief tugs at Sullom Voe

A new Notice to Mariners listing the notices remaining in force in 2016 is in preparation.

Assessing Measures

Key Performance Indicators (KPI):

1 Open Incident KPI Report (from the MarNIS database) for Sullom Voe, Scalloway and the Small Ports: Open Incident status on the 16 February 2016.

	Open NS Reports	Open PE Reports	Open EP Reports	Open CM Reports	Open PS Reports
Sullom Voe	3	2	0	0	0
Scalloway	2	0	0	0	0
Small Ports	0	0	0	0	0

'Open' reports are reports which have yet to be closed formally by the Examination and Technical Group.

- NS = Nautical Safety
- PE = Port Efficiency
- EP = Environmental Protection
- CM = Crisis Management
- PS = Personnel and Public Safety

2 Risk assessments KPIs (from the MarNIS database) for Sullom Voe, Scalloway and the Small Ports for the period ending 16 February 2016.

	Nautical Safety Assessments	Port Efficiency Assessments	Environmental Protection Assessments	Crisis Management Assessments	Mean Assessment Score*
Sullom Voe	23	5	6	0	3.7
Scalloway	18	6	5	0	3.9
Small Ports	16	3	4	0	3.9
Totals	57	14	15	0	

* A risk assessment score between 3 and 5.99 means that the risks are as low as reasonably practicable (ALARP).

3 Overdue risk assessments KPIs (from the MarNIS database) for Shetland (including Sullom Voe, Scalloway and the Small Ports) for the period ending 16 February 2016.

Overdue Risk Assessment KPIs	Total Shetland
Overdue Nautical Safety Assessments	0
Overdue Port Efficiency Assessments	0
Overdue Environmental Protection Assessments	0
Overdue Crisis Management Assessments	0

4 Number of port marine employees with in date qualifications required for their job role, expressed as a percentage of the total number of employees undertaking port marine activities and requiring job specific qualifications.

Of the 34 SIC staff undertaking port marine activities all those requiring 'essential' job specific qualifications hold the necessary in-date qualifications.

KPI = 100%

5. Availability of Aids to Navigation (in three classification bands) expressed as a percentage of total availability over the three year period 16 February 2012 to 16 February 2016

IALA Category	No of Aids	No of Failures	Availability	Target Availability
Category 1	50	3	99.95%	99.80%
Category 2	71	2	99.98%	99.00%
Category 3	14	1	99.55%	97.00%

Note: The availability of all aids to navigation exceeds the target set by the Northern Lighthouse Board (NLB).

Effectiveness of the Marine Safety Management Systems

The monitoring and assessing measures described above provide assurance that the Marine Safety Management Systems for Sullom Voe, Scalloway and the Small Ports of West Burra (Hamna Voe); West Burrafirth; Housa Voe, Papa Stour; Mid Yell, Yell; Cullivoe, Baltasound; Unst; Uyeasound, Unst; Hamars Ness, Fetlar; Symbister, Whalsay Out Skerries (two separate areas: West Voe and South North-East Mouth); and North Haven (Fair Isle) are working effectively and in compliance with the Port Marine Safety Code.

Captain Trevor Auld
Designated Person (PMSC)

**Harbour Board****1 March 2016****Emergency Dredging at Gutcher Ferry Terminal****PH-01-16F****Team Leader – Port Engineering****Infrastructure Services Department****1.0 Summary**

- 1.1 This report is to inform the Harbour Board of emergency dredging works at Gutcher Ferry Terminal carried out under exception to the Council's Contract Standing Orders.

2.0 Decision Required

- 2.1 That the Harbour Board RESOLVE to NOTE the exception applied.

3.0 Detail

- 3.1 The Council's Contract Standing Orders require competitive tendering where the estimated value of goods, works and services is in excess of £10,000. Where the estimated cost is equal to or greater than £50,000, appropriate advertising would apply in accordance with the Contract Standing Orders.
- 3.2 Standing Orders Part 1, Paragraph 2 (iii) provides an exception where: "The demand is for the execution of works or the supply of goods, materials or services, certified by the relevant Service Director as being required as an emergency measure so as not to permit the invitation of tenders. "Emergency" means only an event which could not reasonably have been foreseen."
- 3.3 During the spring and early summer of 2015, damage to the underside of the Bluemull Sound Ferries was reported. The damage indicated that the vessels were touching the seabed on final approach to the Gutcher linkspan. Further damage would have resulted in the possibility of significant damage being caused to the vessels stern gear, resulting in very expensive repairs in a suitable dry-dock.

- 3.4 Reports from Ferry Crew indicated that a shallow bar of gravel had formed in the middle of the berth, and a diving survey confirmed that this was causing the damage.
- 3.5 Access from the shore to dredge the material was not possible, so a barge mounted dredger was identified in Buckie Harbour, which could be mobilised to Shetland at very short notice.
- 3.6 Given the possibility of significant further damage occurring to the Bluemull Sound vessels, and the implications that this would have for the scheduled service, authority to proceed with works was sought from, and given by, the Director of Infrastructure Services. Dredging works were arranged immediately.
- 3.8 The dredging work was carried out over one night shift, with no disruption to the scheduled service, and approximately 400 tonnes of sand and gravel were removed from the berthing area. The area now has a minimum depth of -3.5m Chart Datum, and will be checked annually.
- 3.7 The total cost for the survey, dredging and disposal of the dredged material was £27,482.13. The circumstances narrated in this report could not reasonably have been foreseen and the real possibility of significant damage to vessels, with subsequent impacts on service demonstrate that emergency measures had to be carried out without going to tender.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – Minimising damage to assets and the delivery of scheduled transport links contribute to the outcomes in the Council's Corporate Plan 2013/17 of:
 - “Helping build a healthy economy and strong communities”
 - “To be able to provide high-quality and cost-effective services to people and communities in Shetland, our organisation has to be run properly”
 - “We are determined that we will be run to the very highest standards”
- 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 – There are significant challenges in maintaining the safe and appropriate use of Council assets. Failure to effectively protect and maintain these assets could increase risk to both the public and the Council.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – Any damage caused to Council vessels could result in pollution of the environment.

Resources

- 4.7 Financial – The cost of the emergency works described in section 3 of this report is £27,482.13 which has been met from within existing budgets.
- 4.8 Legal – There is a legal requirement for Port Operations to comply with EU Procurement Regulations and Council Contract Standing Orders.
- 4.9 Human Resources – None.
- 4.10 Assets and Property – None.

5.0 Conclusions

- 5.1 Immediate dredging works were required to avoid further damage occurring to Council vessels, and ensure that scheduled services were unaffected. This was expedited by using the facility within the Council's Contract Standing Orders for emergency situations.

For further information please contact:
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List of Appendices

None

Background documents:

None

**Harbour Board****1 March 2016****Fender Purchase & Oil & Gas Production Forecast****PH-03-16F****Executive Manager – Ports & Harbours****Infrastructure Services Department****1.0 Summary**

- 1.1 This report requests that the Harbour Board note the purchase of second hand fendering and the commissioning of an Oil and Gas production forecast under the terms of the Council's Contract Standing Orders.

2.0 Decision Required

- 2.1 That the Harbour Board NOTE two exceptions applied in accordance with the Contract Standing Orders for the purchase of second hand fendering and the commissioning of an Oil and Gas production forecast.

3.0 Detail

- 3.1 The Council's Contract Standing Orders require competitive tendering where the estimated value of goods, works and services is in excess of £10,000 unless the conditions of an exception are met.

Fender Purchase

- 3.2 An opportunity recently arose to acquire six second hand "Yokohama" fenders from Zetland Marine used during the Bibby Challenge stay in Scalloway harbour. The total purchase price negotiated was £13,020 on site. The alternative supplier for new fendering of that same type would have been Trelleborg, the manufacturer of the fenders who would have charged £30,000 for new fenders plus shipping costs to Shetland. The fenders are in good condition and would have been shipped out of Shetland if Ports & Harbours had not bought them.
- 3.3 There is a facility in Standing Orders in Part 1, Paragraph 2 (iv) for an exception if the contract is for "the supply of used or second hand goods or materials, and the relevant Service Director, where he or she

is satisfied that it is in the interests of the Council to purchase such goods or materials and that they are fit for the purpose for which they are being purchased, may submit or accept an offer for the purchase of such goods or materials, provided that all contracts for the supply of such goods or materials shall be in writing and subject to the Law of Scotland”.

Oil and Gas Production Forecast

- 3.4 A requirement arose to update and expand a 2014 Oil and Gas production forecast for East and West of Shetland which IHS Energy Consulting had produced. This analysis is a key component in the strategic review of the Port of Sullom Voe. IHS Energy Consulting conducted the original study and were the only company who could have carried out such an update. In addition IHS Energy Consulting were also recommended by PwC and the UK Oil and Gas Authority as appropriate experts to use for such work. The cost of the study was £15,000.
- 3.5 There are facilities in Standing Orders in Part 1, Paragraph 2 (1 a) for an exception “where the Sponsor has satisfied the Director of Corporate Services that the requirement is not readily obtainable from more than one supplier, service provider, or contractor, and it can be demonstrated that no equivalent is available” and 2 (1 c) “the requirements are subject to intellectual property rights and it can be shown that either no suitable alternative is available”

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – Shetland is a group of islands and Our Plan identifies transport links to and from, and within, the islands as our life blood. Shetland’s Ports and Harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right Ports & Harbours infrastructure in place that cannot happen and new business opportunities and wealth creation cannot take place.

If we are to enjoy a strong economy with well-paid jobs we have to make sure that we have the Port infrastructure required to support key business sectors, especially those depending on the utilisation of local resources, meet individual and business needs and deliver economic growth.

- 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 – There are significant challenges in maintaining the safe and appropriate use of Council assets. Failure to effectively protect and maintain these assets could increase risk to both the public and the Council.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None

Resources

4.7 Financial – The cost of the second hand fendering and commissioning of the Oil and Gas production forecast described in paragraph 3 of this report was £28,020 which has been met from within existing budgets.

4.8 Legal – There is a legal requirement for Port Operations to comply with EU Procurement Regulations and Council Contract Standing Orders.

4.9 Human Resources – None.

4.10 Assets and Property – None.

5.0 Conclusions

5.1 An opportunity was taken to acquire second hand fendering due to their valuable future use. There was also a requirement to commission a future Oil & Gas production forecast to support strategic planning. Management judged that taking these matters forward was the right business decision and this was expedited by using the facilities within the Council's Contract Standing Orders as described above.

For further information please contact:

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List of Appendices

None

Background documents:

None