



Author/Lead Officer of Report: Jenny Wood,
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Report of: Edward Highfield, Director of City Growth

Report to: Councillor Bob Johnson (Individual Cabinet Member Decision)

Date of Decision: March 2020

Subject: Acceptance of the Electric Van Centre of Excellence funding (£896,400)

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
- Expenditure and/or savings over £500,000		<input checked="" type="checkbox"/>		
- Affects 2 or more Wards		<input checked="" type="checkbox"/>		
Which Cabinet Member Portfolio does this relate to? Transport and Development				
Which Scrutiny and Policy Development Committee does this relate to? Economic and Environmental Wellbeing				
Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>				
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				

Purpose of Report:

To seek approval to enter into a Funding Agreement with and accept grant funding from Highways England Electric Van Centre of Excellence capital funding of £896,400 for:

- An 'Electric Van Centre of Excellence' which will provide local fleet operators with an opportunity to gain operational experience with electric vans as a precursor to purchasing similar vehicles with a priority focus on those in the Lower Don Valley likely to make use of both the local and SRN network.

Recommendations:

The Individual Cabinet Member authorises:

- a. The acceptance of the Grant as set out within this report; and
- b. that the Council to enter into a grant funding agreement with Highways England.

Background Papers:

n/a

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Peter Carr
		Legal: David Cutting
		Equalities: Annemarie Johnston
<p><i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i></p>		
2	EMT member who approved submission:	Laraine Manley, Executive Director, PLACE
3	Cabinet Member consulted:	Cllr Bob Johnson
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Jenny Wood	Job Title: Senior Transport Planner
	Date: 13 th March 2020	

1. PROPOSAL

- 1.1 As part of its *Air Quality Strategy*, Highways England (HE) is looking to accelerate the uptake of electric vehicles on the Strategic Road Network (SRN). They are looking for Local Authority partners to establish schemes that allow prospective owners of electric vehicles to use a vehicle for free, over a period of time sufficiently long for them to form a view on its merits. The primary target being fleet operators who are currently using diesel vans.
- 1.2 The establishment and operation of the scheme would be the responsibility of the local authority, either through utilising its own internal resources or through contracting with a third party provider. The local authority is expected to promote and advertise the scheme, and meet with people wishing to take up the offer of a free loan whilst providing impartial advisers to explain to prospective EV owners the advantages and disadvantages of these vehicles for their unique operations.
- 1.3 In December 2019 SCC submitted a proposal for an Electric Van Centre of Excellence to Highways England who then in January 2020 put forward a partnership bid to their Designated Funds Investment Decision Committee. This was subsequently approved conditional on entering into the Funding Agreement by the end of March 2020.
- 1.4 The primary target of the scheme would be fleet operators who are currently using diesel vans, with a priority focus on the Lower Don Valley where there is a concentration of businesses likely to be using both local and Strategic Road Networks.
- 1.5 The scheme would include:
- The incremental purchase of 30 electric vans (indicatively to be made up from Renault Kangoo's and / or Nissan ENV200's) for local fleets to trial for up to two months plus telematics systems for data collection
 - The instillation of 5 electric rapid chargers (50kWh) in the vicinity of the trials (City Centre / Lower Don Valley) and 10 slow¹ chargers (7kWh), at the base locations that the vehicles will be stored
 - Procurement of a provider to undertake business engagement, marketing and fleet support
- 1.6 As a partnership both parties would be expected to contribute funds as follows:

¹ If achievable within the budget fast chargers may be installed in place of the slow chargers

- A capital contribution from Highways England's Air Quality Designated Fund [£896,400]
- A resource / revenue contribution from the local authority [£234,800]

1.7 It is proposed that the scheme would be operated by Transport Services for two years and at the end of this time the vans would be incorporated into the SCC fleet. In order to fund the revenue elements of this scheme a case has been put together for approval for the release of Minimum Revenue Provision (MRP) savings through capital investment (on the assumption that MRP savings will accrue) – or 'Invest to Save'. This is based on the vehicles being bought outright and so later incorporated into the SCC fleet or sold with the capital receipt being reinvested in fleet vehicles with improved emissions. The potential for additional revenue support if required, including through other sources of revenue, to support the project is still being investigated.

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 Accepting the funding will help the Council to improve air quality and reduce carbon emissions.

2.2 Sheffield has been identified by the government as one of a number of areas in England that is required to improve their air quality in the shortest time possible (in order to meet the legal limit value for nitrogen dioxide) due to its impact on people's health. It is proposed that this will be through a number of measures including implementation of a Charging Clean Air Zone class C, this means that buses, taxis, vans and lorries that do not meet our emissions standards will have to pay to drive in and around the zone.

2.3 Such a scheme would complement the Clean Air Zone support measures being developed by SCC and contribute towards the move away from the use of traditional fossil fuels, to cleaner technologies such as electric, as necessitated by the climate emergency recently declared by the Council.

2.4 The proposal aligns with Council priorities:

- "Strong Economy" (supporting organisations in informed decisions on future fleet investments)
- "Better Health and Wellbeing"

3. HAS THERE BEEN ANY CONSULTATION?

3.1 Internal consultation has been undertaken to shape the funding requirements and to identify how a successful scheme would be managed and delivered within the awarded grant. Given the internal nature of the scheme delivery, specific external communication has not been undertaken. Notwithstanding this, public consultation around the high level objectives of the scheme has recently been carried out through the Council's public engagement and consultation on the Clean Air Zone

and its associated proposals. Where possible, these will feed into the scheme as it progresses.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

4.1.1 The funding will support activity that should have a positive impact on the health outcomes of everyone in the city, in particular those in the City Centre, Lower Don Valley and near to the Strategic Road Network. Electric vehicle use supports improvements in air quality which should have a particularly positive impact for the very young and the very old, those with disabilities or long-term health conditions and their carers', and pregnant women. There are no significant negative equality impacts identified from this proposal.

4.2 Financial and Commercial Implications

4.2.1 The key features (not exclusive) to the Funding Agreement relating to the Electric Van Centre of Excellence are summarised as follows:

- The £896,400 of capital funding from Highways England's Air Quality Designated Fund allows prospective owners of electric vehicles to use a vehicle for free, over a period of time to form a view on its merits. In addition boost Sheffield's uptake of electric vehicles on the Strategic Road Network (SRN).
- The total project cost has been estimated to be in the region of £1,147,000. A revenue contribution is estimated at £234,800 from Sheffield City Council (SCC).
- The release of Minimum Revenue Provision (MRP) savings through capital investment (on the assumption that MRP savings will accrue) – or 'Invest to Save' will be used to fund the revenue elements. Other sources of revenue to reduce the requirement of underwriting the project with MRP savings are still being investigated.
- The period for which the funding is awarded starts on the Commencement Date (date of the Funding Agreement) and ends on the 31st March 2023.
- SCC shall not make any significant change to the Project without Highways England's prior written agreement.
- SCC shall issue a Funding Claim in advance of expenditure being incurred.
- The criteria to be achieved, in order for an instalment of the funding to be payable, are described in Schedule 2.
- The amount of the Funding shall not be increased in the event of any overspend in the delivery of the Project.
- Should any part of the Funding remain unspent at the end of the Funding Period, SCC shall ensure that any unspent monies are returned to Highways England.
- Highways England may at its discretion withhold or suspend payment of the Funding and/or require repayment of all or part of the Funding

as per 12.1 of the Funding Agreement.

- The Funding shall be shown in the accounts as a restricted fund and shall not be included under general funds.
- All invoices, receipts, and accounts and any other relevant documents and information obtained or prepared by SCC or any subcontractor in connection with this Funding Agreement should be kept for a period of twelve (12) years expiry or termination of this Funding Agreement.
- SCC shall closely monitor the delivery and success of the Project throughout the Funding Period to ensure that the aims and objectives of the Project are being met and that this Funding Agreement is being adhered to.
- SCC shall provide Highways England with a financial report and an operational report on its use of the Funding and delivery of the Project every month.
- Within three (3) months after the end of the Funding Period, SCC shall provide Highways England with a final report which shall confirm whether the Project has been successfully and properly completed.
- The Project Manager will need to read, understand and comply with all of the grant terms and conditions and the [Code of Conduct for Grant Recipients](#).

4.3 Procurement

- 4.3.1
- All public sector procurement is governed by and must be compliant with both European Legislation and UK National Law. In addition, all procurement in SCC must comply with its own Procurement Policy, and internal regulations known as 'Contracts Standing Orders' (CSOs).
 - Contracts Standing Orders requirements will apply in full to the procurement of services, goods or works utilising grants. All grant monies must be treated in the same way as any other Council monies and any requirement to purchase/acquire services, goods or works must go via a competitive process.

4.4 Legal Implications

4.4.1 The City Council accepts grant funding under its section 1 of the Localism Act 2011 'general power of competence' which enables them to do anything that an individual can do as long as the proposed action is not specifically prohibited. A purpose of the Act is to enable local authorities to work in innovative ways and the proposed Electric Vans initiative can be delivered through the Council using its general power of competence.

4.4.2 Any grants accepted by the City Council can only be received following the approval of the Director of Resources & Head of Strategic Finance (Art 6.2.1 & Art. C.2.1.5 'Grant Funding') and then managed by an Executive Director (or their delegate) under Article 6.2.2 of the Financial Procedure Rules.

4.4.3 The draft funding agreement issued by Highways England contains conventional requirements regarding project delivery and financial monitoring obligations for the City Council to manage and give account for funding expenditure and does not raise issues of any concern.

4.4.4 Any procurement facilitated by this funding will be subject to the procurement regime referred to above, which will provide State Aid compliance by ensuring a fair and transparent competitive procurement process.

4.5 Other Implications

4.5.1 There will be a positive impact on public health as electric vehicle use supports a reduction in air pollution, which contributes to 500 deaths a year in Sheffield, causing strokes, lung cancer and cardiovascular disease.

There are no property implications as the vans will be stored at existing council facilities.

It is not anticipated that there will be any HR implications as a result of operation of the scheme by Transport Services, but this will be explored further as the scheme is developed and further approvals sought.

5. **ALTERNATIVE OPTIONS CONSIDERED**

5.1 Sheffield City Council considered the following options:

Option 1 – Not applying for the Electric Van Centre of Excellence funding. This was discounted as the Council has a requirement to improve Sheffield's air quality.

Option 2 – Bid for a smaller scheme (20 vehicles) and no public chargers. This was discounted as less ambitious, air quality improvements would be lower and Invest to Save case weaker.

Option 3 – Bid for a larger scheme (60 vehicles) plus public chargers. This would have required the purchase of additional land to store the vehicles, and would be likely to require operation by an external provider. This was less likely to receive support from Highways England due to less certain deliverability, much longer implementation timescale (for land purchase) and a lack of revenue funding (no longer 'invest to save' as exceeds capacity to incorporate into fleet)

6. **REASONS FOR RECOMMENDATIONS**

6.1 The option proposed (30 vehicles plus public rapid chargers to support the scheme) maximises benefits to air quality and carbon emission reductions whilst being able to accommodate the vehicles in house, resulting in a stronger proposal which could be produced within the bid

timescales.

- 6.2 The funding is appropriate to support the Council's ambition of improving air quality in Sheffield.