



LEE VALLEY REGIONAL PARK AUTHORITY

EXECUTIVE COMMITTEE

22 MARCH 2018 AT 10:30

Agenda Item No:

6

Report No:

E/551/18

REPLACEMENT CRANE AT STANSTEAD MARINA

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

This report requests Member approval to replace the crane at Stanstead Marina at an estimated cost of £150,000 to be funded from the small capital schemes investment budget within the existing capital programme.

RECOMMENDATION

Members Approve: (1) the report.

BACKGROUND

- 1 The crane at Stanstead Abbots Marina was identified at point of contract commencement with Lee Valley Leisure Trust Limited (the Trust) as a high value item which was coming to the end of its life cycle, which had not been identified in any asset or renewals budget for replacement.
- 2 There is significant revenue which is directly dependent on the crane and further significant secondary revenue at an estimated net annual return in excess of £50,000 per year. Options to replace the crane have been explored and are summarised below along with the financial impact.
- 3 As a budget for replacement of the crane had not been allocated at the point of contract commencement and, considering its long life span in relation to the short term nature of the current management contract, the Trust are requesting the Authority approve and fund purchase of the replacement crane.

FINANCIAL IMPACT OF NOT REPLACING THE CRANE

- 4 The workshop is fully booked for boat works until October 2018 and there is an ongoing need to move boats around the site as works are completed and capacity maximised.

To protect income as far as possible (circa £265,000 per year), to fulfil work committed to and to allow time to consider options, a crane has been hired in as a temporary measure at a cost of £699 per week. Due to issues with multiple

power lines running across the site at height a telescopic crane is required to enable manoeuvring of boats across the whole site. Unfortunately only crawler cranes (non-telescopic) are available to hire currently. Crawler cranes do not meet the long-term operational requirements and are also more destructive on ground conditions when manoeuvring as they are more commonly used on construction sites.

- 5 After reviewing cost of hire against income it was determined that a recurring hire every 2 weeks was the most cost effective short term approach. The projected impact on the current year has been estimated as £38,900. Over a full year hire arrangements have been estimated to have a financial impact of £75,000 to £119,000, which depends on whether the crane is permanently or temporarily hired.

CRANE REPLACEMENT

- 6 The crane which has now failed was in excess of 40 years old and had been maintained and serviced by the Marina's experienced engineers with an annual inspection conducted by a third party on behalf of the insurers (Allianz). Over the years replacement parts have become harder to source as they become obsolete. The part which has recently failed is a key safety feature and cannot be replaced. The Marina management have reviewed the market to identify suitable cranes of the required specification and condition on both a new and second hand basis. When considering second hand cranes the number of running hours and service records has also been a consideration.
- 7 Suitable second hand cranes are available and range in price from £90,000 to £285,000 (summarised below) with a minimum expected life (subject to ongoing maintenance) of 20 years. All these cranes do meet a minimum operational specification. Of these models the crane that best fits operational requirements is Option 1, Grove RT760 which is currently in the ownership of the Ministry of Defence. The reason this crane is the preferred option is that it has low running hours; a full service history through Allianz; and is considered to be the best value option with the longest potential anticipated lifespan and is in the best current condition.

8	Second Hand Crane Purchase	
	Make & Model Option 1 Grove RT760	£150,000 +VAT, Built 1995, located Doncaster £1250 +VAT Transport, available now, survey possible by Allianz
	Make & Model Option 2 Grove RT990	£90,000 +VAT Built 1991 Located Merseyside £1250 +VAT Transport available now Survey by Allianz
	Make & Model Option 3 Terex Quadstar 1075L	£285,000 + VAT Built 2016 Located Milan Italy Transport £2250 + VAT available now Survey would need to be carried out by independent surveyor

- 9 Quotes for new cranes have also been sought. Dealers will only give a price after carrying out detailed investigations as to exact needs, but ball park figures based on initial discussions have been quoted as being in the region of

£750,000. The Marina management has also identified a new crane being offered for sale which seems to meet our requirements in China which is being offered at circa £685,000 based on current exchange rates plus transportation costs.

- 10 When costs are considered against income and profit it does not appear viable to continue to hire in a crane on a long term basis.

When considering the cost of purchase of a second hand crane against current income and profit levels there is a strong business case for purchasing a second hand crane – circa £52,000 annual profit vs £150,000 purchase achieving payback in slightly under 3 years.

When considering the cost of purchasing a new crane - considered against projected income and profit – circa £52,000 annual profit vs circa £750,000 purchase, achieving payback in slightly over 14 years.

ENVIRONMENTAL IMPLICATIONS

- 11 There are no environmental or planning implications arising directly from the recommendations in this report as the replacement crane is a like for like replacement and fits onto the existing base.

EQUALITY IMPLICATIONS

- 12 There are no equality implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

- 13 There is no existing budget specifically allocated for the replacement crane. Members will need to approve and allocate a one-off sum of £150,000 from next year's capital programme (2018/19) to fund this purchase. There are sufficient funds within the small capital schemes investment budget (set up for investment by the Authority in Trust operated venues) to meet this investment ahead of other smaller schemes that are now not scheduled to progress ahead of the Leisure Services Contract (LSC) renewal in 2020.

HUMAN RESOURCE IMPLICATIONS

- 14 There are potential HR implications arising directly from the recommendations in this report if the crane is not replaced as the Trust would need to reconsider its business operation going forward.

LEGAL IMPLICATIONS

- 15 Within Section 7 of the LSC, Commercial Property, it is identified as the Authority's responsibility for replacement of Lifts, Hoists, Barriers and Lifting Aids.

RISK MANAGEMENT IMPLICATIONS

- 16 Failure to replace the crane will have a direct impact on income and would severely impact on the level of customer service offered at the site. Non-replacement would also impact on staff employed at the site as they would no

longer be able to carry out the tasks they are employed to do.

Not replacing the crane would also impact on the potential bids/returns when the contract/lease is re-let as part of the LSC renewal in 2020 as any contractor would regard this as a key piece of equipment to operate the business.

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LIST OF ABBREVIATIONS

the Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)
LSC	Leisure Services Contract