

**Report of Project Manager (Sustainable Energy & Air Quality, SEAQ)**

**Report to Director of Resources and Housing**

**Date: 29 January 2021**

**Subject: Reallocation of Clean Air Funding (CAF) to provide financial support to sectors affected by the Clean Air Zone (CAZ) proposals**

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

**Summary of main issues**

1. Proposals for the Clean Air Zone (CAZ) for Leeds were approved in October 2018 by Executive Board and by Central Government in January 2019. Implementation of the scheme was well underway up until March 2020 when the Covid-19 pandemic hit the UK. To establish a suitable launch date for the scheme, a joint review was carried out over summer 2020.
2. The outcome of this joint review was reported to Executive Board in October 2020 and the air quality in Leeds was found to be legally compliant. The reduction in emission levels was in part due to the successful financial support schemes established with the clean air funding; with financial support many more businesses were able to upgrade their vehicles to cleaner, lower emissions standards sooner than anticipated.
3. Currently more than 90% of buses and 80% of heavy goods vehicles driven in the city now use cleaner Euro VI engines and over 2300 (50%) of the city's licensed taxi and private hire (TPH) cars are also now hybrid or electric.
4. The switch to vehicles with fewer emissions is estimated to have reduced Leeds carbon footprint from transport by c.47,000 tonnes of carbon in 2020.
5. As detailed in the Executive Board report Improving Air Quality in the City (Clean Air Charging Zone (CAZ) update) of 21<sup>st</sup> October 2020; the c£18m financial support was disseminated in packages of grants and loans. Over 940 vehicles have been upgraded (over £7m cash) to date.

6. The Council has been authorised to retain £5.57m from the Clean Air Fund to continue operating some pre-agreed aspects of the financial support schemes and also to provide a free vehicle licensing grant for Leeds Licensed compliant taxi and private hire vehicles which meet the CAZ standards.
7. The Authority to Spend (ATS) for the discharge of the Clean Air Fund was published on 20 February 2019. A new key decision is required as the spend objectives of a proportion of the retained CAF funding have some material differences.

## **Recommendations**

The Director of Resources and Housing is requested to:

- Approve repurposing of £1.8m from the discontinued loan scheme to free licensing grant scheme and also note the SLA that is in place between services to govern management of the scheme.
- Note that £1.92m has been allocated to continue taxi and private hire transitional grants, with the widening of the scheme to Wheelchair Accessible Vehicles (WAVs) and payment uplift to support licensing costs.
- Note the large vehicle scheme retains £1.22m capital for the processing of the remaining applications.
- Note that £0.627m is retained for miscellaneous administration costs (ongoing communications, operational management and associated costs of discharging funds and managing risk).
- Note that any unspent funding from the £5.57m is to be returned to Central Government.

## **Purpose of this report**

- 1.1 The purpose of the report is to ensure that governance is in place for the change in spending objective for the TPH loan scheme to the free licencing grant scheme. The report will also provide the decision maker with an update on the repurposing of the remaining funds.

## **2 Background information**

- 2.1 Central Government made available two funding pots for Local Authorities that were identified as requiring CAZ cities to apply to. The Implementation Fund (IF) and the Clean Air Fund (CAF).
- 2.2 The IF was aimed at the operational elements required to stand-up the scheme, for example ANPR cameras and Highways road signs. The CAF was aimed at providing mitigation against the economic impact of introducing a CAZ.
- 2.3 Leeds air quality was found to be legally compliant following a joint review with Central Government over the summer of 2020. In Autumn 2020, the Council successfully negotiated the retention of £5.57m unspent CAF funds. The funding will be invested in locking in the emissions benefits achieved by fleet upgrade and further improving the city's fleet.
- 2.4 Incentivising fleet retention is a vital element in continuing to maintain and improve air quality in Leeds.
- 2.5 The previous ATS approved spend for the mobilisation and administration of the interest free loan scheme for taxi and private hire vehicles and other financial support schemes funded by the CAF.
- 2.6 This decision flows from that delegated authority to the Director of Resources and Housing to approve any decisions required to issue the funding received from the Government is approved in Executive Board Improving Air Quality within the City report of 17<sup>th</sup> October 2018 (under Summary of main issues point 4, page 3 and Recommendation 5.5)
- 2.7 The loan scheme was discontinued in October 2020 and instead £1.8m has been approved to offer a free licencing grant scheme to all eligible Leeds licensed TPH drivers. The scheme will provide offset vehicle licence renewal costs to eligible drivers who opt in for up-to three years.
- 2.8 The remainder of the retained funds is to support the upgrades through continuing with TPH Transitional Grants (£1.92m), the Large Vehicle Grant Scheme (LVGS) (£1.22m) and a budget for various other miscellaneous administration costs (£0.627m).

## **3 Main issues**

### **Free Licencing Grant (£1.8m)**

- 3.1 The ATS that was approved in February 2019 allowed for the provision for a maximum of 2082 loans and detailed how the funds would be organised to manage the scheme operationally.
- 3.2 As demand for the loan scheme was lower than expected, there remained funds available to offer alternative support, as such £1.8m has been retained to fund the new TPH free licencing grant.
- 3.3 The FLG is a materially different scheme to the loan scheme, therefore this report sets out an explanation of how the scheme will operate and seeks authorisation to repurpose funds accordingly.
- 3.4 The scheme is for existing licenced TPH vehicles which are CAZ B+ compliant and will be offered to eligible vehicle proprietors prior to the standard vehicle licence renewal through Taxi & Private Hire Licencing services (TPHL).
- 3.5 The £1.8m FLG fund allows access to free licencing for all CAZ B+ TPH vehicles currently on fleet, this is over 2300 vehicles in total, which is approx.50% of the TPHL fleet.
- 3.6 The funding will provide free vehicle renewal licencing costs up to a total value of up to £600 per vehicle or for up to 3 years, whichever is soonest (some vehicles will incur larger renewal fees than others for example, the cost of age criteria inspections).
- 3.7 The budget will be transferred from the Sustainable Energy & Air Quality Team (SEAQ) to Leeds Taxi & Private Hire Licencing (TPHL) and a Service Level Agreement (SLA, appendix 1) has been put in place for management of the funds.
- 3.8 The SLA covers the responsibilities of SEAQ and TPHL, including the manner in which funds will be discharged over a 3 year period and an agreed review schedule to check progress and adherence to the agreed use of the funds.
- 3.9 As each eligible vehicle approaches its annual renewal, an offer will be made for the vehicle owner to opt into the scheme. TPHL will oversee the administration of this as part of their standard processes and will also issue the Grant Agreement detailing the terms and conditions for signature.
- 3.10 Acceptance of the grant will then be taken into account when TPHL carry out the usual vehicle renewal process in line with their statutory duty and no charge will be issued, (FLG process flow chart, appendix 2).
- 3.11 It will be entirely the decision of the vehicle proprietor if they wish to accept the grant or decline. Any vehicle owners not wishing to accept the FLG will be charged as usual for their annual vehicle licencing by TPHL.
- 3.12 This grant also offers assistance to proprietors of TPH CAZ B+ compliant vehicles who could previously not access the Transitional Grant as they were already operating these lower emission vehicles prior to the CAZ go-live announcements.
- 3.13 This additional support to the trade as a whole is anticipated to be widely welcomed and supported.

## **Taxi and Private Hire Transitional Grants (£1.92m)**

- 3.14 The Transitional Grant scheme has proven popular with drivers and operators, and as such transitional grants will continue to be offered to proprietors who are newly upgrading their TPH vehicles with some small updates.
- 3.15 The Transitional Grant has previously offered grants of up to £1500 to TPH drivers and operators (max.10 applications per operator) towards the transitional costs associated with upgrading to a CAZ B+ compliant vehicles.
- 3.16 The Transitional Grant has been approved for continuation but with some enhancements:
- Transitional Grant recipients will receive an additional £600 (the equivalent of the FLG value) which is to support the costs of TPHL licencing for up to 3 years; making the grant £2100 overall.
  - Owners of Wheelchair Accessible Vehicles (Hackney and Private Hire WAVs, are eligible to apply).
- 3.17 This funding can support a further 900 upgrades to cleaner, lower emission vehicles. This fund is offered on a first come first served basis until the value of the fund is exhausted.
- 3.18 Full details of the eligibility for TPH grants will be available on dedicated pages of the council website and an updated e-form will be available for applications to the scheme.

## **Large Vehicle Transitional Grants (up-to £1.22m)**

- 3.19 The Heavy Goods Vehicle and Non-scheduled Bus and Coach competitions ran in a number of rounds during the CAZ Implementation period. The funding retained is to allow for the processing of the remaining active applications.
- 3.20 The provision of this funding allows for these companies to complete their upgrades. Due to the pandemic some operators have experienced delays in being able to secure replacement vehicles, lead times can often be 12 months under normal operating conditions. Assuming all businesses choose to proceed post-lockdown this funding will facilitate c70 upgrades in the city.

## **4 Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.2 Consultation has been undertaken with central government, the relevant Executive Member and Leeds Taxi & Private Hire Licencing.
- 4.1.3 Extensive internal and external consultation was undertaken at the original scheme inception.

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

4.2.1 An Equality Impact Assessment (EIA) for the Clean Air Zone has been completed and can be found as an appendix to the October 2020 Executive Board report.

### 4.3 Council policies and the best council plan

4.3.1 The importance of air quality as an issue is reflected in the Council's vision under our Best Council Plan Sustainable Infrastructure : Improving Air Quality

4.3.2 Our vision is for Leeds to be a healthy city in which to live, work and visit and we are working with partners to reduce emissions which will bring about health and wellbeing benefits including reducing premature deaths, improving health, promoting physical activity and reducing obesity levels.

#### Climate Emergency

4.3.3 The implementation of the Clean Air Zone was estimated to reduce carbon emissions by 47,594 tonnes in 2020. As we have already seen the fleet upgrade to levels beyond what was expected of the CAZ it is assumed this saving has already been realised. Any vehicle upgrades arising from this ongoing support will further improve on this position.

### 4.4 Resources and value for money

4.4.1 A breakdown of the funding allocation and approved usage is shown in the table below.

Description	Funding agreed	Comments
Maintenance of compliance & upgrades in the TPH fleet (free licensing scheme and the transitional grants.).	£3.72m	£1.8m FLG Revenue from unspent loan scheme £1.92m TG Capital from unspent LVGS CAF
Large Vehicle grants	£1.22m	Capital
Miscellaneous administration costs	£0.627m	£272,000 Capital Remainder is Revenue
	£5.57m	

4.4.2 Managing the schemes creates no new budget pressure, and there is an improved risk management position on the TPH loan scheme however, there remains the risk that due to COVID-19 impacts loans are not repaid in full / on time.

- 4.4.3 Offering grants on an ongoing basis, through 2021 until the demand or funds are exhausted, is in line with the key objective of incentivising fleet retention while continuing to maintain and improve our air quality in Leeds. These proposals support that aim while providing local economic benefit to the TPH workforce.
- 4.4.4 The provision of funding for large vehicles enables operators, who have already submitted applications to the scheme which have been processed through to governance, to have the opportunity to complete their upgrades to cleaner vehicles, with up to £16,000 per vehicle grant assistance. The required internal resources and systems to discharge the funding are already in place so there is no LCC budget pressure in awarding further grants.

## **4.5 Risk management**

- 4.5.1 An eligibility criteria has been developed for the free licensing scheme to ensure robust management of funds reducing the risk of exploitation or attempts to profit inappropriately from the scheme, offering surety of access to the fund for Leeds qualifying vehicles.
- 4.5.2 Grant agreements are in place and sufficiently robust to allow reclaim should recipients fail to adhere to the terms & conditions. For future applications the existing eligibility will be applied and has been reliable and fit for purpose to date. As the grants are not repayable they require no recovery of funds so there is no risk associated with these to the Council's budget.

## **5 Conclusions**

- 5.1 Due to the material differences between the loan scheme and Free Licencing Grant an amendment to the previous Authority to Spend report (February 2019) is required from the decision maker.
- 5.2 The retention of this £5.57m funding allows the council to lock in compliance through incentivising fleet retention and securing the operational deployment in the city of lower emission vehicles for years to come thus supporting ongoing maintenance and improvement of our air quality in Leeds.

## **6 Recommendations**

### **7 The Director of Resources and Housing is requested to:**

- Approve repurposing of £1.8m from the discontinued loan scheme to free licensing grant scheme and also note the SLA that is in place between services to govern management of the scheme.
- Note that £1.92m has been allocated to continue taxi and private hire transitional grants, with the widening of the scheme to Wheelchair Accessible Vehicles (WAVs) and payment uplift to support licensing costs.
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- Note that any unspent funding from the £5.57m is to be returned to Central Government.

## **8 Background documents<sup>1</sup>**

8.1 None.

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