

Item: 6

Enterprise and Infrastructure Committee: 3 February 2026.

Sustainable and Green Transport Fund.

Report by Director for Enterprise and Resources.

1. Overview

- 1.1. In accordance with the 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.
- 1.2. On 1 March 2022, the Policy and Resources Committee recommended establishment of 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.
- 1.3. Public bus passenger carryings have steadily increased year on year in Orkney despite the heavy decline across the rest of Scotland. It is therefore anticipated that the revenue generated from passenger fares on Council subsidised routes will be in the region of £180,000 for 2026/27.
- 1.4. Projects funded during 2025/26 are summarised in section 4 of this report.
- 1.5. A summary of proposed projects for 2026/27 is outlined at Appendix 1 to this report.

2. Recommendation

- 2.1. It is recommended that members of the Committee:
 - i. Approve the allocation of funding from the Sustainable and Green Transport Fund in respect of proposed projects during 2026/27, as set out in Appendix 1 to this report.

3. Background

- 3.1. The Sustainable and Green Transport Fund was established by Council following consideration by the Policy and Resources Committee on 1 March 2022.

- 3.2. It was agreed that the income raised through bus passenger fare income across mainland subsidised public bus services should establish a fund towards sustainable and green initiatives, thereby reinvesting back into improved services and facilities for the community.
- 3.3. Bus passenger fare income during 2025/26 financial year is projected to reach £180,000, following a further increase in bus passenger carryings for the period. It is anticipated that bus fare income during 2026/27 will be comparable to the previous financial year.
- 3.4. The annual bus monitoring report is presented to the September meeting of the Enterprise and Infrastructure Committee outlining bus passenger figures and fare income by route, once the financial year has finished and the actual figures for passengers and income are known.

4. Projects Funded During 2025/26

- 4.1 The School and Public Bus Contract is subject to an amendment to contract rates which is applied in August each year. The Contract applied a maximum uplift of 3% during 2024/25. The Fund will fill any deficit gap between the budget uplift and Contract rate. During 2025/26 this did not apply as the Contract rate did not increase.
- 4.2 During 2025/26, the Sustainable and Green Transport Fund ensured continuation of evening bus services at a cost in the region of £49,000 per annum, with match funding from the Local Authority Direct Award Grant (LADA) from Scottish Government. The evening services provide connectivity around the East Mainland, West Mainland, Kirkwall and Orphir on a Friday and Saturday evening from the Kirkwall Travel Centre and the Pickaquoy Centre for social and leisure purposes.
- 4.3 The fund has provided match funding support to the Community Transport Small Grant Scheme which established six isles' projects during 2025/26. The level of funding awarded through the small grants scheme to support these projects was up to £53,238, divided between the six projects. We are currently in the evaluation stage for eligible community transport projects for 2026/27.
- 4.4 The limited funding under the Community Transport Small Grants Scheme means securing only two or three projects each year. The ability to top up the budget via the Sustainable and Green Transport Fund means the roll out of eligible projects across the county. Given the services are in some of our most remote island communities, the benefits are significant, making excellent use of bus passenger fare income and reinvesting this back into the community.

- 4.5. During 2025/26 the Fund also helped to establish trial community transport services in South Ronaldsay which had been a long standing request from the community. The two day per week trial door to door on demand service provides a connection to St Margaret's Hope for social and leisure purposes and also provides onwards connections to the ferry or bus to Kirkwall. The funding helps to tackle social isolation in an area that is not currently served by public transport. It is therefore recommended that the Fund continues to support this trial.
- 4.6. In addition to the South Ronaldsay trial, the airport timetable gap during Monday to Thursday afternoon term time was also funded during 2025/26, again following request from communities. It was previously noted that there was no connection to some afternoon inter island air services. Public bus services do not operate during school transport periods and therefore there was a gap during the afternoon term time Monday to Thursday. Due to the success of this trial, it is recommended that the Fund continues to support this additional valued service.
- 4.7. The cost to operate the airport timetable gap service and South Ronaldsay two day per week service during 2025/26 will be in the region of £26,000, excluding any additional costs to provide an alternative vehicle while the Council owned electric vehicle required warranty work.
- 4.8. External funding through the Scottish Government's Bus Investment Fund during 2025/26 resulted in the replacement of a number of bus and cycle shelters and real-time information displays following a competitive tender exercise. Whilst the costs were not met by the Fund during 2025/26, there is no certainty of external funding beyond each financial year therefore any programme for replacement would require to be met from the Fund unless external funding was made available.
- 4.9. Consistent with 2024/25, due to insufficient funds within the Airfields Budget for essential maintenance, the Sustainable and Green Transport Fund has been used during 2025/26 to meet costs, amounting to £24,000, to maintain runways to the standard required by the Civil Aviation Authority (CAA) and operator Loganair Ltd. This was presented as a service pressure bid to the budget setting process and remains a budget concern going forward.

5. Proposed Projects for 2026/27

- 5.1. The annual review of contract rates for public bus services, to be met from the Sustainable and Green Transport Fund is estimated at £40,000 for 2026/27.
- 5.2. It is proposed that the projects currently funded through the Sustainable and Green Transport Fund are continued during 2026/27, including the established

evening bus services, match funding of eligible applications submitted to the Community Transport Small Grant Scheme, South Ronaldsay community transport trial and Kirkwall Airport timetable gap trial. Any remaining funding will be spent on the bus and bike shelter infrastructure or to absorb any overspend within the service area i.e. airfields.

5.3. The projects and estimated costs are outlined in Appendix 1 to this report.

For Further Information please contact:

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Implications of Report

1. Financial

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.

Previous reporting proposed 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 the Sustainable and Green Transport Fund, with any remaining balance to be transferred over to the following year.

The available balance in the Sustainable and Green Transport Fund as at 31 March 2025 is £145,651.39.

Based on current passenger carryings, income is expected to be in the region of £180,000 from subsidised public bus passenger fares for the period 2026/27 with £40,000 estimated to cover the cost of the uplift to contract rate for public bus services, leaving a remaining balance of approximately £140,000 plus any underspend from financial year 2025/26 towards sustainable and green initiatives such as bus or bike infrastructure or absorb any overspend within the service area such as airfields as carried out during the previous financial years.

The Service submitted unavoidable service pressures as part of the budget setting process for financial year 2026/27 in respect of essential airfields maintenance works to avoid further use of the Sustainable and Green Transport Fund, however, this bid is not being progressed at this time and means any costs unable to be met within the existing airfields budget will require to be funded by the Sustainable and Green Transport Fund.

2. Legal

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.

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”.

If grant assistance is to be provided by the Council, a legally binding agreement will require to be entered into between the Council and the recipient setting out the terms on which the funding is being provided.

3. Corporate Governance

Not applicable.

4. Human Resources

Not relevant to the recommendations outlined in this report.

5. Equalities

Not relevant to the recommendations outlined in this report.

6. Island Communities Impact

Not relevant to the recommendations outlined in this report.

7. Links to Council Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:

- ☐ Growing our economy.
- ☐ Strengthening our Communities.
- ☒ Developing our Infrastructure.
- ☐ Transforming our Council.

8. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:

- ☐ Cost of Living.
- ☒ Sustainable Development.
- ☒ Local Equality.
- ☐ Improving Population Health.

9. Environmental and Climate Risk

The Sustainable and Green Transport Fund was established to promote and encourage uptake of sustainable travel and reduce single car journeys.

10. Risk

Not relevant to the recommendations outlined in this report.

11. Procurement

Not relevant to the recommendations of this report.

12. Health and Safety

Not relevant to the recommendations of this report.

13. Property and Assets

Not relevant to the recommendations of this report.

14. Information Technology

Not relevant to the recommendations of this report.

15. Cost of Living

Not relevant to the recommendations of this report.

List of Background Papers

None.

Appendix

Appendix 1 Proposed projects during 2026/27.

Appendix 1

Proposed funding for 2026/27

Project	Estimated Cost
Uplift to Contract rate	£40,000
Part funding of community transport projects (small grants scheme)	£60,000
Continuation of South Ronaldsay and Airport Timetable Gap trial	£26,000
Continuation of existing established public bus services	£49,000
Contingency	£5,000
Total	£180,000