

**Report to: Charity Committee**

**Date of Meeting: 20<sup>th</sup> March 2016**

**Report Title: Seafront Cycle Hire – Service Review**

**Report By: Monica Adams-Acton**

**Assistant Director for Regeneration and Culture**

## **Purpose of Report**

To review the operation of Seaside Cycle Hire over the past three years and to investigate options for future HBC managed operation of the service on behalf of the Foreshore Trust.

To identify issues with the existing operation that must be resolved if the existing service is to improve and continue.

To investigate possible alternative models of a seafront cycle hire service and the forms that may take.

## **Recommendation(s)**

1. That alternative options are explored to provide a more sustainable business model. This would include discussion with existing and potential operators.
2. Whilst other options are considered the current service operates seasonally for peak weeks only to coincide with the school summer holiday period, from mid-July to early September.
3. That £4.5k is committed from the 2017/18 Business Plan to fund the purchase of replacement bikes and repair of current stock where appropriate.
4. That fees and charges are increased in line with local market value.

## **Reasons for Recommendations**

The existing business model is not financially sustainable given staff costs in comparison with the income received. Across the three years of operation, staffing cost an average of £1,300 per month, whilst income averaged at just under £700 per month. Average income during August peak season is £1,300, with an all-time high of £1,650 taken in August 2015.

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## Background

The service was set up in 2014 as part of the FLAG funded Ecostade project aimed to indirectly support the local fishing community through encouraging green tourism in the area. The cost to provide the building, bikes and equipment were met through FLAG funding and the subsequent purchase of electric bikes was funded through a Coastal Communities Fund grant in 2016.

The initial setup costs covered by EFF funding (Ecostade) contains the following condition:

Article 17; you must not modify your project within six years of the award of EFF grant if that modification would affect the nature of your project or any condition imposed on its implementation or would result in an unfair advantage being given to any third party. Within that period, you must also not dispose of any assets or infrastructure or stop or relocate any activity if that would result in a modification to your project.

HBC need to notify the Marine Management Organisation of any amendment to the grant funding agreement according to any agreed future operation model. The potential amendments suggested do not affect the nature of the overall project or conditions of implementation. The cost of cycles is likely to be voided from the total liability due to the end of their working life, as opposed to their outright disposal. Total potential liability for clawback is up to £7.2k if service terminated entirely before the end of the funding agreement.

The costs of additional electric bikes covered by Coastal Communities Funding is not subject to any conditions, however for any new operation not undertaken by the council, any disposal of assets within economic lifetime of the grant would need prior approval by the council.

## Current Situation

The site currently operates 9:00 to 18:00, seven days a week with bikes available to hire between 9:30 and 17:30. In 2016 a team of 4 casual staff were employed to work at the site and at the start of the year the service offered 15 adult bikes, 2 teen bikes and 5 child bikes for hire, with a further 5 adult bikes out of use but retained for spares. During the season 5 new electric bikes and 1 powered trike were purchased to increase the service offer.

The table below shows a breakdown of operating dates, usage, income and expenditure for the three year operating period to date

Year	Dates	Number of hires	Number of users	Income	Staffing Cost
2014	24.7.14- 27.9.14	125	274	£1,521	£3,250
2015	2.5.15- 27.9.15	274	596	£3,536	£7,150
2016	2.5.16-	239	471	£2,889.50	£7,150

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Total		638	1341	£7,946.50	£17,550

As the table demonstrates the service has proven popular, attracting new users to the seafront and promoting healthy, green and sustainable transport. The service does however require a level of subsidy with staffing cost exceeding income received.

It is difficult to reduce staffing costs without reducing operating times, and income potential. If the service was to operate only during the peak mid-July to early September period the income would like be around £2k with staffing costs of around £2.5k. If fees and charges are also revised this could bring in around £300 - £500 additional income and effectively enable cost to break even.

At the current location of the cycle hire service no electronic transactions are possible because there is no phone line and wifi access. Options to install a line were explored and costed at approx. £5k and would cause significant disruption to install. A wireless payment service was explored as a last resort, but was not compatible with HBC back office systems. It is not expected that electronic payment capability would significantly affect income, though it would be more convenient for users, with the nearest atm being over 200m walk away currently.

Because of the varied seasonal nature of the service to date, the setup has at times relied on casual staff in order to operate. This has made it difficult to administer the service effectively, to retain staff and to provide a good level of training and expertise. Shorter operation of the service at only peak times would be more cost effective, staff should be issued with fixed term, seasonal contracts, guaranteeing set hours. This would aid administration of the service, aid staff retention and training.

The current stock of non-electric bikes is severely depleted following three years of use and will require at least a partial replacement before the service can operate again. Currently 14 bikes are beyond economical repair with a further 7 bikes requiring professional repair before they can be used again.

To replace like for like with bikes expected to have a similar lifespan the unit cost is around £300 per bike. To cope with expected peak demand at least 15 bikes total would need to be repaired or replaced. The estimated cost to do this is approx. £4.5k. The expected lifespan of the new bikes would again be approx. 3 years.

In addition to the non-electric bikes we also have a stock of 6 electric bikes and 1 powered electric trike which are all in good condition. We have 2 infant carrier trailers that are in a used but working condition. These items would not require replacement for the service to continue.

## Next steps

The Hastings Act only allows HBC on behalf of the Foreshore Trust or another charity / not for profit organisation to trade from the current location. If HBC wished to offer the current operation as a concession it would need to be operated from another location and this option needs further consideration to implement for 2018.

Initial discussions have been held with a community organisation currently leasing a seafront building to upcycle bikes and share maintenance skills. They have expressed an initial interest in a potential social enterprise model to provide a service using a mixture of paid staff and volunteers. This model would be potentially viable at the current location. This option also warrants further exploration and we hope to meet again in the coming months.

The existing stock of bikes should be examined to confirm which, if any, are suitable for repair, and replacement bikes sourced subject to agreement. – April 2017

Recruitment needs to be undertaken to cover a shorter season and to potentially utilise staff from other seasonal operations. Recruitment would start in conjunction with other seasonal services in March 2017 for the start of the service in June 2017

Cash collection arrangements will also need to be considered for the 2017 season with revised cash control procedures introduced in line with wider refresh. – March 2017

Benchmarking of local provision has taken place and fees and charges should be increased in line with the local market rate. It is recommended that the fees are revised as below:

Period/Fee	Current	Recommended	Change
2 hour Adult	£5.00	£6.00	£1
2 Hour Child	£4.00	£5.00	£1
Half Day Adult	£8.00	£10.00	£2
Half Day Child	£6.00	£8.00	£2
Full Day Adult	£14.00	£15.00	£1
Full Day Child	£10.00	£12.00	£2
Full Day E-Bike	£25.00	£25.00	£0
Part Day E-Bike	£14.00	£15.00	£1

**If fees are revised as suggested this could bring in an additional £300-£500 over the proposed operating period (based on average current use Mid July to Mid-September).**

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## Wards Affected

Castle Ward

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## Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness - Yes

Crime and Fear of Crime (Section 17) - No

Risk Management - No

Environmental Issues - Yes

Economic/Financial Implications - Yes

Human Rights Act - No

Organisational Consequences - No

Local People's Views - Yes

Anti-Poverty - No

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## Additional Information

Insert a list of appendices and/or additional documents. Report writers are encouraged to use links to existing information, rather than appending large documents.

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## Officer to Contact

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