

**Report to the Cabinet**

Meeting to be held on Thursday, 7 December 2023

**Report of the Director of Highways and Transport**

**Part I**

Electoral Division affected:  
Chorley Rural West; Heysham;  
Lancaster Central; Lancaster  
East; Lancaster South East;  
Leyland Central; Leyland South  
Longridge with Bowland;  
Lostock Hall & Bamber Bridge;  
Morecambe Central;  
Morecambe North; Morecambe  
South; Moss Side & Farington;  
Penwortham East & Walton-le-  
Dale; Penwortham West;  
Preston Central East; Preston  
Central West; Preston City;  
Preston East; Preston North;  
Preston Rural; Preston South  
East; Preston South West;  
Preston West; Skelmersdale  
East; Skerton;

**Corporate Priorities:**  
Protecting our environment;

**Submission by Lancashire County Council to Zero Emission Bus Fund**

Contact for further information:  
Matthew Moll, Enhanced Bus Partnership Manager,  
matthew.moll@lancashire.gov.uk

**Brief Summary**

Lancashire County Council is preparing a bid to the Department for Transport's Zero Emission Bus Regional Area fund on behalf of Preston Bus; Stagecoach Cumbria and North Lancashire; and Stagecoach Merseyside and South Lancashire.

If successful, the Department for Transport will pay grant funding to Lancashire County Council for onward payment to the operators. Whilst Lancashire County Council will not be contributing any of its own money beyond the cost of preparing



the bid submission and associated legal fees, the Department for Transport require the county council to co-ordinate the bid, design the scheme to ensure consistency with Subsidy Control and value for money principles and to protect the grant funding in distress situations.

The deadline for submission is Friday 15 December 2023.

### **Recommendation**

Cabinet is asked to:

- (i) Approve the submission of a bid to the Department for Transport's Zero Emission Bus Regional Area fund.
- (ii) Authorise the Director of Highways and Transport, in consultation with the Director of Law and Governance to agree the detail of the final terms of the submission.
- (iii) Authorise the Director of Highways and Transport, in consultation with the Director of Law and Governance, to approve the final terms of the Grant Funding Agreement with the Department for Transport, flow-down Grant Funding Agreements with the operators and all other relevant legal and contractual documentation relating to the scheme to which the Council is required to be party.

### **Detail**

The second Zero Emission Bus Regional Areas fund was launched by the Department for Transport on Friday 8 September 2023. As part of the National Bus Strategy the government is aiming to fund 4,000 zero-emission buses, with the first round of the fund providing approximately 1,300 of these.

The funding provides up to 75% of the additional cost of purchasing a zero-emission bus over an equivalent new diesel vehicle. It also provides up to 75% of the cost of charging / refuelling infrastructure. The first round of the fund provided roughly £210,000 per vehicle including infrastructure costs.

The deadline for submission of bids is 4pm on 15 December 2023. Notification of successful applications is expected to be announced in March 2024 with funding to be provided in both the 2023/24 and 2024/25 financial years. Operators are expected to order vehicles by 31 January 2025.

Unlike the first funding round, there is a single stream of funding (rather than a Fast track and Standard track) and a single bid stage without the need for a full business case. However, there is a new funding priority structure:

- Priority 1 = Transport authorities not in receipt of first round funding and which are classed as a 'Rural' authority;



- Priority 2 = 'Non-Rural' transport authorities which were not in receipt of first round funding;
- Priority 3 = Transport authorities which were in receipt of first round funding.

Overall, there is currently £129m available nationally with a minimum of £25m and a maximum of £50m to be allocated to Priority 1 bids. This equates to approximately 600 vehicles overall, with up to a third being allocated to Priority 1 bids. After discussion with the Department for Transport, the county council's bid would be submitted under Priority 2.

### ***Bus Operator Involvement***

Transport authorities were required to ensure that all local bus operators within the authority area had the chance to be involved in the authority's bid. To comply with this requirement, an email was sent to all local bus operators which operated within Lancashire as of early September 2023. Of the six operators to express interest (either formally or informally), three operators continued to engage in the process, providing the details and data required for the bid, these being:

- Preston Bus – covering the Preston urban area network, principally services 19 and 35;
- Stagecoach Cumbria and North Lancashire – covering the core University – Lancaster – Morecambe – Heysham corridor; and
- Stagecoach Merseyside and South Lancashire – covering services 1 to Longridge, 3 to Penwortham and 111 to Leyland (and potentially Wigan).

All three operators acknowledged that the county council expects operators to provide the remaining funding. The fund does include an element of contingency for price increases and unexpected costs which operators may incur.

### ***Legal Issues***

The Department for Transport require the Council to co-ordinate the bid, design the scheme to ensure consistency with Subsidy Control and value for money principles and to protect the grant funding in distress situations. A number of legal agreements between the Council and the Operators/their respective supply chains will be required to ensure the delivery of the scheme to Department for Transport requirements. The Council will need to sign a Grant Funding Agreement with the Department for Transport, flow-down Grant Funding Agreements with each of the operators and perhaps direct agreements/guarantees with companies within the operators' supply chains to protect the grant funding in distress situations.

As part of the bidding process, legal advice is being sought on subsidy control and due to the levels of grant funding which will be required it is expected that our subsidy control analysis will ultimately need to be referred to the Competition and Market Authority's Subsidy Control Unit which will give its own view as to its adequacy. The Subsidy Control Unit's advice will be necessarily made public.

Whilst the primary risk around subsidy control lies with the beneficiary of the funds (the operators), the subsidy control legislation places an onus on the Council to carry



out its own due diligence on subsidy control compliance. Not only does this carry a PR risk if it is not done properly there will be an additional clawback risk on the Council in the arrangements with DoT. This clawback risk will need to be covered off with the operators.

As protector of the grant funding and via the operation of the various legal agreements with an ongoing reporting obligation to the Department for Transport, the county council should expect a continuing role in the scheme to ensure it is delivered in accordance with Department for Transport requirements.

### ***Money Involved***

There is no requirement for county council funds to provide the 25% match funding. The county council expects operators to provide all funding not covered by the Department for Transport.

The funding to be requested is approximately £15.750m from the Department for Transport, with all other funding needed to purchase the vehicles and recharging equipment provided by the operators.

### ***Benefit for Lancashire County Council***

With an increasing focus on decarbonisation and improving air quality, this is an opportunity to support bus operators willing to invest in new zero emission vehicles, without any financial contribution from the county council being required beyond the cost of preparing the bid.

### **Consultations**

Lancaster City Council has indicated support for this bid and provided information on the Air Quality Management Areas within Lancaster for including within the bid.

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

#### ***Reputational / Relationship with Stakeholders***

If Lancashire County Council did not proceed with the bid, then it is likely to create a level of friction with the three bus operators involved as well as Lancaster City Council. The Department for Transport published a list of authorities which submitted expressions of interest, and there may be some backlash from residents / community groups if Lancashire County Council did not to proceed with a bid that would help to improve air quality in parts of the county.

#### ***Operator Withdrawal***

There is a risk that the operators involved could drop out of the bid or seek to reduce the number of vehicles purchased. This happened with the first round of the Zero



Emission Bus Regional Area fund following the high levels of inflation impacting on prices of vehicles, infrastructure and electricity. Operators are required to provide a letter of support as part of the bid which will express intent to proceed with the purchase of Zero Emission Buses if successful, and the financial contribution from the fund is expected to include a level of contingency. Inflation appears to be reducing, increasing the likelihood that there will be limited increase in price between the quotes received for the bid and the final cost upon purchase.

### List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A

