

Cabinet Report

Purpose: For Decision

ISLE OF WIGHT COUNCIL

Date **14 MARCH 2024**

Title **RIVER MEDINA CROSSING STRATEGY – FUTURE OPTIONS**

Report of **LEADER (WITH RESPONSIBILITY TRANSPORT AND INFRASTRUCTURE, HIGHWAYS PFI AND TRANSPORT STRATEGY, STRATEGIC OVERSIGHT AND EXTERNAL PARTNERSHIPS)**

Executive Summary

1. Following a number of technical and financial reviews the council is seeking to best understand the options and recommendation for future operating models for the chain ferry crossing at East Cowes / Cowes across the mouth of the River Medina.
2. The results of the Cabinet Office Gateway 5 Review and the independent technical review carried out by 3S associates have indicated that the right measures and management arrangements are in place to ensure the future operation of the FB6 vessel, caveated that the chain depth issue is yet to be resolved.
3. The findings of the 3S review indicate that several constraints still exist in respect of the current vessel which prevents further improvements in performance and further ways on which the overall cost burden of the service to the council, can be reduced. Changes to operating procedures could deliver limited improvements but FB6 cannot be expected ever to meet the original specified performance. Furthermore FB6 cannot be operated without a push boat under extreme ebb-tide conditions.
4. This report sets out the process of commissioning an options appraisal and a Future Operational Strategy for alternative technical and economical solutions to the current vessel operated by the council.

Recommendations

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| <ol style="list-style-type: none">5. That Cabinet approve the continued management model of the floating bridge 6, and6. Implement the recommended operational efficiencies set out in the 3S Operational Review report; |
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7. Commission a River Medina Crossing Strategy, that will:
 - a. review the previous Business Case
 - b. Produce a long and shortlist options appraisal of alternative technical and economical solutions to the current vessel
 - c. Develop a financial base case
 - d. Develop a performance output-based specification for a possible replacement vessel.
 - e. Develop a contracting, operational model and procurement strategy
 - f. conduct soft market testing with potential vessel providers to ascertain the feasibility of constructing a new floating bridge capable of meeting the requirements set out in the output specification.

Background

8. The sixth Cowes Floating Bridge (FB6), a chain operated ferry, has now been in service for over six years, commencing on 13 May 2017. The single vessel operated by the council operates a continuous service across the Medina River for 19 hours per day, seven days per week.
9. The current position of FB6 is well documented and the issues that have been experienced since the vessel commenced service. A full account and background to this together with the history of problems encountered was set out in the Scrutiny report dated 9 March 2021 and the Cabinet report of 25 October 2021.

The Gateway Review

10. As per a request from the Solent Local Enterprise Partnership (SLEP) the responsible funding body for FB6, a Cabinet Office Gateway 5 review was undertaken by Local Partnerships in November 2021. The full report is attached with summary recommendations in Appendix 1.
11. It was acknowledged by Local Partnerships that FB6 had experienced significant reliability problems and associated repair costs since it first became operational.
12. The purpose of the Gateway 5 Review was to assess the status of the FB6 project at a specific point in the project life and to determine the level of confidence in the ability of the council to deliver the original aims and objectives as it moves forward from this point.
13. The Local Partnerships review team assessment of FB6 has provided an overall Delivery Confidence Assessment of Amber. The review team found that the significant existing issues are receiving effective management attention.
14. A change in the overall Delivery Confidence Assessment scoring to Green was conditional on the recommendations identified in the review report being actioned, which has now taken place.
15. The results of the Cabinet Office Gateway 5 Review are welcomed in that it gave confidence that most of the right measures and management arrangements are in place to ensure the future operation of FB6.

Legal Process and Mediation

16. Following a series of lengthy service disruptions between 2018 and 2021, the council underwent a dispute with the naval architects and the shipbuilder (the two defendants in this case). This was achieved through mediation as a necessary prerequisite to further legal action and in an effort to avoid lengthy and costly court proceedings.
17. Lester Aldridge, the council's appointed external lawyers, supported the council to negotiate a settlement with the two defendants in this case. This was concluded with the agreement of a confidential settlement in favour of the council.

Cowes Floating Bridge Operational Review – November 2023

18. An independent Operational Review of Floating Bridge 6, (FB6) was commissioned In June 2023 and a contract was awarded by the council to 3S Business Review Ltd. The review focussed on the need to maintain Minimum Chain Clearance and whether efficiencies could be made to day-to-day operational procedures to improve overall performance. A copy of the 3S report and presentation can be found in Appendix 1.
19. Key Action 6 of the 3S Operational Review considers at a strategic level the potential procurement of a replacement vessel that could design out the current constraints on chain depth, improve operational efficiencies and provide a range of management and commissioning options to lower the risk profile of operating this key route.
20. The 3S operational business report is clear that the company are not an engineering firm per se, although the two directors are experienced engineers with significant project management experience at a National level. The various concepts contained in their report are drawn from inputs received from authoritative sources in order to illustrate conclusions drawn from digital analysis of the performance of the present vessel FB6 **rather than being** offered as engineering solutions. It is recognised that resolving specialised marine sector problems requires the input of similarly experienced marine engineers, and preferably those who are to be accountable for delivering a new vessel if that was determined to be the preferred council option.
21. Three key themes of conclusions arise from the 3S report;
 - (a) Potential to increase the crossing frequency

Due to the constraints placed on operations, FB6 cannot achieve the 5 return crossings per hour required by the original FB6 Business Case. However, there is scope to streamline operational regimes in order to increase the average frequency from 3.4 to 4.4 return crossings per hour.
 - (b) Chain depth
 - Data has evidenced that with chain depth constraints FB6 cannot be modified to be capable of operating without the push boat at maximum ebb tides.

- It is likely that FB5 would have also breached chain depth restrictions but this was not empirically tested.
- Computer modelling indicates the need for a fundamental review of conceptual designs.
- Anecdotal evidence that the maximum ebb flow speed have been altered by the recent installation of the breakwater needs to be tested and empirically proven or disproven.
- In the event it is not possible to define a solution that achieves Minimum Chain Clearance it is recommended results be referred to the Cowes Harbourmaster for further consideration.
- Whilst the findings of the analysis might appear unhelpful in defining a ready solution to the chain depth issue, they demonstrate the value of carrying out such investigations before embarking on a further major procurement programme.

(c) Procurement of a replacement vessel and disposal of FB6

22. The 3S report concludes that the procurement of a replacement vessel could also provide the opportunity to:
- Improve the loading arrangements, including reducing vehicle approach and departure angles and segregating foot passengers from vehicle traffic, to increase the frequency of the service.
 - Upgrade from diesel to electrical motive power to increase available motive power, improve reliability, reduce maintenance costs and eliminate emissions.
 - Procurement of any replacement vessel must be carefully structured to ensure an appropriate balance of risk as between buyer and seller.
 - Alternative procurement strategies might include leasing a vessel from an accredited builder, or the sale of a licence to an accredited builder to operate the service under strictly defined terms and conditions.
 - In the event FB6 is replaced there is a large potential international market for its resale for operation in an environment more conducive to its basic design.

Next Steps – A Medina Crossing Strategy

23. Given the results of the two independent reviews and the ongoing costs of operating the service, the council is now seeking to better understand the options and recommendation for future operating models for the Medina ferry crossing at East Cowes / Cowes.
24. To further understand the available technical engineering solutions and management options available and the range of management and/or commissioning out options for the future of this transport route, the council is seeking to set out a tender for technical consultants to carry out the following:

- (a) A technical and engineering options appraisal with a full technical and cost benefit analysis of shortlisted options.
 - (b) Undertake the testing as recommended in the 3S Operational Review.
 - (c) Develop a Future Operational Strategy that analyses potential commissioning options and the social and economic benefits of each, for example operational models could include but not be limited to:
 - (1) Manage in house as current;
 - (2) Manage in house and commission a new service funded by the IWC design and build only;
 - (3) Manage the existing service in house and commission a new service the is design, build and take over operation from the IWC;
 - (d) Define an outcome specification for a vessel, and alternatively a service specification for the benefit of users and the local community.
25. It is intended that the Medina Crossing Strategy (Commissioning Strategy) would incorporate considerations of the best available technology and a robust study and recommendations in relation to ownership and operational management options and also include a subsequent strategy for procurement, with a specification that considers all available financing options.

Corporate Priorities and Strategic Context

26. Responding to climate change and enhancing the biosphere

The council has set a target to achieve net zero emissions:

- in its business and delivery of services by 2030;
- across the school estate by 2035; and
- as an island by 2040.

27. The council is aiming to include all [scope 1 and 3 emissions](#) created directly by itself or indirectly (for example emissions made by our contractors, investments or travel) in our annual carbon footprint from financial year 2021-22 onwards. The inclusion of greenhouse gas/carbon reporting should be considered in any decisions, for example, can any third parties provide information around energy use, vehicle mileage, transport of goods, or other data?



Socio-economic Outer Ring	Scores
No Poverty	3
Zero Hunger	3
Good health and wellbeing	4
Quality Education	3
Gender Equality	3
Clean Water and Sanitation	3
Affordable and clean energy	3
Decent work and economic growth	3
Industry, Innovation and Infrastructure	4
Reduced inequalities	3
Sustainable cities and communities	4
Responsible consumption and production	4
Climate Action	4
Life below water	4
Life on land	3
Peace, justice and strong institutions	3
Partnerships for the Goals	3

Environment Inner Ring	Scores
Transport	4
Energy	4
Housing	3
Environment	4
Offset	3
Adaptation	4

Economic Recovery and Reducing Poverty

- 28. The specification for the Future Management Strategy will include a requirement to include long list and shortlist criteria to support the economies affected by the operation of the floating bridge.

Impact on Young People and Future Generations

- 29. The usage statistics of the current floating bridge will be used to assess the importance of this connection for the education (travelling to schools across the river) and development of future career pathways for young people through supporting strong local economies.

Corporate Aims

30. Within the [Corporate Plan 2021 – 2025](#) there are key areas of activity that will be our main areas of focus for the lifetime of this plan which will need to be central to everything we do as a council.
31. Key Aspiration 46 of the Corporate Plan sets out the administration intention towards the operating future of the floating bridge as follows:
32. We will aim to find a permanent working solution to Floating Bridge 6 (FB6) and, if appropriate, achieve this by scrapping and replacing it. Key activities:
 - Complete the contract dispute process as soon as possible without compromising the potential for further legal action.
 - Commission an independent engineering report to establish the potential for FB6 to operate as was intended and a cost/benefit analysis of the outcomes by January 2022.
 - Then by March 2022 either: - appoint an independent organisation to design a new floating bridge in consultation with the community; or - appoint an independent organisation to manage the necessary improvement works to make FB6 work as was intended
33. The first two bullet points have now been concluded, the next step is to commission the full long and shortlist options appraisal and future management strategy in respect of both ownership, operational models, financial and technical risk management, and the right time to replace the current vessel.

The Medina River Crossing

34. The continuation of a cross-Medina service between East Cowes and Cowes contributes to the council's priority as set out in the Corporate Plan of growing the economy and tourism.
35. The floating bridge is a discretionary service that the council has no legal obligation to provide. The council's medium-term budget strategy identifies the financial pressures facing the council in meeting its statutory responsibilities. Therefore, where it chooses to provide significant discretionary services, this should be at either no, or at a limited additional cost to the council.
36. FB6 was commissioned with significant financial support from the Solent LEP as part of a wider regeneration support package for the Island.

Consultation and Engagement

37. Affected staff will informally be consulted with on the contents of this report. Formal consultation will subsequently take place (if required) at the appropriate time.
38. Consultation will need to take place with key stakeholders in addition to legal support and advice when decisions are being taken on the future of the floating bridge service. Ongoing discussion and updates to the respective town and parish councils and users will continue.

Financial / Budget Implications

39. The cost of the design and build of the current vessel was £3.5 million in 2017. Ongoing running cost for FB6 in 2023/24 based on January 2024 forecast is £1.60m (2022/23 £1.60m).
40. The cost of commissioning of the Medina Crossing Strategy will be funded from the confidential settlement sum. The cost of the next stage options appraisal process and procurement strategy is likely to cost in the region of £350k, which is a mix of technical, financial, legal and procurement advisors plus funding an dedicated project manager to lead this work.
41. The council has an obligation to secure value for money for the public purse. This necessarily also requires an evaluation of the costs, benefits, and risks of investing in the Medina Crossing. And also, take account of the "Opportunity Cost" of any investment made being what any investment could otherwise have been used to fund, and its associated public benefits.

Legal Implications

42. The council as a contracting authority for the purposes of the Public Contracts Regulations 2015. As such the council has a duty to demonstrate that it has acted in accordance with the principles of fairness, transparency, non-discrimination and proportionality in its procurement and to comply with the regulations in relation to contracts over a prescribed financial threshold.
43. Any procurement commenced after October 2024 will be subject to the new Procurement Act 2023 regime although whilst we await guidance, this is unlikely to significantly change any proposal.
44. The council has a statutory duty to secure best value. The Best Value Duty is defined in Part 1 of the Local Government Act 1999 ("the 1999 Act") to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". This duty includes how the council secure value for money in all spending decisions.
45. The recommendation set out in the report is based upon securing best value through the staged procurement model having regard to the published Treasury guidance green book model.
46. Such an approach seeks to minimise risk and get the best value for money for the authority. It does this by enabling the authority
 - (a) To engage with the market and understand Procurement *options* available
 - (b) To create awareness and interest in the marketplace
 - (c) To engage with the market and understand potential suppliers who are able and willing to tender in this niche market
 - (d) To obtain costs and timescales for various options and determine best available option
 - (e) To avoid rushing in to a costly and a potentially challenging procurement
 - (f) To determine Legal implications and options

47. The risks of not following this proposed model is we do not achieve the above, secure best value and or create risks of not delivering a product that meets the needs of the council.
48. The Audit Commission's report, Competitive Procurement, published in March 2002 states:
49. "Procurement is more than just buying goods and services or outsourcing. When used well it is a mechanism to challenge current services and to determine new models for service delivery. In order to achieve these benefits a strong element of competition should run through the whole process. Effective procurement is fundamental to service improvement."
50. Based on the guidance from the Audit Commission's report, the foundations of a sound procurement strategy rest upon four core principles:
 - (a) Challenge to existing service provision in the context of a clear understanding of the Authority's strategic aims and objectives;
 - (b) Competition is encouraged in order to drive down costs and to promote innovation and improvement;
 - (c) Market consultation and analysis is undertaken in order to shape the form and structure of the future contract tendering stage as well as raising the profile of future procurement activity; and
 - (d) Options appraisal which involves the weighing up of the advantages and disadvantages of different service models.

Equality and Diversity

51. An equality impact assessment is not required for this report but will be included in the options analysis as part of the Medina Crossing Strategy.

Property Implications

52. Property implications will be defined during the development of the Medina Crossing Strategy and consulted with the relevant teams and stakeholders.

Options

53. Options 1: Continue current management model of the floating bridge 6 and implement the recommended operational efficiencies set out in the 3S Operational Review report.
54. Option 2: as per above plus the commissioning of the Future Medina Crossing Strategy to:
 - a. review the previous Business Case
 - b. Produce a long and shortlist options appraisal of alternative technical and economical solutions to the current vessel
 - c. Develop a financial base case
 - d. Develop a performance output-based specification for a possible replacement vessel.
 - e. Develop a contracting, operational model and procurement strategy

- f. conduct soft market testing with potential vessel providers to ascertain the feasibility of constructing a new floating bridge capable of meeting the requirements set out in the output specification.

Risk Management

55. The proposed study will be proactively managed by the Directorate Management Team for Community Services to ensure that all risks and options are considered in the Future Management Strategy to best protect this economically important route and the councils legal and financial position into the future.

Evaluation

56. Developing a Medina Crossing Strategy will provide the opportunity to engage and set out the most suitable option to provide our community with a river crossing that is most technologically, economically, and environmentally sound.
57. The resulting report will be returned to Cabinet for a decision on the preferred option and the management and implementation of said option.

Appendices

58. Appendix 1 – Cowes Floating Bridge F6 Operational Review prepared for the Isle of Wight Council by 3S Business Review Limited, November 2023 - Final Report (DRAFT)
59. Appendix 2 - Cowes Floating Bridge F6 Operational Review prepared for the Isle of Wight Council by 3S Business Review Limited, November 2023 – Presentation

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