

This Report will be made public on 22 January 2019

Report Number **C/18/60**

To: Cabinet
Date: 30th January 2019
Status: Non key decision
Responsible Officer: Andy Blaszkwicz, Assistant Director - Environment and Corporate Assets
Cabinet Member: Councillor Dick Pascoe, Cabinet Member for Property Management and Environmental Health

SUBJECT: ROYAL MILITARY CANAL ROWING BOATS

SUMMARY: This report summarises the requirement to replace the Council's rowing boats on the Royal Military Canal in Hythe.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to approve the recommendations below for the following reasons:

- 1) Option 1 will require a one off investment of new boats during 2019/20. This would result in the boats being purchased at one time and not incurring extra costs if the price of the boats increase. It would also mean that the whole fleet of boats is fit for purpose for the 2020/21 season and the council will not be required to pick from a selection of old non water worthy boats on the canal which could reduce the level of service required and expected. Full Council is required to approve the budget for all new capital schemes.
- 2) The current tenant has many years of experience operating the existing service. By allowing this tenant to continue operating for a minimum of the next 5 years, the delivery of this popular tourism offer in Hythe would continue.

RECOMMENDATIONS:

1. To receive and note report C/18/60.
2. To agree Option 1 to purchase a new fleet of boats for the sum of £46,000 and agree to lease the boats to the current tenant for a minimum lease period of 5 years.
3. To seek full Council's approval for the budget of £46,000 required for purchase of the new fleet of boats to be funded as set out in paragraph 4.3 of this report.

1. BACKGROUND

- 1.1 Rowing boats have been available for hire on the Royal Military Canal in Hythe for over 100 years. Currently the council owns 20 rowing boats which have been in use for in excess of 30 years. The service also includes the Electric Boat, *La Tienne* which provides boat tours as part of the service.
- 1.2 The current tenant (CRN.co) operates the service on behalf of the council and has done so since 2004.
- 1.3 The tenant maintains the boats over the winter period and operates the service between Easter and October alongside the Electric Boat service. The tenant has use of a building at Twiss Road Boat sheds for storage and maintenance.
- 1.4 The tenant pays the council an annual rent of £5,500.
- 1.5 The agreement for operating the service of the rowing boats is currently renewed each year in April but it would be more efficient to agree a longer term approach for the operation and running of the service.
- 1.6 The current stock of rowing boats is now over 30 years old and at the end of their useful life. A number of boats have fractured internal hulls, irreparable rowlocks and are becoming uninsurable, difficult to repair and require replacement. These boats cannot be used for more than another season in their current condition.
- 1.7 CRN.co has reported that the boats and will not last another season (post 2019).
- 1.8 CRN.co reports that from the period 2010 – 2016, the average rowing boat gross income was £23,735 and the average electric boat gross income was £12,776.

2. OPTIONS

2.1 Officers have considered 6 options which are detailed below:

Option 1: The Council invests the required capital sum to purchase a new fleet of 20 boats and enters into a new lease of 5 years with the current tenant at a cost of £46,000.

Option 2: As per option 1, but the boats are purchased over two years spreading the cost. The cost may be slightly higher than option 1 as prices could rise. Approximate cost £48,000 but split over two years.

Option 3: To allow the existing tenant to purchase a fleet of new boats, in return the tenant would be granted a rent free period to recoup the capital outlay. At a current rent of £5,500 pa the payback period would be nine years. The current tenant is willing to do this with an extended agreement period of at least 10 years.

Option 4: To cease operation of the electric boat service and rowing boat hire concession. This would likely result in negative publicity for the council and the loss of a valued tourism asset in Hythe. There would be a small income from the sale of the existing fleet of rowing boats and the electric boat which is thought to have held its value (circa £20,000).

Option 5: F&HDC to purchase a new fleet and bring the service in house. This would have staffing and insurance implications, staff would need appropriate training to pilot the electric boat. The average gross income reported from the current tenant is £36,000 over the period 2010 – 2016.

Option 6: Put the whole boat concession out to tender to seek a new provider who would purchase the boats as part of the new arrangement.

3. SERVICE IMPLICATIONS

- 3.1 Should the decision be made not to renew the boats, the council would no longer be able to operate the service and would attract negative publicity and result in the loss of a valued tourism and community asset. It would end a long term service and tradition offered by the council and result in a loss of income (currently £5,500.00 pa.).
- 3.2 A fleet of new boats will secure the long term future of the service (at least 25 years).
- 3.3 A new fleet of 20 14ft Glass reinforced plastic (GRP) rowing boats will cost in the region of £46,000 excluding delivery. This requirement has not been budgeted for and requires a capital growth bid to be approved. The payback period is approximately 9 years at the current rent although Officers believe a higher rent will be obtainable with new boats therefore reducing the payback period. Thereinafter the council will receive an income which will have the potential to be increased over the agreed rental period. These boats will have a useful life of at least 25 years if maintained and cared for correctly throughout their life.
- 3.4 The existing rowing boats have a current value of approximately £2,500-£4,000 for the entire fleet, however the sale of these boats may be difficult to market. One suggestion would be for the current tenant to coordinate the boats for sale individually alongside the operation of the new rowing boats next season.
- 3.5 Boats are made to order and lead times need to be considered although staggered deliveries could be arranged. The boats are handmade and take approximately 3 weeks to make each one and therefore a decision regarding the funding is required sooner rather than later in order to ensure that the service is not interrupted next season.

4. CONCLUSION

4.1 The rowing boat hire service is a popular historical feature of the canal and the town of Hythe. The service promotes family activities, healthy active lifestyles and green tourism. Run in conjunction with the electric boat service, it provides local employment and an enjoyable pastime for residents and visitors. The service fits with the Corporate Plan in the following ways:

Health Matters –

Ensuring that the canal is well used and that this leisure facilities promotes health and wellbeing.

Achieving Stability –

Ensuring that the council receives and maintains a regular income stream into the future.

Appearance Matters –

Maintain and improve natural and historic assets.

Work with partners to boost the appearance of the district.

Protect and manage coastal sites in an environmentally sustainable way

4.2 Taking everything into account Officers believe that the best way forward is to proceed with Option 1: The Council invests the required capital sum to purchase a new fleet of 20 boats and enters into a new lease of 5 years with the current tenant. The cost of this option is £46,000. The lease would be renegotiated to a figure of approximately £7,500 per annum providing a payback period of 6 years. It maintains the facility as it is now with the vast experience of the current tenant and maintains the tourism offering which has been so popular in Hythe for so many years.

4.3 Full Council is required to approve the proposed capital investment of £46,000 for the new fleet of boats. On 12 December 2018 Cabinet agreed to provide £100,000 in 2018/19 for Environmental Improvement projects with the amount to be allocated evenly to each Cabinet Member (minute 51 refers). The final decision on approving the release of these sums is delegated to the Head of Paid Service in consultation with the Leader of the Council. Councillor Dearden, Cabinet Member for Finance, and Councillor Ewart-James, Cabinet Member for Housing, have both indicated they wish to allocate their sums of £10,000 each towards the proposed purchase of the new fleet of boats. The balance of the capital cost (of £26,000) can then be met as a revenue contribution from the Vehicle, Equipment and Technology Reserve. Subject to Cabinet approval, the scheme will be incorporated in the update to the General Fund Medium Term Capital Programme due to be considered by full Council on 20 February 2019.

5. RISK MANAGEMENT ISSUES

5.1 There is a high probability of negative publicity for the Council should the rowing boat hire service cease.

5.2 The annual income received would be lost if the rowing boat concession ceased and this may have a knock on effect to the local economy from visitor numbers visiting the canal and surrounding areas could reduce in number.

- 5.3 The Hythe Venetian Fete uses approximately 20 boats for the event and the fete could be under threat if no boats were available, again resulting in negative publicity for the council.

Perceived risk	Seriousness	Likelihood	Preventative action
Loss of service	High	Low	Approval of purchase of new boats
Loss of income	High	Low	Approval to renew the concession for a minimum period of 5 years

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (DK)

There are no legal implications arising directly out of this report. (When reaching a decision, the Council must take into account the health and safety of users of the rowing boats on the canal to the extent the current stock is stated as being over 30 years old and of potential health risk to users.)

6.2 Finance Officer's Comments (LW)

The financial implications arising from the proposal are contained in the body of this report.

6.3 Diversities and Equalities Implications (AB)

There are no equalities implications arising directly from this report.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

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