

**Zero Emission Buses Team**  
The Department for Transport  
Great Minster House  
33 Horseferry Road  
London  
SW1P 4DR

Our Ref: ZEBRA 1  
Date: 22 March 2024

Dear Ms Barker and Ms Lee,

**re: Acceptance of Zero Emission Bus Regional Area 2 (ZEBRA2) grant funding and MOU for the introduction of Zero Emission Buses in Basildon over 2024/25 and 2025/26**

Thank you for your notification and the attached Memorandum of Understanding (MOU) informing Essex County Council (ECC) of the decision to award the joint bid submitted by ECC and First Essex Buses Limited, a grant to the value of £4,891,585 in capital funding.

This is a very welcome and exciting decision both for the bid partners and the people of Essex who will ultimately benefit from it and will make a significant contribution to help achieve our net zero carbon goals.

Although the amount offered is some £58,057 less than originally bid for, we understand the reasons for the adjustments and having consulted with our commercial partners at First Essex Buses Ltd/FirstGroup plc, ECC has been reassured that this does not materially affect their business case and that they are happy to proceed on that basis.

Of more concern to ECC is the provision set out in section 4.2 of the MOU, stating that “The Authority accepts responsibility for meeting any costs over and above the Department’s contribution set out in Clause 3.1, including potential cost overruns and the underwriting of any funding contributions expected from third parties.”

In our application ECC made it very clear that Essex County Council will not and cannot commit to making up any shortfall, cost escalation or underwriting third party costs from funding for the scheme. Our application also set out that this risk of cost escalation/shortfall is being borne as commercial risk by First Essex Buses Ltd. We also stated that if the DfT

awarded grant funding to ECC through the ZEBRA2 bid process for Basildon it should be clear that it is doing so on this basis and that ECC is not in a position, and has no ability, to make further funding available to cover either foreseeable or unforeseeable risks.

Prior to submission of the bid, ECC obtained written confirmation from FirstGroup plc stating that it would accept all financial risk and cost overruns in the project. This was included with the bid application.

Given the inclusion of the requirement in s4.2 of the MOU, ECC has worked with First Essex Buses Ltd to address this problem. To this end we have received a further letter of assurance from First Essex Buses Ltd reaffirming their commitment to meeting any and all costs the project in excess of the grant funding, signed by the Managing Director of First Essex Buses Ltd and the CFO of FirstGroup plc.

Whilst accepting this grant, ECC is in discussions with First to seek appropriate securities. ECC will insist that an acceptable security is in place before it enters a legally binding contract with First Essex Buses Ltd.

On this basis, I can confirm that ECC will be happy to accept the offer of grant funding for introduction of Zero Emission Buses in Basildon for 2024/25 and 2025/26 to the value of £4,891,585 and conditions set out in the MOU with the exception that it will **not** accept the liability including potential cost overruns and the underwriting of any funding contributions expected from third parties of that set out in S4.2. and that any such liability will in any event rest with First Essex Buses Ltd.

ECC believes that this arrangement will meet the underlying intent of S4.2 by protecting the DfT from cost overrun, while also protecting the public purse by relieving ECC of a potentially onerous responsibility for the same risk, that would essentially be beyond its control.

I trust that this arrangement will be acceptable you as we are very much looking forward to introducing zero emission buses to Essex and the people of Basildon.

Yours sincerely



**Stephanie Mitchener – Director of Finance (S151 officer)**