

## **REPORT TO EXECUTIVE**

Date of Meeting: 14 January 2025

Report of: Strategic Director Operations

Title: Fleet Procurement of Waterways Operations Barge

### **Is this a Key Decision?**

No

### **Is this an Executive or Council Function?**

Executive

#### **1. What is the report about?**

1.1 Exeter City Council are the Statutory Harbour Authority for the port of Exeter and Exeter City Council's Executive is the Duty Holder responsible for ensuring that the organisation complies with Harbour regulation and the Department for Transport's Port Marine Safety Code (PMSC).

1.2 The Duty Holder has specific duties, and these include the duty for:

- Dangerous vessels and dangerous substances (including pollution) which must be effectively managed.
- Provision of a pilotage service if required in the interests of safety.
- Harbour authority duties as local lighthouse authorities: provision and proper maintenance of aids to navigation as necessary.

1.3 Being compliant requires taking necessary steps to ensure the port is adequately equipped to carry out these functions.

1.4 Currently the operation of marine activities in accordance with PMSC is carried out 'in house' by the Harbour Master requiring a workboat. This workboat is leased however the owner/ operator wishes to sell the boat and has given the Council first refusal on its purchase. This report provides consideration and appraisal of a purchase arrangement to support ongoing operations and duty compliance.

#### **2. Recommendation**

2.1 That Executive approve procurement of a vessel for the purposes set out in this report subject to securing a suitable market valuation and competitive market value.

#### **3. Reasons for the recommendation:**

3.1 The reasons for the recommendation are:

- A vessel is necessary to meet Port Authority statutory duties.
- This vessel is compliant and suitable to meet duty requirements.
- This purchase, after pending evaluation, would ensure competitive market value against national markets.

- There are currently no alternative compliant vessels on the market locally available for lease under suitable conditions.

#### **4. What are the resource implications including non-financial resources:**

4.1 Maintenance, fuel, licencing, and insurance premiums all fall outside the scope of the current lease arrangement and are carried by the Council Harbour budgets. Those costs are expected to remain the same irrespective of whether the boat is leased or owned.

4.2 If retaining an 'in-house' operation there are only three alternative delivery options. The annual spend anticipated for these alternative delivery options are:

Account description	Anticipated Costs (Lease) 2024/25	Costs Anticipated (Owned)	Leased with Skipper
Boat Maintenance/ Licencing	£1,630.00	£1,630.00	£0.00
Motor Fuel	£5,000.00	£5,000.00	£0.00
Insurance Premiums	£12,000.00	£12,000.00	£0.00
Fleet- Hire Costs	£24,000.00	£0.00	C.£100,000
<b>Total</b>	<b>£42,630.00</b>	<b>£18,630.00</b>	<b>£100,000</b>

4.3 The local purchase offer is currently £165,000. Considering the reduction in annual hire costs, purchasing at this price would be expected to return on investment within seven years maximum, after which the boat would retain good resale value.

4.4 A surveyor valuation on the local boat is pending. This is expected to identify that worst case, the boat is market value, best case it is valued too high for the market and a lower purchase cost could be negotiated. A lower negotiated market value would enable a shorter return window on the investment.

£165,000	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Current hire cost	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Investment return	141,000	117,000	93,000	69,000	45,000	21,000	-3,000

4.5 The return on investment at £165,000 would be:

4.6 The recommendation is fully funded with £165,000 capital request approved in the Q2 financial report.

#### **5. Section 151 Officer comments:**

5.1 The funding for this boat has already been approved. There are therefore no additional financial implications to be considered.

#### **6. What are the legal aspects?**

6.1 The duties of a Statutory Harbour Authority encompass a range of responsibilities aimed at ensuring the safe and efficient management of harbours. These duties are primarily derived from local legislation tailored to the specific requirements of each harbour, as well as general statutory provisions.

6.2 When procuring goods, works or services the Council must comply with the Public Contracts Regulations 2015 and the Council's internal Procurement and Contract Procedures.

## 7. Monitoring Officer's comments:

7.1 Members will note the content of this report. The Monitoring Officer has no additional comments.

## 8. Report details:

8.1 The report detail discusses three delivery options:

Option 1. local lease skippered and unskippered,

Option 2. boat purchase, and;

	Meets statutory minimum	Provide ancillary harbour operations	Locally available	Supports wider canal service and income	Will Create Additional revenue strain
Option 1. a) Lease	✓	✓	✗	✓	✗
b) Skippered lease	✗	✗	✓	✗	✓
Option 2. Boat purchase	✓	✓	✓	✓	✗

### Option 1. Lease

8.2 Option 1. Lease is not considered to provide a viable alternative. There are no unskippered leases available locally and a skippered lease is both cost prohibitive and unable to sustain statutory harbour duties.

8.3 When evaluating local options, the local area considered was Brixham to Weymouth, encompassing eleven Harbour Masters Association identified harbours and ports, and a number of additional private harbours, within 100 miles of coastline.



8.4 The boat required for use across Exeter Harbour waters must be Coded under the Maritime and Coastguard Agency licencing scheme for passage across those waters. It also requires lifting capabilities. These two factors extremely limit the market of suitable alternative boats locally.

8.5 To confirm the available local market the Harbour Master identified boats with suitable capabilities and coding through boat licencing and registry database. Having identified local vessels of suitable capabilities and coding, owners/ operators were directly approached for sale and/ or lease interest.

8.6 No operators/owners of compliant and capable vessels were able to offer a replacement unskipped lease.

8.7 Operator/ owners offering lease could only supply a boat with skipper. A captained lease is considered cost prohibitive with leases offered at c.£100,000 per annum based on current boat use, or between £1600 - £3000 a day plus mobilisation costs.

8.8 In addition to the cost associated with a skipped lease, the providers could not offer permanent standby arrangements and required pre booked hours of operation. The Harbour Authority has a duty response time of one hour for marine pollution events, and a six-hour notification and ASAP response window for navigation aid failure and on-water emergencies. Locally available lease options could not provide emergency response cover within necessary timeframes. As a result, this function would subsequently need to be outsourced at additional cost to the skipped lease.

8.9 The vessel also currently supports mooring repair income at c.£35,000 per annum. This income is not a supplementary income; however, it supports resourcing the wider harbour functions. A skipped lease would not continue to support the service operation through income generation.

8.10 As a result of income loss and higher running costs, harbour and canal operations would need to be significantly reduced to operate a skipped lease, making it a poor value-for-money option.

## **Option 2. Boat Purchase**

8.11 The purchase of a boat is the recommended option as it provides full statutory service provision, enables ancillary harbour functions such as mooring management, on water enforcement, and salvage contributing to the safe management of the harbour day-to-day. It is also locally available and provides a route to income, supporting shared resources across canals and waterways functions.

8.12 Through a direct approach with operators/ owners it was identified that there is currently only one boat with required capabilities on the market for sale within the local area.

8.13 A market evaluation of the current boat offer is pending Executives approval to pursue a purchasing arrangement. The valuation is expected to identify whether the current offer equals market value. If a market value cannot be agreed then, options to procure a boat nationally will need to be investigated.

## **9. How does the decision contribute to the Council's Corporate Plan?**

9.1 The purchase of the boat offers best value as the procurement ensures economic, efficient, effective, and compliant service outcomes, delivering the best balance between service cost and quality available.

9.2 In achieving best value, the purchase ensures the Port Authority is contributing towards a well-run council, providing a value-for-money service within a balanced budget.

## **10. What risks are there and how can they be reduced?**

10.1 If the market evaluation identifies a lower market value, and a sale price cannot be agreed with a local vendor, then the only remaining option is to look nationally. This may prevent the Harbour team from sourcing a suitable alternative boat before they lose use of the current lease. In this case, to mitigate the risk of non-compliance, the harbour master will need to spot-contract essential works to existing approved suppliers.

## **11. Equality Act 2010 (The Act)**

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation, and any other prohibited conduct.
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies, and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must consider the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage, and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because the recommendations are limited to the procurement of Compliance based goods only. This bears no relevance to protected characteristics and is a service based on legal duty.

## **12. Carbon Footprint (Environmental) Implications:**

12.1 The boat under offer is already in use on behalf of the Port Authority, and therefore there are no additional Carbon Footprint implications related to the purchase and use of it.

12.2 It is anticipated that the boat will be sold prior to end of life, so there are no carbon implications associated with end-of-life disposal at this stage.

12.3 There are existing carbon implications in the use of a diesel boat. There are however no suitable alternatives to a diesel boat on the market at this current time to reduce that footprint.

### **13. Are there any other options?**

13.1 To be compliant with its harbour duties and Merchant Shipping Act 1995, the Harbour authority must be able to maintain its aids to navigation and emergent response functions. To deliver this function in house, the Port Authority must have a compliant boat and lease is not an option. As a result, there is no alternative to the current recommendation for an inhouse operation.

13.2 Outsourcing of the statutory provision has not been considered by this report. This is because a comprehensive evaluation of the cost-efficacy of the service needs to be carried and this will wait till implementation of the HRO when there is a fuller picture of service cost and income.

### **Strategic Director Operations, Adrian Pengelly**

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### **Local Government (Access to Information) Act 1972 (as amended)**

Background papers used in compiling this report: -

None

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