

Governance, Risk and Best Value Committee

10.00am, Tuesday 17 September 2024

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

Executive/routine Wards Council Commitments	Routine All
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1. For Decision/Action

- 1.1 The Transport and Environment Committee has referred the performance element of a report regarding the Council's Transport Arms Length Companies to the Governance, Risk and Best Value Committee for scrutiny of the financial performance 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 14 August 2024 the Transport and Environment Committee considered a report summarising the performance of Transport for Edinburgh (TfE), Edinburgh Trams (ET) and Lothian Buses (LB) during 2023. The report was read in conjunction with the audited annual accounts for the companies for 2023, which had been approved by the respective company boards and posted at Companies House on 28 June 2024.
- 2.2 The Transport and Environment Committee agreed:
- 2.2.1 To note the information provided by the Council's Transport Arms Length External Organisations and scrutinised the performance of the ALEOs for 2023; and
 - 2.2.2 To refer the performance element of the report to the Governance, Risk and Best Value Committee for noting and scrutiny.
- 2.3 The audited accounts for the three organisations are available at the following links:
- 2.3.1 [Transport for Edinburgh](#)
 - 2.3.2 [Edinburgh Trams](#)
 - 2.3.3 [Lothian Buses](#)

3. Background Reading/ External References

- 3.1 Minute of the Transport and Environment Committee of 15 August 2024
- 3.2 [Transport and Environment Committee – 15 August 2024 webcast](#)

4. Appendices

Appendix 1 – Report by the Service Director, Operational Services

Transport and Environment Committee

10.00am, Thursday, 15 August 2024

Update on Council Transport Arms Length Companies

Executive/Routine
Wards

Executive
All

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 for 2023; and
 - 1.1.2 Refers the performance element of this report to Governance Risk and Best Value Committee for noting and scrutiny (as set out in paragraph 3.1.2).

Gareth Barwell

Service Director, Operational Services

Contact: Hannah Ross, Head of Major Projects and Commissioning

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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) during 2023. The report should be read in conjunction with the audited annual accounts for the companies for 2023, which have been approved by the respective company boards and posted at Companies House on 28 June 2024.
- 2.2 2023 was characterised by continued patronage and revenue recovery from the impacts of COVID-19, work to support the City of Edinburgh Council's project to reform the Council's Transport Arms Length External Organisations (ALEOs), congestion and signalling challenges, particularly in the City Centre and the successful conclusion of the tram to Newhaven Project which opened for service on 7 June 2023.

3. Background

Governance of ALEOs

- 3.1 An update on the reporting on the Council's ALEOs 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 the performance element of 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 91.01% of the shares in LB. The remaining shares in LB are owned by West Lothian Council (0.4%), Midlothian Council (5.47%) and East Lothian Council (3.12%).
- 3.4 The last [annual update](#) on the TfE Group was on 2 February 2023.

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](#). On 12 October 2023, Committee [approved](#) a further [report](#) that recommended TfE be closed in its current form but retained as a shareholding shell company only.

4. Main report

- 4.1 A summary of the activities of the TfE, ET LB for 2023 are provided in Appendices 1, 2 and 3 respectively.
- 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 2023.
- 4.3 Passenger travel behaviours and travel patterns fluctuated during 2023, with a gradual return to some 90% of pre COVID levels by the end of the year. Revenue recovery was helped by several additional events at Murrayfield and a recovering summer visitor economy. Council funding to pay Edinburgh Trams at concessionary rates for carrying Under 22s ceased on 31 March 2023. After careful consideration, the Board of ET concluded that they should continue to carry Under 22s on the same concessionary terms. LB continued to receive funding support from the Scottish Government via Transport Scotland's Network Support Grant. This extra support also ended on 31 March 2023.
- 4.4 TfE Group revenue in 2023 was £207.3m, from patronage of 119.3m, resulting in a £4.1m profit after tax.

Service Level Agreements

- 4.5 Under the current operating agreements between the Council and its Transport ALEOs, no specific Service Level Agreements (SLAs) are set. Monitoring is carried out on a continuous basis through board representation and close working with the companies.
- 4.6 Additional monitoring, including setting of SLAs, is to be considered as part of the Transport ALEO Reform process whilst continuing to comply with restrictions of the Transport (Scotland) Act 2019 and its predecessors.

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 as set out in paragraph 3.1.2.

6. Financial impact

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

7. Equality and Poverty Impact

- 7.1 The Boards of TfE, ET and LB have met 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. Climate and Nature Emergency Implications

Environmental Impacts

- 8.1 Transport is the biggest generator of greenhouse emissions in Scotland. Encouraging greater use of sustainable travel modes, particularly by establishing more attractive, faster and reliable public transport, will help reduce the environmental impact of growth especially from traffic emissions. Improving public transport offering within the city will be essential to achieve a decrease in private car journeys which will have a beneficial impact on greenhouse gas emissions.
- 8.2 Edinburgh's population is growing six times faster than the national average. Edinburgh and the South East of Scotland Region is also the fastest growing region in Scotland and one of the fastest growing in the UK and Europe. The City Mobility Plan recognises public transport as a key element in supporting sustainable population and economic growth, whilst stimulating mode shift from car to public transport as part of the City's and Region's collective response to the climate emergency.

9. Risk, policy, compliance, governance and community impact

- 9.1 The information provided in this report complies with the Council's governance arrangements for ALEOs.
- 9.2 The consent of the Council is required for the appointment of directors to the Board of its transport ALEOs.

10. Background reading/external references

10.1 None

11. Appendices

Appendix 1 – Transport for Edinburgh Update for 2023.

Appendix 2 – Edinburgh Trams Update for 2023.

Appendix 3 – Lothian Buses Update for 2023.

Appendix 1 Summary from Transport for Edinburgh Ltd 2023

Funding and Parent Company Responsibilities

TfE Ltd received no funding from CEC in 2023, using reserves, augmented by project income, to continue to operate. Parent Company responsibilities included the successful conclusion of an unqualified, clean, TfE Group 2022 audit, support to Edinburgh Trams through the legal case relating to the 2018 Saughton fatality, continued support to the tram to Newhaven project and support to the Transport ALEO Reform work. Transport ALEO reform has had a destabilising effect on TfE although it has continued to work with the Council throughout.

Liaison with Transport Scotland

Improved liaison with Transport Scotland developed through COVID continued in 2023, principally covering the Transport Scotland Fair Fares Review and the consequences of the Under 22s concession scheme, particularly as it effected Edinburgh Trams, who were not included in the scheme. The revenue impact on Edinburgh Trams in 2023 was potential foregone concessionary reimbursement of £638,477. This takes into account the CEC reimbursement from 1 January to 31 March 2023 of £68,231. This CEC support was discontinued from 1 April 2024 and has not been reinstated.

People

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

Edinburgh Cycle Hire Scheme.

During 2023 TfE took delivery of, via a negotiated free issue, the remaining Serco e bikes and e bike batteries held by Serco and Pashley. This allowed the generation of additional e bikes for The University of Edinburgh Unicycles Scheme which now holds 81 e bikes, 70 of which are in use at any one time with the remainder in routine rotating maintenance. A stock of e bike batteries has been generated following testing and regeneration. A further fleet of 30 e bikes is available. Throughout 2023 other cycle scheme infrastructure was repurposed with the Edinburgh Palette and Ardentiny Community Council.

Wayfinding.

TfE leads the Edinburgh Wayfinding Project and in 2023 Edinburgh St James, the Omni Centre, Diageo and Camera Obscura were onboarded as Wayfinding Sponsors, enabling a further tranche of 6 new totems to be installed and obsolete street clutter to be removed. Edinburgh Wayfinding is now available in the Bus Station and digitally in the St James Centre. Council Teams and Projects are using the capability and being encouraged to incorporate Edinburgh Wayfinding into their projects, including, but not exclusively; Granton Waterfront, Meadows to George St, George St and the Town Centre projects. In late 2023 National Galleries Scotland agreed to become a Sponsor, enabling the next batch of totems to be installed in July 2024.

Tram Advertising

TfE continued to support Edinburgh Trams in securing tram advertising clients throughout 2023. Notably securing a 3-year extension to the CR Smith contract and landing other well known, international, brands.

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 successfully passed Proof of Concept and Independent Testing in 2023. Essential milestones on the route to commercialization. TfE and ET remained fully engaged with the project throughout 2023. ET is expected to become an early adopter of the finished product that is now receiving global interest and acclaim.

Urban Logistics as an on Demand Service (ULaaDS)

In 2023 TfE contributed to a Satellite City Report which identified which Lighthouse City (Bremen, Groningen, Mechelen) Projects might be of most learning value to Edinburgh. Namely, Low Emission Zones, the use of cargo bikes, City Centre Logistic Hubs and consolidation, parcel lockers and a parcel locker framework for lockers on public space. The ULaaDs Project is now closed, and data and information can be accessed via the Project website.

Major Event Planning

In early 2023 TfE contributed to the Lessons Identified exercise following the delivery of Operation UNICORN in September 2022, resulting in revised governance for the planning and delivery of future operations.

TfE led on the coordination of Edinburgh's planning for the UCI World Cycling Championships.

Appendix 2 – Edinburgh Trams Update 2023

Overall Performance

A landmark year for the operator, 2023 saw the launch of tram services to Newhaven in June which has opened a new travel option for communities in Leith and those wishing to travel to and from other key locations along the new route.

End to end journey performance remained strong with 98.27% of all scheduled journeys completed across the full 12 months. This gives the backbone to delivering a safe, reliable efficient mode of transport for the city and its visitors.

The opening of the new line has proved popular with both new and existing customers, with patronage increasing by 92.1% in 2023 when compared to 2022, from 4.780m to 9.183m.

Even ahead of the launch, the network was well on the road to a full post-pandemic recovery. In the five months prior to the launch of trams to Newhaven, patronage rose to 2.19m from 1.34m, an increase of 63% over the previous five months.

Airport ticket sales have also seen a marked increase over the past year, with just under 1m departures from the airport recorded, up 40% on 2022, while online ticket sales have become increasingly popular, attracting over £1.8m in terms of cash receipts.

Time and money have been invested in promoting this sales channel, highlighting the flexibility and value for money of pre-purchase tickets such as airport tickets, zone bundles, and 3, 4, 5 Day “Tram Only” tickets.

Awards

The Team was once again award-winning taking Operator of the Year award at the Scottish Transport Awards and a special award for Colin Kerr also scooped a Lifetime Achievement Award at the Global Light Rail Awards for his dedication to safety and project delivery.

Event Management

Once again, Edinburgh Trams has continued supporting many famous Edinburgh events, including providing all-night travel at weekends during the iconic festival season, late services for the Royal Edinburgh Military Tattoo, additional services for The Royal Highland Show and free trams at Hogmanay.

Major sporting and cultural events at Murrayfield have also been supported, including international rugby and concerts by artists such as Beyonce, Harry Styles and Bruce Springsteen.

Notably, a major event at Murrayfield, the extension to Leith, and the Edinburgh Festival all contributed to Edinburgh Trams recording its busiest day ever, with over 56,000 passengers using the tram on 26 August 2023.

Tram Advertising

Tram advertising has also proved a valuable revenue stream, especially in the second half of the year. Although a five-year deal with Parabola came to an end at the start of 2023, the marketing team secured a major campaign with OVO Energy while CR Smith continued to advertise. We envisage that in 2024, as the confidence of the retail market improves, sales from tram advertising will exceed £500k.

Under 22's

We also continue to support the "Free Travel for the Under 22" scheme without support from the Scottish Government. We continue lobbying to be included in the concession scheme, as we believe it effectively promotes public transport, social inclusion, and an environmentally friendly mode of public transport.

The cost to the Government of supporting this scheme would have been just under £638,477 for 2023, and we will continue to lobby for trams to be included. Tram travel for U22s was subsidised from January to March 2023 by the City of Edinburgh Council, but reimbursement to Edinburgh Trams ceased from April 2023 and has not been reinstated. Acceptance of Under 22 passes has continued as refusal may lead to confusion and confrontation between pass holders and our Ticketing Services Assistants.

Appendix 3 - Lothian Buses Update 2023

Overall Performance

Lothian's overall performance in 2023 was very strong as the focus shifted from pandemic recovery to rebuilding the company. At the heart of this was the 2023 Business Plan which set out clear strategic and operational direction.

The company expanded into new parts of West Lothian and carried out due diligence on Eve Coaches in East Lothian, which was subsequently acquired in early 2024.

The impact of the home and hybrid working patterns has meant that Monday-Friday patronage is still flatter than pre-pandemic. Despite this, through exploring new opportunities and growth in key markets such as Under 22s and Contactless, passenger numbers recovered to just over 90% of pre-pandemic volumes.

The full return of the city's events calendar played a big part in the year's performance and Lothian was delighted to once again provide transport for a vast events and tourism agenda including numerous Murrayfield concerts and sporting events, the Highland Show, the Festival and more than 40 cruise ships.

Internally, significant effort went into modernising the company's employment offering. A 2-year pay deal was successfully agreed with Unite and an extensive on and off bus marketing campaign followed. Benefits such as Cycle to Work, Salary Sacrifice and Healthcare have been introduced and working patterns enhanced with 4-day and part-time starting to emerge.

Towards the end of 2023, an Employee Engagement Survey was carried out. Some highlights from the results are as follows:

- 85% of people are proud to work for Lothian
- 95% of people are clear what's expected of them
- 85% believe Health & Safety is taken seriously at Lothian
- 72% believe there's a clear vision for the future of Lothian

The result of all this hard work and effort is evidenced in the financial performance for the year which included the return of a £3.2m dividend to Lothian's local authority shareholders.

Recruitment

One of the final challenges of the pandemic was an industry-wide driver shortage which led to significant recruitment and retention issues.

Sarah Boyd, Managing Director chaired a Driver Shortage Subgroup of the Scottish Government's Bus Taskforce and the outputs from the group include the successful lobbying for various changes to licence legislation which will streamline some aspects of PCV training for all operators.

Having extensively invested in the Lothian employment offering, over the course of 2023, a healthy training pipeline was built and 481 new drivers recruited across the group with an 87% success rate.

This has led to more recent service changes including the restoration of some pre-pandemic mileage and frequency. This is something that will continue to be built upon during 2024.

The company was awarded an Armed Forces Gold Covenant for its work with ex-military personnel.

Network Resilience

Resilience within the network continues to be a key area of dialogue between Lothian and the Council due to the impact that roadworks have on reliability and diversions for Lothian Buses services. The development of LB Roads, an information and communication tool that's been shared with CEC has allowed for improved monitoring of resilience and is used to inform discussions intended to maximise coordination and reduce impact.

LB Roads was recognised with an Excellence in Innovation and Technology award at the 2023 Scottish Transport Awards.

Net Zero 2035

2023 saw the launch of a Net Zero 2035 strategy (Lothian: Driving towards Net Zero - Lothian Buses). The first phase of this plan will see the introduction of 50 electric double deck vehicles together with the associated required infrastructure.

Accessibility & Inclusion

Lothian continued to build on a strong accessibility and inclusion agenda and achieved various awards and initiatives including:

- Excellence in Transport Accessibility – Scottish Transport Awards 2023
- Diversity in the Public Sector Award – The Herald Diversity Awards 2023
- National Autism Friendly Award 2023
- Best in Sector – Women in Transport Equity Index
- Recognition as a Disability Confident Committed Organisation
- Founding members of Women in Bus & Coach
- Introduction of a new customer service system (Zendesk) allowing for easier access to information and feedback
- Focus groups to develop the accessibility features within the new (launched on 3 June 2024) Bus & Tram app.
- Keep Safe training for all retail employees.