



West Midlands
Combined Authority

Transport Delivery Committee

Date	10 October 2022
Report title	West Midlands Bus Network - January 2023
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Report has been considered by	TfWM Leadership Team WMCA Strategic Leadership Team

Recommendation(s) for action or decision:

The Transport Delivery Committee is recommended to:

- (1) Note the position of the West Midlands Bus Network Review, implemented as requested by Government, due to come into place on 1st January 2023.
- (2) Note the changes outlined by commercial bus operators for bus service reductions across the region.
- (3) Note the combined impact that commercial bus de-registrations and the increased costs of buying bus service contracts is having on TfWM's ability to maintain delivery of its tendered bus network in the way it has historically in accordance with Access Standards.

- (4) Authorise a revision to the Value for Money criteria to £4.10 (Option 2) within the wider Bus Access Standards to allow TfWM to support a higher number of bus services than it would without changing this.
- (5) To note the likely impact on the West Midlands bus network due to funding shortfalls despite this revaluation of the Value for Money criteria.
- (6) Welcome the proposals to support the development and implementation of some new transformational services through the Bus Service Improvement Plan that will mitigate some impacts of bus service cuts.

1. Purpose

- 1.1 The purpose of this report is to provide an update on the forthcoming bus network review requested by Government of each LTA as a condition of Bus Recovery Funding (BRG) and Bus Service Improvement Plan (BSIP) funding. As bus patronage has not recovered to pre-pandemic levels commercial operators have been asked by Government to 'right-size' their services to adapt to the new levels of patronage. Since significant impacts to the cost of fuel, energy and other on costs have impacted the bus industry (amongst many others) this has added further pressure to operating costs. This report sets out the impact of these factors on both the commercial and the tendered bus networks. The report also sets out the changing operating landscape within which those services are being delivered and the challenges to performance including driver shortages.
- 1.2 The report seeks approval for a revaluation to the Value for Money (VfM) criteria within the Bus Access Standards for the provision of socially necessary bus services in the region. The report also seeks to explain the extraordinary reasons and circumstances for this and to seek member support to maximise the use of the available budget and maintain the most comprehensive network within that available budget. The report also seeks to reassure members that decisions requested in this report are within committed budget and therefore within the delegation of the Transport Delivery Committee.
- 1.3 The report should be read alongside the Bus Service Improvement Plan (BSIP) report to the same Committee meeting highlighting the positive strategic proposals being supported through the BSIP and CRSTS funding streams.

2. Background

- 2.1 Prior to covid the West Midlands bus network was operating at a reasonably steady state of slow decline in commercially provided services overall but seeing some pockets of stability and growth within the region through partnership and investment. The regional bus network was attracting Government capital investment. During covid, as regularly reported to TDC, there has been a series of funds provided to the bus sector from Government. The most recent of these funds has been Bus Recovery Grant (BRG) which is due to end at the end of December 2022. Government requested all bus operators and LTAs (Local Transport Authorities) to undertake a review of their bus networks as patronage nationwide has not recovered to pre-pandemic levels.

- 2.2 In the West Midlands the market has been changing during that time as well. A deregulated market is based on a competitive bus market where operators compete. Since March 2020 the West Midlands has lost 5 of its bus operators and now just 3 operators carry 99% of passengers across the region, with just one operator carrying 93% of those passengers. This has led to a risk for the LTA around increased future cost of letting tendered bus services. Just 7 years ago, each tender received an average of 3-5 bids, whereas now the average has shrunk to around 1.5 bids on average.
- 2.3 One of the ways that TfWM has an opportunity to greater influence operator approaches whilst simultaneously investing in the market is through the Enhanced Partnership, which is also overseen by the TDC. This is the matter of a separate report at this meeting but will be an important tool in trying to mitigate the risks identified with a declining number of operators. All services in the West Midlands will be covered by the Enhanced Partnership from 1st January 2023 and from this date TfWM are also seeking to adopt bus service registration powers from the Traffic Commissioner which will give a further level of influence.
- 2.4 In the de-regulated bus market of the West Midlands bus operators make a commercial decision on which routes they wish to operate and to what level of service, including route, days of the week, fares, time of day and service frequency. The 1985 Transport Act then allows TfWM to consider contracting additional socially necessary services where the commercial network is unable to meet the criteria of the WMCA Access Standards. This is undertaken through two mechanisms, direct de-minimis payments to operators or through a competitive tendering process. Both options are operated under contract to TfWM.
- 2.5 This review has involved TfWM requesting operators within the West Midlands Bus Alliance to set out their commercial proposals for services from January 1st 2023. These services need to be registered by October 22nd 2022. It then requires TfWM to assess the impact of the commercial service changes and withdrawals and then identify which routes need to be tendered as per paragraph 7. As the tendered bus budget for the WMCA is already fully utilised TfWM has assessed the increased costs to provide services and see what is affordable within the available budget. The total budget for tendered services in 2022 / 2023 is £15.46m exclusive of BSOG and other contributions. The indicative budget for 2023/24 is £16.3m, an increase of £0.835m to reflect non pay inflation assumptions.
- 2.6 The standard used to determine which bus services we will support using the tendered bus budget are called our 'Access Standards'. A copy of the current standards is given in Appendix 1.
- 2.7 Although not explicitly defined within the access standards the Value for Money (VfM) is a key consideration alongside the other elements set out in sections 1 and 2 of the appendix which define the minimum service levels subject to the defined affordability.

Passenger Levels

- 2.8 The Covid-19 pandemic had a detrimental impact on bus patronage which has not recovered to pre-covid levels. In the first week of September 2022 patronage had recovered to an average of 84% of pre-covid. This partly reflects how behaviours have changed including a greater level of on-line shopping, increase in hybrid working and increase in numbers working from home.

- 2.9 There is an expectation that passenger numbers will increase in the future resulting from a number of factors including the cost-of-living increase moving people to more affordable modes, changes in Local Transport Plan policy, population and housing growth and positive interventions through the £2 fare cap, BSIP and City Region Sustainable Transport Settlement (CRSTS) transformational measures including simplification, better bus services and more bus priority to encourage modal shift.

Revenue Reduction

- 2.10 The current reduced level of passengers results in a direct loss of fare revenue received by operators. Commercial patronage has recovered to around 86-88% of pre-pandemic levels whilst English National Concessionary Travel Scheme recovery levels have been much slower and lower. To date bus operators have been paid for ENCTS at levels assessed as if covid had not taken place, as encouraged by Government. However, as we adapt to a new normal this income is at risk by some operators if concessionary bus holders do not return to bus in the numbers seen before covid. Operators in the West Midlands have also committed to a fares freeze funded through the BSIP since April 2022 in an attempt to retain passengers and encourage growth. This pattern is also true of services operated under contract to TfWM where operators also take the financial risk on fares.
- 2.11 Driver shortages and higher levels of sickness have resulted in increased levels of services not operating and not running to time. This has had an impact on the reliability of buses and the customer information to customers. This will almost certainly lead to suppressing overall demand and revenue with less trips being made by people through a shift in mode to other choices including walk, cycle, taxi and car.
- 2.12 There is uncertainty on what the on-going impact of the current increase in cost of living will have on patronage and therefore revenue and for how long this will be a factor. For some it will mean a transition from private car to bus where this provides a saving on motoring costs. For others it may likely mean a reduction in overall travel as personal budgets reduce and therefore the need to travel, especially considering the potential for rising economic inactivity in the region. However, addressing the factors in paragraph 14 will have a significant impact on what this can achieve.
- 2.13 The uncertainty in future revenues is a further risk for operators which they will need to consider when looking at the sustainability of their services and when also submitting prices for TfWM tendered services. This is resulting in bus operators factoring in a higher level of risk to tender costs to TfWM. Coupled with the reduction in operators to bid for tenders this further increases the risk to LTA budgets.

Operational Costs

- 2.14 More recently the cost of providing bus services has increased. This is being driven by a number of factors including the significant increase in cost and volatility in fuel prices, Driver costs through increased driver wages and increases in National Insurance contributions, and general inflation most notably in energy and materials which is impacting all other areas of bus operator spend. It is worth noting that many of the operators lost to the region are smaller operators which have been less well protected from fuel volatility than the larger operators who have sought better protection through fuel hedging.

- 2.15 The conditions are such that the West Midlands has seen a significant contraction in the bus market. The last year has seen the loss of 5 operators plus one on the periphery of the region. Additionally, First Bus no longer provide services in the region, retrenching into their operating area in Worcestershire. This retraction and resulting loss of competition is further pushing up costs for the provision of tendered services in the region as well as reducing our resilience to further changes in the market.

Network Performance

- 2.16 Performance of the bus network is facing challenges which is resulting in passenger dissatisfaction which in turn has an impact on patronage. Last week around 5 to 7% of planned mileage was not operated by National Express on services across the region. This is largely due to their continuing shortage of drivers. National Express are reporting that driver levels are around 10% below the required establishment and that sickness levels are around 4% higher than is normally expected. In an attempt to partially mitigate the impact on passengers TfWM are seeking for operators to introduce more robust processes to ensure that passengers are kept informed of missing journeys and, in the medium term, developing the Real Time Information system to better inform passengers. National Express are making operational adjustments in an attempt to mitigate the impact for passengers including focusing resource on less frequent services and seeking to space buses on the frequent services to try and reduce gaps between buses. Whilst not all bus operators are reporting driver shortages it is widely acknowledged to be a national issue. However, some smaller operators seem to be keeping better management of the situation. Driver overtime plays a part in addressing driver shortage issues which becomes harder in times of higher driver sickness levels.
- 2.17 These issues impact on customer confidence as we have seen with complaint levels increasing from customers. Driver shortage levels at NXWM bus alone are the highest they have been despite a bespoke recruitment plan by the company over the past year. The number of staff leaving also indicates retention is a major issue as well.

Operator Support

- 2.18 Since March 2020 the shortfall in fare revenue, and to a lesser extent the increase in costs, has been met through publicly funded grants and by maintaining subsidy payments at pre-covid levels to operators from National and Local Government.
- 2.19 This has included maintaining payments to operators for the carriage of English National Concessionary Travel Pass holders at pre-covid levels, paid at a rate to reflect the long-term and continuing reduction in concessionary journeys.

- 2.20 The scale of funding nationally has exceeded £2bn in support for bus operators. The main remaining fund known as Bus Recovery Grant (BRG) is scheduled to end on December 31st 2022, which is why TfWM were requested by DfT to align the Bus Network Review to this date. Approximately £7.3m of DfT grant funding has been passed to operators through the WMCA for support on tendered services with significant sums being given directly from Government to operators to support commercial services. In addition, the DfE made £10m available to support school services during the height of the pandemic. Government has announced that some additional targeted funding support for operators and Local Transport Authorities from central government will be in place between 1st January 2023 to the end of March 2023. At the time of writing this report it is not known how much of this will be available for the West Midlands, how it will be paid or passported, or if it would have any impact on the level of changes proposed by bus operators. Our discussions with National Express, Diamond and Stagecoach indicate that they do not think there is enough funding available to result in any changes to what is proposed. However, if funding is available to the LTA it may be too late to mitigate any impacts for January 2023 set out in this report. Any further funding from Government will be able to help with additional challenges as they continue to emerge through 2023.
- 2.21 During this final period of funding operators are being encouraged by Government to revise their networks to become commercially sustainable and to reflect new passenger levels. They are encouraged to do this in conjunction with Local Transport Authorities and to also work together to make best use of the overall available resources.

Local Authority Support

- 2.22 Since March 2020 local transport authorities have received support from the DfT to enable them to maintain their subsidised networks. TfWM have used this money to meet the shortfall between the fare revenues expected by the operators and the actual amount being received and to provide services where commercial operators feel they are no longer commercially sustainable. TfWM have continued to apply the same pre-COVID level of locally funded subsidy to bus services to and support cheaper fares, despite the reduce levels of travel.
- 2.23 TfWM secured an additional bespoke devolved funding package to stabilise the network in the West Midlands throughout the Commonwealth Games. This enabled us to commit bus operators to providing 90% of the pre-covid network to the end of December 2022. Although the Government went on to agree the same funding for all of England bus services and operators, the fact that the West Midlands negotiated early and had it devolved to us enabled us to negotiate more effective terms and conditions with the operators.
- 2.24 At the time of writing there is no additional Government support detailed to prevent the level of service cuts and changes identified in this report to be implemented on 1st January 2023. This report and its recommendations are based on utilisation of remaining known Government support and WMCA budgets available as at 2nd October 2022.

Network Review

- 2.25 Although the increased costs of operating services and slow return of passengers means that less than 70% of the network is currently considered commercial, National Express has shown its confidence in the further recovery by proposing to maintain around 90% of their pre-covid mileage, meaning that the West Midlands has lost around 10% of its bus network miles since 2020. A lot of high frequency services have had service reductions in recent months in response to driver shortages. When driver numbers increase NXWM will look to increase some frequencies again, but the concern will be if these are implemented at the expense of more marginal routes across the network which would result in further pressures on the tendered bus network. This is a risk also because changes to these services tend to impact the elderly, the more isolated, and the less well off in the region, and remove critical elements of maintaining a comprehensive network. Any further changes or commercial de-registrations will not be able to be absorbed into TfWM budgets without additional Government support or regionally committed funding.
- 2.26 We know that the most disadvantaged groups in the region rely most heavily on the bus network, and alongside the cost-of-living crisis we know how an effective bus network is so vital for those groups. A Supported Travel Policies Review, covering not only the tendered bus network, but all our discretionary policies including the Rail and Metro add-on to ENCTS, Ring and Ride and child concessions is being reviewed alongside other discretionary transport policies and functions, which combined, totals circa £31.6M for 2022/23. This work will involve a public consultation exercise and options presented to the WMCA Board on ways these discretionary policies could change to meet the available level of locally raised funding through the Transport Levy and to best support groups most in need of support. It will further consider if and where future efficiencies could be made in these policies and how different accessibility standards could impact budgets in the longer term.
- 2.27 One of the key factors for West Midlands operators and particularly NXWM maintaining a 90% network is that TfWM will work at pace to expediate the measures and benefits of the BSIP in a way that turns the first-year funding of the overall 3 year £88m programme into measures that see the operators benefiting from that money as soon as is possible. This is set out more within the BSIP report to this Committee.
- 2.28 Following the review of their commercial networks bus operators have indicated service changes in the following specific areas.

School Services

- 2.29 National Express currently operate in the region of 60 services which provide direct buses to and from a number of schools across the region. This is on a fully commercial basis without any financial support from TfWM, the respective local education authority or schools. The continued provision of these services has been reviewed alongside the rest of the network.
- 2.30 National Express have indicated that it is their intention to withdraw approximately 12 of these services at the end of the winter term in December 2022 in a small number of cases direct alternative services are available however most passengers will be required to change between services in order to undertake their journey to school.

- 2.31 In addition to the factors of reducing incomes and increasing costs highlighted in this report National Express has also indicated this decision was influenced by the PM peak 'rush hour' getting earlier meaning that the opportunity to utilise buses that used to be able to operate a school run and then enter normal services are reduced. This issue is being exacerbated by some schools changing their hours so that buses operate later.
- 2.32 Passengers using these services remain within access standards and therefore TfWM are not able to support maintaining these services on a like for like basis. It therefore remains a fully commercial decision for National Express as to whether these services continue to operate beyond December.

Queen Elizabeth Hospital Network

- 2.33 The Queen Elizabeth Hospital in Selly Oak is a key attractor on the bus network and is served by several bus routes providing access to employment, training and for outpatient activity. Most of these routes are provided without subsidy from TfWM. As part of their commercial review National Express have identified the sections of route below as no longer being commercially viable.
- Section of service 19 between QE and Halesowen
 - Section of service 46 between QE and Hawkesley
 - Section of service 48 between QE and Northfield.
- 2.34 TfWM are looking at options to mitigate the impact of these withdrawals and seek to ensure that passengers along these sections retain a direct link to the QE hospital site through BSIP funding. Working with bus operators TfWM propose to have planned services to tender in October to mitigate these changes providing that Government support our proposals to use the funding.

Solihull

- 2.35 As part of their commercial review National Express have provided options for changes to services in the Lydon area of Solihull where they currently operate service 58, which operates between Solihull and Kingshurst, which they do not deem to be sustainable. TfWM already support a number of subsidised services in the area and will therefore consider options, including the service 58, to create new links and enhance the services in the area to support Solihull North – South links.

Dudley Area

- 2.36 The Dudley network has been the focus of the National Express commercial review. They have indicated that several routes in this area are no longer commercially sustainable. These are as follows.
- 5/5a – Dudley to Wall Heath
 - 11/11a – Dudley to Merry Hill
 - 14 – Dudley to Halesowen
 - 14A – Dudley to Merry Hill
 - 17 – Stourbridge to Dudley
 - 18 – Dudley to Merry Hill
 - 27 / 27A – Dudley to Wolverhampton

- 2.37 Some small elements of these services are already supported by TfWM, and it is highly likely that due to the current passenger levels on these routes and the unique nature of the routes that these would be strong tenders and fall within the access standards for support if the option to amend the Value for Money within this report is approved. Therefore, TfWM will prepare tenders but will need to clarify if all tenders can be supported dependent on the decision from this committee.

Diamond changes

- 2.38 Diamond bus have proposed some changes to commercial services from 1st January 2023. These include the service 94 in East Birmingham and North Solihull which will be withdrawn. The service is also operated by National Express so will not impact tenders or Access Standards. Additionally, the service 35 between Walsall and North Walsall will be withdrawn. This may be eligible for a supported service if the option to amend the Value for Money within this report is approved although this is not guaranteed.

Partnership routes

- 2.39 One area that Government asked LTAs to review was to look at how well competitive resources are being deployed to optimise the network. In the West Midlands we already have several partnership routes in operation between Diamond and NXWM. Both Diamond and Stagecoach have expressed an interest in more. NXWM have done the same. Several months of discussion have resulted in stalemate between operators. TfWM believe this is an important discussion as we see competitive services with oversupply of buses in operation across some parts of the network whilst there are services not operating across other parts of the network. TfWM are now looking to make specific recommendations to operators to kickstart proposals in the hope that something can be implemented in early 2023. This will align with some of the ticketing proposals updated within the BSIP report to this committee. It is considered that achieving some of the key outcomes in BSIP such as simplified ticketing and reducing excess busing in some areas to enable better support the wider network is critical to re-building passenger confidence and re-building overall patronage levels, thus reducing the need for on-going much higher levels of public funding support.

Tendered Services

- 2.40 Paragraphs 2 and 3 set out the process by which TfWM tenders bus services. Appendix 1 set outs the Access Standards through which services are let. In addition to the services that will need to be tendered from commercial de-registrations TfWM also has 116 contracts up for renewal on December 31st. The estimated cost of the renewals of existing tenders and the replacement of the commercial deregistration's is estimated to be around £5.8m of which only £1m is accommodated for within the 2023/2024 budget.

Access Standards – Value for Money

- 2.41 The current Value for Money criteria, specified in the access standards defined in Appendix 1, is £2.55 for fully tendered services and £2.12 for services operated with de-minimis support. Under normal circumstances any service where level of subsidy per passenger trip exceeds this value would not be supported by the authority and passengers would need to consider alternative travel options. However, since March 2020, due to additional funding support from central government, TfWM have been able to continue to support these services and have been able to keep nearly all services operating.
- 2.42 With the loss of this and wider funding support from the end of March and the expected increase in costs outlined in this report there is an expectation that around 57 of the 116 existing contracts, supported by the authority and due to be retendered for January, will exceed this VfM criteria.
- 2.43 Details of the services currently supported by TfWM and due to expire in January along with the current and forecast VfM criteria are provided in Appendix 2.
- 2.44 In addition to the services which are already supported by TfWM, the network review of the commercial networks has resulted in the services detailed above no longer being provided on a commercial basis from January 2023. These services have, until recently, been commercially sustainable, which would suggest they are an integral part of the network, service unique sections of road and carry higher numbers of passengers than some of the existing tendered services. It is likely therefore that we would prioritise maintaining these services over some of the existing tendered network which has lower patronage and therefore a higher cost per passenger trip.
- 2.45 To maintain all the existing supported services and those services which are no longer commercially sustainable, an increase of £4.8m to the MTFP budget for 2023/24 would be required.
- 2.46 In the context of reducing revenue, increased costs, and the requirement for TfWM to consider which services it continues to support a number of options have been considered around the forecast budget for the provision of socially necessary services and the VfM criteria within the access standards. The costs provided are based upon the forecast renewal costs ahead of a competitive tendering process and are therefore subject to change. These options are summarised in Appendix 3.

Option Appraisal

- 2.47 **Option 1** maintains the existing value for money criteria at £2.55 per passenger trip. Due to increasing costs of providing services and a reduction in passengers this would result in TfWM being unable to support around 57 contracts. This option would result in a complete removal of the pressure on the subsidised bus budget and additionally make a saving of approximately £3.1m in 2023/24. The option incorporates providing financial support for services in Dudley, South Birmingham and Solihull proposed for de-registration by National Express should they meet the VFM criteria.

- 2.48 These 57 contracts, account for 79 individual services spread across the region and accommodate in the region of 136,500 passenger trips each week. Of these 57 contracts 35 (or 60%) of the at-risk contracts operate during weekday daytimes. It is more likely the removal of these contracts means a total loss of service to some residents along the route. The remaining 40% of services are at other times of the day and week with 22% of the serves timed to support journeys in the evenings and Sundays. Additionally, around 850 bus stops would be left entirely unserved by any service which gives an indication of the impact of accessibility for passengers for whom these are their nearest stops.
- 2.49 The geographical spread of the at-risk services 29% are in Birmingham, 22% are in Walsall, 18% are in Dudley, 9% in Wolverhampton and 7% in each of Coventry, Sandwell and Solihull.
- 2.50 A total of 1023 facilities across the West Midlands (covering some hospitals, GP practices, dentists, pharmacies and clinics, nurseries, primary schools, secondary schools and Universities) will also be affected by the reduction of bus services with option 1, with a small number being completely unserved by a bus route within 400m.
- 2.51 **Option 2** seeks to ensure that the budget of £16.3m (23/24) for subsidised bus services is fully utilised to maximise accessibility for the available provision. This is the best option for minimising the impact on passengers without increasing the budget for the provision of tendered services.
- 2.52 Option 2 would see the Value for Money criteria within the access standards revaluated to £4.10. £4.10 is in line with the type of VFM criteria used by other authorities where such a criteria exists. It is also in line with more typical journey costs coming in significantly lower than the average taxi journey of 2-3 miles at over £6.00 per journey. Like option 1 this incorporates providing financial support for services in Dudley, South Birmingham, Solihull and Walsall proposed for de-registration by National Express and Diamond but would still result in c. 36 contracts falling outside of the Vfm criteria. These services currently account for approximately 58,000 passenger trips each week.
- 2.53 If option 2 was supported and agreed it may also be supported by some additional Local Transport Fund (LTF) from Government which would likely meet the criteria to help save some of the 36 contracts from complete expiry.
- 2.54 There are also a number of contracts which support critical parts of the network which may be eligible for support from the BSIP transformation funding. TfWM are identifying options to agree with operators which will help use the funds for the purpose which it is intended, whilst also supporting some of the critical network.
- 2.55 There are a small number of contracts, between 6 and 9, which are significantly outside of the VFM criteria which fall beyond any justification to renew or extend contracts. A specific impact statement is being prepared on these services to communicate at a local and regional level.
- 2.56 A combination of these additional measures could reduce the number of contracts withdrawn to between 7 and 17 overall. The number of weekly journeys impacted would be between 6,272 and 17,000 weekly instead of 58,300.

- 2.57 Under option 2 there will be a much smaller number of key facilities will be impacted. A total of 603 facilities across the West Midlands will be affected by the reduction of bus services, with a total of 6 key facilities across the West Midlands being completely unserved with option 2.
- 2.58 Further information on the impacts of these options are summarised in Appendix 4.

BSIP & CRSTS

- 2.59 Within the indicative allocation of funding to deliver the West Midlands Bus service Improvement Plan there is £23m ringfenced for the transformation of the bus network to deliver the aspirations of the BSIP. The DfT have been clear that despite the changing operating environment for bus services, this grant cannot be used to simply support services which are deemed to be unsustainable by commercial operators.
- 2.60 Under all options some of the services at risk had already been identified as services and corridors with the potential for service transformation to improve accessibility to jobs, employment, education, training leisure activities etc. Therefore, there is an opportunity to transform services in some areas which would otherwise see service reductions following the commercial review undertaken by National Express. Such examples including enhancing services in and around the QE Hospital and in East Birmingham.
- 2.61 Transport for West Midlands are currently working with the University of Warwick and Coventry City Council to trial a Demand Responsive Transport Service in the South of the City and the areas around the main university campuses. We are also exploring options to amalgamate this service with Ring & Ride early in the new year to provide a more comprehensive service across the city. The service will be available to all residents with a particular focus on trips that cannot currently be undertaken on the fixed line routes. In areas of Coventry which may be affected by a reduction in service resulting from the change in access standards this will be an alternative travel option and we will monitor the impact as part of this pilot.
- 2.62 Additionally, within the City Region Sustainable Transport Settlement (CRSTS), there is the opportunity to build on this pilot, assuming its success, in the longer term which may help to mitigate these and any future reductions in service.

Next Steps

- 2.63 Subject to the recommendation being accepted, TfWM will then undertake a competitive tender process for those contracts which come to an end in December 2022 and also any services which are no longer commercially sustainable but are deemed to be critical for maintaining the wider integrity of the network.
- 2.64 The revised VfM criteria will be applied to future tender rounds and any other circumstance requiring the re-letting, extension or re-negotiation of the contract cost. We will continue to monitor the impact and seek to reassess the criteria should there be a shift in the cost our commerciality of services.

- 2.65 TfWM will engage with passengers and stakeholders as part of this process to ensure they understand that their service may be at risk, subject to the outcome of the tender process and aligned to the revised access standards. We will seek to ensure that passengers and wider stakeholders are given sufficient notice to make alternative plans should their services no longer be provided by TfWM. The alternative options for passengers will be to access alternative bus services which may require a longer walk distance and / or a change between services. We will continue to promote the availability of Ring & Ride for available passengers and, where available, Demand Responsive Transport services. Unfortunately, and in a small number of cases there will be not suitable alternative and existing passengers will need to consider alternative privately arranged transport options.
- 2.66 The VfM criteria is just one element of the wider access standards which also considers distance criteria at different times of day. Linked to a review of the funding for wider Supported Travel Policies administered by WMCA (which includes tendered bus services and concessionary fares) a wider review of the complete set of criteria is proposed to be undertaken during 2023/24. It is likely that this review will consider differing ways of providing accessibility across the integrated network to inform future policy decisions.

3. Financial Implications

- 3.1 The Medium-Term Financial Plan has a budget of £14.255m for 2023/24 for subsidised bus services net of income (£16.3m gross expenditure). This includes an uplift on prior year for non-pay inflation which is a standard planning assumption applied across all expenditure lines.
- 3.2 The financial implications are outlined in the paper above and detailed in appendix 3. These options range from a saving of £3.1m by not amending the VfM criteria to a projected increase of £4.8m by suspending the criteria and covering all services.
- 3.3 The value for money threshold is an important indicator for demonstrating the value of services provided with public money alongside other financial and non-financial considerations. As such the suspension of the criteria is not deemed to be good practice.
- 3.4 It is imperative that the wider budgetary pressures within transport are understood and factored into any decision making around access standards. These have been reported to WMCA Board as part of the Medium Term Financial Plan which shows a significant financial gap within transport for 2023/24. This includes the net expenditure budget of £14.255m referenced above. Any proposal to change the criteria that resulted in an increased budget requirement for subsidised bus would need to be accommodated through the existing budget envelope to avoid putting any further pressures into the overall financial position, which could have an impact on TfWM's ability to deliver other activity. The proposed change to the VFM Cost Per Passenger measure in Option 2 can be accommodated within the budget included within the Medium Term Financial Plan.
- 3.5 The full-scale Supported Travel Policies review which is due to conclude in 2023/24 will consider the bases and provision of each policy to ensure that the WMCA continues to support West Midlands residents in an effective manner within budget constraints.

4. Legal Implications

- 4.1 There are no new legal implications for WMCA as a result of this report.

5. Impact on Delivery of Strategic Transport Plan

5.1 The retraction of the West Midlands local bus network will have significant impacts on the achievement of West Midlands Local Transport Plan 5 (WM LTP 5) and affect progress across a range of socio-economic outcomes. The draft Local Transport Plan Core Strategy sets out the key challenges where changing transport can help us deliver inclusive growth and address the impacts of transport on people, places and the environment. These are framed in the 5 Motives for Change:

- Sustaining economic success
- Creating a fairer society
- Supporting local communities and places
- Becoming more active
- Tackling the climate emergency

5.2 The Core Strategy sets out that significant behaviour change is required to our travel behaviours to make positive progress on the Motives for Change. To do this we need to be aiming to deliver three key transport system impacts:

- Reduce overall levels of traffic
- Improve accessibility
- Electrify the transport system

5.3 The bus is the primary mode of public transport in the West Midlands. The network provides an essential transport choice for 25% of West Midlands residents who do not own or have access to a car. People with cars can access more than those without and West Midlands residents could access more than double the job opportunities within 45 minutes of where they live with a car than without a car and reductions to the West Midlands bus network will exacerbate this issue.

5.4 The level of travel behaviour change to help the West Midlands and the UK reach net zero is significant. It is estimated that to meet meeting national carbon targets (net zero by 2050) would require car mileage to be 10% lower in 2031 than what it is predicted to be, and for local WM2041 targets (net zero 2041) it would need to be 35% lower. Shifting trips away from private car onto sustainable modes is central to this. As set out in the West Midlands Bus Service Improvement Plan, the bus must play a pivotal part in creating an integrated transport network where everyone can thrive without a driving licence and the need to own an expensive vehicle.

5.5 There is a worry that the changes proposed in the Bus Network Review may jeopardise these wider policy changes proposed in the WM LTP 5, where an effective high quality bus network is available to people, to support those 25% of households without a car to access vital opportunities in the region and to reach net zero targets which include a significant reduction in car usage.

6. Equalities Implications

6.1 The proposed changes are likely to have significant negative equality impact on communities in the region. Some protected characteristics are especially likely to be impacted.

- 6.2 Levels of deprivation impact the likelihood of being able to purchase a car. People on the lowest income centiles are much less likely to own a car and some of the most deprived wards have under 50% household car ownership. Groups much more likely to be reliant on public transport are: Single parents (primarily women); young and older people; black and minority ethnic people (minority ethnic people twice more likely to live in a household with no car ownership); people on low incomes; part-time workers; unemployed people (3/4 of jobseekers do not own a car); disabled people (only 38% of people with mobility difficulties are main drivers or have household access to a vehicle).
- 6.3 Most bus and foot travel are made by individuals from the lowest income groups whereas train, metro and bicycle trips are mainly made by those who fall within the highest income groups. A significant percentage of West Midlands residents rely on public transport, primarily buses, to get around. White British people are more likely to live in a household with access to a car or van than any other ethnic group. Black people are more than twice as likely as white people to live in a household with no access to a car or van. There has been a marked drop in car ownership amongst young people. Even though car ownership can pose an advantage to many, 67% of car-owning households in the lower income groups report experiencing car related economic stress as running costs can be prohibitive. People who depend more on bus for work tend to be lower paid, live in more deprived areas and are more likely to turn down jobs due to transport issues, than those on higher incomes, who tend to use cars and trains more often. Research has shown that there is a marked relationship between job accessibility by bus and employment outcomes. Issues with transport have been linked to low participation in post-16 education and college dropouts – which mostly impacts low-income households.
- 6.4 Subsidised network withdrawals are also likely to especially impact women who are more likely to complete multi-purpose trips in contrast to direct commuting patterns. Finally, disabled people or/and older people or/and people with mobility difficulties are also likely to be especially impacted as walking distances to bus stops will increase, making public transport inaccessible to many.
- 6.5 To better understand impact a Health and Equity impact assessment will be conducted as part of the process, but it is anticipated that impact will be negative (high).

7. Geographical Area of Report's Implications

- 7.1 The implications of the service changes resulting from the recommended change in policy outlined in this report are across all areas of the 7 districts of the West Midlands area.