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### Key Issue

To approve the BCA operating unpowered pleasure boats for hire at the Canal Centre at Mytchett.

### Summary

The Basingstoke Canal Authority (BCA) wish to manage and run the unpowered pleasure boats from the Canal Centre, providing a service to the Canal Centre customers and in turn generating income for the Canal. This would require investment into the business as the BCA does not currently own suitable boats.

### Officer's recommendation

The JMC is asked to:

- a) Approve and authorise the BCA to run the unpowered boat business at the Canal Centre.
- b) Authorise the BCA to purchase the necessary boats and equipment to enable the successful running of the business. This will require a draw on the BCA reserves as an investment to save.

## 1 Introduction & background

- 1.1 For the past eight years John Cale Canal Cruises (JCCC) has operated the boat business at the Canal Centre, however JCCC decided to decline to discuss any revision in licence terms and closed their operation in September 2014.
- 1.2 JCCC had offered rowing boats, pedalos and canoes, which were hired out on half hour or hourly basis.
- 1.3 The boats would be available for hire on weekends, bank holidays and school holidays, starting in April or Easter school holidays (whichever comes sooner) until October. On average this would work out at an estimated 104 trading days for a full season, however taking into consideration bad weather and quiet days it is presumed that a full season is based on 78 operational days.
- 1.4 Operational hours – Waterfront staff would be required to start work from 10am until 5pm. With the boats being made available for hire from 10.30am until 4.30pm, this allows half an hour at either end of the day for boat preparation and to secure the boats at the end of the day.

## 2 Consultation

- 2.1 Both sets of consultants commissioned by Surrey County Council to investigate the economic redevelopment of the Canal Centre recommend that the BCA operate the boat business themselves, as this will be more profitable.
- 2.2 Officers of the Joint Advisory Group gave support to the initial proposal.
- 2.3 Officers from Surrey Heath Borough Council indicated that they might like to discuss expanding such a business to cover a two-site operation jointly with Frimley Lodge Park in the future.

## 3 Discussion

- 3.1 The BCA proposes that this is an opportunity to generate additional income to help support the operation of the Canal.

- 3.2 Running a boating business in-house would ensure complete control of the standard of customer service. Customers would be able to pay by card offering greater flexibility. It could also lead to an increase in shop footfall and therefore potentially increasing secondary spending.
- 3.3 To make the business viable it is advised that the organisation would need a maximum of two years to cover the initial capital costs and to become profitable.
- 3.4 If the boats were to operate at a realistic average of 37.5% capacity the potential gross annual income would be £32,760 (see figure 3). Capacity calculated from 50% occupancy for 78 days based on previous operations at the Centre.
- 3.5 If the BCA was to operate the business it would require an initial capital investment to purchase necessary equipment and storage. The BCA would have ongoing revenue costs in the recruitment of two members of casual staff working on a rota basis. The estimated staffing cost would be £5970 per year (subject to agreed Hampshire County Council (HCC) 1% pay increase).
- 3.6 The pricing structure shown in figure 1 is based on the fees charged by the previous operator. Research indicates that this is in keeping with local competitors.
- 3.7 Waterfront staff will be directly employed by HCC and therefore covered by HCC insurance policy . Detailed Risk Assessments for the business and training plans will be prepared for the operating staff with advice from HCC CCBS Head of Risk.

**Figure 1**

	1 hour (£)	1 hour hire (additional hours) (£)
Rowing boats	14.50	12
Canoes	11.50	10
Pedalos	8.00 ( ½ hr hire)	N/A

#### 4 Financial and value for money implications

- 4.1 As it has already been stated the BCA have very little equipment that can be used for such a business. Therefore an initial investment of £24000 would be required to enable the business to be fully operational, and will be paid back within two years. Figure 2 shows in detail the required investment.

**Figure 2**

Item	Total cost (£)	Additional info
Storage container	2,000	Including delivery and lock box
Racking	500	
Rowing boats	11,900	4 boats including oars (15ft rowing boats)
Canoes	3,000	4 Canoes including paddles
Pedalos	3,400	4 Pedalos
Paddles	100	Basic paddles for Canoes
Life jackets	700	20 Childrens, 12 Adults
Safety boat	1,100	
Electric engine	1,100	
Wet Vac	200	
<b>Total investment</b>	<b>24,000</b>	

- 4.2 Figure 3 indicates potential income depending on the number of boats hired on the day (capacity of boats). It is suggested that when taking into account bad weather and quiet days the income generated is likely to be closer to 37.5% capacity.

4.3

**Figure 3**

Capacity of boats	Annual income
25%	£21,840
37.5%	£32,760
50%	£43,680
75%	£65,520

- 4.4 The annual staffing costs to run the business is estimated at £5,970. This figure is based on 104 operational days. Lunchtimes will be covered by the Visitor Centre assistant who will also be trained to run the service and be fully competent.
- 4.5 Figure 4 shows the potential income over a five year period. Should the revenue generated be at 37.5% then this would allow the return of the investment back into the reserves and a small profit after year one.
- 4.6 Replacement costs would be met out of general reserves as necessary with approval from JMC.

**Figure 4**

Payback period	Investment	Staff running costs per year	Potential profit/loss(-) per annum based on level of income			
			25% £	37.5% £	50% £	75% £
	£	£				
<b>1 Year operation</b>	24,000	5,970	-8,130	2,790	13,710	35,550
<b>2 Year operation</b>	0	6,030	15,810	26,730	37,650	59,490
<b>3 Year operation</b>	0	6,090	15,750	26,670	37,590	59,430
<b>4 Year operation</b>	0	6,150	15,690	26,610	37,530	59,370
<b>5 Year operation</b>	0	6,210	15,630	26,550	37,470	59,310
<b>Total profit after 5 years</b>			<b>54,750</b>	<b>109,350</b>	<b>163,950</b>	<b>273,150</b>

- 4.7 A written quotation of precise fees and costs will be obtained in accordance with HCC's Procurement procedures should Members approve the principle of the BCA running the business.

## 5 Equalities & diversity implications

- 5.1 Equalities screening has been conducted in accordance with Hampshire County Council's policies and procedures.

- 5.2 Offering a variety of boats provides a service to a wide range of ages and abilities, however the activity itself may not be suitable, even with reasonable adjustments, to people with all physical disabilities.
- 5.3 The boat hiring scheme is per hour or half hour and not per person, and therefore does not discriminate against disabled people with able bodied carers. The disabled car parking spaces are situated close to the launching point, with a gentle slope leading to the waterfront area. The service will be continually staffed for safety and waterfront staff will also be able to offer assistance to disabled persons wishing to use the service.
- 5.4 Careful consideration has been given as to whether a hoist for wheelchair users should be purchased, however, this is likely to cost approximately £4500 - around 1/5 of the set up cost for the whole operation. Given previous experience which indicates that there is little demand from wheelchair users it is considered that this is not a reasonable adjustment to the service at the outset – but this decision will be reviewed annually.
- 5.5 The overall assessment of providing an equal service to people with disability is therefore considered to be low.
- 5.6 The hourly charge rate is for hire of the boat and not per person; this enables a family of up to four people to hire a boat for a reasonable cost. There are currently no car parking charges at the Canal Centre and there are good links to public transport – 20 minutes walk from Ash Vale railway station; the impact on low and no income families is therefore considered low.
- 5.7 There are considered to be no other equalities issues.

## **6 Crime & disorder implications**

- 6.1 The boats and equipment will be stored in a secure unit, the Centre has CCTV on-site.
- 6.2 Boats will not be hired to persons who are or appear to be under the influence of drink or drugs.
- 6.3 A refundable deposit will be obtained for every hire which will cover the cost of any damage/loss occurred.

## **7 Conclusion and recommendation**

- 7.1 As stated previously revenue is likely to be closer to income generated at 37.5% capacity which over a five year period amounts to £109,305.
- 7.2 The BCA running the boat business would ensure that all profits go towards the upkeep of the Canal.

## **8 What happens next**

- 8.1 The BCA will obtain written quotes from all suppliers and order equipment.
- 8.2 Recruitment will begin once approval has been given.
- 8.3 The BCA will establish on-site boat management systems.
- 8.4 Risk Assessments will be undertaken and Health and Safety training implemented as required.