

# **Executive Decision**

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## **Connecting Leicester Phased Programme: Electric Bus Investment and Grant**

Decision to be taken by: City Mayor

Decision to be taken on: 31 December 2021

Lead director/officer: Andrew L Smith

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## Useful information

- Ward(s) affected: All
- Report author: Andy Gibbons
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- Report version number: 1

### 1. Summary

Following the submission of a full business case the City Council has been awarded £18,996,847 grant by the Department for Transport (DfT) towards the purchase of ninety six electric buses and their associated charging infrastructure.

Six of these buses will be owned by the City Council and used as equipment provided within tendered contract work. It is estimated that this will reduce contract operating costs by an estimated £60,500 pa. The Council's local contribution to purchase these buses will be £1,333,666 which will come from prudential borrowing.

The other ninety electric buses will be purchased and belong to FirstBus (68 buses) and Arriva (22 buses). The Council will administer and passport the grant to these operators in line with the conditions of the DfT ZEBRA grant scheme relating to specification, delivery timescales, procurement and funding.

These two operators will each be investing over 50% of the total costs of the buses and charging infrastructure, estimated at £22,642,616. The grant is fixed for each operator, with all cost and delivery risk of each order held by the operator.

As part of the overall DfT grant conditions all electric buses must come into service by September 2023.

### 2. Recommended actions/decision

It is recommended that the following decisions are made.

- a. To approve £20.3m to be added to the Capital Programme to provide grants to Firstbus and Arriva for new electric buses and to purchase six new electric buses for the Council. This addition will be funded by £19.0m of DfT grant and prudential borrowing of £1.3m to match fund the Councils new buses.

### 3. Scrutiny / stakeholder engagement

As part of the full business case stakeholder engagement took place on two levels.

With all local bus operators. At the outline business case stage all local bus operators were asked whether they wanted to participate in this grant application scheme, contributing their own local investment in line with the scheme rules. Only two operators – Firstbus and Arriva – expressed an interest at that stage. Both have since provided letters of support and confirmation of investment and procurement in line with the grant scheme conditions should the bid be successful.

An online and emailed survey took place with 313 bus users to gauge support for this bid, and their views on certain additional possible bus accessibility features.

Over 91% of respondents supported this bid, with preference of over 90% for the following accessibility features

- additional room for a second wheelchair or two unfolded buggies
- dedicated seats with leg room for an assistance dog
- on-board screens showing next bus arrival information
- on-board public address systems alerting passengers of oncoming stop and other information
- acoustic bus alert system for pedestrians when travelling at low speeds in areas of pedestrian usage.

#### **4. Background and options with supporting evidence**

Full details of the background of local investment in electric buses, together with a range of options are detailed in the full business case. This has been published on-line since 31 August 2021 on <https://www.leicester.gov.uk/your-council/policies-plans-and-strategies/transport-and-streets/transport-bids/>

#### **5. Detailed report**

An executive summary report associated with this grant bid is set out on-line on <https://www.leicester.gov.uk/your-council/policies-plans-and-strategies/transport-and-streets/transport-bids/>.

Leicester is the second fastest growing city in the country with a population estimated to increase by 16% between 2016 and 2041, with over 30,000 homes planned.

Air pollution is an issue that needs urgent attention to ensure this growth is healthy and sustainable. The Centre for Cities 2020 report puts Leicester well above the average for the proportion of deaths that can be attributed to long-term exposure to particulate matter. Transport is one of the main causes of this pollution.

The successful Leicester ZEBRA grant bid sets out an ambitious, yet deliverable, programme for three local partners to bring into service nearly a hundred electric buses by September 2023. Other recent and upcoming electric bus investment puts forty more electric buses on our streets. By 2024 a third of Leicester's bus fleet will be fully electric on routes used by over 50% of travellers.

This local grant scheme sets out a planned lifetime investment of nearly £43m in electric buses and charging infrastructure, with £22.6m coming from operators, £1.3m City Council funds and nearly £19m from ZEBRA grant. These buses will serve 21 routes, fully covering each of the City's air quality management areas.

<b>ZEBRA : Costs and Proposed Funding</b>					
		<b>Total</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Total Cost (*)</b>		£ 42,973,129	£ 1,819,308	£ 13,599,821	£ 27,554,000
<b>Operators Funding</b>		£ 22,642,616	£ 454,827	£ 7,127,289	£ 15,060,500
<b>City Council Funding</b>		£ 1,333,666		£ 75,166	£ 1,258,500
<b>DfT ZEBRA funding</b>		£ 18,996,847	£ 1,364,481	£ 6,397,366	£ 11,235,000
<b>Contribution</b>	<b>Local</b>	55.8%	25.0%	53.0%	59.2%
<b>Contribution</b>	<b>DfT</b>	44.2%	75.0%	47.0%	40.8%

It has an programme of three radically different projects, with three different suppliers and three different local investors – FirstBus, Arriva and the City Council. Each project is well placed to be quickly delivered, with all buses coming into service by September 2023.

This investment will be complemented by a significant range of local measures to make sure the electric bus network has long term viability. A £50m programme from Transforming Cities Fund and Getting Building Fund will give improved bus priority, better waiting facilities, new park and ride sites and digital all-operator fare capping is due for completion by 2023 with the current voluntary bus partnership moving to a formal Enhanced Bus Partnership by March 2022.

The successful bid sets out Leicester’s case for significant grant funding, addressing the strategic, economic, commercial, financial and management issues involved with this proposed intervention. Also included is an equality impact assessment and proposed monitoring and evaluation procedures to ensure these taxpayer funds are spent in line with the funding guidance, delivering its aims and objectives.

It is concluded that the Leicester bus partnership is committed to invest and deliver a rapid high quality, sustainable transformation to its bus network. This will be good value to taxpayers and fully meet the government’s funding objectives by:

- introducing 96 electric buses, making a third of Leicester’s fleet electric by 2024.
- bringing frequent electric buses to all 14 of Leicester’s air quality management areas.
- building capacity and capability in zero emission bus technology in the UK, including supporting innovation in local construction and a first order for a British manufacturer.
- giving a reduction of 91 tonnes of CO<sub>2</sub>, 44 tonnes of NO<sub>x</sub> and 1.1 tonnes of PM<sub>2.5</sub>.
- building greater understanding of practicalities and difficulties of rolling out zero emission buses to assist future schemes and roll out.
- supporting local partnership working with three local bus operators and the Council.
- bringing significant new local investment to Leicester to help levelling up policies.

- bringing a significant improvement to bus users, particularly those with accessibility needs.
- bringing a unique programme to assist decision making at a Departmental programme level.

Delaying investment to a later date will have a significant impact on both local partners and the Department's overall objectives. It could delay the roll out of a radically new type of electric bus and its associated British manufacturing base. It would mean the opportunity to introduce electric buses alongside a raft of other pro-bus investment would be lost. Investing now, puts electric buses at the heart Leicester's local transport plan, sending a clear statement of its direction of future travel.

The proposal of the Council to purchase six of its own buses will reduce future contract costs as well as delivering environment benefits. It is estimated that this investment will reduce ongoing costs by £60,500 pa, due to the saving associated with fuel, maintenance and bus ownership, as set out in the table below.

It should be noted that the Department of Transport has recently changed its ongoing annual Bus Service Operators Grant (BSOG) to favour operating electric buses over diesel.

<b>Contract operational gross costs per bus per year</b>			
	(a)	(b)	(b-a)
	Diesel (Income)/ Expenditure	Electric (Income)/ Expenditure	(Saving)/ Expense
Fuel	£ 20,500	£ 12,080	£ (8,420)
Bus Service Operator Grant	£ (9,211)	£ (20,580)	£ (11,369)
Maintenance (bus and chargers)	£ 10,200	£ 5,200	£ (5,000)
Insurance cost change	£ -	£ 700	£ 700
Depreciation (contractor)	£ 11,668	£ -	£ (11,668)
Borrowing costs (council)	£ -	£ 25,673	£ 25,673
<b>Saving per bus</b>			<b>£ (10,084)</b>
<b>Total savings pa</b>			<b>£ (60,506)</b>

## 6. Financial implications

The report proposes to add £20.3m to the capital programme, to be funded by £19m in Government Grant and £1.3m from prudential borrowing as match funding.

The prudential borrowing costs for the 6 buses will be £154,038 per annum and will be funded through the current revenue budget. It is anticipated the addition of these six buses even after funding the borrowing costs will generate an annual revenue saving of £60,506 per annum. These saving will be built into the budget once realised.

*Amy Oliver, Head of Finance*

## **7. Legal implications**

In relation to any funding which has been allocated, the Council need to ensure that it complies with any specified conditions imposed with this funding. Legal Services can advise on any terms and conditions relating to the funding and any funding will need to be assessed against subsidy rules.

In relation to purchasing the vehicles(buses), any new procurement will need to follow the Council's procurement procedures and the Public Contract Regulations 2015 (PCR) and Contract Procedure Rules (CPR) to ensure the procurement is a compliant one. Where the contract terms are required, these will need to be drafted in legal services to ensure the correct terms are advertised as part of the procurement procedure.

Ongoing legal advice should be sought as and when necessary.

*Meera Patel, Solicitor (Commercial) Ext. 37 4069*

## **8. Equalities Implications**

Under the Equality Act 2010, public authorities have a continuing Public Sector Equality Duty (PSED) which means that, in making decisions and carrying out their activities they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't. Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The Equality Act 2010 also requires that reasonable adjustments be made so that disabled people are not excluded from places that serve the public, including publicly accessible open spaces. This duty is on-going and anticipatory and, therefore, reasonable and proportionate steps to overcome barriers which may impede people with different kinds of disabilities need to be taken. Accessible and inclusive design relating to transport schemes in and around the City will support the general aims of the PSED and will be beneficial particularly in removing barriers to participation in public life.

If the funding for the electric bus investment and grant is approved this should lead to positive outcomes for people from across a range of protected characteristics who use buses as their mode of transport. An Equality Impact Assessment (EIA) has been carried out and it identifies a number of areas, for example Leicester has a diverse population with high dependency on bus travel, the proposal should improve the quality of life of many users and care needs to be taken in ensuring the specification is properly tailored to all needs and continuous monitoring is required to ensure this investment consistently meets all users' needs. The EIA will need to be reviewed and updated on a regular basis as the scheme is implemented in order to ensure outcomes are being achieved.

*Sukhi Biring, Equalities Officer, 454 4175*

## 9. Climate Emergency implications

Transport is responsible for around 25% of carbon emissions in Leicester. Following the city council's declaration of a Climate Emergency in 2019, and its aim to achieve carbon neutrality, addressing transport-related emissions is a vital part of the council's work. This is particularly important in those areas where the council has the greatest level of influence. The purchase of these electric busses will therefore make a significant contribution to reducing carbon emissions from public transport in Leicester, and directly supports the aims of the council's Leicester Climate Emergency Strategy.

The full environmental impact of this planned investment is shown within the economic case of full business case. In summary:

- introducing 96 electric buses, making a third of Leicester's fleet electric by 2024.
- bringing frequent electric buses to all 14 of Leicester's air quality management areas.
- building capacity and capability in zero emission bus technology in the UK, including supporting innovation in local construction and a first order for a British manufacturer.
- giving a reduction of 91 tonnes of CO<sub>2</sub>, 44 tonnes of NO<sub>x</sub> and 1.1 tonnes of PM<sub>2.5</sub>.
- building greater understanding of practicalities and difficulties of rolling out zero emission buses to assist future schemes and roll out.

*Aidan Davis, Sustainability Officer, Ext 37 2284*

## 10. Other implications

All other issues are set out in the full business case approved by the Department for Transport.

## 11. Background information and other papers:

These are all shown online on

<https://www.leicester.gov.uk/your-council/policies-plans-and-strategies/transport-and-streets/transport-bids>

## 12. Summary of appendices:

N/a

## 13. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

## 14. Is this a "key decision"? If so, why?

Yes. Proposes an investment by the City Council above £1m.

In addition, capital spending in excess of £1m is to be committed on schemes not specifically authorised by Council. It is noted that the decision can be taken by the Executive as the corporate resources to be committed are below £10m.

This project falls within the Connecting Leicester Phased Programme of the Forward Plan of Key Decisions.