

SCRABSTER HARBOUR TRUST ANNUAL REPORT

2020-21

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Grateful thanks to Highland Drones for a number of the photographs included in the report.

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 2020-21

Non-Executive Members

Tom Pottinger, Chairman – term of appointment to September 2021

Alexander Anderson, Vice Chairman – term of appointment to September 2023

Frank Bremner – term of appointment to September 2022

Colin Calder – term ended September 2020

Douglas Mackay – term of appointment to September 2022

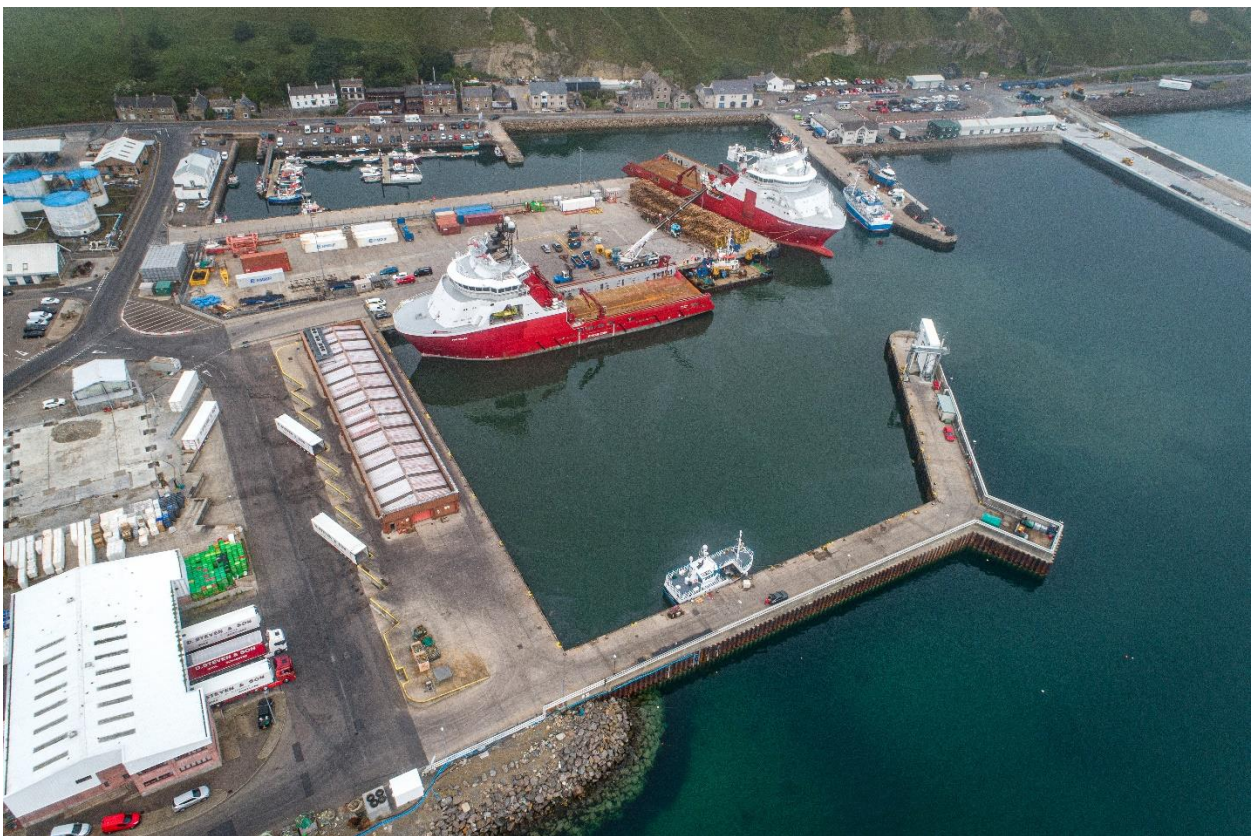
Tanya Sutherland – term of appointment until September 2023

William Thomson – term of appointment to September 2021

Catriona Whitefield – co-opted October 2020

Executive Member

Sandy Mackie, Trust Manager



Chairman's Report

The year to 31st March 2021 was one of the most difficult in the recent history of Scrabster Harbour Trust. Not only did we have the challenge of managing the construction activity of the refurbishment of the Ola Quay but we also had to contend with the implications of a global pandemic on the harbour operations with particular concern for the health and well-being of staff and stakeholders alike.

The Trust Manager describes the impacts of Covid on the business activities of the harbour below and he will explain how the apportionment of some of the refurbishment cost of the Ola Quay has been accounted for as a repair cost, allowing the Trust to offset some of the cost against past and future profits. This results in an accounting loss of just over £1.6 Million for the financial year.

Despite the implications of Covid for the income of the Trust, in particular the ferry and cruise business, many sectors performed well and the underlying trading position remained positive. Tight cost control by Sandy Mackie in managing the business further helped to maintain a strong position.

The implications of Brexit for our business may be more damaging in the medium term with depressed fishing income and ever increasing "red tape".

The port has built up a regular trade with Faroese chilled fish products being landed at Scrabster for onward transit to many parts of the world. The Trust is currently endeavouring to secure animal health and customs approval for this trade, not an easy task!

The timing of the Ola refurbishment also looks fortuitous with the Crown Estate leasing round of the N1 seabed area, some 800 km², to the north and west of us. The revival of the floating wind project off Dounreay by Copenhagen Infrastructure Partners could also bring some earlier operations and maintenance work to the port and the wider service sector. I am more optimistic for the success of offshore wind than I ever was for the wave and tidal industry.

Other developments may flow from this new offshore business. Hydrogen production and its derivatives is being mooted but it is early days yet; we have not factored it in to our 'Master Plan'! Scrabster Harbour Trust has been responsible for close to £40 Million of investment over the past 10 years, much of it from our own resources and borrowing along with European, HIE and NDA funding. The port infrastructure and reach is improving steadily.

I must record my thanks and appreciation of the work done by Sandy Mackie and his team in steering the business through a difficult year. All the ports in the UK have carried on working through Covid. Not very easy to tie up a vessel 'working from home'! Goods have continued to be imported, exported and moved round the country with little realisation of what we do every day.

My thanks also must go to my fellow Board members for attending Board meetings both in person and 'virtually' during the pandemic and for their input. I can only hope that the worst of the health crisis is behind us, and a more positive and healthier future awaits.

Best wishes,

Tom Pottinger.



Key Operational Indicators

Number of Arrivals	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
Ferry	760	794	805	803	798	806
Fishing	989	1,107	1,344	1,145	1,049	1,125
Offshore Oil	99	108	105	96	136	97
Renewables	25	4	6	4	11	20
General Cargo	95	103	81	90	55	56
Fish Cargo	99	57	48	53	53	55
Tankers	33	31	31	39	37	45
Cruise	0	10	12	11	10	6
Visiting Yachts	23	77	48	61	62	48
Total Arrivals	2,123	2,291	2,480	2,302	2,211	2,258

Tonnage of Vessels	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
Ferry	6,671,626	6,945,492	7,057,334	7,026,860	7,006,440	7,007,762
Fishing	248,463	258,613	309,338	254,691	245,613	243,873
Offshore Oil	374,178	559,514	519,995	457,595	679,676	525,090
Renewables	69,162	23,896	40,050	22,296	49,611	19,272
General Cargo	103,310	181,654	136,443	153,080	74,766	61,473
Fish Cargo	420,116	206,142	195,992	211,497	235,906	244,890
Tankers	58,254	50,313	49,512	50,700	48,100	44,892
Cruise	0	164,177	203,174	191,140	228,395	131,498
Total Tonnage	7,945,109	8,389,801	8,511,838	8,367,859	8,568,507	8,278,750

Traffic Statistics	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
Ferry - passengers	47,110	155,461	153,530	147,183	134,111	126,808
White fish - Box Landings	267,796	280,224	355,049	292,523	298,943	290,651
Offshore Oil - cargo tonnes	5,445	10,222	8,689	12,141	9,026	5,295
Renewables - cargo tonnes	1,545	0	42	82	5,157	5,481
General Cargo - tonnes	50,474	52,048	33,073	35,771	19,340	16,482
Fish Cargo - tonnes	18,196	17,398	15,314	13,809	16,836	19,484
Tankers - tonnes	41,199	38,333	39,536	41,292	39,750	38,747
Cruise - Passengers	0	2,808	4,390	4,350	5,100	3,117

Business and Operations Review

In common with much of the economy financial year 2020-21 was a challenging period for the Trust, its users, and stakeholders. The Trust's diverse portfolio proved again to be a strength during a very uncertain year.

FINANCIAL HIGHLIGHTS

£3.035 Million Turnover	£1.959 Million Pre- Tax Loss for year	£2.153 Million Net Current Assets	£12.659 Million Ola Project Expenditure
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During the period the Trust had to deal with the economic and health impacts of the Covid-19 pandemic and progress the St. Ola Pier infrastructure project whilst always maintaining a safe and efficient port. These factors impacted on revenues, profitability and cashflow.

Turnover amounted to £3.035 million for the year, a decrease of 22% on the previous year. This reflected the impact of the Covid travel restrictions on ferry and cruise revenues. Other revenue sectors performed well and, in aggregate, were close to the original budget projections.

A loss before tax of £1.959 million was incurred for the year. The principal factor contributing to the loss was increased repairs and maintenance expenditure. An element of the St. Ola project has been classified as repairs in line with the external engineering and structural assessments received in the planning for the project. A total of £12.659 million was spent on the St. Ola Project in the period.

The trading position and the St. Ola project are reflected on the Trust's balance sheet. The net current assets reduced from £6.180 million last year to £2.153 million at 31st March 2021.

Overall, there was a net cash outflow of £4.419 million for the period.

Since March 2021 there has been a gradual easing of the Covid health restrictions including travel. Ferry traffic is recovering although still below pre-Covid levels. The results for the first quarter of financial year 2021-22 show an encouraging recovery in trading profitability and cashflow. However, the Trust's borrowing will increase as the St. Ola project progresses to completion.

Vessel arrivals totalled 2,123 a decrease of 7.3% compared to last year, with the bulk of the reduction coming from decreased fishing arrivals and the reduced summer ferry sailing schedule. The gross registered tonnage (GRT) through the port for the year amounting to 7.945 million tonnes, a reduction of 5.3% on the previous year. The fall being due to the reduced summer ferry, there being no cruise season, reduced energy and general cargo traffic, partly offset by increased fishing cargo traffic.

SECTOR REVIEW

Ferry

The ferry was the port sector most impacted by the Covid-19 crisis, the associated travel restrictions, and successive lockdowns. Passenger numbers on the lifeline ferry totalled 47,110 in 2020-21 compared with 155,461 in the previous year, a decrease of nearly 70%. The gradual relaxation of travel restrictions in the period since 31st March 2021 has improved the position. Ferry traffic has gradually increased over the summer period, although traffic numbers have not yet returned to pre-Covid levels.

Disappointment continues that Road Equivalent Tariff (RET) has yet to be introduced on the Pentland Firth route. RET was introduced on other lifeline ferry routes between 2008 and 2015.

Fishing

Fishing activity, as measured by box landings, totalled 267,796 boxes. This was a reduction of 4.4% on the previous year and the lowest annual total in the last five years. The decrease reflects the particular challenges that the sector faced in the trading period. Covid and the associated public health measures affected markets at home and abroad. A difficult situation was made tougher with the introduction of export controls from 1st January 2021. The new measures are overly bureaucratic adding costs, delay, and increased risk to export activity. These issues have continued into the new trading period.

Consigned box landings at Scrabster fell by 9% compared with 2019-2020. The position for box landings through the port fish market was an increase of 15%.

Overall port fishing revenues reduced by 15% highlighting that price was also suppressed during the period. Shellfish revenues fell by 35% in the year. However, the Trust continued its longstanding practice of paying a loyalty rebate to whitefish and shellfish vessels making more than 15 landings in the year. Rebates totalling £33,252 were paid out in respect of financial year 2020-21

Energy (Oil Related and Renewables)

Energy related vessel arrivals rose by 12 vessels compared to 2019-20. However, the vessel tonnage decreased by 24% to 443,340 tonnes. This reflects a fall in oil installation support activity partly offset by smaller vessel renewable operations such as survey work.

The lower level of oil related traffic has continued into the current year with virtually no exploration and approval activity expected in 2021-22. For a number of years, the port has successfully supported the mobilisation and demobilisation of the tow-out vessels for the pipeline bundles assembled at S7s Wester yard. The yards final current orders were completed in July 2021

The port is well placed to support Offshore Wind Development in the coming years. The Pentland Offshore Wind Farm project, an update of the previous Dounreay Tri project, aims to have 100MW of floating wind energy installed by 2026. The Scotwind leasing round for Offshore

Wind development sites attracted 74 applications with decisions on the successful bidders expected to be announced in January 2022.

In addition, there are a number of onshore windfarm developments who have expressed an interest in bringing their turbine components through Scrabster.

Cruise Ships

There was no UK cruise season in 2020 due to Covid-19.

Domestic cruising was permitted to resume in Scotland from 19th July 2021. A total of eight vessels, four anchor calls and eight alongside calls are expected for the shortened season.

With the completion of the St. Ola project, from 2022 the port will be able to accommodate vessels up to 250 metres in length and up to 65,000 GRT.

General and Other Cargo

General Cargo activity in the period amounted to 50,474 tonnes, a decrease of 3% on the previous year. The cargo commodities handled included steel piles, timber, rock salt and fish farm supplies. Fish cargo tonnages from Faroes increased by 5% to 18,196 tonnes from the two weekly services. Oil imports to the Scrabster depot amounted to 41,199 tonnes, a 7.5% increase on the 2019-20 figures.

New controls for imported goods are planned to come into force from 1st January 2022. The Trust has applied to become a Border Control Post (BCP) from this date. Certain goods will need to pass through a BCP port as part of the new arrangements.

Property

Property revenues increased by 8.5% in the year due to increased storage income.

Sandy Mackie
Trust Manager



Strategic Planning (Approved by the Board in May 2021)

Scrabster Harbour Trust business strategy is focused on:

- Growth in energy related port activity (oil and gas, marine renewables) and cruise ship activity:
 - For oil and gas, Scrabster seeks to become an integrated supply base supporting activity in West of Shetland and in the Northern North Sea.
 - For marine renewables, in addition to supporting construction / installation project phase activities, the port seeks to be an operations and maintenance base for offshore renewable activity.
 - For the cruise industry, Scrabster seeks to accommodate larger vessels and contribute to the continued growth of Scottish cruise tourism.
- The retention and growth of ferry, fishing, general cargo, and cruise activity:
 - For the ferry service, the Trust will endeavour to maintain the lifeline 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.

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 commercial benefit of harbour users and the wider Caithness economy.

Climate Change and a Net Zero Economy

The Trust is aware of the UK and Scottish Government policies and targets to address climate change and move to the goal of net zero greenhouse emissions. This will require change across all sectors including ports and harbours. The Trust will examine how it can drive such changes in those areas that are under its control.

Property and Estate Strategy 2021

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 development 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 currently 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

Strategy and Policy Going Forward

- 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.
- Property strategy looks to the medium to long term (5–10-year timeframe) rather than short term revenue maximisation.
- The limited availability of quayside laydown areas needs protection and careful management, although the completion of the St Ola redevelopment project increases the available capacity.
- Experience elsewhere emphasises keeping laydown areas as clear and flexible as possible.
- 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.
- For marine renewable activity there has been limited tidal activity to date, however, Crown Estate Scotland's Scotwind Offshore Wind leasing round offers a significant port opportunity supporting the Offshore Wind Sector. Scrabster seeks to be an O&M (Operations and Maintenance) base for the sector but remains open to any opportunity to support fabrication activities.
- 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:

1. Port Infrastructure – the maintenance and improvement of port infrastructure will continue to be progressed. A construction project for the redevelopment of the St Ola Pier is scheduled to be complete Autumn 2021.
2. Property acquisition - The Trust has previously acquired property to support port activity and will seek to secure additional properties at the Harbour.
3. Land reclamation – The feasibility of additional land reclamation will be pursued.
4. Reconfiguration - The existing harbour estate 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.

Infrastructure Progress in 2020-21

Following a protracted procurement process, RJ McLeod (Contractors) Limited were awarded the NEC4 Engineering and Construction Contract for the Redevelopment of the St Ola Pier on 1st April 2020. The value of the contract was £18.567 million.

Following the Scottish Government guidance on construction activity, the contractor was able to mobilise to site in June 2020. Since then, the project has progressed well in terms of cost, quality, and time. The current programme forecast the project works being complete by October 2021.

St. Ola project expenditure, in the financial year 2020-21 totalled £12.659 million. NDA and HIE grants totalling £6.994 million were claimed in the period. A repairs element of £3.007 million has been charged against profit.

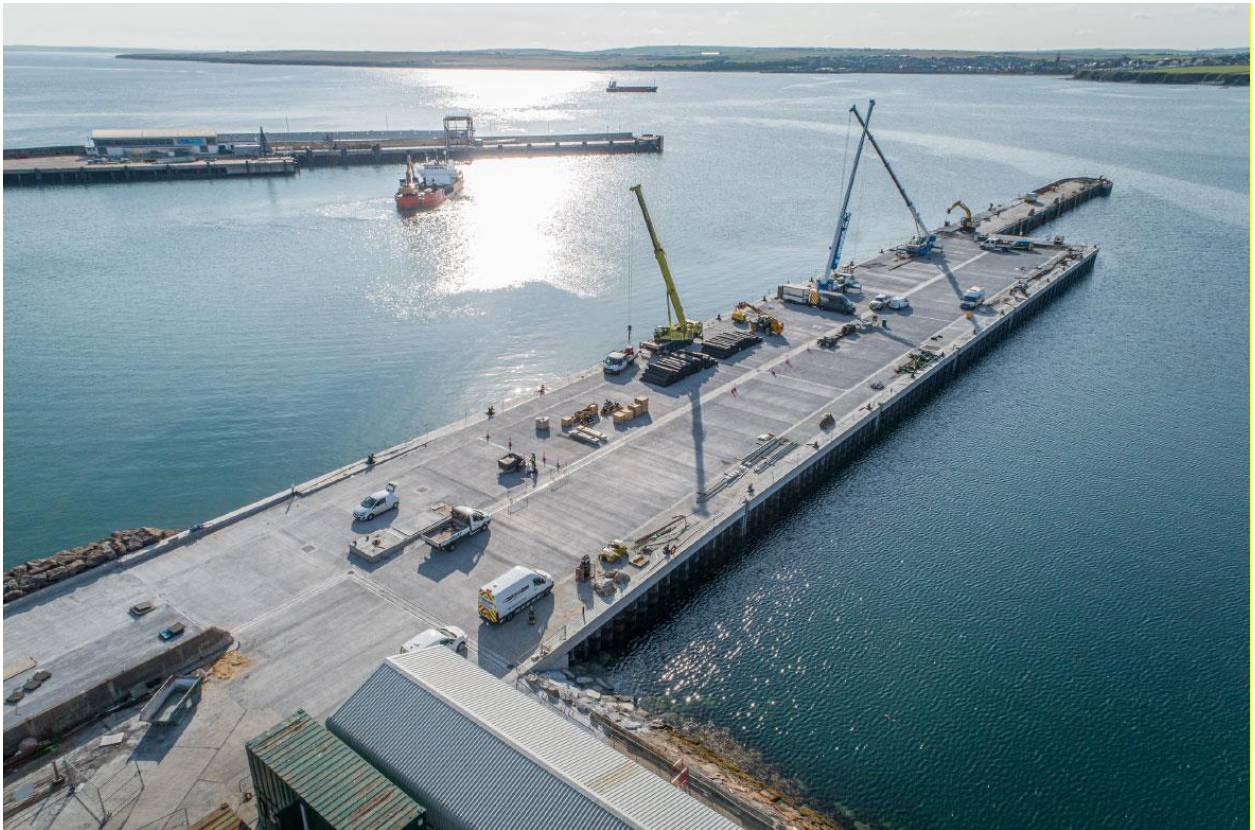
The finished project will allow longer and deeper draft vessels to berth at the port. The key project feature is the creation of the new outer berth. This berth is 250 metres in length supporting a berthing pocket at a depth of 9.00 metres.. The berthing face on the inner layby pier has been replaced and dredged to 7.5 metres. The existing ro-ro berth has been retained.

The finished pier will have a quayside area of 9,000m², including a dedicated heavy lift pad.

This project further increases the capacity and capability of the port creating multipurpose modern infrastructure of use to the cruise, cargo, energy, and fishing sectors.

Over the past decade the Trust has invested over £38.7 million to benefit our existing users and activities, and position the port for the future.

A Decade of Investment



Ola Pier Redevelopment 2021 - £18.9 million



Ice Plant 2017 - £1.05 million

A Decade of Investment



Highlanders Harbour Vessel 2014 - £1.183 million



Jubilee Quay 2013 - £17.6 million

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, completed the annual compliance audit of our performance against the Code in March 2021. There were no major or minor non-conformances arising from the audit, with three opportunities for improvement identified. In accordance with their requirements, the triennial statement of compliance with the Code has been provided to the Maritime and Coastguard Agency (MCA).

During the year there were one health and safety adverse event and one incident under the Port Marine Safety code. None of the adverse events were reportable. All events and incidents were fully investigated with any actions implemented and communicated.

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 April 2020 meeting was cancelled due to the Coronavirus restrictions with subsequent meetings being held virtually. The meetings are normally attended by senior inspectors from Maritime Security & Resilience Division who oversee port security across the UK. As part of the ISPS compliant process the Port Security plan has to be reviewed, updated, and approved every three years. Scrabster Harbour's updated plan was approved in 2020.

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 2018 to 31st December 2020, SHT achieved 100% performance of its Category 1 lights against the required target of 99.8% and 99.60% performance for its category 2 lights against the required target of 99.0%.

Under the Merchant Shipping Act 1995 (Sections 193 and 198), the Northern Lighthouse Board (NLB) has the duty of superintendence over all 'Local Lighthouse Authority' and 'Third Party' Aids to Navigation (AtoN). The Trust's AtoN Management System was audited by NLB in 2019 against the requirements of the Port Marine Safety Code (PMSC).

There is a statutory requirement under the Merchant shipping (Port Waste Reception Facilities) Regulations 2009 for the port to have an approved Waste Management Plan. The updated plan was reviewed and approved by the MCA last year.

The Trust is committed to minimising the environmental impacts of the activities under its control. Consultancy support has been secured through Zero Waste Scotland to quantify the Trust's carbon footprint and identify possible reduction measures.

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. Due to the Covid-19 pandemic certain external courses were not offered during the year. Trust employees continue to use eLearning online, where appropriate, for certain training and refreshers. The online training is more efficient and flexible in terms of time and cost with all the training being undertaken within the Harbour Office and is popular with staff.

The Trust continues to offer work experience opportunities for the unemployed. Two individuals have been employed under the Government's Kickstart programme. The scheme offers a minimum of 25 hours a week paid employment for a six-month period. The Trust has also secured funding through Highland Council Highland Employability Recruitment Offer (HERO) to create further employment opportunities.



