

**SURREY COUNTY COUNCIL****CABINET****DATE: 22 FEBRUARY 2022****REPORT OF CABINET MEMBER: MATT FURNISS, CABINET MEMBER FOR TRANSPORT AND INFRASTRUCTURE****LEAD OFFICER: KATIE STEWART, EXECUTIVE DIRECTOR, ENVIRONMENT, TRANSPORT & INFRASTRUCTURE****SUBJECT: ACCELERATING THE INTRODUCTION OF ULTRALOW / ZERO EMISSIONS BUSES VEHICLES INTO SURREY - APPROVAL TO PROCURE 34 HYDROGEN FUEL CELL BUSES**

**ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/ TACKLING HEALTH INEQUALITY/ENABLING A GREENER FUTURE/JOURNEYS ACROSS THE COUNTY ARE EASIER, MORE PREDICTABLE AND SAFER/WELL-CONNECTED COMMUNITIES WITH EFFECTIVE INFRASTRUCTURE THAT GROW SUSTAINABLY**

<b>Purpose of the Report:</b>
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To request an Approval to Procure for 34 Hydrogen Fuel Cell buses enabling us to proceed with the previously agreed introduction of ultra-low and zero emission vehicles. Following a change to the procurement strategy, there is a need to return to Cabinet, as this requirement was not previously reflected on the Annual Procurement Forward Plan approved by Cabinet on 21 December 2021. It is planned to place an order for the Hydrogen Fuel Cell buses in quarter one of 2022/23, with the buses coming into service during the fourth quarter of 2022/23 and the first quarter of 2023/24. Procurement costs are forecast at £16.4m, subject to further negotiation with the supplier.

<b>Recommendations:</b>
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It is recommended that Cabinet:

1. Grants Approval to Procure 34 hydrogen fuel cell buses as the next step in accelerating the introduction of ultra-low and zero emission vehicles into Surrey;
2. Supports the drafting of an agreement to be entered into by the Council and bus operator Metrobus that confirms the ownership, leasing arrangements, use and maintenance of the 34 hydrogen fuel cell buses; and
3. Agree decision(s) to procure any additional zero or ultra-low emission buses through new partnership schemes with the bus industry be delegated to the Executive Director for Environment, Transport & Infrastructure and the Executive Director of Resources in consultation with the Cabinet Member for Transport and Infrastructure, once approved by the Capital Programme Panel.

### Reason for Recommendations:

Procuring the 34 hydrogen fuel cell buses enables the Council to accelerate the introduction of ultra-low and zero emission buses into Surrey, whilst retaining ownership of the capital asset, i.e. the buses. This will help create more carbon neutral transport options and assist in achieving climate change targets by providing residents with greener and more sustainable travel choices.

### Executive Summary:

1. On 24 November 2020 Cabinet supported the establishment of a Surrey Ultra-Low and Zero Emission Scheme to accelerate the introduction of ultra-low and zero emission vehicles onto a range of bus and community transport services. At their meeting, Cabinet agreed that the scheme detail and implementation, once agreed by the Capital Programme Panel (CPP), would be delegated to the Executive Director, Environment, Transport & Infrastructure, the Executive Director of Resources and the Director of Law & Governance in consultation with the Cabinet Member for Transport for final approval.
2. On 11 January 2022, CPP agreed the first zero emission bus scheme, developed with bus operator Metrobus. This scheme is for the Council's procurement of 34 hydrogen fuel cell buses at a cost of £16.4m in total, supported by investment in bus priority measures and more real time information. The Council investment complements a £10m investment being made by Metrobus, UK Government and the EU Jive 2 Project that combined is purchasing a further 20 hydrogen fuel cell buses, plus fuelling infrastructure for use on the Fastway network of services operating in Surrey and Sussex. The order for these 20 buses was recently placed by Metrobus.
3. Following CPP, the required delegated approval was secured. The funding for this project, which is included within the Medium-Term Financial Strategy, has now been moved from capital pipeline to budget. The Council can now advance the project by procuring the 34 hydrogen fuel cell buses, working alongside our partner Metrobus.
4. Originally, it was envisaged that the council would grant fund Metrobus to procure the 34 hydrogen fuel cell buses. However, the Council will now be procuring the buses, ensuring the assets remain in the Council's ownership. This approach requires Cabinet to agree an Approval to Procure as this has not specifically been included in the current Annual Procurement Forward Plan.
5. The Council is working closely with Metrobus on this project. Through a legal agreement with Metrobus, the Council will lease the 34 hydrogen fuel cell buses to Metrobus. This will confirm the Council's ownership of the buses, annual lease costs, maintenance schedule and maintenance costs, with maintenance costs borne solely by Metrobus. The legal agreement will also include a process for vehicle sale or disposal/recycling, inclusive of the return of any and all capital receipts to the Council.

### Consultation:

6. There is no consultation requirement required in relation to this project.

### Risk Management and Implications:

7. The following key risks associated with the proposed procurement route set out in this report have been identified, along with mitigation activities:

Category	Risk Description	Mitigation Activity
Financial	Cost of the Hydrogen Fuel Cell Buses	Prices will be fixed at the point of ordering and the invoices paid upon vehicle delivery.  The council will procure the 34 hydrogen fuel cell buses on at least as good financial terms as Metrobus's purchase of 'their' 20 hydrogen fuel cell buses.
Supplier Performance	Delivery timescales and product quality	The specification of the buses will be agreed jointly between SCC and Metrobus.
Asset and Maintenance	Asset ownership and appropriate maintenance to maintain value	A legal agreement with Metrobus will set out asset ownership, coupled with a maintenance schedule so that the long-term value of the asset is appropriately protected.

### Financial and Value for Money Implications:

8. Metrobus is part of the Go-Ahead Group, one of the UK's leading public transport companies, connecting people to their communities across a wide range of bus and rail networks. The procurement will be supported by market testing / benchmarking of supplier costs and a demonstration of overall value for money.
9. The anticipated working life of each hydrogen fuel cell bus is 15 years. An outright purchase of the 34 hydrogen fuel cell buses is proposed as opposed to a leasing arrangement. Bus manufacturers do not offer leasing arrangements themselves. However, a lease could be created with an intermediary finance company, with ownership of the buses effectively passing to them with a lease back arrangement put in place. This 'charging of interest on a loan' arrangement has a greater overall cost and would only be worthy of consideration for short term contracts of five years or less. However, that is not the case here, noting that the entire fleet of Metrobus / Brighton & Hove bus company is fully owned and the company has not sought to lease any of their buses because of the additional costs involved. The advice from the bus industry is for the council to purchase rather than lease the buses to minimise total expenditure over a forecast long working life for the capital assets.
10. Through a legal agreement, to be in place prior to procurement of the buses, the Council will lease the 34 hydrogen fuel cell buses to Metrobus. This will confirm the Council's ownership of the buses, annual lease costs, maintenance schedule and maintenance costs, with maintenance costs borne solely by Metrobus ensuring that no commercial advantage is obtained by Metrobus. The legal agreement will also

include a process for vehicle sale or disposal/recycling, inclusive of the return of any and all capital receipts to the council.

#### **Section 151 Officer Commentary:**

11. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium term financial outlook beyond 2021/22 remains uncertain. The public health crisis has resulted in increased costs which may not be fully funded. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term. The low emission bus scheme has previously been reviewed by the Capital Programme Panel and approved by Cabinet.
12. A decision is now required to enable procurement to proceed. The expected costs are included within the Council's Medium Term Financial Strategy, and as such the Section 151 Officer supports the proposal.

#### **Legal Implications – Monitoring Officer:**

13. This report seeks approval to procure 34 hydrogen fuel cell buses; Cabinet is asked to delegate the award of the contract to the Executive Director of Environment, Transport & Infrastructure and the Executive Director of Resources, this is permitted under Article 6 of Part 2 of the Constitution.
14. As the potential value of the new contract is over £500,000 Cabinet approval is required to procure the new contract. Full application of the Public Contract Regulations (PCR) 2015 is applicable, and the procurement process shall need to be in accordance with its requirements as well as the Council Standing Orders and meet the Council's duty to secure best value as provided under the Local Government Act 1999.
15. Legal will review, draft and prepare documentation where required before entering into any contractual obligations.

#### **Equalities and Diversity:**

16. The recommendations of this report have no material impact on existing equalities policy and no Equality Impact Assessment is required for this procurement.
17. It is anticipated that there will be no negative consequences as a result of this work programme. The acceleration of the introduction of ultra-low and zero emission buses onto a range of bus services will have many positive consequences, for example, increasing accessibility of services to all protected characteristics.
18. Focusing on implementing more sustainable transport options and assisting in achieving climate change targets will also provide all residents with a greener, more sustainable Surrey, increasing choice and future modal shift. The additional

investment in real time passenger information and bus priority measures will also ensure that greater accessibility to services is achieved for all protected characteristics.

### Other Implications:

19. The potential implications for the following Council priorities and policy areas have been considered. Where the impact is potentially significant, a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Environmental sustainability	<p>This procurement and the introduction of zero emission buses will support the council's objectives of:</p> <ul style="list-style-type: none"> <li>• Growing a sustainable economy so everyone can benefit.</li> <li>• Tackling health inequality.</li> <li>• Enabling a greener future.</li> <li>• Residents live in clean, safe and green communities where people and organisations embrace their environmental responsibilities.</li> <li>• Journeys across the county are easier, more predictable and safer.</li> <li>• Well-connected communities with effective infrastructure that grow sustainably.</li> </ul>
Compliance against net-zero emissions target and future climate compatibility/resilience	<p>This joint project total of 54 hydrogen fuel cell buses will provide clear benefits to the air quality for Surrey residents where the buses operate, including Horley, Redhill, Reigate and Epsom. The council investment enables de-carbonisation on routes that otherwise would have no business case for zero emission buses.</p> <p>In addition to the areas benefitting from hydrogen fuel cell buses, other areas of Mole Valley, Reigate &amp; Banstead and Tandridge will benefit from reduced transport emissions. This is because Metrobus has committed to cascading the existing low emission Euro 6 diesel buses on to other routes in Surrey when they are replaced by the 34 hydrogen fuel cell buses. These other routes are currently operated using much older buses with far higher polluting Euro 3, 4 &amp; 5 emission standards. The cascaded Euro 6 vehicles are significantly cleaner than the buses they will replace and can be cascaded as soon as the hydrogen fuel cell vehicles are in service. This means the previous Metrobus investment in Euro 6 vehicles will remain in Surrey, even though the cascaded routes have no commercial business case for such vehicles. This is a significant additional benefit that will last until these routes can also benefit from zero emission buses in the future.</p> <p>The average carbon emissions from the Metrobus fleet amounts to 1.61kg per mile. Once in service, the scheduled route mileage for the 34 hydrogen fuel cell buses is 1,867,008 miles per annum. Applying the average of 1.61kg per mile, the Council's investment will deliver a carbon saving of 3,005,883kg per annum.</p>

	<p>In addition, once in service, the scheduled route mileage for the additional 20 hydrogen fuel cell buses being purchased by Metrobus as part of this partnership is 1,276,763 miles per annum. Applying the average of 1.61kg per mile, this partnership investment will deliver an additional carbon saving of 2,005,588kg per annum across Surrey and West Sussex.</p> <p>The cascade of less polluting Euro 6 buses onto routes currently operated by more polluting Euro 3, 4 and 5 buses will deliver an additional carbon saving. This calculation can be made once the buses to be phased out of Surrey and their associated route mileage is confirmed.</p>
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### What Happens Next:

20. Following acceptance of the recommendations in this report:
- a. Vehicle specification will be agreed with Metrobus, with supplier negotiations continuing to determine the full pricing and payment schedule.
  - b. Legal agreement between the council and Metrobus to be drafted and signed.
  - c. Procurement of 34 Hydrogen Fuel Cell busses, with vehicle delivery dates anticipated across Q4 2022/23 and Q1 2023/24.

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#### Sources/background papers:

Cabinet paper of 24 November 2020: Accelerating the Introduction of Ultra-Low / Zero Emission Buses and Community Transport Vehicles into Surrey

Record of decision taken under delegated powers by a council officer: Greener Futures - Accelerating the Introduction of a Zero Emission Bus Fleet, decision taken on 17 January to be implemented on 28 January 2022

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