

Governance, Risk and Best Value Committee

10.00am, Tuesday 14 March 2023

Update on Council Transport Arms Length Companies – referral from the Transport and Environment Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

- 1.1 The Transport and Environment Committee has referred a report on Update on Council Transport Arms Length Companies to the Governance, Risk and Best Value Committee for scrutiny of the financial performance of the organisations and any risks impacting the Council or the Transport for Edinburgh Group.

Dr Deborah Smart

Executive Director of Corporate Services

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Referral Report

Update on Council Transport Arms Length Companies

2. Terms of Referral

- 2.1 On 2 February 2023 the Transport and Environment Committee considered a report that summarised the performance of Transport for Edinburgh (TfE), Edinburgh Trams (ET) and Lothian Buses (LB).
- 2.2 The Transport and Environment Committee agreed:
- 2.2.1 In accordance with the Council's governance arrangements, to note the information provided by the Council's Transport Arms Length External organisations (ALEOs).
 - 2.2.2 To note the report covered the years 2020, 2021 and 2022, which have continued to be dominated by COVID-19 response and recovery and wider operating challenges.
 - 2.2.3 To refer this report to the Governance Risk and Best Value Committee for noting and scrutiny (as set out in paragraph 3.5.2).
 - 2.2.4 To request a presentation to Committee on the timescales of decarbonising the Lothian Bus fleet.
 - 2.2.5 To request a briefing for members on the progress against Service Level Agreements; and include more of this detail in the next report to Committee.

3. Background Reading/ External References

- 3.1 Minute of the Transport and Environment Committee of 2 February 2023.
- 3.2 [Transport and Environment Committee – 2 February 2023 webcast](#)

3. Appendices

Appendix 1 – Report by the Executive Director of Place

Transport and Environment Committee

10.00am, Thursday, 2 February 2023

Update on Council Transport Arms Length Companies

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1. Recommendations

- 1.1 It is recommended that Transport and Environment Committee:
- 1.1.1 In accordance with the Council's governance arrangements, notes the information provided by the Council's Transport Arms Length External organisations (ALEOs) and scrutinises the performance of the ALEOs;
 - 1.1.2 Notes that this report covers the years 2020, 2021 and 2022, which have continued to be dominated by COVID-19 response and recovery and wider operating challenges; and
 - 1.1.3 Refers this report to the Governance Risk and Best Value Committee for noting and scrutiny (as set out in paragraph 3.5.2).

Paul Lawrence

Executive Director of Place

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Update on Council Transport Arms Length Companies

2. Executive Summary

- 2.1 This report summarises the performance of Transport for Edinburgh (TfE), Edinburgh Trams (ET) and Lothian Buses (LB) over the period 2020, 2021 and 2022 and recognises the impact of COVID-19 on the Council's Transport Arms Length External Organisations (ALEOs).

3. Background

Governance of ALEOs

- 3.1 An update on the reporting on the Council's Arm's Length External Organisations was approved by Policy and Sustainability Committee on [25 February 2020](#). This report confirmed that the responsibilities of Executive Committees and Governance, Risk and Best Value Committee were as follows:
- 3.1.1 Executive Committees – should scrutinise the future direction of the ALEO, performance of service delivery, progress against any agreements such as Service Level Agreements, and any emerging issues; and
 - 3.1.2 Governance, Risk and Best Value Committee – should scrutinise the ALEO's financial performance and any risks impacting the Council and/or ALEO.
- 3.2 Therefore, it is recommended that this report be referred to Governance, Risk and Best Value Committee for scrutiny of the financial performance of the organisations and any risks impacting the Council or the Transport for Edinburgh Group.

Transport for Edinburgh

- 3.3 On [22 August 2013](#), the Council approved the establishment of TfE. The Council owns 100% of the shares in TfE which in turn owns 100% of the shares in ET and 91% of the shares in LB. The remaining shares in LB are owned by West Lothian Council, Midlothian Council and East Lothian Council.
- 3.4 The last annual update on the TfE Group was on [20 June 2019](#), due to the COVID-19 pandemic and the need for resources to be focussed elsewhere. A verbal update on the impact of COVID-19 on Lothian Buses was provided to Committee on [28 January 2021](#).

Transport ALEO Reform

- 3.5 In [July 2020](#), the Council approved an approach to reform of the Council's Transport ALEOs. Since then, further updates have been provided to Committee in [November 2020](#) and [August 2021](#).

4. Main Report

- 4.1 A summary of the activities of the Transport ALEOs in the period 2019 – 2022 is attached. Updates from ET and LB for 2022 are also provided in Appendices 2 and 3.
- 4.2 The audited accounts for the [TfE Group](#), [LB](#) and [ET](#) are available at Companies House and provide a detailed explanation of performance in 2019, 2020 and 2021.
- 4.3 The financial and detailed strategic updates for 2022 will not be available until the conclusion of the audit of accounts for the year to 31 December 2022. This is expected to be in Summer 2023. These will be reported in the next annual update to Committee later in the year.

Impact of COVID-19 – Financial Support

- 4.4 As outlined in Appendix 1, passenger travel behaviour and travel patterns changed significantly in the period covered by this report, due to the COVID-19 and the associated restrictions. In particular, continued working from home and depressed airport patronage are factors that continue to adversely impact bus and tram patronage.

Current Position

- 4.5 A further update on the Council's Transport ALEOs for the financial year 1 January 2022 – 31 December 2022 will be brought once the annual accounts for that year are published.

5. Next Steps

- 5.1 Committee is asked to refer this report to the Governance, Risk and Best Value Committee for scrutiny and noting, in accordance with the Council's governance arrangements for ALEOs.
- 5.2 The next annual update on the Council's Transport ALEOs will be presented to Committee following the conclusion of the financial (calendar) year 2022, on completion of the audited accounts.

6. Financial Impact

- 6.1 There are no direct financial impacts arising from this report for the Council.

7. Stakeholder/Community Impact

- 7.1 The Boards of TfE, ET and LB meet regularly to review the activities and performance of the individual companies. The Council is represented on the TfE Board by four Non-Executive Director Elected Members and an Observer with Officer Observers on the Boards of ET and LB.

8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 Appendix 1 – Summary from the Transport for Edinburgh Group on behalf of the ALEOs 2019 - 2022–
- 9.2 Appendix 2 – Edinburgh Trams Update for 2022
- 9.3 Appendix 3 – Lothian Buses Update for 2022

Appendix 1 Summary from the Transport for Edinburgh Group on behalf of the ALEOs 2019 - 2022

COVID 19 Funding Support

All of the companies received financial assistance in response to the Coronavirus pandemic. TfE led the negotiations to secure almost £18m funding support for ET, for the period July 2020 to 31 March 2022.

For TfE, this financial assistance was predominantly the Coronavirus Job Retention Scheme (CJRS) in 2020 only, with funding from the Council of £153,000 covering the period April 2020 to March 2021. TfE has received no further Council or Scottish Government funding support.

LB also received CJRS support. Separately, they received COVID 19 grant funding from Transport Scotland as part of the package available across Scotland to bus operators.

Patronage.

ET patronage recovery in the final period of 2022 was circa 71% of 2019 level. Weekend patronage has recovered ahead of main day Mon – Fri in terms of percentage, however there is currently a trend change with increasing Pre 9am travel now being recorded. Although all main COVID restrictions have been lifted, a large number of organisations continue to promote working from home, or blended working patterns and this continues to adversely impact tram patronage.

Services

ET are operating a 7 minute headway from 7am to 7pm, 7 days a week. Outside these times ET are operating at least a 15 minute headway. Additional trams are provided as required during events and times of high demand.

Recovery Plans

ET continues to develop recovery plans, mindful of continued COVID and post COVID impacts.

Changed passenger travel behaviour, continued working from home, depressed airport patronage and slow to return international and domestic visitors have all impacted on patronage and revenue in 2022.

The revenue impact of the introduction of U22 concessionary travel is a loss of £60,595 for the period 1 Feb 2022 to 31 Dec 2022. This assumes that, of the revenue forgone of £278,844, ET will be reimbursed £218,249 by the Council (at the concession scheme reimbursement rates).

People.

TfE secondees have largely returned to their parent organisations. Other staff have left the business as projects conclude.

ET had numerous applicants for additional tram drivers required to be recruited and trained in time for the opening of the completed line to Newhaven in 2023.

Procurement

In 2021 LB took delivery of 98 double deck Euro 6 vehicles and 4 double deck electric vehicles. The possibility of trialling a hydrogen bus is being actively pursued.

Tram maintenance contracts were novated from ET to the Council on 30 April 2021 and a revised Operating Agreement between the Council and ET came into effect on the same day.

An integrated ticketing solution that will allow aggregation of all journeys taken on bus and tram, using contactless payment, is developing well.

Sustainability.

All TfE Group companies are aware of the Council's Sustainability policies, targets and ambitions and are considering what they can do to help meet the city's aspirations.

Support to Trams to Newhaven.

All three companies continue to support the Trams to Newhaven Project, particularly, not surprisingly ET.

Other Projects

- **Edinburgh Cycle Hire Scheme.** After more than a year of negotiation between TfE and Serco to exercise the four year extension to the original three year Concession Contract, the decision was taken by the TfE Board on 10 August 2021, to end the initial contract and close the scheme at midnight on 17 September 2021. £1.7m funding had been secured from Sustrans, to cover the cost of a security upgrade to the scheme, involving new locks and docks. Council funding was secured in May 2021 for four financial years from financial year 2021/22, to help cover the costs of delivering the service. There was confidence that sponsorship and ridership would cover the remaining costs of delivering the service. The main reason for concluding the initial concession contract was the risk of procurement challenge, relating to the extension of the concession contract for four years and the subsequent intention to vary the concession contract to move from concession contract to a managed service model. The scheme was demobilised in the period from 18 September to 31 October 2021. A Lessons Identified report has been compiled, that will help inform future decision making, regarding procurement of a new cycle hire scheme and interim measures. An Options Appraisal for a future cycle hire scheme has been completed for consideration by Committee and the Council and subsequent funding decisions.
- **Wayfinding.** The Edinburgh Wayfinding Project (led by TfE) has continued to be impacted by COVID. Discretionary marketing and advertising budgets were reduced during periods of lockdown, resulting in agreements to sponsor the Project being withdrawn or deferred. Prototypes of the new totems were installed in November 2021 at Rutland Street and Saint Andrew's Square. Base cages for the next tranche of new totems were installed in December 2022, for the subsequent installation of new totems

in January 2023. This preparatory work also included the removal of obsolete street furniture in the vicinity, including unmaintained Wayfarer totems, reducing overall street clutter.

- **Driver Innovation Safety Challenge (DISC)/FOCUS+.** The DISC Project has resulted in a wearable device, capable of collecting driver, lone worker and machine operator biometrics and sending this in real time to a control room, for controllers to observe wellbeing. The third iteration of the device, known as FOCUS Plus, is being trailed by some 50 volunteers from six UK tram operators and other transport operators and organisations.
- **Major Event Planning.** Throughout the period of this report TfE continued to lead on the coordination of Edinburgh's planning for:
 - **COP 26.** Through an Edinburgh Working Group comprising Council teams, strategic partners, city partners and emergency services. Bids for Cabinet Office funding for additional mobile CCTV (14 and associated costs) and MarComms were successful. Resources were provided by UK and Scottish Governments to help "dress" the city.
 - **Operation LONDON BRIDGE.** Operation UNICORN was activated on 8 September 2022 and the plan in Scotland and Edinburgh delivered successfully over the next six days. The Operation in Edinburgh was closed at 0830 on Thursday 15 September, once the majority of post operational strip out and clear up had been conducted. The successful delivery of the operation in Edinburgh was a phenomenal team effort involving: The Council, city, Strategic Partners and over 130 organisations and institutions. Work is ongoing in capturing post operational lessons and refining future plans in light of the September 2022 experience.

Appendix 2 – Edinburgh Trams Update 2022

COVID funding support from Scottish Government via Transport Scotland ceased on 31 March 2022.

Total value of support circa £18m from July 2020 to March 2022.

Patronage.

ET patronage recovery for the full year returned at 64% v 2019, but rose to over 74% in the second half of the year following the relaxations on travel restrictions, with the festive period pushing the recovery rate above the 80% mark. Weekend travel and Airport travel have both exceeded the recovery rates noted above with a marked increase in morning travel now also being recorded. As large number of organisations continue to promote hybrid working this will continue to adversely impact tram patronage.

Period Reporting

ET and Council officers meet every four weeks for 'client meetings', covering all aspects of the business i.e. Safety, Finance, Engineering, Operations, Training, Customer Services, Projects, HR. etc. This meeting allows both parties to be kept fully informed of all aspects of business requirements. Senior members of staff from each relevant section attend this meeting with the Managing Director of ET.

Support to Tram to Newhaven and mobilisation.

Throughout 2022, ET has supported the Tram to Newhaven Project, specifically through technical support, including Engineering and Safety advice, preparing for Operations by recruiting and training additional drivers and TSA's.

Awards 2022

Winner of Large Business Award in Edinburgh (Chamber of Commerce)

Winner of Global Light Rail winner 2022 significant safety initiative/emergency response engagement

Winner of Scottish frontline employee of the year 2022

Commendations Scottish Operator of the Year and Rising Star accolade for our Projects Manager again at the Global Light Rail Awards

Appendix 3 - Lothian 2022 Update

Patronage

Fundamental shifts in societal working trends and the impact these have on travel patterns necessitated an evolving response throughout 2022. For example, the impact of the Omicron variant and subsequent advice from Scottish Government to work from home, resulted in a Saturday service being operated throughout January 2022.

Customer numbers improved throughout the year from an initial 60% to just over 80% at year-end compared to pre-pandemic levels. Leisure travel has recovered well and this can be seen in a stronger recovery at weekends. The improving picture was a result of the lifting of restrictions, a gradual return to the office and in-person teaching at universities and the resumption of international tourism. However, it is clear that an element of working from home remains and will continue to impact on traditional travel behaviours and therefore the regularity of bus use.

Concessionary travel for over-60s remains lesser recovered than other customer groups. The introduction of free travel for under 22s got off to a slow start but the City of Edinburgh has subsequently experienced strong uptake in relation to other parts of the country (around 75%). Further effort is required by all stakeholders to encourage over-60s back onto the bus network and to ensure all eligible under-22s are aware of the existence of and the process for applying for free travel.

The development of key city projects and the backlog of utility and resurfacing works following the pandemic, has also suppressed customer recovery on parts of the network*.

Network

The Lothian group are operating some 80% of pre-pandemic services and mileage. Recovery of the bus industry has been hampered by well documented issues in relation to the labour market which directly affected Lothian's plans for driver recruitment and retention. This tempered the ability to react to some customer demand and forced strategic decisions in parts of the network.

A significant amount of work has taken place reviewing driver duties and rotas with the aim of improving work-life balance and efficiencies. This has led to improved retention levels across the various parts of the Lothian Group.

In the Autumn, the driver shortage became particularly acute at Lothian Country, leading to a review of operations. The result was a service change in November with the withdrawal of two local routes and a refocusing on trunk services to and from Edinburgh. This has allowed the operation to stabilise with a robust and reliable network delivering for customers.

The changes at Lothian Country also allowed for the transfer of drivers to other parts of the business to help improve service delivery and reliability across the group, providing a solid platform for growth in 2023.

Recruitment

In response to the shortage of driving candidates Lothian launched a multi-platform recruitment drive which started to yield results towards the end of the year. During the course of 2022, 271 new drivers joined the company.

Assuming that the improvement in recruitment continues, Lothian intends for the next service change to continue to build on the recovery seen so far. Opportunities in 2023 include the opening of the new tram line and the return of 2-way traffic on North Bridge. The completion of these projects will allow Lothian to redeploy resource tactically to improve frequencies and make journey times more reliable.

Operation Unicorn

Operation Unicorn had a significant impact on the business both in terms of severe network disruption and diversions and also in providing contract buses to support Police Scotland. Lothian assisted in the provision of contract buses day and night to support police deployment in and around the city centre.

In total 300 journeys were provided across the 5 days, including ad-hoc contract buses supplied for the Scottish Parliament and also assisting in the deployment of stewards. This was achieved while simultaneously reacting to road closures, service diversions and curtailments with some timetables effectively scheduled and put into operation with less than an hours' notice.

Despite significant disruption there was a clear sense that customers understood the exceptional situation and it is testament to all those involved that over the 5 days customer numbers were only down 3.5%.

Special Events

Special events returned in significant numbers in 2022, demand having been suppressed for such a long time. Lothian once again provided special service 98 to cater for events at Ingliston including concerts, festivals and the Royal Highland Show.

Cruiseline also returned for the 2022 season (May to September), with service X99 providing a link between Queensferry and the City Centre. The season started slowly with some restrictions on ship capacity, however this eased over the summer resulting in strong customer demand.

Network Resilience

The volume of roadworks continues to have an impact on the reliability of the network. Although now in the final stages of the tram works, there have been a number of other major closures like London Road, Elm Row and Picardy Place through the latter stages of last year. On completion of tram works Lothian aims to be back fully operational on Leith Walk which will return stability and consistency back to the network in this area.

Year to date there have been 1,155 planned roadworks or events that have impacted on journey times. Each one of these has meant either a diversion or restrictions on the road with either temporary traffic lights or lane drops. Over 3,000 customer notices have been issued in bus stops to try and keep customers informed, however this level of disruption can make travelling by bus less attractive which ultimately impacts on the ability to grow patronage.

Policy

Lothian have been consulted on various policies that the Council are working on including the Circulation Plan and Public Transport Action Plan. Lothian is currently developing a Decarbonisation Strategy which will map out the journey to decarbonising the 670 vehicles in the Lothian fleet.

Accessibility

Lothian was delighted to be recognised for work in accessibility across 2022.

- Midlothian & East Lothian Business Awards 2022 'Community Impact' Award finalist
- Blue Badge Awards 2022 Most Inclusive Organisation finalist and Access Champion of the Year finalist
- Scottish Transport Awards 2022 Excellence in Accessibility Winner
- Herald and GenAnalytics Diversity Awards 2022 Diversity Hero finalist and Diversity in the Public Sector Winner