

## **Item:6**

**Development and Infrastructure Committee: 28 March 2023.**

### **Sustainable and Green Transport Fund.**

**Report by Corporate Director for Enterprise and Sustainable Regeneration.**

## **1. Purpose of Report**

To consider continuation of the Sustainable and Green Transport Fund, established from bus passenger fare income now retained by the Council, in accordance with the terms of the new public bus contract.

## **2. Recommendations**

The Committee is invited to note:

### **2.1.**

That, in accordance with the new public bus contract which commenced in August 2021, passenger and concessionary fare income from all subsidised public bus services on mainland Orkney will be passed back to the Council.

### **2.2.**

That, although fare income on public bus services declined during the COVID-19 pandemic, passenger growth has been steady and the revenue to be generated from passenger fares on Council subsidised routes, which excludes the X1 service, is anticipated to be approximately £100,000 per annum.

### **2.3.**

That, on 1 March 2022, the Policy and Resources Committee recommended that passenger fare income from subsidised public bus routes be utilised to establish a Sustainable and Green Transport Fund, rather than being applied as a saving against the recurring service pressure growth for the school and public bus service contract, noting that the Fund would be used specifically for sustainable transport initiatives, including active travel, as a means to off-set existing transport CO2 emissions and to invest in sustainable and green transport solutions for the future.

### **2.4.**

That, as outlined in the report presented to the Policy and Resources Committee on 1 March 2022, the Sustainable and Green Transport Fund is to be used as match funding to promote and enhance community transport and public bus services during 2023/24, such as the continuation of evening bus services, currently funded through external grant funding and match funded from the Sustainable and Green Transport Fund.

## **2.5.**

That continuation of the Sustainable and Green Transport Fund allows the Council to seek external grant funding and match fund projects, therefore bringing in more funding and roll out of projects across Orkney.

## **2.6.**

That, as an alternative to being allocated to the Sustainable and Green Transport Fund, passenger fare income could be applied as a saving against the recurring service cost of the School and Public Bus Service contract.

## **2.7.**

That, on 23 February 2023, when considering a strategy for managing the Council's General Fund Reserves in the context of setting the revenue budget for 2023/24, the Policy and Resources Committee recommended that the Corporate Director for Enterprise and Sustainable Regeneration should submit a report, to the Development and Infrastructure Committee, regarding the future of the Sustainable and Green Transport Fund.

**It is recommended:**

## **2.8.**

That the Sustainable and Green Transport Fund be retained, on the same basis as agreed by Council in March 2022, namely:

- That a proportion of the passenger fare income from subsidised public bus routes on mainland Orkney, estimated at £25,000 in 2023/24, be retained to meet the cost of the review of contract rates for public bus services, capped at a maximum of 3% per annum.
- That the remaining income received through passenger fares from subsidised public bus routes, estimated at up to £75,000 during 2023/24, be set aside in the Sustainable and Green Transport Fund.
- That application of the Sustainable and Green Transport Fund be delegated to the Corporate Director for Enterprise and Sustainable Regeneration.
- That the Corporate Director for Enterprise and Sustainable Regeneration should submit a report to the Development and Infrastructure Committee, on an annual basis, outlining the investments made from the Sustainable and Green Transport Fund, together with proposed projects for subsequent years.

## **2.9.**

That, should passenger carryings continue to increase and fare income exceed the estimated £100,000 per annum, that portion of income in excess of the allocation of £100,000 to the Sustainable and Green Transport Fund, should be used as a service savings measure from 2023/24 onwards.

## **3. Background**

### **3.1.**

On 1 March 2022, when considering the establishment of a Sustainable and Green Transport Fund from the public bus passenger fare income retained by the Council, the Policy and Resources Committee noted:

- That, in accordance with the new public bus contract which commenced in August 2021, passenger and concessionary fare income from all subsidised public bus services on mainland Orkney would be passed back to the Council.
- That the public bus contract was awarded on a zero fares basis as it removed the risk of income generated through fares from the bus company to the Council, which was an uncertain element due to the COVID-19 pandemic and therefore allowed for the contract to be priced without an allowance for risk.
- That, although fare income on public bus services had declined since the COVID-19 pandemic, the revenue to be generated from passenger fares on Council subsidised routes was anticipated to be in the region of £90,000 to £100,000 per annum.
- That the revenue to be generated from passenger fares on Council subsidised routes could be applied as a saving against the recurring service pressure growth of £94,500 for the School and Public Bus Service contract that was included in the draft revenue budget for 2022/23.
- That the public bus contract also allowed for an annual review of contract rates, with an increase capped at up to a maximum of 3%, estimated at £25,000 per annum.
- The proposal to establish a Sustainable and Green Transport Fund, utilising passenger fare income from subsidised public bus routes, specifically for sustainable transport initiatives, including active travel, as a means to off-set existing transport CO2 emissions and to invest in sustainable and green transport solutions for the future.
- Potential projects, detailed in Appendix 1 to the report by the Corporate Director for Enterprise and Sustainable Regeneration, which could be funded from the proposed Sustainable and Green Transport Fund.

### **3.2.**

The Committee recommended:

- That passenger fare income from subsidised public bus routes be utilised to establish a Sustainable and Green Transport Fund, rather than being applied as a saving against the recurring service pressure growth for the School and Public Bus Service contract.
- That a proportion of the passenger fare income from subsidised public bus routes on mainland Orkney, estimated at £25,000 in 2022/23, be retained to meet the cost of the review of contract rates for public bus services, capped at a maximum of 3% per annum, beyond the 1% inflationary uplift to budgets.

- That the remaining income received through passenger fares from subsidised public bus routes, estimated at up to £75,000 during 2022/23, be set aside in a Sustainable and Green Transport Fund.
- That application of the funding set aside in the Sustainable and Green Transport Fund, be delegated to the Corporate Director for Enterprise and Sustainable Regeneration, in consultation with the Head of Finance.
- That the Corporate Director for Enterprise and Sustainable Regeneration should explore additional sources of funding to supplement the Sustainable and Green Transport Fund during 2022/23.
- That the Corporate Director for Enterprise and Sustainable Regeneration should submit a report to the Development and Infrastructure Committee, on an annual basis, outlining the investments made from the Sustainable and Green Transport Fund, together with proposed projects for subsequent years.

### **3.3.**

On 23 February 2023, when considering a strategy for managing the Council's General Fund Reserves in the context of setting the revenue budget for 2023/24, the Policy and Resources Committee recommended:

- That the proposed reprovisioning of General Fund earmarked reserves, totalling £10,631,250, to General Fund non-earmarked reserves, summarised in Appendix 1 to the Minute, be approved.
- That the Corporate Director for Enterprise and Sustainable Regeneration should submit a report, to the Development and Infrastructure Committee, regarding the future of the Sustainable and Green Transport Fund.

### **3.4.**

The reprovisioning of General Fund earmarked reserves, referred to above, included returning £15,426 of the unallocated balance of £82,926 in the Sustainable and Green Transport Fund to unearmarked General Fund Balances.

### **3.5.**

Appendix 1 to the report submitted to the Policy and Resources Committee, regarding an evaluation of the individual reserves and balances, concluded "that the Sustainable and Green Transport Fund continues to be required for its established purpose. However, given current economic conditions the ongoing operation of this Fund should be reconsidered, and any balances returned to General Fund non-earmarked reserves".

## **4. Sustainable and Green Transport Fund**

### **4.1.**

As detailed in section 3.2 above, the Sustainable and Green Transport Fund was established with the aim to invest in sustainable transport initiatives and to match fund external grant funding opportunities, such as the Scottish Government Smarter Choices, Smarter Places Initiative.

## **4.2.**

During 2022/23, the Fund was used to match Smarter Choices, Smarter Places funding to trial evening bus services across Orkney mainland. These have been welcomed by the community as a means for young people to access activities at the Pickaquoy Centre and for all ages to attend social and leisure activities outwith working hours. This provides a boost to the local economy where people may not have otherwise travelled to eat out, for example, and provides a link home for a number of workers as outlined in a recent survey.

## **4.3.**

During 2023/24, it is proposed to extend the evening bus service trial through external grant funding with match from the Sustainable and Green Transport Fund. The fund can therefore draw in additional funding to the Council. In addition, as outlined in a separate report to Committee, it is proposed to use the fund to enhance community transport services with the view to broaden out the scope of the service to the wider public.

## **4.4.**

Therefore, if the Fund is to be withdrawn there would be no opportunity to make public bus or community transport enhancements which are part funded through external grant funding. Improvements to active travel, cycle shelters and bus shelters can also be made using the Fund. The ability to apply for external funding would not be possible without the use of the existing Fund as there is a requirement to obtain 50% match funding from within the Council.

## **4.5.**

The establishment and continuation of the Fund therefore enables the Council to make sustainable travel improvements where no budget has previously existed and, as the Fund is matched with external funding, the available budget to the Council can be doubled. The continuation of this Fund therefore increases funding opportunities towards improvements and enhancements for sustainable transport solutions. For this reason, the Transportation Service recommendation is that the Sustainable and Green Transport Fund is retained, with £25,000 from 2022/23 retained to meet the cost of the review of contract rates for public bus services, capped at a maximum of 3% per annum, beyond the 1% inflationary uplift to budgets.

# **5. Links to Council Plan**

## **5.1.**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority of Connected Communities.

## **5.2.**

The proposals in this report relate directly to Priority 1.2, continue to fund core provision of public bus services across Mainland Orkney, and subject to budget provision, improve connections between services eg bus to air/ferry connections and ferry to ferry connections.

## **6. Links to Local Outcomes Improvement Plan**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priorities of Connectivity and Sustainable Recovery.

## **7. Financial Implications**

### **7.1.**

The annual review of bus service contract rates is subject to a maximum increase of 3% and a decrease of no more than 1% as per the Conditions of Contract and inflation index set by the Office for National Statistics.

### **7.2.**

The Sustainable and Green Transport Fund was established on the basis that the income received over and above the amount required to allow for the annual uplift of public bus contract rates would be assigned to the fund, with any unexpended fund balance carried forward to the following financial year.

### **7.3.**

Based on current passenger carryings the fund would receive in the region of £75,000, following payment of the increase of contract rates.

### **7.4.**

The revenue to be generated from passenger fares on Council subsidised routes could as an alternative to being allocated to the Sustainable and Green Transport Fund, also be applied as a saving against the recurring service cost of the Public Bus Service contract which increased significantly under the last tender.

### **7.5.**

The report suggests that should fare income exceed £100,000, then a proportion of the income could be 'top sliced' to be used as a service savings measure.

## **8. Legal Aspects**

### **8.1.**

Section 1 of the Local Government in Scotland Act 2003 obliges the Council to make arrangements that secure best value. Approving the recommendations in this report will assist the Council in discharging this duty.

## **8.2.**

In terms of section 63(2) of the Transport Act 1985, the Council has a duty “to secure the provision of such public passenger transport services as the council consider it appropriate to secure to meet any public transport requirements within their area which would not in their view be met apart from any action taken by them for that purpose”.

## **9. Contact Officers**

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