

Item: 15

Policy and Resources Committee: 1 March 2022.

Sustainable and Green Transport Fund.

Report by Corporate Director for Enterprise and Sustainable Regeneration.

1. Purpose of Report

To consider establishing a Sustainable and Green Transport Fund from the public bus passenger fare income 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 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.

2.3.

That, although fare income on public bus services has declined since the COVID-19 pandemic, the revenue to be generated from passenger fares on Council subsidised routes is anticipated to be in the region of £90,000 to £100,000 per annum.

2.4.

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 is included in the draft revenue budget for 2022/23.

2.5.

That the public bus contract also allows for an annual review of contract rates, with an increase capped up to a maximum of 3%, estimated at £25,000 per annum.

2.6.

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.

2.7.

Potential projects, detailed in Appendix 1 to this report, which could be funded from the proposed Sustainable and Green Transport Fund.

It is recommended:

2.8.

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.

2.9.

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.

2.10.

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.

2.11.

That application of the funding set aside in the Sustainable and Green Transport Fund, referred to at paragraph 2.10 above, be delegated to the Corporate Director for Enterprise and Sustainable Regeneration, in consultation with the Head of Finance.

2.12.

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.

2.13.

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. Background

3.1.

The new School and Public Bus Contract commenced in August 2021, which is now an 8-year contract with the ability to extend up to 10 years.

3.2.

The total cost to operate mainland and island (Westray, Sanday and Hoy) public bus services for the first full year of contract from August 2021 is £1,140,060, which was a shortfall of £427,060 to the original base transportation budget. The budget growth for this and the new contract for school transport was largely provided for in the 2021/22 budget, however with the first full year of the contract falling into the 2022/23 financial year, £94,500 (£23,600 public services and £70,900 school services) of growth has also been recommended for 2022/23.

3.3.

The proposal and winning tender from Stagecoach was to operate all services tendered using brand new Euro 6 low emission accessible buses and that all passenger fare income, including concessionary fares, would be passed back to the Council. During a period of uncertainty, this passed the passenger fare income risk to the Council instead of the operator; however it does provide a more accurate contract rate to the Council as it is charged at a zero fares rate.

3.4.

The bus contract provides an annual review of contract rates each year as follows:

“The inflation index to be applied to the Rate Per Mile, Gross Cost Per Day and Price will be calculated as follows, based on the relevant Index Period:

- 50% Wage Increases (Private Sector): (50% of the first full year rate quoted in the Pricing Schedule).
- 10% RPI Inflation: (10% of the first full year rate quoted in the Pricing Schedule).
- 35% Motoring Expenses Fuel and Oil: (35% of the first full year rate quoted in the Pricing Schedule).
- 5% Motoring Expenses, Tax and Insurance: (5% of the first full year rate quoted in the Pricing Schedule).

The figures used will be as published by the UK Office for National Statistics.

Adjustment to payment will be subject to a maximum increase of no more than 3% and a decrease of no more than 1% in any single year. The adjusted rates will be applied for the 12-month period following a Review Date.”.

4. Sustainable and Green Transport Fund

4.1.

The passenger and concessionary fare income from all subsidised public bus services (which excludes the X1 service – Stromness - Kirkwall - St Margaret's Hope) across mainland Orkney will be passed back to the Council in accordance with the Public Bus Contract awarded to Stagecoach in August 2021.

4.2.

Based on current passenger carryings during 2021, which have fallen by 48% (January – October 2019 compared with January – October 2021) as a result of the COVID-19 pandemic, the anticipated fare income during 2021/22 will be in the region of £90,000 - £100,000. It is anticipated that passenger carryings will gradually increase year on year as COVID-19 restrictions ease. Passenger carryings pre-COVID-19 would have produced revenue in the region of £140,000, including concessionary passenger fares.

4.3.

The proposal is, after allowing for the annual adjustment of payment rates which would be in the region of £25,000, that the remaining income received is used to create a fund specifically for sustainable transport initiatives which includes active travel as a means to off-set existing transport CO2 emissions and to invest in sustainable and green transport solutions for the future.

4.4.

There is currently no specific active travel or sustainable transport budgets within the Council therefore improvements are completely reliant on external grant funding, which often requires match funding and sufficient staffing resources to apply for funding and project manage.

4.5.

The Council has signed up to the Climate Emergency and therefore, there is a need to work towards national targets of reducing car use and emissions where possible. To do this, a step change to active or sustainable travel, where possible, is required, although this is more challenging in remote and rural areas. Investment is therefore required to promote and encourage a change in travel behaviour.

4.6.

It is therefore proposed that a Sustainable and Green Transport Fund is established from the income received from public bus passenger income (less incremental increase) and used for projects and initiatives such as:

- Match funding of external active travel/sustainable travel projects.
- Advertising and promotion of existing public bus services and active travel routes.
- Possible enhancement of existing public bus services or on-demand type services, particularly to coincide with the introduction of the Under 22's Free Bus Travel Scheme in January 2022.
- Replacement/siting of bus and bike shelters across public service routes where required.
- Purchase of electric bikes, electric quad type vehicles and electric/hydrogen cars to replace existing petrol and diesel vehicles deployed by Marine Services with the view to work towards zero emission fleet deployed on ports, harbours and across the county.

4.7.

A report will be presented to the Development and Infrastructure Committee annually to outline the projects which have been completed following funding from the Sustainable and Green Transport Fund and recommending projects for future investment. As the proposal is to establish a fund, any remaining balance will be carried forward to the following financial year as a ring-fenced balance which would be beneficial for large scale projects requiring additional budget. The proposed list of projects for consideration during 2022/23 are attached at Appendix 1 to this report.

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 e.g. 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 contract rates will be 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 of National Statistics.

7.2.

The report proposes that any income received over the amount required to allow for the annual uplift of contract rates beyond the 1% inflationary budget increase would be assigned to Sustainable and Green Transport Fund, with any remaining balance to be transferred over to the following financial year.

7.3.

Based on current passenger carryings which have been affected by the Covid-19 pandemic, this would be in the region of £65,000 - £75,000, following payment of the incremental increase of contract rates above the standard 1% uplift to budgets, to establish a Sustainable and Green Transport Fund.

7.4.

The recommendation at paragraph 2.12 is essentially seeking additional funding to supplement the Sustainable and Green Transport Fund to be sourced during the 2022/23 financial year from the fare income generated on the public bus services.

7.5.

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 is included in the draft revenue budget for 2022/23.

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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10. Appendix

Appendix 1 Proposed list of projects for 2022/23.

Appendix 1.

Proposed list of projects for 2022/23

		Timeline	Estimated Cost
1.	Replacement of bus shelter displays across the county where necessary	April 2022	£15,000
2.	Match funding with Smarter Choices Smarter Places (SCSP) to extend public bus services to include some evening services on a trial basis, following the introduction of the Under 22's Free Bus Scheme	April 2022	£50,000
3.	General promotion and marketing of public bus services and community transport	May 2022	£2,500
TOTAL			£67,500

Consideration for 2023/24

		Timeline	Estimated cost
1.	Extension of the Community Transport Grant to trial a wider Demand Responsive Transport (DRT) Service for the wider community. This will be reported to Development and Infrastructure Committee for further consideration.	April 2023	£100,000