
LERWICK PORT AUTHORITY ANNUAL REVIEW 2019-20



BRITAIN'S 'TOP' PORT



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COVID-19 (CORONAVIRUS) UPDATE

The emergence of Covid-19 and the subsequent disruption in 2020 is having a significant impact on trading at Lerwick Harbour during the first part of the year and this is ongoing.

During the period, we have put in place, and are following, plans to ensure that we protect our stakeholders, staff, port users and the community while continuing to operate in a safe and efficient manner. Lerwick Port Authority continues to prepare for recovery, albeit with reduced revenue streams.

The remainder of 2020 will bring many more challenges to the port, our colleagues, customers and islanders.

Within the main sectors at Lerwick, the roll-on/roll-off passenger and freight sector initially dropped significantly, with only essential travel and reduced sailings. The service is expected to show signs soon of a return to more normal levels, although the vessels continue to operate at lower passenger capacity.

Fish landings initially fell by large amounts. However, the fishmarket has remained operational throughout. Landings are now returning to better levels, but will be unlikely to recover fully during the remainder of 2020.

Oil & gas traffic through the port has significantly reduced, with the crash in oil prices bringing further challenges for all companies involved in this sector.

The cruise sector is being severely impacted, with cruise lines unable to sail and undertake operations. There is a strong outlook in this market beyond 2020, but the recovery of this important industry is currently very uncertain and likely to be lengthy.



June 2020





MISSION AND VALUES

MISSION

The Port Authority is entrusted to manage, maintain and regulate the port and harbour of Lerwick, in an efficient and safe way for the benefit of all stakeholders.

It is required to satisfy customers' needs in the delivery of competitive port services and be proactive in identifying new opportunities which will sustain and grow the Shetland economy and community.

With more than 140 years of experience, it is tasked to ensure the port and its infrastructure remain relevant to future shipping generations and play a key role in the economic life of the islands.

VISION

~ Our Stakeholders

Provide modern, self-funded, port services to international standards, and strive for excellence.

~ Our Customers

Delivery of a quality service is innate; we create practical and innovative solutions to any challenge.

~ Our People

Custodians of the Authority, our Board Members and staff are engaged and determined to succeed.

~ Our Partners

We have high expectations and continue to support partner organisations to grow.

VALUES

~ Helpfulness

Delivery of quality services in a professional, friendly manner, our actions make a difference.

~ Skill and dependability

We are adept, experienced and versatile.

~ Safety and Environmental awareness

Embedded into our way of working.

~ Engagement

Listening and recognising when action is required, we do the right things for the right reasons.

~ Commitment

Taking pride in our service and investing for the future to sustain the Authority for coming generations.

CHAIRMAN'S STATEMENT

I am delighted to present my third Annual Report as Chairman of Lerwick Port Authority though, as I have been writing this statement, we are all facing the challenges relating to the Covid-19 pandemic, with all areas of our operation being severely affected.

Reviewing 2019, Lerwick's strong position of having a diverse customer base from different sectors operating to-and-from the port has again paid dividends, with steady landings of whitefish, ongoing decommissioning projects and continued growth in the cruise sector.

Future investment by the Port Authority for the decommissioning industry will allow Lerwick to maintain and develop our position at the centre of this growing sector, including the largest decommissioning project yet to be handled at Lerwick, due in summer, 2020. The topside of the Ninian Northern platform is to be delivered to Dales Voe Base in a single piece, and will provide long-term employment for many within the supply chain based in Shetland.

Work towards completion on our new whitefish market was a personal highlight during the year. The development, which is to be completed in August 2020, will bring significant benefits to the expanding sector at the port. With doubled landing capacity and a design based on efficiency and a reduced environmental impact, this investment will maintain the port at the forefront of the important fishing industry.

Financial support from Bank of Scotland, European Maritime and Fisheries Fund and Highland and Islands Enterprise has been crucial to the port's success, with continued backing vital to our future achievements.

Health, safety and environmental management has remained at the core of all port activities. Our safety culture is a key focus for the Board, and we continue to be satisfied that the harbour meets the requirements of the Port Marine Safety Code.

Lerwick, being one of the first UK ports to achieve and maintain the international standards of ISO 9001, ISO 14001 and ISO 45001, is a testament to the dedication, management and implementation of our safety culture throughout the organisation.

A new constitutional Harbour Revision Order, which has taken the port in line with standard Trust Port guidance on the recruitment of Board Members, is in place, with experienced appointees in 2019 giving a knowledgeable contribution.

I would like to thank all the members of the Board and port colleagues for their hard work and the great service they provide our stakeholders, especially so during this unprecedented time.



RONNIE GAIR
Chairman / June 2020



CHIEF EXECUTIVE'S STATEMENT

I am pleased to have the opportunity to write this report for the 2019 Annual Review for Lerwick Port Authority. It is, of course, overshadowed by the Covid-19 pandemic, which is affecting all of our lives as we progress through 2020.

Throughout 2019, we continued to receive support from our wide range of port users, resulting in the year producing improved financial figures for the Authority, with turnover increasing to £11.65m from £10.90m in 2018. Profit-after-tax for 2019 increased to £2.97m from £1.78m in 2018.

We continue to deliver on the capital programme established in 2014 with funding from Bank of Scotland, with 2019 being focused on completion of a new whitefish market. Construction progress by local contractor, Tulloch Developments Ltd, remained good throughout the year, with a planned opening during August 2020. This significant investment underpins our strategy to be at the forefront of the fishing industry, offering state-of-the-art facilities.

While the number of whitefish boxes landed reduced in 2019, we are optimistic of increased future opportunity with the extra capacity the replacement fishmarket will allow. Whitefish landings in the port were down by 8.0% on the 2018 record, with 230,081 boxes in 2019.

Overall gross tonnage of shipping showed a slight decrease of 1.8% to 12.6m gross tonnes, and overall vessel arrivals were down to 5,068, a decrease of 3.0% on 2018.

The cruise sector at Lerwick continued to grow, with a record 99 cruise vessels arriving in 2019, up from 91 in 2018. However, passenger numbers declined from previous records in 2018 to 76,233.

2019 saw a recovery of activity in the oil & gas sector. Vessel numbers and tonnage increased in comparison to 2018, with 369 ship arrivals. Cargo worked by the sector through the port rose by 48.7%, indicating the efficient and competitive offering being recognised by the industry.

Decommissioning continues to be a growth strand of the oil & gas sector at Lerwick. The decommissioning of the former Buchan Alpha floating production unit continued throughout 2019. Preparations were underway, including further investment by the Authority in a new decommissioning pad at our Dales Voe Base, in preparation for the arrival of the Ninian Northern platform topside in 2020. The recently-extended quayside at Dales Voe, designed to take the very large loadings associated with a single-lift structure being transferred to shore, was a catalyst for the success of this contract award to the Veolia/Peterson partnership.

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CAPTAIN CALUM GRAINS
Chief Executive / June 2020



2019 AT A GLANCE

5,068

VESSEL ARRIVALS

885,759

TONNES CARGO

12.6M

GROSS TONNES OF SHIPPING

225,170

PASSENGERS

40,629

TONNES FISH LANDED

148,937

RO-RO PASSENGERS

£45.7M

VALUE OF FISH LANDED

123

TENANTS

206

PROPERTIES RENTED

1,054

PILOTAGE MOVEMENTS

139,072

LARGEST VESSEL GROSS TONNES

76,233

CRUISE PASSENGERS

52

MEMBERS OF STAFF

£11.6M

GROSS ANNUAL TURNOVER

£5.7M

EBITDA

130,000m²

OF LAYDOWN

4,574 metres

OF QUAYS

12.5 metres

MAXIMUM WATER DEPTH ALONGSIDE

9 nautical miles

SIZE OF HARBOUR (NORTH TO SOUTH LIMITS)



3 nautical miles

SIZE OF HARBOUR (INNER HARBOUR)

OUR BUSINESS

At the crossroads of the North Sea and North-east Atlantic, Lerwick Harbour is Britain's 'Top' Port - the most northerly commercial harbour in the country.

With modern, versatile facilities serving a wide variety of users, it is a key component in the Shetland economy, stimulating trade and economic benefits for customers and the local community.

Lerwick Port Authority was established in 1877 as Lerwick Harbour Trust by an Act of Parliament. This Act constituted the Trust Port to manage, maintain and regulate the Port of Lerwick. The promotion of the Act was funded by the merchants of the town who established a Board of Trustees. The first task of the newly created Trust was to build Victoria Pier, opened in 1886.

As a Trust Port, the harbour is operated commercially by the Port Authority which, although not publicly funded, is accountable to the wider Shetland community, as well as harbour users. A self-financing business, it depends, like any commercial concern, on cash flows and profits for its successful operation.

The Trust Port status also means all profits are reinvested in the maintenance and development of the harbour to ensure the wide-ranging requirements of customers continue to be met. Over £120m has been invested in port assets over the years.

Mindful of the wider community, the Authority also provides stakeholder benefits through leisure and amenity improvements and involvement in community events.

OUR BOARD

Meeting monthly, Lerwick Port Authority is directed by eleven Board Members.

The Chief Executive and Senior Commercial Executive of the Authority are ex-officio Board Members, holding responsibility for controlling and overseeing all areas of operations and providing support to senior managers through appropriate training, mentoring and guidance.

The Chairman and Deputy Chairman appointments are made annually, selected by Board Members from amongst their number. Members are un-salaried and receive an attendance allowance for meetings. Leadership is provided through the ongoing review of all business activities and setting of strategic objectives and targets. The Board provides governance of all aspects of the Authority's activities.

APPOINTMENTS

The Lerwick Harbour Revision (Constitution) Order 2019 updated the Authority's constitution in regard to the recruitment of Board Members. The new system broadens the catchment for potential membership by removing sectoral appointments and follows the Modern Trust Ports for Scotland: Guidance for Good Governance.

A decision was taken in April 2020 to defer the recruitment of new Board Members due to Covid-19 restrictions, with all existing Board Members serving an additional year of service until the recruitment process could resume again in future years.

Under normal circumstances, recruitment of non-executive Board Members occurs annually, drawing on vital skills, experience and expertise from candidates, to obtain a Board that is independent and fit for purpose, rather than representative of particular interests. Non-executive Board Members serve a three-year term, with a rolling programme of one-third of the Board standing down in consecutive years.

STRATEGY & RISK MANAGEMENT

The Board implements a Strategic Business Risk Assessment. The principal outcome of this review is to have the ability to reliably understand, predict, influence and react to the factors affecting the Authority. Fundamental to the Assessment is the identification of risks to the business.

MEMBERS

The current Board Members of the Authority are:



Ronnie Gair
CHAIRMAN

Appointed Chairman in 2019. A non-executive Board Member since 2011. He is a long-standing member of the business community within the motor trade and a former Justice of the Peace.

~
TERM OF APPOINTMENT TO JULY 2021



John Henderson
DEPUTY CHAIRMAN

Appointed Deputy Chairman in 2019. A non-executive Board Member since 2015. John is Managing Director of Ocean Kinetics Limited, with experience across several sectors, including oil & gas, marine and engineering.

~
TERM OF APPOINTMENT TO JULY 2021



Captain Calum A S Grains
CHIEF EXECUTIVE

A Harbour Pilot at Lerwick from 1997-2000 before leaving to take his Master's ticket, Captain Grains returned to the Authority as Deputy Harbourmaster in 2003. Promoted Harbourmaster in 2007, he became an Executive Board Member on appointment as Deputy Chief Executive in 2014, then Chief Executive in November 2018. He is a Director of Pelagia Shetland Ltd.

~
EX-OFFICIO



Victor Sandison
SENIOR COMMERCIAL EXECUTIVE

Appointed to the Board in July 2019, Victor has over 13 years' experience working as part of the senior management team at Lerwick Port Authority. He is a past Chairman of Cruise Scotland and the Authority's nominated Director on Shetland Seafood Auctions Limited. He also has an interest in Sail Training Shetland.

~
EX-OFFICIO



George Anderson
BOARD MEMBER

Skipper of pelagic trawler *Adenia* and a shareholder in the company owning the vessel. *Adenia* is a member vessel in the Scottish Pelagic Fishermen's Association Limited; Shetland Fish Producers' Organisation and Shetland Fishermen's Association.



TERM OF APPOINTMENT TO 2022



James Anderson
BOARD MEMBER

Shareholder of Alison Kay Fishing Company and skipper of whitefish trawler *Alison Kay*, James is a past Chairman of the Shetland Fishermen's Association which promotes its interests in the political arena in the UK and EU. James is also a member of the Shetland Fish Producers' Organisation.



TERM OF APPOINTMENT TO 2022



Peter Campbell
BOARD MEMBER

Re-appointed to the Board in July 2019, as an elected member of Shetland Islands Council for Lerwick South. Peter is the Chair of Shetland College Board and a member of the University of the Highlands and Islands. He also has interests in voluntary organisations, The Swan Trust and Sail Training Shetland.



TERM OF APPOINTMENT TO 2023



Bobby Polson
BOARD MEMBER

Bobby is skipper of pelagic trawler *Serene* and a shareholder in the company owning the vessel and also has whitefish vessel interests. *Serene* is a member vessel of Shetland Fish Producers' Organisation and Shetland Fishermen's Association.



TERM OF APPOINTMENT TO JULY 2022



Gary Robinson
BOARD MEMBER

Re-appointed to the Board in 2019. Gary is Chairman of NHS Shetland, serving a four year term. Gary was Political Leader of Shetland Islands Council from 2012-2017 during which time he was instrumental in influencing the needs of the islands at UK and European level.



TERM OF APPOINTMENT TO JULY 2023



Steven Hutton
BOARD MEMBER

A non-executive Board Member appointed to the Board of Lerwick Port Authority in July 2017 from the business community, he has experience in facilities management and hospitality.



TERM OF APPOINTMENT TO JULY 2022



Colin Nicholson
BOARD MEMBER

Colin was appointed to the Board in July 2019 under the new Harbour Revision Order. Coming from the oil & gas industry, he has 35 years' experience in both offshore and onshore roles. Colin also sits on the Hjaltland Housing Association Board and is Chairman of the Shetland Classic Car Show.



TERM OF APPOINTMENT TO JULY 2023

OUR PEOPLE

MANAGEMENT TEAM

The Management Team is responsible for providing strong leadership; visible and active support to staff members and demonstrating commitment to the Board's strategic objectives.

The Board regularly receives updates from the team, who oversee day-to-day services on the implementation of strategic objectives, financial and administrative processes and business development.

During 2019, the Authority's management team welcomed Neil Arthur as Deputy Harbourmaster.

OUR STAFF

The Authority directly employs 51 FTE staff members who contribute to the effective, smooth running of the port.

The dedicated and long-serving workforce has a wealth of experience in various operations, including maintenance, engineering/electrical/joinery, marine and administration.

Staff training continues, with a high standard of health, safety and environmental compliance across all departments. Successful roll-out of online health & safety training has provided more flexibility for staff undertaking courses around the port's busy operations, resulting in time- and cost-savings. The annual training programme now also encompasses Mental Health First Aid, equipping line managers and staff with the knowledge and expertise to support their colleagues.

CULTURE

Below are the standards that create the culture of the Authority to be reflected throughout all areas of the business:

Respect

~ Treat others as you like to be treated yourself

Integrity and trust

~ Be honest, trustworthy and fair in all that you do

Ethical

~ Be non-discriminatory and even-handed to show equality

Commitment and engagement

~ Do the right thing, be a team player and professional in your approach

Proactive

~ Be confident that it can be done and will be done, in a safe and efficient manner

Responsible

~ Take ownership and accountability of for your actions

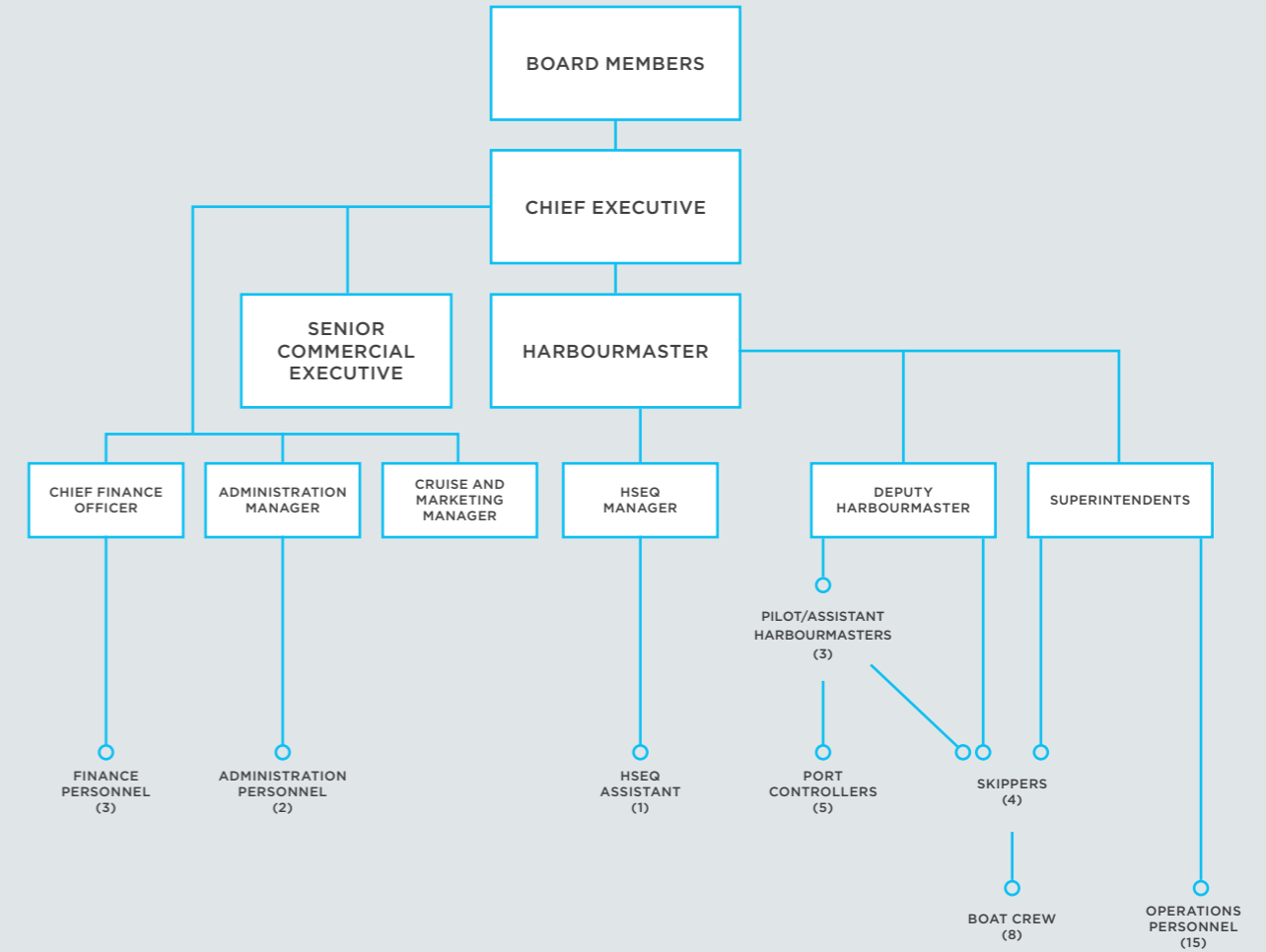
Communication

~ A two-way process, be responsible for your communication and ask, listen and contribute

Attitude

~ A positive attitude based on confidence and learned through gaining knowledge and understanding of yourself and others

STRUCTURE



From back left to front right: Melanie Henderson, Cruise & Marketing Manager; Neil Arthur, Deputy Harbourmaster; Stuart Wadley, HSEQ Manager; Alexander Simpson, Harbourmaster; Jolene Robertson, Administration Manager; Victor Sandison, Senior Commercial Executive; Captain Calum Grains, Chief Executive; Kristen Jeromson, Chief Finance Officer

HEALTH, SAFETY, ENVIRONMENT AND QUALITY

A key component of the Authority's strategy is the continual improvement of all harbour services to respond to changing user requirements through the implementation of integrated management systems.

In 2018, the Authority was the first Scottish port to achieve early certification to the tripartite of standards for Quality Assurance - BS EN ISO 9001:2015, Environment - BS EN ISO 14001:2015 and the new Occupational Health & Safety - BS EN ISO 45001: 2018 when it was first introduced.

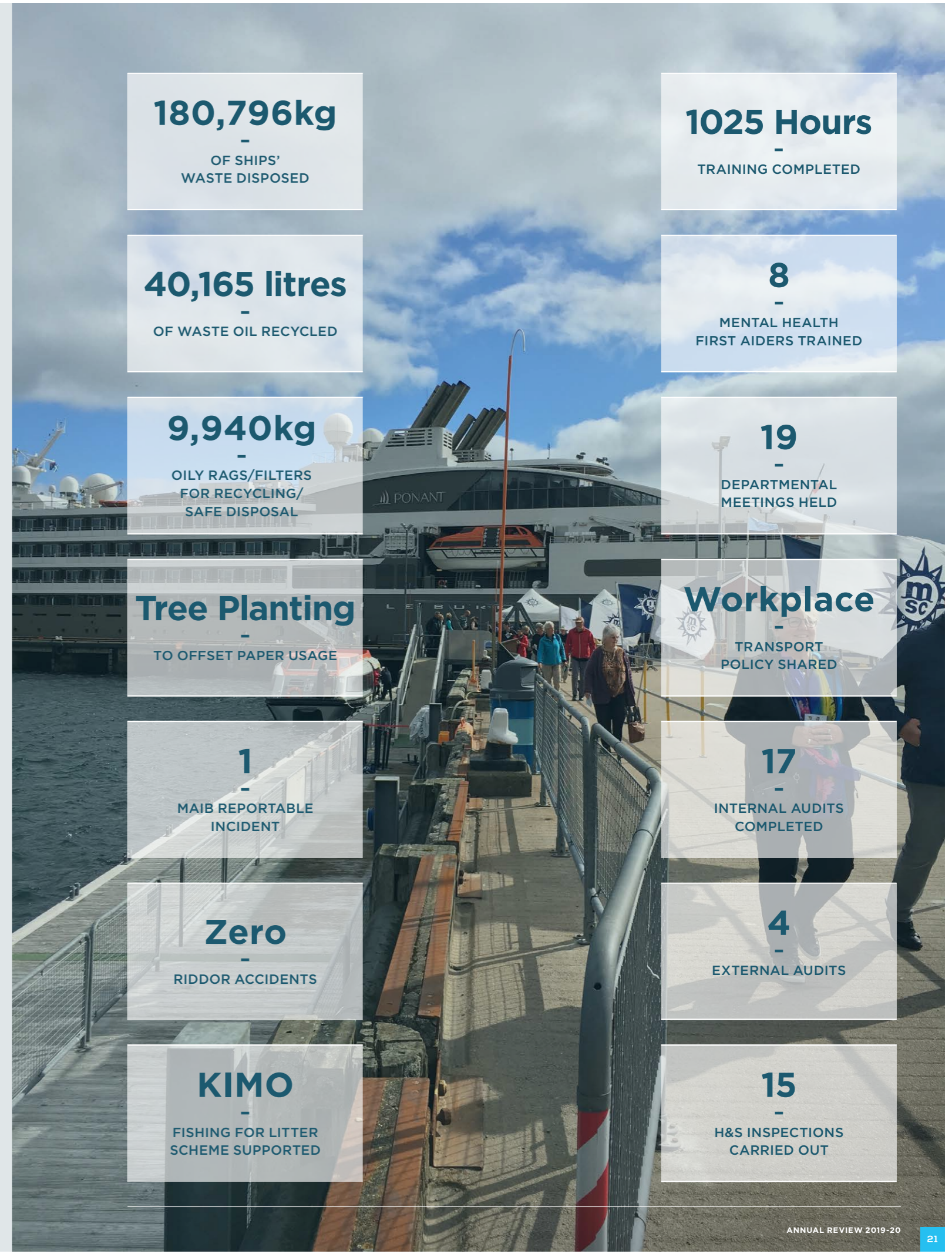
Occupational Health and Safety and compliance with ISO 45001 are at the heart of the Authority's business processes, assisting with hazard identification and risk management, facilitating continual improvement, exposing the business to external audit and improving senior management and Board involvement. It encourages a particular emphasis on risk-based thinking - requiring management to integrate occupational health and safety policy with organisational strategy - and on the key themes of leadership and worker engagement. This leads the Authority through a systematic process for consultation and participation with workers.

A Management Review process drives high standards and levels of efficiency, to ensure:

- ~ Safe, efficient, cost-effective sustainable harbour operations
- ~ An ongoing commitment to minimising environmental impact
- ~ Business activities are carried out in a responsible manner to prevent injury and ill-health to employees, port users and others
- ~ Safe provision of services and the efficient discharge of duties are not undermined by commercial pressures

Maintaining certification to these key international standards requires significant scrutiny of the business activities which comprise the HSEQ Management System. A rigorous audit programme keeps the Authority's services, processes and procedures current, effective and customer-focused, whilst at the same time meeting legislative requirements and stakeholder needs. Both the internal and external audit processes relating to harbour activities guide ongoing compliance.

BSI standards certification is an investment that will help sustain the Authority for coming generations, differentiating it from competitor ports, and strengthening its resilience and reputation. The accreditations complement matching standards seen in the decommissioning and oil & gas industries, at a time of further developments in both sectors.



180,796kg
-
OF SHIPS' WASTE DISPOSED

1025 Hours
-
TRAINING COMPLETED

40,165 litres
-
OF WASTE OIL RECYCLED

8
-
MENTAL HEALTH FIRST AIDERS TRAINED

9,940kg
-
OILY RAGS/FILTERS FOR RECYCLING/SAFE DISPOSAL

19
-
DEPARTMENTAL MEETINGS HELD

Tree Planting
-
TO OFFSET PAPER USAGE

Workplace
-
TRANSPORT POLICY SHARED

1
-
MAIB REPORTABLE INCIDENT

17
-
INTERNAL AUDITS COMPLETED

Zero
-
RIDDOR ACCIDENTS

4
-
EXTERNAL AUDITS

KIMO
-
FISHING FOR LITTER SCHEME SUPPORTED

15
-
H&S INSPECTIONS CARRIED OUT

PORT MARINE SAFETY CODE

Across all marine operations, there is a commitment to implementing the good practice of the Port Marine Safety Code (PMSC) to improve safety and management of processes to nationally-agreed standards. Significant safety risks are identified and evaluated and suitable control measures are put in place to manage them. An external audit, undertaken against the Port Marine Safety Code in 2019, endorsed a high level of compliance.

The Authority's fully integrated HSEQ Management System covers processes for navigational safety, environmental protection and conservancy in its area of jurisdiction. In doing so the Authority maintains an effective navigational Safety Management System (SMS) based on a formalised risk assessment process which is kept under continuous review.

Key processes include:

- ~ Regularly reviewing the effectiveness of, and if necessary seeking amendment to, its legal powers in respect of navigational safety.
- ~ Providing an experienced and competent pilotage service, as required by the Pilotage Act 1987.
- ~ 24-hour port management system.
- ~ Regularly inspecting, reviewing and improving the performance of surveillance systems through technical enhancement and development of staff and management.
- ~ Capturing all radar and VHF communications to aid incident investigation.

- ~ Maintaining records of all commercial vessel movements within the port.
- ~ Preparing, publishing and regularly testing emergency response plans to ensure effective management of any marine related incident within its area of jurisdiction.
- ~ Conducting conservancy inspections and hydrographic surveys to ensure safe marine assets and efficient navigation within the areas of jurisdiction.

- ~ Publicising effectively navigational, tidal, hydrographic and other relevant information to port users.
- ~ Ensuring that hydrographic data is distributed and made available to the UK Hydrographic Office for onward circulation to mariners.
- ~ Undertaking duties of a Local Lighthouse Authority and providing necessary aids to navigation within port limits, to include navigation buoys, beacons and lighthouses, as per Northern Lighthouse Board requirements.
- ~ Marine navigational operations to ensure their continued effectiveness.
- ~ Consulting with port users and other relevant stakeholders on navigational safety issues and proposed changes which affect procedures, guidelines and powers.

INTERNATIONAL SHIP AND PORT SECURITY CODE

The Authority recognises its responsibility to comply with the International Ship and Port Security Code (ISPS) and maintains a Port Facility Security Plan. The Port Facility Security Officer works closely with the Department for Transport, Border Force and with security contractors, conducting regular security inspections, particularly when cruise vessels are in port.

AIDS TO NAVIGATION

Lerwick Port Authority is the Local Lighthouse Authority and as such must meet statutory duties associated with those responsibilities. A report into the availability of the Authority's various Aids to Navigation is therefore prescribed by regulation. Performance is monitored and

periodically audited by the National Lighthouse Authority, namely the Northern Lighthouse Board, and a full audit took place within the reporting period. The audit was passed, and all points for action have been completed.

Category	No. of Aids	Target Availability %	Availability %
CAT1	4	99.80	100.00
CAT2	32	99.00	99.78
CAT3	3	97.00	100.00



OBJECTIVES AND TARGETS UPDATE

FROM ANNUAL REVIEW 2018/19 WITH NEW TARGETS FOR 2020

TARGET	OUTCOME
Management, maintenance and regulation of Lerwick Harbour	
Review implementation of performance management system	Review complete and process updated
Monitor regulatory developments in the ports sector, particularly Covid-19 or Brexit impacts	Plans and procedures updated and approved to incorporate any new requirements
Professional development of existing and new Board Members	Board training sessions attended; induction now includes mandatory training requirements
Complete review of pensions provision	Local Government Pension Scheme closed to new entrants and alternative scheme offered to new employees
Complete registration of the Authority's estate on Land Register of Scotland	Land estate now showing on Land Register of Scotland

NEW TARGET

- ~ Explore options for management of ongoing pension liability
- ~ Procurement, allocation and control of financial resources within parameters of Bank facility to manage recovery from Covid-19 impacts

To conduct all business activities in a responsible manner, which assures the prevention of injury and ill-health to employees, port users and others, preservation of the environment and quality of service and to promote the development of an efficient, cost-effective sustainable port

Maintain accreditation to ISO standards 9001, 14001 and 45001	Successful external audit completed by BSI during the year and accreditations maintained
Carry out Health and Safety inspections	Inspections undertaken and staff encouraged to carry out inspections to give a wider overview
Review Mental Health first aid provision	Number of staff trained in mental health first aid during the year

NEW TARGETS

- ~ Dialogue with stakeholders to promote and emphasise standards within the port environment to be met across all activities
- ~ Maintain processes and systems in compliance with current requirements during Covid-19 pandemic
- ~ Identify and promote carbon reduction across port operations

FROM ANNUAL REVIEW 2018/19 WITH NEW TARGETS FOR 2020

TARGET	OUTCOME
Invest in new port facilities where a need is identified. Diversify the portfolio of investments and sources of income, especially where it also supports and strengthens core harbour activity	
Continue to explore opportunities relating to ultra-deep water quay and support for the project	Discussions have taken place with HIE, Scottish Government and other partners to progress funding and design of new quay, as included in Islands Growth Deal
Monitor fishmarket construction project	Weekly technical meetings attended; on site visits and inspections; project completion delayed due to Covid-19 impacts
Investigate applying for any available external funding that can assist in the delivery of capital projects	Funding secured towards new decommissioning pad at Dales Voe
Monitor market requirements for future infrastructure projects on the Authority's capital projects list	Feedback gathered from attendance at various engagements and events throughout the year to maintain knowledge on industry requirements
Install electric vehicle charge points at strategic locations on port estate	Electric charge points installed at Fishmarket, Victoria Pier and Albert Building with potential for additional charge point at Holmsgarth Ferry Terminal
Construct new decommissioning pad at Dales Voe	Construction commenced October 2019 by Tulloch Developments Ltd

NEW TARGETS

- ~ Progress potential investment towards the Ultra Deep Water Quay through the Islands Growth Deal
- ~ Track progress on completion of Dales Voe decommissioning pad in order to accept delivery of Ninian Northern topside

OBJECTIVES AND TARGETS UPDATE

FROM ANNUAL REVIEW 2018/19 WITH NEW TARGETS FOR 2020

TARGET	OUTCOME
Attract new business and ensure continued satisfaction of existing customers and users, and to defend the port against unfair competition and anti-competitive practices	
Maintain and promote Lerwick's identity as a decommissioning port	Decommissioning trade shows, exhibitions and seminars attended by officials
Marketing to the oil & gas sector, with emphasis on efficiency and cost-effectiveness of port	Exhibitor stand and delegate attendance at Offshore Europe 2019
Promotion of new fishmarket facilities to the fishing sector	Market completion delayed due to Covid-19; publicity and official opening event postponed
Engagement with and marketing of facilities to cruise sector	Seatrade, CLIA, Cruise Scotland and Cruise Europe events attended throughout the year
Input to consultations and forums on any new port infrastructure required to service new ferry contract	Regular attendance at ZetTrans meetings and engagement with new north isles ferry contractor. Tender awarded to existing service provider, therefore no new requirements
Launch the Authority's new website	Site coded and new content in progress

NEW TARGETS

- ~ Diversify use of deep water infrastructure to realise opportunities in the renewables sector, particularly onshore and floating offshore wind
- ~ Completion of replacement Fishmarket and implementation of new systems and HACCP procedures

FROM ANNUAL REVIEW 2018/19 WITH NEW TARGETS FOR 2020

TARGET	OUTCOME
Maintain existing buildings, plant and equipment and harbour facilities in a safe and serviceable order	
Explore options for replacement of Kebister harbour vessel	Investment deferred in the short term pending consolidation of finance
Undertake planned maintenance and/or renewal of existing property and quay infrastructure	Programme for repairs and renewals followed and implemented
Carry out repairs required to Heogan piers	Programme of works underway
Roll-out of new port management system	System in place and working well

NEW TARGETS

- ~ Fully integrate property records and maintenance scheduling into new property management software
- ~ Undertake replacement and renewal of existing cathodic protection
- ~ Repurpose vacant properties to meet new tenant requirements



SECTOR HIGHLIGHTS

OIL & GAS

The number of oil industry-related vessels using the port's extensive facilities was up 7.3% on 2018 at 369, which includes a 27.9% rise in supply and anchor handling ships, and the overall tonnage was up 26.9%. The upturn in this important activity was driven by the gradual recovery across the sector during 2019, including subsea decommissioning support – one of the port's specialisms – and more seismic research.

CRUISE

A positive cruise season ended with an all-time high of 99 ships calling, although a greater percentage of small- to mid-sized ships through the summer, meant records for tonnages and passenger numbers were less than the previous year.

Double accolades achieved in 2019 shone a spotlight on the isles' flourishing tourism sector. Shetland was named one of the Top 10 destinations in Europe, the only UK location to feature. Later in the year consumer ratings site 'Cruise Critic' further endorsed the isles' popularity with cruise passengers, ranking Lerwick one of the top five in the British Isles and Western Europe cruisers' choice category.

FISHING

230,081 boxes were landed for 2019, slightly less than 2018. However, weight and value of whitefish landings in 2019 remained the second highest on record. Excellent progress was made on the construction of the new fishmarket. Opening in August 2020, it will provide much-needed additional landing capacity for the fleet and numerous environmental improvements.

Three new pelagic vessels, *Adenia*, *Charisma* and *Zephyr*, joined the local fleet in 2019, reflecting the strong confidence in markets for mackerel and herring whilst making the process of catching and landing as efficient as possible. The new generation of pelagic vessels using Lerwick benefit from high-capacity shore power points to meet their power needs when berthed. Future planning includes expanding shore power options to other commercial vessels.

FERRIES AND FREIGHT

The number of ferry passengers on the Aberdeen and Kirkwall routes increased by 10.2% to 148,937, reflecting the positive impacts of the Road Equivalent Tariff introduced in 2018, with the total footfall including cruise passengers, steady at 225,170.

SPOTLIGHT ON: DECOMMISSIONING

Spirit Energy's Markham Field ST-1 topsides and jacket were removed in a single lift, and shipped to the port's deep-water Dales Voe Base where the structure was lifted onto the quayside. Dismantling and disposal has been undertaken by joint venture partnership, Veolia/Peterson.

As well as providing employment in Shetland, successful handling of this project demonstrated for the first time that, with the use of cost-effective crane vessels, rather than barge transfers, to move offshore topsides and jackets, Lerwick can compete well-outside its immediate markets in the central North Sea and northern waters.

The ST-1 project strengthens the case the Authority and others have made for Lerwick to become the location for the UK's Ultra-Deep-Water decommissioning facility, using this technique.

Throughout the year, the port supported a number of other decommissioning projects, including Buchan Alpha, Dunlin and Leadon.

NEW DECOMMISSIONING CAPABILITY AT DALES VOE

During October 2019, work started on the construction of a fully-licensed quayside decommissioning pad at Dales Voe by contractor Tulloch Developments Ltd. To be operational in late summer, 2020, the new facility is specifically designed for single-lift loads and will be operated by Veolia/Peterson.

Delivery of the platform topside from the Ninian Northern installation in August will be the first project to use the new facility. The platform's accommodation, drilling and production topside will be removed and delivered from the northern North Sea to Dales Voe Base as a single lift by the world's largest construction vessel, *Pioneering Spirit*.

Dismantling and disposal of Ninian's 14,200 tonne structure will be the port's largest decommissioning project yet, taking advantage of deep water, the high strength and capacity of the quay, the new pad, and experienced contractors. The site offers a significant work area, with adjacent laydown and storage facilities. An impermeable surface will collect waste liquids from around the topside work to an interceptor system, to ensure the highest standards of environmental management during dismantling.

The decommissioning pad is complementary to the port's future plans to create an ultra-deep-water quay, which is progressing with Highlands and Islands Enterprise and Scottish Government support. Planning for further investigatory and engineering works is to be undertaken to refine the design to meet user requirements.

Lerwick Harbour's involvement as a leading location for decommissioning offshore structures reached another significant milestone with the arrival of a platform from the Southern North Sea in July 2019.



COMMUNITY & STAKEHOLDERS

As a Trust Port, the Authority carefully manages its assets for the benefit of all its stakeholders and actively supports local community activities.

Throughout the year, engagements were hosted with interested groups, including customers from various sectors, politicians and the Shetland community. For example, the Authority partnered with Highlands and Islands Enterprise on an event for cruise stakeholders to give an insight on how to engage with this important, growing sector and create opportunities for servicing this market. These occasions provide a framework to gain valuable feedback and the strength of ongoing relationships is central to the Authority's future success.

The active role in the community includes relevant events and consultations, including hosting school visits and work experience students annually. The Authority's marketing and digital strategy helps maintain the profile of the harbour and good communications with its customers and stakeholders. The contribution to the local economy is well-communicated.

Providing stakeholder benefits is an integral part of the business. As a Trust Port, we have a responsibility to support the community that we are proud to be a part of.

Support goes beyond financial donations or sponsorship and often involves benefits in kind, such as staff time and other resources, contributing to many maritime causes.

Examples of charitable and community activities assisted in 2019 include:

- ~ Free berthing for tall ships
- ~ Lerwick Lifeboat Open Day at Victoria Pier
- ~ Bergen-Shetland yacht race
- ~ Shetland Fiddlers at Royal Edinburgh Military Tattoo
- ~ Annual donations to marine charities: Shipwrecked Mariners; RNLI and RNMDSF
- ~ Jarl Squad appearances for cruise calls
- ~ Natwest Island Games – swimming, athletics and sailing
- ~ Free berthing for Lerwick Lifeboat
- ~ Charitable donations for calendar photography
- ~ BBC Radio Shetland Children-in-Need Appeal
- ~ Bressay History Group
- ~ Da Voar Redd Up
- ~ RNMDSF Shetland Fish Trades Golf Cup
- ~ Herring and Whitefish Trades Golf Alliance
- ~ Shetland Inter Club Yachting Association, Inter Club Regatta
- ~ Sail Training Shetland
- ~ The Swan Trust
- ~ Up Helly Aa
- ~ Defibrillator for Marina Business Park
- ~ Trees for Schools
- ~ Shetland Boat Week
- ~ CLAN Cancer Support, Light the North Art Trail (reprogrammed to 2021)

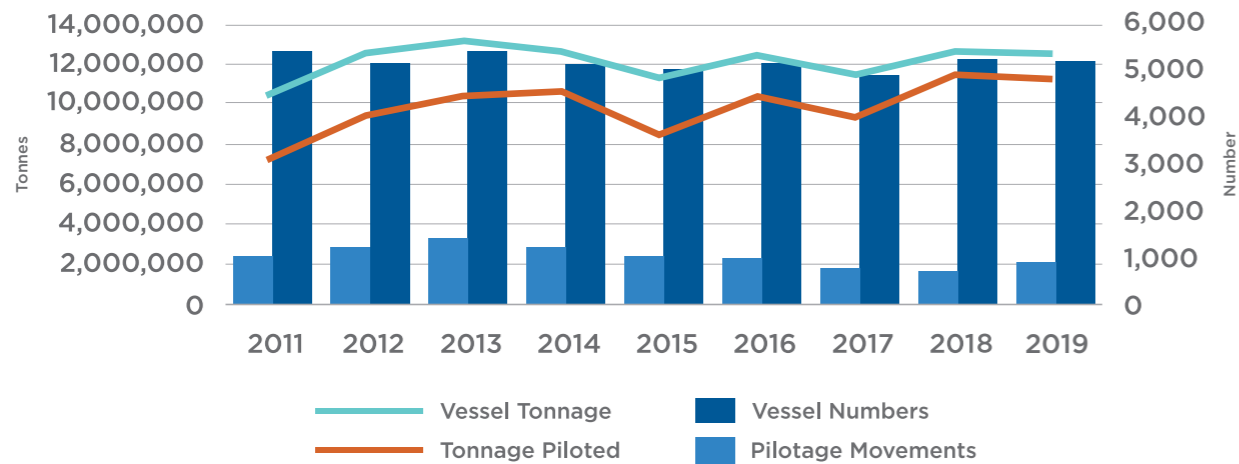
£16,101

OF CHARITABLE DONATIONS IN 2019



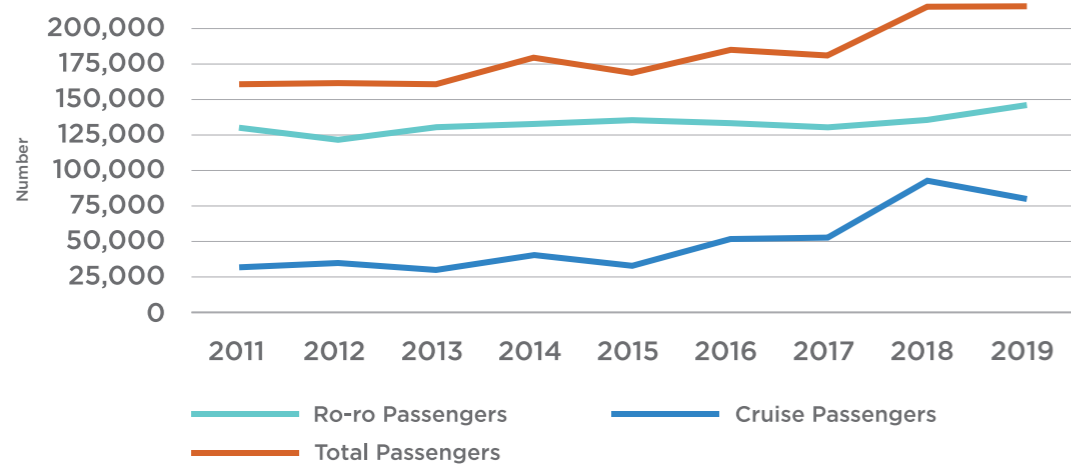
KEY PERFORMANCE INDICATORS 2019

VESSELS



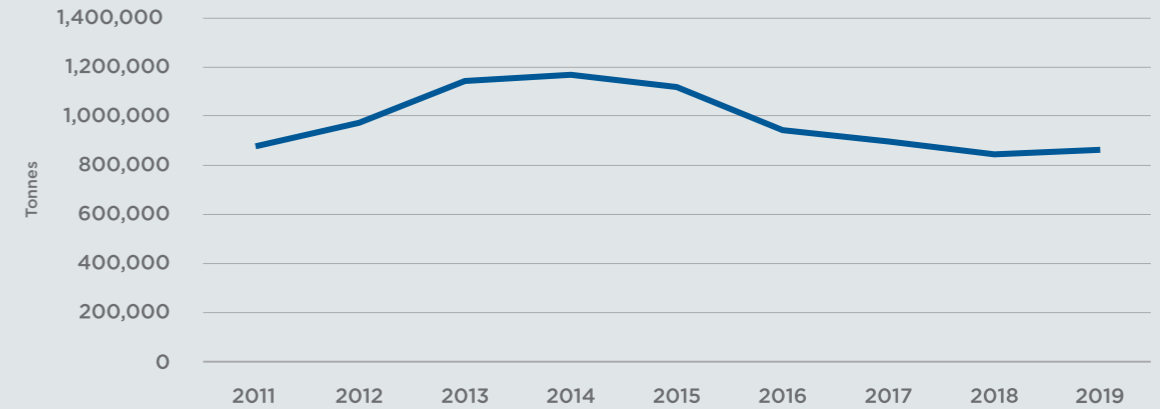
The number of vessels visiting in 2019 was down 3.0% on 2018, with 12.6m gross tonnes of shipping. While the tonnage of oil & gas vessels increased, the overall drop in tonnage was due to a fall in cruise ship tonnage. Despite 2019 being a record year for cruise ship arrivals, there was a larger proportion of the mid-tier sized ships.

PASSENGERS



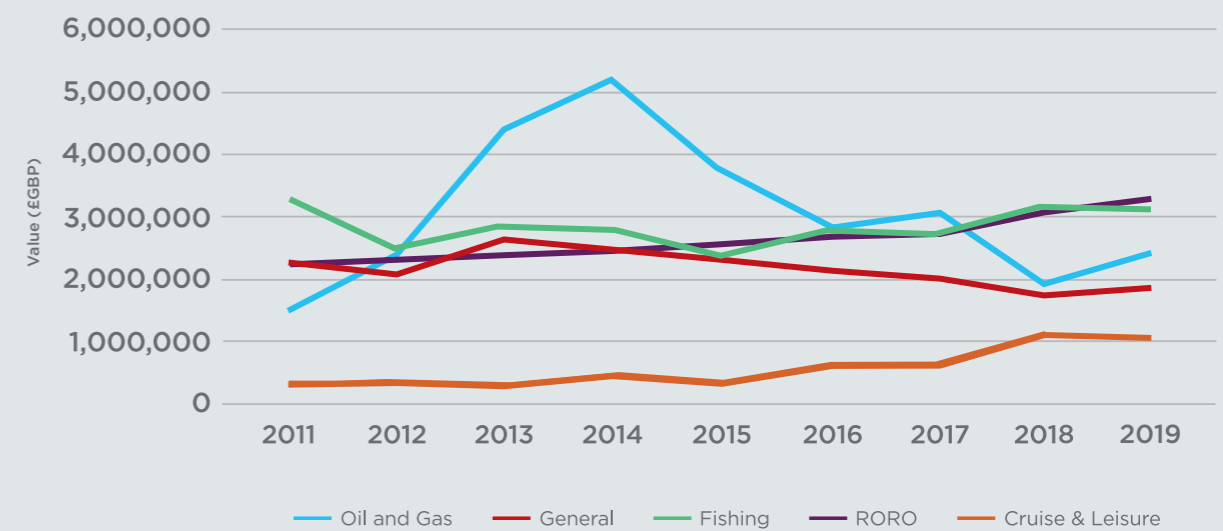
Passenger numbers using the roll-on/roll-off ferry service have increased, as expected, due to the introduction of lower ferry fares during 2018 while cruise passengers have decreased. Overall footfall for 2019 remained constant at 225,000.

CARGO MOVEMENTS



The cargo movement through Lerwick in 2019 increased for the first time in a number of years. During 2019 the oil & gas activity increased and cargo movements for this sector were up by 48.7%. The roll-on/roll-off ferry service is the main carrier of domestic cargo overall and levels for 2019 increased for another year.

INCOME SPLIT BY SECTOR



FINANCIAL PERFORMANCE AND ANALYSIS

TURNOVER

Turnover for 2019 was £11.65m, up 6.4%. The port has seen an increase in oil & gas-related activity in 2019 due to decommissioning work continuing and a number of smaller projects being supported from Lerwick. In 2019, the oil & gas sector accounted for 20% of turnover, down from a high of 39% in 2014.

While turnover from the cruise sector declined, income from the oil & gas, fishing and ro/ro sectors all showed modest rises in the year.

PROFIT

Operating profit for the year was a healthy £3.8m, up on the previous year. The main factor for the increased operating profit was the rise in income.

PORT COMPETITIVENESS

The Authority works hard to provide a competitive, cost-effective harbour with as high a capacity as possible. It is the aim of the Authority to keep harbour charges as competitive as possible and for 2019 the core harbour charges increases were again limited to inflation.

The Authority will continue to market the port as a cost-effective solution for users. This is enabled due to the strategic location in the heart of the northern North Sea and west of Shetland oil & gas fields and rich fishing grounds.

BANK FACILITIES

With the support of Bank of Scotland, the Authority has invested significantly in quayside infrastructure in recent years. Construction of the replacement fishmarket is the final project in the harbour's current programme of capital investment.

Lerwick Port Authority has a long-term and close working relationship with Bank of Scotland and the facility provided was tailored to suit the planned investments. The development phase of the bank facility continued throughout 2019. At the end of the availability period following completion of the replacement fishmarket, the facility will be converted into a term loan.

PENSIONS

The Authority provides two pension schemes for employees, a defined contribution scheme through the Ensign Retirement Plan, and a defined benefit scheme as an admitted body to the Shetland Islands Council's Local Government Pension Scheme (LGPS). In line with many defined benefit schemes in recent years, the contribution levels have been increasing significantly and the level of the deficit accruing in the scheme continues to be uncertain.

The Authority has continued throughout the year to work with professional advisors and continues a dialogue with the scheme managers. The LGPS scheme was closed to new entrants from 1 April 2019 and the pension scheme deficit is currently £6.4m.

The FRS 102 accounting standards that the Authority's accounts are prepared under require an adjustment to be included to take account of the movement in the pension scheme liability at the year end. This has had a negative impact of £491,000 on profit-before-tax and for 2018 was £493,000.

INTEREST RATE RISK

The Authority decided to take advantage of the low interest rates available and "lock in" a significant portion of its borrowings to a low rate, using an interest rate swap in 2017. This maintains certainty over the cost of repayment of borrowings and continues to hedge against the risk of any future interest rate increases.

There is also an adjustment for FRS 102 accounting standards to take account of the fair value of the hedge at the year end. The movement in valuation has increased during 2019. A fall in the forward curve which is used to value the hedge fell in 2019. This had a resulting negative impact on the profit and loss account of £146,000. In 2018, the movement had a positive impact of £186,000.

TAXATION

The tax on profit has been positively impacted by a net decrease in the deferred tax provision, primarily due to the reduction in the net book value of assets compared to their tax written down value. In the Statement of Comprehensive Income, the deferred tax is also reduced in line with a reduction in the overall liability.



FINANCIAL STATEMENTS

INCOME STATEMENT

For the year ended 31 December 2019

	2019	2018
	£000	£000
TURNOVER	11,653	10,895
Cost of sales	(6,558)	(6,672)
GROSS PROFIT	5,095	4,223
Administrative expenses	(1,276)	(1,122)
OPERATING PROFIT	3,819	3,101
Fair value (losses)/gains on financial instruments	(146)	186
Interest receivable and similar income	1	677
Interest payable	(862)	(968)
Impairment of fixed asset investment	-	(530)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,812	2,466
Taxation	157	(691)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE YEAR	2,969	1,775
The operating profit for the year arises from the Group's continuing operations.		

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	£000	£000
RETAINED PROFIT FOR THE YEAR	2,969	1,775
OTHER COMPREHENSIVE INCOME		
Actuarial gains on defined benefit pension scheme	(729)	4,827
Tax relating to other comprehensive income	124	(820)
	(605)	4,007
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,364	5,782

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	2019		2018	
	£000	£000	£000	£000
FIXED ASSETS				
Tangible assets	81,374		77,989	
Investments	1,661		1,656	
	83,035		79,645	
CURRENT ASSETS				
Debtors falling due within one year	3,149		2,325	
Debtors falling due after more than one year	369		135	
Cash at bank and in hand	1,882		1,464	
	5,400		3,924	
CREDITORS				
Amounts falling due within one year	(6,950)		(4,516)	
NET CURRENT LIABILITIES		(1,550)		(592)
TOTAL ASSETS LESS CURRENT LIABILITIES		81,485		79,053
CREDITORS				
Amounts falling due after more than one year		(14,868)		(16,700)
PROVISIONS FOR LIABILITIES				(565)
DEFERRED INCOME		(9,641)		(8,396)
NET ASSETS EXCLUDING PENSION LIABILITY		56,976		53,392
Pension liability		(6,406)		(5,186)
NET ASSETS INCLUDING PENSION LIABILITY		50,570		48,206
CAPITAL AND RESERVES				
Savings fund		70		70
Profit and loss account		55,817		52,440
Pension reserve		(5,317)		(4,304)
TOTAL EQUITY		50,570		48,206

LERWICK PORT AUTHORITY
www.lerwick-harbour.co.uk



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