

Cabinet

28 January 2025

Coventry All Electric Bus City Scheme

Recommendations

That Cabinet:

1. Authorises the Executive Director for Communities, in consultation with the Portfolio Holder for Transport & Planning, to commence a procurement exercise to secure the operation of cross-boundary bus services to be operated under contract to the County Council as set out in this Report
2. Authorises the Executive Director for Communities to enter into any contracts and agreements necessary to implement Recommendation 1 on terms and conditions acceptable to the Executive Director for Resources

1. Executive Summary

- 1.1 In March 2021, the West Midlands Combined Authority (WMCA) received a £49.9million All-Electric Bus Town (ABET) capital grant contribution from the Department for Transport (DfT), as part of a £120million initiative to develop Coventry as the UK's first all-electric bus city by the end of December 2025. This includes £70million of partnership investment from bus operators, WMCA and Warwickshire County Council, of which Warwickshire's contribution is in the form of a £1.366million contribution from the Capital Investment Fund. This would see a substantial proportion of Coventry's bus fleet - including cross boundary routes running into Warwickshire - transformed to zero emission all-electric specification. This would be in line with the WMCA Bus Enhanced Partnership (EP) Scheme which aims for all conventional bus services operating in Coventry to meet a zero emission all-electric specification by December 2025.
- 1.2 The Coventry All Electric Bus City Scheme (CEBC) is at an advanced stage with the commercial bus services element nearing completion. National Express Coventry operate one hundred and twenty all-electric double decker buses supported by charging infrastructure at their Coventry depot. Similarly, Stagecoach Midlands are in the final stages of launching sixty-four all-electric buses (comprising thirty-three single-deck buses and thirty-one double decker buses) supported by charging infrastructure at their depots in Warwick, Nuneaton and Rugby. The all-electric bus fleet includes modern amenities such as high-specification passenger information systems (e.g. audio

announcements) and increased capacity to accommodate wheelchairs and buggies.

- 1.3 Since May 2024, County Council officers have been collaborating with WMCA to deliver the final component of the CEBC Scheme, which is focused on subsidised tendered bus services (i.e. those services which are needed to support urban and rural settlements but would fail to operate on a fully commercial basis and which the Council has statutory powers to seek tenders for on a subsidised basis). The ambition was for WMCA and Warwickshire County Council to undertake a joint procurement exercise covering tendered bus services in Coventry funded by the WMCA (over twenty bus services which run wholly within the WMCA area) and cross-boundary tendered bus services running into Warwickshire funded by the County Council. However, because of timing differences this has not been possible.
- 1.4 The current contracts for cross-boundary subsidised tendered bus services operated under contract to the County Council expire in December 2025. It is therefore proposed that the County Council runs its own procurement exercise covering these bus services with the aim of the new all-electric buses and possible supporting charging infrastructure being in operation by December 2025 in line with the CEBC Scheme completion deadline set by the DfT. This is still a challenging timeframe and is subject to programme risks associated with vehicle production lead time, supply chain availability and delivery of supporting charging infrastructure including complementary works on the national grid. Despite these challenges, it is believed that the tendered services will be implemented more quickly through a County Council procurement than the timetable that could be achieved for a joint procurement with WMCA. The Council will still require information from WMCA to prepare the necessary tender documents referred to at para 4.1 of this report and achieve the timetable proposed.
- 1.5 To mitigate against the impact of programme slippage, a delivery programme approach will be implemented that includes regular project meetings, close oversight of the procurement programme colleagues and regular project updates (including scheme highlight reports and regularly updated risk registers) to the WMCA and the DfT. This process will ensure that the DfT have clear and sufficient insight on decisions taken to overcome any challenges encountered that may impact the programme. By adopting this approach, it is intended that any requirements for amending timelines or conditions can be agreed in an open and evidence-based way with DfT.
- 1.6 The County Council funded cross-boundary bus services to be included in the procurement exercise are outlined in Table 1 below:

Table 1: Cross-Boundary Bus Services Operated under Contract to the County Council which form part of the CEBC Scheme	
Service No.	Route Description
24	Kenilworth - Kenilworth Railway Station – Stoneleigh - NAC Stoneleigh – Bubbenhall – Baginton - Coventry

25/25A	Rugby – Dunchurch – Thurlaston - Lawford Heath – Bourton-on-Dunsmore – Frankton – Birdingbury - Marton – Princethorpe – Stretton-on-Dunsmore – Ryton-on-Dunsmore - Bubbenhall – Baginton - Coventry
73	Nuneaton - Horeston Grange - Whitestone
74/74A/74B/ 74S/75	Nuneaton - Horeston Grange – Attleborough - Whitestone – Bulkington - Bramcote Camp - Burton Hastings - Wolvey – Shilton – Ansty - University Hospital - Walsgrave - Coventry
78/78A	Nuneaton - George Eliot Hospital – Bedworth - Blackhorse Road – Longford - University Hospital - Walsgrave
79	Nuneaton - George Eliot Hospital - Bermuda Park – Collycroft – Bedworth - Bede Village - Ash Green – Keresley
85/85A/85B/ 85H/85S	St Cross Hospital – Rugby – Newbold-on-Avon - Harborough Magna – Pailton - Monks Kirby - Stretton-under-Fosse – Easenhall – Brinklow - Coombe Abbey - University Hospital - Walsgrave - Coventry
735	Coleshill – Shustoke - Whitacre Heath - Nether Whitacre - Furnace End – Ansley - Gun Hill – Arley - Devitt’s Green – Fillongley - Corley Moor – Corley - Coventry

- 1.7 These subsidised tendered services do no substantive business within the WMCA area, WMCA and WCC seek for them to be included in the CEBC Scheme in acknowledgement of the requirement under the WMCA Bus Enhanced Partnership for all conventional bus services operating in Coventry to be zero emission all-electric specification buses by end of December 2025. As those services listed in Table 1 operate on a cross border basis, they come within the remit of the CEBC Scheme.
- 1.8 From prior modelling, it is considered that a total of eleven all-electric buses are required to run the existing cross-boundary services featured in the procurement exercise. Whilst the tender process will consider the use of electric buses for these services, awarding a contract on this basis is dependent on affordability within the parameters of the budget available including the CEBC grant received, and subject to a mechanism that returns the value of the buses on a residual basis at the end of the contract.
- 1.9 In terms of the wider scope issues, e.g., peak vehicle requirement (the number of buses required to run the service) and scheduled timetable, the tenders will seek to preserve those at the same level as presently offered. In the event of the tender returns to run all-electric buses on the services exceeds the constraints of the budget available, then County Council officers will not award the contract on this basis and notify the WMCA and DfT accordingly, in acknowledgement this is the first time that the County Council has tendered for the provision of all-electric buses on subsidised bus services, and thus, this procurement exercise is effectively a market testing initiative.

2. Financial Implications

- 2.1 The secured funding streams covering the entire cost of the procurement exercise are as follows:

Capital Costs (New Vehicles and Charging Infrastructure):

- a) AEBT Capital Grant held by WMCA – will contribute up to 75% of the cost difference between a zero-emission bus and a standard conventional diesel bus equivalent of the same total passenger capacity, alongside up to 75% of the capital expenditure (charging infrastructure) incurred in purchase and installation - including provision at Coventry Pool Meadow Bus Station
- b) WCC Capital Investment Fund – a £1.366million contribution towards the outstanding cost of the buses and supporting charging infrastructure, which should help to reduce bus subsidy contract costs
- c) Bus Operator(s) – the successful Tenderer(s) would need to cover the outstanding capital funding amount for the all-electric buses and charging infrastructure

Revenue Costs (Bus Subsidy Contract Costs):

- The WCC Bus Services Revenue Support budget is used to fund the operation of tendered bus services across the county, and thus, will cover the bus subsidy contract costs involved in the contract(s); and
- The duration of the contract(s) will be for eight years (the maximum that can be set in accordance with our procurement framework) to provide the County Council with security spread over an extended timeframe to obtain Best Value in acknowledgement that a WCC capital contribution towards the acquisition of new assets (i.e., all-electric buses and supporting charging infrastructure) is involved.

- 2.2 One financial risk that exists when running the procurement exercise is that tender prices exceed the budget capacity outlined in paragraph 2.1. To mitigate against this risk, County Council officers intend to split the tender into two lots, as below:

Lot 1 – Service Nos. 24, 25, 25A and 85 Group (requires six all-electric buses) with current bus subsidy contract cost set at £0.558million per annum

Lot 2 – Service Nos. 73, 74 Group, 78, 78A, 79 and North Warwickshire Service 735 (requires five all-electric buses) with current bus subsidy contract cost set at £0.500million per annum

Tenderers would be able to submit a combined tender price covering both lots, or alternatively, submit a separate price for a single lot and not bid for the other. By splitting the tender into two lots, County Council officers hope to encourage competition, e.g., allowing smaller operators to compete with primary bus operators by focusing on one lot rather than the entire package, which could lower tender prices, reduce risk and streamline the procurement process.

- 2.3 Other measures put in place to help mitigate against the financial risk of tender prices exceeding the budget capacity are as follows:

- County Council officers intend to include an option for tenderers to provide a quote based on operating the cross-boundary services using diesel buses instead of an all-electric specification. Whilst this is at odds with intended move to all electric vehicles it is important to ensure that at the end of the process we are able to operate the subsidised services within budget, However, retaining diesel buses will be a last resort and only implemented if tender submissions for electric buses exceed the constraints of the secured capital and revenue budgets; and
- In terms of running the cross-boundary services using all-electric buses, Tenderers will be directed towards providing two quotes based on the following:
 - A minimum subsidy contract, i.e., the bus operator takes on the revenue risk (retains the revenue generated from bus ticket sales – with an equivalent sum being deducted from the bus subsidy contract costs paid by the County Council) and set the bus fares; and
 - A minimum cost contract arrangement, i.e., the County Council assumes the revenue risk (retains the revenue generated from bus ticket sales which could be directed towards paying a proportion of the bus subsidy contract costs) and has responsibility for setting bus fares. This is a risk given the unknown financial commitment for the Council and the need for robust monitoring of the service provision and revenue recovery.

2.4 Most subsidised tendered bus services funded by the Council operate under a minimum subsidy contract arrangement. However, there are a small number of existing tendered services operated under a minimum cost contract arrangement, e.g., the Stratford Park and Ride and IndieGo Plus (pilot demand responsive transport) service. When evaluating any minimum cost contract based tender submissions, the Council will undertake a detailed risk assessment which will include analysis on whether the revenue projections put forward by the tenderers are reasonable and realistic to support the decision-making process.

2.5 Running a Council specific procurement exercise will provide greater control for the Council over the decision-making process. In the event of tender prices being excessive and unaffordable, the decision as to whether to award the contract will rest solely with the Council. In the event of the cross-boundary bus services funded by the County Council being operated with diesel-engine buses, this is a permitted exemption in the WMCA Bus Enhanced Partnership Scheme at no cost to the County Council. If this is the route taken, the WMCA will retain the AEBT capital grant monies ringfenced to support all-electric bus provision on the cross boundary subsidised tendered services funded by the County Council and direct elsewhere within the WMCA element of the CEBC Scheme. Furthermore, the £1.366million contribution from the WCC Capital Investment Fund would be returned to the corporate centre and the Scheme removed from the Capital Programme, and Section 106 developer contribution monies will be returned if not able to be allocated to alternative schemes under the terms of the s106 agreement.

- 2.6 The Council will directly negotiate with the relevant bus operator(s) on the question of what will happen to the all-electric buses at the end of the contract, including the potential for financial clawback based upon residual value. The residual value mechanism arrangement will be based on ensuring that the Council is not obligated to purchase the all-electric buses and supporting charging infrastructure upon expiry of the contract, and thus, the Council will not have ownership of the assets.

3. Environmental Implications

- 3.1 Approximately two-hundred new zero-emission all-electric buses are being provided through the Coventry All Electric Bus City Scheme, which is equivalent to taking the emissions of 14,000 cars off the roads in Coventry and Warwickshire.
- 3.2 Delivery of the cross-boundary subsidised tendered bus services component of the CEBC Scheme will continue the work of the Warwickshire Bus Enhanced Partnership in decarbonising buses on the Warwickshire network. In addition, this will continue the steps taken by the County Council in achieving its Net Zero objectives and provide societal and environmental benefits, e.g., increasing bus patronage, reducing congestion, improving air quality and reducing carbon emissions.
- 3.3 The Scheme will also add value to the work of the Council in terms of helping to achieve elements of the seven areas of focus in the WCC Council Plan 2022-27 and achieving aspirations in the County Council's Sustainable Futures Strategy, in terms of delivering improved transport options, tackling climate change, promoting a sustainable alternative to car dependence and encouraging modal shift.

4. Supporting Information

- 4.1 When preparing to undertake the procurement exercise the following appropriate grant funding agreements will need to be drafted with support from Warwickshire Legal Services:
- (i) Transfer of appropriate sum of AEBT capital grant funding from WMCA to the County Council
 - (ii) Transfer of appropriate sum of AEBT capital grant funding from the County Council onto the successful Tenderer(s)
 - (iii) Transfer of Capital Investment Fund sum from the County Council onto the successful Tenderer(s)
- 4.2 In addition, the County Council's Dynamic Purchasing System (DPS) terms and conditions will need to be amended to include any conditions attached to the AEBT capital grant awarded to the WMCA by the DfT.
- 4.3 Clauses in respect of a residual value mechanism will also need to be included in the contract if it is agreed to pursue this route to protect the Council's position in relation to subsidy control and to obtain future value from

the assets purchased. Further, the Council will seek to include provision as part of the tender for charging infrastructure to be made available to other bus operators operating subsidised services for the Council with a view to expanding the network of charging and encouraging wider adoption of electric buses.

- 4.4 The successful Tenderer(s) would be responsible for procuring the all-electric buses and arranging the undertaking of charging infrastructure works (highly likely to be installed at their depot), including any works on the national grid to be conducted by the Distribution Network Operator (DNO).

5. Timescales associated with the decision and next steps

- 5.1 Subject to Cabinet approval it is intended to commence the procurement exercise in early February 2025 with award taking place (subject to pricing) in Spring 2025.
- 5.2 The aim is for the new all-electric buses and supporting charging infrastructure to be in operation by end of December 2025.

Appendices

None.

Background Papers

None.

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