



# Cabinet Report

Purpose: For Decision

## ISLE OF WIGHT COUNCIL

Date	9 MAY 2024
Title	ZERO EMISSION BUS REGIONAL AREA (ZEBRA) FUND 2 PROJECT
Report of	CABINET MEMBER FOR TRANSPORT AND INFRASTRUCTURE, HIGHWAYS PFI AND TRANSPORT STRATEGY

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### Executive Summary

1. The purpose of this report is to provide an overview of the Department for Transport (DfT) funded, Zero Emission Bus Regional Area 2 (ZEBRA 2) project for the Island.
2. It is recommended that approval is given to proceed with the ZEBRA 2 project as per the submitted funding bid. The bid is for 22 electric buses operating on three routes serving, Newport, Ryde, Cowes and East Cowes, and associated charging infrastructure at Southern Vectis' depot at Nelson Road, Newport

### Recommendation

3. **Option 1** - Cabinet approves delivery of the ZEBRA 2 project in line with the bid submitted and the funding awarded; and
4. **Option 1a** - to delegate authority to the Strategic Director for Place, in consultation with the Strategic Manager for Legal Services to negotiate, finalise and enter into grant funding agreements with Southern Vectis (Go South Coast Ltd) to provide electric buses and charging infrastructure in line with the ZEBRA 2 bid.

### Background

5. The Isle of Wight Council has been successful in securing £4,474,045 of funding as a part of the Department for Transport's (DfT's) ZEBRA 2 programme. The focus of the latest round of the ZEBRA programme was on those Local Transport Authorities (LTA) that were not successful in the initial round of funding and that are classified as predominantly rural. On these grounds the Isle of Wight was deemed eligible and in autumn 2023, an initial Expression of Interest (EoI) setting

out the Council's intention to apply, was submitted.

6. Following on from the successful EoI a bid was developed in partnership with Go South Coast Ltd, the parent company of Southern Vectis, the local commercial bus operator. The final agreement was reached to proceed with a bid for 22 vehicles and associated charging infrastructure for the following routes:
  - (a) Southern Vectis service 1 - Newport to Cowes, via Northwood
  - (b) Southern Vectis service 5 – Newport to East Cowes via Whippingham
  - (c) Southern Vectis service 9 – Newport to Ryde via, Wootton, Fishbourne and Binstead
7. The decision to proceed with a bid for these specific routes and number of vehicles, was based on a detailed analysis of the most viable options for electric bus operations on the island. This review considered current products available on the market, the cost per vehicle, their operating range, the topography of each route, the required mileage per vehicle to operate the services, the number of vehicles required per service per day, the number of charging units required, charging times, the frequency of journeys and patronage.
8. Advice in reviewing these factors was also sought from the Go-Ahead Group centre of excellence in London. They have previously assisted operations within the city transition to zero emission fleets. Finally, all the relevant statistics were fed into the Greener Bus Tool, the output of which generates a Benefit to Cost Ratio (BCR) which helps to determine the level of return on investment when considering the funding bid.
9. It should be noted that the funding secured is a contribution towards the overall investment of circa £12,700,000 required for the new zero emission buses and infrastructure. With the difference being met by Go South Coast and a contribution of £500,000 from the Isle of Wight Council towards the charging infrastructure.
10. Support for the proposals were secured from our local MP as a requirement and support was also obtained from the Isle of Wight Bus and Rail Users Group (IWBRUG).
11. Based upon the proposed timescale set out within the bid the new all electric buses would be in operation by spring 2026.

## Corporate Priorities and Strategic Context

### Responding to climate change and enhancing the biosphere



11. The ZEBRA 2 project will significantly contribute to the Council's net zero ambitions. Within the Council's adopted Climate and Environment Strategy it is identified that transport is one of the key emitters of carbon and greenhouse gases on the Island. On a national level, transport emissions equate to 24% of total greenhouse gas emissions. Based on the DfT's Greener Bus Tool (which is used for calculating the impact of introduction Zero Emission Buses), over the intended 18-year lifetime of the vehicles, this project will save in the region of 28,000 tonnes of carbon and 13 tonnes of nitrogen oxides from the atmosphere. This saving is equivalent to over 262,000,000 miles driven by an average sized car with an internal combustion engine.
12. With the introduction of 22 electric buses on three of the principle local bus routes it will represent a positive step forward for the Island, with the new buses representing nearly 50% of the current local public bus service fleet.
13. It should be noted that the positive outcomes to the Island are much wider than just these three routes, as other routes will benefit from the reallocation of the newer existing ultra-low emission vehicles.

### Economic Recovery and Reducing Poverty

14. The existing Southern Vectis workforce will be upskilled in the operation and maintenance of an electric vehicle fleet. This will bring new expertise and skills to

the Island. It is the intention that opportunities will be given to other local fleet operators to have the opportunity to engage with Southern Vectis and to potentially utilise the charging infrastructure at Nelson Road Depot, between the times it is required for the electric bus fleet.

### **Impact on Young People and Future Generations**

15. It is recognised that young people are regular users of local bus services to access education, employment, healthcare provision and for socialising. Therefore, a proposal to enhance local bus service provision will directly benefit all young people currently relying upon the service. They will benefit from the investment, though improved onboard facilities, as well as the environmental benefits of zero emission vehicles.
16. In respect of future generations, they will benefit from the associated reductions in greenhouse gas emissions, reductions in air pollution and other environmental benefits in transitioning towards a zero-emission local bus operation.
17. It is an aspiration of the project, that the new charging infrastructure will support additional local bus services to be operated by zero emission vehicles and from lessons learnt, it will assist other local fleet operators to transition to zero emission vehicles.

### **Corporate Aims**

18. The ZEBRA project aligns with the Isle of Wight Council Corporate Plan key area for action 'Responding to climate change and enhancing the biosphere' by providing an affordable, convenient and low emission transport options, which produce significantly fewer pollutants and carbon emissions than cars or vans.
19. The project supports the strategic objectives outlined in the current Local Transport Plan and will have a more significant role in the emerging Local Transport Plan 4. One such priority is the decarbonisation of transport, as it is recognised that transport is one of the main contributors locally of greenhouse gas emissions.

### **Consultation and Engagement**

20. Engagement was undertaken with the Isle of Wight Bus and Rail User Group (IWBRUG), who represent users of existing services. They did support the proposals though would like to have seen other routes considered as well. In response it is hoped that whilst this project focuses on just three principle local bus routes on the Island, the associated charging infrastructure and through monitoring the impact of delivery of this project, that it will support further investment in the future for additional zero emissions buses on other routes.
21. Discussions were also held with Wight Community Access Limited, who operate the only electric minibuss operating on the local community based FYT bus service in the West Wight. It was hoped that we could include a request within the bid for match funding towards an additional electric minibuss for this operation. Unfortunately, it was latterly determined that this could not be included as it would not have met the strict criteria for the funding. However, the Council was able to

contribute to a new electric minibus, by utilising separate DfT funding.

22. Portsmouth City Council also provided support and advice to inform the development of the bid. This was especially useful, as they had been previously successful in their bid for ZEBRA funding via the initial round of funding.

## **Financial / Budget Implications**

23. The Department for Transport (DfT) have awarded the Isle of Wight Council £4,474,045.00 of ZEBRA funding for the project against a full cost of circa £12,855,976.00. The initial payment of £3,513,581.00 was made at the end of the financial year 2023/24, with a further payment of £960,464.00 which will be paid by the end of financial year 2024/25.
24. This is in line with the bid application with the exception of £24,943.00 which relates to non-contestable distribution network operator (DNO) costs. This cost, if necessary, will be met within the available funding allocation and investment.
25. Southern Vectis (Go South Coast Ltd) shall be investing circa £7,881,931.00 into project to match the funding contribution from the DfT. The total vehicle capital cost is £11,312,114.00 for 22 Zero Emission Buses.
26. Additionally, the Isle of Wight Council has committed £500,000.00 of s106 and capital funding for bus infrastructure, into the project. This is specifically for the charging infrastructure at Southern Vectis' Depot, Nelson Road, Newport. It is the intention that the charging infrastructure can be used by other community groups and small electric vehicle fleet operators when not required for charging the buses.
27. The DfT ZEBRA funding shall be defrayed to Southern Vectis via a Grant Funding agreement which shall hold them to the terms of the funding and the original scope of project. The s106 and capital funding shall also be paid via a similar agreement, though with additional conditions, with a requirement that most recent ultra-low emission vehicles purchased by Southern Vectis, are allocated to routes 2 & 3.

## **Legal Implications**

28. The grant funding agreements are to be drawn up by colleagues within Legal Service to allow the funding to be defrayed to Southern Vectis for the purposes of procuring the zero emission buses and associated charging infrastructure.
29. When public bodies provide financial assistance (including grants), they need to have regard to subsidy control laws. The council will not itself receive unlawful subsidy as it will pass the ZEBRA Grant in full to the local bus operator and as a result the subsidy control rules will not be engaged.
30. The payment of the ZEBRA grant and the additional council grant to bus operator will fall within the definition of "subsidy" which means the council must satisfy itself that the grant is consistent with the Subsidy Control Act principles.
31. Risks relating to any indirect subsidy can be mitigated by compelling operators to

tender the contracts for the buses and related infrastructure using a transparent competitive procedure.

32. The requirement for the bus operator to obtain value for money and to comply with both procurement and subsidy control roles will be included in the funding agreements. The grant funding agreements will also contain clawback provisions in the event of non-compliance alongside monitoring arrangements for funding spend and delivery of outcomes.

## Equality and Diversity

33. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
34. It is anticipated the ZEBRA 2 project will have a positive impact on persons with 'protected characteristics, related to age and disability. In summary these positive impacts are related to the reduction in emissions and improved safety features on new buses (e.g., CCTV, accessibility improvements). Likewise the neuro diverse interior colours will benefit people who have additional needs and the provision of USB charging ports will be particularly helpful for young people.
35. The report identifies either neutral or positive impacts for other communities due to enhanced air quality due to the introduction of the all-electric fleet and the subsequent redistribution of the existing ultra-low emission fleet to serve rural areas.

## Property Implications

32. There are no property implications in association with this report or decision, as the project is not related to any existing Council property and does not propose investment in any additional property.

## Options

37. **Option 1** - Cabinet approves delivery of the ZEBRA 2 project in line with the bid submitted and the funding awarded; and
38. **Option 1a** - to delegate authority to the Strategic Director for Place, in consultation with the Strategic Manager for Legal Services to negotiate, finalise and enter into grant funding agreements with Southern Vectis (Go South Coast Ltd) to provide electric buses and charging infrastructure in line with the ZEBRA 2 bid.
39. **Option 2** – Not to approve proceeding with the ZEBRA 2 project as proposed. This would result in the need to re-engage with both Southern Vectis and the DfT on either a revised proposal or to advise them that we would not be proceeding with project. Any such discussions would be based on the feedback from Cabinet and in the event of a cancellation would require the Council to return the funding

received.

## **Risk Management**

40. Southern Vectis will have full responsibility for the procurement and ownership of all vehicles and infrastructure with all risk of unaccounted price increases or unforeseen costs sitting with them. There will be only limited operator expenditure incurred prior to the procurement of vehicles and infrastructure. This relates mainly to the development of tender documentation, and the sunk costs if the project is cancelled prior to final procurement of vehicles and infrastructure. Any associated risks to the Council shall be mitigated through clear conditions of the grant funding agreement, holding Southern Vectis to the conditions of the ZEBRA fund.
41. As procurement and project delivery is being undertaken by Southern Vectis, they will own all risks related to project programme and ensuring it is delivered to the proposed timeline. The Council shall monitor these through regular engagement and monthly progress reports that will be provided to the council (stipulated in the grant funding agreement).
42. The Isle of Wight Council (not the bus operators) is accountable to DfT for the delivery of the project and the spending and monitoring of the ZEBRA grant. Failure to deliver could result in DfT seeking to reclaim funding, and/or damaging the Council's chances of success when applying for DfT funds in future. This shall be managed by close oversight and project governance arrangements that includes financial reporting. Any specific risks shall be logged and those for the Council, where appropriate shall be recorded on the service risk register.
43. Planning permissions are required for some of the charging infrastructure and depot works. As operators are responsible for the delivery of all infrastructure and depot works, they own all planning risk related to the project including any planning costs that may be incurred. Though delays to obtaining planning permissions would delay project implementation. To help mitigate this risk we shall facilitate continual engagement, provide assistance where necessary and ensure that Planning Services are involved from an early stage.
44. The legal risks of this project relate to subsidy control and are summarised in the legal implications section above. These risks will be shared by the Council and the Southern Vectis. Southern Vectis, through the proposed funding agreement, will be obliged to undertake appropriate tendering processes. Responsibility will sit with the Council to ensure that operators adhere to the agreement.

## **Evaluation**

44. The option to proceed ZEBRA 2 project is being recommended, as it represents an significant opportunity for the Council in its efforts to decarbonise transport on the Island, in line with the Corporate objectives and the Climate and Environment strategy.
45. Once the Zero Emission Buses are in operation, residents and visitors to the Island who use the service will directly benefit from the improved-on board facilities. Likewise, the wider public will benefit from the associated improvements in air quality through zero tailpipe emissions and reduced noise against

conventional diesel vehicles.

46. It also provides an opportunity for the Island to build upon existing efforts to decarbonise transport such as the roll out of electric charging points for private vehicles as well as publicly available electric scooters and bikes.

## **Appendices Attached**

45. Appendix 1 – ZEBRA 2 Application
46. Appendix 2 – Equality Impact Assessment
47. Appendix 3 – Climate and Sustainable Development Impact Assessment

## **Background Papers**

48. Department for Transport ZEBRA 2 funding Guidance [Apply for zero emission bus funding \(ZEBRA 2\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/672222/Apply_for_zero_emission_bus_funding_(ZEBRA_2)_-GOV.UK_(www.gov.uk).pdf)
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