



Scrabster Harbour

YOUR GATEWAY TO THE NORTH



SCRABSTER HARBOUR TRUST ANNUAL REPORT 2021-22

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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.

All profits, after corporation tax, are re-invested back into the maintenance and where possible improvement of infrastructure and facilities whilst keeping charges competitive for our customers and users.

Our primary aim is to re-invest in our assets so that the whole community of stakeholders benefit now and in the future.

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 2021-22

Non-Executive Members

Tom Pottinger, Chairman – term of appointment to September 2024

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

Frank Bremner – term of appointment to September 2022

Douglas Mackay – term of appointment to September 2022

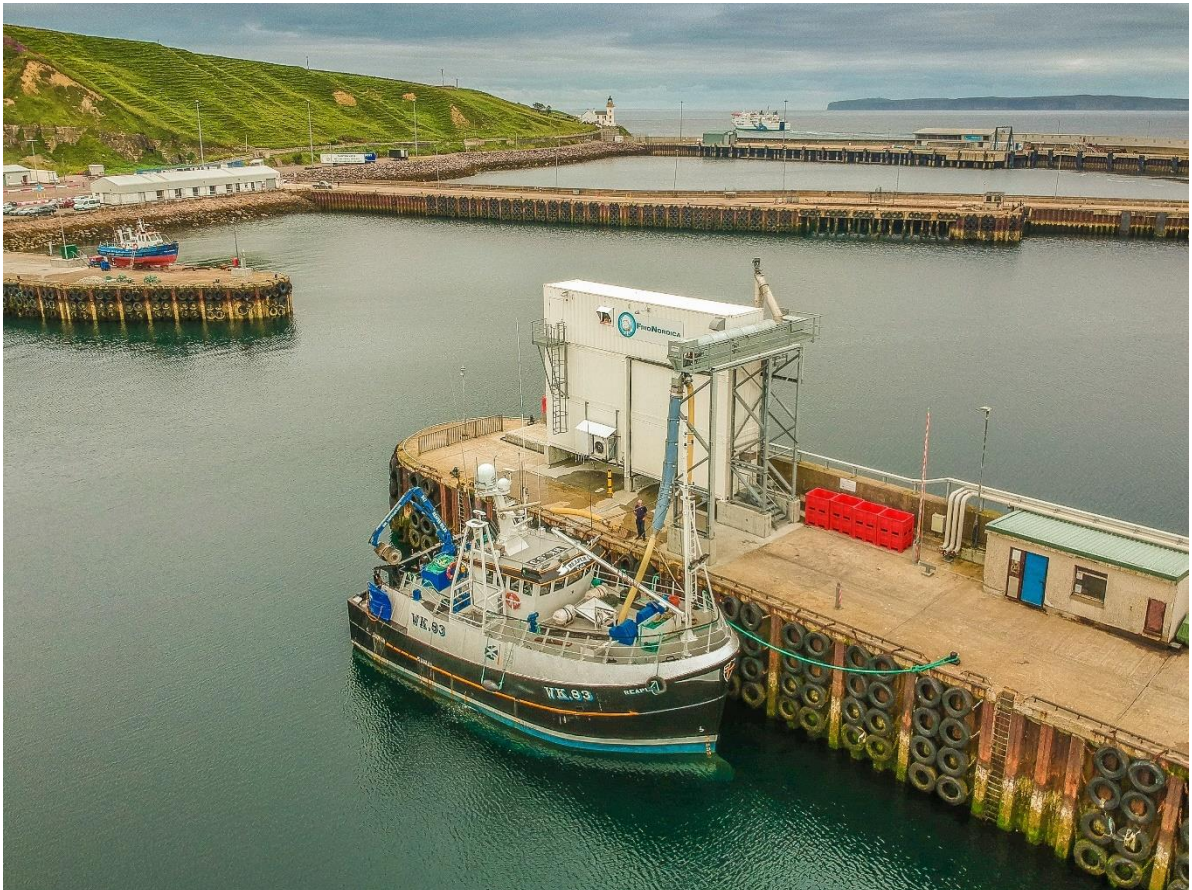
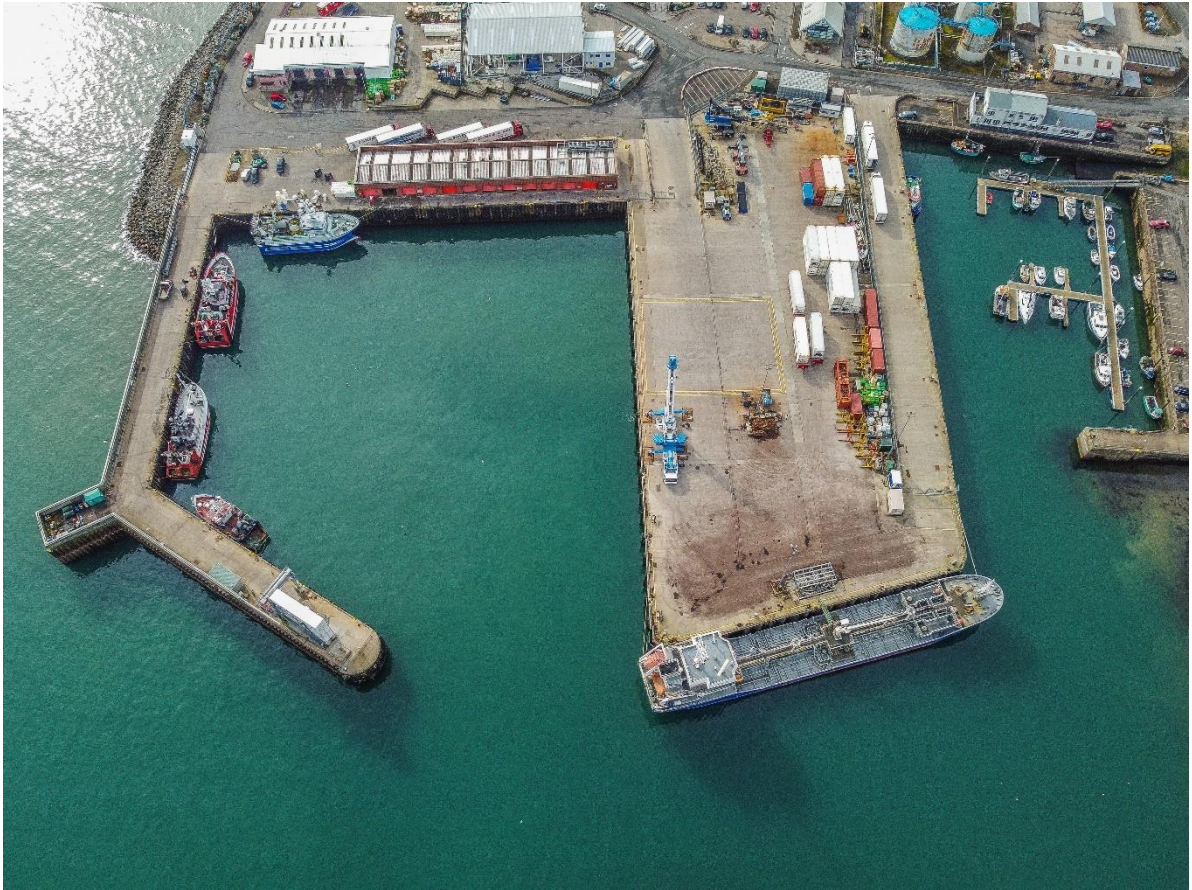
Tanya Sutherland – term of appointment until September 2023

William Thomson – term of appointment to September 2024

Catriona Whitefield – co-opted October 2020

Executive Member

Sandy Mackie, Trust Manager



Chairman's Report

I am writing this report after trying to gain some understanding of what the Government is announcing in regard to help for households and business with the soaring cost of energy. There seems to be some assistance in regard to capping bills for households but I am as yet unclear what help will be forthcoming for business and at what cost. With Scrabster Harbour facing a sixfold increase in electricity cost from next month it is very concerning what pressure will come to bear on many businesses both locally and countrywide and what implications this may have for employment and business survival. Fortunately the Trust remains in a sound financial position with profits of over £1.5 Million for the last financial year. We can absorb some of this huge energy cost increase and can pass some of it on but the concern is for those businesses that are not in such a position.



The last financial year has seen the successful completion of the Ola Pier refurbishment almost on time and definitely under budget! This achievement is due to the due diligence carried out in the planning and execution of the project by the Trust and their consultants, the financial support of the Nuclear Decommissioning Authority along with that of Highland and Islands Enterprise and the excellent work of the contractor R. J. Macleod Ltd in difficult circumstances. Hopefully we shall not have to do another one for some time! We have already seen the benefit of the new pier in many oil and renewable related marine traffic making use of the facility along with the largest vessel so far to have docked at Scrabster in the form of the Zaandam cruise ship at over 60,000 tons and 230 metres long.

In his report below the harbour manager, Sandy Mackie, will give more detail on the performance of the different sectors of the port and how they have performed over the last financial year. Thankfully we have the Covid epidemic largely behind us and thanks to the success of the various vaccines we can live with it going forward. We are seeing the return of tourists and increasing ferry traffic along with an increase in cruise ship bookings. The Trust are currently looking at ways that we can work with other local agencies and businesses in improving the 'cruise offering' for visitors to bring increased revenue to the area.

The aftermath of Brexit is still affecting business with ongoing difficulties in trade with the continent in the form of long journey times and bureaucratic delays. The Trust has gone through the experience of having to prepare for inspections of Faroese chilled salmon that arrives weekly at Scrabster for onward shipment to other parts of the world. This involved much of Sandy Mackie's time and some cost in building works. We were working to guidance supplied by agencies that were not sure of the rules themselves! At the last minute the UK Government have delayed the implementation to October 2023 very likely due to the fact that if the UK introduced the same checks on EU food imports as are being carried out on UK food exports to the EU then trade would grind to a halt and food supplies would be at risk. Those sunlit uplands!

The above is just one example of the lack of clear and effective policy at Government level and the inability, for whatever reason, of public agencies to implement it. We are facing a very serious situation with a crisis in the energy sector. The Trust is a very small part of helping to facilitate development of energy supplies whether they be in the form of offshore or onshore wind, tidal energy or oil and gas. We have improved our infrastructure over the years to enable these activities with, hopefully, some benefit to local businesses. We have often struggled with the very public agencies that should be there to help rather than hinder us. My great concern is that whatever Government wishes to do "computer says no"!

Finally I would like to thank my fellow Board members for their support and active participation in the work of the Board and last, but not least, I would like to than thank Sandy Mackie and his team for the excellent work they do on behalf of what I think must be one of the best community assets in the North, Scrabster Harbour.

Best wishes,

Tom Pottinger



Key Operational Indicators

Number of Arrivals	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Ferry	773	760	794	805	803	798
Fishing	1,042	989	1,107	1,344	1,145	1,049
Offshore Oil	49	99	108	105	96	136
Renewables	13	25	4	6	4	11
General Cargo	111	95	103	81	90	55
Fish Cargo	93	99	57	48	53	53
Tankers	33	33	31	31	39	37
Cruise	8	0	10	12	11	10
Visiting Yachts	39	23	77	48	61	62
Total Arrivals	2,161	2,123	2,291	2,480	2,302	2,211

Tonnage of Vessels	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Ferry	6,786,940	6,671,626	6,945,492	7,057,334	7,026,860	7,006,440
Fishing	274,136	248,463	258,613	309,338	254,691	245,613
Offshore Oil	254,099	374,178	559,514	519,995	457,595	679,676
Renewables	12,986	69,162	23,896	40,050	22,296	49,611
General Cargo	111,235	103,310	181,654	136,443	153,080	74,766
Fish Cargo	392,987	420,116	206,142	195,992	211,497	235,906
Tankers	53,049	58,254	50,313	49,512	50,700	48,100
Cruise	249,407	0	164,177	203,174	191,140	228,395
Total Tonnage	8,131,839	7,945,109	8,389,801	8,511,838	8,367,859	8,568,507

Traffic Statistics	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Ferry - passengers	115,859	47,110	155,461	153,530	147,183	134,111
White fish - Box Landings	324,573	267,796	280,224	355,049	292,523	298,943
Offshore Oil - cargo tonnes	2,440	5,445	10,222	8,689	12,141	9,026
Renewables - cargo tonnes	0	1,545	0	42	82	5,157
General Cargo - tonnes	45,605	50,474	52,048	33,073	35,771	19,340
Fish Cargo - tonnes	17,823	18,196	17,398	15,314	13,809	16,836
Tankers - tonnes	40,872	41,199	38,333	39,536	41,292	39,750
Cruise - Passengers	3,413	0	2,808	4,390	4,350	5,100

Business and Operations Review

Following the uncertainty of and disruption of the Covid pandemic the 2021-22 trading period was successful with a welcome increase in profitability and revenue.

FINANCIAL HIGHLIGHTS

£3.844 Million Turnover	£1.549 Million Pre- Tax Profit for year	£2.937 Million Net Current Assets	£6.23 Million Ola Project Expenditure
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During the financial period the St. Ola project was completed only three weeks behind schedule and under the cost budget. These would be notable achievements for any large marine infrastructure works in normal times, but the construction had to deal with the additional challenges brought by Covid and the associated restrictions and supply chain disruption.

Turnover amounted to £3.844 million for the period, an increase of 27% on the previous year. The growth in revenues reflected the greater ferry activity, higher fish landings and the return of cruise activity.

A pre-tax profit of £1.549 million was generated, compared to a loss of £1.959 million in the previous trading period. The profit position reflecting the improved port revenue and a lower level of repairs and maintenance expenditure compared with the previous year.

The trading position and completion of the St. Ola project are reflected in the Trust balance sheet. Total funds increased to £12.441 million of which net current assets amounted to £2.937 million.

As part of the St. Ola project funding, an additional £4 million term loan was borrowed from the Clydesdale Bank. Overall, there was a net cash inflow of £662,765 for the period.

Since April 2022 the Trust has seen further encouraging growth in revenues and port activity but considerable challenges lie ahead. In common with most businesses the Trust has to deal with rising inflation. The port electricity costs will significantly increase on contract renewal at the end of September. The debt servicing cost of our borrowing is already increasing as the Bank of England raises interest rates to combat inflation.

Total vessel arrivals totalled 2,161 in the period 2021-22, a small increase on 2020-21 figures. The gross registered tonnage (GRT) through the port amounted to £8.132 million tonnes, a 2.4% increase the previous year. The growth in ferry and cruise related tonnage being offset with a fall in offshore energy related activity.

SECTOR REVIEW

Ferry

With the relaxation of Covid travel restrictions there was a gradual increase in ferry traffic from April 2021 onwards although not returning to pre-pandemic levels. Passenger numbers on the lifeline ferry totalled 115,859 in 2021-22 compared with 47,110 in the previous year.

Essential work to the ferry linkspan was undertaken in February 2022 during the period the ferry vessel was in dry dock. Further work is planned for the 2023 dry dock period.

Fishing

Fishing activity, as measured by box landings, totalled 324,573 boxes, an increase of 21% on the previous year and the second highest volume in the last decade.

Consigned landings totalled 267,011 boxes an increase of 29% on last period. The position for the box landings through the port fish market was a decline of 5%. Overall fish revenues increased by 21% and shellfish revenues by 13%. Loyalty rebates totalling £46,288 were paid to regular landing vessels in the 2021-22 trading period.

In the current year the sector continues to face challenges from bureaucracy, high fuel costs, quota and labour shortages in the processing industry.

Energy (Oil Related and Renewables)

There were only 62 energy related arrivals in 2021-22, a decline of 50%. Vessel tonnage decreased by 40% to 267,085 tonnes. The low level of activity reflected the lack of exploration activity in the year. The forward prospects are more optimistic with the port supporting a six month and four vessel seismic campaign West of Shetland. The project to develop the Rosebank project should reach the financial investment decision stage in 2023 with the potential of development activity beginning in 2024.

The outlook for renewable activity, particularly wind is encouraging. Two onshore developments are scheduled for 2024-25. The Pentland Offshore Wind development is expected to make its final investment decision at the end of 2023. In the Scotwind leasing round, the 2GW N1 offshore wind development area was awarded to a consortium comprising RIDG, Macquarie Bank and Total Energies. The Trust continues in discussions on how the port can support these developments.

Cruise Ships

After the disruption of Covid, cruising resumed in mid-summer 2021. There were eight cruise calls at Scrabster, including four anchorage calls. The total vessel tonnage was 249,407 tonnes carrying 3,413 passengers.

The number of calls for 2022 have been low, with a number of late cancellations. However, the arrivals have included Holland Americas “Zaandam”, the largest vessel to ever berth at Scrabster.

The position for 2023 is positive with 15 booking received to date.



General and Other Cargo

General cargo activity in the period amounted to 45,605 tonnes, a decrease of 10% on the previous year. The cargo commodities handled included timber, road salt, construction materials and fish farm supplies. Fish cargo tonnages from Faroes amounted to 17,823 tonnes, a small decline from 2020-21. Oil imports to the Scrabster depot amounted to 40,872 tonnes, nearly identical to the prior year.

In April 2022 the UK Government announced that the introduction of import controls on certain goods, including fish products, will not come into force until the end of 2023, and the control regime would be improved. In light of this announcement the Trust has suspended its application to become a Border Control Port (BCP) pending clarification on the control regime.

Property

Property revenues rose by 10.5% in the year, in the main, due to increased storage income.

Sandy Mackie
Trust Manager



Strategic Planning (Approved by the Board in May 2022)

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. In 2021 the carbon footprint of the Trust's activities was quantified. This provides a baseline to measure improvement in the areas under the Trust's control.

Property and Estate Strategy 2022

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 available capacity has increased due to recent investments.
- 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.
- 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 2021-22

The project to redevelop the St Ola Pier was certified complete on 3rd November 2021, only 25 days behind the target completion date. The total project costs, including project management, amounted to £18.89 million well below the budget cost of £19.917 million.

The Trust would record its appreciation to the contractor RJ McLeod (Contractors) Limited, our project manager RPS Ireland Ltd and to the project funders Clydesdale Bank, Highlands & Islands Enterprise (HIE) and the Nuclear Decommissioning Authority (NDA).

The redeveloped pier was officially opened on 10th December 2021 by the Lord Lieutenant of Caithness, John Thurso.



The recent investment is already reaping dividends for the port and the area. In the period April to September 2022, the port has supported a number of survey campaigns for both offshore wind and potential oil and gas developments. On 30th July 2022, the port welcomed the Holland America cruise ship, Zaandam, which at 237 metres of length and 61,396 tonnes became the largest vessel to berth at Scrabster.

As well as investing in improvement, there is a continued focus on maintaining existing infrastructure. The ferry linkspan remains the most critical piece of infrastructure at the port. Major maintenance was performed on the linkspan at the beginning of February 2022, when one of the lifting cylinder/rams was replaced. This was a significant operation involving Danish engineers SH Group, Calder Engineering, Simpsons Cranes and Caithness Scaffolding. The exercise is scheduled to be repeated early in 2023 when the second cylinder /ram will be replaced.

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 2022. There were no major or minor non-conformances arising from the audit, and the three opportunities for improvement identified in the previous year's audit had all been actioned and closed out.

During the year there were four adverse events, of which two were marine events 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 recognise its responsibility to comply with International Ship and Port Facility Security (ISPS) code and maintains a Port Security Plan. The Trust works closely with the Maritime Security & Resilience Division party of the Department of Transport who oversee port security across the UK, Border Force and other agencies through regular security meetings, exercises and inspections.

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 2019 to 31st December 2021, SHT achieved 100% performance of its Category 1 lights against the required target of 99.8% and 99.82% 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 in 2020 last year.

The Trust is committed to minimising the environmental impacts of the activities under its control. The focus to reduce energy consumption and improve efficiency has been sharpened by the sustained and dramatic increase in energy cost.

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. 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 employed two individuals during the period under the Government's Kickstart programme. The scheme helped employers create 6 month paid employment for 16 to 24 year olds on Universal Credit at risk of long-term unemployment. Both individuals secured permanent jobs elsewhere following their time with the Trust.



