



**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:**

**Subject:** Electric Van Centre of Excellence project – Revenue

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
- Expenditure and/or savings over £500,000	<input type="checkbox"/>	
- Affects 2 or more Wards	<input 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 checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given?		
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 spend revenue funding as part of the Electric Van Centre of Excellence project, a partnership with Highways England:

- In March 2020 Sheffield City Council entered into a Funding Agreement with Highways England, accepting capital grant funding of £896,400 towards an 'Electric Van Centre of Excellence'.
- This project will provide local fleet operators with an opportunity to gain operational experience with electric vans, as a precursor to potentially purchasing similar vehicles. There will be a priority focus on those in the Lower Don Valley likely to

make use of both the local and Strategic Road Network (SRN).

- In order to develop and administer the scheme, operate the fleet, market and engage with local fleet operators and manage the programme revenue funding estimated at £353,773 is required from SCC.
- We have the opportunity to keep the vehicles at the end of the scheme. The future benefit of these vehicles generates a saving that could be utilised to fund the scheme now in an 'Invest to Save' funding model.

**Recommendations:**

To approve up to £353,773 revenue expenditure, funded through an 'Invest to Save' model, to support the Electric Van Centre of Excellence project.

**Background Papers:**

Acceptance of the Electric Van Centre of Excellence funding (£896,400), March 2020

<http://democracy.sheffield.gov.uk/ieDecisionDetails.aspx?ID=2499>

Lead Officer to complete:-	
1	<div> <div>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.</div> <div> <div>Finance: <b>Jane Wilby</b></div> <div>Legal: <b>David Cutting</b></div> <div>Equalities: <b>Annemarie Johnston</b></div> </div> </div>
	<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>
2	<div> <div><b>EMT member who approved submission:</b></div> <div>Laraine Manley</div> </div>
3	<div> <div><b>Cabinet Member consulted:</b></div> <div>Cllr Bob Johnson</div> </div>
4	<div> <div>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.</div> <div> <div> <div><b>Lead Officer Name:</b> Jenny Wood</div> <div><b>Job Title:</b> Senior Transport Planner</div> </div> <div><b>Date:</b> 17/07/20</div> </div> </div>

## 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). In March 2020 Sheffield City Council entered into a funding agreement with Highways England to establish and operate an Electric Van Centre of Excellence, allowing prospective owners of electric vehicles to use a vehicle for free, for a period of up to two months, to form a view on its merits.
- 1.2 The primary target of the scheme in Sheffield is fleet operators (sole and corporate) who are currently using diesel vans, with a priority focus on the Lower Don Valley, an area with an identified need for improvements to air quality and where there is a concentration of businesses likely to be using both local and Strategic Road Networks (specifically the motorway).
- 1.3 £896,400 capital funding has been provided by Highways England for the purchase of 30 electric vans, telematics systems for data collection, 10 slow / fast chargers to support the vehicles at their base locations and 5 rapid chargers to support the use of the vehicles by businesses.
- 1.4 As a partnership scheme, a revenue contribution is also required from Sheffield City Council. It is the authority's responsibility to establish and operate the scheme. The local authority is expected to manage, develop, promote and advertise the scheme, meet with people wishing to take up the free loan of a van whilst providing impartial advisers to explain to prospective EV owners the advantages and disadvantages of these vehicles for their unique operations.
- 1.5 The loan scheme, and installation of the associated slow / fast chargers at their base locations (Manor Lane and Staniforth Road depots), will be set up, managed and operated by Sheffield City Council's Transport Services for a period of two years and at the end of this time the vans will be incorporated into the SCC fleet or sold<sup>1</sup>.
- 1.6 It is proposed that a provider will be procured to work with Transport Services to carry out the specialist business engagement, marketing and fleet support for the period of the scheme.
- 1.7 A draft cost plan was prepared to support the bid detailing the operational costs of delivering the scheme. This included scheme development and a provision for legal fees associated with hire contract preparation. To fund the costs associated with running the scheme, an invest to save case has been proposed. At the end of the scheme, we anticipate SCC will take the vehicles purchased to become part of our fleet. By doing so we are not having to purchase the new vehicles we otherwise would have as part of

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<sup>1</sup> *Should SCC not be able to take on all vans they will be made available to other public sector organisations where possible (including Rotherham Metropolitan Borough Council, Highways England and possibly supply chain)*

our fleet renewal programme. The borrowing costs we would have paid for the vehicle fleet in two years becomes a real saving to revenue budgets. It is this revenue saving we will utilise now to pay for running the scheme.

## **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.

EV charging points are now deemed as necessary equipment to facilitate the uptake of ULEV. As essential equipment they are not subject to consultation. Details of locations will be shared with local councillors. The general public will be informed via Traffic Regulation Order. Charger location will be informed by technical details such as proximity to facilities, width of footpath, proximity of other electrical connections etc. and therefore the choice of locations is restricted.

## **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

#### 4.1 Equality of Opportunity Implications

- 4.1.1 There are no significant differential equality impacts as a consequence of this proposal. Overall, this proposal should have a positive impact for everyone in the city but particularly benefit the air quality for those living in the Lower Don Valley including the very young and old, those with poor health, BAME community and disabled people.

#### 4.2 Financial and Commercial Implications

- 4.2.1 The total project cost has been estimated to be in the region of £1,250k. A revenue contribution is estimated at £353,773k from Sheffield City Council (SCC). A high level overview of the spend profile is detailed below:

	2020/21	2021/22	2022/23	Total
<u>HE Capital Funding</u>				
Vans	£630,000	£0	£0	<b>£630,000</b>
Chargers	£247,500	£0	£0	<b>£247,500</b>
Telematics	£18,900	£0	£0	<b>£18,900</b>
	<b>£896,400</b>	<b>£0</b>	<b>£0</b>	<b>£896,400</b>
<u>SCC - Revenue Funding</u>				<b>£0</b>
Scheme development	£50,000	£0	£0	<b>£50,000</b>
Administration & Marketing	£51,285	£94,572	£47,287	<b>£193,144</b>
Programme management	£6,000	£12,000	£6,000	<b>£24,000</b>
Fleet operational costs	£22,257	£42,914	£21,457	<b>£86,629</b>
	<b>£129,542</b>	<b>£149,486</b>	<b>£74,744</b>	<b>£353,773</b>
	<b>£1,025,942</b>	<b>£149,486</b>	<b>£74,744</b>	<b>£1,250,173</b>

- 4.2.2 The capital contribution provided by Highways England will be utilised to purchase 30 electric vans with telematics systems to be loaned out as part of the trial. Funding will also be used to install a combination of slow / fast and rapid charge stations at both the depot locations, where the vans will be kept between hire periods, and at further locations in the Lower Don Valley or City Centre to facilitate the users of the scheme during the trial.
- 4.2.3 The revenue funding contribution will pay for the resources required to manage and administer the scheme, engage with local business and pays for ongoing vehicle costs such as insurance (when not on hire) maintenance, servicing, cleaning and other required costs. All costs have been market tested with local fleet operators for reasonableness.

SCC are required to provide the revenue contribution to the scheme and have identified the source of this as future savings of Minimum Revenue Provision (MRP) in Transport Services budgets. Different scenarios were modelled with varying vehicle numbers and 30 vans were deemed the

optimal number for the trial given other constraints in the organisation.

We have 2 options to fund the investment in the scheme by utilising transport services' MRP budgets:

1. Sell the vehicles at the end of the trial.  
Assuming that the electric vans will retain 58% of their original value at the end of the trial period (£12k per vehicle), the sale of the vans will generate enough of a saving to pay for the project.
2. Keep the vehicles at the end of the trial.  
Funding is in place for £14.5k per vehicle as part of transport services fleet renewal strategy on a 5 year rolling investment cycle. If we kept the electric vans after the trial, we could sell 30 diesel vans purchased in year 1 of the cycle and the end of year 2. This capital receipt (assumed 50% residual value) would be used to reduce the 5 year borrowing costs. Running electric vehicles is cheaper than the fuel costs of a diesel fleet, incorporating this saving makes the investment more favourable and generates enough savings to pay for the project.

Other sources of revenue to reduce the requirement of underwriting the project with MRP savings are still being investigated in addition to this funding proposal.

- 4.2.4 The key features to the Funding Agreement relating to the Electric Van Centre of Excellence were summarised in the previous report, Acceptance of the Electric Van Centre of Excellence funding (£896,400), March 2020 <http://democracy.sheffield.gov.uk/ieDecisionDetails.aspx?ID=2499>

#### 4.3 Procurement

- 4.3.1 The value of the proposed contract to provide business engagement support to transport services to support the day to day delivery of the scheme, is below the current EU threshold of 189k, and therefore is not required to follow the procurement procedures as set out under the Public Contracts Regulations (PCR) 2015.

SCC Contract standing orders will be complied with in full, and the contract will be let following a competitive tendering process to be carried out by a procurement professional using the council's electronic tendering system (YORtender).

#### 4.4 Legal Implications

- 4.4.1 The Localism Act 2011 provides local authorities with a "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 to develop services that meet local needs including environmental requirements. The proposed Electric Vans scheme can be delivered through the Council

using its general power of competence. In addition, there is no specific statutory prohibition preventing the Council from implementing the proposed scheme. The Council therefore is empowered to expend and administer the scheme detailed in this report.

#### 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.

### 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 and so having no revenue resource requirement. 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, reducing the revenue resource requirement. 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 with revenue provided through 'Invest to Save') 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.