

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2563

### Title: London Vehicle Scrappage Scheme amendment

#### Executive Summary:

The Ultra Low Emission Zone (ULEZ), introduced in central London on 8 April 2019, aims to improve air quality by encouraging a change to less polluting vehicles through imposing charges on all vehicles (other than taxis) not meeting strict emission standards. The ULEZ will be expanded in October 2021 up to the north and south circular roads.

In February 2019, Mayoral Decision MD2417 approved the implementation of a pilot London Vehicle Scrappage Scheme ("Scheme") targeted specifically at vans and minibuses operated by microbusinesses and third sector organisations. To permit TfL to administer the Scheme the Mayor also approved a delegation of his general powers and directed TfL (by a "Direction and Delegation") to prepare, finance and implement the Scheme, as well as approving a £23 million revenue transfer to TfL to fund Scheme costs. TfL has since designed the Scheme and its eligibility and payments criteria within the parameters of the approved delegation to cover microbusiness and third sector organisations.

GLA and TfL have reviewed the Scheme's operation. To improve take-up and maintain its potential air quality benefits, they recommend broadening its scope to include any eligible businesses (to be defined in the Scheme's eligibility and payments criteria approved by TfL as its administrator) as well as third sector organisations. This Decision Form therefore requests that the Direction and Delegation is amended to cover any eligible business, not simply microbusinesses, and TfL continues to operate the Scheme in accordance with the powers, delegation and direction approved by MD2417.

#### Decision:

The Mayor approves that the Delegation and Direction Document set out in Appendix 1 to MD2417 be amended to refer to "businesses" (rather than only microbusinesses), alongside third sector organisations as originally approved, and authorises TfL under sections 30 and 38 of the GLA Act 1999 to operate the London Vehicle Scrappage Scheme under the powers delegated to it by MD2417 in accordance with that Delegation & Direction Document as so amended.

#### 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:

14/1/20

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

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. A Mayoral Decision (MD2417) in February 2019 authorised TfL to deliver a pilot London Vehicle Scrappage Scheme (“the Scheme”) using £23 million allocated in the 2018-2019 GLA budget. The Scheme was structured to provide financial assistance with the replacement of polluting vans and minibuses to organisations based in London or those extensively operating in central London (defined in the Scheme’s eligibility criteria) and most impacted by the Ultra Low Emission Zone which came into effect on 8 April 2019 in central London, and which will be expanded in 2021 up to the north and south circular roads. This led to the pilot Scheme prioritising third sector organisations and microbusinesses. Microbusinesses are generally classified as those who have fewer than 10 employees (or their full time equivalent) and have an annual turnover of no more than £632,000 or balance sheet of no more than £316,000.
- 1.2. The Scheme has been designed and operated by TfL under the powers delegated to it by MD2417 and was launched in February 2019. GLA and TfL officers have reviewed the progress of the Scheme. While the Scheme has been available for all microbusinesses and third sector organisations based across all of London or those operating in central London, since the start of the Scheme just over 1,600 applications have been received over the first five months.
- 1.3. To provide greater support to groups most impacted by the ULEZ, the review identified that the scheme be amended by broadening its scope to be attractive to a wider audience by enabling all eligible businesses (where this will be defined in an amended Scheme’s eligibility criteria) to access the vehicle scrappage scheme (as well as third sector organisations as originally decided). This proposal is supported by businesses and important stakeholders including the Federation of Small Businesses.
- 1.4. To permit TfL to develop and administer the Scheme, including its eligibility and payments criteria, the Mayor had to approve a delegation to TfL of his general powers (economic, social and environmental improvement) under section 30 of the GLA Act 1999. This enabled TfL to design and operate the Scheme, including determinising its eligibility and payment criteria. That delegation was set out in the Delegation and Direction Document contained at Appendix 1 to that form, which also included a direction to TfL under section 155 of the GLA Act to TfL to prepare finance and implement the Scheme. The terms of the delegation and direction limited the scope of the Scheme to third sector organisations and microbusinesses.
- 1.5. In order to implement the recommended widening of the Scheme to include businesses generally it is necessary to widen the scope of the delegation approved by MD2417. Therefore, this MD seeks the amendment of the delegation of section 30 powers under that Delegation and Direction to expand its scope to any eligible business, rather than simply microbusinesses. (The eligibility of third sector organisations under the Scheme is unaffected.) TfL will continue to determine the Scheme’s eligibility and payments criteria as its administrator under the powers delegated to it by MD2417.
- 1.6. If the Mayor approves this proposal, then the Direction and Delegation approved under MD2417 (as set out in Appendix 1 to that Form) will be deemed to be amended so that the term “microbusiness” is replaced by “businesses” subject to determining eligibility and payment levels.

#### **2. Objectives and expected outcomes**

- 2.1. The objective is to expand the groups that could be supported by the Scheme approved in MD2417, thus seeking to help mitigate the cost of compliance with the ULEZ for eligible businesses and third sector organisations. This will help remove non-ULEZ compliant vehicles operating in London, improving London’s air quality, protecting public health and providing greater confidence that legal

limit values for nitrogen dioxide will be achieved by or before 2025 in line with the UK Air Quality Plan (2017).

- 2.2. TfL estimate up to a further 120,000 vehicles could be eligible for the amended Scheme, although not all of these will participate.

### **3. Equality comments**

- 3.1. The Mayor, GLA and TfL are subject to the “public sector equality duty” contained in s 149 of the Equality Act 2010. This duty requires each body to have due regard to three outcomes when exercising their functions: (1) the need to eliminate unlawful discrimination, harassment and victimisation; (2) to advance equality of opportunity between those who share a protected characteristic<sup>1</sup> and those who do not; and (3) to foster good relations between such people.

- 3.2. As described in MD2417:

*There is currently significant exposure of the London population to air pollution. Although this exposure is predicted to decline significantly by 2020, current modelling results show that in 2020 there will still be more than 300,000 people living in locations with average NO2 levels above the EU legal limit value. In contrast, average concentrations of particles (PM10 and PM2.5) were, by 2010, already within EU Limit Values for the annual average concentrations.*

*Populations living in the most deprived areas are on average currently more exposed to poor air quality than those in less deprived areas. An independent report by Aether published by the GLA showed that those people living in the most deprived areas were on average exposed to 24% more nitrogen dioxide air pollution than those living in the least deprived areas.*

*The Scheme was considered likely to be beneficial for groups with protected characteristics as it will contribute towards improving air quality by successfully delivering the ULEZ and reducing health inequality. The Aether report showed that while everyone will benefit from improved air quality, those living in the most deprived areas would benefit the most on average. The pollution exposure ‘gap’ between the least and most deprived areas is expected to fall by around 70% by 2030 as a result of the ULEZ and other Mayoral air quality policies.*

- 3.2 Further to MD2417, enabling TfL to implement this amended Scheme will support eligible businesses (including those owned by people with protected characteristics) to remove more polluting vehicles, switch to cleaner vehicles and thus mitigate the on-going financial impacts of the ULEZ charge.

### **4. Other considerations**

#### *a) Risks and issues*

- 4.1. These were described in the previous MD2417. Further to MD2417, small businesses and microbusinesses are often required to pay higher upfront costs. They may not have the available cash flow to pay for a large deposit or the credit history to purchase a vehicle in advance of scrapping their vehicle (and receiving payment), which may restrict the pool of potential applicants for this amended Scheme. To mitigate these risks, the GLA will engage with manufacturers and leasing companies to see whether the eligible payment can be taken into consideration when assessing credit for applicants.

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<sup>1</sup> The protected characteristics covered by section 149 are: age; disability; gender reassignment; pregnancy and maternity; race; sex; religion or belief; and sexual orientation, and in certain circumstances civil partnership or marriage. Compliance with the PSED may involve, in particular, removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people and encouraging them to participate in public life or in any other activity where their participation is disproportionately low, including tackling prejudice and promoting understanding.

## *b) Links to Mayoral Strategies and priorities*

### London Environment Strategy

4.2. 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.

4.3. 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."*

4.4. 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."*

4.5. Proposal 4.2.1.e states:

*"The Mayor aims to reduce emissions from freight through encouraging a switch to lower emission vehicles, adopting smarter practices and reducing freight movements through better use of consolidated trips."*

### Mayor's Transport Strategy

4.6. 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."*

4.7. 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."*

## *c) Impact assessments and consultations*

4.8. TfL conducted extensive stakeholder engagement for the London Vehicle Scrappage Scheme including workshops.

## *d) Conflicts of interest*

4.9. There are no known conflicts of interests to declare regarding those involved in the drafting or clearance of this form.

## **5. Financial comments**

5.1. This decision extends the scope of MD2417 by way of amending Appendix 1's reference to "businesses" (rather than only microbusinesses), alongside third sector organisations as originally approved, and authorises TfL under sections 30 and 38 of the GLA Act 1999 to operate the London

Vehicle Scrappage Scheme under the powers delegated to it by MD2417 in accordance with that Delegation & Direction Document as so amended.

## **6. Legal comments**

- 6.1. Under MD2417 the Mayor delegated his powers of economic, social and environmental improvement under section 30 of the GLA Act 1999 to TfL to develop and administer the London Vehicle Scrappage Scheme, on the basis that it would further the achievement of those objectives, and lead to improvements in air quality and public health and compliance with air quality requirements. Since then, TfL has designed and operated the Scheme, including its eligibility and payment criteria, under those delegated powers. MD2417 also included a direction to TfL under s 155 of the Act to prepare, implement and finance the Scheme. This was set out in a Delegation and Direction Document at Appendix 1 to MD2417, which limited the vehicles covered by the Scheme to those operated by third sector organisations and microbusinesses.
- 6.2. The Mayor has the power under section 38 of the GLA Act to vary the delegation at any time. This form seeks the amendment of that original Delegation and Direction to expand its scope to businesses generally, rather than simply microbusinesses. In approving this Form the Direction and Delegation Document at Appendix 1 to MD2417 will be deemed to be changed to refer to “businesses” rather than simply “microbusinesses”.
- 6.3. TfL will continue to operate the Scheme under the powers delegated to it under MD2417 and the amended Direction and Delegation Document. In operating the Scheme TfL will continue to ensure it complies with any applicable state aid restrictions.

## **7. Planned delivery approach and next steps**

- 7.1. If approved, TfL will implement an amended Scheme in January 2020, expanded to include businesses (including microbusinesses) and third sector organisations (as at present), and will determine the eligibility and payments criteria for both under the terms of the Delegation and Direction approved by MD2417.
- 7.2. The impact of the amended Scheme will be monitored through its implementation and a review will take place every six months to determine whether it is on track to deliver the expected outcomes. The Scheme is expected to end once the funding has been exhausted.
- 7.3. The Mayor has asked the Government to match fund London’s proposed Scheme with £23 million of national funding, either from the £245 million National Clean Air Fund or from Highways England’s £75 million air quality fund.

## **Appendices and supporting papers**

None.



**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? YES**

If YES, for what reason/ until what date: To enable the Mayor / TfL to announce potential changes to the scheme resulting from this MD after which the MD may be published - 20 January 2020.

**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:**

Roulin Khondoker has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

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

✓

**Mayoral Advisers:**

Shirley Rodrigues, Heidi Alexander and Nick Bowes have been consulted about the proposal and agree 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 13 January 2020.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. D. Ollce*

Date

13.1.20

**CHIEF OF STAFF:**

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

Signature

*J. Bellamy*

Date

13 / 1 / 2020