



SCRABSTER HARBOUR TRUST ANNUAL REPORT

2015-16

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About Us

Scrabster Harbour Trust is an independent statutory body, governed by its own local legislation, run by an independent board for the benefit of stakeholders. Modernising Trust Ports – A Guide to Good Governance describes a trust port as 'a valuable asset presently safeguarded by the existing board, whose duty it is to hand it on in the same or better condition to succeeding generations. This remains the ultimate responsibility of the board, and future generations remain the ultimate stakeholder'. Through the running and maintenance of this asset, though, others stand to benefit.

The Trust is established and acts in terms of various Scrabster Harbour Acts and Orders enacted in the period 1841 to 2011. The current constitution and management arrangements of the Trust are set out in the Scrabster Harbour Revision (Constitution) Order 2005.

The Board in 2015-16

Non Executive Members

Tom Pottinger, Chairman re-appointed to the Board 2nd October 2015

Colin Calder, Vice Chairman

Frank Bremner

John Cormack (resigned 2nd October 2015)

Simon Middlemas re-appointed to the Board on 30th October 2014

Douglas Robertson

William Thomson appointed to the Board 2nd October 2015

Executive Members

Sandy Mackie, Trust Manager

Gordon Mackenzie, Harbour Master (resigned 26th June 2015)



Chairman's Report

It is very satisfying to be able to report another successful year for Scrabster Harbour.

As Sandy Mackie reports in more detail in the Business and Operations Review, the Trust has achieved a record turnover for the second year in succession, with a further increase in profitability. Importantly one should note that all profits are reinvested in the business as we are a Trust Port.

The core sectors of fishing and the ferry have continued to perform well with little adverse impact on the fishing industry of the discards ban and an increase in passenger traffic for the ferry. It is very pleasing to see increased activity in the oil and gas business for Scrabster, in spite of an ongoing industry downturn. What is of particular note is the increase in tonnage of cargo being shown in the oil and gas figures, indicating that Scrabster is being viewed more and more as a realistic option for cargo shipment and crew transfers. Thanks must go to the operators and agents for realising the potential to shorten the distance and reduce the cost of transshipment to the West of Shetland oil developments by using the closest mainland port.

The renewables sector continues to make the news with the current deployment of the Meygen tidal turbines. We watch with interest and hope to see continued growth of the industry for the benefit of the local economy. The announcement of the Beatrice off-shore wind project has already brought some unexpected but welcome business to Scrabster recently with the deployment of an experimental plough from the port to aid in the burying of undersea cables.

Sandy Mackie describes in more detail in his report the continued growth of the cruise, property and general cargo sectors of our business. The diversification of our business is an important factor in the continuing success of the port.

The Board has recently reviewed our Strategy document and has made very little change other than some updating. I would commend the reader to read the following section entitled "Delivering the Strategy" where the Boards' priorities for the future are described. To succeed in delivering the Strategy the business must continue to trade profitably but also to encourage further public investment in any major infrastructure investments that are required. This has a significant multiplier effect for local business.

I would like to thank our Trust Manager, Sandy Mackie, for delivering a very good set of figures and for leading the staff in the provision of a safe working environment. The safety of the staff and all our stakeholders is a priority for the Board of Management. We are fortunate to have a motivated and responsive workforce who meets the needs of our many customers and stakeholders in an efficient and welcoming manner.

This was shown at its best recently when we celebrated the 175th anniversary of Scrabster Harbour. Jason Hamilton and his team came up with some great ideas for the fun day at the fish market and the whole weekend was a great success with £4,500 raised for local charities.

Finally I would like to record my thanks to the Board members for their support and contributions towards the effective governance of what is a very important asset to the community.

Tom Pottinger,

Chairman



Key Operational Indicators

Number of Arrivals	2015-16	2014-15	2013-14	2012-13
Ferry	806	794	768	914
Fishing	1,125	1,068	977	823
Offshore Oil	97	76	89	72
Renewables	20	17	3	11
General Cargo	56	85	73	96
Fish Cargo	55	75	96	96
Tankers	45	24	13	19
Cruise	6	8	9	10
Visiting Yachts	48	61	53	62
Total Arrivals	2,258	2,208	2,081	2,103

Tonnage of Vessels	2015-16	2014-15	2013-14	2012-13
Ferry	7,007,762	6,971,220	6,662,034	8,024,920
Fishing	243,873	241,272	214,733	181,371
Offshore Oil	525,090	318,943	372,671	298,897
Renewables	19,272	27,906	2,552	44,970
General Cargo	61,473	138,222	136,532	95,096
Fish Cargo	244,890	248,896	236,352	236,106
Tankers	44,892	37,681	39,951	27,513
Cruise	131,498	81,431	133,767	80,073
Total Tonnage	8,278,750	8,065,571	7,798,592	8,988,946

Traffic Statistics	2015-16	2014-15	2013-14	2012-13
Ferry- passenger numbers	126,808	122,421	111,593	136,817
White Fish – Box Landings	290,651	288,233	249,265	210,673
Offshore Oil – cargo tonnes (excluding water)	5,295	2,199	4,131	3,745
Renewables –cargo tonnes	5,481	8,727	84	6,886
General Cargo - tonnes	16,482	50,332	36,407	47,260
Fish Cargo - tonnes	19,484	14,714	12,423	20,380
Tankers – tonnes	38,747	34,261	25,967	24,201
Cruise – Passengers	3,117	2,227	3,182	2,234

Business and Operations Review

Sandy Mackie

FINANCIAL HIGHLIGHTS

£2.753 Million TURNOVER	£508,776 Profit before Tax	£2.780 Million Net Current Assets	£93,000 Capital Expenditure
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Financial year 2015-16 was a further successful trading year for the Trust. Turnover for the year amounted to £2.753 million, an increase of £135,000 on the 2014-15 figures. When property revenues are included the total Trust revenues rose at £2.955 million, a record figure for the second consecutive year. Profit before tax increased to £508,776, an increase of £29,793 on the previous year. The trading position reflects growth in port revenues across nearly all of the Trust's trading sectors.

The Trust balance sheet remains strong with a strengthening working capital position. At 31st March 2016 the Trust had net current assets amounting to £2.753 million compared with £2.346 million in the previous year. A strong balance sheet and cash position provides solid underpinning for the Trust's programme of further infrastructure improvements.

Total gross registered tonnage (GRT) through the port for the financial year to 31st March 2016 was 8.278 million tonnes compared with 8.066 million tonnes in the previous year, an increase of 2.6%. The oil and gas sector showed the biggest increase in vessel tonnage during the year. Vessel arrivals totalled 2,258 a small increase on the previous year's figure of 2,208.

SECTOR REVIEW

Ferry

Ferry revenues remain the Trust's largest revenue stream. Passenger numbers on the lifeline ferry link totalled 126,808 an increase of 3.5% compared to 2014-15. Overall Ferry revenues were 5% higher than the previous year.

There were no disruptions to the ferry service during the year other than weather. The Caledonian MacBrayne vessel Isle of Lewis provided the service whilst the Hamnavoe undertook its scheduled dry-docking in March 2016.

Fishing

Fishing activity, as measured by box landings, was almost identical to the previous year at 290,651 boxes with a small increase in the box numbers landed through the market. However, there was increase in the value of landings with overall fishing revenues up 7.2% compared to 2014-15. The value of shellfish revenues increased by 6%.

The Trust has continued to pay a loyalty rebate to whitefish and shellfish vessels making more than 15 landings in the year.

Oil Related and Renewables

Oil and Gas vessel arrivals increased by 28%. Vessel tonnage increased by 65% to 525,090 tonnes. Oil & Gas cargo tonnage increased by 66% to 5,295 tonnes. A monthly record for arrivals and vessel tonnage was achieved in July 2015.

The increase, in activity at Scrabster, is very encouraging given the difficulties facing the sector. Improved port infrastructure, increased activity West of Shetland and an increased focus on cost have all contributed to increased use of Scrabster.

The increase in activity has been sustained during the first six months of 2016-17.

There was limited renewables activity in 2015-16. There were twenty renewable energy related arrivals in 2015-16 compared with seventeen arrivals the previous year. However renewable vessel tonnage amounted 19,272 tonnes down from 27,906 tonnes in 2014-15. There was a similar fall in renewables cargoes to 5,481 tonnes. The renewable activity included the completion of the shipment of components for Strathy North Wind Farm.

The first deployment of tidal turbines, in the Pentland Firth, is planned for September through to November 2016. Scrabster will be support the loadout of the ballast blocks for the project.

Cruise Ships

There were six vessel arrivals, two less than the previous year. However the vessel tonnage, at 131,498 tonnes, was 61% up on 2014-15. Cruise passenger numbers totaled 3,117.

The results for the 2016 cruise season are now available and show record passenger numbers and vessel tonnage.

General and Other Cargo

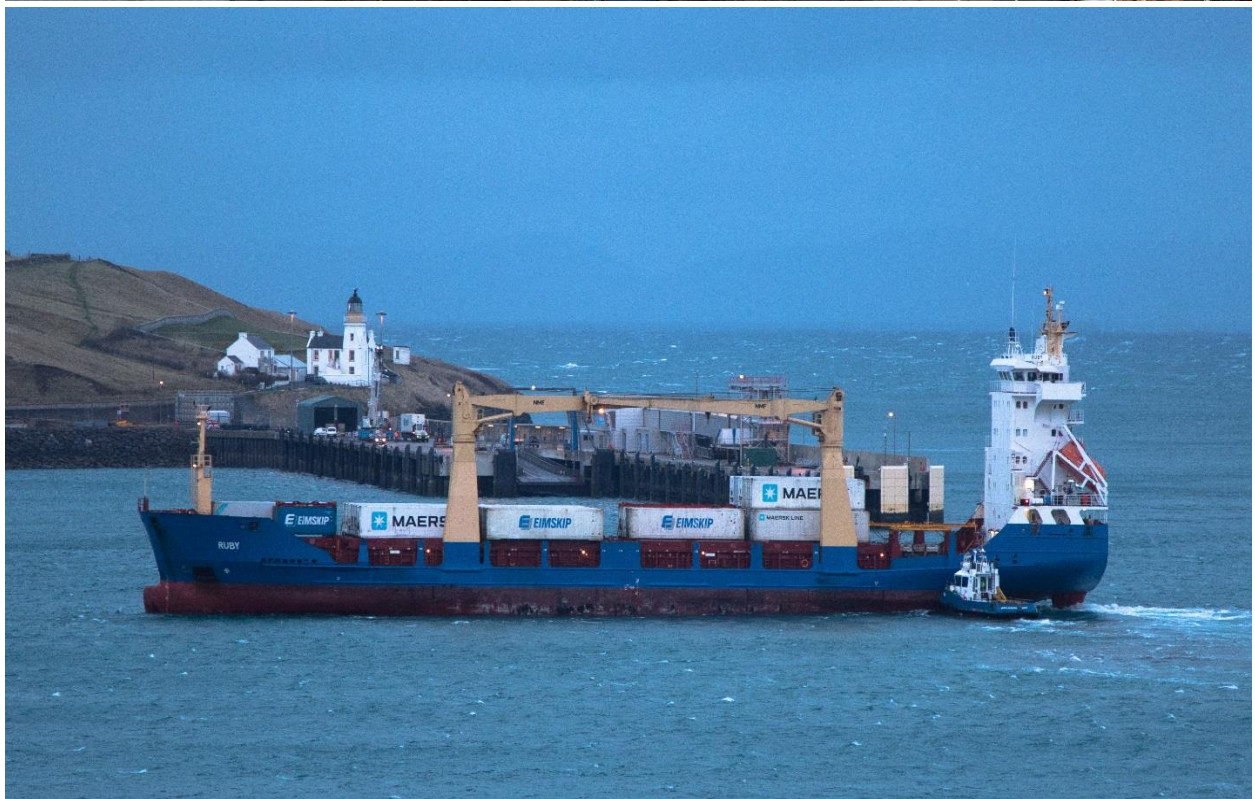
General Cargo activity decreased with 16,482 tonnes of cargo passing through the port compared with 50,332 tonnes in the previous year. Timber shipments totaling 8,058 tonnes, compared with 42,519 tonnes in 2014-15, were exported through Scrabster. The other commodities handled included rock salt, salmon smolts and transformers. Fish cargo tonnages from Faroes increased to 19,484 tonnes compared with 14,714 tonnes in 2014-15, an increase of 32%. Oil imports, at 38,747 tonnes, were 13% higher than in the previous year.

Pleasure and Small Craft

The number of visiting yachts decreased from 61 to 48. The pontoon facilities installed in the inner basin continue to be oversubscribed.

Property

Property revenues were 9% higher than 2014-15 reflecting higher demand for temporary storage and laydown areas.



Strategic Planning (Approved by the Board in 2016)

Scrabster Harbour Trust business strategy is focused on:

- Growth in energy related port activity (oil and gas, marine renewables).
 - For oil and gas, Scrabster seeks to become an integrated supply base supporting activity West of Shetland and in the Northern North Sea.
 - For marine renewables, the port seeks to be an operations and maintenance base for wave and tidal activity in the Pentland Firth and Orkney waters.
- The retention and growth of ferry, fishing, general cargo and cruise activity.
 - For the ferry service the Trust will endeavour to maintain the life line classification of the service and lobby to ensure that the interests of Scrabster are promoted in the tendering process.
 - For fishing the Trust will seek to maintain and improve on the landings at Scrabster through modern infrastructure.
 - For the seafood sector, processing and other value added activities will be encouraged.
 - For general cargo activity the Trust will work with stakeholder partners to provide an efficient service to port users to promote the use of the harbour.
 - For cruise activity the Trust will work with partners to enhance the visitor experience at the port and its hinterland. The Trust will continue to promote Scrabster at international cruise events.

The strategy seeks to deliver:

- Higher quay and laydown utilisation;
- Increased quay and laydown area space;
- Increased vessel numbers and cargo throughput

All of this will result in increased port revenues that can be re-invested in the harbour for the greater good of harbour users and the wider Caithness economy.

Property and Estate Strategy

The Trust's property and estate strategy aligns with and complements overall port strategy. It also aligns with the aims of the Caithness and North Sutherland Regeneration themes of diversification away from an economy dependent upon Dounreay.

The Harbour Estate consists of the port area extending to 10.42 hectares and back up land at Scrabster Farm extending to 14 hectares. The port area is a mixture of outright ownership and leasehold tenure from the Crown Estate Commissioners. The land at Scrabster Farm is owned outright by the Trust and is classified as an enterprise area by Scottish Government.

The Trust derives income from a diverse property portfolio

- Ground rents
- Residential property
- Storage and storage areas
- Office and business accommodation
- Industrial units

Current vacant space at the port, extends to only 4,300 square metres, is very limited and keenly sought.

Strategy and Policy going forward

1. Property strategy aligns with overall business strategy. Any property and estates proposal needs to be assessed, not in isolation, but with regard to overall port strategy.
2. Property strategy looks to the medium to long term (5-10 year timeframe) rather than short term revenue maximisation.
3. The limited availability of quayside laydown areas needs protection and careful management.
4. Additional space is required at and nearby to the port.
5. Experience elsewhere emphasises keeping laydown areas as clear and flexible as possible.
6. Experience at other ports has demonstrated that longer term port revenues are maximised through ports owning and developing their own land and buildings. Scrabster will seek to follow the same model subject to affordability and funding restraints
7. For marine renewable activity there has been limited activity to date, however, the Trust needs to be in a position to respond as the requirements of the sector becomes clearer. Scrabster seeks to be an O&M (Operations and Maintenance) base for the sector but remains open to any opportunity to support fabrication activities.
8. For Oil & Gas activity – Scrabster offers shorter steaming time, congestion free and fast vessel turnaround. This requires available and flexible quayside and back up space.

Delivering the Strategy

The property and estate strategy will be delivered through the following work streams and through partnership working with interested parties and public agencies:

- **Port Infrastructure** – the maintenance and improvement of port infrastructure will be progressed, with the replacement of the Ice Plant and redevelopment of the Ola Quay being a priority.
- **Enterprise Area** - The Trust will pursue the initial development of the Enterprise Area at Scrabster Farm, including improved access. Initial development will cover basic infrastructure.
- **Property acquisition** - The Trust will seek to secure additional properties at the Harbour.
- **Land reclamation** – The feasibility of additional land reclamation will be pursued.
- **Reconfiguration** - The existing layout will be examined to ensure space is best configured.

All property related requests and applications will be assessed with reference to the above policy.

Progress

- **Port Infrastructure**

Ola Pier – The Trust continues to engage with consultants and contractors regarding possible redevelopment / repairs options.

Ice Plant – A grant application, for European Maritime Fisheries Funds (EMFF), has been submitted to Scottish Government and is awaiting assessment.

Ferry Terminal Building – Improved disabled access has been installed supported by Scottish Government Ferry Accessibility Funds.

Additional Seasonal Pontoons – A FLAG funding application will be submitted at the end of September 2016.

- **Enterprise Area** - The Trust continues in dialogue with Highland and Islands Enterprise regarding development options for the enterprise area site.

- **Property acquisition**

An expression of interest for Coastal Communities funding to redevelop the former Mission building has been submitted.

Negotiations are well advanced to secure additional laydown and coverage storage for port use.

Whilst the Trust is in good financial health and has significant cash balances available as match funding, progressing the major elements development programme will require substantial public grant assistance. Following the Brexit vote, there is uncertainty whether national funding programmes will be available to replace European structural funds.



Compliance & Competence

SAFETY, SECURITY AND ENVIRONMENTAL

Scrabster continues to regard health and safety as a vital element in ensuring the safe and efficient operation of the port. We aim to ensure our operations do not harm any people, property or the environment. Compliance with the Port Marine Safety Code remains a top priority of the Board and health and safety is considered at each of the Board's monthly meetings. The Trust is a member of the Port Skills and Safety Group.

Ian Scott of First Safety Solutions, who is the Trust's Designated Person as required under the Port Marine Safety Code, visited the Harbour in February 2016 to undertake the annual compliance audit of our performance against the Code. There were no major non-conformances arising from the report.

During the year there were eight health & safety adverse events, the majority of which related to trips and falls. All events were fully investigated and where appropriate action taken.



Scrabster continues to meet the security standards required under the International Ship and Port Facility Security (ISPS) code and the Port Security Committee meets 6-monthly to discuss current issues. The meetings are normally attended by senior inspectors from Maritime Security & Resilience Division who oversee port security across the UK.

The Trust's revised Oil Spill Contingency Plan was approved by the Maritime and Coastguard Agency in June 2015.

In compliance with the Port Marine Safety Code, Scrabster Harbour Trust continues to meet the targets set by the International Association of Lighthouse Authorities for the provision of Local Aids to Navigation.

In the three years from 1st January 2013 to 31st December 2015, SHT achieved 99.9% performance of its Category 1 lights against the required target of 99.8% and 99.5% performance for its category 2 lights against the required target of 99.0%.

The Northern Lighthouse Board, completed the 3-yearly audit of our navigational aids and relevant compliance with the Port Marine Safety Code in August 2015. There were no non-conformities arising from the inspection.

Following long consideration, and consultation with users, two landing platforms have been made available at Scrabster to assist with landing operations.

STAFF AND TRAINING

The Board continues to recognise the need for continuous professional and personal development of all members of staff. Our annual training programme is focused on ensuring compliance with statutory requirements and the codes of practice applicable to the Trust's activities.

There have been a number of staff changes during the period. In June 2015, Harbour Master Gordon Mackenzie left the Trust to take up a new post at Inverness Harbour. Former Deputy Harbour Master, Jason Hamilton, was promoted to Harbour Master with Ross Farquhar taking on the Deputy role. Ross Macleod has assumed additional new duties as Health and Safety officer.

Also during the year, Colin McEwan, Gordon Cameron, Simon Flear and Helen Davidson left the Trust with Peter Quillian, Chris Noble, James Ross and Deirdre Mackay joining the team.

The Trust continues to offer work experience opportunities for the unemployed and for schools. Harbour staff attend the annual "Jobs and how to get them" event and participate in the Developing the Young Workforce initiative being led by Caithness Chamber of Commerce.

