



Author/Lead Officer of Report: Jenny Wood,
Senior Transport Planner

Tel:

Report of: Edward Highfield, Director of City Growth

Report to: Councillor Bob Johnson, Cabinet Member for Transport and Development

Date of Decision: 25 November 2020

Subject: Electric Taxi Trial - 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? 330				
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 Taxi Trial project:

- Following the purchase of up to 11 electric Hackney Carriage taxis using the Early Measures fund, the taxis will be leased to drivers for trial, demonstrating their benefits and informing driver decisions about whether to buy / lease an electric taxi.
- In order to develop, operate and administer the scheme without excessive cost to drivers, a maximum of £292k revenue funding is estimated to be required from SCC.

- It is proposed that the vehicles are sold at the end of the scheme, subject to review, in order to repay the project investment via an 'invest to save' funding model with the balance of funding repaid from council revenue budgets.

Recommendations:

To approve up to £292k revenue expenditure funded through an 'Invest to Save' model, supporting the Electric Taxi Trial project.

Where no existing authority exists under the LSOD, delegate authority to the Executive Director Place, in consultation with the Director of Financial and Commercial Services, to

- (a) agree the procurement strategy together with contract terms for the Electric Taxi Trial Project and thereafter approve such contract award;
- (b) to take such steps and measures to meet the aims and objects of this report.

Background Papers:

Acceptance of the Early Measures Fund Grant

<http://democracy.sheffield.gov.uk/ieDecisionDetails.aspx?ID=2039>

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: Jane Wilby Commercial: Dave Kingston
		Legal: Richard Marik / Henry Watmough-Cownie
		Equalities: Annemarie Johnson
<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	EMT member who approved submission:	Laraine Manley
3	Cabinet Member consulted:	Councillor 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: 04/11/20	

1. PROPOSAL

- 1.1 In 2018, SCC received £485k of capital funding from DEFRA's Early Measures Fund (EMF). This is to be used to purchase up to 11 electric Hackney Carriage taxis for drivers to trial, demonstrating their benefits and informing driver decisions about whether to buy / lease an electric taxi.
- 1.2 Best practice, financial and commercial reviews of the scheme concluded that in order to develop, operate and administer the scheme without excessive cost to drivers a revised operational model and revenue funding estimated at £292k would be required.
- 1.3 It is proposed that a provider would be procured to deliver the scheme. It would be available to Hackney Carriage drivers registered in Sheffield on a first come first served basis and operate for up to two years, depending on demand. The Hackney carriage drivers would then have the opportunity to test one of the electric hackney vehicles on an estimated two-four week basis.
- 1.4 There are only 2 electric Hackney Carriage models currently available that are compliant with SCC taxi licencing standards: the LEVC and Nissan Dynamo. These models have different price points.
- 1.5 The Council's priority is on maximising the number of drivers accessing the scheme and experiencing the benefits of an electric taxi. The Council does not have a preference for either of the two vehicle models available. The precise vehicle model(s), the number to be purchased and the number of trials achieved will be determined by the competitive procurement exercise to be undertaken.
- 1.6 It is proposed that the scheme would no longer provide home charging points as outlined in the funding application. Instead this funding will contribute to maximising the number of electric taxis to be purchased. The SCC Rapid Charger project is installing 22 Rapid charging points, 10 of which will be available exclusively for taxis, mainly around central Sheffield in the coming months which will support the trial. Analysis of the CAZ taxi consultation responses found that 82% of the 2306 taxi driver respondents park their taxi or Private Hire Vehicle on-street in Sheffield or Rotherham, due to there being a lack of off-street parking where home charging could be installed. Should a driver wish to install a home charging point the governments Electric Vehicle Homecharge Scheme (EVHS) provides grant funding of up to 75% towards the cost of installing electric vehicle charge points at domestic properties across the UK.
- 1.7 A draft cost plan has been prepared detailing the anticipated costs of delivering the scheme. To fund the costs additional to the capital funding provided by the Early Measures Fund it is proposed that revenue provided via an 'invest to save' case is used.

- 1.8 The scheme would be funded by borrowing from reserves, with payback forecast from the sale of the taxis at the end of the trial, subject to review. This is similar to the recent 'invest to save' model developed to operate the Highways England (HE) Electric Vans scheme (borrowing against future fleet investment budgets). Draft cost modelling shows at a conservative estimate we may be able to realise up to £150k¹ from the resale of the vehicles with the balance of funding being repaid from revenue budgets, which subject to the review of the current Clean Air Zone [<https://sheffnews.com/news/sheffields-clean-air-zone-plans>] could include the use of a clean air reinvestment reserve from surplus income.
- 1.9 Advice received from HMRC states that if the taxis were made available free of charge to drivers, SCC would not be able to reclaim the input tax of purchase due to a blocking order. In order to overcome this issue and maximise the capital budget as far as possible, we intend to make a small charge to drivers.
- 1.10 Keeping the trial low cost is particularly important in the current climate where drivers are dealing with impact of COVID-19 on their business.

Delivery of the scheme

- 1.11 SCC intend to procure a Service Provider to deliver all elements of the scheme, including:
- The storage, licencing and maintenance of up to 11 electric Hackney Carriage taxis with associated telematics.
 - End to end management of the vehicle hire process and the provision of education and support to drivers to encourage electric vehicle take up.
- 1.12 The provider will be appointed to run electric taxi trials for a period of up to 2 years.
- 1.13 Taxis will be leased to participants for a period to be agreed, this is expected to be between 2 and 4 weeks depending on demand, with a package developed to ensure that this is at minimal cost to the driver.
- 1.14 The appointed provider will supply information and support trial participants before, during and after the trial, specifically around the practicalities of owning an electric hackney carriage and the associated costs. Participants will be signposted to other supporting measures designed to encourage electric taxi uptake.
- 1.15 On completion of the scheme it is proposed that the taxis will be sold, ideally to drivers operating within Sheffield in order to maintain the local emissions benefits.

¹¹ £150k is based on a 35% resale value. If a resale value of 50% was achieved up to £213k could be realised but this is dependent on market conditions.

- 1.16 We will however undertake a review prior to the sale of the vehicles and if an alternative model involving retention of the vehicles in support of the Council's wider objectives proves sustainable this may be pursued instead.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The scheme 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.
- 2.3 The current Hackney Carriage fleet is typically of older diesel vehicles. The city centre is a core area for pick-up and drop-off where the majority of the city's taxi ranks are located. Therefore a move to cleaner ULEV and zero emission hackney carriages will see real benefit in some of the areas which have the highest pollution levels in the city. These include locations such as the taxi rank at Sheffield Midland Station which was recently reported as being the 2nd worst air pollution hotspot in the country.
- 2.4 Providing an opportunity for drivers to experience driving an electric hackney carriage taxi in 'real world' basis should assist in them understanding the potential operational issues and benefits.
- 2.5 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.
- 2.6 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 An expression of interest survey was carried out with Taxi drivers in August 2018. The purpose of the survey was to gather information to help develop this scheme, from finding out if there is enough interest from drivers to informing how long the trial periods should be and

potential lease rates². It concluded that there was interest in the trial, that the trial would help drivers see what the vehicle is like to drive and test fuel savings and range.

- 3.2 Public consultation around the high level objectives of the scheme has also recently been carried out through the Council's public engagement and consultation on the Clean Air Zone and its associated proposals. As part of this consultation specific to taxi and private hire drivers was also carried out which indicated that there are still concerns around the cost of compliant hackney taxis, the reliability and suitability of electric vehicles, the time taken to charge them, and concerns that current technology could become obsolete. These are all issues which this Taxi Trial scheme aims to address with participants and 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 This scheme should have a positive impact on SCC relations with hackney drivers and support them in deciding the financial case for obtaining electric vehicles. The health impacts from reduced emissions during the trial will be minor, but in the context of overall air quality work, the cumulative impact on pollution will be significant.

4.2 Financial and Commercial Implications

- 4.2.1 A capital budget of £485k has been made available from DEFRA's Early Measures fund to support the trial. Various options have been explored to maximise the value of the funding. In particular, the option of sourcing a provider to purchase vehicles and run the scheme within the financial envelope. However, as the funding is a capital grant, it can only be used for purchase of an asset, or bringing an asset into use. Therefore, the operational costs necessary to run the scheme cannot be funded through this grant as specified in the terms and conditions.
- 4.2.2 There is a cost of running the scheme outside of the capital budget. It has therefore been proposed to finance the project via an "invest-to-save" funding model. The costs required to run the scheme will be paid for via borrowing from reserves. The investment will be paid back via income received through the sale of the vehicles after the trial, subject to review, and through council revenue budgets, which subject to the review of the current Clean Air Zone could include the use of a clean air reinvestment reserve from surplus income.

² £50 a week was the most recommended lease rate. 4 weeks, 8 weeks and the maximum of 18 weeks were the most recommended trial durations

- 4.2.3 The proposed category C+ charging clean air zone is expected to generate enough charge revenue to cover the costs of running the zone and generate a clean air re-investment fund for SCC, subject to its review. This fund would support the repayment of the project costs. Current income forecasts of the category C+ zone suggest there would be sufficient funding to do this. However, the situation needs to be looked at again after the COVID-19 review. There is a risk that if the category of zone changes, there may not be sufficient headroom in the future operating model to accommodate repayment from this fund.
- 4.2.4 A soft market testing exercise was completed that enabled us to obtain costing estimates from potential operators in the marketplace. From this information and additional benchmarking with other local authorities, we have been able to estimate the likely level of costs to run the trial. Operating costs of the trial (internal project costs plus external third party delivery costs) would include vehicle acquisition, maintenance, servicing, breakdown cover, vehicle storage, cleaning, electricity, insurance and staffing to run the scheme. Some of these operational costs flex with the number of vehicles which may range between an estimated 9-11 taxis depending upon the vehicle specification and the length of time of each trial. For the purposes of illustration, the below table shows a summary position of the 11 vehicle scenario where trials are offered for 2 weeks each, which is likely to be our maximum cost exposure.

£000s	Year 1	Year 2	Year 3	Total
TOTAL CAPITAL COSTS (Grant Funded)	£485	£0	£0	£485
TOTAL REVENUE COSTS (Borrowing)	£146	£146	£0	£292
<u>Payback to reserves</u>				
<i>Sale of Vehicles</i>	£0	£0	-£149	-£149
<i>Hire charge income</i>	-£11	-£11	£0	-£23
<i>Future Revenue Contribution</i>	£0	£0	-£120 ³	-£120
FORECAST PAYBACK	-£11	-£11	-£269	-£292

- 4.2.5 We will aim to limit cost exposure through the procured solution and review the risk associated any residual revenue exposure at Full Business Case stage.
- 4.2.6 All public sector procurement is governed by both European Legislation and UK National Law. In addition, all procurement in Sheffield City Council must comply with its own Procurement Policy and internal regulations known as 'Contracts Standing Orders (CSOs).
- 4.2.7 An open competitive tender process will be undertaken, in accordance with the laws and regulations at 4.2.6.

³ Based on conservative resale value of 35%. The future revenue contribution could be as low as £56k, depending on market conditions, if a higher resale value of 50% was achieved.

4.3 Legal Implications

- 4.3.1 As part of its efforts to meet the standards set out in the Ambient Air Quality Standards Regulations 2010, the Council are able to use their General Power of Competence derived from the Localism Act 2011 to do anything that individuals of full legal capacity may do 'for the benefit of the authority, its area or persons resident or present in its area'. This includes entering into such agreements and incurring expenditure as detailed in the report.
- 4.3.2 Proposed leasing arrangements with hackney cab drivers must be compliant with any Local Authority regulations regarding financial arrangements with third parties. This would require the involvement of Financial Services and their confirmation that there are no regulatory or statutory breaches.
- 4.3.3 Procurement of vehicles and services or works must be compliant with SCC regulations and EU laws.
- 4.3.4 All Contracts must be let in accordance with the Council's Contracts Standing Orders, Financial Regulations and Financial Procedures, and any other rules adopted by the Council from time to time.
- 4.3.5 There are no State aid implications for this proposed expenditure.

4.4 Other Implications

- 4.4.1 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.
- 4.4.2 There are no property implications as the taxis will be stored by the provider running the trial.
- 4.4.3 There will be no HR implications as the trial is to be run by an external provider.

5. **ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 Sheffield City Council considered the following options:

Option 1 – Not delivering the Taxi Trial project. This was discounted as the Council has a requirement to improve Sheffield's air quality.

Option 2 – Taxi trial run by SCC Transport Services and drivers charged to take part in the trial in order to cover full costs of running the scheme. Discounted due to the rate that would have to be charged to cover costs

of set up and running the scheme.

Option 3 – Taxi trial run by an external provider and drivers charged to take part in the trial in order to cover full costs of running the scheme. Discounted due to the rate that would have to be charged to cover costs of running the scheme and a lack of market interest.

6. REASONS FOR RECOMMENDATIONS

- 6.1 The proposed option to deliver the SCC Electric Taxi Trial using a combination of capital previously granted from the governments Early Measures Fund and revenue provided via an ‘invest to save’ case, as outlined in this report would result in benefits to air quality and carbon emission reductions, minimise financial risk to the council whilst maximising market deliverability and potential uptake.