

<b>Subject:</b>	<b>Bikeshare reprocurement and In-house options</b>		
<b>Date of Meeting:</b>	<b>23 June 2020</b>		
<b>Report of:</b>	<b>Executive Director Economy, Environment &amp; Culture</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Matthew Thompson</b>	<b>Tel: 01273 290235</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The Urgency Environment, Transport and Sustainability (ETS) Committee of 24 March 2020 approved a proposal for officers to explore Bikeshare reprocurement options in a report to the 23 June 2020 ETS Committee.

**2. RECOMMENDATIONS:**

That the committee:

- 2.1 Grants delegated authority to the Executive Director to procure and award a new concession contract to operate a mixed fleet of pedal, pedelec (e-bikes) and e-scooters in the city from March 2022.
- 2.2 Notes that if following the preparation of a financial model prior to the commencement of the procurement, Council funding is required to subsidise the contract, a further report will be brought to this Committee.

**3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 It is not possible to add e-bikes or expand beyond the authority borders in partnership with other authorities under the current arrangements.
- 3.2 The 24 March ETS Committee Part 1 Report sets out the background and history of the scheme. (See Background documents item 1). All recommendations were approved and the committee specified an in-house or directly owned company structure should also be considered.
- 3.3 The report announced the withdrawal of the previous sponsor, and the Part 2 report set out the financial background to the scheme. It specified a level of subsidy for the coming financial year (assuming normal trading conditions) which would be needed if a new sponsor was not recruited. No new sponsor has been recruited to date.
- 3.4 Acquisition of the Scheme Operator  
On 8 May 2020 Hourbike was sold to the owner of locally based company South Coast Bikes Ltd., previously the main subcontractor to Hourbike, providing fleet

servicing, repair and redistribution. The change in ownership of Hourbike Ltd does not breach the Contract. All risks from previous Hourbike operated schemes in the UK were eliminated prior to the sale.

### 3.5 Neighbouring authorities

3.5.1 The 2011 census data shows that just under 36% of journeys for work by Brighton & Hove residents were by car, but this figure was between 54 and 57% for residents of Worthing, Adur and Lewes District Coastal areas (see Map Appendix 1). These urban areas together with Brighton and Hove had a combined population at the 2011 census of 496,538.

3.5.2 In 2014, 29% of journeys for work into Brighton city centre by Brighton & Hove residents were by car. This compares with 61 % of Adur residents making this same journey by car, 58% of Worthing residents, and 56% of Peacehaven and Newhaven residents. The figures indicate there is a large potential benefit for Brighton City centre from reducing car journeys from these areas.

3.5.3 Preliminary discussions that have taken place with senior officers from Adur & Worthing Boroughs and Lewes District Council, Mid Sussex. Adur & Worthing Boroughs and Lewes District Council have previously enquired about extending the BTN Bikeshare scheme into their areas. Officers in both authorities have yet to raise a joint procurement proposal with elected members. Appendix 2 sets out the position in each authority and at Transport for the South East.

### 3.6 Current pedal fleet

The BTN Bikeshare fleet consists of 450 pedal bikes originally deployed in September 2017, 120 further newer bikes (sold as 'e-bike ready' but not convertible due to a change of manufacturing policy) were deployed in 2019, and 30 additional unused, refurbished pedal bikes were added in early 2020, purchased from the Krakow (Poland Scheme). These bikes have a predicted street life of 5 years, and the original 450 bikes will be at the end of their fourth year of operation by September 2021.

### 3.7 Electric Bikes

E-bikes with swappable batteries avoid the need for high cost power connections to hubs. 'Smart' Bikes equipped with GPS can notify the operating system when their swappable batteries are running low and can be easily replaced with a recharged unit by a mobile team. Small service bases for recharging in key locations avoid moving batteries too far from the bikes and this servicing is possible by e-cargo bikes rather than vans. Some charging points could also be located at key transport interchanges such as railway stations, bus interchanges or other destinations such as Universities or Business centres. This may feed into a wider strategic policy of creating multi modal mobility hubs.

### 3.8 E-scooters

The Department for Transport has decided to bring forward e-scooter trials in response to the COVID19 crisis. The proposal is to allow e-scooters to be ridden by driving licence holders and over 16s only on cycle infrastructure and in the carriageway, but not on the footway. The Council has been approached by ten different providers from around the world seeking to run trials in the City. At present there are no plans to take part in the trials, but the Council has

responded to the DfT consultation and will assess trial outcomes. E-scooter providers have been invited to present an overview of their system in June. The Council's response made it clear that docked and semi docked systems for the avoidance of street clutter, geofencing e-scooter range, restricting speeds, safety and potential conflicts with pedestrians and other road users are all of interest. Each company has also been asked about its willingness to work in partnership with a Bikeshare operator.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

##### Procurement route – Concession contracts.

- 4.1 Many UK cities have struggled to procure Bikeshare systems in recent years. COMO UK published procurement guidance in May 2020 for UK Bikeshare, acknowledging the recent challenges for UK cities, many of which have experienced problems procuring a Bikeshare scheme. Drawing on extensive interviews with UK operators, it considers the influencing factors behind the strongest schemes and identifies minimum and priority areas where Local Authority support is required. (See Supporting Documents Item 2).
- 4.2 The COMO procurement guidance recommends, amongst standard protocols, associated with viability checks on potential suppliers, tailoring the scheme to available funding, realistic specifications and specifically ongoing revenue funding, a dense network of hubs and exclusivity in Cities to ensure viability. Other important considerations such as inclusion of BikeShare in Transport Strategies and a contract period coterminous with equipment lifespan are also recommended.
- 4.3 COMO emphasise that rider revenue alone is seldom enough to cover costs, as the BTN Bikeshare experience has shown. A recent tariff increase has lifted revenue by 8% but has subsequently been offset by poor weather and COVID19. COMO emphasize that local authority capital and revenue funding are needed to ensure Bikeshare viability. They further advise that Sponsorship needs to be treated with caution as the sole route to making up funding shortfalls due to the considerable extra effort associated with PR and Marketing to support the agreement.
- 4.4 The current BTN Bikeshare fleet of 600 pedal bikes is in line with COMO requirements for a medium sized city the size of Brighton & Hove. COMO estimate costs of circa £2.5m for a new pedal fleet scheme of this size and £4.5 to £11.25M for an e-bike scheme. A mixed offer of 70% pedal and 30% electric bikes would cost £2M to £4.7M. A summary proposal setting out a scheme adding 265 e-bikes to the existing Brighton BikeShare scheme that creates a 30% e-bike provision alongside a phased replacement of the existing pedal fleet is set out in Appendix 3.
- 4.5 Procurement experience elsewhere in the UK relating to recent Bikeshare schemes in Transport for Greater Manchester and Transport for the West Midlands is set out in Appendix 4. Both have chosen to procure concession contracts and will own the assets using capital funding from successful bids to the DfT's Transforming Cities Funding. Derby, Leeds and Nottingham have all

seen their Bikeshare schemes decline or close and are seeking to implement new schemes using the procurement/ contract management model.

4.6 Many other transport and local authorities in the UK are adopting traditional concession contract routes with private sector operators because they recognise that the model encourages industry expertise and innovation. Ownership of the assets gives the local authority control which they can use to help deliver wider policy objectives, and that if hire and sponsorship revenue is not sufficient, capital and revenue funding from local authorities, LEPs and developer contributions could be justified on these wider policy grounds.

4.7 Original business case and subsequent adopted business plan.

Officers have explored options to commission a detailed financial and technical review of the original 2014 Business Case and the existing business plan in light of technology and emerging transport policy objectives. The cost of a full analysis in the timescales available between Committees Reports, did not offer good value, therefore officers will be commissioning the necessary expertise over the summer.

4.8 The overarching objective of the new study will be to review the existing assumptions and findings of the 2014 Business Case and evaluate their relevance to current context. The key output of the review will be a set of recommendations on how the existing Business Plan can be updated for implementation in 2021, such that the scheme remains attractive and financially viable in the following four year period. An analysis of the main points for review can be found at Appendix 5

4.9 In House option

Decisions about what aspects of the business to bring in house and what should be contracted externally will govern what an in-house option looks like. A full in house option including servicing, redistribution and maintenance, PR & Marketing, IT, Finance, and Customer service would require the recruitment and training of at least 10 FTE officer posts plus various part time customer call centre roles. At present there is no current spare capacity in the Council's Transport, Communications, Finance or Fleet Servicing teams to absorb these functions and no suitable premises space for these functions on the council estates to accommodate the staff and service a fleet of 6-900 bikes. The operating system would still need to be outsourced as it will be specific to the bikes in the fleet.

4.10 For this option it is therefore assumed that two officer posts would be created to directly manage a variety of contracts. All the functions mentioned above will be contracted out, but service vehicle and premises costs will be assumed by the council. Appendix 6 details a similar arrangement currently run by Liverpool City Council.

4.11 Officers have calculated the preliminary cost of bringing the service in house from September 2021, excluding legal costs, of £1.575M (capital and revenue) for the first year of an in- house operation and includes the capital figures discussed under Section 4.5. A revenue breakdown has not been provided as this would have necessitated a Part 2 report as it is based on actual operating costs which

are subject to current contractual obligations. Members are requested that this should be avoided.

- 4.12 Revenue costs assume new and larger premises to service a larger fleet, two FTE council officer posts to manage contracts, website hosting and maintenance contracted out, and increases in operations, PR and Marketing and Admin costs to reflect the expansion of the scheme.

The in-house option would not deliver good value for money over other models and may not attract the industry expertise and innovation necessary to drive the scheme forward. Without substantial delegated powers officers would need to refer to the committee process and this is unlikely to deliver timely decisions on business matters. The in-house model also leaves the scheme exposed to annual budget setting and demands for future savings across the wider organisation.

- 4.14 Alternative Delivery vehicles: Arm's length company structures.

Officers have been tasked with examining the option of creating an arm's length structure to deliver the Bikeshare scheme. Appendix 7 explains the following company structures as options:

- Community Interest Company (CIC)
- Co-operative – Brighton Energy Co-operative Model.
- Limited Liability Partnership

- 4.15 The cost of setting up such structures for Bikeshare cannot be met from existing budgets.

- 4.17 Whilst there may be limited benefits for these models as set out in Appendix 7 they do not justify the significant costs associated with setting up and running them. There are significant start-up costs in terms of IT, Finance and premises as well as HR issues for existing staff including contracts and pensions. They may be better placed than the Council to secure external funding. If the Council was going to run the service itself as a commercial venture, it might need to consider setting up a company. If a Council is doing something 'for a commercial purpose' it must do those activities through a company as this is required by the Localism Act 2000.

- 4.18 Other External Funding sources

It is not clear that there would be a major advantage to an arms' length structure when it comes to accessing other sources of funding, though specific projects aimed at technical innovation, inclusion and public health may receive funding which otherwise wouldn't if they were Local Authority led projects. These include grant funding from Sport England, the Department for Business, Innovation and Industrial strategy and various Grant giving Trusts. Those bidding in a procurement might be able to access this funding and this could be evaluated as part of their bids.

- 4.19 Greater Brighton Economic Board, Coast to Capital (C2C) LEP Region

The Greater Brighton Economic Board (GBEB) region includes Crawley, Worthing and Adur Boroughs, Brighton & Hove City Council, and Arun, Lewes

and Mid Sussex District councils. As a Unitary Authority, Brighton & Hove is the sole member with highway responsibility. GBEB could be open to supporting a joint bid to C2C LEP or other funding body which was consistent with its strategic goals.

- 4.20. GBEB's January 2019 Five Year Strategy project summary includes a goal on transport connectivity, aiming for efficient travel networks with effective regional, national and international connections, suggesting the Board may welcome an extension of the Bikeshare scheme as support for sustainable travel modes. It proposes a project to "...lobby for a sustainable, healthy, accessible, safe and integrated transport offer for the City Region" including EV charging and new schemes developed from LCWIPS.

#### 4.21 Council & Internal funding sources

On current timescales, the new Local Transport Plan 5 (LTP) will probably not be in place in full until autumn 2021, midway through the 2021/22 financial year. The council will have already identified and allocated funding to projects in the associated LTP capital programme for the 21-22 financial year in March 2021. No funding allocation has been estimated for any LTP project or programme in that year or any subsequent year as yet, as we do not know the likely level of grant funding that we will receive from the Government beyond the current 2020/21 allocation

- 4.22 If it is assumed that if future, total LTP annual allocations will mirror previous allocations, the Council might expect about £5m/year. Given the significance of future workstreams that could stem from The 2030 Carbon Neutral Programme, ULEZ or Car Free City Centre projects future LTP allocations have not as yet considered funding for other schemes such as Bikeshare. However, based on Budget decisions made this year, it is possible that there could be an additional £3.9m available for projects via the SCRIF in 21/22 if additional parking surplus, following the significant underachievement of income, can be achieved following the Covid Pandemic, if they meet the agreed criteria.
- 4.23 A system of tiered tariffs according to mode (pedal, pedal electric and e-scooter) will offer residents and visitors a choice to suit their needs and will incentivise the use of pedal bikes which delivers the greatest health benefits for short journeys. A new operator may choose to introduce a separate operating system for e-bikes and e-scooters, depending on the bikes and scooters chosen. The predicted street life of these new modes needs to be factored into contract and financial planning.
- 4.24 The system could accommodate a mechanism to allow funded social inclusion and social prescribing interventions to help those seeking work or improvements to their health and fitness via Active and Sustainable travel, preferably with the involvement and support of the CCG. Other community needs identified could be supported by specific structures and procedures to ensure they remain the focus. It is not clear a CIC or Trust mechanism is necessary to achieve this.
- 4.25 A partnership with neighbouring City Region authorities would directly benefit the city centre by reducing commuting traffic by residents from those areas and could support jobs, recovery and growth. A joint approach to bidding for capital funding

is likely to be more successful than a bid by a single authority. Brighton & Hove as the sole Highway authority is best placed to lead on joint bids and should ensure that any extension of the scheme area beyond our boundaries does not impact on the fleet availability, servicing and redistribution within the city. Further partnership work at County level would also be necessary and the support of the GBEB is crucial.

- 4.26 If no initial capital grant funding is secured and individual authorities cannot identify initial and ongoing capital investment and revenue income streams for Bikeshare, it is unlikely our neighbouring authorities will seek a model which gives councils much control over operational priorities. Such schemes are less likely to be governed by strategic goals for authorities and will be led by demand and potential profit.
- 4.27 A 12 month lead in time will be necessary to re-procure a scheme extension arrangement by September 2021. If the council retains the current model of owning the fleet and infrastructure, the introduction of e-bikes and e-scooters by spring 2022 should be achievable. This is the ideal time in terms of seasonal demand for a launch of new modes.
- 4.28 If an alternative structure or arrangement to a concession contract is chosen, a longer mobilisation phase may be necessary to establish a legal structure and governance, recruit staff, engage with key stakeholders, procure new fleet and support systems, and find new premises and to plan and build the additional infrastructure. A minimum 9 month lead in time from September 2021 could push the introduction of new modes back to late Summer or Autumn 2022. By this point other providers will have stepped into the E-scooter market and the opportunity to control e-scooter hire will be lost.

## **5 COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 Transport Partnership stakeholders were asked to comment on the issues discussed in this report. (see Appendix 8 for questions). Responses to date have all supported the existing scheme, noting its importance for equal access to cycling, support for active travel, air quality improvement contributions and congestion reduction. Support for expansion was more qualified but responses noted topography to the west and e-bikes would support this. All were concerned about the need for more general cycling infrastructure to provide safer routes. Electric bikes were supported particularly for encouraging more non-leisure cycle journeys and in more hilly areas. Further investment was broadly supported because of the transport equity benefits Bikeshare delivers for those who cannot afford or store bikes. It is also recognised as an important public transport service in its own right. Not all saw the need for e-bikes but some agreed it was good to cater for a mix of cycling abilities with a proportion of the fleet electric. Trials were suggested to establish demand. There were misgivings about e-scooters using cycle lanes because of their speed and weight. A survey of their existing private use was suggested.
- 5.2 Transport for the Southeast (TfSE) is not currently a statutory body and therefore cannot lead on any Bikeshare proposal for the wider city region. TfSE is developing a Future Mobility Strategy and Action Plan by the end of 2020 which will identify areas of the TfSE geography where shared mobility schemes are

likely to be viable. Further technical work on Walking and Cycling will be dependent on DfT funding and the outcome of a proposal being considered by Parliament to become a statutory body. (See also Appendix 2).

- 5.3 Active Sussex's is one of the 43 Active Partnerships across England. Their main aim is to increase participation in sport and physical activity at a local level. Funding comes from Sussex Local Authorities including Brighton & Hove as well as corporate partners such as Freedom Leisure and Sport England. The Partnership would support a Bikeshare CIC or Trust, as they believe such a scheme would be primarily for public benefit. They point out that a CIC or LLP would provide the possibility of a controlling interest, but they are not sure that is true of a Trust. They do not believe a private LLP would be looked upon favourably by external funders and believe CIC or Trust is preferable. They would support this type of partnership approach to the Bikeshare scheme, and given that the outcome is to increase physical activity and address local inequalities, they believe the funding hierarchy should not be a consideration if a clear demand has been established and the scheme is based on robust community insight.

## **6. CONCLUSION**

- 6.1 The in-house option would require significant levels of resource and additional time to implement that may not allow sufficient control over emerging new markets and innovation within the electrification of pedal bikes, operating systems and e-scooters and may not also provide the commercial flexibility and private sector skills required to sustain BikeShare, therefore a Concession Contract model utilising findings from the work to be commissioned over the summer will determine the appropriate model.
- 6.2 COMO UK recommends Bikeshare schemes need initial capital investment and ongoing capital and revenue support from existing budgets or external grants and contributions.
- 6.3 Subject to further work on a financial model prior to a procurement, a mixed fleet is recommended which retains pedal bikes while introducing a 30% e-bike provision and potentially e-scooters, would focus connections between distant and hilly locations and transport hubs including the seafront. The addition of e-bikes and e-scooters followed by a programme of gradual phasing out and replacement of the oldest pedal bikes in the fleet would allow the scheme to maximise the return on the current assets and ensure service continuity for existing customers.
- 6.4 E-scooter provision within the scheme for seafront leisure areas and inner city commuting will ensure the council owned assets retain their viability. This will give the operator the exclusivity recommended by COMO UK to maximise overall viability.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 7.1 The procurement process and the new financial model, when completed, will quantify the potential ongoing revenue and capital investment costs and these costs and options for funding them may need to be brought back to Members for decision and/or considered in the context of the council's annual budget setting process.

*Finance Officer Consulted: Jessica Laing*

*Date: 15/06/20*

### Legal Implications:

- 7.2 The Council is required to comply with its Contract Standing Orders and the public procurement regime when procuring this contract. Legal services will continue to advise as the project progresses.

*Lawyer Consulted: Alice Rowland*

*Date: 15/06/20*

### Equalities Implications:

- 7.3 Projects relevant to social inclusion will be an ambition for the future iteration of the scheme. Density of hubs will take account of health and general indices of deprivation

### Homelessness Implications:

- 7.4 None

### Sustainability Implications:

- 7.5 The scheme will be a key factor in both the Carbon Neutral 2030 and Car Free City agendas by enabling more people over a wider area of the city to have the choice of a sustainable option.

### Brexit Implications:

- 7.6 The outcome of EU/UK talks will impact on procurement rules once the UK's transition period ends.

### Crime & Disorder Implications:

- 7.7 The Council will need to agree a joint approach with the Operator chosen and other agencies including Sussex Police to tackling vandalism impacting on the scheme.

### Risk and Opportunity Management Implications:

- 7.8 The safety implications for scheme and other road users will need to be fully investigated.

### Public Health Implications:

- 7.9 Public health impacts of active travel through the scheme should be evaluated where possible. A methodology needs to be built into the new agreement and the principle of funding such projects should be tested.

### Corporate / Citywide Implications:

- 7.10 The density of the scheme across the whole service area should follow an agreed formula to be determined by the business case and should be set out in the full policy context of Local, regional and national policy priorities for transport and sustainability.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Potential area for enlarged Bikeshare scheme.
2. Neighbouring Authorities and TfSE position on Bikeshare
3. Projected Capital costs over 4 years
4. Recent UK Bikeshare Procurement experiences
5. Analysis of 2014 Business case
6. Case Study – Liverpool City Council In-house scheme
7. Company Structures – chief characteristics
8. Questions and responses – Transport Partnership members.

### **Background Documents**

1. BTN Bikeshare Contract. Part 1 report to Urgency ETS 24 March 2020.
2. COMO UK Success Factors for Sustainable Bikeshare May 2020.