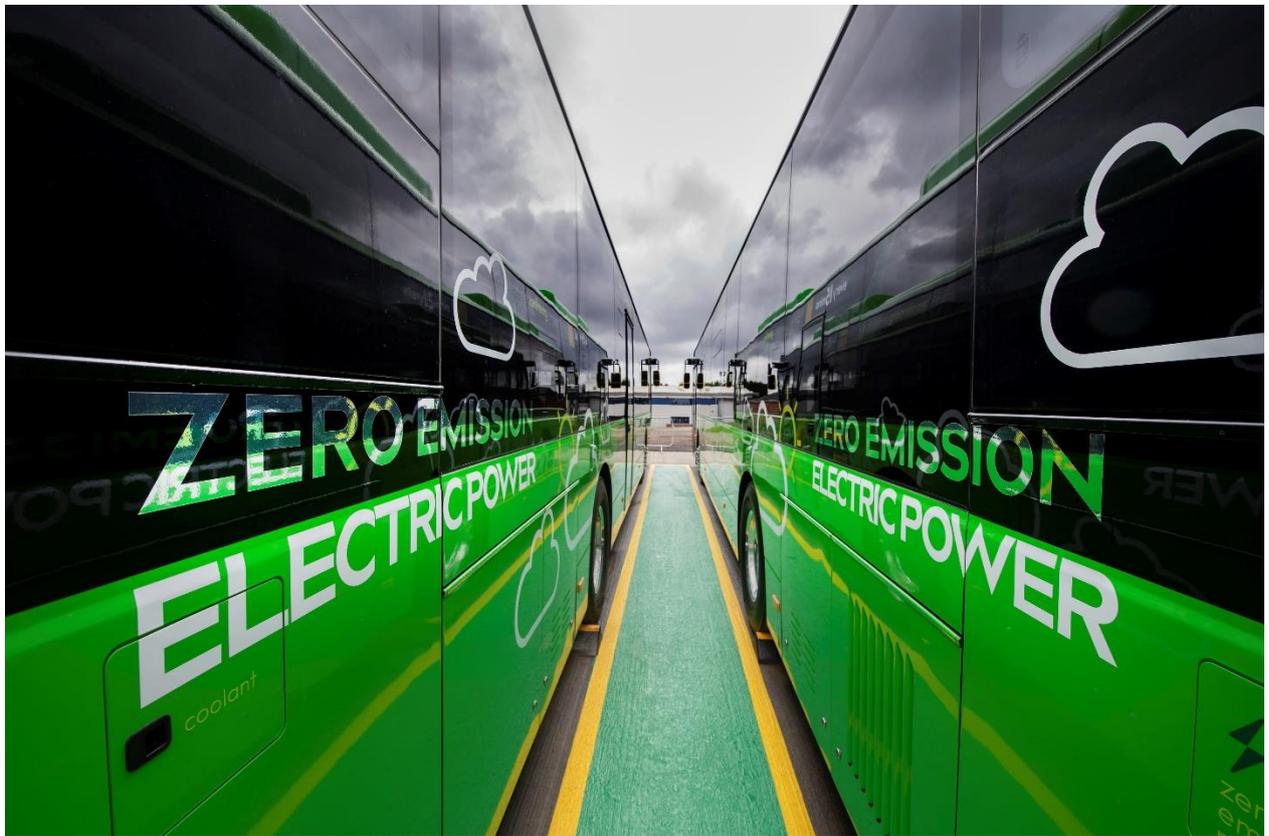


Leicester ZEBRA Bid

Executive Summary

August 2021



Executive Summary

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 Leicester ZEBRA 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 bid sets out a planned investment of £47m in electric buses and charging infrastructure, with £28m coming from local funds and £19m from ZEBRA grant. These buses will serve 21 routes, fully covering each of the City's air quality management areas.

It proposes an exciting 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.

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This finalised bid sets out a higher level of local and grant investment than put in the expression of interest. The total proposed investment has risen by £7.84m, with £5.75m from local funds and £2.13m from grant. This reflects the increased ambition of the partners since May to deliver more buses at a high accessibility quality to serve a growing local economy, with improved frequencies now planned on two routes with air quality issues.

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 to give improved bus priority, better waiting facilities, new park and ride sites and digital all-operator fare capping is due for completion by 2024 ; with the current voluntary bus partnership moving to a formal Enhanced Bus Partnership by March 2022.

The Council is currently out to consultation on its Local Transport Plan 2021-36, with a firm proposal to introduce workplace parking levy by April 2023 subject to the necessary approval processes. As well as directly helping modal shift, this levy will fund a further ambitious programme of pro-bus measures including more bus priority, more electric buses, more supported services and targeted discounted ticketing.

This bid sets out Leicester's case for significant ZEBRA fast track 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. A summary of each of these is shown below.

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 CO₂, 44 tonnes of NO_x and 1.1 tonnes of PM_{2.5}.
- 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.

Summary of each business case section.

The **Strategic Case** concludes that :

- There has been significant progress by all partners within Leicester to limit emissions from transport and improve bus travel for all passengers.
- However, there remains an air quality problem on all the main bus corridors within in a growing conurbation. Additionally, socio-economic and health issues are most prominent in those areas with poor air quality and low car ownership.
- These issues must be addressed and there is a strategic case for significant further investment and capital support for electric bus investment.
- The proposed ZEBRA investment has been structured such that it will directly target environmental impact, socio-economic factors/levelling up and overall, improve transport for the user.
- The proposed investment will directly meet the wider ZEBRA programme's objectives by:
 - Increasing the number of ZEBs by 96 buses
 - Building capacity/capability in zero emission bus technology in the UK, including supporting the first order for a manufacturer in Bicester
 - Giving a reduction of 91 tonnes of CO₂, 44 tonnes of NO_x and 1.1 tonnes of PM_{2.5}
 - Building greater understanding of practicalities/ difficulties of rolling out zero emission buses to support future schemes
 - supporting local partnership working with three local bus operators and the Council.
- The main bus operators together with the City Council are willing to make significant local investment in electric buses over the next 2 years, £17m more than originally planned in their existing partnership.
- The Leicester Bus Partnership is well organised and well placed to deliver this investment and to complement it with a significant range of other complementary programmes and policies.

The **Economic Case** concludes that :

- the value for money of this proposed investment to the taxpayer has been assessed holistically taking into monetarised and non-monetarised costs and benefits, some broad financial indicators and a range of sensitivity tests.
- overall, the programme is viewed as presenting reasonable value for money, particularly for two of the three proposed projects.
- it is particularly good at meeting some of the key aims of the ZEBRA programme, namely:
 - supporting the development of new British based manufacturers into the market
 - supporting the evolution of new technologies for this market – for the bus itself and its method of manufacturing

- rolling out a significant number of electric buses in a short space of time, building on previous investment and supported by future planned investment.
- having a significant focussed impact across three operators within a large complex urban setting - leading to a third of all buses being electric and half of all trips being made on electric buses by 2024.
- bringing a range of bus operators and the local authority into a strong workable delivering partnership, complemented by a package of other pro-bus measures designed to improve the viability of this significant operator and taxpayers investment.
- it is also good for meeting the DfT's wider objectives relating to levelling up, reducing environmental impact and improving transport for the user since it will :
 - reduce air and noise pollution in dense urban areas with housings, schools and hospitals
 - bring significant additional local and national investment to facilitate sustainable growth. Bus operators and the Council will be investing £17m more than planned.
 - bring significantly improved and more commercially viable buses to nearly half Leicester's bus users, particularly benefitting those with accessibility issues.

The **Commercial Case** concludes that:

- both the City Council and two operators have extensive experience in procurement of projects to a similar technical specification as is required to meet the ZEBRA objectives.
- the commercial risks on both cost and delivery are being spread out across several parties – the individual project owners together with several external contractors.
- FirstBus has spent considerable time developing a brand new British American supplier partner. This bid represents a very good opportunity to showcase this supplier across a whole depot, on a range of routes to tight procurement guidelines and budgets.
- there are two broad approaches to procurement – both to similar minimum specification standards. The open tender approach of the City Council and the best value preferred supplier approach of each operator.
- the Council will ensure that allocated capital grant is passported to the operators such that it represents best value to taxpayers. It can use its own evaluation process to assess each operator's chosen supplier on a consistent basis.
- external legal advice concludes that this procurement and grant award process is compliant with subsidy control rules, subject to the planned mitigation processes being effected.
- the scale of this overall programme demands significant marketing to ensure that this transformation is sufficiently promoted to all relevant parties.

The **Financial Case** concludes that

- the proposal is for an overall programme value of £47m, with £28m funded locally and £19m funded by grant.
- There is an increase in overall cost of £7.89m, with £2.125m from additional grant and £5.76m from additional local contribution by both the operators and Council.
- This increase is due to three main factors:
 - Inclusion of battery replacement costs in year 9, fully funded by the operators (52%)
 - An increase in scope of the Arriva element of the programme, from 18 to 22 buses and associated additional infrastructure cost (31%).
 - Bus increases from original estimates (21%) to give enhanced quality and accessibility improvements to all users.
- the rationale for this increase and the additional benefits it will bring show the increased ambition of the strong partnership and the desire to address air pollution issues through both increased bus frequency, electric buses and pro-bus highways measures.
- there is long term viability of this overall investment across each project.
- there is legal compliance by project in relation to state subsidy.

The **Management Case**, supplemented by the **Monitoring and Evaluation** report and **Equality Impact Assessment**, conclude that :

- the delivery partnership has good experience in successful delivery to timescale and specification – meeting agreed objectives and outcomes.
- the recommended internal processes are in place to both deliver each project and manage the grant administration involved in this programme
- the programme has the full support across a range of local stakeholders
- the programme is a challenging one, with several partners and some significant risks involved. However, it is felt by the all three partners that it is readily achievable given the resources available, commitment and work carried out to date.
- the Council as grant administrator understands the methods for assessing the effectiveness of the ZEBRA investment in meeting its objectives.
- there are established and well-resourced processes in place to record, analyse and report appropriately on a continuous basis on the outputs and outcomes of the ZEBRA investment.
- there is commitment to work alongside the DfT to leverage data and learnings from this exciting proposed programme.