



**Oversight and Governance**

Chief Executive's Department

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## Delegated Decisions

### Delegated Executive/Officer Decisions

Delegated Executive and Officer decisions are published and are available at the following link - <https://tinyurl.com/ms6umor>

Cabinet decisions subject to call-in are published at the following link - <http://tinyurl.com/yddrql6>

Notice of call-in for non-urgent decisions must be given to the Democratic Support Team by 4.30 pm on Wednesday 13 November 2024. Please note – urgent decisions and non-key Council Officer decisions cannot be called in. Copies of the decisions together with background reports are available for viewing as follows:

- on the Council's Intranet Site at <https://modgov/mgDelegatedDecisions.aspx>
- on the Council's website at <https://tinyurl.com/jhnax4e>

The decision for call-in detailed below may be implemented on Thursday 14 November 2024 if it is not called-in, the Council Officer decision may be implemented immediately.

## Delegated Decisions

**1. Councillor Mark Coker (Cabinet Member for Strategic Planning and Transport):**

1a. SPT11 24/25 THE CITY OF PLYMOUTH (TRAFFIC REGULATION ORDERS) (AMENDMENT ORDER NO. 2024.2137330 – DERRIFORD COMMERCIAL CENTRE SOUTH) ORDER & THE CITY OF PLYMOUTH (TRAFFIC MOVEMENT AND SPEED LIMIT REGULATIONS) (AMENDMENT ORDER No. 2024.2137330 – DERRIFORD COMMERCIAL CENTRE SOUTH) ORDER

**(Pages 1 - 14)**

**2. Council Officer Decision - Paul Barnard (Service Director for Strategic Planning and Infrastructure):**

2a. COD28 24/25 Department for Transport Zero Emission Bus Regional Areas scheme (ZEBRA 2): Subsidy Award to Plymouth Citybus Limited

**(Pages 15 - 76)**

# EXECUTIVE DECISION

made by a Cabinet Member




## REPORT OF ACTION TAKEN UNDER DELEGATED AUTHORITY BY AN INDIVIDUAL CABINET MEMBER

Executive Decision Reference Number – SPT11 24/25

Decision	
1	<p><b>Title of decisions:</b> THE CITY OF PLYMOUTH (TRAFFIC REGULATION ORDERS) (AMENDMENT ORDER NO. 2024.2137330 – DERRIFORD COMMERCIAL CENTRE SOUTH) ORDER</p> <p>&amp; THE CITY OF PLYMOUTH (TRAFFIC MOVEMENT AND SPEED LIMIT REGULATIONS) (AMENDMENT ORDER No. 2024.2137330 – DERRIFORD COMMERCIAL CENTRE SOUTH) ORDER</p>
2	<p><b>Decision maker:</b> Councillor Mark Coker (Cabinet Member for Strategic Planning and Transport)</p>
3	<p><b>Report author and contact details:</b> Amy Neale, Highway Safety Engineer, email: <a href="mailto:trafficmanagementinbox@plymouth.gov.uk">trafficmanagementinbox@plymouth.gov.uk</a></p>
4	<p><b>Decision to be taken:</b></p> <p>To implement the following amendments to The City of Plymouth (Traffic Regulation and Street Parking Places) (Consolidation) Order 2004 &amp; The City of Plymouth (Traffic Movement and Speed Limit Regulations) (Consolidation) Order 2022</p> <p>The effect of the order shall be to:</p> <p>Add No Waiting restrictions, a Bus lane &amp; a No Left Turn on lengths of the following roads: Bravo Way &amp; Derriford Park</p> <p>The proposals also included advertisement of:</p> <ol style="list-style-type: none"> <li>1. 2 Zebra Crossings on Bravo Way &amp; Alpha Way</li> <li>2. 1 Parallel Crossing on Bravo Way</li> <li>3. 1 raised table top on Bravo Way</li> </ol> <p>As set out in the briefing report.</p>
5	<p><b>Reasons for decision:</b></p> <p>The development is a new district centre in Derriford. A road link between Derriford Business Park and the roundabout near to The Range will be created by the development. This will provide walking and cycling links to the hospital and local area. However, to avoid this becoming a 'cut-through' &amp; ensuring the safety of the public, the northern section of the link is to be restricted to buses and taxis only.</p>
6	<p><b>Alternative options considered and rejected:</b></p> <p>This is a part of a planning obligation and therefore, there were no other options considered for this scheme.</p>

<b>7</b>	<b>Financial implications and risks:</b> The Traffic Regulation Orders (TRO's) and associated works are being funded by the developers who are constructing the new road. The cost of the Traffic Order is £6,160.			
<b>8</b>	<b>Is the decision a Key Decision?</b> (please contact <b>Democratic Support</b> for further advice)	<b>Yes</b>	<b>No</b>	<b>Per the Constitution, a key decision is one which:</b>
			X	in the case of <b>capital</b> projects and contract awards, results in a new commitment to spend and/or save in excess of <b>£3million</b> in total
			X	in the case of <b>revenue</b> projects when the decision involves entering into new commitments and/or making new savings in excess of <b>£1million</b>
		X	is <b>significant</b> in terms of its effect on communities living or working in an area comprising <b>two or more</b> wards in the area of the local authority.	
	<b>If yes, date of publication of the notice in the <b>Forward Plan of Key Decisions</b></b>	N/A		
<b>9</b>	<b>Please specify how this decision is linked to the Council's corporate plan/Plymouth Plan and/or the policy framework and/or the revenue/capital budget:</b>		The Local Transport Plan (LTP) details the transport strategies and policies that the City Council has adopted and will be key in helping the city meet its Corporate Plan priorities, and growth agenda.	
<b>10</b>	<b>Please specify any direct environmental implications of the decision (carbon impact)</b>		None.	
<b>Urgent decisions</b>				
<b>11</b>	<b>Is the decision urgent and to be implemented immediately in the interests of the Council or the public?</b>	<b>Yes</b>		(If yes, please contact Democratic Support ( <a href="mailto:democraticsupport@plymouth.gov.uk">democraticsupport@plymouth.gov.uk</a> ) for advice)
		<b>No</b>	X	<b>(If no, go to section 13a)</b>
<b>12a</b>	<b>Reason for urgency:</b>			
<b>12b</b>	<b>Scrutiny Chair Signature:</b>		<b>Date</b>	

	<b>Scrutiny Committee name:</b>			
	<b>Print Name:</b>			
<b>Consultation</b>				
I3a	<b>Are any other Cabinet members' portfolios affected by the decision?</b>	<b>Yes</b>		
		<b>No</b>	X	<b>(If no go to section I4)</b>
I3b	<b>Which other Cabinet member's portfolio is affected by the decision?</b>			
I3c	<b>Date Cabinet member consulted</b>			
I4	<b>Has any Cabinet member declared a conflict of interest in relation to the decision?</b>	<b>Yes</b>		If yes, please discuss with the Monitoring Officer
		<b>No</b>	X	
I5	<b>Which Corporate Management Team member has been consulted?</b>	<b>Name</b>	Karime Hassan	
		<b>Job title</b>	Interim Strategic Director for Growth	
		<b>Date consulted</b>	25 October 2024	
<b>Sign-off</b>				
I6	<b>Sign off codes from the relevant departments consulted:</b>	<b>Democratic Support (mandatory)</b>	DS65 24/25	
		<b>Finance (mandatory)</b>	DJN.24.25.109	
		<b>Legal (mandatory)</b>	LS/2960(23)/JP/2510 24.	
		<b>Human Resources (if applicable)</b>	N/A	
		<b>Corporate property (if applicable)</b>	N/A	
		<b>Procurement (if applicable)</b>	N/A	
<b>Appendices</b>				
I7	<b>Ref.</b>	<b>Title of appendix</b>		
	A	Briefing report for publication		
	B	Equalities Impact Assessment		
<b>Confidential/exempt information</b>				
I8a		<b>Yes</b>		

	<b>Do you need to include any confidential/exempt information?</b>	<b>No</b>	<b>X</b>	If yes, prepare a second, confidential ('Part II') briefing report and indicate why it is not for publication by virtue of Part I of Schedule 12A of the Local Government Act 1972 by ticking the relevant box in <b>18b</b> below.  (Keep as much information as possible in the briefing report that will be in the public domain)				
		<b>Exemption Paragraph Number</b>						
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>18b</b>	<b>Confidential/exempt briefing report title:</b>							
<b>Background Papers</b>								
<b>19</b>	Please list all unpublished, background papers relevant to the decision in the table below.  Background papers are <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based. If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part I of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.							
<b>Title of background paper(s)</b>		<b>Exemption Paragraph Number</b>						
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>Cabinet Member Signature</b>								
<b>20</b>	I agree the decision and confirm that it is not contrary to the Council's policy and budget framework, Corporate Plan or Budget. In taking this decision I have given due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not. For further details please see the EIA attached.							
<b>Signature</b>				<b>Date of decision</b>	06 November 2024			
<b>Print Name</b>	Councillor Mark Coker (Cabinet member for Strategic Planning and Transport)							

# **DERRIFORD COMMERCIAL CENTRE SOUTH**



## **1. INTRODUCTION**

This report seeks delegated authority to implement amendments to The City of Plymouth (Traffic Regulation and Street Parking Places) (Consolidation) Order 2004 & The City of Plymouth (Traffic Movement and Speed Limit Regulations) (Consolidation) Order 2022 in association with the Derriford Commercial Centre South Traffic Regulation Order.

## **2. TRAFFIC REGULATION ORDERS REQUIRED**

2.1 The elements that need a Traffic Regulation Order are as follows:

### **No Waiting At Any Time**

- (i) Bravo Way, both sides for its entirety.

### **Bus, Cycle & Taxi Lane**

- (i) On Bravo Way

### **No Left Turn except buses, taxis & cycles**

- (i) On Derriford Park, turning into Bravo Way

The proposals also included advertisement of:

- **2 Zebra Crossings on Bravo Way & Alpha Way**
- **1 Parallel Crossing on Bravo Way**
- **1 raised table top on Bravo Way**

## **3. STATUTORY CONSULTATION**

### **Proposals**

The proposals for the Derriford Commercial Centre South TRO were advertised on street, in the Herald and on the Plymouth City Council website on 3<sup>rd</sup> October 2024. Details of the proposals were sent to the Councillors representing the affected wards and statutory consultees on 30<sup>th</sup> September 2024.

**There have been 0 representations received relating to the proposals included in the Traffic Regulation Order.**

## **4. RECOMMENDATION**

**It is recommended that the proposals are implemented as advertised.**

## **5. LEGAL CONSIDERATIONS**

The lawful implications and consequences of the proposal have been considered and taken into account in the preparation of this report.

When considering whether to make a traffic order it is the Council's responsibility to ensure that all relevant legislation is complied with. This includes Section 122 of the Road Traffic Regulation Act 1984 (as amended) that sets out that it is the duty of a local authority, so far as practicable subject to certain matters, to secure the expeditious, convenient and safe movement of vehicular and other traffic (including pedestrians) and the provision of suitable and adequate parking facilities on and off the highway. It is considered that the proposals comply with Section 122 of the Act as they practically secure the safe and expeditious movement of traffic in and around Plymouth and provide for suitable and adequate associated parking facilities.



# EQUALITY IMPACT ASSESSMENT – DERRIFORD COMMERICAL CENTRE SOUTH

## SECTION ONE: INFORMATION ABOUT THE PROPOSAL

<b>Author(s):</b> The person completing the EIA template.	Amy Neale	<b>Department and service:</b>	Plymouth Highways, Traffic Management	<b>Date of assessment:</b>	25 October 2024
<b>Lead Officer:</b> Head of Service, Service Director, or Strategic Director.	Mike Artherton	<b>Signature:</b>	<i>M. Artherton</i>	<b>Approval date:</b>	25 October 2024
<b>Overview:</b>	The development is a new district centre in Derriford. A road link between Derriford Business Park and the roundabout near to The Range will be created by the development. This will provide walking and cycling link to the hospital and local area. However, to avoid this becoming a 'cut-through' & ensuring the safety of the public, the northern section of the link is to be restricted to buses and taxis only.				
<b>Decision required:</b>	To implement the following amendments to The City of Plymouth (Traffic Regulation and Street Parking Places) (Consolidation) Order 2004 & The City of Plymouth (Traffic Movement and Speed Limit Regulations) (Consolidation) Order 2022  The effect of the order shall be to:  Add No Waiting restrictions, a Bus lane & a No Left Turn on lengths of the following roads: Bravo Way & Derriford Park  The proposals also included advertisement of: 1. 2 Zebra Crossings on Bravo Way & Alpha Way 2. 1 Parallel Crossing on Bravo Way 3. 1 raised table top on Bravo Way  As set out in the briefing report.				

## SECTION TWO: EQUALITY IMPACT ASSESSMENT SCREENING TOOL

<b>Potential external impacts:</b>	<b>Yes</b>		<b>No</b>	X
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Does the proposal have the potential to negatively impact service users, communities or residents with protected characteristics?				
<b>Potential internal impacts:</b> Does the proposal have the potential to negatively impact Plymouth City Council employees?	<b>Yes</b>		<b>No</b>	X
Is a full Equality Impact Assessment required? (if you have answered yes to either of the questions above then a full impact assessment is required and you must complete section three)	<b>Yes</b>		<b>No</b>	X
If you do not agree that a full equality impact assessment is required, please set out your justification for why not.	No adverse impact anticipated.			

**SECTION THREE: FULL EQUALITY IMPACT ASSESSMENT**

Protected characteristics (Equality Act, 2010)	Evidence and information (e.g. data and consultation feedback)	Adverse impact	Mitigation activities	Timescale and responsible department
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<p><b>Age</b></p>	<p>Plymouth</p> <ul style="list-style-type: none"> <li>• 16.4 per cent of people in Plymouth are children aged under 15.</li> <li>• 65.1 per cent are adults aged 15 to 64.</li> <li>• 18.5 percent are adults aged 65 and over.</li> <li>• 2.4 percent of the resident population are 85 and over.</li> </ul> <p>South West</p> <ul style="list-style-type: none"> <li>• 15.9 per cent of people are aged 0 to 14, 61.8 per cent are aged 15 to 64.</li> <li>• 22.3 per cent are aged 65 and over.</li> </ul> <p>England</p> <ul style="list-style-type: none"> <li>• 17.4 per cent of people are aged 0 to 14.</li> <li>• 64.2 per cent of people are aged 15 to 64.</li> <li>• 18.4 per cent of people are aged 65 and over.</li> </ul> <p>(2021 Census)</p>	<p>No adverse impact anticipated</p>		
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<p><b>Care experienced individuals</b> (Note that as per the Independent Review of Children’s Social Care recommendations, Plymouth City Council is treating care experience as though it is a protected characteristic).</p>	<p>It is estimated that 26 per cent of the homeless population in the UK have care experience. In Plymouth there are currently 7 per cent of care leavers open to the service (6 per cent aged 18-20 and 12 per cent of those aged 21+) who are in unsuitable accommodation.</p> <p>The Care Review reported that 41 per cent of 19-21 year old care leavers are not in education, employment or training (NEET) compared to 12 per cent of all other young people in the same age group.</p> <p>In Plymouth there are currently 50 per cent of care leavers aged 18-21 Not in Education Training or Employment (54 per cent of all those care leavers aged 18-24 who are open to the service).</p> <p>There are currently 195 care leavers aged 18 to 20 (statutory service) and 58 aged 21 to 24 (extended offer). There are more care leavers aged 21 to 24 who could return for support from services if they wished to.</p>	<p>No adverse impact anticipated</p>		
<p><b>Disability</b></p>	<p>9.4 per cent of residents in Plymouth have their activities limited ‘a lot’ because of a physical or mental health problem.</p> <p>12.2 per cent of residents in Plymouth have their activities limited ‘a little’ because of a physical or mental health problem (2021 Census)</p>	<p>No adverse impact anticipated</p>		

<b>Gender reassignment</b>	0.5 per cent of residents in Plymouth have a gender identity that is different from their sex registered at birth. 0.1 per cent of residents identify as a trans man, 0.1 per cent identify as non-binary and, 0.1 per cent identify as a trans women (2021 Census).	No adverse impact anticipated		
<b>Marriage and civil partnership</b>	40.1 per cent of residents have never married and never registered a civil partnership. 10 per cent are divorced, 6 percent are widowed, with 2.5 per cent are separated but still married.  0.49 per cent of residents are, or were, married or in a civil partnerships of the same sex. 0.06 per cent of residents are in a civil partnerships with the opposite sex (2021 Census).	No adverse impact anticipated		
<b>Pregnancy and maternity</b>	The total fertility rate (TFR) for England was 1.62 children per woman in 2021. The total fertility rate (TFR) for Plymouth in 2021 was 1.5.	No adverse impact anticipated		

<b>Race</b>	<p>In 2021, 94.9 per cent of Plymouth's population identified their ethnicity as White, 2.3 per cent as Asian and 1.1 per cent as Black (2021 Census)</p> <p>People with a mixed ethnic background comprised 1.8 per cent of the population. 1 per cent of the population use a different term to describe their ethnicity (2021 Census)</p> <p>92.7 per cent of residents speak English as their main language. 2021 Census data shows that after English, Polish, Romanian, Chinese, Portuguese, and Arabic are the most spoken languages in Plymouth (2021 Census).</p>	No adverse impact anticipated		
<b>Religion or belief</b>	<p>48.9 per cent of the Plymouth population stated they had no religion. 42.5 per cent of the population identified as Christian (2021 Census).</p> <p>Those who identified as Muslim account for 1.3 per cent of Plymouth's population while Hindu, Buddhist, Jewish or Sikh combined totalled less than 1 per cent (2021 Census).</p>	No adverse impact anticipated		
<b>Sex</b>	51 per cent of our population are women and 49 per cent are men (2021 Census).	No adverse impact anticipated		
<b>Sexual orientation</b>	88.95 per cent of residents aged 16 years and over in Plymouth describe their sexual orientation as straight or heterosexual. 2.06 per cent describe their sexuality as bisexual, 1.97 per cent of people describe their sexual orientation as gay or lesbian. 0.42 per cent of residents describe their sexual orientation using a different term (2021 Census).	No adverse impact anticipated		

**SECTION FOUR: HUMAN RIGHTS IMPLICATIONS**

<b>Human Rights</b>	<b>Implications</b>	<b>Mitigation Actions</b>	<b>Timescale and responsible department</b>
	No adverse impact anticipated		

**SECTION FIVE: OUR EQUALITY OBJECTIVES**

<b>Equality objectives</b>	<b>Implications</b>	<b>Mitigation Actions</b>	<b>Timescale and responsible department</b>
<b>Work together in partnership to:</b> <ul style="list-style-type: none"> <li>▪ promote equality, diversity and inclusion</li> <li>▪ facilitate community cohesion</li> <li>▪ support people with different backgrounds and lived experiences to get on well together</li> </ul>	No adverse impact anticipated		
<b>Give specific consideration to care experienced people to improve their life outcomes, including access to training, employment and housing.</b>	No adverse impact anticipated		
<b>Build and develop a diverse workforce that represents the community and citizens it serves.</b>	No adverse impact anticipated		
<b>Support diverse communities to feel confident to report crime and anti-social behaviour, including hate crime and hate incidents, and work with partners to ensure Plymouth is a city where everybody feels safe and welcome.</b>	No adverse impact anticipated		

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# EXECUTIVE DECISION

made by a Council Officer



## REPORT OF ACTION TAKEN UNDER DELEGATED AUTHORITY BY AN INDIVIDUAL COUNCIL OFFICER

Executive Decision Reference Number – COD28 24/25

Decision	
1	<b>Title of decision:</b> Department for Transport Zero Emission Bus Regional Areas scheme (ZEBRA 2): Subsidy Award to Plymouth Citybus Limited
2	<b>Decision maker (Council Officer name and job title):</b> Paul Barnard (Service Director for Strategic Planning and Infrastructure)
3	<b>Report author and contact details:</b> Rosemary Starr (Sustainable Transport Manager) (T) 01752 305514 (E) <a href="mailto:rosemary.starr@plymouth.gov.uk">rosemary.starr@plymouth.gov.uk</a>
4a	<b>Decision to be taken:</b> It is recommended that the Service Director for Strategic Planning and Infrastructure:- Approves the payment of a subsidy of up to £12.3m to Plymouth Citybus Limited to secure the delivery of the Plymouth ZEBRA 2 project comprising: <ul style="list-style-type: none"> <li>• The acquisition of a fleet of 50 zero emission double decker buses which will cover specified bus routes within Plymouth and to/ from the Rame Peninsula, South East Cornwall; and</li> <li>• The provision of related charging infrastructure to support the use of the zero emission buses.</li> </ul>
4b	<b>Reference number of original executive decision or date of original committee meeting where delegation was made:</b> L32 23/24 Department for Transport Zero Emission Bus Regional Areas Scheme (ZEBRA 2)
5	<b>Reasons for decision:</b> Approval is needed to allow the public funding available for the Plymouth ZEBRA 2 project, to be awarded to Plymouth Citybus Limited, the commercial bus operator partner for the Project, in order to allow the project to be delivered.  The public funding consists of the Department for Transport ZEBRA 2 grant and contributions from Plymouth City Council and Cornwall Council. These funds were added to the Council's Capital Programme in April 2023 (Executive Decision L66 23/24).  Without the proposed subsidy the project would not progress, and the significant decarbonisation of bus transport and air quality benefits intended by the ZEBRA 2 Fund would not be realised for Plymouth and the Rame Peninsula.


<p><b>6</b></p>	<p><b>Alternative options considered and rejected:</b></p> <p><i>1. To not award the subsidy of up to £12.3 million, for the Plymouth ZEBRA project, to Plymouth Citybus.</i></p> <p>This option has been rejected because it would prevent the Plymouth Zero Emission Bus Area Project (as described in <a href="#">Executive Decision L32 23/24</a> and <a href="#">Executive Decision L66 23/24</a> ) to be delivered.</p> <p>The project represents a transformational opportunity to modernise Plymouth’s bus fleet, significantly advance the Council’s commitment to decarbonise transport and boost bus patronage through a multi-million investment, by members of the statutory Plymouth Enhanced Partnership, in Zero Emission Buses (ZEBs) and hence needs to be delivered.</p> <p><i>2. To award a lower subsidy for the delivery of the Plymouth ZEBRA 2 project, to Plymouth Citybus.</i></p> <p>Following receipt of the Report of the Subsidy Advice Unit dated 23 October 2024, the Council has reviewed its assessment of its proposed subsidy to Plymouth Citybus Ltd. For the reasons set out in the accompanying report, it is considered that the proposed subsidy of up to £12.3 million is compatible with the Subsidy Control Act 2022, satisfying the subsidy control and energy and environmental principles; and as such it is appropriate for the Council to award the proposed grant, subject to compliance with the relevant subsidy transparency rules and expiration of the relevant challenge period.</p>
<p><b>7</b></p>	<p><b>Financial implications and risks:</b></p> <p>The Council is proposing to provide a subsidy of up to £12.3m to a commercial transport operator Plymouth Citybus Limited to secure the delivery of a project comprising:</p> <ul style="list-style-type: none"> <li>(a) The acquisition of a fleet of 50 zero emission double decker buses (the "ZEBs") which will cover specified bus routes within Plymouth and to/ from the Rame Peninsula, South East Cornwall; and</li> <li>(b) The provision of related charging infrastructure to support the use of the ZEBs.</li> </ul> <p>The subsidy is financed from Department for Transport’s (“DfT”) Zero Emission Bus Regional Area (ZEBRA) 2 Fund (84%); and from the Council (6%) and Cornwall Council (10%) which are the relevant local transport authorities for Plymouth and the Rame Peninsula.</p> <p>As per <a href="#">Executive Decision L66 23/24</a> the financial contribution by Plymouth City Council, to the Project, and hence subsidy, is £750,000. This is a fixed financial contribution being paid from the Community Infrastructure Fund Levy.</p> <p>The financial contribution by the Department for Transport is £10,342,976 and the contribution by Cornwall Council is £1,188,048. The Department for Transport and Cornwall Council’s contributions are also fixed. Furthermore the DfT element includes £827,305 of contingency funding, which will only be paid in the event of quantified project risks materialising. In the absence of such, the proposed subsidy award by the Council to Plymouth Citybus is limited to a maximum of £11.5m.</p> <p>Payment of any part of the subsidy is subject to detailed financial requirements as set out in a legally binding Collaboration and Grant Agreement dated 3 September 2024, between the Council, Plymouth Citybus, Cornwall Council and Go Ahead Group (the parent company of Plymouth Citybus) and any payment will only be made after the expiration of the challenge period following publication of the proposed subsidy on the subsidy database, maintained by the Department for Business and Trade (DBT), in order to provide legal certainty that the subsidy cannot be challenged on subsidy control grounds.</p>

8	<p><b>Is the decision a Key Decision?</b> (please contact <a href="#">Democratic Support</a> for further advice)</p>	Yes	No	<p><b>Per the Constitution, a key decision is one which:</b></p> <p>in the case of <b>capital</b> projects and contract awards, results in a new commitment to spend and/or save in excess of <b>£3million</b> in total</p> <p>in the case of <b>revenue</b> projects when the decision involves entering into new commitments and/or making new savings in excess of <b>£1million</b></p> <p>is <b>significant</b> in terms of its effect on communities living or working in an area comprising <b>two or more</b> wards in the area of the local authority.</p>
8b	<p><b>If yes, date of publication of the notice in the <a href="#">Forward Plan of Key Decisions</a></b></p>	N/A		
9	<p><b>Please specify how this decision is linked to the Council's corporate plan/Plymouth Plan and/or the policy framework and/or the revenue/capital budget:</b></p>	<p>Investment in Zero Emission Buses which the payment of the proposed subsidy to Plymouth Citybus enables, directly supports both the Corporate Plan and Plymouth Plan.</p> <p><b>Links to the Corporate Plan: -</b></p> <p>Investment in zero emission buses directly supports the city's mission to '[make] Plymouth a fairer, greener city where everyone does their bit.'</p> <p>As the accountable body for the Plymouth ZEBRA 2 project, we are taking <b>responsibility</b> for the improvement of Plymouth's bus services. However, the delivery of the project is <b>co-operative</b>, involving Plymouth Citybus / The Go-Ahead Group and Cornwall Council, hence the Council are working closely with Plymouth's public transport providers, and neighbouring Local Transport Authorities, to deliver a bus network which helps to make Plymouth a great place to grow up and grow old.</p> <p><b>Links to the Plymouth Plan: -</b></p> <p>The ZEBRA 2 project supports the delivery of the strategy set out within the Plymouth Plan and in particular policies HEA6 (Delivering a safe, accessible, sustainable and health enabling transport system) and GRO4 (Using transport investment to drive growth, and commitment to facilitate the use of sustainable transport modes).</p> <p>The Plymouth Plan seeks to help deliver a transport system that enables and encourages sustainable and active travel choices, provides good accessibility for the city's population to jobs and services, and supports a healthy environment. Through the ZEBRA 2 programme we will actively support the Plymouth Plan policy commitments to: -</p> <ul style="list-style-type: none"> <li>• HEA6(1) [Use] the planning process to address air quality, carbon emissions and noise pollution.</li> </ul>		

		<ul style="list-style-type: none"> <li>• HEA6(2) [Design] transport infrastructure projects to take full account of the needs of all users, the wider community and place shaping needs of the area, whilst also helping to minimise air quality, carbon emissions and noise pollution.</li> <li>• HEA6(7) [Invest] in and promot[e] the growth of an electric vehicle charging network and encouraging electric vehicle take-up and use and continuing to work with partners to harness the benefits of alternative fuel technologies in both land and marine environments.</li> <li>• HEA6(10) [Work] with regional partners, agencies and public transport operators to deliver an integrated transport system across all modes covering key locations within and adjoining the Plymouth Travel to Work Area.</li> <li>• GRO4 (1) [Continue] to support the High-Quality Public Transport Network and improve public and sustainable transport services through, where appropriate, subsidies and new infrastructure and</li> <li>• GRO4(15) [Develop] and [deliver] targeted infrastructure interventions, consistent with the long-term vision and objectives for transport set out in the <a href="#">Joint Local Plan</a>.</li> </ul> <p>The ZEBRA 2 project also positively supports the delivery of the commitments within the Plan to help deliver targeted integrated transport measures to help support the sustainable growth of Plymouth, in accordance with the vision, objectives and policies of the Plymouth and South West Devon <a href="#">Joint Local Plan</a>. Specifically: SPT9 (6), which seeks to get the most out of our existing network and encourage behavioural change, and SPT9(9) (delivering transport projects which provide a safe and effective transport system).</p> <p>The ZEBRA 2 programme also allows the achievement of the aspirations of the <a href="#">Plymouth Bus Service Improvement Plan</a> which is a delivery plan of the Plymouth Plan.</p>
10	<p><b>Please specify any direct environmental implications of the decision (carbon impact)</b></p>	<p>Cutting emissions from travel is a top priority for the city. Transport accounted for the largest part of our city's CO<sub>2</sub>e emissions in 2019 (29%) and transport as a sector is not decarbonising at the necessary pace to make Plymouth carbon neutral by 2030.</p> <p>Public transport, particularly buses, plays a key role in the net zero transition and the delivery of the City's Bus Service Improvement Plan, in which the provision of zero emission buses feature, is a cornerstone of our city's net zero strategy.</p>

		<p>The Plymouth ZEBRA 2 project will see the introduction of 50 Zero Emission Buses operating on routes either solely, or partly, within Plymouth. It will also improve the environmental performance of other bus routes in the city, which will not be served by the zero emission buses, through the cascade of more modern vehicles from those routes which are served by the zero emission buses.</p> <p>The project will reduce carbon emissions and improve air quality both directly, from the operation of the ZEBs; and indirectly from the electric buses displacing the current 33 Euro VI type diesel buses and 17 Euro V operating on the routes the ZEBs will operate, whilst, at least, maintaining the level of service enjoyed on the bus routes to be decarbonised.</p> <p>The investment in modern zero emission buses will not only have direct carbon benefits it is also anticipated that the investment in modern vehicles, a priority for Plymouth passengers as evidenced by the autumn 2023 passenger priority survey, will encourage modal shift away from the private car, thereby further reducing carbon emissions.</p>		
<b>Urgent decisions</b>				
11	Is the decision urgent and to be implemented immediately in the interests of the Council or the public?	Yes		(If yes, please contact <a href="#">Democratic Support</a> for advice)
		No	X	(If no, go to section 13a)
12a	Reason for urgency:			
12b	Scrutiny Chair signature:		Date	
	Scrutiny Committee name:			
	Print Name:			
<b>Consultation</b>				
13a	Which Cabinet Member's portfolio does this decision relate to?	Councillor Mark Coker (Cabinet Member for Strategic Planning and Transport)		
13b	Date Cabinet Member consulted	31 October 2024		
13c	Are any other Cabinet members' portfolios affected by the decision?	Yes	X	
		No		(If no go to section 14)
13d	Which other Cabinet member's portfolio is affected by the decision?	Councillor Tom Briars-Delve (Cabinet Member for Environment and Climate Change)		

<b>13e</b>	<b>Date other Cabinet member(s) consulted</b>	31 October 2024						
<b>14</b>	<b>Has any Cabinet member declared a conflict of interest in relation to the decision?</b>	<b>Yes</b>		If yes, please discuss with the Monitoring Officer				
		<b>No</b>	X					
<b>15</b>	<b>Which Corporate Management Team member has been consulted?</b>	<b>Name</b>	Karime Hassan					
		<b>Job title</b>	Interim Strategic Director for Growth					
		<b>Date consulted</b>	05 November 2024					
<b>Sign-off</b>								
<b>16</b>	<b>Sign off codes from the relevant departments consulted:</b>	<b>Democratic Support (mandatory)</b>	DS67 24/25					
		<b>Finance (mandatory)</b>	DJN.24.25.119					
		<b>Legal (mandatory)</b>	LS/ 2960(24)/JP/051124.					
		<b>Human Resources (if applicable)</b>	Not applicable					
		<b>Corporate property (if applicable)</b>	Not applicable					
		<b>Procurement (if applicable)</b>	Not applicable					
<b>Appendices</b>								
<b>17</b>	<b>Ref.</b>	<b>Title of appendix</b>						
	A	Plymouth ZEBRA 2 – Subsidy Award briefing report for publication						
	B	ZEBRA 2 Equalities Impact Assessment						
	C	ZEBRA 2 Climate Impact Assessment						
	D	Subsidy Advice Unit Report on the proposed subsidy to Plymouth Citybus Limited – Referred by Plymouth City Council – 23 October 2024						
	E	Plymouth City Council response to the Subsidy Advice Unit Report on the proposed subsidy to Plymouth Citybus Limited – 31 October 2024						
<b>Confidential/exempt information</b>								
<b>18a</b>	<b>Do you need to include any confidential/exempt information?</b>	<b>Yes</b>		If yes, prepare a second, confidential ('Part II') briefing report and indicate why it is not for publication by virtue of Part I of Schedule 12A of the Local Government Act 1972 by ticking the relevant box in <b>18b</b> below.				
		<b>No</b>	X					
		<b>Exemption Paragraph Number</b>						
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>

18b	<b>Confidential/exempt briefing report title:</b>							
<b>Background Papers</b>								
19	<p>Please list all unpublished, background papers relevant to the decision in the table below.</p> <p>Background papers are <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based. If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</p>							
<b>Title of background paper(s)</b>		<b>Exemption Paragraph Number</b>						
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Collaboration and Grant Agreement in respect of the funding of and acquisition of zero emission buses and provision of charging infrastructure in Plymouth, Devon and The Rame Peninsula, Cornwall				X				
Plymouth City Council's assessment of the proposed subsidy to Plymouth Citybus Limited – as submitted to the Subsidy Advice Unit – 6 September 2024				X				
<b>Council Officer Signature</b>								
20	<p>I agree the decision and confirm that it is not contrary to the Council's policy and budget framework, Corporate Plan or Budget. In taking this decision I have given due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not. For further details please see the EIA attached.</p>							
<b>Signature</b>				<b>Date of decision</b>	06 November 2024			
<b>Print Name</b>	Paul Barnard (Service Director for Strategic Infrastructure and Growth)							

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**Department for Transport Zero Emission Bus Regional Areas scheme  
(ZEBRA 2): Subsidy Award to Plymouth Citybus Limited  
Briefing Report for Publication**



## **I. EXECUTIVE SUMMARY**

Plymouth City Council is proposing to provide a subsidy of up to £12.3 million to a commercial transport operator Plymouth Citybus Limited to secure the delivery of a project comprising:

- the acquisition of a fleet of 50 zero emission double decker buses (ZEBs) which will cover specified bus routes within Plymouth and to/ from the Rame Peninsula, South East Cornwall
- the provision of related charging infrastructure to support the use of the ZEBs

The project will reduce carbon emissions and improve air quality both directly, from the operation of the ZEBs; and indirectly from the electric buses displacing the current 33 Euro VI type diesel buses and 17 Euro V operating on the routes the ZEBs will operate, whilst, at least, maintaining the level of service enjoyed on the bus routes to be decarbonised.

The subsidy equates to up to 43% of the total project cost of £28.3m. The balance of the project cost will be financed from Plymouth Citybus Limited's own non-publicly sourced group reserves.

The subsidy itself is financed from the Department for Transport's Zero Emission Bus Regional Area (ZEBRA) 2 Fund (84%); and from Plymouth City Council (6%) and Cornwall Council (10%) which are the relevant local transport authorities for Plymouth and the Rame Peninsula. The Department for Transport element includes £0.8 million contingency funding, which will only be paid in the event of quantified project risks materialising. In the absence of such, the proposed subsidy award by Plymouth City Council to Plymouth Citybus is limited to a maximum of £11.5 million.

The Subsidy represents a Subsidy of Particular Interest, because it exceeds £10 million and hence was subject to a mandatory referral to the Subsidy Advice Unit (SAU) of the Competition and Markets Authority.

The Assessment was accepted by the SAU on 12 September 2024, with a report on the Assessment issued on 23 October 2024. This report considers the feedback from the SAU ahead and subsequently the recommendation to award the proposed subsidy of up to £12.3 million to Plymouth Citybus Limited.

Plymouth Citybus is part of a large international company group; the Go-Ahead Group Limited which includes Go-Ahead Holding Limited, the parent company of Plymouth Citybus. The subsidy payment it will receive will be subject to:

- the parent company and/or Plymouth Citybus funding any deficit in the project costs
- the ZEBs operating on the agreed routes for at least 5 years
- the buses to be replaced by the ZEBs being cascaded through Plymouth Citybus Limited's fleet to remove outstanding Euro IV double deck buses and retro fitted (Euro IV to Euro V) double deck buses from its Plymouth based bus fleet

- additional public benefits being secured, namely the ZEBs meeting enhanced accessibility standards and the ZEB charging infrastructure being available for use by local community groups

All bus operators in the statutory Plymouth Enhanced Bus Partnership were offered the opportunity to partner with Plymouth City Council in its application for ZEBRA 2 funding for Plymouth. Plymouth Citybus took up the offer. All bus operators on the Plymouth Enhanced Partnership Board endorsed the application, in recognition of its wider value to the Bus Partnership.

Without the proposed subsidy the project would not progress and the significant decarbonisation of bus transport and air quality benefits for Plymouth and the Rame Peninsula would not be realised.

## 2. BACKGROUND

The Department for Transport (DfT) launched an opportunity in September 2023 to apply for Zero Emission Bus Regional Area funding (ZEBRA 2).

Plymouth City Council led a bid to the Department for Transport's Zero Emission Bus Regional Areas Scheme (ZEBRA 2), in partnership with Plymouth Citybus Ltd (part of The Go-Ahead Group Ltd) and Cornwall Council. The bid was successful.

The Plymouth ZEBRA 2 project will see the introduction of 50 zero emission, electric, double decker buses on routes operating in Plymouth and the Rame Peninsula as well as the necessary associated electric charging infrastructure at the Plymouth Citybus depot, Milehouse.

The acquisition of the electric buses will not only enhance the routes which they will operate on but will also allow the cascade of existing Euro 6 diesel buses displaced from the electrified routes onto other services in Plymouth and South-East Cornwall, thereby modernising the entire Plymouth Citybus fleet operating in the Plymouth Travel to Work Area.

Improvements to the quality of public transport in Plymouth and our Travel to Work Area will support the delivery of equality outcomes. These will be delivered through increased accessibility of the buses funded by the bid, improvements in the quality of transport to places of work, education, leisure and healthcare and improvements in air quality.

The operation of zero emission buses will also strongly support Plymouth City Council's Climate Change ambitions as articulated in the Net Zero Action Plan ([NZAP Transport | PLYMOUTH.GOV.UK](https://www.plymouth.gov.uk/nzap-transport)) and on the Climate Connections website ([Travel - Climate Connections Plymouth](https://www.plymouth.gov.uk/travel-climate-connections)). This is evidenced by the Climate Impact Assessment supporting the ZEBRA bid Decision.

The value of the Plymouth ZEBRA 2 project for the two year period (2024 – 2026) which the DfT ZEBRA 2 grant period covers is £28.3 million<sup>1</sup>.

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<sup>1</sup> The total value of the Plymouth ZEBRA 2 project is £31,873,110. This consists of £30,218,498 of 'core' costs and a further £1,654,612 of contingency funding.

The public funding, which is the proposed subsidy to Plymouth Citybus, will be provided through a single non-recourse grant funding agreement which will cover 43% of the total project cost (£28.3m). The Local Authority funding is made up of a contribution from the Council (£750k contribution) and Cornwall Council (£1.19m). £10,342,976 is being provided by the Department for Transport. The remaining funding is being provided by Plymouth City Council, Plymouth Citybus / The Go-Ahead Group and Cornwall Council.

### **3. PLYMOUTH ZEBRA 2 PROJECT SUMMARY**

#### **3.1 Plymouth ZEBRA 2 Project**

The Plymouth ZEBRA 2 Project is a collaboration between Plymouth City Council, Cornwall Council, Plymouth Citybus and the Go-Ahead Group.

It will see the introduction of 50 zero emission, electric, double decker buses on routes operating in Plymouth and the Rame Peninsula as well as the necessary associated electric charging infrastructure at the Plymouth Citybus depot, Milehouse.

The project will improve public transport in Plymouth and the Travel to Work Area. It also has the potential to provide wider community benefits through providing opportunities linked to the maintenance of commercial electric vehicles, with Plymouth Citybus committed to exploring opportunities such as apprenticeships and training both in the use of the new ZEBs and their maintenance. The project also supports Plymouth's wider transport decarbonisation work. This is because there is scope for the charging infrastructure to be used by other transport modes, such as community transport and school minibuses, at such time as these fleets are electrified.

All bus operators in the statutory Plymouth Enhanced Bus Partnership were notified of the intention of the Council to submit a bid to the ZEBRA 2 Fund and provided the opportunity to partner with the Council. However, only Plymouth Citybus choose to participate in the Plymouth submission.

#### **3.2 Plymouth ZEBRA 2 Project; alignment with Corporate Priorities**

The Council's mission, as set out in the [2023 Corporate Plan](#), is to '[make] Plymouth a fairer, greener city, where everyone does their bit' and public transport has a key role to play in achieving this ambition.

In Plymouth, 24.9 per cent of households are without access to a car or van. Furthermore, 15 per cent of men and 31 per cent of women do not have a driving licence. The bus is therefore crucial to enable residents to access school and work, healthcare and shops, friends and family as well as enabling visitors to travel to, from and within Britain's Ocean City.

As a green mass transit solution, buses also have a key role to play in our response to the city's climate emergency declaration and supporting Plymouth's sustainable growth. This is why the Council's vision, as set out in the 2023 Bus Service Improvement Plan, is '*to create a thriving bus network where everyone can be connected to important people and places, by services that are frequent, reliable, fast, affordable, safe and clean, which will also help Plymouth to achieve its net zero goals by 2030*'.

In order to realise this vision, buses need to be both tools of inclusion and the transport of choice and to do that we know that we need to provide better bus services. Investment in Zero Emission Buses

will deliver a better bus service for Plymouth and directly supports the aspirations of both the Corporate Plan and Plymouth Plan.

#### **Links to the Corporate Plan: -**

Investment in zero emission buses directly supports the city's mission to '[make] Plymouth a fairer, greener city where everyone does their bit.'

As lead for the Plymouth ZEBRA 2 project, we are taking **responsibility** for the improvement of Plymouth's bus services. However, the delivery of the project is **co-operative**, involving Plymouth Citybus, the Go-Ahead Group and Cornwall Council and hence we are working closely with Plymouth's public transport providers, and one of our neighbouring authorities, to deliver a bus network which helps to make Plymouth a great place to grow up and grow old.

#### **Links to the Plymouth Plan: -**

The Plymouth ZEBRA 2 project supports the delivery of the strategy set out within the Plymouth Plan and in particular policies HEA6 (Delivering a safe, accessible, sustainable and health enabling transport system) and GRO4 (Using transport investment to drive growth, and commitment to facilitate the use of sustainable transport modes).

The Plymouth Plan seeks to help deliver a transport system that enables and encourages sustainable and active travel choices, provides good accessibility for the city's population to jobs and services, and supports a healthy environment. Through the ZEBRA 2 programme we will actively support the Plymouth Plan policy commitments to: -

- HEA6(1) [Use] the planning process to: - address air quality, carbon emissions and noise pollution.
- HEA6(2) [Design] transport infrastructure projects to take full account of the needs of all users, the wider community and place shaping needs of the area, whilst also helping to minimise air quality, carbon emissions and noise pollution.
- HEA6(7) [Invest] in and promote the growth of an electric vehicle charging network and encouraging electric vehicle take-up and use.
- HEA6(10) [Work] with regional partners, agencies and public transport operators to deliver an integrated transport system across all modes covering key locations within and adjoining the Plymouth Travel to Work Area
- GRO4 (1) [Continue] to support the High-Quality Public Transport Network and improve public and sustainable transport services through, where appropriate, subsidies and new infrastructure and
- GRO4(15) [Develop and deliver] targeted infrastructure interventions, consistent with the long-term vision and objectives for transport set out in the [Joint Local Plan](#).

The ZEBRA 2 project also positively supports the delivery of the commitments within the Plan to help deliver targeted integrated transport measures to help support the sustainable growth of Plymouth, in accordance with the vision, objectives and policies of the Plymouth and South West Devon [Joint Local Plan](#). Specifically: SPT9 (6), which seeks to get the most out of our existing network and encourage behavioural change, and SPT9(9) (delivering transport projects which provide a safe and effective transport system).

The ZEBRA 2 programme also allows the achievement of the aspirations of the [Plymouth Bus Service Improvement Plan](#) which is a delivery plan of the Plymouth Plan

### **3.3 Plymouth ZEBRA 2 Project; alignment with the Bus Service Improvement Plan**

The vision for Plymouth's buses, as articulated in the 2024 Bus Service Improvement Plan, is to create a thriving bus network where everyone can be connected to important people and places, by services that are frequent, reliable, fast, affordable, safe and clean, which will also help Plymouth to achieve its net zero goals by 2030.

Nine passenger priorities underpin the BSIP and more than 1800 people, in response to the summer 2023 passenger priority survey told us that their priorities for bus services, in order, were: frequent, reliable and fast, affordable, direct and connected, accessible, safe, simple and understandable, modern and clean.

The Plymouth ZEBRA 2 project delivers against four of the nine passenger priorities, frequency, accessibility, simple and understandable and modern, demonstrating the Plymouth Enhanced Partnership's commitment to improving Plymouth's bus services and delivering against what's important for Plymouth's bus passengers.

The introduction of zero emission buses will also allow the delivery of projects set out with the BSIP including 'introduc[ing] Zero Emission Buses (ZEBs), initially on the 6 core [BSIP] corridors before rolling out ZEBs to the entire fleet, in conjunction with neighbouring authorities' and "facilitating the replacement of all of our community transport vehicles with five new electric minibuses and associated charging infrastructure'. This bid achieves the latter ambition, in part, through the provision of charging infrastructure at the Citybus depot. The infrastructure will be available to use during the day, when the ZEBs are in service, and Plymouth Citybus are supportive of community transport, and school, minibuses, utilising the infrastructure.

### **3.4 Plymouth ZEBRA 2 Project; alignment with the Net Zero Action Plan and Air Quality Action Plan**

Securing funding from the DfT's ZEBRA 2 Fund supports the Plymouth [Net Zero Action Plan](#) (NZAP), as demonstrated by the Climate Impact Assessment accompanying this Decision.

Cutting carbon emissions from travel is a top priority for the city. Transport accounted for the largest part of our city's CO<sub>2</sub>e emissions in 2019 (29%) and transport as a sector is not decarbonising at the necessary pace to make Plymouth carbon neutral by 2030, a pledge made by the Council unanimously in 2019 when Plymouth declared a Climate Emergency.

Tackling city transport emissions will require a shift in the uptake of active travel and public transport, and to that effect, the council made a triple commitment to:

- Provide a local policy framework that facilitates the decarbonisation of the transport system. (NZAP T4)
- Provide public infrastructure needed to meet the city's low carbon transport needs. (NZAP T5)

- Co-produce decarbonisation plans and initiatives with partners from across the transport system. (NZAP T6)

The approach to reaching net zero in Plymouth by 2030, outlined on the [Climate Connections website](#), encourages policy makers and service providers to work in partnership to make all the elements of the city's transport system interact well together, including park and ride, public transport, walking and cycling options and parking policies, with public transport, particularly buses, being recognised as having a key role in the net zero transition.

Securing funding to decarbonise approximately half of the Plymouth Citybus fleet based in Plymouth, benefitting both routes in Plymouth and our wider travel to work area, will make a significant contribution to reducing transport emissions and supports both the Council's and partners efforts towards tackling climate change. The Plymouth ZEBRA 2 project therefore satisfies all three commitments set out in the NZAP.

Decarbonising 50 double decker buses also supports the Council's air quality aspirations, both directly, through the operation of zero emission vehicles and indirectly through encouraging modal shift away from the private car, due to the introduction of modern, higher quality vehicles on local bus routes. The Plymouth ZEBRA 2 project will therefore not only support our work on climate change, but it will also improve air quality, in turn delivering associated public health benefits.

### **3.5 Subsidy Control requirements for ZEBRA 2**

The payment of the proposed public funding to Plymouth Citybus Limited represents a subsidy and hence a valid subsidy exemption is required. This means that the Council must be reasonably satisfied that each of the Subsidy Control Principles in Schedule 1 as well as those applicable in Schedule 2 of the Subsidy Control Act has been met ("the Principles").

Furthermore the subsidy award is a Subsidy of Particular Interest ("SoPI") which means it must be notified to the Competition & Markets Authority ("CMA") and the CMA's informal view obtained before the new subsidy may be awarded. This is because the subsidy amount exceeds £10m.

Once the CMA's view is obtained then the Council are able to make the proposed award, albeit first taking into account observations of the Assessment made by the CMA, mindful that the report is provided as non-binding advice to the Council. It does not consider whether the subsidy should be given, or directly assess whether it complies with the subsidy control requirements.

Once awarded then the Council must publish a basic transparency notice on the national subsidy database.

Plymouth City Council submitted our Assessment to the Subsidy Advice Unit of the CMA on the 6 September. The report was accepted on the 12 and the report of the Assessment was published on the 23 October. All public materials relating to the assessment are available here: [Referral of the proposed subsidy to Plymouth Citybus Limited by Plymouth City Council - GOV.UK](#)

Furthermore, the SAUs Assessment and the Council's response to the non-binding advice are appended to this report (appendices D and E respectively) with the conclusion of the Council being that the proposed subsidy is compatible with the Subsidy Control Act 2022, satisfying the subsidy control and energy and environmental principles; and as such it is appropriate for the Council to award the proposed grant, subject to compliance with relevant transparency and expiration of the relevant challenge period.

#### **4. ALTERNATIVE OPTIONS**

The following alternative options were considered and rejected:

*1. To not award the subsidy of up to £12.3 million, for the Plymouth ZEBRA project, to Plymouth Citybus.*

This option has been rejected because it would prevent the Plymouth Zero Emission Bus Area Project (as described in [Executive Decision L32 23/24](#) and [Executive Decision L66 23/24](#) ) to be delivered.

The project represents a transformational opportunity to modernise Plymouth's bus fleet, significantly advance the Council's commitment to decarbonise transport and boost bus patronage through a multi-million investment, by members of the statutory Plymouth Enhanced Partnership, in Zero Emission Buses (ZEBs) and hence needs to be delivered.

*2. To award a lower subsidy for the delivery of the Plymouth ZEBRA 2 project, to Plymouth Citybus.*

Following receipt of the Report of the Subsidy Advice Unit dated 23 October 2024, the Council has reviewed its Assessment of its proposed subsidy to Plymouth Citybus Ltd. For the reasons set out in the accompanying report, it is considered that the proposed subsidy of up to £12.3 million is compatible with the Subsidy Control Act 2022, satisfying the subsidy control and energy and environmental principles; and as such it is appropriate for the Council to award the proposed grant, subject to compliance with the relevant subsidy transparency rules and expiration of the relevant challenge period.

#### **5. FINANCIAL IMPLICATIONS AND RISK**

The Council is proposing to provide a subsidy of up to £12.3m to a commercial transport operator Plymouth Citybus Limited to secure the delivery of a project comprising:

- (a) The acquisition of a fleet of 50 zero emission double decker buses (the "ZEBs") which will cover specified bus routes within Plymouth and to/ from the Rame Peninsula, South East Cornwall; and
- (b) The provision of related charging infrastructure to support the use of the ZEBs.

The project will reduce carbon emissions and improve air quality both directly, from the operation of the ZEBs; and indirectly from the electric buses displacing the current 33 Euro VI type diesel buses and 17 Euro V operating on the routes the ZEBs will operate, whilst, at least, maintaining the level of service enjoyed on the bus routes to be decarbonised.

The subsidy is financed from Department for Transport's ("DfT") Zero Emission Bus Regional Area (ZEBRA) 2 Fund (84%); and from the Council (6%) and Cornwall Council (10%) which are the relevant local transport authorities for Plymouth and the Rame Peninsula.

As per [Executive Decision L66 23/24](#) the financial contribution by Plymouth City Council, to the Project, and hence subsidy, is £750,000. This is a fixed financial contribution being paid from the Community Infrastructure Fund Levy.

The financial contribution by the Department for Transport is £10,342,976 and the contribution by Cornwall Council is £1,188,048. The Department for Transport and Cornwall Council's contributions are also fixed. Furthermore the DfT element includes £0.8m contingency funding, which will only be paid in the event of quantified project risks materialising. In the absence of such, the proposed subsidy award by the Council to Plymouth Citybus is limited to a maximum of £11.5m.

Payment of any part of the subsidy is subject to detailed financial requirements as set out in a legally binding Collaboration and Grant Agreement dated 3 September 2024, between the Council, Plymouth Citybus, Cornwall Council and Go Ahead Group (the parent company of Plymouth Citybus) and any payment will only be made after the expiration of the challenge period following publication of the proposed subsidy on the subsidy database, maintained by the Department for Business and Trade (DBT), in order to provide legal certainty that the subsidy cannot be challenged on subsidy control grounds.

## 6. TIMESCALES

Figure one sets out the ZEBRA 2 timeline, from bid submission to project delivery, including the subsidy control process.

**Figure One: ZEBRA 2 timeline.**

Deadline to submit application	4pm 15 December 2023
DfT reviews and makes funding decisions	March 2024
Funding for 23/24 financial year awarded to successful LTAs	By March 2024
Subsidy Control Process	September 2024 – December 2024
Order placed for Zero Emission Buses	By 31 January 2025
Funding for 24/25 financial year awarded to successful LTAs	By March 2025
All buses to come into service within 2 years of initial funding being awarded	By March 2026

## 7. RECOMMENDATIONS

It is recommended that the Service Director for Strategic Planning and Infrastructure:-


Approves the payment of a subsidy of up to £12.3m to Plymouth Citybus Limited to secure the delivery of the Plymouth ZEBRA 2 project comprising:

- The acquisition of a fleet of 50 zero emission double decker buses which will cover specified bus routes within Plymouth and to/ from the Rame Peninsula, South East Cornwall; and;
- The provision of related charging infrastructure to support the use of the zero emission buses.



## EQUALITY IMPACT ASSESSMENT – DEPARTMENT FOR TRANSPORT ZERO EMISSION BUS REGIONAL AREAS SCHEME (ZEBRA 2)

### SECTION ONE: INFORMATION ABOUT THE PROPOSAL

<b>Author(s):</b> This is the person completing the EIA template.	Rosemary Starr, Sustainable Transport Manager	<b>Department and service:</b>	Strategic Planning and Infrastructure, Sustainable Transport Team	<b>Date of assessment:</b>	24 <sup>th</sup> November 2023
<b>Lead Officer:</b> Please note that a Head of Service, Service Director, or Strategic Director must approve the EIA.	Paul Barnard, Service Director, Strategic Planning and Infrastructure	<b>Signature:</b>		<b>Approval date:</b>	29 <sup>th</sup> November 2023
<b>Overview:</b>	<p>Plymouth City Council are leading a bid to the Department for Transport's Zero Emission Bus Regional Areas Scheme, in partnership with Plymouth Citybus/ The Go-Ahead Group and Cornwall Council.</p> <p>If successful the bid will see the introduction of up to 50 zero emission, electric, double decker buses on routes operating in Plymouth and the Rame Peninsula as well as the necessary associated electric charging infrastructure at the Plymouth Citybus depot, Milehouse.</p> <p>Buses funded by ZEBRA 2 must meet enhanced accessibility standards. Specifically the DfT require vehicles with a capacity exceeding 22 passengers to:</p> <ul style="list-style-type: none"> <li>• be compliant with the <a href="#">Public Service Vehicles Accessibility Regulations 2000 (PSVAR)</a></li> <li>• be compliant with the <a href="#">Accessible Information Regulations</a></li> <li>• provide an induction loop to aid direct communication between drivers and passengers who use a hearing aid</li> <li>• provide an additional flexible space in addition to the mandatory wheelchair space – this space can either be suitable for a second wheelchair user or at least 2 unfolded pushchairs or prams</li> </ul>				

This compliance will ensure that all buses that are delivered as part of this project will have:-

- a space for a wheelchair with suitable safety provisions
- a boarding device to enable wheelchair users to get on and off vehicles
- a minimum number of priority seats on buses for disabled passengers
- colour contrasting of features such as handrails and steps to help partially sighted people
- easy to use bell pushes throughout
- a bus audible and visual signals to stop a bus or to request a boarding device
- equipment to display the route and destination

Furthermore, the acquisition of the electric buses will not only enhance the routes which they will operate on but will also allow the cascade of existing Euro 6 diesel buses displaced from the electrified routes onto other services in Plymouth and South-East Cornwall, thereby modernising the entire Plymouth Citybus fleet operating in the Plymouth Travel to Work Area.

This equality impact assessment assesses the impact of the introduction of electric buses in Plymouth, on the assumption that the bid is successful. It has been informed by discussions with the Plymouth Bus Service Enhanced Partnership Forum ([Plymouth bus service improvements | PLYMOUTH.GOV.UK](https://plymouth.gov.uk/transport/buses/plymouth-bus-service-improvements)), a group of local and national stakeholders whose function is to 'provide external insight and constructive challenge ... and [discuss] issues of all kind affecting Plymouth's bus network.'

Improvements to the quality of public transport in Plymouth will support the delivery of equality outcomes. These will be delivered through increased accessibility of the buses funded by the bid (the Department for Transport requires all buses funded through this bid to meet enhanced accessibility standards<sup>1</sup>), improvements in the quality of transport to places of work, education and healthcare and improvements in air quality of the citizens of Plymouth and the Rame Peninsula. The operation of zero emission buses will also strongly support Plymouth City Council's Climate Change ambitions as

<sup>1</sup> The Department for Transport requires the vehicles funded through the ZEBRA fund to: (1) be compliant with the Public Service Vehicles Accessibility Regulations 2000 (PSVAR), (2) be compliant with the Accessible Information Regulations (3) provide an induction loop to aid direct communication between drivers and passengers who use a hearing aid and (4) provide an additional space in addition to the mandatory wheelchair space – this space can either be suitable for a second wheelchair user or at least 2 unfolded pushchairs or prams. In addition operators must ensure that the buses can be safely and comfortably used by passengers using wheelchairs. They must also ensure that a wheelchair user can easily move between the boarding ramp or lift and the wheelchair space, and position themselves appropriately according to the restraint system in use.

	articulated in the Net Zero Action Plan ( <a href="#">NZAP Transport   PLYMOUTH.GOV.UK</a> ) and on the Climate Connections website ( <a href="#">Travel - Climate Connections Plymouth</a> ).
<b>Decision required:</b>	<p>This Equality Impact Assessment (EIA) assesses the impact of the recommendation for the Leader of Plymouth City Council to:-</p> <ol style="list-style-type: none"> <li>1. Approves the submission of a Plymouth bid to the Department for Transport’s Zero Emission Bus Regional Areas scheme (ZEBRA 2)</li> <li>2. Approves the business case supporting the bid.</li> <li>3. Grant authority to the Service Director for Strategic Planning and Infrastructure to approve the application to be submitted to the Department for Transport’s Zero Emission Bus Regional Areas scheme (ZEBRA 2), where they do not already have authority to do so.</li> <li>4. Grant authority to the Service Director for Strategic Planning and Infrastructure, in consultation with the Cabinet Member for Strategic Planning and Transport, to accept all ZEBRA 2 funding (from both the Department for Transport, (the grant funder) and Cornwall Council (a funding bid partner)), should the application (in part or full) be successful, where they do not already have authority to do so.</li> <li>5. Grant authority to the Service Director for Strategic Planning and Infrastructure, to take all such action as necessary to implement the project (including funding decisions) following grant award by the Department for Transport, should the application be successful (in part or full), where they do not already have authority to do so.</li> </ol>

**SECTION TWO: EQUALITY IMPACT ASSESSMENT SCREENING TOOL**

<p><b>Potential external impacts:</b> Does the proposal have the potential to negatively impact service users, communities or residents with protected characteristics?</p>	<b>Yes</b>	X	<b>No</b>	
<p><b>Potential internal impacts:</b> Does the proposal have the potential to negatively impact Plymouth City Council employees?</p>	<b>Yes</b>		<b>No</b>	X

Is a full Equality Impact Assessment required? (if you have answered yes to either of the questions above then a full impact assessment is required and you must complete section three)	<b>Yes</b>	X	<b>No</b>	
If you do not agree that a full equality impact assessment is required, please set out your justification for why not.				

### SECTION THREE: FULL EQUALITY IMPACT ASSESSMENT

Protected characteristics (Equality Act, 2010)	Evidence and information (e.g. data and consultation feedback)	Adverse impact	Mitigation activities	Timescale and responsible department
<b>Age</b>	<p><b>Background Community Data</b></p> <p>Plymouth</p> <ul style="list-style-type: none"> <li>• 16.4 per cent of people in Plymouth are children aged under 15.</li> <li>• 65.1 per cent are adults aged 15 to 64.</li> <li>• 18.5 percent are adults aged 65 and over.</li> <li>• 2.4 percent of the resident population are 85 and over.</li> </ul> <p>South West</p> <ul style="list-style-type: none"> <li>• 15.9 per cent of people are aged 0 to 14,</li> <li>• 61.8 per cent are aged 15 to 64.</li> <li>• 22.3 per cent are aged 65 and over.</li> </ul> <p>England</p>	<p>No adverse impacts on the grounds of age are expected on the introduction of electric buses in Plymouth; the routes to benefit from the electric buses are amongst the busiest bus routes in Plymouth which are used by all residents in Plymouth, young and old.</p> <p><b>Positive impact</b></p> <p>The introduction of electric buses is expected to have a positive impact for young children and older people.</p>	Not applicable.	Not applicable.

	<ul style="list-style-type: none"> <li>• 17.4 per cent of people are aged 0 to 14.</li> <li>• 64.2 per cent of people are aged 15 to 64.</li> <li>• 18.4 per cent of people are aged 65 and over.</li> </ul> <p>(2021 Census)</p> <p><b>Public Transport Data</b></p> <ul style="list-style-type: none"> <li>• In 2019/2020 18,027,681 bus trips were made, of which 5,098,348 (28%) were concessionary trips.</li> <li>• In 2020/2021 6,881,673 bus trips were made, of which 1,722,313 (25%) were concessionary trips.</li> <li>• In 2021/2022 12,481,802 bus trips were made, of which 2,870,138 (23%) were concessionary trips.</li> <li>• In 2022/2023 14,430,064 bus trips were made, of which 3,232,668 (22%) were concessionary trips.</li> </ul> <p>In December 2022 there were 54,985 people living within Plymouth who held a concessionary bus pass. The passes are issued either to residents who are over state pension age or have a disability that entitles them to a pass. In December 2022 there were 50,657 active age related passes.</p> <p>Older people by the nature of the scheme are overrepresented as beneficiaries of concessionary fares. National data shows that young people are overrepresented amongst public transport users (<a href="http://Gov.uk">Gov.uk</a>).</p>	<p>The air quality gains realised by the introduction of electric buses will be particularly beneficial to younger and older people. Poor air quality is known to impact on lung development of younger people and marginally improved air quality as a result of the electric buses will help improve the lung function of older people, particularly those with respiratory illness or asthma. Poor air quality has also been directly linked to Alzheimer's.</p> <p>Young children could also benefit from the requirement for the buses to have an additional space in addition to the mandatory wheelchair space – which is suitable for a second wheelchair user or at least 2 unfolded pushchairs or prams.</p> <p>Older people, such as residents holding a concessionary bus pass on the grounds of age, will benefit from the smoother journey provided by an electric bus, compared with a diesel bus, which is a particular benefit to passengers moving around the bus to find a seat, or standing, where any turbulence negatively affects the user experience, an</p>		
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		<p>issue which was reported in the 2021 focus group meetings held with current, lapsed and non-bus users to support the development of the Plymouth Bus Service Improvement Plan (<a href="https://www.plymouth.gov.uk/plymouth-bus-service-improvements">Plymouth bus service improvements   PLYMOUTH.GOV.UK</a>).</p> <p>Plymouth bus users of all ages will also benefit because the savings realised as a result of engineering savings associated with the operation of electric vehicles, when compared to current diesel buses, will strengthen the viability of existing commercial services in a post-Covid climate and will help to enable Plymouth Citybus to sustain bus connections to education, jobs, leisure and healthcare facilities.</p>		
<p><b>Care experienced individuals</b> (Note that as per the Independent Review of Children’s Social Care recommendations, Plymouth City Council is treating</p>	<p><b>Background Community Data</b></p> <p>It is estimated that 26 per cent of the homeless population in the UK have care experience. In Plymouth there are currently 7 per cent of care leavers open to the service (6 per cent aged 18-20 and 12 per cent of those aged 21+) who are in unsuitable accommodation.</p> <p>The Care Review reported that 41 per cent of 19-21 year old care leavers are not in education, employment or training (NEET) compared to 12</p>	<p>No adverse impact on care experienced individuals is expected as a result of the introduction of electric buses in Plymouth.</p> <p><b>Positive impact</b></p> <p>All Plymouth bus users will benefit from the introduction of electric buses because the savings realised as a result of</p>	<p>Not applicable.</p>	<p>Not applicable.</p>

<p>care experience as though it is a protected characteristic).</p>	<p>per cent of all other young people in the same age group.</p> <p>In Plymouth there are currently 50 per cent of care leavers aged 18-21 Not in Education Training or Employment (54 per cent of all those care leavers aged 18-24 who are open to the service).</p> <p>There are currently 195 care leavers aged 18 to 20 (statutory service) and 58 aged 21 to 24 (extended offer). There are more care leavers aged 21 to 24 who could return for support from services if they wished to.</p>	<p>engineering savings associated with the operation of electric vehicles, when compared to current diesel buses, will strengthen the viability of existing commercial services in a post-Covid climate and will help to enable Plymouth Citybus to sustain bus connections to education, jobs, leisure and healthcare facilities.</p>		
<p><b>Disability</b></p>	<p><b>Background Community Data</b></p> <p>9.4 per cent of residents in Plymouth have their activities limited ‘a lot’ because of a physical or mental health problem.</p> <p>12.2 per cent of residents in Plymouth have their activities limited ‘a little’ because of a physical or mental health problem (2021 Census)</p> <p><b>Public Transport Data</b></p> <ul style="list-style-type: none"> <li>• In 2019/2020 18,027,681 bus trips were made, of which 5,098,348 (28%) were concessionary trips.</li> <li>• In 2020/2021 6,881,673 bus trips were made, of which 1,722,313 (25%) were concessionary trips.</li> <li>• In 2021/2022 12,481,802 bus trips were made, of which 2,870,138 (23%) were concessionary trips.</li> <li>• In 2022/2023 14,430,064 bus trips were made, of which 3,232,668 (22%) were concessionary trips.</li> </ul>	<p><b>Adverse impact</b></p> <p>There is a potential adverse impact for people who are blind, partially sighted or experience a hearing impairment due to the introduction of electric buses. This is because electric buses are quieter than diesel buses which may make it more likely for people with these disabilities to either miss their bus, because they’re not aware it is approaching the bus stop they’re waiting at, or being involved in accidents with the new buses.</p> <p><b>Positive impact</b></p> <p>The Department for Transport requires the vehicles funded through the ZEBRA fund to: (1) be compliant with the Public Service Vehicles Accessibility Regulations 2000 (PSVAR), (2) be compliant with the Accessible</p>	<p>Plymouth Citybus already provides ‘help me’ aides (<a href="#">Help-Me Cards - Plymouth Bus</a>) designed to support passengers who have a hearing impairment, have difficulty communicating or are visually impaired.</p> <p>The ‘help me signs’ have been specifically designed to help those passengers that have difficulty seeing the destination displays on buses and bus stops and shelters. All the passenger has to do is stand at the bus stop and hold out the sign. Citybus drivers will look out for these signs and if their bus matches the sign, they will stop.</p> <p>In addition the Plymouth Enhanced Partnership will</p>	<p>The mitigation for the potential adverse introduction of electric buses will be in place before the buses start operating in Plymouth; the Department for Transport expect all buses to come into service within 2 years of the initial funding being awarded.</p> <p>Responsible parties: Plymouth Citybus, Plymouth City Council and Cornwall Council.</p>

	<p>In December 2022 there were 54,985 people living within Plymouth who held a concessionary bus pass. The passes are issued either to residents who are over state pension age or have a disability that entitles them to a pass. In December 2022 there were 4,328 active disabled bus passes.</p> <p>In 2019, disabled adults (aged 16 years and over) in England made 757 trips on average per person per year, as compared to 1,016 for adults without a disability. The difference was smaller for those aged under 65, 17 per cent less (854 trips compared to 1,026) than for those aged over 65, 34 per cent less (642 trips compared to 970) (<a href="#">DFT Accessibility Statistics: 2020</a>)</p> <p>National evidence suggests that a higher proportion of individuals who live in families with disabled members live in poverty, compared to individuals who live in families where no one is disabled (<a href="#">EHRC 2017</a>).</p>	<p>Information Regulations (3) provide an induction loop to aid direct communication between drivers and passengers who use a hearing aid and (4) provide an additional space in addition to the mandatory wheelchair space – this space can either be suitable for a second wheelchair user or at least 2 unfolded pushchairs or prams. In addition operators must ensure that the buses can be safely and comfortably used by passengers using wheelchairs. They must also ensure that a wheelchair user can easily move between the boarding ramp or lift and the wheelchair space, and position themselves appropriately according to the restraint system in use. These measures provide benefits to bus passengers with disabilities.</p> <p>Disabled people will also benefit from the introduction of electric buses because the savings realised as a result of engineering savings associated with the operation of electric vehicles, when compared to current diesel buses, will strengthen the viability of existing commercial services in a post-Covid climate and will help to enable Plymouth Citybus to sustain bus connections to</p>	<p>explore other means by which passengers with disabilities can identify themselves to drivers (supported by appropriate driver training), such as the previous ‘orange wallet’ scheme in Plymouth, which some passengers still use.</p> <p>Plymouth City Council (in partnership with Plymouth Citybus) will engage with our partners who work with people with disabilities to raise awareness of the introduction of the new electric buses, the Help-Me Cards scheme and any additional schemes introduced to support people with disabilities using public transport.</p> <p>The new buses will have daytime running lights to increase their visibility to passengers/</p> <p>The electric buses will also have audio-visual next stop announcements benefitting passengers once on the vehicle.</p>	
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		<p>education, jobs, leisure and healthcare facilities.</p>	<p>Plymouth City Council, Cornwall Council and Plymouth Citybus will engage with stakeholders, through the Plymouth Enhanced Partnership Forum, about the potential use of acoustic alert systems, activated at particular speeds and / or in particular locations to mitigate for the quieter running of electric vehicles and the associated risks.</p> <p>Plymouth Citybus will also explore and where possible, mitigate for, passengers not being able to use the induction loop intended to aid direct communication between drivers and passengers who use a hearing aid, should Bluetooth be enabled on the buses.</p>	
<p><b>Gender reassignment</b></p>	<p>0.5 per cent of residents in Plymouth have a gender identity that is different from their sex registered at birth. 0.1 per cent of residents identify as a trans man, 0.1 per cent identify as non-binary and, 0.1 per cent identify as a trans women (2021 Census).</p>	<p>No adverse impacts are anticipated from the introduction electric buses; the buses are expected to improve the bus service provision, on the routes the buses operate on, for all.</p> <p><b>Positive impact</b></p>	<p>Not applicable.</p>	<p>Not applicable.</p>

		<p>All Plymouth bus users will benefit from the introduction of electric buses because the savings realised as a result of engineering savings associated with the operation of electric vehicles, when compared to current diesel buses, will strengthen the viability of existing commercial services in a post-Covid climate and will help to enable Plymouth Citybus to sustain bus connections to education, jobs, leisure and healthcare facilities.</p>		
<p><b>Marriage and civil partnership</b></p>	<p>40.1 per cent of residents have never married and never registered a civil partnership. 10 per cent are divorced, 6 percent are widowed, with 2.5 per cent are separated but still married.</p> <p>0.49 per cent of residents are, or were, married or in a civil partnerships of the same sex. 0.06 per cent of residents are in a civil partnerships with the opposite sex (2021 Census).</p>	<p>No adverse impacts are anticipated from the introduction electric buses; the buses are expected to improve the bus service provision, on the routes the buses operate on, for all.</p> <p><b>Positive impact</b></p> <p>All Plymouth bus users will benefit from the introduction of electric buses because the savings realised as a result of engineering savings associated with the operation of electric vehicles, when compared to current diesel buses, will strengthen the viability of existing commercial services in a post-Covid climate and will help to enable Plymouth Citybus to</p>	<p>Not applicable.</p>	<p>Not applicable.</p>

		<p>sustain bus connections to education, jobs, leisure and healthcare facilities.</p>		
<p><b>Pregnancy and maternity</b></p>	<p>The total fertility rate (TFR) for England was 1.62 children per woman in 2021. The total fertility rate (TFR) for Plymouth in 2021 was 1.5.</p>	<p><b>Adverse impact</b></p> <p>No adverse impacts are anticipated from the introduction electric buses; the buses are expected to improve the bus service provision, on the routes the buses operate on, for all.</p> <p><b>Positive impact</b></p> <p>People within this group may experience benefits from the pushchair spaces on the buses, as well as priority seats at the front of the vehicle that are prioritised for those with limited mobility, which extends to those who are pregnant. For people without access to a car (15 per cent of men and 31 per cent or women do not have a driving licence and 24.9 per cent of Plymouth households do not have access to a car or a van (2021 census), higher than the national figure of 23.3 per cent.), the bus could provide vital links to medical appointments and healthcare facilities.</p> <p>Plymouth bus users will also benefit from the introduction of</p>	<p>Not applicable.</p>	<p>Not applicable.</p>

		<p>electric buses because the savings realised as a result of engineering savings associated with the operation of electric vehicles, when compared to current diesel buses, will strengthen the viability of existing commercial services in a post-Covid climate and will help to enable Plymouth Citybus to sustain bus connections to education, jobs, leisure and healthcare facilities.</p>		
<p><b>Race</b></p>	<p>In 2021, 94.9 per cent of Plymouth’s population identified their ethnicity as White, 2.3 per cent as Asian and 1.1 per cent as Black (2021 Census)                  People with a mixed ethnic background comprised 1.8 per cent of the population. 1 per cent of the population use a different term to describe their ethnicity (2021 Census)                  92.7 per cent of residents speak English as their main language. 2021 Census data shows that after English, Polish, Romanian, Chinese, Portuguese, and Arabic are the most spoken languages in Plymouth (2021 Census).</p>	<p>No adverse impacts are anticipated from the introduction electric buses; the buses are expected to improve the bus service provision, on the routes the buses operate on, for all.</p> <p><b>Positive impact</b></p> <p>All Plymouth bus users will benefit from the introduction of electric buses because the savings realised as a result of engineering savings associated with the operation of electric vehicles, when compared to current diesel buses, will strengthen the viability of existing commercial services in a post-Covid climate and will help to enable Plymouth Citybus to sustain bus connections to</p>	<p>Not applicable.</p>	<p>Not applicable.</p>

		education, jobs, leisure and healthcare facilities.		
<b>Religion or belief</b>	48.9 per cent of the Plymouth population stated they had no religion. 42.5 per cent of the population identified as Christian (2021 Census). Those who identified as Muslim account for 1.3 per cent of Plymouth’s population while Hindu, Buddhist, Jewish or Sikh combined totalled less than 1 per cent (2021 Census).	<p>No adverse impacts are anticipated from the introduction electric buses; the buses are expected to improve the bus service provision, on the routes the buses operate on, for all.</p> <p><b>Positive impact</b></p> <p>All Plymouth bus users will benefit from the introduction of electric buses because the savings realised as a result of engineering savings associated with the operation of electric vehicles, when compared to current diesel buses, will strengthen the viability of existing commercial services in a post-Covid climate and will help to enable Plymouth Citybus to sustain bus connections to education, jobs, leisure and healthcare facilities.</p>	Not applicable.	Not applicable.
<b>Sex</b>	51 per cent of our population are women and 49 per cent are men (2021 Census).	No adverse impacts are anticipated from the introduction electric buses; the buses are expected to improve the bus service provision, on the routes the buses operate on, for all.	Not applicable.	Not applicable.

		<p><b>Positive impact</b></p> <p>All Plymouth bus users will benefit from the introduction of electric buses because the savings realised as a result of engineering savings associated with the operation of electric vehicles, when compared to current diesel buses, will strengthen the viability of existing commercial services in a post-Covid climate and will help to enable Plymouth Citybus to sustain bus connections to education, jobs, leisure and healthcare facilities.</p>		
<p><b>Sexual orientation</b></p>	<p>88.95 per cent of residents aged 16 years and over in Plymouth describe their sexual orientation as straight or heterosexual. 2.06 per cent describe their sexuality as bisexual, 1.97 per cent of people describe their sexual orientation as gay or lesbian. 0.42 per cent of residents describe their sexual orientation using a different term (2021 Census).</p>	<p>No adverse impacts are anticipated from the introduction of electric buses; the buses are expected to improve the bus service provision, on the routes the buses operate on, for all.</p> <p><b>Positive impact</b></p> <p>All Plymouth bus users will benefit from the introduction of electric buses because the savings realised as a result of engineering savings associated with the operation of electric vehicles, when compared to current diesel buses, will strengthen the viability of existing commercial services in a post-Covid climate and will help</p>	<p>Not applicable.</p>	<p>Not applicable.</p>

		to enable Plymouth Citybus to sustain bus connections to education, jobs, leisure and healthcare facilities.		
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**SECTION FOUR: HUMAN RIGHTS IMPLICATIONS**

Human Rights	Implications	Mitigation Actions	Timescale and responsible department
	No adverse impacts on Human Rights are anticipated from this decision.	Not applicable.	Not applicable.

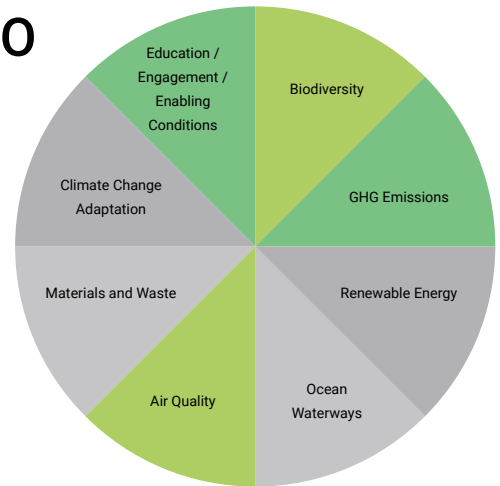
**SECTION FIVE: OUR EQUALITY OBJECTIVES**

Equality objectives	Implications	Mitigation Actions	Timescale and responsible department
<b>Celebrate diversity and ensure that Plymouth is a welcoming city.</b>	No adverse impacts are anticipated. The introduction of electric buses will help improve Plymouth’s buses, helping make them modern and attractive to both residents and visitors to the city.	Not applicable.	Not applicable.
<b>Pay equality for women, and staff with disabilities in our workforce.</b>	No adverse impacts are anticipated.	Not applicable.	Not applicable.
<b>Supporting our workforce through the implementation of Our People Strategy 2020 – 2024</b>	No adverse impacts are anticipated.	Not applicable.	Not applicable.
<b>Supporting victims of hate crime so they feel confident to report incidents, and working with, and through our partner organisations to achieve positive outcomes.</b>	No adverse impacts are anticipated.	Not applicable.	Not applicable.

<b>Plymouth is a city where people from different backgrounds get along well.</b>	No adverse impacts are anticipated.	Not applicable.	Not applicable.
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# DEPARTMENT FOR TRANSPORT ZERO EMISSION BUS REGIONAL AREAS SCHEME (ZEBRA 2) FINAL



**Assessment ID:** DEP204

**Assessment Author:** Rosemary Starr

## Assessment Initial Summary:

Plymouth City Council are leading a bid to the Department for Transport's Zero Emission Bus Regional Areas Scheme, in partnership with Plymouth Citybus and Cornwall Council. If successful the bid will see the introduction of up to 50 zero emission, electric, double decker buses on routes operating in Plymouth and the Rame Peninsula as well as the necessary associated electric charging infrastructure at the Plymouth Citybus depot, Milehouse. The acquisition of the electric buses will not only enhance the routes which they will operate on but will also allow the redeployment of buses currently operating on routes which will be electrified to other services in Plymouth and South-east Cornwall, thereby modernising the entire Plymouth Citybus fleet operating in the Plymouth Travel to Work Area. This assessment relates to the impact of the introduction of electric buses in Plymouth, on the assumption that the bid is successful.

## Assessment Final Summary:

The introduction of up to 50 zero emission, electric, double decker buses on routes operating in Plymouth and the Rame Peninsula as well as the necessary associated electric charging infrastructure will have a positive climate impact, particularly with regard to reducing greenhouse gas emissions and providing education and enabling conditions to encourage positive climate change behaviours amongst others. No adverse climate change impacts are expected from this project.

### Biodiversity Score: 4

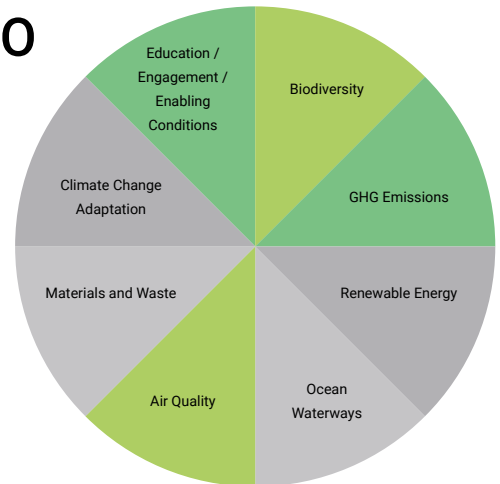
**Biodiversity Score Justification:** It is expected that there will be a beneficial noise impact from the introduction of electric buses. This is because electric vehicles generate lower levels of noise compared to their internal combustion engine equivalents. However, the positive impact is limited because the buses will still be operating on the highway where the majority of vehicles will not be electric.

**Biodiversity Score Mitigate:** No

### GHG Emissions Score: 5

**GHG Emissions Score Justification:** If successful, the bid will see the introduction of up to 50 zero emission, electric, double decker buses on routes operating either wholly within, or to or

# DEPARTMENT FOR TRANSPORT ZERO EMISSION BUS REGIONAL AREAS SCHEME (ZEBRA 2) FINAL



from Plymouth. The Department for Transport require the buses to operate within the area to which funding was awarded for a minimum of five years. However, it's expected that the buses will actually serve Plymouth for much longer. Each vehicle has a lifespan of circa 18 years. Furthermore, not only will the new electric vehicles reduce carbon emissions, the emissions from diesel buses operating on other routes in the Plymouth Travel to Work Area will also improve through the cascade or more modern, efficient, buses from the routes being electrified, onto other services.

**GHG Emissions Score Mitigate:** No

**Renewable Energy Score:** 3

**Renewable Energy Score Justification:** This project has no impact on renewal energy provision.

**Renewable Energy Score Mitigate:** No

**Ocean and Waterways Score:** 3

**Ocean and Waterways Score Justification:** This project has no impact on the Ocean or Waterways.

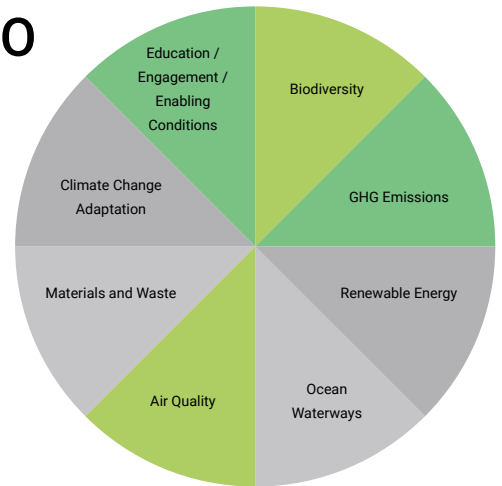
**Ocean and Waterways Score Mitigate:** No

**Ocean and Waterways Revised Score Justification:** This project has no impact on the Ocean or Waterways.

**Air Quality Score:** 4

**Air Quality Score Justification:** The electric buses, funded through the ZEBRA 2 project, were our bid to be successful will help to improve local air quality. They will be deployed on routes within Plymouth's declared air quality management area and are expected to achieve reductions in NOx and PM pollutants, when compared to their internal combustion engine equivalents. Furthermore, the buses are expected to achieve modal shift, away from the private car, due to the introduction of modern buses (a priority for Plymouth bus passengers, as identified in the 2023 Bus Service

# DEPARTMENT FOR TRANSPORT ZERO EMISSION BUS REGIONAL AREAS SCHEME (ZEBRA 2) FINAL



Improvement Plan) which will also deliver air quality benefits.

**Air Quality Score Mitigate:** No

**Materials and Waste Score:** 3

**Materials and Waste Score Justification:** This project is expected to neither increase or decrease waste volumes in the city. The electric vehicle infrastructure required to support the electric buses will be installed at the Plymouth Citybus depot; repurposing part of the site so that it is fit for purpose for electric vehicles.

**Materials and Waste Score Mitigate:** No

**Climate Change Adaptation Score:** 3

**Climate Change Adaptation Score Justification:** This project has the potential to reduced the urban heat island effect, due to a switch from internal combustion engines to electric propulsion for up to 50 buses. However, due to the number of electric buses, compared to the volume of traffic on Plymouth's roads the effect is expected to be minimal and hence has not been scored.

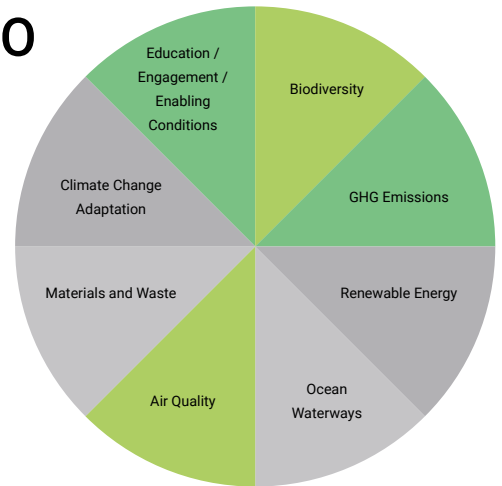
**Climate Change Adaptation Score Mitigate:** No

**Climate Change Adaptation Revised Score Justification:** This project has the potential to reduced the urban heat island effect, due to a switch from internal combustion engines to electric propulsion for up to 50 buses. However, due to the number of electric buses, compared to the volume of traffic on Plymouth's roads the effect is expected to be minimal and hence has not been scored.

**Education / Engagement / Enabling Conditions Score:** 5

**Education / Engagement / Enabling Conditions Score Justification:** If successful the bid will allow Plymouth to showcase the benefits of electric buses. The bid team are also hoping to be able to provide practical educational opportunities for electric vehicles and, as a minimum, the project will result in the Citybus engineering teams being upskilled in maintaining electric

# DEPARTMENT FOR TRANSPORT ZERO EMISSION BUS REGIONAL AREAS SCHEME (ZEBRA 2) FINAL



vehicles; knowledge which they're happy to share with others. The project will also increase the capacity of residents and businesses to adopt climate friendly behaviours. For residents, this will be achieved through operating modern buses in Plymouth which are expected to prompt modal shift. For businesses, this will be through future proofing the electric vehicle charging infrastructure to allow other organisations to potentially utilise the infrastructure as well, supporting their transition to greener fleets.

**Education / Engagement / Enabling Conditions Score Mitigate: No**

### Wheel Key

- Long lasting or severe negative impact
- Short term or limited negative impact
- No impact or neutral impact
- Short term or limited positive impact
- Long lasting or extensive positive impact

# Subsidy Advice Unit Report on the proposed subsidy to Plymouth Citybus Limited

Referred by Plymouth City Council

23 October 2024

**Subsidy Advice Unit**

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Part of the Competition and Markets Authority



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## 1. The Referral

- 1.1 On 6 September 2024, Plymouth City Council (the Council) requested a report from the Subsidy Advice Unit (the SAU)<sup>1</sup> in relation to its proposed grant to Plymouth Citybus Limited (PCL) for the acquisition of 50 zero emission buses (ZEBs) and the provision of associated infrastructure (the ZEB Project) under section 52 of the Subsidy Control Act 2022 (the Act).<sup>2</sup>
- 1.2 This report evaluates the Council's assessment of compliance (the Assessment) of the subsidy with the requirements of Chapters 1 and 2 of Part 2 of the Act.<sup>3</sup> It is based on the information and evidence included in the Assessment.
- 1.3 This report is provided as non-binding advice to the Council. It does not consider whether the subsidy should be given, or directly assess whether it complies with the subsidy control requirements.

### Summary

- 1.4 The Assessment uses the four-step structure described in the Statutory Guidance for the United Kingdom Subsidy Control Regime (the [Statutory Guidance](#)) and as reflected in the SAU's Guidance on the operation of the subsidy control functions of the Subsidy Advice Unit (the [SAU Guidance](#)).
- 1.5 In our view, the Council has considered the compliance of the Subsidy with the subsidy control and energy and environment principles.
- 1.6 The Assessment reflects the following positive features:
- (a) the discussion of the expected emissions abatement and the description of the calculation methodology are clear and well-articulated; and
  - (b) the well-structured and detailed approach taken when conducting the balancing exercise in principle G is to be commended.
- 1.7 However, we have identified the following areas for improvement:
- (a) The Assessment should better evidence why the size of the Subsidy is the minimum necessary.

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<sup>1</sup> The SAU is part of the Competition and Markets Authority.

<sup>2</sup> The SAU has published details on its webpage: [Referral of the proposed subsidy to Plymouth Citybus Limited by Plymouth City Council - GOV.UK \(www.gov.uk\)](#).

<sup>3</sup> Chapter 1 of Part 2 of the Act requires a public authority to consider the subsidy control principles and energy and environment principles before deciding to give a subsidy. The public authority must not award the subsidy unless it is of the view that it is consistent with those principles. Chapter 2 of Part 2 of the Act prohibits the giving of certain kinds of subsidies and, in relation to certain other categories of subsidy creates a number of requirements with which public authorities must comply.



- (b) The Assessment should more systematically consider how the design of the Subsidy will limit potential negative effects on competition and investment including discussion of aspects of subsidy design which are set out in the Statutory Guidance (eg monitoring, ringfencing, and clawback mechanisms), but which are not currently addressed.

1.8 We discuss these areas below, along with other issues, for consideration by the Council in finalising its assessment.

### **The referred subsidy**

1.9 The Council is proposing to provide a subsidy of up to £12.3 million to PCL to secure the delivery of the ZEB Project, comprising:

- (a) the acquisition of a fleet of 50 double-decker ZEBs which will cover specified bus routes within Plymouth and to/from the Rame Peninsula, South East Cornwall; and
- (b) the provision of related charging infrastructure to support the use of the ZEBs.

1.10 The ZEB Project is intended to reduce carbon emissions and improve air quality, in part through the ZEBs providing an immediate reduction in carbon emissions compared to present levels on the routes where they are deployed. It will also do so indirectly, as the new vehicles will displace some of the current diesel buses in operation on the identified routes, which tend to be newer diesel vehicles with a better environmental rating. This will in turn allow PCL to cascade these newer diesel vehicles through its fleet and phase out usage of the oldest, most-polluting buses that are currently in use in the area.

1.11 PCL will continue to maintain at least the existing level of service on the bus routes, but with lower overall emissions and therefore higher air quality. The ZEBRA (Zero Emission Bus Regional Area) 2 subsidy rules require PCL to keep the ZEBs on the chosen routes for a minimum of five years.

1.12 The Subsidy equates to up to 43% of the total ZEB Project cost of £28.3 million. The balance of the ZEB Project cost will be financed from PCL's own non-publicly sourced group reserves; PCL is part of The Go-Ahead Group Limited.

1.13 The Subsidy itself is financed from the Department for Transport's (DfT) ZEBRA 2 Fund (84%); and by the Council (6%) and Cornwall Council (10%).

1.14 The Council explained that the Subsidy is a Subsidy of Particular Interest because its value exceeds £10 million.

## 2. The SAU's Evaluation

2.1 This section sets out our evaluation of the Assessment, following the four-step framework structure used by the Council.

### **Step 1: Identifying the policy objective, ensuring it addresses a market failure or equity concern, and determining whether a subsidy is the right tool to use**

2.2 The first step involves an evaluation of the Assessment against:

- (a) Principle A: Subsidies should pursue a specific policy objective in order to (a) remedy an identified market failure or (b) address an equity rationale (such as local or regional disadvantage, social difficulties or distributional concerns); and
- (b) Principle E: Subsidies should be an appropriate policy instrument for achieving their specific policy objective and that objective cannot be achieved through other, less distortive, means.<sup>4</sup>

#### **Policy objectives**

2.3 The Assessment states that the primary public policy objective of the Subsidy is to 'decarbonise bus services and deliver cleaner air in the short to medium term for the good of the overall population and environment in Plymouth and the Rame Peninsula'.

2.4 It explains that the Subsidy is essential to securing the delivery of this policy objective, and that it does so while maintaining (and to a limited extent, enhancing) bus services in the project area.

2.5 The Assessment sets out several local and national policy objectives with which the Subsidy is aligned. These include the Council's vision, as set out in the 2024 Bus Service Improvement Plan, 'to create a thriving bus network where everyone can be connected to important people and places, by services that are frequent, reliable, fast, affordable, safe and clean, which will also help Plymouth to achieve its net zero goals by 2030'.<sup>5</sup>

2.6 Throughout the Assessment, the policy objectives are framed in different ways, and some of the Principles are assessed with reference to a wider range of objectives than are identified in paragraphs 2.3 and 2.4. The appropriate breadth of the policy objectives is therefore somewhat unclear; for example, under

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<sup>4</sup> See [Statutory Guidance](#), paragraphs 3.32-3.56 and the [SAU Guidance](#), paragraphs 4.7-4.11 for further detail.

<sup>5</sup> [Bus Service Improvement Plan - Plymouth Bus](#), page 6 Executive Summary.

Principle E, the policy objective is described as ‘maintaining and potentially increasing bus service patronage; quality; and securing much wider accessibility’.

- 2.7 In our view, the Assessment could be improved by ensuring that the policy objectives are stated clearly and presented consistently throughout the Assessment, and clarifying where wider identified benefits of the Subsidy are incidental to the policy objectives. For example, it could clarify whether maintaining or enhancing bus services in the project area, or making bus services more accessible, were part of the specific policy objectives, or instead wider benefits of the Subsidy.

### **Market failure**

- 2.8 Market failures arise where market forces alone do not produce an efficient outcome. When this arises, businesses may make investments that are financially rational for themselves, but not socially desirable.<sup>6</sup>
- 2.9 The Assessment states that there are negative externalities which the Subsidy aims to tackle. It explains that the introduction of ZEBs and the associated charging infrastructure in Plymouth will have a positive climate impact, particularly by reducing greenhouse gas emissions. It also proposes that educating and encouraging others on use of zero emission vehicles, and making charging infrastructure available for other organisations to use, will encourage positive climate change behaviours more widely.
- 2.10 It estimates that the project will achieve a lifetime reduction of direct greenhouse gas emissions by 79,914 tonnes of carbon dioxide equivalent. It explains this will have the effect of ‘increasing Plymouth City’s annual reduction in emissions by 23%’, and fully decarbonise 44% of its bus services.
- 2.11 In our view, although the Assessment refers to relevant market failures, it does not clearly explain their relevance to the policy objective or how the Subsidy will address them. The Assessment could directly link the benefits it describes with the descriptions of market failures in the Statutory Guidance; for example, in regard to the negative externalities related to emissions from bus transport.

### **Equity objective**

- 2.12 Equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.<sup>7</sup>
- 2.13 The Assessment states that the city of Plymouth is considered economically disadvantaged, that Plymouth has two lower-layer super output areas in the most

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<sup>6</sup> [Statutory Guidance](#), paragraphs 3.35-3.48.

<sup>7</sup> [Statutory Guidance](#), paragraphs 3.49-3.53.

deprived 1% of the country, and that the area covered by the Local Transport Authority is placed within the second decile of the Index for Multiple Deprivation.

- 2.14 The Assessment points out that improving the air quality in Plymouth will improve the health and wellbeing of Plymouth residents and visitors. It notes that the bus routes where the ZEBs are intended to be operated primarily serve the most deprived areas of the city and that they will operate within the declared Air Quality Management Area.
- 2.15 The Assessment explains that 24.9% of households within Plymouth are without access to a car, and that transport by bus accounts for 95% of the public transport in and around Plymouth. It states that public bus services are crucial to enable residents to access school and work, healthcare and shops, friends and family as well as enabling visitors to travel to, from and within Plymouth.
- 2.16 The information in the equity objective section helps to provide context for why the bus services are necessary, and so why maintaining bus provision is important. However, in our view the Assessment could more clearly explain the unequal or unfair outcomes which it seeks to remedy or prevent from worsening, and how the Subsidy will achieve this, given that absent the Subsidy, it is still anticipated that all bus routes will continue to operate with diesel vehicles; the relevant outcomes appear to primarily be environment and health-related.

### **Appropriateness**

- 2.17 Public authorities must determine whether a subsidy is the most appropriate instrument for achieving the policy objective. As part of this, they should consider other ways of addressing the market failure or equity issue.<sup>8</sup>
- 2.18 The Assessment states that the Council has ‘a 2030 net zero target’, and within its Net Zero Action Plan, it has committed to facilitate ‘decarbonisation of the transport system, provide [relevant] public infrastructure [...] and co-produce decarbonisation plans and initiatives with partners’. It claims that the introduction of ZEBs will meet these commitments, and that the ZEBRA 2 fund ‘has provided the catalyst to allow the introduction of ZEBs to Plymouth, which would not otherwise have happened at the current time or for the foreseeable future’. The Assessment states that the use of ZEBs is essential in Plymouth, where buses are the principal means of public transport. In addition, it discusses secondary benefits, noting that ZEBs may potentially increase bus service patronage; improve quality; and secure wider accessibility when using environmentally cleaner forms of public travel.

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<sup>8</sup> [Statutory Guidance](#), paragraphs 3.54-3.56.

- 2.19 The Assessment considers other means of decarbonising Plymouth's transport system solely within the gift of the Council, such as promoting active travel eg walking, cycling and wheeling (using a wheelchair or mobility aid), and behaviour change programmes. It explains that this option was ruled out for not fully meeting the policy objectives, for not achieving sufficient reductions in emissions overall, and particularly in not addressing bus emissions. The Council rejected an option of operating the buses itself, not least due to lack of sufficient capital.
- 2.20 The Assessment considers approaches aside from grant funding. Using PCL's own calculations, the Assessment notes that without external funding, these non-subsidy figures do not represent an investable business case. The net present value is negative based on the latest discount factor, and the internal rate of return (IRR) is below PCL's weighted average cost of capital. It states that a loan or equity guarantee 'would only worsen the commercial viability of [the ZEB] Project' and so would not be a viable option.
- 2.21 The Assessment explains that the Council did not consider lending funds 'at a preferential or 0% rate' as it does not have sufficient capital or revenue funding to make this affordable. Similarly, it concluded that it was not viable for the Council to acquire ZEBs and develop the relevant infrastructure itself in order to subsequently lease vehicles to bus operators, as it does not possess sufficient capital or revenue budget to fund the purchase of ZEBs alone.
- 2.22 The Assessment briefly considers alternative fuel ZEBs; it notes that the only alternative option available under ZEBRA 2 is hydrogen. Hydrogen ZEBs were rejected as an option due to the higher 'value for money', and lower risk, in electric bus investment. It also considered an incremental roll out of ZEBs, but concluded that due to the upfront required cost of infrastructure and buses, the costs of implementation would only increase by introducing the ZEBs incrementally.
- 2.23 The Assessment did not consider dual loan- and subsidy-funded incremental introduction, to demonstrate that the project could not be privately financed; this could have been beneficial. It also explains that it did not consider a loan for 'a proportion of the sum required, with the Subsidy making up the balance' as this would be unaffordable. However, the Council (along with Cornwall Council) will be contributing £1.94m, with the Council contributing £750k; it is not clear in the Assessment why the Council did not consider making this amount a loan to PCL.
- 2.24 The Assessment's consideration of Principle E makes reference to the possibility of receiving subsidy funding via ZEBRA 2, and subsequently has directly compared other possible options with the end result of the Subsidy. For example, when determining alternative policy approaches, the Assessment notes that 'given the availability of the DfT ZEBRA 2 fund [...] this option was reasonably rejected'.

- 2.25 In our view, the Assessment could address a fuller range of alternative approaches separate to ZEBRA 2 funding (such as partial loans or evaluating use of biomethane/ biodiesel buses), and provide the Council's reasons as to why these were found to be less effective in addressing the policy objectives.

## **Step 2: Ensuring that the subsidy is designed to create the right incentives for the beneficiary and bring about a change**

- 2.26 Under Step 2, public authorities should consider compliance of a subsidy with:
- (a) Principle C: Subsidies should be designed to bring about a change of economic behaviour of the beneficiary. That change should be something that would not happen without the subsidy and be conducive to achieving its specific policy objective; and
  - (b) Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.<sup>9</sup>

### **Counterfactual**

- 2.27 In assessing the counterfactual, public authorities should consider what would likely happen in the future – over both the long- and short-term – if no subsidy were awarded (the 'do nothing' scenario').<sup>10</sup>
- 2.28 The Assessment states that, in the absence of the Subsidy, ZEBs would not be introduced to the proposed routes in the short-to-medium term because there is no existing or impending legal requirement to do so and the beneficiary's own analysis demonstrates the need for financial support to facilitate the long-term move towards ZEBs.
- 2.29 The Assessment explains that, without the Subsidy, the beneficiary would proceed with its existing business-as-usual plan to carry out a smaller capital investment designed to gradually replace existing buses with newer diesel variants. It states that these newer vehicles 'would not be significantly more efficient' than most of those being replaced, as the latter already conform to the latest emissions specifications. Consequently, the Assessment claims that 'a significant reduction in carbon emissions and improving the air quality while at least maintaining the current level of service would not be realised'.
- 2.30 The Council provided documentation demonstrating the beneficiary's business-as-usual investment plans. This was supplemented by analysis and supporting evidence of both the quantity and economic value of the carbon dioxide, nitrogen

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<sup>9</sup> Further information about the Principles C and D can be found in the [Statutory Guidance](#) (paragraphs 3.57-3.71) and the [SAU Guidance](#) (paragraphs 4.12-4.14).

<sup>10</sup> [Statutory Guidance](#), paragraphs 3.60-3.62.

oxides (NO<sub>x</sub>) and particulate matter emissions it expects the investment in ZEBs will abate, and the methodology adopted.

- 2.31 Regarding the longer-term counterfactual, which the Council defines as after 2035, the Assessment considers the potential for change in the regulatory landscape. However, it claims that the objective of improving air quality in the short-to-medium term as well as in the long-term would not be achieved by simply waiting for regulation to solve the issue. It states that while it can be assumed that PCL is likely to have invested in some ZEBs in the longer-term counterfactual, it would be difficult to quantify the number of likely ZEBs or the environmental impact in the longer-term counterfactual.
- 2.32 In our view, the beneficiary's existing plans to invest in diesel buses represent the appropriate counterfactual. Longer-term counterfactuals after 2035 are less relevant for the Assessment and depend on unknown policy and regulatory developments. Generally, the discussion of the expected emissions abatement and description of the calculation methodology is a strength of the Assessment.

### **Changes in economic behaviour of the beneficiary and additionality**

- 2.33 Subsidies must bring about something that would not have occurred without the subsidy.<sup>11</sup> They should not be used to finance a project or activity that the beneficiary would have undertaken in a similar form, manner, and timeframe without the subsidy ('additionality').<sup>12</sup>
- 2.34 The Assessment explains that the capital cost of both ZEBs and the associated infrastructure is significantly greater than for an equivalent number of diesel buses. Further, it claims that the investment into ZEBs generates insufficient profits to service the debt that the beneficiary would need to incur to make the investment itself, resulting in a viability gap. The Council states that its advisers had 'undertaken an independent assessment of the Project's viability gap and are satisfied that the level of subsidy is necessary to secure the private sector investment.'
- 2.35 The Assessment also notes that, while The Go-Ahead Group has expressed aims to decarbonise its fleet, this is wholly dependent on financial support, and there is currently no legal or regulatory standard requiring the operator to invest in ZEBs. Consequently, it states that the proposed subsidy 'provides the operator with a clear financial incentive to bring forward its [...] aspiration to decarbonise its fleet' and, in turn, achieve this aspiration.

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<sup>11</sup> [Statutory Guidance](#), paragraph 3.64.

<sup>12</sup> [Statutory Guidance](#), paragraphs 3.63-3.67.

- 2.36 The Assessment considers that securing the operator's incremental costs of investment to acquire the ZEBs will ensure that, at a minimum, an essential level of bus service will be maintained in an environmentally friendly way.
- 2.37 Regarding additionality, the Assessment explains that, given the described viability gap, the investment would not proceed without the Subsidy and that the policy objective would not therefore be met. It states that the Subsidy is solely intended for the capital costs of the ZEBs and related infrastructure and, consequently, no business-as-usual costs would therefore be funded.
- 2.38 In support of the Assessment, the Council provided a statement from the beneficiary stating that it had no pre-existing plans to invest in ZEBs, the project would be loss-making over the lifetime of the ZEBs, even when factoring in expected operating efficiencies, and so would not be commercially viable absent support. It also submitted the beneficiary's incremental IRR analysis, which details the incremental cash flows and returns from the ZEB investment relative to investing in an equivalent number of diesel buses instead, and is intended to demonstrate that the Subsidy ensures the commercial viability of investing in ZEBs. The Council also supplied evidence referring indirectly to costings received from two different manufacturers of ZEBs and related infrastructure.
- 2.39 The Assessment explains the change in behaviour that the Subsidy is designed to bring about, and that the Subsidy enables the completion of a project that would not have otherwise been undertaken by the beneficiary. However, in our view, inclusion of the viability gap assessment conducted by the Council's financial advisors could also have improved the assessment of both Principles C and D, by demonstrating the financial incentives on the recipient with the Subsidy, and in the counterfactual to clearly demonstrate the additionality and change in economic behaviour from the Subsidy.

### **Step 3: Considering the distortive impacts that the subsidy may have and keeping them as low as possible**

- 2.40 Under Step 3, public authorities should consider compliance of a subsidy with:
- (a) Principle B: Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it; and
  - (b) Principle F: Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom.<sup>13</sup>

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<sup>13</sup> See [Statutory Guidance](#) paragraphs 3.72-3.108 and the [SAU Guidance](#), paragraphs 4.15-4.19 for further detail.



## Proportionality

- 2.41 The Assessment states that the Council is satisfied that the Subsidy amount has been reasonably demonstrated as no more than necessary to meet the demonstrated viability gap. In support of this, the Assessment points to a number of pieces of evidence that the Subsidy is the minimum necessary.
- 2.42 The Assessment outlines PCL's internal financial analysis of the financial viability of the incremental capital expenditure on 50 ZEBs against a counterfactual scenario of investing in diesel buses (see paragraph 2.38). This analysis shows the level of financial returns PCL expects on the incremental capital expenditure with and without the Subsidy; without the Subsidy the returns (as measured by the project net present value) are expected to be negative, whereas with the Subsidy the returns become positive. The Assessment cites 'national viability evidence' in the form of the National Bus Strategy<sup>14</sup> and the ZEBRA 2 scheme funding rules<sup>15</sup> which demonstrate the importance of public funding in financing the decarbonisation of local buses.
- 2.43 To demonstrate that the Subsidy is no more than necessary to meet the specific public policy objectives, the Assessment details that the Council is assured that the bid (and hence proposed contributions of all parties) has been scrutinised by DfT as part of its ZEBRA 2 assessment process and, through this process, has been judged as sound and good value for money. It notes that the rules for the ZEBRA 2 scheme funding award from DfT recognise the need for bus operators and local transport authorities to provide finance so far as possible to support and deliver on relevant policies, and that ZEBRA 2 rules allow for up to 75% of the incremental cost of purchasing a ZEB and required infrastructure.
- 2.44 In this case, the size of the DfT grant was assessed as being less than 75% of both the total incremental costs and the total infrastructure costs, and will constitute an even smaller proportion of the total costs borne by PCL.
- 2.45 The Assessment also takes into consideration a benefit cost ratio calculation. This approach, based on the DfT's Greener Bus Tool,<sup>16</sup> calculates the benefits from carbon dioxide and air pollution reduction and compares them with the cost and benefit of the Subsidy to the private and public sector. It notes the value of this ratio is 1.76, demonstrating that the benefits of the project, including reduced air pollution and carbon emissions, greatly outweigh the costs.
- 2.46 The Assessment clearly explains the Subsidy's scale relative to the overall costs of the project and the benefits that it generates. However, proportionality requires that the size of the Subsidy is the minimum necessary. In our view, the analysis

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<sup>14</sup> Chapter 5, [Bus Back Better \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk).

<sup>15</sup> [Apply for zero emission bus funding \(ZEBRA 2\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk).

<sup>16</sup> [Greener bus tool - GOV.UK \(www.gov.uk\)](https://www.gov.uk).

provided does not demonstrate this, as there is no analysis of the returns to PCL which show that the Subsidy is set at the minimum level required to create the necessary incentives. It is not explained how and if the IRR analysis demonstrates this, nor is it explained how and to what extent DfT scrutinised the value for money of the ZEBRA 2 bid, and whether this could ensure that the Subsidy is set at the minimum level. In our view the Assessment should better evidence why the size of the Subsidy is the minimum necessary.

### **Design of subsidy to minimise negative effects on competition and investment**

- 2.47 The Assessment discusses a number of features of the Subsidy's design which are relevant to the minimisation of its negative effect on competition and investment, including:
- (a) the proposed subsidy will contribute less than 75% of the incremental and a lower proportion of the total project costs to be borne by the bus operator, PCL;
  - (b) the nature of the costs being funded by the Subsidy are the incremental capital costs of acquiring ZEBs rather than diesel buses;
  - (c) the Subsidy is provided over a limited time period with the acquisition of all buses and completion of infrastructure to allow for the buses to become operational by March 2026;
  - (d) the ZEBs will operate on the routes for a minimum of five years, post introduction, in accordance with the DfT's Terms and Conditions for the ZEBRA 2 funding; and
  - (e) all qualifying operators were notified of the opportunity to submit a bid for funding from the DfT's ZEBRA 2 Fund and were afforded the opportunity to partner with the Council to prepare a proposal to government.
- 2.48 The Assessment also considers alternative subsidy approaches, including subsidised loans, equity investments and the Council purchasing and leasing the ZEBs to PCL as well as non-subsidy interventions (see paragraphs 2.19 to 2.23), and briefly details why they were not an appropriate design to deliver the ZEB Project.
- 2.49 While the Assessment does touch on a number of aspects of subsidy design relevant to minimising its negative effects on competition and investment, in our view it should more systematically consider how the design of the Subsidy will limit potential negative effects, including discussion of aspects of subsidy design which are set out in the Statutory Guidance (eg monitoring, ringfencing, and clawback mechanisms), but which are not currently addressed.

**Assessment of effects on competition or investment**

- 2.50 The Assessment states that Plymouth benefits from a bus market where more than 88% of the Plymouth network is operated commercially (ie without subsidy). PCL and Stagecoach South West (part of the Stagecoach Group) are the two main operators in Plymouth, together delivering over 99 per cent of all bus services within the city, both commercial and tendered.
- 2.51 The Assessment states that the Subsidy for deployment of the ZEBs may have a negative impact on market competition, by offering an improved service with the ZEBs (eg smoother and quieter journeys) compared with other services. However, the Assessment states the Council is reasonably satisfied that any negative effect on competition will be limited. This is because the intervention has been formed with a view to minimising any such effects, particularly by only replacing existing buses on specified routes and ensuring that for a reasonable period of time, the ZEBs are used only to run existing routes. The Assessment also presents evidence that there is very limited overlap in providers on the selected routes, but notes that other operators have the option to offer services on these routes in the future should they consider it commercially viable to do so.
- 2.52 The Assessment also considers whether the ZEBs will be a factor in future tenders for subsidised services in neighbouring Cornwall, of which The Go-Ahead Group already operates a substantial share. It concludes that the impact will be minimal for reasons including: Cornwall Council's tendered network will not be retendered before 2028; the ZEBs can only be deployed on routes that would be able to be served from the location of the charging infrastructure and where the route length means charging during the day is not needed; and the majority of routes in Cornwall are not suitable to be served by ZEBs. More broadly, the Assessment states that because the buses are geographically constrained by where they can be recharged, this makes it less likely that the buses will be redeployed elsewhere within the Go-Ahead Group after the DfT prescribed period (see paragraph 2.472.30).
- 2.53 In our view, the Assessment's evaluation of the current competitive landscape of the market for bus services in Plymouth provides a basis for its view that the impact of the Subsidy on current competition is likely to be limited. It also provides a justification for why the funding of these ZEBs is unlikely to have any significant competitive impact outside of Plymouth. Having said this, we note that the Subsidy could have the unintended consequence of raising barriers to entry and expansion, as new or existing operators seeking to directly compete would have to do so in competition with a fleet of new electric buses. Therefore, the Assessment could consider the potential impact of the Subsidy on the likelihood of new entry on these routes. This could, for example, involve some consideration of the local circumstances which may affect the potential for entry even without the Subsidy and past experience of competitive entry in bus services in Plymouth.

#### **Step 4: Carrying out the balancing exercise**

- 2.54 Public authorities should establish that the benefits of the subsidy (in relation to the specific policy objective) outweigh its negative effects, in particular negative effects on competition or investment within the United Kingdom and on international trade or investment.
- 2.55 The Assessment takes a structured approach by setting out a number of beneficial impacts of the proposed Subsidy, rating each on how significant an impact it has on the specific policy objective. These include:
- (a) decarbonisation of transport within the Plymouth and southeast Cornwall area;
  - (b) improving air quality;
  - (c) strengthening of working relationships between local authorities and bus operator;
  - (d) encouraging use of public transport; and
  - (e) maintaining current level of service provision.
- 2.56 The Assessment also considers a range of anticipated negative effects, noting the potential impact on competition and investment within the UK as well as geographical and distributional impacts of the Subsidy, rating each negative effect on how significant an impact it has on the specific policy objectives of the Subsidy.
- 2.57 In assessing the impact on competition and investment within the UK, the Assessment acknowledged that there are other bus operators in the Plymouth and Cornwall area, and that new ZEBs may provide a competitive advantage to their operators, but explains that all operators were provided with an equal opportunity to bid for funding with only PCL taking up the opportunity.
- 2.58 In addition, the Assessment notes that the benefit cost ratio (see paragraph 2.45), which calculates the benefits from carbon dioxide and air pollution reduction and compares them with the cost and benefit of the Subsidy, concludes that expected benefits outweigh the potential negative effects.
- 2.59 In our view, Step 4 is well structured and evidenced. The Assessment takes a tabular approach to the balancing exercise, rating both expected benefits and potential negative effects against the specific policy objectives of the proposed Subsidy. We consider that this provides an example of good practice. However, the Assessment could follow the Statutory Guidance more closely through taking account of beneficial effects in relation only to the specific policy objectives (ie

decarbonisation of bus services and improving air quality), as opposed to wider benefits.<sup>17</sup>

## Energy and Environment Principles

- 2.60 This section sets out our evaluation of the Assessment against the energy and environment principles.<sup>18</sup>
- 2.61 Plymouth City Council has conducted an assessment of the Subsidy against Energy and Environment Principles A and B.

### Principle A: Aim of subsidies in relation to energy and environment

- 2.62 Subsidies in relation to energy or the environment should be aimed at (1) delivering a secure, affordable and sustainable energy system and a well-functioning and competitive energy market, or (2) increasing the level of environmental protection compared to the level that would be achieved in the absence of the subsidy. If a subsidy is in relation to both energy and environment, it should meet both of these limbs.<sup>19</sup>
- 2.63 The Assessment identifies the second limb of Principle A as relevant. It explains that absent the Subsidy, the project will not be delivered in the short and medium term at the very least. It then sets out that the project will make a significant contribution to decarbonising public transport and reducing local air pollution. It sets out that the project will decarbonise 44% of PCL's bus fleet, and will achieve a lifetime reduction of direct greenhouse gas emissions by 79,914 tonnes of carbon dioxide equivalent. It also sets out that it will result in a reduction of air pollution by 28 tonnes of NOx emissions and 1 tonne of particulates.<sup>20</sup>
- 2.64 In our view, the Assessment sets out that the Subsidy will increase the level of environmental protection.

### Principle B: Subsidies not to relieve beneficiaries from liabilities as a polluter

- 2.65 Subsidies in relation to energy or the environment should not relieve the beneficiary from liabilities arising from its responsibilities as a polluter under the law of England and Wales, Scotland, or Northern Ireland.<sup>21</sup>

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<sup>17</sup> [Statutory Guidance](#), paragraph 3.110.

<sup>18</sup> See Schedule 2 to the Act.

<sup>19</sup> [Statutory Guidance](#), paragraphs 4.19-4.28.

<sup>20</sup> Defined as PM2.5 (particulate matter less than 2.5 micrometres in diameter).

<sup>21</sup> [Statutory Guidance](#), paragraphs 4.29-4.35.

- 2.66 The Assessment sets out that ‘the Council is confident that this subsidy will not relieve the beneficiary of its legal responsibilities under UK law regarding pollution caused from existing diesel buses’.
- 2.67 It goes on to explain that while there is an ambition to phase out the sale of diesel buses, there is currently no set deadline to do so and no legal obligation to introduce ZEBs.
- 2.68 In our view, the Assessment sets out that the Subsidy will not relieve the beneficiary from its liabilities as a polluter.

### **Other requirements of the Act**

- 2.69 The Council confirmed that no other requirements or prohibitions set out in Chapter 2 of Part 2 of the Act apply to the Subsidy.

**23 October 2024**

**ADDENDUM TO SUBSIDY CONTROL PRINCIPLES  
ASSESSMENT: ZEBRA 2**Executive Summary

Following receipt of the Report of the Subsidy Advice Unit dated 23 October 2024, the Council has reviewed its Assessment of its proposed subsidy to Plymouth Citybus Ltd. For the reasons detailed below, it is considered that the proposed subsidy is compatible with the Subsidy Control Act 2022, satisfying the subsidy control and energy and environmental principles; and as such it is appropriate for the Council to award the proposed grant, subject to compliance with relevant transparency and expiration of the relevant challenge period<sup>i</sup>.

1. Introduction

- 1.1 This document refers to the Council's detailed assessment of its proposed subsidy to Plymouth Citybus Ltd ("**PCL**"), against the subsidy control and energy and environmental principles which was submitted to the Competition and Markets Authority (Subsidy Advice Unit) on 6 September 2024 ("**the Assessment**"). The Subsidy Advice Unit issued its report ("**the SAU Report**") on 23 October 2024 (available at [Referral of the proposed subsidy to Plymouth Citybus Limited by Plymouth City Council - GOV.UK](#)). The Report was required under the Subsidy Control Act 2022 as the proposed subsidy exceeds £10 million, making it a Subsidy of Particular Interest and therefore subject to mandatory referral to the SAU.
- 1.2 Overall, the Report is positive; in particular it notes that 'the discussion of the expected emissions abatement [the principal policy objective of the Subsidy] and the calculation methodology are clear and well-articulated' and highlights part of the Assessment provides an example of 'good practice' nationally, noting 'the well-structured and detailed approach taken when conducting the balancing exercise in principle G is to be commended'. However, as one would expect, there are some suggestions for how the Assessment could possibly be improved but more importantly two areas which the Council should consider further.
- 1.3 All parts of the Report have been considered before reaching the conclusion in Section 5. Nevertheless, this Addendum focuses on the Council's response to the two key points for improvement raised in the Report, namely
  - (a) The Assessment should better evidence why the size of the Subsidy is the minimum necessary (Section 2 below); and
  - (b) The Assessment should more systematically consider how the design of the Subsidy will limit potential negative effects on competition and investment including discussion of aspects of subsidy design which are set out in the Statutory Guidance (e.g. monitoring, ringfencing, and clawback mechanisms), but which are not currently addressed (section 3 below).

2. Size of the Subsidy

- 2.1 Stage 3 of the Council's assessment considers the distortive impacts that the subsidy may have and how these have been kept as low as possible. In doing so the Assessment has considered how the subsidy is proportionate to the specific policy objective and limited to what is necessary to achieve it.
- 2.2 Fundamentally the Assessment demonstrates that without the Subsidy the policy objectives would not be met as there would be no investment in ZEBs by PCL in the absence of the Subsidy. This is evidenced by not only the PCL and parent company statement to that effect but also national policy (as set out in the National Bus Strategy (Chapter 5)) and the existence of the DfT ZEBRA 2 Fund itself.
- 2.3 No evidence is available to the Council which would indicate that the total subsidy is greater than the viability gap (i.e. the difference between costs and the level of borrowing that future operating profits would suggest the investment is capable of repaying whilst still offering a reasonable rate of return), including a contingency which will only be payable should the Project risks, as quantified in the quantified risk register for the Project, demonstrably materialise.
- 2.4 The Council's finance team have scrutinised and interrogated all the available information relating to the viability gap for the project, and are reasonably satisfied that the subsidy (with a requirement for evidence to support any need for the contingency) is limited to the identified base viability gap.
- 2.5 This assessment is based on the business case produced by the parent company of Plymouth Citybus to assess the commercial viability of investment in electric buses for PCL with and without subsidy, with the assumption being continued investment in diesel buses as the baseline scenario. With the Subsidy there is a positive investment case. In contrast when the subsidy is removed from the calculation, the payback period increases significantly, the net present value is negative, based on the latest discount factor, and the internal rate of return is below Go Ahead's weighted average cost of capital. In short, these non-subsidy figures do not represent an investable business case. Therefore, the subsidy is required in order to enable Plymouth Citybus to take a positive investment decision to proceed, notwithstanding the uncertainties of future income and costs to which the contingency is geared, as set out below.
- 2.6 To ensure that the Subsidy is the minimum necessary, it is built within both the DfT's ZEBRA 2 Fund, and the local Collaboration and Grant Agreement between the project partners, as a contingency sum. This means that the Subsidy to PCL is set at a maximum of £11,453,718 (excluding contingency only payable in additional specified circumstances). The additional £827,306 of potential Subsidy is contingent on certain, quantifiable, risks being met and is then only payable on a 50/50 proportional basis as and when quantified risks materialise<sup>ii</sup>, ensuring that, at all times, PCL only receives the minimum Subsidy necessary to allow the Project to be delivered and the policy objectives to be achieved.
- 2.7 All bus operators providing bus services within the Plymouth Enhanced Bus Partnership Area were afforded the opportunity to partner the Council's ZEBRA bid. However, only PCL chose to be involved in the bid, and hence it was neither necessary nor possible to undertake a competitive allocation process for the subsidy,



which would have allowed the identification of recipients who required the smallest subsidy to achieve the policy objective, thus enhancing this section of the Assessment. However, the Council are satisfied that the costs of the ZEBs and infrastructure, from which the value of the Subsidy has been derived, are reflective of the market costs of delivering the project, having been taken from quotes from external companies. This, alongside the Council's assessment of the Project's viability gap which demonstrates that the level of subsidy is necessary to secure the private sector investment<sup>iii</sup> is why the Council remain satisfied that the project costs are sound and subsequently so is the level of subsidy.

- 2.8 Furthermore, to ensure that the level of subsidy is no more than needed, the Council has previously ascertained that PCL has not received (nor is expected to receive) any other subsidy for a similar purpose to that of the Project. Moreover, there is a specific requirement in the Collaboration and Grant Agreement that both PCL and its parent company notify the Council in the event that they propose to apply for any third-party funding for the Project and that they both obtain the Council's approval prior to any such application (see clause 4.9.3 – 4.9.5).
- 2.6 Finally, regarding the SAUs comment that '*...nor is it explained how and to what extent DfT scrutinised the value for money of the ZEBRA 2 bid, and whether this could ensure that the Subsidy is set at the minimum level*' the Council are not privy to the DfT's ZEBRA 2 Fund bid evaluation processes. However, as set out in the Assessment, the Plymouth ZEBRA 2 project is one of only 25 nationally to secure funding, although it is reasonably assumed that substantially more than 25 bids were submitted given the number of expressions of interest to the Fund (58 in total), and is one of the few principally urban based programmes, noting the intended bias of the Fund to rural areas '£25 million will be initially reserved for proposals to introduce ZEBs in rural areas, recognising the additional challenges this may bring' ([Apply for zero emission bus funding \(ZEBRA 2\) - GOV.UK](#)). Therefore, the Plymouth ZEBRA 2 project has competitively secured funding from the DfT and hence is assumed to have been judged as compliant with all the requirements of the Fund and one of the best 25 projects, with regards to Value for Money, nationally.
- 2.7 The Council therefore remains satisfied that the Subsidy is proportionate to the specific policy objective, noting the forecast air quality and decarbonisation benefits being valued at more than £20 million over the lifetime of the buses<sup>iv</sup>, and limited to what it necessary to achieve it, by dint of the data on which the subsidy has been calculated and the retention of a contingency sum, only to be paid if and when necessary.

## 2 Design of the Subsidy

- 3.1 The Statutory Guidance<sup>v</sup> paragraphs 3.76 to 3.107 comments on the design of a subsidy. The Council recognises, that "*certain features and characteristics can make a subsidy more likely to have distortive impacts on competition or investment*".<sup>vi</sup> Further, consistent with the guidance the Council previously identified relevant features and put in place arrangements to reduce the potential distortive impacts on competition or investment of the grant; the purpose of such being to help ensure compliance with Subsidy Control Principle F. More particularly, these arrangements are set out in the legally binding Collaboration and Grant Agreement dated 3 September 2024, between

the Council and PCL as well with Cornwall Council (as the other part principal funder of the subsidy) and Go Ahead Group (the parent company of PCL).

- 3.2 A copy of the said agreement was considered as part of the original Assessment, forming Document 10 in the Supporting Evidence submitted to the SAU. However, the Council recognises that although the relevant obligations in effect address the points raised in the Report, they were not specifically mentioned in the Assessment. Consequently, pertinent points are now addressed below. In considering the Report, the Council has also reviewed its position regarding the various questions mentioned in the paragraphs of the Statutory Guidance noted above.
- 3.3 The Council has considered a range of alternative subsidy instruments to secure the key policy objective of decarbonisation.<sup>vii</sup> Given the opportunity presented by central government's ZEBRA 2 Fund to specifically address the national market failure for bus operators to acquire ZEBs – a problem particularly apparent in the Southwest <sup>viii</sup> and for Plymouth given its specific characteristics<sup>x</sup> - the Council remains satisfied that the only way to achieve the key policy objective of decarbonisation (in a timely manner and to the degree which the proposed grant will deliver, with the benefit of the Collaboration and Funding Agreement), is by means of the proposed subsidy by grant.
- 3.4 Turning from its consideration of what instrument should be used for the subsidy above, to questions as to whether the subsidy could be made available to other competitors and / or for them to compete to 'win' the subsidy award, the Council also refers to the evidence set out in the Assessment. In particular, the Council previously considered the breadth of beneficiaries and the selection process before determining to proceed with the application for the ZEBRA 2 grant with Plymouth Citybus Ltd.<sup>x</sup> . The effect of such is that the opportunity for the subsidy was not only shared with other potential bus operator beneficiaries, but open to any to express interest in partnering the Council in its application for DfT funding. Further, in deciding not to pursue the subsidy opportunity, the other operators supported PCL in its application.<sup>xi</sup> This position remains unaltered.
- 3.5 In respect to the size of the subsidy, the Collaboration and Grant Agreement includes a cap on the grant awardable to PCL, there being a specified maximum amount. Further, payment of any part of the grant is subject to detailed financial requirements (see for example clause 6 of the Agreement at pages 13 to 15 of 39). Furthermore, all the parties to the Agreement have agreed that the grant shall not be increased beyond the specified limit, any overspend in delivering the Project being the enforceable liability against PCL (see clause 4.14).
- 3.6 To further ensure that the level of the Subsidy is no more than needed, the Council has previously ascertained that PCL has not received (nor is expected to receive) any other subsidy for a similar purpose to that of the Project. Moreover, there is a specific requirement in the Agreement that both PCL and its parent company notify the Council in the event that they propose to apply for any third-party funding for the Project and that they both obtain the Council's approval prior to making any application (see clause 4.9.3 – 4.9.5). This ensures that the Council can review the level of the Subsidy if additional funds are potentially available.

- 3.7 As noted in the Statutory Guidance, time-limited and one-off subsidies are likely to lead to less distortion. The Collaboration and Grant Agreement for the Project provides relevant protection in this regard, the timespan over which the Subsidy is available being restricted under the terms of the Agreement. The grant is payable in instalments which are directly related to PCL's delivery of key milestones set out in the Agreement and which expire no later than 31 March 2026.
- 3.8 Consistent with paragraph 3.98 of the Statutory Guidance, the Council has considered how the Subsidy will affect the beneficiary's costs. As a one-off subsidy which supports the funding of an initial investment (i.e. the purchase of ZEBS and the set-up costs of the charging infrastructure), the Project is less distortive particularly given the minimal adverse impact on competition (as explained in detail in the Assessment)<sup>xii</sup>. Importantly, the subsidy will not cover or supplement PCL's 'day-to-day' costs, which would more likely adversely impact competition and investment in the UK and internationally.
- 3.9 Again, in line with the Statutory Guidance, the Collaboration and Grant Agreement for the Subsidy includes performance and monitoring requirements to secure the delivery of the decarbonisation policy objective. For example, not only is there a requirement for the parties to the agreement to collaborate to produce a final report which will assess the outcomes of the Project but there are milestones dates for central elements of the Project concerning the acquisition of the ZEBS, the use of the ZEBS on specific routes and the development of the infrastructure (failing which subsidy instalments will not be paid), but also requirements to discontinue use of older fleet buses and to make charging infrastructure available at cost to community groups. The Agreement includes provision for thorough Project Management and Operation (clause 5). This includes the appointment of individual project officers for each party and a Council Project Manager who will have day to day oversight of the Project and individual party compliance with the Agreement. In the (unlikely) event of any differences between the parties, the Agreement provides a mechanism for speedy dispute resolution (see clause 26) and sets out the circumstances where the grant may be 'clawed back' by the Council (e.g. material breach of the Agreement by PCB or the parent company as per clause 17 (Dispute Resolution) and the further actions to be taken in the event of early termination of the Agreement as per clause 18 (Consequences of Termination)).
- 3.10 Dealing with the question of ringfencing referred to in the Statutory Guidance at paragraph 3.102, the Collaboration and Grant Agreement includes specific provision limiting the use of the Subsidy (as well as the parent company's 'match funding') to the purposes of the Project. This will avoid any potential for the Subsidy to be used to cross subsidise other areas of PCL's (or indirectly, the parent company's) business.<sup>xiii</sup>
- 3.11 Finally, for the avoidance of doubt, it should be noted that that the Subsidy does not involve a situation giving rise to potential subsidy race referred to in the guidance at paragraph 3.107.

#### 4 Further considerations

- 4.1 In considering the appropriateness of the subsidy, in light of the CMA's advice, the Council have also taken due regard of the wider observations for how the

Assessment could be improved. All suggestions have been considered, the most pertinent issues in the Council's opinion being noted below.

- 4.2 Firstly, with regard to framing of the policy objectives to be met by the subsidy throughout the report the Council are clear that, as evidenced by the assessment of the Energy and Environmental Principle A the principal policy objective of the Project is to decarbonise public bus services and improve air quality – see Step 1, Section 1 (page 10) of the Assessment. The wider benefits, such as increased bus patronage, improved bus services and greater accessibility, are incidental to the core objective of the Project. The Council therefore very much welcome the positive feedback of the SAU on how the expected emissions abatement have been calculated and described.<sup>xiv</sup>
- 4.3 Mindful of the policy objectives, as clarified above, the Council acknowledges that directly linking the emission abatements, to the description of market failures would be an improvement and as such makes the following additional observations:
- In the case of the ZEBRA project, the market failure occurs because the business as usual decision of bus companies – including PCL – that is financially rational to them<sup>xv</sup> is not socially desirable as it leads to the investment in diesel and not zero emission buses<sup>xvi</sup>.
  - The market failure occurs because of the existence of positive externalities, specifically a positive contribution to the decarbonisation of Plymouth's transport system – in support of the City's net zero commitment – and the improvement in air quality with associated health benefits (Evidence). The Council (and Cornwall Council for the communities within the Rame) are therefore able to make society collectively better off by intervening to incentivise PCB to introduce ZEBs.<sup>xvii</sup>
  - Through doing so the Council are satisfied that the Subsidy also has an important equity objective through seeking to improve the health of some of Plymouth's most deprived communities (such as the communities of Devonport and Stonehouse, where health is typically worse than in less deprived communities in the city) through improved air quality; an objective which will be achieved due to these communities being served by the ZEBs enabled by the subsidy.
- 4.4 In response to the dual loan and subsidy funded incremental introduction suggested in the Report, the Council confirms such is not possible due to the DfT terms and conditions of the ZEBRA 2 fund which limit the funding the period.
- 4.5 With regards to the suggestion that the Assessment could have been improved by the assessment of more alternative approaches, separate to ZEBRA 2 funding, the Council remain satisfied, based on the operators established economic behaviour, as summarised in the Step 2 Conclusion within the Assessment, that the Project is only proceedable due to the success of the Council's bid to the ZEBRA 2 Fund and hence is constrained by what ZEBRA 2 can fund – i.e. either electric or hydrogen buses, with the rationale for investment in electric as opposed to hydrogen buses being clear (Summary of Subsidy Control Principle E Assessment\_).

4.6 Finally, with regard to the Assessment considering the potential impact of the Subsidy on the likelihood of new services being introduced, by a competitor, on the ZEB routes, the Council are satisfied that the impact is low, on the basis of the support of the bus operators on the Plymouth Enhanced Board for the project<sup>xviii</sup>.

## 5 Conclusion

5.1 Having considered the Report in its entirety, the Council is satisfied that the proposed grant to PCL is consistent with all the Subsidy Control Principles and Energy and Environment Principles within the Subsidy Control Act 2022.

5.2 The Subsidy will allow the introduction of 50 ZEBs on routes serving some of the most deprived communities of Plymouth and is the only immediate mechanism for doing so. This position properly reflects the existing market failure, the default position of PCL understandably being to invest in diesel vehicles, not ZEBs, despite the existence of the positive externalities associated with emission abatement quantified as having a value of more than £20 million over the lifetime of the buses, and this figure being conservative given that it excludes benefits to be derived from the cascade of the older PCB vehicles out of the fleet and greater bus patronage.

**Dated: 31 October 2024**

<sup>i</sup> One calendar month from publication on subsidy database; Part 5A Competition Appeal Tribunal Rules 2015

<sup>ii</sup> Memorandum of Understanding Between DfT and PCC – Schedule 3 of the Collaboration and Grant Agreement which forms Document 10 of the Assessment

<sup>iii</sup> Section 1 of the Summary of Step 3 Assessment (pgs 42 – 43 of the Assessment)

<sup>iv</sup> Assessment of Energy and Environmental Principle A

<sup>v</sup> [UK Subsidy Control Regime: statutory guidance](#)

<sup>vi</sup> Para 3.76 [UK Subsidy Control Regime: statutory guidance](#)

<sup>vii</sup> Step 1 Subsidy Control Principle E Assessment

<sup>viii</sup> Step 1 – Section 7 of the Assessment

<sup>ix</sup> Step 1 Subsidy Control Principle A Assessment – section 4.2

<sup>x</sup> Step 3 – Section 6 of the Assessment

<sup>xi</sup> Letter of support from the Plymouth Enhanced Partnership Board (Document 12 of the supporting documents submitted with the Assessment)

<sup>xii</sup> Step 3 – Section 6 of the Assessment

<sup>xiii</sup> See for example clauses 4.3 (Funding), 4.9.5 (The Operator and the Parent Company) and 17.4 (Termination)

<sup>xiv</sup> Paragraph 1.6a of the Subsidy Advice Unit Report

<sup>xv</sup> Plymouth Citybus Subsidy Control Statement (Document 11 of the supporting documents submitted with the Assessment)

<sup>xvi</sup> Plymouth Citybus Corporate Plan (Document 9 of the supporting documents submitted with the Assessment)

<sup>xvii</sup> Plymouth Citybus Subsidy Control Statement (Document 11 of the supporting documents submitted with the Assessment)

<sup>xviii</sup> Letter of support from the Plymouth Enhanced Partnership Board (Document 12 of the supporting documents submitted with the Assessment)

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