

Report of: Executive Programme Manager

Report to: Director of Resources & Housing

Date: 5th May 2018

Subject: Clean Bus Technology Fund – Department for Environment, Food and Rural Affairs Grant

Scheme Number: 28911 / 620 / 04

Are specific electoral wards affected? If relevant, name(s) of ward(s)	<input type="checkbox"/> Yes	<input checked="" 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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. As part of DEFRA's ongoing work to deliver improvements to Air Quality in September 2017, the Department opened up a competition for funding to retrofit Euro III, IV and V buses with technology that would reduce their emissions of NO₂ and Particulate Matter.
2. Local Authorities were able to participate in the process in partnership with bus operators to apply for the funding. Combined Authorities were also able to participate in the competition.
3. Leeds City Council working in partnership with West Yorkshire Combined Authority (WYCA) wrote to all bus companies operating scheduled passenger bus services in the City to make them aware of the opportunity. Out of all the bus operators, First Leeds, Arriva and Transdev responded to the call for action stating a willingness to participate.
4. Leeds City Council were successful in their application and have been awarded £1,371,000 to allocate to the bus operators by way of a grant, for upgrading selected buses with accredited retrofit technology in order to deliver emission reductions. WYCA were also successful in being awarded £2,840,000.
5. DEFRA have agreed that the grant funding awarded to Leeds can be transferred to WYCA via grant agreement in order for the combined authority to manage a single competition for bus operators to engage in. This approach is favoured by DEFRA and

the bus operators, rather than having to engage in multiple grant schemes. The total scheme value is £4,211,000 with a competition based upon prioritising buses that enter the Leeds CAZ.

6. The bus operators are carrying out their own procurement to appoint an accredited contractor to undertake the works and will seek grant payments retrospectively from WYCA via the competitive process WYCA are designing with Leeds City Council and DEFRA.
7. The DEFRA rules cite that the grant must be discharged before 31 March 2019.
8. A Grant Agreement has been drafted to allow for the grant to be passed through to WYCA to allow them to make payment to the bus operators for works completed.

Recommendations

9. The Director of Resources and Housing :-
 - Injects and authorises the grant agreement payment of £1,371,000 grant funded by the Department for Environment & Rural Affairs to WYCA for the retrofitting of buses in line with the competitive process designed by WYCA, Leeds City Council and DEFRA.
 - Approves the distribution of grant funding to the bus operators, on Leeds City Council's behalf by WYCA as more particularly set out in this report and the attached Grant Agreement; and
 - Approves the use of the Grant Agreement as a means of discharging the grant funding to WYCA for its intended purpose.

1 Purpose of this report

- 1.1 To note the successful grant funding application submitted by LCC to DEFRA for the Clean Bus Technology Fund (CBTF).
- 1.2 To provide high level detail of the bid and its key outcomes.
- 1.3 To request the injection, authority to spend and the approval to distribute the grant funding, discharging the grant to WYCA for the purpose of supporting bus operators using the competition drafted by WYCA as the basis for doing so.

2 Background information

- 2.1 The Government's Plans to tackle kerbside NO_x exceedances identifies Leeds as one of a number of cities in the UK forecasted to fail EU limit values for NO₂ by 2020.
- 2.2 Pollution from transport is the primary cause of NO₂ emissions, particularly from diesel engines of Buses and HGVs. Therefore, in addressing the City's Air Quality there is a requirement to target solutions at the highest polluting vehicles.
- 2.3 It is well documented that the diesel engines have not performed as expected in 'real world' drive cycles.
- 2.4 DEFRA released funding allowing the retrofit of clean technology to Euro III, IV and V buses that could be secured via a competitive bid process by local, or combined authorities.
- 2.5 LCC's bid for the grant funding was on the basis of retrofitting 75 buses operating within the proposed Clean Air Zone and due to be in service for at least 5 more years. WYCA's bid for funding will deliver grants to operators for a further 156 buses to have retrofit technology applied. The total grant will be awarded via competitive process to bus operators with the awards tiered to prioritise buses that operate in the Leeds CAZ.
- 2.6 There remain a significant number of buses operating in Leeds that are currently below the Euro 6 emissions standard required for the vehicles to be compliant with Clean Air Zone (CAZ) standards. The buses identified for this grant that operate within the CAZ are Euro IV's and Euro V's. The expected improvement in emissions is Circa 31 tonnes of NO_x per year through delivery of this solution to buses operating in Leeds.

3 Main issues

- 3.1 The grant funding received by Leeds City Council from DEFRA is to be transferred to WYCA in order for the combined authority to manage and operate a competition process that will enable operators to bid for the funding to deliver retrofit solutions. The total level of funding shall allow for the retrofit of over 230 buses across operators, with buses serving routes in the Leeds CAZ prioritised.
- 3.2 The project plan for delivery is detailed in the table below:

- 3.3 The Grant Agreement with WYCA stipulates that funding shall be discharged on the basis that the funds are expended in their entirety on the project referred to in the agreement.
- 3.4 DEFRA grant rules stipulate that the funding must be discharged by 31 March 2019. Therefore, there is a requirement for the Director of Resources and Housing to approve the recommendations contained in this report to allow for the conditions of the funding award to be satisfied.

4 Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The Council's Legal team were consulted, primarily on state aid issues.
- 4.1.2 The Director of Resources and Housing was fully aware and supportive of the intention to bid for this Grant from DEFRA, with the bid application included in reporting on the wider work of the Sustainable Energy and Air Quality Team, particularly in relation to work to deliver Air Quality compliance.
- 4.1.3 The Environment Programme Board (the Board responsible for overseeing the Council's Cutting Carbon and Improving Air Quality Programme) were consulted and fully aware of the intention and purpose of applying for the Grant from DEFRA and have been appraised of the successful outcome of that bid.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 There are no equality and diversity issues arising from this paper. This paper solely relates to a commercial arrangement to facilitate the flow of money to allow for works to be undertaken on 3rd party vehicles.

4.3 Council policies and best council plan

- 4.3.2 The successful retrofit of technology to polluting buses contributes to the aims and objectives of the Council's cutting carbon and improving air quality programme and the West Yorkshire Low Emissions Strategy (WYLES).

4.4 Resources and value for money

- 4.4.1 The grant funding awarded of £1,371,000 will form part of a total project worth £4,211,000 when WYCA grant award is also taken in to consideration.
- 4.4.2 Minimal additional council officer time will be needed to fulfil the quarterly progress and air quality reporting required by DEFRA as a result of accepting this grant payment and the subsequent grant agreement with WYCA to deliver the completion process for disbursement of funding to operators.
- 4.4.3 The value to society of reducing NO_x emission from transport sources within a large urban area is estimated to be £36,617 per tonne (Central estimate).

Therefore this project can be expected to realise a benefit to the wider society in excess of £5.6m over a 5 year period.

4.4.4 Capital Funding and Cashflow

Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2015 £000's	FORECAST				
			2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (6)& (7)	1371.0		0.0	1371.0			
TOTALS	1371.0	0.0	0.0	1371.0	0.0	0.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2015 £000's	FORECAST				
			2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021 on £000's
Government Grant	1371.0		0.0	1371.0			
Total Funding	1371.0	0.0	0.0	1371.0	0.0	0.0	0.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0

4.5 Legal Implications, access to information and call In

- 4.5.1 The legal team have confirmed that the process we have followed to date and that the WYCA mechanism for distribution of the grant funding to operators consists of an open competition and does not provide any financial operational benefit and thus complies with State Aid rules. This too is confirmed by WYCA legal advice.
- 4.5.2 The Grant Agreement has been drafted by Procurement and Commercial Services, and it mirrors and backs-off the terms and requirements of the related DEFRA grant to the Council. In particular, it includes appropriate restrictions as to how the grant funding may be used and the opportunity for the Council to reclaim monies for (amongst other things) failure to comply with the terms of the Grant Agreement.
- 4.5.3 This decision is a Key Decision and has been notified on the forward plan of forthcoming decisions. The director has authority to approve this injection and to spend this on the basis of this being external funding with restrictions applied to how it can be used. It is requested that the director waives the decision from call-in following the decision to allow for payment to be made in time to comply with DEFRA conditions. There are strict external deadlines applied to this grant funding that require this approval to be expedited to support delivery of the grants objectives. These objectives are related to strategic priorities and support the Council's objectives to meet compliance with legal standards on air quality. The authority is under ministerial instruction to delivery on plans to meet compliance with these standards with this project supporting that. As such it is necessary to seek to utilise this funding in the shortest time possible to support delivery of measures by bus service operators to reduce their emissions. There is cross party

support for the councils current plans to improve air quality and to support the reduction of emissions from public transport.

4.6 Risk management

- 4.6.1 The application to DEFRA for the funding made it clear that the buses could not start to be retrofitted prior to the end of the 2017/18 Financial Year but that it should be possible for operators to enter in to a contract with suitable supplier within that time scale. Payment will not be made to operators by WYCA until an accredited technology has been installed to buses and criteria as set out by the DEFRA conditions have been met.
- 4.6.2 However DEFRA have still indicated their expectation of the funding leaving our account before the end of the 2018/19 Financial Year.
- 4.6.3 It is considered that as grant is to be used to support the WYCA competitive process designed with LCC and DEFRA to disburse funding to operators in line with grant conditions that the proposal to grant the money directly to the WYCA to manage a single scheme represents the least risk to the council.

5 Conclusions

- 5.1 The Council has been successful in its application for grant funding to allow the programme of retrofit to reduce emissions from buses operating in the CAZ.
- 5.2 There is a clear and demonstrable benefit to facilitating the retrofit of Low Carbon Vehicle Partnership (LowCVP) accredited selective catalytic reduction and particle traps (SCRT).
- 5.3 The Grant Agreement allows for the clean and efficient transfer of the grant to WYCA in order for the combined authority to manage a single process for operators to receive grants for the purposes of retrofit installations. .

6 Recommendations

7 The Director of City Development :-

- Injects and authorises the grant agreement payment of £1,371,000 grant funded by the Department for Environment & Rural Affairs to WYCA for the retrofitting of buses in line with the competitive process designed by WYCA, Leeds City Council and DEFRA.
- Approves the distribution of grant funding to the bus operators, on Leeds City Councils behalf by WYCA as more particularly set out in this report and the attached Grant Agreement; and
- Approves the use of the Grant Agreement as a means of discharging the grant funding to WYCA for its intended purpose.

8 Background documents¹

8.1 DEFRA Grant Agreement

8.2 Grant Agreement with West Yorkshire Combined Authority

¹ 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.