



Shetland

Islands Council

REPORT

To: Special Harbour Board

4 February 2004

From: Head of Finance

TABLE OF DUES 2004/05 REPORT NO: F-001-F

1.0 Introduction

- 1.1 On 17 December 2003 the Council approved the Budget Strategy for the 2004/05 estimates process.
- 1.2 Members agreed to authorise the Chief Executive to recognise the Council's interest in the achievement of the Harbour Board's objective of developing a long-term way forward for the Harbour Account, in collaboration with the Oil Terminal and Towage operations.
- 1.3 The 2004/05 revenue estimates along with the Table of Dues for the Harbour Accounts to be proposed by the General Manager Ports & Harbours will be presented today. It is necessary to set the Dues at this meeting to give the customary six weeks notice of any changes.
- 1.4 This report has been considered by the Harbour User Panels who have an advisory role. The General Manager Ports & Harbours will convey the views of the panels to the Harbour Board.
- 1.5 The Sullom Voe Terminal throughput model (Appendix A) is based on the updated figures from the oil industry and Ports and Harbours Service.
- 1.6 The key assumptions used in projecting estimated expenditure are provision for 24 launch crew, 15 marine officers, a revised aerial surveillance service and meteorological office service, together with ongoing maintenance and upkeep of the harbour.
- 1.7 Projections, based on a harbour service rationalisation programme, including Towage, and the winning of further transhipped oil volumes, indicates that the Charge Equalisation fund can potentially sustain competitive harbour charges until 2021/22. The early progress which has been made on reducing harbour account costs has allowed charges for 2003/04 to be held at the 2002/03 level, and for there to be only inflationary increases in charges thereafter. The limiting of future charge increases does depend, however, on continued downward pressure on harbour account costs (calculated in Appendix A as new average savings of £112,000 per annum), and on reducing towage

costs, and on the rationalisation of services, and on oil throughput and tanker gross tonnage levels being achieved.

2.0 Review of Charging Structure

- 2.1 In accordance with standard practice the proposed complete charging system, to be levied from 1 April 2004, is presented as Appendix B; it incorporates charges for all services.
- 2.2 A consolidated Sullom Voe Port charge, which includes harbour, mooring, pilotage and boarding and landing elements, has now been established. In addition to its usefulness as a tool for comparing the Council's charges with that of our major competitors, it has also simplified the charging process within the Marine Operations Department. It is recommended that the Council increase the charge for 2004/05 by inflation only. The consolidated charge for a segregated ballast tanker visiting the harbour in 2004/05 is proposed to be £0.61 per GT.
- 2.3 Legally the Council is required to stipulate separate charges for each of the chargeable elements and proposals are set out in the Table of Dues (attached as Appendix B). A separate agreement is in place concerning shipping dues paid by the vessel importing Schiehallion cargo.
- 2.4 The Council has generally supported the Green Award Certification Scheme, since its inception in January 1994, by permitting the Director of Marine Operations to participate in the work of its Board of Experts. Its objective is to promote safe and environmentally friendly ship and port management by recognition of high standards of ship operation allied to financial incentives for seeking to operate to these standards. It is considered to be worthy of further support and it is therefore proposed that the Council should continue the rebate this year at the same level of 5% in 2002/03 for Green Award vessels trading to Sullom Voe.
- 2.5 The only alteration to Harbour Charges is the addition of a new charge under Scale F, which shows the charges in relation to "Ship-to-Ship Transfer of Oil".
- 2.6 In general, it is proposed to adjust the charges for non-oil related traffic and for goods dues by inflation.

3.0 Conclusions

- 3.1 In summary, this report sets out the proposed Harbour Charges for 2004/05 as put forward by the General Manager Ports & Harbours.

- 3.2 A review of charges at Sullom Voe has been undertaken and the proposals are detailed in Appendix B. It is fourteen years since the equalisation concept was adopted by the Council (February 1988), and the measures taken should re-establish the concept for the foreseeable future.
- 3.3 A consolidated charge has been established which includes a charge for ship dues, mooring, pilotage and boarding and landing. This charge is £0.61 per GT for segregated ballast tankers and £0.74 for non-segregated.
- 3.4 The charges proposed for all the Council's Harbours (i.e. not just Sullom Voe) are those set for the current year adjusted for inflation and are detailed in Appendix B. There is a new charge - Scale F in relation to "Ship to Ship Transfers of Oil". These proposals are consistent with the Council's standstill budget strategy.

4.0 Policy and Delegated Authority

- 4.1 There are no delegated powers of the General Manager Ports & Harbours to determine the level of Harbour Dues, so the Harbour Board is asked to initially approve the Table of Dues.
- 4.2 The Harbour Board has no authority to finally approve the Table of Dues for 2004/05; therefore a decision of the Council is required.

5.0 Recommendations

- 5.1 I recommend that:
 - (I) The Harbour Board considers and approves the Table of Dues contained in Appendix B and commends this to the Council.
 - (ii) The Council approves the Table of Dues contained in Appendix B.

Date: 26 January 2004

Ref: HKT/E/1/AC (P&H)

Report No: F-001-F

B

SHETLAND ISLANDS COUNCIL

TABLE OF DUES TO BE LEVIED AT ALL PIERS AND HARBOURS

**FROM 1ST APRIL 2004
(Harbours Act 1964)**

DEFINITION

Segregated Ballast Tanker

1. A tanker holding an International Oil Pollution Certificate showing the ship to have segregated ballast tanks in full compliance with Regulation 13 of MARPOL. In addition the ship must be operated in this manner.

CONSOLIDATED CHARGE

Consolidated Charge

1. The consolidated charge for segregated ballast tankers entering the Port of Sullom Voe will be £0.61 for segregated ballast tankers and £0.74 for non-segregated ballast tankers. This charge is made up of the following elements, ship dues, pilotage, mooring and boarding and landing.

Example - Consolidated Charge for segregated ballast tankers is made up of the following: -

Shipping Dues	- applied per visit	£0.51
Mooring Charge	- applied per visit	£0.02
Pilotage Charge	- applied (£0.03 x 2)	£0.06
B & L Charge	- applied (£0.01 x 2)	£0.02
Total Consolidated Charge		<hr/> £0.61 <hr/>

SHIPS DUES

Conditions

1. Ship Dues shall apply to all vessels entering the limits of any of the Council's harbours except in circumstances mentioned at (2), (3) and (4) below. These rates shall also be charged by way of berth rents where a Council pier is used in any location outside the Council's harbour areas. Vessels will be allowed to overstay the four-day period in port without additional charge if the harbour is closed, or if cargo/unberthing is suspended due to adverse weather conditions, or if the vessel is permitted to wait alongside until a second crude oil type becomes available. For the avoidance of doubt, if for operational reasons, the Terminal requires the berth to be vacated, then the above will NOT apply.
2. Ship Dues will not be levied on any vessel, which enters a harbour area in order to enable a pilot to board in difficult weather conditions, and subsequently has to depart as a result of the pilot not being able to board. Pilotage and Boarding and Landing charges will however apply in accordance with section 2 (ii) of the schedule of Pilotage Charges.
3. If a vessel is required to leave the harbour by the Harbourmaster for any reason unconnected with defects in the vessel, or the vessel's operation, no ship dues will be levied on the subsequent re-entry. Please note this concession does not apply to pilotage, boarding and landing or mooring boats.
4. Vessels that for operational reasons enter the harbour area and anchor at the request of the Harbour master shall only become liable for the Ship Dues on occupying a berth. Should the vessel sail without berthing full Ship Dues for a stay of up four days will be payable, without regard to the actual length of stay.
5. An International Tonnage Certificate (1969) shall be produced to the Harbourmaster.
6. In calculating charges a fraction of a gross ton shall be reckoned as one gross ton.
7. Craft based at Sullom Voe and operated by the Oil Industry for the sole purpose of pollution control shall be exempted from Harbour Dues provided they occupy berths designated by the Harbourmaster. When berthed other than at a berth designated for the purpose by the Harbourmaster the full Harbour Dues will be payable.

8. With reference to the four-day period in section 1 above, the following times will be subtracted from the overall time in port:
- a) Tankers that for operational reasons, are called to the pilot station in advance of bad weather conditions, a fixed period of 12 hours.
 - b) Tankers that are required to move berth for two or more types of crude oil, a fixed period of three hours per move.
9. Ships dues are inclusive of a fee for garbage waste disposal.

**SCALE A -
VESSELS PER ENTRY AND STAY PER FOUR-DAY PERIOD OR PART
THEREOF**

VESSELS ENGAGED IN THE PROVISION OF SERVICES, SUPPLY OF
MATERIALS OR EXPORT OF PRODUCTS FROM THE SULLOM VOE OIL
TERMINAL

Per gross ton - segregated ballast tankers

£0.51

- non-segregated ballast tankers

£0.62

An additional rebate of 5% will be given to tankers holding a Green Award Certificate based on the non-segregated ballast tankers rate.

Voluntary Payment

A voluntary payment of £35 per visit will be requested in respect of all vessels in excess of 8,500 GT and making fast to any jetty or pier within the Sullom Voe Harbour area. Such funds will be forwarded without deductions, to the British & International Sailors Society.

VESSELS CALLING AT SCALLOWAY HARBOUR IN EXCESS OF 300 GROSS
TONNAGE (INCLUSIVE OF PILOTAGE)

Per gross ton

£0.44

Passengers disembarking per person -
(tourist traffic/passenger liners only)

£2.00

ANY OTHER VESSEL CALLING AT A COUNCIL PIER OR HARBOUR

Per gross ton

£0.37

Barges – GrossTonnage by calculation or certificate

£0.37

Live Fish Carriers

Vessels carrying live fish can apply for an annual composite rate charge equivalent to 40 trips x gt rate

SALMON CAGES LAUNCHED AND FLOATING IN HARBOUR

Per 4 day period

70 Metre Cage	£30.52
80 Metre Cage	£34.88
90 Metre Cage	£39.24
100 Metre Cage and over	£43.60

MINIMUM CHARGE PER ENTRY AND STAY

£5.95

Passengers disembarking per person -
(tourist traffic/passenger liners only)
£2.00

SCALE B -

COMPOUNDED ADVANCE ANNUAL CHARGES COVERING USE OF ALL COUNCIL PIERS AND HARBOURS

1. A seasonal compound annual fee, payable in advance, will be charged for each pleasure craft berthed within a Harbour area, but not within an established Marina.

The following seasonal fee covers 1 April to 30 September, inclusive: -

a) Exceeding 15m overall length	£81.16
b) Exceeding 10m and up to 15m	£59.52
c) Up to 10m	£37.87

Charge per calendar month between 1 October and 31 March inclusive, in addition to section 1 above: -

a) Exceeding 15m overall length	£20.30
---------------------------------	--------

b) Exceeding 10m and up to 15m

£14.88

c) Up to 10m

9.48

£

For UK registered fishing vessels and salmon farm tenders

a) Up to and including 8m overall length

£23.94

b) In excess of 8m overall length, per metre or part of overall length

£16.90

Vessels regularly providing services within a Council harbour
(over 8 metres overall length) - per gross ton

£26.79

GOODS DUES

Conditions:

8. (i) Goods dues shall apply to all goods discharged or loaded over one of the Council's piers or handled in the fish market, or to any transfer of goods from craft to craft, craft to shore and from shore to craft which takes place within the limits of a Council harbour but which does not involve the use of a pier except as in (ii) below. Goods dues SHALL NOT apply to goods carried on scheduled ferry services operated or subsidised by the Council. Goods dues SHALL NOT apply in respect of oil or gas loaded into tankers over the oil jetties in Sullom Voe.
- (ii) Salmon Farmers and Shellfish Farmers operating within or serviced from a harbour area but not making use of a Council pier or landing place are required to pay a due of £121.20 annually. Where a Council pier or landing place is used, the full tariff is applicable.

SCALE C - RATES ON FISHING GEAR

Vessels storing nets on any pier, outwith designated net mending areas

Per net per day

£28.57

However, where nets are stored in bins as provided by the Council the following bin rates apply: -

Harbour Board - Wednesday 04 February 2004
Agenda Item No. 01 - Public Appendix
Per Glass Fibre Bin per annum
£103.56

Per Small Metal Bin (1.925m x 1.925m) per annum
£226.20

Per Large Metal Bin (1.925m x 2.60m) per annum
£256.08

The above rates are inclusive of insurance and shall be applied to pro rata on a daily basis as appropriate.

Where insufficient bins are available to meet demand, charges are abated for nets left in the designated storage areas to those applicable to a large metal storage bin during the period until a bin is available.

Charge for the use of designated net mending area where not paying compounded dues or landing dues on that visit - £60.90 per net for the first seven days, thereafter the rates for use of hard standing areas will apply.

Where excessive waste net materials are left behind after use of the net mending area vessels will be charged for collection and disposal of the materials.

Minimum	charge	per	hour
£26.27			

SCALE D - RATES ON GOODS

Fresh fish and shellfish - per £1.00 value
£0.025

Farmed Fish and Farmed Shellfish - per £1.00 value
£0.005

Any fish or shellfish landed outwith a Council pier
and stored in the Fish market – per £1.00 value £0.025

Salmon Farmers and Shellfish Farmers operating within or serviced from a Harbour Area but not making use of a Council pier or landing place are required to pay a due of £121.20 annually. Where a Council pier or landing place is used, the full tariff (as set out above) is applicable.

Tractors, lorries, machinery and motor cars, (any goods which they might be carrying will be charged separately in accordance with the table of dues) - per tonne
£5.48

Bulk Materials

Harbour Board - Wednesday 04 February 2004

Agenda Item No. 01 - Public Appendix

Aggregates both coarse and fine, fertilisers, boulders and cement/sand - per tonne
(bulk includes carriage in flexible intermediate bulk containers - FIBC's) £
0.12

Salmon Feed - per tonne £
1.12

Salmon Nets (from/to cages) per net
£16.66

Water - per tonne £
1.42

Any other goods not specified above, per tonne £1.42

Minimum charge on any one item
£5.95

Electricity – when electricity is provided by SIC a minimum charge of £11.56 for connection is levied in addition to the charge for units used.

SCALE E - RATES FOR USE OF HARD STANDING AREA

Short Term - per square metre per day
£0.13

Long Term (min 120 days) - per square metre per day
£0.05

However, to avoid any delay to the ship when bulk cargo is being handled e.g. sand, aggregate, limestone etc., the consignee/shipper shall be assigned an area of the quay for stock piling purposes at the rate of 400m² per 1000 tonnes. The shipper shall be responsible for clearing up the designated area after the total cargo has been shipped. One week (7 days) per cargo will be allowed free of hard standing storage fees. Any cargo remaining after one week will attract hard standing storage dues at the above rate.

SALMON CAGES UNDER CONSTRUCTION

Storage of parts before construction commences – as hard standing rate above.

Whilst construction takes place - £52.53 per day plus hard standing charge for parts.

Charges for building aquaculture cages in harbour waters will be based on the area times an assumed GROSS TONNAGE. Therefore charges will be levied as per Scale A plus hard standing charge for parts.

CHARGES FOR HARBOUR CRAFT AND PLANT

9. A daily hire rate for any of the following plant can be negotiated at time of hire.

	Hire of the SULLOM SPINDRIFT/SULLOM SHOORMAL/ SULLOM SPRAY per hour or part thereof	£228.51
	Hire of the Sullom 'A', 'B' or 'C' per hour or part thereof	£ 81.01
*	Hire of the Scalloway Harbour Launch per hour or part thereof	£ 63.98
	Hire of the Marine Travel Lift per hour or part thereof	£100.96
	Hire of Fork Lift Truck per hour or part thereof	£ 29.94
*	Hire of power washers per hour or part thereof	£
	13.71	

* These items are based at Scalloway Harbour.

1. Ship-to-ship transfers of oil at a Sullom Voe Terminal jetty, excluding bunker transfers:-

- | | | |
|-----|--|----------------|
| (a) | Import vessel(s) per gross cargo tonne | £0.49 |
| (b) | Export Vessel | Free of Charge |

The above includes Ship Dues/Pilotage/Boarding and Landing/Mooring/Normal Towage. Any other services will be charged as detailed in the Table of Dues.

2. Where an export tanker loads crude ex shore tankage before or after a ship-to-ship transfer:-

- | | | |
|-----|--|----------------|
| (a) | Import vessel(s) per gross cargo tonne | £0.49 |
| (b) | Export vessel will be berthed and moved once | Free of Charge |

Thereafter the export vessel will attract Ship Dues/Pilotage/Boarding and Landing/departure towage (as published by Shetland Towage Ltd) and any other harbour charges as detailed in the Table of Dues.

SULLOM VOE HARBOUR AREA

SCHEDULE OF MOORING RATES

Effective from 1st April 2004

1. At any one of the oil loading jetties, per mooring operation

- segregated ballast tankers
£0.02
- non-segregated ballast tankers
£0.02

A 'mooring operation' shall be any occasion on which the services of one or more mooring boats are required for the purposes of mooring. Where a vessel is required to shift from one jetty to another the above rates will apply for each separate mooring.

At any other jetty - per mooring boat per hour or part thereof £79.18

At any jetty but not requiring a mooring boat
- per hour or part thereof £35.88

SULLOM VOE HARBOUR AREA
SCHEDULE OF PILOTAGE CHARGES
(PILOTAGE ACT 1987)

Effective from 1st April 2004

1. The following charge is payable for piloting a vessel inwards or outwards in the Harbour Area and for each piloted movement within the harbour: -

Per gross ton - segregated ballast tankers
£0.03

 - non-segregated ballast tankers
£0.04
Minimum charge per act of pilotage
£73.27
2. A charge of £44.97 per hour or part thereof shall be applicable in the following cases: -
 - (i) when a pilot is requested for the departure, moving or arrival of a vessel and the vessel fails to move or arrive within one hour of the stated time of departure, move or arrival;
 - (ii) when a pilot is requested and the requirement is cancelled after the pilot has set out to undertake pilotage;
 - (iii) for detention aboard ship of a pilot by request of the Master, Owner or Agent and no pilotage service is being rendered, and
 - (iv) when a pilot is in attendance on board a vessel berthed alongside during periods of severe weather.
3. Vessels, which are being towed, by a vessel under pilotage and any vessel being led within the Harbour Area by a vessel which is under pilotage shall pay pilotage dues as if the pilot were on board.
4. Marine Officers of the Shetland Islands Council undergoing training may from time to time accompany the pilot but such trainees shall not be considered to be assistants to the pilot and no extra charge shall accrue to any vessel in respect of such trainees.

5. An International Tonnage Certificate (1969) shall be produced to the Harbourmaster.
6. In calculating pilotage charges a fraction of a gross ton shall be reckoned as one gross ton.

SULLOM VOE HARBOUR AREA
SCHEDULE OF BOARDING AND LANDING CHARGES
(PILOTAGE ACT 1987)

Effective from 1 April 2004

1. For each act of pilotage undertaken every vessel shall pay a boarding fee or a landing fee of: -

Per gross ton - segregated ballast tankers
£0.01
- non-segregated ballast tankers
£0.01

Minimum charge per act of pilotage
£73.27
2. If the pilot launch is detained under any of the circumstances as mentioned in paragraph two of the scale of charges for pilotage a charge shall apply as follows: -

For each hour or part thereof
£222.94
3. If the Harbour Authority requires a pilot to board or land by helicopter the ship will be charged the normal boarding or landing fee as specified above except in cases where the service arranged by the Harbour Authority is not accepted by the ship. In such cases all costs for alternative aircraft usage will be charged to the ship.
4. An International Tonnage Certificate (1969) shall be produced to the Harbourmaster.
5. In calculating charges a fraction of a gross ton shall be reckoned as one gross ton.

6. Vessels which cannot provide regulation boarding equipment and in particular those with forward leading accommodation ladders, may receive or land their pilots by helicopter, if a helicopter is available. In such cases all charges incurred in respect of aircraft usage, including abortive missions will be charged to the ships account.
7. Special rates are applicable for the performance of duties outside those normally associated with pilotage and these are available on request from the General Manager – Ports and Harbours Operations.

SCALLOWAY HARBOUR AREA

SCHEDULE OF PILOTAGE CHARGES

(PILOTAGE ACT 1987)

Effective from 1 April 2004

1. The following charge is payable for piloting a vessel less than 300 Gross Tonnage inwards or outwards in the Pilotage District to or from either an anchorage, buoy or berth and for each piloted movement within the harbour:
-

Per act of pilotage
£26.52
2. Vessels in excess of 300 Gross Tonnage entering Scalloway Harbour shall pay the following charge, which is a proportion of a composite harbour charge levied on all such vessels: -

Per gross ton
£0.07
3. A charge of £24.34 per hour or part thereof shall be applicable in the following cases: -
 - i) When a pilot is requested for the departure, shifting or arrival of a vessel and the vessel fails to move or arrive within one hour of the stated time of departure, shift or arrival;
 - ii) when a pilot is requested and the request is cancelled after the pilot has set out to undertake pilotage, and
 - iii) for detention aboard ship of a pilot by request of the Master, Owner or Agent and no pilotage service is being rendered.
4. Vessels that are being towed by a vessel under pilotage and any vessel being led within the Pilotage District by a vessel, which is under pilotage, shall pay pilotage dues as if the pilot were on board.
5. Marine Officers of the Shetland Islands Council undergoing training may from time to time accompany the licensed pilot but such trainees shall not be considered to be assistants to the pilot and no extra charge shall accrue to any vessel in respect of such trainees.
6. An International Tonnage Certificate (1969) shall be produced to the Harbourmaster.
7. In calculating charges a fraction of a gross ton shall be reckoned as one gross ton.

8. Special rates are applicable for the performance of duties outside those normally associated with pilotage and these are available on request from the General Manager – Ports and Harbours Operations.

SCALLOWAY HARBOUR AREA

SCHEDULE OF BOARDING AND LANDING CHARGES

(PILOTAGE ACT 1987)

Effective from 1 April 2004

1. For each act of pilotage undertaken every vessel shall pay a boarding fee or a landing fee of: -

£63.98 per hour or part thereof for use of the pilot cutter plus, outside normal working hours, there shall be an additional charge for labour involved. Rates available on application.
2. If the pilot launch is detained by virtue of any of the circumstances in paragraph three of the scale of charges for pilotage a charge shall apply as follows: -

For each hour or part thereof £63.98
3. An International Tonnage Certificate (1969) shall be produced to the Harbourmaster.
4. In calculating charges a fraction of a gross ton shall be reckoned as one gross ton.



Shetland Islands Council

REPORT

To: Special Harbour Board

4 February 2004

From: Head of Finance

ESTIMATES – 2004/05

Report No: F-002-F

1.0 Introduction

- 1.1 On 17 December 2003 the Council approved the Budget Strategy for the 2004/05 estimates process.
- 1.2 Members agreed to authorise the Chief Executive to recognise the Council's interest in the achievement of the Harbour Board's objective of developing a long-term way forward for the Harbour Account, in collaboration with the Oil Terminal and Towage operations.

2.0 Format of the Report

- Section 1 - Introduction
- Section 2 - Format
- Section 3 - 2004/05 Revenue Estimates compared to ceiling for the Support Ledger for Ports & Harbours - Appendices A(1), A(2) and A(3)
 - 2004/05 Revenue Estimates cost centre comparison to ceiling for the Harbour Ledger for Ports & Harbours - Appendices B(1) and B(2)
 - Review of Charges - (separate report Table of Dues 2004/05)
 - 2004/05 Reserve Fund Estimates
- Section 5 - Policy and Delegated Authority
- Section 6 - Conclusions
- Section 7 - Recommendations

3.0 2004/05 Estimates Compared to Ceiling

3.1 Support Ledger

3.1.1 Ports & Harbours

Appendix A(1) compares the 2004/05 Support Ledger estimates put forward by the General Manager Ports & Harbours against the ceiling set by the Council for the Ports & Harbours. The position is summarised in the following table:

Table 1 Ports & Harbours Support Ledger	2004/05 Ceiling £000	2004/05 Budget £000	2004/05 Variance £000
Income	-15.6	-16.5	0.9
Employee Costs	751.3	683.6	67.7
Operating Costs	178.8	182.3	-3.5
Net Controllable Expenditure	914.5	849.4	65.1
Financing Costs	29.3	29.3	0.0
Net Recharges	-943.8	-878.7	-65.1
Total Net Expenditure	0.0	0.0	0.0

3.1.2 Table 1 shows that there is a favourable variance in Net Controllable Departmental expenditure on the Support Ledger of £65,181. This is mainly due to a reduction in employee costs with the retirement of the Support Services Manager.

3.1.3 The reduction in Net Recharges is due partly to the reduced costs of support services staffing as detailed in 3.1.2.

3.2 Harbour Ledger

3.2.1 Ports & Harbours

Appendix A(2) compares the 2004/05 Harbour estimates put forward by the General Manager Ports & Harbours against the ceiling set by the Council for the Ports & Harbours. The position is summarised in the following table:

Table 2 Ports & Harbours Harbour Ledger	2004/05 Ceiling £000	2004/05 Budget £000	204/05 Variance £000
Income	-11405.0	-11415.7	10.7
Employee Costs	2472.5	2409.4	63.1
Operating Costs	1869.7	1070.1	799.6
Transfer Payments	74.8	74.8	0.0
Net Controllable Expenditure	-6988.0	-7861.4	873.4
Financing Costs	2886.9	2921.8	-34.9
Net Recharges	3443.0	3341.9	101.1
Total Net Expenditure	-658.1	-1597.7	939.6

3.2.2 Table 2 shows that there is a favourable variance in Net Controllable Departmental expenditure on the Harbour Ledger of £873,366.

3.2.3 The reduction in Employee costs of £63,126 is due to drift inflation included in salary ceilings not required as staff on a fixed point.

3.2.4 Operating costs are under the ceiling by £799,581 due to a combination of a reduction property and plant, supplies and services transport and contributions. This is due to a reduction in the cost of the meteorological contract and helicopter contract, reduced insurance costs and the removal of contributions to the Pilot Boat Renewal Fund and the Mooring Account as these are no longer required.

3.2.5 The Financing costs are over by £34,864 as there is additional capital charges and depreciation on Harbour assets.

3.2.6 Net Recharges reduction is because of a change in the recharging pattern that has resulted in less being charged to the Harbour. Included in these recharges is the Engineering Recharged Ledger, which is shown in Appendix A (3). The Engineering Recharged Ledger has a reduction in net controllable expenditure of £3,341.

3.2.7 Appendix B (1) and B (2) compare the 2004/05 estimates to the ceiling by cost centre for the Ports & Harbours service. The main variances are on the following cost centres:-

Sullom Voe Harbour

The main reason for the variance is that insurance costs and the meteorological contract have reduced significantly. This however has been offset by the need for capital spend on an upgrade of the Radar Tracking and Display Unit.

Sullom Voe Boarding and Landing

This budget has been reduced by the removal of the boat management fee and pilot boat renewal fund contribution.

Aerial Surveillance

Costs have reduced significantly with the reduction in the helicopter surveillance service.

Sullom Voe Navigational Aids/Communications

The underspend is due to a reduction in depreciation charges of assets held.

Blacksness

The increase in budget is to cover additional capital charges and depreciation for assets and a reduction in the income expected to be received from the Port.

3.3 Review of Charges

- 3.3.1 A separate report on the Table of Dues is being presented to the Harbour Board today and as such does not form part of this report.

3.4 Reserve Fund Estimates

- 3.4.1 There is only one Reserve Fund Estimate for Ports & Harbours namely, Redevelopment West Blacksness. This forms part of the Capital Expenditure report and is reported to the Council separately. The budget for next year is estimated at £30,000.

4.0 Financial Implications

- 4.1 Ports & Harbour's Support and Harbour estimates are under the net controllable ceilings set by the Council by £65,181 and £873,366 respectively. This is in line with the budget strategy to pursue a long-term viable future for the Port of Sullom Voe.

5.0 Policy and Delegated Authority

- 5.1 The Harbour Board has no authority to approve the revenue estimates report. Therefore, any motion approved by the Harbour Board will form a recommendation to the Shetland Islands Council for their overall consideration within the resources available.
- 5.2 There are no delegated powers for the General Manager Ports & Harbours to determine the level of revenue resources required to fund the Marine Operations Committee's services. The Harbour Board is asked to initially

recommend the estimates put forward in this report and forward this to the Council meeting at which the ultimate decisions on the budget are taken.

- 5.3 The ultimate decision on approving the revenue estimates lies with the Council.

6.0 Conclusions

- 6.1 In summary this report sets out the proposed Harbour estimates for 2004/05 financial year, as put forward by the General Manager Ports & Harbours detailed in Appendices A(1), A(2), A(3), B(1) and B (2). These estimates have been compared against the ceilings set by the Council's budget strategy and explanations of any major variances from ceiling have been given.
- 6.2 The budgets put forward by the General Manager Ports & Harbours on the Support Ledger and the Harbour Ledger are under the ceilings set by the Council's budget strategy for the net controllable element of the budget by £65,181 and £873,366 respectively.
- 6.3 A review of charges is discussed in a separate report titled "Table of Dues 2004/05".
- 6.4 The Reserve Fund estimate put forward by the General Manager Ports & Harbours forms part of the Capital Programme and as such is the subject of a separate report to the Council.

7.0 Recommendations

- 7.1 I recommend that the Harbour Board consider and approve the 2004/05 estimates contained in Appendices A(1), A(2), A(3) and B(1), B(2);
- 7.2 subject to the above, these estimates should be forwarded for consideration by the Council at the final budget-setting meeting on the 12 February 2004.

Date: 26 January 2004
Our Ref: HKT/E/1/AC(P&H)
F

Report No: F-002-