

WMCA Board

Date	15 March 2024
Report title	West Midland Cycle Hire Scheme Update
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Report has been considered by	Transport Delivery & Overview Committee Mayor and Portfolio Leads TfWM Leadership Team Strategic Transport Officers Group TfWM ITS Leadership Team TfWM Network Programme Board Adam Tranter, Mayor’s Cycling & Walking Commissioner

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Approve the additional funding requirement of £2.1m to take the scheme through to the end of the existing contract in October 2025.

- (2) Endorse the conclusion of options appraisal of the existing scheme and interim measures taken to improve performance of the scheme and mitigate the challenges reported in Autumn 2023.
- (3) Note the original objectives of the scheme and the level to which these are being met through the existing scheme, as per WMCA Board report 24 July 2020.
- (4) Note the link between the existing WMCH scheme and the developing Local Travel Points that will include further cycle hire scheme along with improved safety and security measures.

1. Purpose

- 1.1 To seek approval for an additional £2.1m of funding to support the ongoing contract management for the West Midlands Cycle Hire scheme up to the end of the existing contract in October 2025.
- 1.2 To provide an update on the West Midlands Cycle Hire (WMCH) scheme since its launch in 2021, the level to which it is achieving the targets and objectives of the scheme, the performance, management, and integration with other schemes including e-scooters and local travel points as we approach 18 months until the end of the existing contract.
- 1.3 To provide an update on challenges and mitigations which have emerged since the creation of the scheme, and the financial sustainability and impact and importance of stakeholder relationships as factors that impact scheme performance and sustainability.
- 1.4 To make clear the activities that have been implemented to improve and protect the West Midlands Cycle Hire scheme in the short-term, and what is evolving in performance management to secure longer-term opportunities for a scheme beyond October 2025.
- 1.5 To define the opportunities being incorporated to include the rollout of the Local Travel Points to help manage and mitigate some of the scheme challenges.

2. Background

- 2.1 A regional cycle hire system was referenced as one of the core principles of the West Midlands Cycling Charter, established in 2015, which outlined the key principles among partners to deliver a step change in cycling across the West Midlands supported and developed by the WMCA in partnership with local authority partners.
- 2.2 Good active travel will play a key part in delivering the West Midlands LTP Core Strategy and the LTPs (and the WMCA's) wider aims and objectives by encouraging more sustainable journeys and healthier lifestyles and creating more access for people to opportunities such as jobs and education.
- 2.3 To reflect this the draft LTP Walk, Wheel, Cycle and Scoot Big Move sets out that everyone in West Midlands should be enabled to safely access a range of local destinations on foot, in a wheelchair or on a bike or scooter; with the aim of at least half of all trips in our area to be made by active modes by 2030.

- 2.4 27% of households in the region do not have access to a car. At the same time 60% of car trips in the region are less than 2 miles. Shared services such as WM Cycle Hire allow people to access vehicles to drive without having to own one. This is useful to citizens of the West Midlands because:
- It offers a more affordable alternative to owning a particular vehicle (or another vehicle), and particularly may be a more affordable alternative to buying a Zero Emission Vehicle;
 - It is impractical to own a vehicle (or another vehicle) for example because of a lack of personal space to store/park/charge a vehicle;
 - They might need to access a vehicle away from home (for example where someone has travelled somewhere by public transport and needs to access another vehicle for onward travel); and
 - They may be able to access a greater diversity of vehicles to access the right vehicle to meet their needs at the right time.
- 2.5 Shared services play a key role particularly either as part of the first and last mile element of journeys or for end-to-end travel helping to support improved accessibility and our ambitions for inclusive growth across the region.
- 2.6 The draft LTP Public Transport and Shared Mobility sets out that WMCA and local authorities will commit to supporting the development and provision of shared services, specifically including cycle and scooter hire, and car/van clubs, creating a more accessible and inclusive offer.
- 2.7 Besides health implications, the West Midlands area suffers from significant air quality problems. Public Health England figures suggest approximately 1,500 adult deaths each year are attributable to poor air quality in the West Midlands. Policies such as Clean Air Zones (CAZ) are designed to improve air quality and contribute significantly to our Health and Transport policies. Encouraging active travel, in this case through cycle hire schemes, will form a key element of our overall approach to improving air quality and the health of our residents, as well as reduce the number of motorised vehicles on the road. This, in turn, supports the commitment to WMCA's Air Quality Framework, geared towards accelerating improvements to air quality on a regional scale.
- 2.8 WMCH scheme was approved and agreed by the WMCA Board in July 2020. The scheme was designed to support some of the major health, wellbeing and air quality targets of the region as well as improving accessibility and trialling micromobility schemes such as those seen in London and other major city regions.

3 Operations and scheme performance

- 3.1 Since WMCH launched in March 2021, it has provided bikes, and docking stations across all 7 West Midlands Local Authorities. The scheme comprised a total of 1,500 bikes, 150 of which being e-bikes, along with 195 physical and 10 virtual docking stations, for people to hire bikes from and return bikes to. 1320 bikes were always planned to be on the network at any one time.

- 3.2 Serco have led on the implementation and ongoing management of the WMCH scheme, with a services contract in place up until October 2025. The introduction of the new e-scooter hire scheme in Birmingham in August 2023 has improved the overall micromobility offer within the region. Both schemes utilise the same technology through Beryl and the same operational team through Serco to ensure a consistent regional offer, ensuring bikes are recovered, and restocked to serve demand.
- 3.3 The scheme was established to consist of operations within all 7 Local Authority areas and to include an additional scheme at Sutton Coldfield supported by additional subsidy from Sutton Coldfield Town Council.
- 3.4 Scheme usage has predominantly shown positive uplift trends year-on-year since launch which is a positive in terms of integrated solutions for residents and visitors that can assist in creating the health and wellbeing outcomes originally envisaged. Usage varies across the region, based on a number of factors, whilst also highlighting the wide geographical spread of the scheme, being one of the most widely spread geographical schemes anywhere in the UK. The cumulative distance travelled on WMCH bikes since scheme launch now stands at over 1.1 million miles.
- 3.5 E-scooters - the new West Midlands e-scooter hire scheme was launched on the 2nd August 2023. A continuation of the Department for Transport trial, delivered by Beryl and managed through Serco includes 200 e-scooters that were made available within Birmingham at launch, which is now up to 800 active scooters on-street. The 12.5% revenue share available to TfWM is expected to amount to around £50k per annum in year 1 which can be used to offset some of the deficit on the WMCH scheme.
- 3.6 Data, and Key Performance Indicators (KPIs) are actively reviewed to ensure that TfWM can effectively monitor the contract and be aware of which areas need developing and attention. The latest changes to staffing and governance will help with this area and ultimately improve contract and scheme performance. Part of this will allow TfWM access to the back-office system for Serco for internal teams to interrogate and respond to contractual issues as happens with other modes and organisations.
- 3.7 Customer Experience and feedback- User surveys have been undertaken annually on the scheme, with the latest survey in 2023 indicating that almost half (45%) of users use WMCH to get to or from other modes of public transport, highlighting the added benefit of WMCH alongside our wider public transport services. Scheme users tend to be younger (47% aged 16-34), male (72% in 2023) and are less likely to have access to a car compared with the regional conurbation average (60% vs 73% average)
- 3.8 From the same survey, WMCH is used most regularly for work trips (24%, weekly), with 18% and 17% of users travelling weekly for leisure and education respectively. Users highlighted being able to travel where they like, the speed of journeys versus other modes, and the environmental benefits of travelling by bike, as the main factors influencing WMCH use.
- 3.9 In terms of the integration of the cycle hire and e-scooter schemes, again from the latest user surveys, 86% of cycle hire users noted that they were aware of the new e-scooter offering, with a quarter (26%) having used them, again helping to demonstrate the added value of an integrated and consistent regional micromobility offering. Use of e-scooters was highest amongst those aged 35-44 (30%) and more regular WMCH users (34%).

- 3.10 The TfWM Transport Planning team have used the Department for Transport (DfT) Active Mode Appraisal Toolkit (AMAT) to make some initial estimates of annual impacts, and benefits – although note AMAT does not cover all the possible benefits of the scheme (e.g. employment, or time savings), nor are all AMAT benefits necessarily aligned to scheme objectives as benefits in a scheme appraisal would need to be. Further information on this is covered in Appendix 1.
- 3.11 The TfWM Transport Planning team have additionally collected some information on the benefits of cycle sharing schemes generally and shared with the WMCH team as high-level support for AMAT work, and any other benefits estimates that might be made – highlights include:
- the better physical and mental health reported by beneficiaries of a cycle share programme in Edinburgh and Glasgow (10% went on to buy their own cycle, and note TfWM satisfaction surveys suggest some WMCH users might give up their cars if more cycles were available)
 - and how 20% of cycle share scheme users said that if formed ‘all’ or a ‘major part’ of the physical activity they undertook
 - whilst completing 20 minutes of exercise each day cuts the risk of many diseases – achieving this via cycling is linked to reduced heart disease and cancer, and reductions in anxiety and (by 31%) depression (with better worker productivity too)
 - and if cycling rates were elevated to London levels across other UK cities, this would avoid around 30,000 incidences of eight life-threatening conditions by 2040

4 WMCH Scheme Challenges and Operational Improvements

- 4.1 Whilst the scheme has been used successfully in many areas it has experienced challenges. The first of these is bike availability, which 783 bikes available to the scheme in October 2023, well below the required targets. This is as a direct result of vandalised and missing bikes, This figure has since recovered to over 1000, as of the 30th January 2024 and is predicted to be back to over 1100 by the end of March 2024.
- 4.2 Secondly, instances of vandalism increased significantly on WMCH in 2023. The cost of vandalism repairs increased eight-fold in the period of April – June 2023 compared to the same corresponding months within 2022. Other schemes including Manchester have reported similar challenges with vandalism highlighting this is an issue across the country. Vandalism costs for WMCH are covered jointly between TfWM and Serco, up to the value of £100k per year, with TfWM taking full liability for any costs beyond this £100k figure. This figure reached £166k for the 2023/24 financial year to October 2023, and the total cost of putting the 281 bikes (242 pedal / 59 ebike) awaiting repair back into service is around £150k further and will take around 4 months to complete.
- 4.3 There was also a high number of missing bikes across the region and a full mitigation and recovery plan is in place and currently proving very successful in recovering many the 300 bikes that went missing. TfWM and Serco are working closely with police resources to tackle this issue, with Serco contributing financially and committing additional resources to the contract to assist with the recovery of operational performance.

- 4.4 Finally, another challenge impacting the scheme is the numbers of bikes left outside of the docks (OOD) and outside of the zones (OOZ) they should be returned to, which then makes the bike more susceptible to vandalism or theft if not recovered quickly. The higher levels of bikes left OOD and OOZ recently resulted in an increase of fines for doing this, as well as a marketing campaign to dock your bike.
- 4.5 Whilst issues with bike availability, vandalism, missing bikes and bikes left out of dock and out of zone appear high, it must be noted that these are in keeping with issues seen on other schemes both nationally and internationally. We are looking to learn from best practice implemented within other schemes to continue to combat these challenges as we move forward with our contingency planning and the work with police and partners is pivotal to this.

5 Scheme realignment and next steps

- 5.1 Options have been considered with respect to the ongoing operation of the scheme, as per Appendix 1. Given the relatively consistent financial forecasts for each available option, the recommended way forward is to proceed with Option 1, ensuring a full scheme is maintained until the end of the contract in October 2025. This is consistent with the originally approved WMCA Board Report in July 2020, providing a single cycle hire scheme across all 7 West Midlands Local Authorities.
- 5.2 In advance of the contractual end point, TfWM will develop a regional micromobility strategy in order to set out and endorse a regional approach to shared mobility across the region. This will subsequently allow for the procurement of a replacement micromobility scheme to serve the West Midlands, from October 2025 onwards, with the aim of reducing the financial liability placed on WMCA, whilst still providing a beneficial product to users. Progress with the strategy and procurement options will be reported in line with necessary governance and with any additional request for information. This approach has been utilised more recently in other local authorities within the UK, with the more financially viable e-scooter offering potentially helping to subsidise cycle hire operations in shared schemes.
- 5.3 The key objective moving forward is to ensure a stabilisation to the existing scheme, prioritising asset protection, with a focus on improved operations across the region, whilst ensuring a long-term approach to micromobility across the region via a more favourable commercial model. This will be reported through 6 monthly updates to Transport Delivery Overview and Scrutiny Committee, and the Strategic Transport Board.
- 5.4 In addition the new Local Travel Points pilot scheme will be implemented and trialled in Halesowen along with the additional security features which will test this type of operation in the region as well. Some additional security features will be considered at other locations of the scheme within the region during this time.
- 5.5 Whilst an expansion of the current WMCH scheme has previously been referenced, the revenue benefits of an additional order are not forecast to be at a level to justify the capital expenditure. However, the purchase of additional bikes will be considered, subject to funding, in line with the Local Travel Points scheme, and its growth, and will further help address any bike availability issues across the WMCH scheme.

5.6 To start to consider the procurement strategy from October 2025 for a combined micromobility service across the West Midlands which meets the needs of users across the region, has minimal financial liability on WMCA and has strong KPIs which will ensure operational excellence throughout the whole scheme. This will also embed learning from the upcoming Local Travel Points pilot to ensure a comprehensive approach to our future approach to micromobility.

6 Financial Implications

6.1 When the forecasting cost model was created to determine the level of subsidy required over the life of the contract, the central case forecasted a £2.7m deficit, although a total financial provision of £4.6m was made to cover this eventuality. However, due to the lower than anticipated revenue over recent years, the latest modelling indicates that the project will generate a total deficit of approximately £6.7m by the end of the 5-year contract which terminates in October 2025, resulting in an anticipated shortfall of £2.1m against the provision. This reflects a further (up to) £400K pressure on the Levy and MTFP compared to £1.7m pressure which was previously reported in May 23. This is a result of the additional vandalism and reduced bike availability during 2023-24 to date as noted in the report above.

6.2 Based on the current performance forecast, without any sponsorship deals forthcoming, it is anticipated that the £4.6m reserve ceiling will be breached in April 2024, with 18 further months of MTFP pressure for the remainder of the contract. As noted above, the forecasting does not consider any revenue uplift because of the new tariffs which have been implemented due to lack of data available. This will be modelled as data becomes available.

6.3 The current e-scooter arrangement provides the WMCA with a share of profits. Based on performance to date, this would lead to a revenue injection of circa £40k per annum, though this is a lower figure than anticipated because of relative low usage and fleet volume, which are both expected to increase. Income generated from the e-scooter arrangement will be used to offset some of the deficit on cycling. The integration of the micro-mobility budgets for e-scooters and cycle hire will provide a more holistic approach to managing the overall deficit and assist in improved decision making for future scheme changes.

6.4 As outlined within the options in Appendix 1, the forecast benefit for Options 2, 3 and 4 do not materially favourably impact the pressures on the remaining WMCH scheme. It is noted that withdrawal of the scheme at this point, also carries significant risk to the MTFP and exceeding the available reserves balance. The final settlement would be subject to negotiation, but notwithstanding this, the £4.6m approved reserves ceiling based upon the current performance levels will be breached in April 2024.

6.5 £2.1m has been included in the Medium Term Financial Plan to the end of the contract and the operational costs within the 2024/25 period is included in next year's approved budget.

7 Legal Implications

- 7.1 WMCA and Serco Limited are party to an Agreement dated 23rd November 2020 in respect of the provision of the West Midlands Cycle Hire Scheme (“Scheme”). Pursuant to clause 32 of the Agreement and subject to the Change Control Request Procedure set out at schedule 7 of the Agreement, WMCA may at any time amend the details of the Scheme, including the geographical extent of the Scheme.
- 7.2 Legal Services notes Option 4, within Appendix 1 of this report, in respect of exploring other options such as termination of the Scheme. Legal Services have previously provided advice in respect of termination options and the consequences thereof. If termination of the Scheme is to be explored further, the clients will need to liaise with Legal Services.
- 7.3 Additionally, it is noted that Option 1, as set out in Appendix 1 of this report is in line with recommendation 1 and the purpose set out in section 1.1 (as set out above). Consequently, there are no direct implications or actions arising from a legal perspective from such a recommendation, as it is primarily a financial issue i.e. an additional request for £2.1 million to allow the contractual arrangements to continue.

8 Equalities Implications

- 8.1 The reviewed changes highlighted in the report relate to the geographical spread of stations and bikes, and therefore the impact on users and citizens with respect to one or more of their protected characteristics as defined by the Equality Act 2010 is likely to be neutral. There is likely a positive impact on reducing health inequalities due to improved air quality with this scheme, and therefore a positive impact on the health of all citizens.
- 8.2 Section 4 details some of the major challenges with the scheme, and there is a potential minor challenge and impact with respect to bikes not being returned to their designated docking and parking stations which as a result may pose a trip hazard to citizens, especially blind and partially sighted citizens in particular.

9 Geographical Area of Report’s Implications

- 9.1 West Midlands Cycle Hire provides for residents in all seven WMCA constituent authority areas.

Appendix 1 – Options Analysis

With respect to addressing immediate pressures relating to bike availability, and in order to provide clarity on the level of service that can be maintained across the West Midlands moving forward, the below options have been assessed as requested by Strategic Transport Board.

Description	Summary of analysis
<p>Option 1. (Recommended): Retain the scheme in its current form until the end of contract in October 2025.</p>	<p>Latest scheme modelling indicates the total scheme deficit of this option would be £6.7m, resulting in an additional pressure on the MTFP of £2.1m over and above the costed scheme reserves. This option will include the delivery of Local Travel Points across the region and the re-allocation of resources in order to support this rollout. The safety and security aspects of the Local Travel Points will also be reviewed with respect to enhancing existing WMCH docking stations. If this recommended option is approved, a report will go to WMCA Board requesting up to £2.1m to ensure the continued operations until October 2025.</p>
<p>Option 2. Reduction of stations in Sandwell, Stourbridge, Solihull, and Walsall, to be re-deployed in Birmingham and Coventry.</p>	<p>Latest scheme modelling indicates the total scheme deficit of this option would be £6.7m, resulting in an additional pressure on the MTFP of £2.1m over and above the costed scheme reserves. There is an immaterial benefit of £24k over the remaining project life with Option 2 compared with Option 1.</p>
<p>Option 3. Full removal of assets within Sandwell, Stourbridge, Solihull, Walsall, and Wolverhampton.</p>	<p>Assets would then be re-deployed in Birmingham and Coventry, where scheme usage has been highest. Latest scheme modelling indicates the total scheme deficit of this option would be £6.6m, resulting in an additional pressure on the MTFP of £2.0m over and above the costed scheme reserves. There is a small benefit of £87k over the remaining project life with Option 3 compared with Option 1.</p>
<p>Option 4. Termination of WMCH scheme.</p>	<p>Serco have provided a without prejudice estimation and subject to further discussion cost for withdrawal. The indicative termination estimate provided ranges between £1.4m and £2.0m. This includes, three months' notice period, stranded costs (redundancies, assets, depot) and subcontractor terminations. This option is deemed to be unrealistic as the costs to withdraw the scheme is largely consistent with continuing the contract until October 2025, and would likely bring with it negative media coverage regarding a commitment to Active Travel schemes within the region.</p>

Implementation of Option 2 and 3 do provide small revenue uplifts however, it is anticipated that there will be additional costs to move the docking stations.

For Option 4, withdrawal from the scheme, it is assumed that the cost to Serco for termination is up to £2m based upon the high estimate provided and a termination to be implemented by the end of the 2023-24 financial year.

The pressure to MTFP, for costs more than the £4.6m reserves ceiling, from April 24 ranges between £1.9m and £2.1m. The table below summarises the financial implications of the options outlined above.

Option	Description	Monthly Revenue Uplift	Estimated Implementation Cost	Project Life Outturn Forecast	Reserves Ceiling	MTFP Pressure April 24 to October 25
1	Retain scheme as is until end of contract	-	-	£6,684k	£4,600k	£2,084k
2	Remove up to 70% of stations and re-distribute	£2k	£20k	£6,660k	£4,600k	£2,060k
3	Remove all and concentrate in Brum, Cov & Sutton	£6k	£45k	£6,597k	£4,600k	£1,997k
4	Withdraw scheme (Terminated at March 24, £2m cost)	-	-	£6,515k	£4,600k	£1,915k

The table shows the low and high estimates, based on AMAT as per section 3.10 (more work and time for checks would be needed to narrow this), for the current scheme, and also for options to either move some or all of the cycles to the best-performing Birmingham and Coventry areas:

Annual benefits from AMAT (£000s)	Option 1		Option 2		Option 3	
	Current scheme		Move 70% of cycles from other areas to Birmingham and Coventry		Move all cycles from other areas to Birmingham and Coventry	
	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate
Increased physical activity (reduced risk of early death)	155	275	174	308	183	325
Reduced workplace absenteeism	48	85	54	96	56	101
Net benefits from reduced car use (air quality, carbon, decongestion, maintenance, noise, safety)	29	52	33	58	34	61
Total (from AMAT alone)	232	413	260	462	274	487

