

**Report of Director of City Development / Director of Resources & Housing**

**Report to Executive Board**

**Date: 7 February 2018**

**Subject: Acquisition of Land for Vehicle Fleet Alternative Fuel Filling Station**

Are specific electoral wards affected? If yes, name(s) of ward(s): Burmantofts and Richmond Hill	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: 10.4(3) Appendix number: 2	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Summary of main issues**

1. Leeds has been named as one of a number of cities in the UK forecast to fail EU Air Quality targets by 2020. The Council must submit its full business case to the government by the 15<sup>th</sup> of September 2018 with its final proposal to improve the city's air quality. The Council is currently consulting on a clean air zone that would charge all buses, coaches, HGVs and taxi and private hire vehicles that do not meet the minimum emission standards.
2. The Council has been exploring opportunities for some time to reduce the impact on air quality of its own vehicle fleet. It will have just under 100 electric vehicles (EV) by the end of the year – this will be the largest EV fleet operated by any Local Authority in the UK. However, the Council also runs a large number of heavy goods vehicles and an alternative to diesel for these vehicles also needs to be developed.
3. The Council has run a long term trial of Refuse Collection Vehicles (RCVs) fuelled by natural gas. Following the success of these trials it is now proposed that the council's RCVs will be converted to Compressed Natural Gas (CNG) and that this will act as an anchor load for the development of an alternative fuel station that will be available for use by any fleet operator entering the city as well as the Council. The alternative fuel station will dispense CNG as a minimum but it is anticipated that the station developers will bring forward other innovative ideas to enable a wide range of cleaner fuels to be developed.

4. In July 2015 Executive Board noted the Council's intention to bid for funding in partnership with Northern Gas Networks (NGN), through OFGEM's Network Innovation Competition to fund elements of a CNG filling station project, most significantly the costs of the gas main connection aspect that has been a barrier for such facilities to be delivered by the private sector. The funding bid was successful and the Council has since entered into an agreement with NGN to allow the council's appointed partner to access the funding when required.
5. Executive Board also noted at the time the need to identify suitable land on which to build the alternative fuel station and that as a high pressure natural gas main runs through the Lower Aire Valley, this would be the ideal location for a station. A location here, within or in the vicinity of the Leeds Enterprise Zone (LEZ) would further support the project by providing access to companies, especially those with larger vehicle fleets, to locate within the area as it will offer them a more sustainable and cheaper alternative to diesel and a customer to the facility.
6. The alternative fuel station together with the Council's nearby Recycling and Energy Recovery Facility (RERF), with the emerging related District Heating project and Keyland's large wind turbine will give a visible demonstration of the city's commitment to new green technologies in the wider Aire valley through a clustering of class-leading sustainable energy and fuel facilities.
7. A plot of land of 2.17 acres has been identified. This was formerly owned by Yorkshire Water, and forms part of the wider former water waste treatment works. The site has been identified as an ideal location in terms of proximity to the high pressure gas main and in providing vehicle access from the A63 Pontefract Lane through the Leeds Enterprise Zone. CNG converted RCVs, would therefore be able to refuel adjacent to where they will tip waste at the Recycling and Energy Recovery Facility. The land in question is no longer in operational use and its current owners, Keyland is seeking to bring it forward for new employment uses. The Council has been in discussion with the owners regarding an acquisition of the plot from within the larger site for the CNG project. The report sets out details of the proposed acquisition terms and requests Executive Board approval to proceed with its purchase.
8. The successful delivery of an alternative fuel station will directly contribute to the City's 'Cutting Carbon and Improving Air Quality Breakthrough' programme due to the significant contribution to the reduction of harmful emissions from both the council's fleet and other fleets operating in the city..
9. Should the CNG project not proceed for any reason the plot of land is immediately adjacent to the Council's current depot facilities at Knowsthorpe Gate and as such its acquisition will have strategic value for the Council in providing space for the future reconfiguration or expansion of operational requirements.

## **Recommendations**

Executive Board is asked to:

- a) Agree the draft Heads of Terms set out in the Exempt Appendix 2 and delegate authority to the Director of City Development to progress acquisition of the site on these or amended terms should it be commercially acceptable and to protect the Council's interest, to facilitate delivery of the CNG project;

- b) Note that should the CNG project not proceed for any reason, the site acquisition will have strategic value in the future reconfiguration and use of Council assets within the area.
- c) Delegate authority to the Director of City Development in consultation with the Director of Resources and Housing to sign off the lease or alternative arrangement negotiated with the selected station provider through the competitive process to ensure that it provides value for money to the Council.
- d) Inject funding into the Capital Programme and agree Authority to Spend as set out in Appendix 2
- e) Delegate authority to the Director of City Development in consultation with the Director of Resources and Housing to inject and approve Authority to Spend for any additional funding required to acquire the site, so long as this can be demonstrated to be commercially acceptable.

## **1. Purpose of this report**

1.1 This report sets out the proposal to acquire land for the delivery of an alternative fuelling station, to serve the Council's and city's fleets.

## **2. Background information**

2.1 To address the air quality issues within the city, the Council is currently consulting on a charge based CAZ that would cover all roads within the outer ring road with the M1 and M62 acting as the south-eastern boundary. However, it would not include vehicles that divert around the outer ring road, motorways or vehicles which cross the city using the M621.

2.2 The proposed CAZ would charge any buses, coaches, HGVs, private hire cars and taxis that do not meet the required emission standards of Euro 6 (diesel) or Euro 4 (petrol) with the potential for this to be increased to petrol hybrid or electric for the taxi and private hire fleet.

2.3 The intention is that the clean air zone will be in place by the 1<sup>st</sup> of January 2020 and therefore the council's fleet will need to be compliant by this date otherwise the fleet will be subject to the relevant charges. Under the current proposals, a non-compliant RCV would be charged £100/ day to enter the CAZ.

2.4 The high level strategy for the council's fleet is to replace vehicles at the end of their lifecycle with alternative fuelled or ultra-low emissions vehicles wherever possible. There are a number of vehicle types that are not suitable for replacement with Ultra Low Emission Vehicles (ULEV) and in these cases, when all options have been exhausted the council would replace them with CAZ compliant Euro VI diesel or Euro IV petrol variants.

2.5 Significant work has been undertaken to increase the number of electric vehicles within the Council's fleet and by the end of the year, the Council will have just under 100 electric vans. However, electric tends to be less suitable for the heavier vehicles that the Council operates and for this reason the Council has been undertaking work to consider other alternatives.

2.6 The Council has assessed the feasibility of operating vehicles on natural gas through trials with Refuse Collection Vehicles (RCVs), fuelled from a small installation that receives deliveries of natural gas in liquid form. Although the operational and air quality benefits of this were clear, to enable the entire fleet of waste collection vehicles to transfer to this cleaner fuel the need for scalable refuelling infrastructure in the form of a Compressed Natural Gas (CNG) filling station was apparent. Such a facility would be connected directly to the high pressure gas main, to allow for a resilient supply and enable a significant reduction in harmful emissions from the council's waste collection fleet.

2.7 In July 2015 Executive Board noted and approved:

- i. the Council's intention to bid for funding through OFGEM's Network Innovation Competition (NIC) to fund elements of a CNG filling station project, most significantly the costs of the gas main connection aspect that has been a barrier for such facilities to be delivered by the private sector;
- ii. the injection of £1.58 million into the Capital Programme to be fully funded by unsupported borrowing (contingent on the success of the NIC bid), to support the shift to vehicles capable of taking CNG fuels;

- iii. the decision to enter into arrangements with a private sector partner to deliver a CNG station, anticipated to be a joint venture; and,
- iv. the need to identify suitable land on which to build the CNG station and that as a high pressure natural gas main runs through the Lower Aire Valley, this would be the ideal location for a station.

2.8 Northern Gas Networks (NGN), with support from LCC, was successful in its bid to obtain funding through Ofgem's Network Innovation Competition (NIC), for the cost of the design, construction and commissioning of the equipment necessary to provide a physical pipeline connection between the CNG Station and the gas distribution network of NGN. These NIC monies are payable direct to NGN by Ofgem to design and build the gas connection pipeline. There is therefore no initial cost to LCC for NGN to design and build the gas pipeline. However, once the CNG Station is built and is operational, LCC will pay back the NIC monies to NGN by way of a monthly sum which is calculated based on the amount of CNG which is drawn down by the CNG Station each month. The more CNG that is drawn down per month, the more the monthly repayment figure is to NGN and conversely, if the CNG station is not well used and not much CNG is drawn down in any given month, the repayment amount to NGN will decrease. If all of the NIC monies have not been repaid to NGN by LCC within 10 years from when the CNG was first drawn down, any outstanding monies owed to NGN by LCC will be written off. There is therefore a direct correlation between how successful the CNG station is and whether the NIC monies are repaid to NGN by LCC and NGN is bearing the risk of this.

2.9 Subject to the Executive Board's consideration of the matters in this report, the procurement for a commercial partner will begin with the aim that the station will be completed by the end of 2019.

2.10 A commercial partner will be sought to deliver an alternative fuel station, with a base requirement to provide CNG. However, the Council will be seeking a partner who can show true ambition and innovation and look to future proof the city for future changes in fuel sources (such as hydrogen) rather than only provide CNG.

2.11 In parallel with the work on the CNG station, a procurement process will be undertaken to secure a partner to provide the CNG vehicles across the various vehicle types within the council's fleet.

### **3. Main issues**

3.1 Since 2015 the Council has progressed site search activities to identify the most appropriate and available site opportunity on which to deliver the CNG project. The proximity of a site to the high pressure gas main which runs through the Leeds Enterprise Zone and need for a main road frontage have both been key site requirements for the project. The Council does not own any land which meets this criteria, and only a small number of privately owned sites have been identified as being suitable. The Council has approached a number of landowners about acquiring land, but many have been unwilling to dispose of land at this time.

3.2 A plot of land of 2.17 acres formerly owned by Yorkshire Water and forming part of the larger former waste water treatment works in the Lower Aire Valley area has now been identified as an ideal location in terms of proximity to the high pressure gas main whilst also having a main road frontage onto the A63 Pontefract Lane through the Leeds

Enterprise Zone. The site is shown on the plan at Appendix 1. Using a facility on this site would enable CNG converted RCVs to refuel adjacent to where they tip waste at the Recycling and Energy Recovery Facility (RERF). The plot in question is part of a wider site that is no longer in operational use and Kelda Group, who own Yorkshire Water, is using its property trading business (Keyland) to bring it forward for new employment purposes. The Council has been in discussion with Keyland regarding an acquisition of this plot for the CNG project. Draft Heads of Terms for the proposed acquisition are set out in Exempt Appendix 2.

- 3.3 The alternative fuel station, if located here, would be in close proximity to the Council's RERF, the emerging District Heating project and Keyland's large wind turbine, which will give a visible demonstration of the city's commitment to new low carbon technologies through a clustering of class-leading sustainable energy and fuel facilities.
- 3.4 A location here, within or in the vicinity of the Leeds Enterprise Zone (LEZ) would further support the business case for the CNG project; companies with larger vehicle fleets may be further attracted to locate within the area by the offer of easy access to a sustainable and cheaper alternative to diesel, thereby securing additional customers for the facility.
- 3.5 The successful delivery of an alternative fuel station will directly contribute to the city's 'Cutting Carbon and Improving Air Quality Breakthrough' programme as it will make a significant contribution to the reduction of harmful emissions from the council's fleet as well as providing an alternative fuel for other fleets within the city.
- 3.6 CNG offers the opportunity for a vehicle fuel that is cheaper, less volatile to price fluctuations than diesel/petrol, and crucially, one which is proven to reduce detrimental emissions. The table below shows the extent of the anticipated savings in this regard. In addition, CNG refuse vehicles offer a CO<sub>2</sub> saving of around 5% over traditional diesel variants.

Air quality related emissions comparison				
	PM g/kWh	CNG % saving	NOx g/kWh	CNG % saving
Euro IV	0.02	80%	3.5	89%
Euro V	0.02	80%	2	81%
Euro VI	0.01	60%	0.46	17%
CNG	0.004	N/A	0.38	N/A

- 3.7 The station will initially be based primarily on the demand of the RCVs. However, it will have the ability to meet growing demand in this sector.
- 3.8 Should the CNG project not proceed for any reason the plot of land is immediately adjacent to the Council's current facilities at Knowsthorpe Gate and as such its acquisition will have strategic value for the Council in providing space and flexibility in meeting current and future service and operational requirements as these change over time, or as any replacement facilities are sought.

3.9 The delivery of an alternative fuel station in the Aire Valley is a key move in helping to improve air quality in the city and is complementary to other reports on the agenda regarding the city's cycling strategy, and City Park.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

4.1.1 The Executive Member for Regeneration, Transport and Planning, the Executive Member for Resources and Strategy and the Executive Member for Environment and Sustainability have been consulted on the CNG project and the proposal to acquire land as set out in this report. No public consultation has been undertaken on this proposal as the site is some distance from the nearest resident population.

### **4.2 Equality and diversity / cohesion and integration**

4.2.1 An Equality, Diversity, Cohesion and Integration Screening assessment has been completed with no impacts identified that require further consideration. The assessment is attached at Appendix 3.

### **4.3 Council policies and best council plan**

4.3.1 The successful delivery of an alternative fuel station will directly contribute to the Best Council Plan ambition for Low Carbon – to reduce emissions, tackle fuel poverty and deliver efficient and secure energy. It also helps deliver the 'Cutting Carbon and Improving Air Quality' Breakthrough Project by making a significant contribution to the reduction of harmful emissions from the council's fleet.

4.3.2 Air pollution is adding to existing inequalities: all but one of the current Air Quality Management Areas in Leeds are ranked among the city's 30% most deprived areas. Any actions taken to reduce emissions, including the development of an alternative fuel station, will support the work to reduce emissions and improve health inequalities across the city.

### **4.4 Resources and value for money**

4.4.1 The cost of the land will be financed using prudential borrowing and the cost of the borrowing will be recovered through the commercial arrangements associated with the station. This will be via a charge to the station developer or alternatively via an equivalent reduction in the fuel costs to the Council. The recovery of the cost of the land may be stepped to allow the station developer time to establish the facility. This would be allowed on the basis of an improved offer to the council as the station grows. The final commercial proposal regarding the recovery of the cost of the land would be subject to sign off by the Director of City Development.

4.4.2 If the project were not to proceed, the land's strategic location would allow it to be used for current or future alternative council purposes to meet service and operational requirements and the cost would be funded through the disposal of alternative land or via service budgets.

4.4.3 As well as purchasing the land, the Council will have to upgrade its fleet with CNG vehicles, which attract a cost premium versus a standard diesel. However, as CNG provides savings against diesel as a fuel source, the savings from the reduced fuel cost will cover this extra capital over the vehicles' lifetime.

#### **4.5 Legal implications, access to information, and call-in**

4.5.1 The Council may complete the acquisition of land by virtue of Section 120 of the Local Government Act 1972 which covers acquiring land for "the benefit, improvement or development" of the Council's area, or for the purposes of any of the Council's functions under any enactment which would now include the new general power of competence in Section 1 of the Localism Act 2011, i.e. the power for the Council to do anything that individuals generally may do. Section 120 also allows the Council to acquire land for any purposes notwithstanding that the land is not immediately required for that purpose.

4.5.2 The information contained in the Exempt Appendix 2 attached to this report relate to the financial or business affairs of a particular person, and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information was obtained through one to one discussions for the acquisition of the property/land then it is not in the public interest to disclose this information at this point in time.

4.5.3 Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective purchasers of other similar properties would have access to information about the nature and level of consideration which may prove acceptable to the Council. It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of this transaction and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that this element of the report should be treated as exempt under Rule 10.4(3) of the Access to Information Procedure Rules.

#### **4.6 Risk management**

4.6.1 If this project were not to proceed:

- the Council would not be able to fulfil its ambition to replace all its vehicles with ultra-low emission vehicles by 2025 as there would be no suitable alternative for the heavier fleet;
- the City would not be able to establish itself as an innovator in this field nor make significant reductions in its emissions.

### **5. Conclusions**

5.1 The Council is now in a position to move towards delivery of an alternative fuel facility, a key stepping stone in reducing the city's emissions, subject to acquisition of an identified plot of land.

- 5.2 Delivery of the project will contribute directly to Best Council Plan Low Carbon ambitions by enabling a significant reduction in harmful emissions from the council's fleet.

## **6. Recommendations**

- 6.1 Executive Board is asked to:

- a) Agree the draft Heads of Terms as set out in the Exempt Appendix 2 and delegate authority to the Director of City Development to progress acquisition of the site on these or amended terms should it be commercially acceptable and to protect the Council's interest, to facilitate delivery of the CNG project;
- b) Note that should the CNG project not proceed for any reason, the site acquisition will have strategic value in the future reconfiguration and use of Council assets within the area.
- c) Delegate authority to the Director of City Development in consultation with the Director of Resources and Housing to sign off the lease or alternative arrangement negotiated with the selected station provider through the competitive process to ensure that it provides value for money to the Council.
- d) Inject funding into the Capital Programme and agree Authority to Spend as set out in Appendix 2
- e) Delegate authority to the Director of City Development in consultation with the Director of Resources and Housing to inject and approve Authority to Spend for any additional funding required to acquire the site, so long as this can be demonstrated to be commercially acceptable.

## **7. Background documents<sup>1</sup>**

- 7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.