



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**CABINET MEMBER DECISION – HIGHWAYS ASSETS AND TRANSPORT**

**16 August 2022**

**Report of the Executive Director - Place**

**Fuel Support Payments to Operators Providing Contracted Passenger Transport Services**

**1. Divisions Affected**

1.1 County-wide.

**2. Key Decision**

2.1 This is not a Key Decision.

**3. Purpose**

3.1 To update the Cabinet Member regarding fuel support payments which have been made to operators providing contracted passenger transport services and to seek approval for continued support for up to six months from 1 May 2022 to 31 October 2022.

**4. Information and Analysis**

4.1 The Council provides a range of contracted passenger transport services across the County and these include the following:

- Local Bus Services to enable residents and visitors to access services that are not provided commercially but where sufficient demand, or need, has been identified. These services enable members of the public to access work, education, medical appointments and support the leisure and tourism sector.

- Mainstream Home to School Transport services are provided to enable the Council to fulfil its statutory duty to provide assistance to approximately 6,500 students who are eligible for free transport to the school or college they attend.
- Primary School swimming transport is provided for approximately 250 schools across the County and enables children to access swimming lessons. All costs for this transport are recharged to individual schools.
- Special Needs Home to School Transport services are provided for approximately 1,600 pupils who attend a variety of special school and college placements that can cater for their specific needs.
- Adult Care Transport is provided for clients who attend social day care services and to access health and welfare services.

4.2 To help transport operators with the rising cost of fuel in March and April 2022, funding was made available from the Council's reserves to provide temporary support payments for contracted passenger transport services. Following discussions with Procurement and Finance colleagues, it was agreed to calculate reimbursement costs using the forecourt rates published by Government. Therefore, this support was based on data from the Department for Business, Energy and Industrial Strategy (BEIS) and the average cost of fuel per litre in September 2021 was compared against the average price in March 2022. Consideration was then given to the miles per gallon for different vehicle types and the following rates were agreed:

<b>Type of Vehicle</b>	<b>Additional Cost Per Mile</b>
Taxis and minibuses up to 16 seats	2.75p per mile
Vehicles with more than 16 seats	11p per mile
Vehicles with more than 70 seats	22p per mile

### **Proposals for Continued Fuel Support Payments**

- 4.3 Operators across the sector have continued to seek support as fuel prices have increased further in recent months and many are finding it difficult to maintain services at their tendered rate. A business case was approved in July 2022 for continued temporary fuel support for contracted passenger transport services for a period of up to six months from 1 May 2022 to 31 October 2022. However, as the total cost may exceed the Find a Tender threshold, Cabinet Member approval is required.
- 4.4 Temporary assistance with fuel support payments is intended to ensure operators continue to fulfil their contractual obligations and that the

Council meets its statutory duty relating to school transport. Fuel support payments have only been made to operators who have contacted the Council for help.

- 4.5 It is proposed that payments are made on similar terms to those made in March and April 2022, but with a minor adjustment. Fuel consumption for buses and coaches with more than 35 seats is greater than smaller buses and the rate operators can claim should be adjusted accordingly. Additionally, the rate per mile will need to be increased to reflect the average cost of fuel per litre. The revised rates paid in March and April 2022 are shown below along with the proposed rate based on the cost of fuel in June 2022 when the business case was written.

Table 1 Fuel Support payment rates March and April 2022

<b>Vehicle type</b>	<b>Seats</b>	<b>Mileage rate</b>
Taxi/Minibus	Up to 16	2.75p
Buses/Coaches	17 to 69	11p
Buses/Coaches	70+	22p

Table 2 Fuel Support Payments based on figure in June 2022

<b>Vehicle type</b>	<b>Seats</b>	<b>Mileage rate</b>
Taxi/Minibus	Up to 16	6p
Buses/Coaches	17 to 34	24p
Buses/Coaches	35+	48p

- 4.6 Calculations for fuel support payments are based on the average cost of fuel per litre, which are published by the BEIS. To ensure fuel support payments reflect the actual additional cost per litre, it is proposed to re-calculate the mileage rate each month from May 2022 until October 2022. This will ensure operators are reimbursed at an appropriate rate and the Council will not be locked into a higher rate if fuel prices fluctuate. Additionally, fuel support payments will not be made for any contracts issued after 1 August 2022 as operators have had the opportunity to include cost of living pressures into their tender submission.
- 4.7 In accordance with Protocol 9 of the Council's Financial Regulations, a business case to support the proposal has been approved by the Director of Finance and ICT and Director of Legal and Democratic Services.

## **5. Consultation**

5.1 Not required.

## **6. Alternative Options Considered**

6.1 The Council is committed to ensuring value for money in everything it does but there has been a significant impact on transport operators who provide many statutory services for the Council. With this in mind alternative options have been considered and are set out below.

6.2 Do nothing and expect operators to absorb the rising cost of fuel - This may result in an increasing number of operators seeking to terminate contracts early, or decline extensions, as services are no longer viable to operate. In these circumstances, the Council would have to retender contracts at short notice and tender submissions are likely to be inflated because of the rising cost of living and uncertainty with fuel prices. The Council would be locked into these prices for up to three years even if the cost of fuel decreases in the months ahead.

6.3 Offer a continuation of fuel support payments for six months from 1 May 2022 - This will help to protect existing contracted services and ensure the Council meets its statutory duty. Fuel support payments would only be made available to operators who contact the Council directly for help.

## **7. Implications**

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

## **8. Background Papers**

8.1 None identified.

## **9. Appendices**

9.1 Appendix 1 – Implications

## **10. Recommendations**

That the Cabinet Member:

- a) Approves the continuation of fuel support payments to operators for a period of up to six months from 1 May 2022 until 31 October 2022, as set out in paragraphs 4.3 to 4.6 above.
- b) Notes payments will only be made to operators who contact the Council for support and the rate they are entitled to claim would be recalculated each month based on figures from the BEIS, as set out in paragraph 4.6 above.
- c) Notes fuel support payments will not be made for any contracts issued after 1 August 2022 as operators have had the opportunity to include cost of living pressures into their tender submission, as set out in paragraph 4.6 above.

## **11. Reason for Recommendations**

- 11.1 Fuel support payments will help operators to continue to provide contracted services at their tendered rate and reduce the risk of them terminating contracts earlier. It will also safeguard the Council from inflated tender prices for services that have to be retendered early as a result of any early termination of contract.

## **12. Is it necessary to waive the call in period?**

- 12.1 No.

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## **Implications**

### **Financial**

- 1.1 Funds of £150,000 were allocated from the Council's reserves for March and April 2022, although the actual cost was approximately £50,000.
- 1.2 An extension to fuel support payments for up to six months will be more expensive than the rates agreed for March and April 2022, as the mileage rate that operators could claim, will be higher to reflect the cost of fuel and the vehicle's consumption. It is also possible that the number of requests from operators may increase as fuel has risen to unprecedented levels.
- 1.3 It is estimated that the monthly cost of fuel support, based on the calculations provided in Section 4.5 of the report, could be up to £35,000. Therefore, over a six month period, the total cost is estimated to be £210,000 across all service areas.
- 1.4 The costs will be met from the Council's Inflation Earmarked Reserve. The Reserve was created following approval by Cabinet on 28 July 2022 (Minute No. xx/22 refers). The Reserve balance of £10.000m will help to meet the inflationary pressures being experienced by the Council.

### **Legal**

- 2.1 The Director of Legal and Democratic Services is satisfied that on the basis of the information set out in the report it is appropriate to make the fuel support payments.

### **Human Resources**

- 3.1 The workforce which undertakes these contracted transport services are drivers who are employees or sub-contractors of external providers.

### **Information Technology**

- 4.1 None.

### **Equalities Impact**

- 5.1 None.

## **Corporate objectives and priorities for change**

6.1 None.

**Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

7.1 None.