

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3166

Title: London Vehicle Scrappage Scheme additional funding

Executive Summary:

On 29 August 2023, the Ultra Low Emission Zone ("ULEZ") road user charges will be expanded London-wide to improve air quality, tackle climate change and reduce traffic congestion. The Mayor of London's ("Mayor") decision to expand the ULEZ London-wide, and the reasons for this, are set out in MD3060.

Transport for London ("TfL"), having consulted with the Mayor and Greater London Authority, is delivering the London Vehicle Scrappage Scheme ("Scrappage Scheme") to support the London-wide expansion of the ULEZ. It does so under a Mayoral delegation (see MD2661). As set out in MD3060 and accompanying documents, the Scrappage Scheme was initially developed as one of several important mitigations to help specific groups such as those on low incomes and with disabilities, and sole traders / London-based micro-businesses (with up to 10 employees) to respond to the ULEZ expansion. On 1 June 2023, TfL announced that the eligibility criteria of the Scrappage Scheme would be extended to cover Londoners receiving Child Benefit and London-based small businesses (with 11-49 employees) and allow London-based charities to apply to scrap or retrofit up to three vehicles (up from one vehicle in the original scheme).

On 3 August 2023, TfL approved a number of further changes to the Scrappage Scheme, including expanding its eligibility to all Londoners with a non-compliant car or motorcycle and increasing grant payments for vans, minibuses, wheelchair accessible vehicles ("WAVs") and retrofits, and allowing London-based small businesses to scrap or retrofit up to three vehicles (up from one vehicle). To support these changes, it is proposed that the Greater London Authority ("GLA") allocates £50 million from the Environmental Improvement Reserve ("EIR") to TfL.

The purpose of this decision is to authorise the transfer of the funds from the GLA to TfL by means of a revenue grant under section 121 of the Greater London Authority Act 1999 ("GLA Act").

Decision:

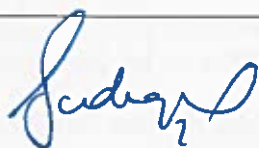
That the Mayor of London approves the allocation of an additional £50 million to the budget for the London Vehicle Scrappage Scheme in accordance with the direction and delegation set out in MD2661. The funding due will be paid by means of a revenue grant from the Greater London Authority to Transport for London made under section 121 of the Greater London Authority Act 1999.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

23/8/23

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1. Despite recent improvements in air quality, air pollution remains the biggest environmental risk to the health of Londoners. Populations living in the most deprived areas are on average currently more exposed to poor air quality than those in less deprived areas, with air pollution having a disproportionate impact on more vulnerable and deprived communities. Air pollution in London is an urgent health crisis, responsible for around 4,000 premature deaths in the capital each year, and is leading children to grow up with stunted lungs and adults to develop a whole host of illnesses – from asthma to heart disease, cancer and dementia.
- 1.2. In recent years, both the central London ULEZ and its expansion to inner London have had significant positive impacts on air quality in London. Following the expansion of the ULEZ to inner London, harmful NO₂ concentrations alongside roads were assessed to be 46 per cent lower in central London and 21 per cent lower in inner London than they would have been without the ULEZ and its expansion.
- 1.3. The introduction and expansion of the ULEZ was previously supported by two vehicle scrappage schemes which were introduced via Mayoral delegations. These ran from February 2019 to November 2021 (at which point all funding was allocated). MD2661 was established to supersede and incorporate the two existing delegations under which TfL operated its two previous scrappage schemes. MD2661 also enabled TfL to establish, administer and operate vehicle scrappage schemes under a delegation by the Mayor of general powers under section 30 of the GLA Act. Through MD3060, a third scrappage scheme was established through a grant of £110 million provided by the Mayor to TfL from which the current scrappage fund was established to support the London-wide ULEZ.
- 1.4. Analysis of the ULEZ shows that it has been effective in reducing harmful air pollutants. But there is still more to be done. If no further action is taken to reduce air pollution, around 550,000 Londoners will develop diseases related to poor air quality over the next 30 years. In this case, the cost to the NHS and social care system in London is estimated to be £10.4 billion by 2050.
- 1.5. Following the Mayor's decision as recorded in MD3060, it was announced on 25 November 2022 that the ULEZ will be expanded London-wide on 29 August 2023. Nine in 10 cars seen driving in outer London on an average day are already compliant with ULEZ standards so their drivers will not have to pay the daily charge when the scheme expands. Even so, to support the expansion, the current £110 million Scrappage Scheme was developed as an important mitigation to help specific groups, such as those on certain low income or disability benefits and sole-traders or London-based micro-businesses (with up to 10 employees), adapt to the scheme. In addition, MD3060 also included retaining existing temporary exemptions, or "grace periods", and introduced two further grace periods to support disabled people.

2. Objectives and expected outcomes

Original Scrappage Scheme and changes announced in June 2023

- 2.1. Since the initial decision was made on 25 November 2022 to expand ULEZ London-wide, support for individuals, charities and businesses has been, and will continue to be, kept under review.
- 2.2. As was set out in MD3060, the initial eligibility criteria and grant levels TfL decided to adopt for the Scrappage Scheme (in consultation with the GLA) were as follows:

- Scrappage grants for low income and disabled Londoners would be £1,000 for a motorcycle, £2,000 for a car and £5,000 for a WAV (in addition, there were options for receiving higher value mobility credit packages, with a combination of payments and transport passes)
 - Microbusinesses (e.g. sole traders and business with up to 10 employees) and charities scrapping vans and minibuses would be eligible for a £5,000 grant for a van and a £7,000 grant for a minibus, and those replacing their vehicles with an electric alternative would receive an additional amount of £2,500
 - Microbusinesses and charities would have the option of a £5,000 grant to retrofit their vehicle to meet the ULEZ standard
 - Microbusinesses and charities would be eligible to scrap or retrofit one vehicle.
- 2.3. As announced on 1 June 2023, from 30 July 2023 the eligibility criteria for the Scrappage Scheme were extended to Londoners receiving Child Benefit and to London-based small businesses, that is, those with fewer than 50 employees. In addition, London-based charities became eligible to scrap or retrofit up to three vehicles (rather than one). New short-term grace periods were also introduced for London businesses and charities with a new vehicle on order which is yet to be delivered or a booking for the retrofit of an existing vehicle which cannot be completed by 29 August 2023. TfL's decision document for these changes is attached as Appendix A.
- 2.4. Although to date the Scrappage Scheme and other mitigations have been welcomed, there have been calls for further support by some groups.

Recent changes to the Scrappage Scheme

- 2.5. The original Scrappage Scheme was targeted to ensure funds were available for those the London-wide ULEZ Integrated Impact Assessment and relevant stakeholder groups identified as disproportionately adversely impacted. This was low income and disabled Londoners as well as London registered sole traders, micro businesses and charities. With less than a month to go until the ULEZ expansion commences and around half of the original grant amount (£110 million) unallocated, TfL has continued to look at ways it could use grants, and other mitigations, to provide additional support to help individuals, businesses and charities prepare to adapt to the ULEZ expansion.
- 2.6. In light of this, on 3 August 2023, TfL approved further changes to the London-wide ULEZ Scrappage Scheme ("the Scrappage Scheme Changes"). Under these changes, from 4 August 2023:
- grants for scrapping a non-compliant van increased from £5,000 to £7,000
 - grants for scrapping a non-compliant WAV increased from £5,000 to £10,000
 - grants for scrapping a non-compliant minibus increased from £7,000 to £9,000
 - grants to replace a non-compliant van with an electric van increased from £7,500 to £9,500
 - grants to replace a non-compliant minibus with an electric minibus increased from £9,500 to £11,500
 - retrofit grants increased from £5,000 to £6,000.
- 2.7. In addition, further elements of the Scrappage Scheme Changes will come into effect from 21 August 2023 such that:
- Every Londoner with a non ULEZ-compliant car or motorcycle (which meets the other existing vehicle criteria, including that the vehicle has been owned since before 31 January 2022) will be

eligible for a £2,000 grant for a car or £1,000 for a motorcycle. As before, there are options for receiving a higher value mobility credit package (there is no change to the payment levels).

- Small businesses and sole traders will be able to apply to scrap or retrofit up to three vehicles (instead of one vehicle).
- There will be a three-month extension (to 29 November 2023) to the application window for the new vehicle purchase/retrofit grace periods which are available to London businesses and charities. In addition, the grace period for completion of the retrofit of a vehicle will be extended to six months in line with the grace period for the delivery of new vehicles.

2.8. TfL has considered various options, including whether Scrappage Scheme eligibility should be extended to persons, charities and businesses outside Greater London. However, it continues to consider that such an extension is not appropriate at this stage. TfL continues to keep the Scrappage Scheme, including its eligibility criteria, under review.

2.9. TfL's decision document for the changes outlined above is attached as Appendix B.

Need for additional Scrappage Scheme funding

- 2.10. As of 23 July 2023, over 10,500 applications have been approved under the Scrappage Scheme (encompassing cars, motorcycles, vans and minibuses), with around £38.5 million paid out or committed to date. The Mayor has so far provided TfL with £110 million in funding, which he anticipates will be used for the Scrappage Scheme. Without the Scrappage Scheme Changes, it is estimated that these funds would not be exhausted until March 2024.
- 2.11. The Scrappage Scheme Changes are forecast by TfL to result in approximately 31,000 newly eligible individuals and businesses applying successfully and additional scrappage grants of around £50 million being paid out. Without further funding, TfL estimates that on this basis funds would be exhausted by late 2023. While the actual impact of the Scrappage Scheme Changes on available funds depends on the number of applications and the number of grants made (which are inherently uncertain), it is estimated that with an additional £50 million to use as scrappage funds, the Scrappage Scheme would be able to remain open until Spring 2024, as was previously assumed prior to the introduction of the Scrappage Scheme Changes.
- 2.12. As a result, it is proposed that the Mayor increases the budget for the London wide scrappage scheme by £50 million. The funding due under this Decision will be made via a revenue grant under section 121 of the GLA Act to TfL. This additional funding ought to ensure that the broader eligibility criteria and increased levels of grant do not significantly impact the availability of funds for those who were eligible under the original criteria or criteria as expanded from July 2023. The Mayor intends that the revenue grant should be made from the GLA's EIR. A £50 million grant from the Mayor to TfL will mean that TfL receives £160 million in total from the GLA, which the Mayor anticipates TfL will use for the Scrappage Scheme.
- 2.13. Given the expected uplift in the number of applicants to the Scrappage Scheme, further funding will also ensure that the Mayor is able to support many more Londoners to switch to cleaner, compliant vehicles. This will play a significant role in catalysing the switch to cleaner vehicles, and as a result, accelerating the air quality benefits which are expected to be seen in London due to the ULEZ expansion.

3. Equality comments

Public Sector Equality Duty

- 3.1. Under section 149 of the Equality Act 2010 ("Equality Act"), as a public authority, the Mayor must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; and to advance equality of opportunity, and foster good relations, between people who share a protected

characteristic and those who do not when exercising their functions. This is known as the Public Sector Equality Duty. Protected characteristics under the Equality Act are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status (the duty in respect of this last characteristic is to eliminate unlawful discrimination and other prohibited conduct under the Act only).

- 3.2. The Public Sector Equality Duty applies to the Mayor's decision to grant TfL £50 million pursuant to section 121 of the GLA Act. As noted above, TfL has confirmed that it intends to use the grant for the purpose of adding to the funds available for the Scrappage Scheme in light of the Scrappage Scheme Changes which were made by TfL on 3 August 2023. It is therefore relevant that the Mayor takes into account the impacts on people with protected characteristics that use the grant for TfL's intended purpose will have when making his decision whether to grant the £50 million to TfL.
- 3.3. The Scrappage Scheme Changes are expected to have a positive impact on people who share a protected characteristic, in particular, if they are not currently eligible for scrappage payments under the current scheme and, more generally, because of the benefits to air quality that will result from an increased number of non-compliant vehicles being scrapped or retrofitted.

4. Other considerations

Risks and issues

- 4.1. As eligibility for the Scrappage Scheme has been expanded, existing funds might deplete faster. As stated above (see paragraph 2.11), the grant of £50 million will enable the scheme to remain open until Spring 2024, therefore mitigating any potential negative impact on people with protected characteristics who may not yet have submitted an application.
- 4.2. Should funds end up depleting more rapidly than expected, measures could be put in place to ensure that sufficient funding continues to be available to people with protected characteristics, for example, by freezing certain categories of applications and giving preference to applications which benefit people who share protected characteristics.
- 4.3. The scheme, and available scrappage funds, will continue to be kept under review by TfL to seek to mitigate any potential negative impacts on people with protected characteristics.
- 4.4. There are also uncertainties around how eligible stakeholders of the Scrappage Scheme may respond to, or take up the opportunity of, the funding. To mitigate these risks, the Mayor, GLA officials and TfL have engaged, and will continue to engage, with community groups and stakeholders London-wide to take their input into consideration when reviewing the Scrappage Scheme. On this basis, TfL has continued to look at ways it could use grants, and other mitigations, to provide additional support to help individuals, businesses and charities prepare to adapt to ULEZ expansion.

Links to Mayoral Strategies and priorities

London Environment Strategy

- 4.5. The Mayor's London Environment Strategy was published in May 2018 and prioritises reaching legal air pollutant levels as soon as possible by the most effective route.
- 4.6. Proposal 4.2.4.b states:

"The Mayor will work with the government to achieve full legal compliance with UK and EU legal limits as soon as possible. Comprehensive and coordinated action is needed at a national level to achieve legal limits as quickly and effectively as possible. A national vehicle scrappage fund is essential if compliance costs to people and businesses of such action is to be minimised. It is only right that the government provides this help, given that national fiscal policy has encouraged dieselisation over many years, meaning many people bought polluting vehicles in good faith."

4.7. Proposal 4.2.1.d states:

"The Mayor aims to reduce emissions from private and commercial vehicles by phasing out and restricting the use of fossil fuels, prioritising action on diesel."

Mayor's Transport Strategy

4.8. The Mayor's Transport Strategy published in March 2018 refers to taking action to reduce emissions from vehicles on London's streets. Policy 6 states:

"The Mayor, through TfL and the boroughs, and working with stakeholders, will take action to reduce emissions – in particular diesel emissions – from vehicles on London's streets to improve air quality and support London reaching compliance with UK and EU legal limits as soon as possible. Measures may include promoting electrification and responsible procurement."

4.9. Proposal 28 states:

"The Mayor proposes that Government amends fiscal incentives, including vehicle excise duty, so that only the cleanest vehicles are incentivised for purchase; and implements a national diesel vehicle scrappage fund to enable cities to take the most polluting vehicles off their streets."

4.10. The addendum to the Mayor's Transport Strategy, Proposal 24.1, was published in November 2022 and specifically seeks to tackle the triple challenges of toxic air pollution, the climate emergency and traffic congestion through road user charging schemes including by expanding the ULEZ London-wide.

Impact assessments and consultations

4.11. TfL conducted extensive stakeholder engagement for the Scrappage Scheme, including workshops. Stakeholder engagement has continued since the launch of the Scrappage Scheme in January 2023 and will continue as part of TfL's monitoring of the Scrappage Scheme.

4.12. The Scrappage Scheme was designed and targeted in response to issues identified in the Equality Impact Assessment and Integrated Impact Assessment undertaken for the London-wide ULEZ expansion.

Conflicts of interest

4.13. There are no conflicts of interest to note for any of the officers involved in the drafting or clearance of this decision form.

5. Financial comments

5.1. This decision proposes that the budget for the Scrappage Scheme be increased by £50 million. The sums due under this decision will be transferred to TfL by means of a revenue grant to be paid by the GLA to TfL under section 121 of the GLA Act.

5.2. TfL has confirmed that the funding will be earmarked towards expenditure in connection with the Scrappage Scheme.

5.3. As outlined above, £50 million is to be allocated to TfL for the Scrappage Scheme, funded by income from the EIR. The EIR was created in the Mayor's 2023-24 budget with a target balance prior to this Decision of £134.3 million.

5.4. Expenditure by TfL on the Scrappage Scheme is to be allocated to revenue expenditure in accordance with section 121 of the GLA Act, which prevents grants paid under section 121 from being used for capital expenditure.

6. Legal comments

- 6.1. Under section 121 of the GLA Act 1999, the Mayor may approve the making of a revenue grant from the GLA to TfL to be applied by TfL for the purposes of, or in connection with, the discharge of its functions. The establishment and operation of the Scrappage Scheme falls within scope of TfL's functions having been delegated the required powers by the Mayor pursuant to MD2661. Under the terms of MD2661, TfL establishes, administers and operates vehicle scrappage schemes under a delegation by the Mayor of general powers under section 30 of the GLA Act. That delegation is made under section 38 of the GLA Act, and by virtue of section 38(7), functions delegated by the Mayor to TfL become TfL's own functions. By MD3060, a grant of £110 million was provided by the Mayor to TfL from which the current scrappage fund was established.
- 6.2. A grant under section 121 of the GLA Act cannot be made subject to any limitation by the GLA in respect of the expenditure to which it may be applied by TfL. However, it is permissible and considered relevant to the Mayor's decision whether to make the grant for TfL to confirm its intended use of the revenue grant. As stated above, in this instance, the £50 million will be added to the funds available to support the Scrappage Scheme. In addition, section 121 of the GLA Act provides that a grant may only be applied by TfL towards revenue, rather than capital, expenditure. Scrappage Scheme payments are considered to be revenue expenditure and can be allocated accordingly.

7. Planned delivery approach and next steps

- 7.1. If approved, the GLA will arrange for the transfer of funds to TfL as soon as possible after the decision is made.
- 7.2. As the Scrappage Scheme is currently live, the funding can be deployed rapidly within the existing Scrappage Scheme structures.
- 7.3. The impact of the Scrappage Scheme is kept under review. The Scrappage Scheme is expected to end once the funding has been exhausted. The Mayor continues to lobby for national scrappage funding or a targeted national scheme from central Government to support successful local schemes such as the Scrappage Scheme. This would enable cities across the country to accelerate the removal of the most polluting vehicles from the UK's roads.

Appendices and supporting papers:

Appendix A: Request for commissioner decision: London-wide ULEZ Scrappage Scheme – consideration of additional mitigation options

Appendix B: Request for commissioner decision: further proposed changes to ULEZ scrappage scheme and grace period

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 – Deferral

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Philippa Borrowman has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Philip Graham has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Shirley Rodrigues has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 21 August 2023.

✓

INTERIM CHIEF FINANCE OFFICER:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:

Anna Bartlett

Date:

21/08/2023

PP on behalf of Enver Enver

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature:

D. Bellamy

Date:

21/08/2023