
LERWICK PORT AUTHORITY ANNUAL REVIEW 2020-21



BRITAIN'S 'TOP' PORT



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CORONAVIRUS (COVID-19) UPDATE

COVID-19 and the subsequent disruption felt through 2020 had a significant impact on trading at Lerwick Harbour during the year and this is ongoing through 2021.

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.

We are seeing in 2021 challenges continue for the port, our colleagues, customers and islanders, given the ongoing impact of the pandemic.

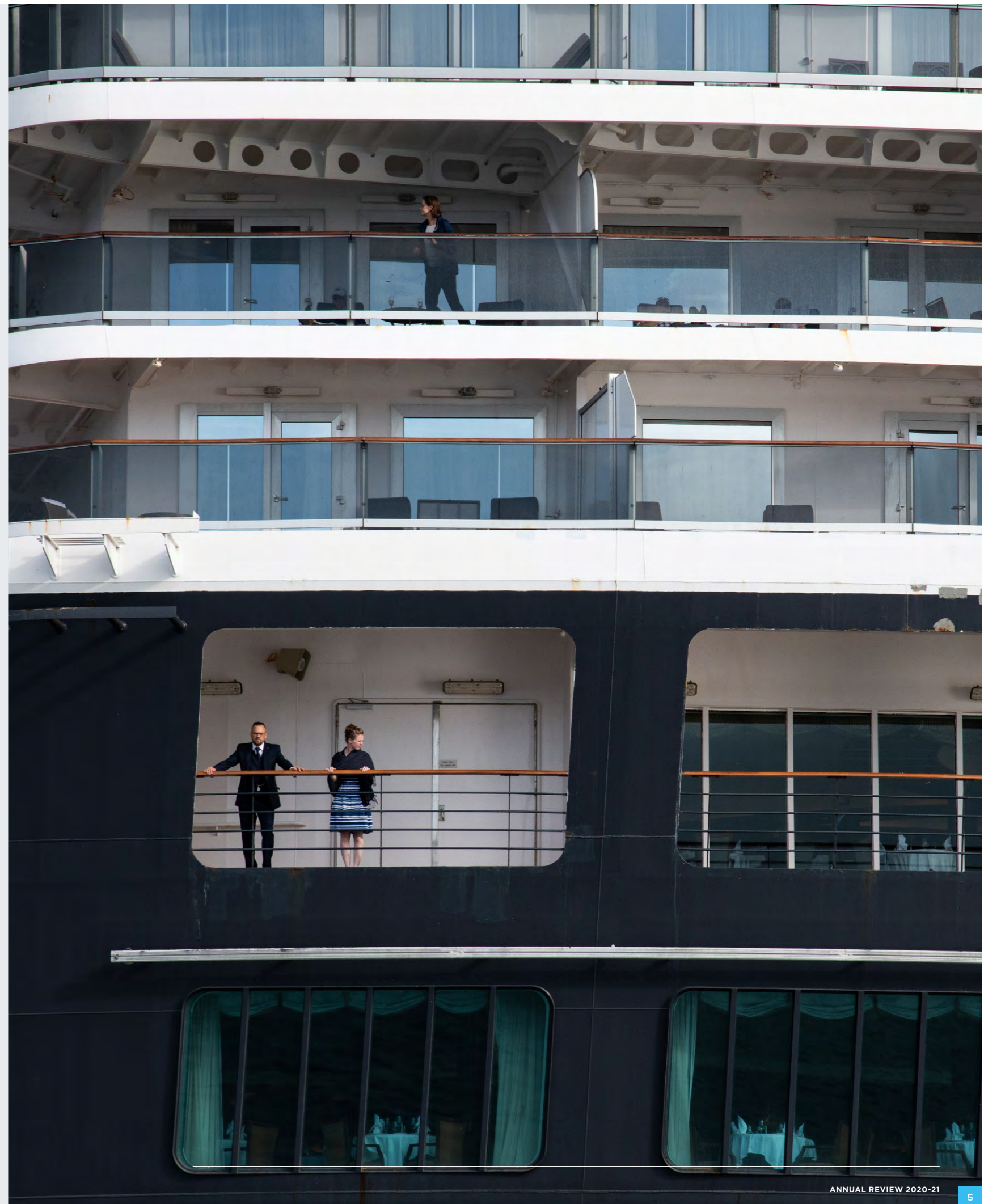
Bank of Scotland support, in addition to critical infrastructure COVID-19 funding from Highlands and Islands Enterprise, has helped to maintain the port, facilities and levels of staff.

Within the main sectors at Lerwick, the roll-on/roll-off passenger and freight sectors initially dropped significantly in the early part of 2020, with only essential travel and reduced sailings as a result of Covid-related restrictions. The service did increase volumes through the remaining part of the year, however at below average tonnages and numbers expected during a more normal period.

The fishmarket remained operational throughout the year. Landings have been at less than expected levels and are unlikely to recover during 2021.

Oil & gas traffic through the port has significantly reduced, with the recovery in oil prices not resulting in increased volumes of cargoes through 2020, with further challenges for all companies involved in this sector.

The cruise sector has been severely impacted, with cruise lines unable to sail and undertake operations throughout 2020. Reopening of Scottish ports allowed a brief, successful end-of-season in 2021. There does, however, continue to be a strong outlook in this market, and we hope to play a part in the recovery of this sector in the years ahead. The recovery of this important industry is currently very uncertain and likely to be lengthy.



CHAIRMAN'S STATEMENT

I am pleased to present the 2020-21 Annual Review. Having been appointed as Chairman in July 2021, I would like to thank past Chairman, Ronnie Gair, for his work and dedication during 2020.

With all areas of port operations severely affected by the Covid-19 pandemic, challenges being faced will take some time to see a recovery to normal levels of traffic and trading. However, 2020 once again demonstrated the strength of having a diverse customer base. The different sectors operating to-and-from the port, all facing their own significant pandemic hurdles, have continued to utilise our facilities, with fish landings, oil & gas support and decommissioning continuing. The cruise sector, in particular, has seen major disruption, however future demand gives confidence in a return, when possible.

A personal and significant highlight for myself and the Board was the completion of the new state-of-the-art fishmarket. The facility, opened during a very difficult period, with Covid-19 restrictions and challenges to all involved, will help to keep Lerwick at the forefront of the industry for years ahead.

I would like to take this opportunity to thank the project team, especially Arch Henderson, Tulloch Developments Ltd and Port Authority staff in their determination to finalise the project during the year. We were honoured with a visit by HRH The Duke of Rothesay to the fishmarket and by recognition as Port of the Year in the Fishing News awards.

Having continued support from Bank of Scotland has been crucial to the port over many years, which has allowed the ambition and development of facilities to be realised, and especially now, as we navigate through the current situation. Ongoing backing from Highlands and Islands Enterprise and specific Government funding opportunities, where available, will be vital in the years ahead.

Safety culture continues to be a key focus, with HSEQ activities at the core of all port activities. We are proud to maintain the internationally recognised standards of ISO 90001, ISO 14001, and ISO 45001, which are also a testament to the dedication and implementation of the approach to safety throughout the organisation.

I would like to thank all members of the Board and port colleagues for their hard work through this continuing very demanding time from 2020 and into 2021.

As Chairman, and with the Board's continued support, we have the confidence and ambition to continue planning for better times after the current difficult period, with ongoing strategic planning for future opportunities and developments which will support a wide range of port sectors, including the development of the Ultra-Deep-Water Quay project at Dales Voe. The quay will provide unique infrastructure in the UK to support the energy transition, including decommissioning and the renewables sector.



GEORGE ANDERSON
Chairman/September 2021



CHIEF EXECUTIVE'S STATEMENT

I am pleased to have the opportunity to write this report for the 2020-21 Annual Review for Lerwick Port Authority. It is, of course, overshadowed by the continuing and challenging situation as a result of the Covid-19 pandemic, which continues to affect all of our lives.

Maintaining operational status at the port during 2020 was achieved with a blend of home working and onsite requirements, given the essential worker status of port staff. Government resilience support, including the UK Government's Coronavirus Job Retention Scheme, was utilised throughout and has been very important in helping the port to navigate through the difficult period.

Throughout the year, which included issues for some sectors around changes to requirements following the UK transition out of the EU, especially felt by the fishing sector, I am proud of the support received from our wide and diverse range of port users.

The 2020 financial result has been much reduced from the expected and planned. However, financial figures are more positive than feared initially. Turnover reduced to £9.49m from £11.65m in 2019. Profit-after-tax reduced to £0.89mm from £2.97m in 2019.

With the demands surrounding the pandemic and restrictions

in place for the most part of the year, we were delighted to finalise the port's current capital programme, with the completion of the new whitefish market. It gives Lerwick a significant increase in capacity and facilities, resulting in the port continuing to be at the forefront of the crucial fishing industry.

Funding for the current capital programme from Bank of Scotland has allowed the significant expansion of port facilities over the last seven years and its continued support has been crucial during the current situation resulting from the Covid-19 pandemic. Both Highlands and Islands Enterprise and Scottish Government grant funding have been important in the delivery of the fishmarket.

While the number of whitefish boxes landed reduced in 2020, we are optimistic of increased future opportunity with the extra capacity the replacement fishmarket will allow. Whitefish landings in the port were down by 17.4% on the 2019 levels, with 204,946 boxes in 2020.

Overall gross tonnage of shipping showed a significant decrease of 35.1% to 8,150,990 gross tonnes, and overall vessel arrivals were down to 4,401, a decrease of 13.2% on 2019.

The cruise sector at Lerwick was severely restricted during 2020, with only two early arrivals to the port prior to

Covid restrictions closing the remaining season, with only 1,499 passengers.

2020 saw a significant fall in activity related to the oil & gas sector, with 199 arrivals and 878,560 gross tonnes of shipping, down 46% and 55% respectively in comparison to 2019. Cargo worked by the sector through the port reduced by 28.4%, indicating the effects of the Covid-19 pandemic.

Decommissioning continues to be a strategic and growth strand of the oil & gas sector at Lerwick. The arrival and decommissioning of the Ninian Northern platform topside during 2020 were a highlight in such a difficult period. Construction works to create the required decommissioning pad at Dales Voe by Tulloch Developments allowed the topside deck, at an overall weight of 14,500T, to be loaded-in across the quay as the heaviest structure so far to be landed at the port. Taken to Lerwick on the world's largest construction vessel, *Pioneering Spirit*, the single-lift delivery again highlighted our significant facilities and capabilities to handle the largest of projects, with an experienced supply chain capable of providing the required support.



CAPTAIN CALUM GRAINS
Chief Executive/September 2021



HARBOUR STATISTICS 2020

4,401

VESSEL ARRIVALS

403,342

LARGEST VESSEL GROSS TONNES

8.2M

GROSS TONNES OF SHIPPING

756,003

TONNES CARGO

£46.0M

VALUE OF FISH LANDED

35,999

TONNES FISH LANDED

57,933

PASSENGERS

1,499

CRUISE PASSENGERS

56,434

RO-RO PASSENGERS

542

PILOTAGE MOVEMENTS

126

TENANTS

218

PROPERTIES RENTED

51

MEMBERS OF STAFF

£9.49M

GROSS ANNUAL TURNOVER

£4.21M

EBITDA

130,000m²

OF LAYDOWN

4,574

METRES OF QUAYS

12.5m

MAXIMUM WATER DEPTH ALONGSIDE

9 nautical miles

SIZE OF HARBOUR (NORTH TO SOUTH LIMITS)



3 nautical miles

SIZE OF HARBOUR (INNER HARBOUR)

ABOUT US

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.

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.

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 regarding 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 until the recruitment process resumed in 2021 when new Board members were welcomed.

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
PAST CHAIRMAN

Re-appointed Chairman in 2020. 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



George Anderson
CHAIRMAN

Appointed as Chairman July 2021. 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



John Henderson
DEPUTY CHAIRMAN

Re-appointed Deputy Chairman in 2020. 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 many 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



James Anderson
BOARD MEMBER

Shareholder of Alison Kay Fishing Company and skipper of whitefish trawler *Alison Kay*, James is a current 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 since July 2017 from the business community, Steven has interests in property development, with experience in administration, finance, facilities management and hospitality.



TERM OF APPOINTMENT TO JULY 2021



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 Hjaltdland Housing Association Board and is Chairman of the Shetland Classic Car Show.



TERM OF APPOINTMENT TO JULY 2023



Ella Hunt
BOARD MEMBER

Ella was appointed to the Board in July 2021. An HSE professional with over nine years' experience across varying aspects of the energy industry and a strong background in environmental management. Ella also sits on the environment and waste management committee for the Institute of Occupational Safety and Health.



TERM OF APPOINTMENT TO JULY 2024

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 operations and implement strategic objectives, financial and administrative processes, and business development.

The Authority's management team comprises:

Chief Executive

~ Captain Calum Grains

Senior Commercial Executive

~ Victor Sandison

Harbourmaster

~ Captain Alexander Simpson

Deputy Harbourmaster

~ Captain Neil Arthur

HSEQ Manager

~ Stuart Wadley

Chief Finance Officer

~ Kristen Jeromson

Administration Manager

~ Jolene Robertson

Cruise & Marketing Manager

~ Melanie Henderson

OUR STAFF

The Authority directly employs 50 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, administration and marketing.

Staff training continues, with a high standard of health, safety and environmental compliance across all departments. Online health & safety training provides 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.

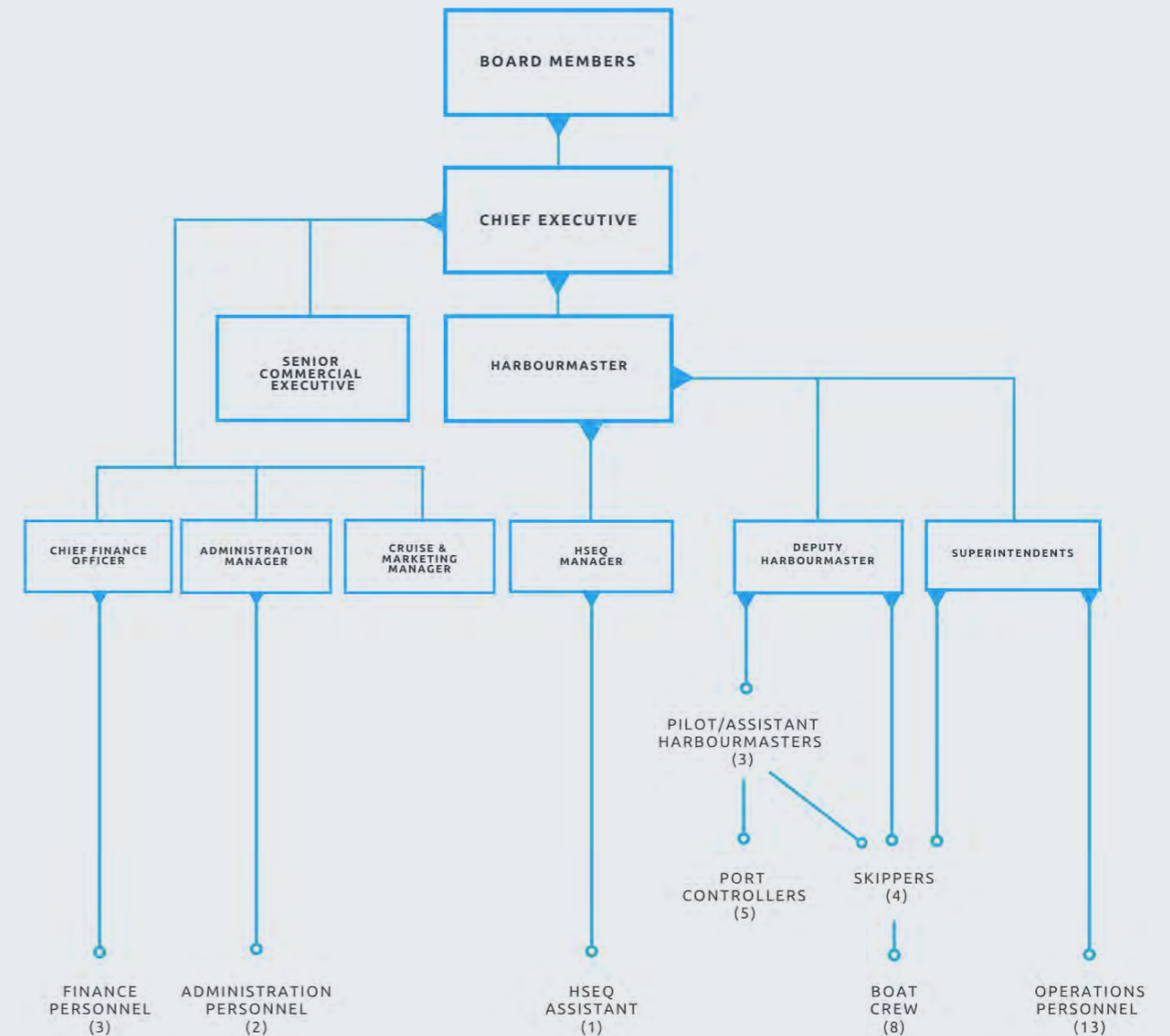
Communication

~ 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



HEALTH, SAFETY, ENVIRONMENT AND QUALITY

A key component of the Authority's strategy is the continual improvement of all harbour services to meet the needs of harbour users. In order to achieve this, the Authority operates an integrated management system.

In 2020, the Authority maintained its certification to the tripartite of standards for Quality Assurance ISO 9001:2015, Environment ISO 14001:2015 and Occupational Health & Safety ISO 45001: 2018. This was achieved via remote audit as a result of Covid-19 restrictions.

The Authority's Occupational Health and Safety system was a key factor in enabling it to maintain critical operations throughout the pandemic. Robust procedures and processes were put in place which allowed essential harbour operations to continue, whilst ensuring the health and safety of Authority personnel and others.

Communication with staff is an essential requirement of the ISO standards and the benefits of communication was never better demonstrated than in 2020 as everyone adapted to the unprecedented impacts of Covid-19. Formal consultation with staff was maintained via electronic methods, and safe daily interactions were maintained, allowing staff to contribute to the discussions around the adaptation of work patterns and processes essential to their safety.

Compliance with the ISO standards is a key component of the Authority's business processes, assisting with hazard identification and risk management, and facilitating continual improvement in health and safety, environmental and quality performance. Embracing external scrutiny via the audit process gives the Board as Duty Holder, the assurance that operations are being conducted in a complaint manner.

The ISO certification also gives customers and stakeholders confidence that the Authority is:

- ~ Actively identifying risks and opportunities.
- ~ Considering the environmental impact of business decisions.
- ~ Placing health and safety of staff, contractors, port users and others at the heart of all decision making.
- ~ Striving to maintain safe, efficient, cost-effective sustainable harbour operations.
- ~ Continually examining its internal processes to ensure they remain effective and efficient.



16,041kg
-
OF SHIPS'
WASTE DISPOSED

588 hours
-
TRAINING
COMPLETED

28,255 litres
-
OF WASTE OIL
RECYCLED

8
-
MENTAL HEALTH
FIRST AIDERS TRAINED

70
-
TREES PLANTED IN
REWILDING EFFORTS

14
-
INTERNAL AUDITS
COMPLETED

Zero
-
MAIB REPORTABLE
INCIDENTS

3
-
EXTERNAL
AUDITS

Zero
-
RIDDOR
ACCIDENTS

49
-
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

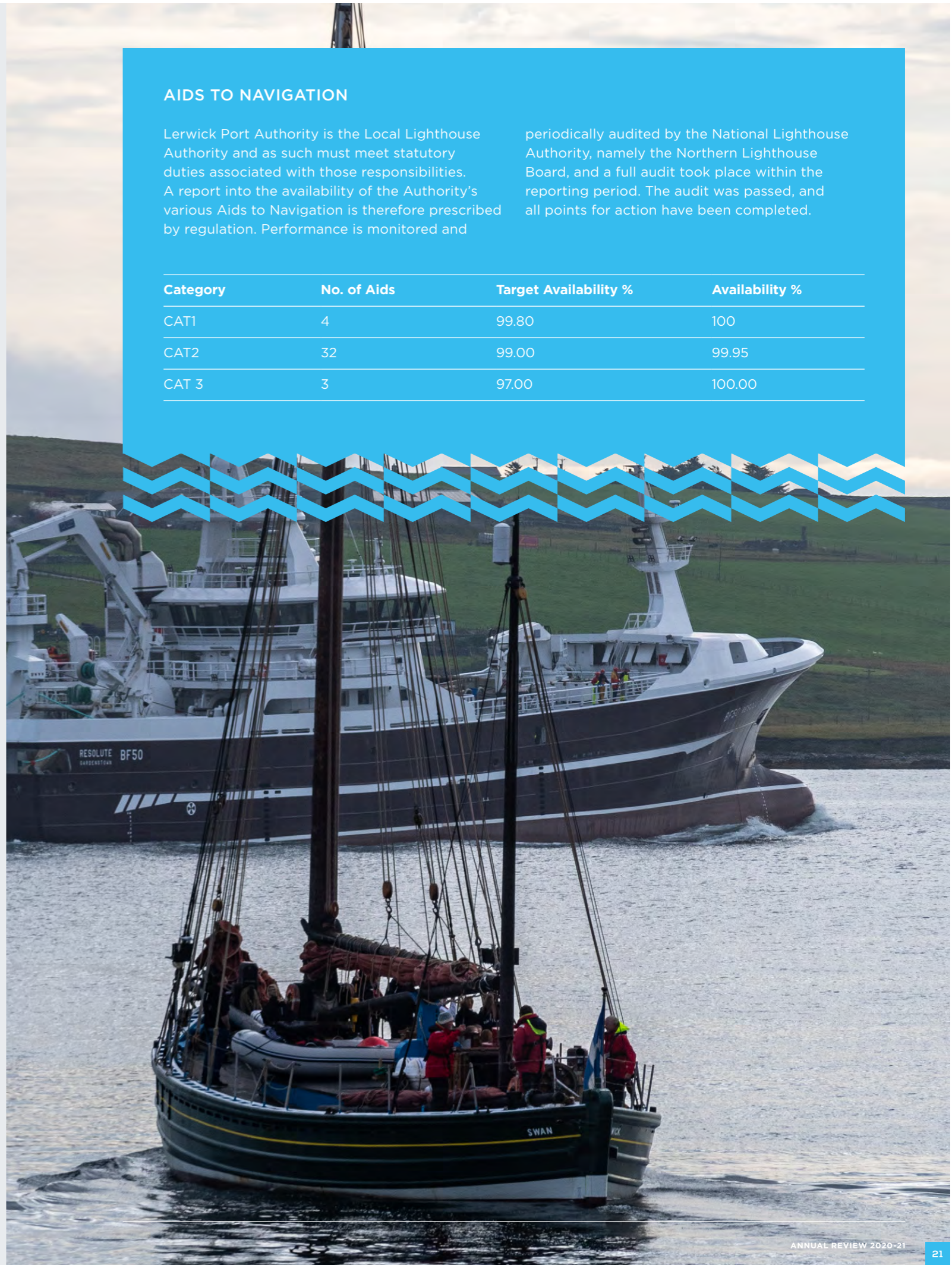
The Authority recognises its responsibility to comply with the International Ship and Port Security Code (ISPS) and maintains a Port Facility Security Plan. The Port Facility Security Officer works closely with the Department for Transport, Border Force and with security contractors, conducting regular 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
CAT2	32	99.00	99.95
CAT 3	3	97.00	100.00



OBJECTIVES AND TARGETS UPDATE

TARGET

OUTCOME

Management, maintenance and regulation of Lerwick Harbour.

Monitor regulatory developments in the ports sector, particularly Covid-19 or Brexit impacts.

Liaison with agencies on new Brexit procedures for Border Controls and cargo movements; ongoing engagements for the resumption of cruise.

Explore options for management of ongoing pension liability.

Paused until the financial trading situation improves.

Procurement, allocation and control of financial resources within parameters of Bank facility to manage recovery from Covid-19 impacts.

Discussions ongoing with Bank and covenant compliance reviewed on a rolling basis.

TARGET

OUTCOME

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 remote audits undertaken; accreditations maintained.

Dialogue with stakeholders to promote and emphasise standards within the port environment to be met across all activities.

Safety alerts now being shared with stakeholders.

Maintain processes and systems in compliance with current requirements of 19 pandemic.

Covid-19 Risk Assessments in place; new guidance for staff and stakeholders communicated; no Covid-19 transmission at work.

Identify and promote carbon reduction across port operations.

LED lighting replacements at Holmsgarth underway.

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.

Monitor market requirements for future infrastructure projects on the Authority's capital projects list.

Ongoing through stakeholder discussions and project appraisals.

Investigate and apply for external funding to assist in delivery of capital projects.

Scottish Government funding opportunities being explored.

Progress potential investment towards the Ultra-Deep-Water Quay through the Islands Growth Deal.

UK and Scottish Government discussions ongoing to agree terms.

Track progress on completion of Dales Voe decommissioning pad to accept delivery of Ninian Northern topside.

Decommissioning pad delivered on time; Ninian Northern topside successfully delivered to quayside and transferred to pad.

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.

Launch the Authority's new website.

Ongoing through stakeholder discussions and project appraisals.

New site delivered and operational from March 2020.

Scottish Government funding opportunities being explored.

Diversify use of deep water infrastructure to realise opportunities in the renewables sector, particularly offshore and floating offshore wind.

UK and Scottish Government discussions ongoing to agree terms.

Authority a member of DeepWind cluster; ScotWind leasing rounds being monitored for any opportunities.

Decommissioning pad delivered on time; Ninian Northern topside successfully delivered to quayside and transferred to pad.

TARGET

OUTCOME

Maintain existing buildings, plant and equipment and harbour facilities in a safe and serviceable order.

Undertake planned maintenance and/or renewal of existing property and quay infrastructure.

Repairs programme reviewed during Covid-19 and urgent works prioritised as finance available to complete repairs.

Carry out repairs to Heogan piers.

Programme partially completed and remaining items deferred for decision on timescales.

Fully integrate property records and maintenance scheduling into new property management system.

Migration of records complete; requirements for new maintenance system identified and software options being appraised.

Undertake replacement and renewal of existing cathodic protection.

Third party works completed.

Repurpose vacant properties to meet new tenant requirements.

Significant refurbishment of Alexandra Building offices underway.

COMMUNITY AND STAKEHOLDERS

As a Trust Port, the Authority carefully manages its assets for the benefit of all its stakeholders and actively supports local community activities. Working closely with all interested parties is a key priority to maintain a safe harbour, protect the environment and promote use of our facilities.

The Modern Trust Ports for Scotland guidance defines 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.” Our key stakeholders include employees, harbour users, commercial businesses, tenants, customers using third party services, membership organisations, the local community, the local Authority, elected representatives, NGOs, regulators and Government.

With the limitations on meeting face-to-face, and the greater reliance on digital communications, the Authority pivoted to using various virtual platforms to encourage stakeholder involvement in conversations for key decision-making processes.

Online communications also proved very successful for maintaining and starting new relationships in the various industry sectors supported. An example being the global cruise industry where it has been possible to participate in virtual one-to-one meetings, broadcasts, webinars and attend industry networking events and interactive conferences.

Other methods included:

- ~ Virtual departmental and Board meetings.
- ~ Virtual operational meetings, i.e., cruise restart, Port Security Committee, Fishmarket Users Management Team.
- ~ Internal and external audits undertaken remotely.
- ~ Site visits within parameters of Covid-19 safety precautions.
- ~ Encouraging discussion and feedback in calls, emails and virtual meetings.

The re-launch of the Authority’s website in March 2020 offered a new site structure and functionality used to disseminate important Covid-19 updates and information through the pandemic.

Digital marketing opportunities were maximised around the opening of the fishmarket with trade press and local media attention, including radio interviews, feature pieces in publications and new online content

Arrival of the Ninian Northern topside provided an opportunity to highlight the port’s capabilities to the decommissioning audience, with high quality aerial video footage showing the full timeline of the arrival and transfer to quayside.

The events sector has been hit particularly hard and we look forward to the return of meeting in-person with our customers and stakeholders at exhibitions and conferences when it is safe to do so.

Annual assistance continues to be directed towards marine-related charities, as are donations and sponsorships towards local community interest groups, small groups, charities and fundraising campaigns which are all part of the Authority’s stakeholder benefits.

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

LIGHT THE NORTH

In 2019, the Authority committed sponsorship towards this interactive sculpture trail organised by leading cancer support charity, CLAN Cancer Support. The original timeline for the trail in 2020 was postponed and rescheduled to start on Monday 9 August 2021 to run through to 17 October 2021.

The trail will feature 50 lighthouses, individually designed by talented artists from across the country and will shine a spotlight across the Northern Isles and North-east Scotland.

The Authority is proud to be a lighthouse sponsor, helping to raise funds for such an important charity that provides vital support for islanders during their treatment.

Running alongside the campaign is a ‘Little Lights’ educational project which the Port Authority is supporting in partnership with Bell’s Brae Primary School.



**THE TALL SHIPS RACES
Lerwick 2023**

organised by Sail Training International

The announcement in May 2021 of a successful bid to host The Tall Ships Races 2023 brought a renewed sense of optimism in the community and something positive to look forward to.

Shetland Islands Council led the isles’ successful bid, in partnership with Lerwick Port Authority and Shetland Tall Ships Limited, which will undertake delivery of the event locally. Many other organisations are supporting the event, including EventScotland and Sail Training Shetland.

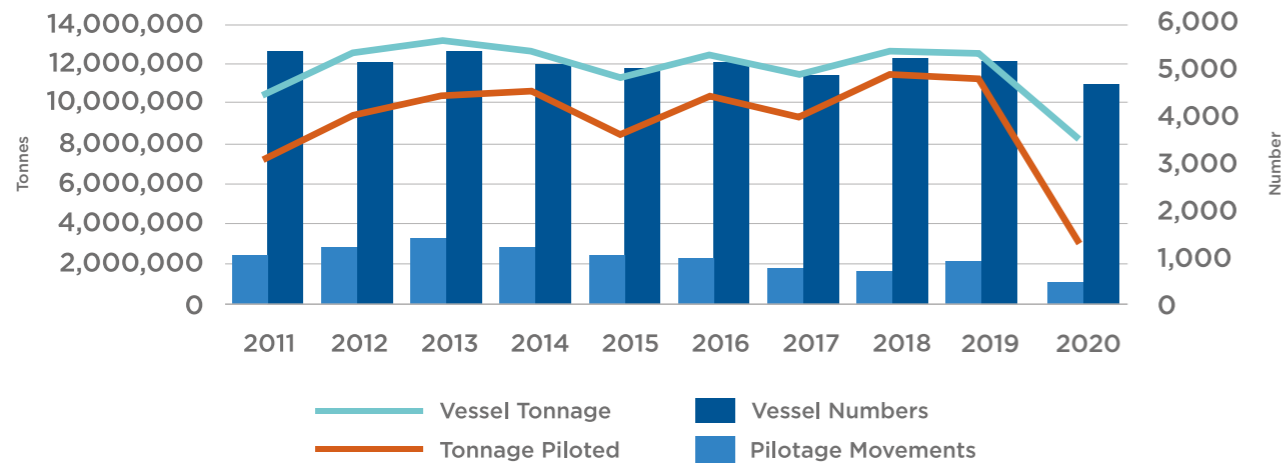
It is an exciting prospect for Lerwick Harbour to host this prestigious event for the third time, helping to play a key part in Scotland’s recovery from Covid-19 through re-building and supporting the tourism and events sector in Shetland.

A wide range of festivities, attractions and activities will attract a colourful and spectacular fleet to participate. As well as providing facilities for the vessels and crews we will be involved in the recruitment and placement of trainees to take part in all legs of the series, through our annual support towards placements made possible by Sail Training Shetland.

The Tall Ships Races will provide a valuable boost to our economy and community as we move into recovery through the pandemic.

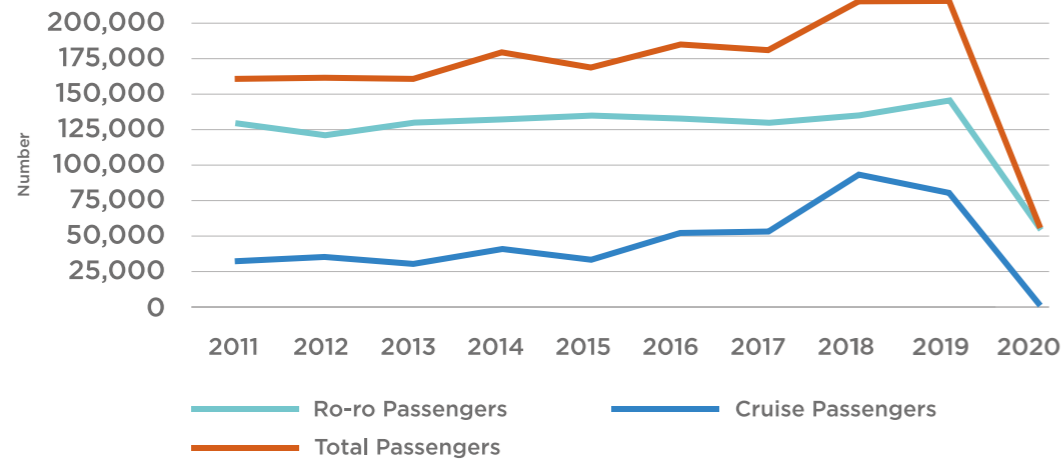
KEY PERFORMANCE INDICATORS 2020

VESSELS



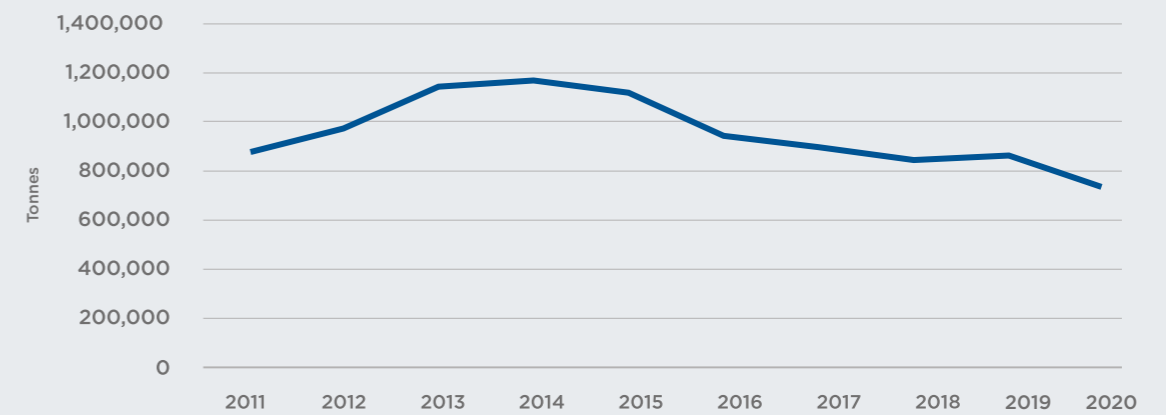
The number of vessels visiting in 2020 was down 13.2% on 2019, with 8.2m gross tonnes of shipping. The arrivals associated with the seafood sector increased during the year. Lerwick welcomed two cruise calls to the port prior to travel restrictions being imposed. *Pioneering Spirit*, the largest and most sophisticated construction vessel in the world, and the biggest vessel to enter Harbour Limits to date, weighing 403,342 GT, arrived transporting the topside of the Ninian Northern production platform for decommissioning.

PASSENGERS



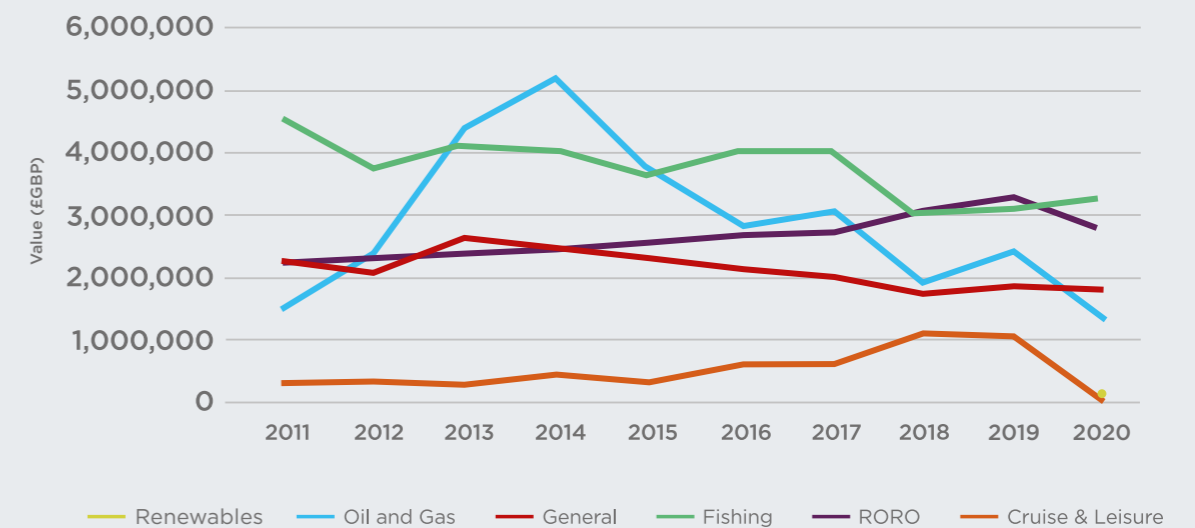
With essential travel only being permitted for a large part of 2020, passenger numbers were significantly down. Overall footfall for 2020 was 57,933.

CARGO MOVEMENTS



The cargo movement through Lerwick in 2020, as expected, decreased. Overall tonnage was down by 14.6%. The roll-on/roll-off ferry service remained steady over the period and remains the main carrier of domestic cargo. The commencement of the Viking Windfarm during 2020 offset some of the reduction in domestic cargo, with the majority of machinery required for the project being shipped via the ro/ro ferries. The 14,200T, Ninian Northern platform topside was transferred ashore for decommissioning.

INCOME SPLIT BY SECTOR



FINANCIAL PERFORMANCE AND ANALYSIS

Lerwick Port Authority is the largest commercial port for the Shetland Islands and is pivotal to the local economy. Covid-19 has impacted the activity in the harbour, but as it is vital for the import and export of goods, essential movements have continued throughout the pandemic.

TURNOVER

Turnover for 2020 was £9.49m, down 18.6%.

The fishing sector and general shipping has remained steady throughout the pandemic with income similar to 2019. The oil & gas sector faced a double blow in 2020, with a drop in oil price and the impact of Covid-19. Arrivals in the port decreased by 46.0% on 2019.

The Viking Windfarm commenced during 2020, renewable energy being an evolving sector.

With all cruise operations at the port suspended early in the year, little income was received from this sector.

The roll-on/roll-off ferries, operated by NorthLink, continued to provide a lifeline service to the Islands. Despite amendments to the scheduled timetable, this had minimal impact on the income received.

PROFIT

Operating profit for the year remained positive at £2.33m. The main factor for the decreased operating profit was the fall 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 we are pleased that, once again, for 2020 the core harbour charges increases have been limited to inflation.

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

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.

We have 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 ceased in 2020, with the completion of the replacement fishmarket, and was converted into a term loan.

The uncertainty surrounding the downturn in activity as a result of the Covid-19 pandemic meant our main concern was our short-term liquidity. To preserve cash levels and to avoid cash constraints, a 12-month capital holiday repayment was agreed from April 2020. A covenant compliance waiver was also granted for the first two quarters of 2020, and compliance was reviewed quarterly thereafter.

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. The pension scheme deficit as at 31 December was £11.2m.

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 £403,000 on profit-before-tax.

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 has allowed the business to take advantage of the historically low interest rates and also given certainty over the cost of repayment of borrowings, hedging 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 hedge increased in valuation at the end of 2020. A fall in the forward curve which is used to value the hedge had a resulting negative impact on the profit and loss account of £92,000.



FINANCIAL STATEMENTS

INCOME STATEMENT

For the year ended 31 December 2020

	2020	2019
	£000	£000
TURNOVER	9,487	11,653
Cost of sales	(6,413)	(6,558)
GROSS PROFIT	3,074	5,095
Administrative expenses	(1,155)	(1,276)
Other Income	420	-
OPERATING PROFIT	2,339	3,819
Fair value (losses)/gains on financial instruments	(92)	(146)
Interest receivable and similar income	1	1
Interest payable	(806)	(862)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,442	2,812
Taxation	(554)	157
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE YEAR	888	2,969

The operating profit for the year arises from the Group's continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	£000	£000
RETAINED PROFIT FOR THE YEAR	888	2,969
OTHER COMPREHENSIVE INCOME		
Actuarial gains on defined benefit pension scheme	(4,382)	(729)
Tax relating to other comprehensive income	767	124
	(3,615)	605
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,727	2,364

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	2020		2019	
	£000	£000	£000	£000
FIXED ASSETS				
Tangible assets	81,979		81,374	
Investments	1,666		1,661	
	83,645		83,035	
CURRENT ASSETS				
Debtors falling due within one year	1,946		3,149	
Debtors falling due after more than one year	1,086		369	
Cash at bank and in hand	4,202		1,882	
	7,234		5,400	
CREDITORS				
Amounts falling due within one year	(4,030)		(6,950)	
NET CURRENT LIABILITIES		3,204		(1,550)
TOTAL ASSETS LESS CURRENT LIABILITIES		86,849		81,485
CREDITORS				
Amounts falling due after more than one year	(17,737)		(14,868)	
PROVISIONS FOR LIABILITIES		-		-
DEFERRED INCOME		(10,078)		(9,641)
NET ASSETS EXCLUDING PENSION LIABILITY		59,034		56,976
Pension liability		(11,191)		(6,406)
NET ASSETS INCLUDING PENSION LIABILITY		47,843		50,570
CAPITAL AND RESERVES				
Savings fund		70		70
Profit and loss account		56,838		55,817
Pension reserve		(9,065)		(5,317)
TOTAL EQUITY		47,843		50,570

LERWICK PORT AUTHORITY

www.lerwick-harbour.co.uk



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