

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2733

Title: London Vehicle Scrappage Scheme additional funding

Executive Summary:

The Mayor has directed Transport for London (TfL) to prepare, finance and implement a London Vehicle Scrappage Scheme and delegated the necessary legal powers to TfL to do so, under decision number MD2417, which was later amended by decision number MD2563. The Mayor separately directed TfL to prepare, finance and implement a ULEZ Support Scheme and delegated the necessary legal powers to TfL to do so, under decision number MD2489. In September 2020 the Mayor approved a new replacement delegation and direction under decision number MD2661, which had the effect of combining the two previous schemes and expanding their scope.

The London Economic Action Partnership (LEAP) programme board has endorsed a proposal that £344,000 be transferred from the GLA's Good Growth Fund to TfL on the basis that TfL would earmark the additional funding towards TfL's existing London Vehicle Scrappage Schemes.

The purpose of this decision is to authorise the transfer of the funds to TfL by way of a capital grant.

Decision:

That the Mayor approves the GLA making a capital grant to TfL of £344,000 under section 120(1) of the Greater London Authority Act ("GLA Act") 1999 which TfL has confirmed will be applied towards either expenditure incurred for the purposes of, or in connection with, the operation of the London Vehicle Scrappage Scheme.

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:

18/12/20

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 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 (ULEZ) which came into effect on 8 April 2019 in central London, and which will be expanded in October 2021 up to the north and south circular roads.
- 1.2. The London vehicle scrappage scheme was amended by MD2563, which broadened the eligibility criteria to include "businesses", rather than "microbusinesses" as well as charities. In practice different payment levels to applicants have led to the London Vehicle Scrappage Scheme being separated into "Van scrappage" (which includes eligible minibuses), and "Heavy Vehicles" (which includes coaches and Heavy Goods Vehicles (HGVs)).
- 1.3. A separate Mayoral Decision (MD2489) in July 2019 authorised TfL to deliver a ULEZ support scheme to financially help those on low income and disabled people who own non-ULEZ compliant vehicles to scrap older, polluting vehicles including switching to cleaner vehicles that either meet or go beyond the ULEZ standards. The £25 million funding for this scheme formed part of retained business rates allocated to TfL as approved via the 2019-20 GLA Group budget. This scheme was named the ULEZ Car and Motorcycle Scrappage Scheme (UCMSS) when it was launched to the public.
- 1.4. A subsequent Mayoral decision (MD2661) in September 2020 issued a new Direction and Delegation, which superseded and replaced the previous delegation and directions approved under MDs 2417, 2563 and 2489, which were revoked. This combined the two existing delegations into one new Delegation & Direction, superseding the two previous ones. The new delegation:
 - covered the same range of beneficiaries, including any business considered to be eligible;
 - permitted retrofit as well as scrappage and replacement;
 - included support for ultra-low and zero-emission vehicles, including electric ones; and
 - allowed the entire GLA funding pot to be available across the existing two schemes and any new ones.
- 1.5. Within the scope of the new delegation TfL are able to design the scheme to optimise the categories of vehicles covered and range of beneficiaries.
- 1.6. The vans, heavy and UCMSS schemes have different eligibility criteria and different available grant levels. They are therefore usually described separately.
- 1.7. The total cost of the scrappage schemes combined is £48m.
- 1.8. The schemes have been successful with both the Van scrappage and Heavy Vehicles schemes already fully subscribed and suspended for most new applicants. UCMSS is also experiencing a rise in demand, with a high rate of applications. The Mayor continues to lobby for national scrappage funding from the Government to support successful local schemes like the London van scrappage scheme. This would enable cities across the country to accelerate the removal of the most polluting vehicles from our roads.
- 1.9. Launched in 2017 and delivered in partnership with the London Economic Action Partnership (LEAP), the Good Growth Fund (GGF) seeks to make London fairer and more inclusive by strengthening civic

networks at a local level, encouraging innovation and supporting great design. In total, the Fund has supported 138 projects, allocating more than £75 million.

- 1.10. Mayoral Decision MD2495 allocated £4 million capital funding for air quality focused projects within GGF Round 3. An underspend in this funding of £344,000 has been identified for 2020.
- 1.11. The LEAP programme board has endorsed a proposal to re-allocate the £344,000 Good Growth Fund (GGF) air quality underspend as grant funding towards TfL's Scrappage Schemes. The LEAP programme board requested that TfL allocate the funding to Small or Medium Enterprises (SMEs). The eligibility criteria for the van scrappage and heavy vehicle schemes restricts applications to small businesses and charities. TfL will allocate the funding between the Van scrappage and Heavy Vehicle schemes at its discretion under the terms of the new Delegation and Direction approved in September 2020 under MD2661.
- 1.12. TfL has confirmed that it will earmark the additional funding for use for the Van scrappage and Heavy Vehicle schemes. In order to complete this re-allocation a Mayoral Decision is requested to approve a capital grant to transfer the funds to TfL under s 120 of the Greater London Authority (GLA) Act 1999 (as amended).

2. Objectives and expected outcomes

- 2.1. The LEAP funding will enable the scrappage schemes to provide additional support to targeted vulnerable groups including small businesses, sole traders, charities.
- 2.2. Depending how it is allocated by TfL the additional funding could benefit each of the two schemes:
 - Van scrappage scheme: Based on the average payment level, the additional funding would support the scrapping of 49 vans. At present, over 2,400 applications remain in a queue due to funding limitations. Additional funds would speed up the pace at which we can reallocate funds to pending applications; and
 - Heavy Vehicles: The additional funding would support the scrapping or retrofitting of 23 vehicles.
- 2.3. Re-allocation of the LEAP funding would guarantee that it is spent this year, as the scrappage schemes have been highly successful. Unprecedented demand and limited funds led to the suspension of the scrappage scheme to van applications in August 2020. Due to the high level of applications received during the notice period for scheme suspension, we now have over 2,400 van applications currently in a queue awaiting returned funds to enable their processing. Eligible applications in the system require evidence to be submitted to TfL that a vehicle has been scrapped, and, if applicable, replaced. If this evidence is not provided within 6 months the grant offer is terminated and the funds are returned to the scheme. Additional funds could help accelerate the rate at which we process paused applications.
- 2.4. The Heavy Vehicle scheme was also suspended after just over two weeks of operation due to high demand and limited funds.
- 2.5. Allowing TfL discretion to assign the funds between the two schemes will enable them to identify which of the schemes will deliver the greatest benefit to air quality.

3. Equality comments

- 3.1. Under section 149 of the Equality Act 2010, as public authorities, the Mayor and TfL are subject to the public sector equality duty and must have due regard to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do not. Relevant protected

characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

- 3.2. The scrappage schemes help mitigate the financial impact of ULEZ on targeted groups including small businesses, sole traders, charities and low income and disabled Londoners.
- 3.3. Published Equality Impact Assessments (EQIAs) and Integrated Impact Assessments (IIAs) for ULEZ, ULEZ expansion and LEZ have identified that specific groups are particularly impacted by the schemes namely:
 - small and medium enterprises that are dependent on older vehicles;
 - specific groups that depend on non-TfL buses and coaches, particularly:
 - young people;
 - the elderly and faith groups who may be more dependent on these vehicles for accessing community and voluntary sector activities; and
 - children from low-income families as they may no longer be able to afford to go on school trips if the ULEZ/LEZ cost is passed on to them.
- 3.4. 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 per cent more nitrogen dioxide air pollution than those living in the least deprived areas.
- 3.5. The scrappage scheme is considered likely to be beneficial for groups with protected characteristics as it will contribute towards improving air quality by supporting the scrapping of older, more polluting vehicles and therefore supports delivery of 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 per cent by 2030 as a result of the ULEZ and other Mayoral air quality policies.
- 3.6. TfL will be able to identify which of the schemes will deliver the greatest benefit to air quality and to groups with protected characteristics when allocating the funds and to assign the funding to specific schemes accordingly.

4. Other considerations

a) Risks and issues

- 4.1. Specific risks associated with the van scrappage and heavy vehicle schemes were set out in MD2417. In particular it was identified that:
 - If the proposed scheme was not implemented there was a risk that the ULEZ would not result in the reduction in emissions from LGVs required to achieve legal air quality limits.
 - Small businesses and charities 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 the scheme. To mitigate these risks, the GLA engaged with manufacturers and leasing companies to see whether the eligible payment can be taken into consideration when assessing credit for applicants.
 - This scheme was a pilot which meant there was uncertainty as to how businesses would respond and uncertainty amongst stakeholders. To mitigate these risks, the Mayor, GLA officials and TfL

engaged with the Federation of Small Businesses and similar organisations to take their input into consideration when designing and determining the scope of the Scheme. Furthermore, the scheme was marketed to eligible organisations to raise awareness.

- 4.2. No additional risks were identified from combining the schemes.
- 4.3. The success of the scrappage schemes to date indicates that the identified risk of small businesses and charities experiencing cash flow or access to credit issues that prevent access to the vans scheme has been sufficiently mitigated.
- 4.4. Similarly, the good uptake of all the schemes indicates that the marketing to eligible groups has adequately mitigated the risk of low awareness.
- 4.5. There are no additional risks identified with the transfer of funds to the scrappage schemes.

b) Links to Mayoral strategies and priorities

London Environment Strategy

- 4.6. 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.
- 4.7. 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."
- 4.8. 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."
- 4.9. 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

- 4.10. 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. "
- 4.11. 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

- 4.12. TfL conducted extensive stakeholder engagement for the London Vehicle Scrappage Scheme including workshops.
- 4.13. The scrappage schemes were designed and targeted in response to issues identified in the EQIA and IIA assessments undertaken for the ULZ, LEZ and ULEZ expansion.

d) Conflicts of interest

- 4.14. 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 Mayoral decision is requesting approval of an additional £344,000 in capital expenditure towards the London Vehicle Scrappage Scheme (previously approved under MD2417). The budget will come from growth deal funding to be transferred from Regeneration and Economic Development's capital budget and held within the Environment unit's budget.
- 5.2. The funding will be administered by Transport for London under a section 120 grant transfer. TfL will earmark the funding made available towards the London Vehicle Scrappage Scheme. No condition can be placed on the award of the grant save for the treatment of capital and revenue expenditure. Planned expenditure will take place during 2020-21 financial year.

6. Legal comments

- 6.1. Under s120 of the GLA Act 1999 the Mayor may approve the making of a capital grant from the GLA to TfL to be applied by TfL for the purposes of, or in connection with the discharge of its functions, which includes the preparation, finance and operation of the London Vehicle Scrappage Schemes. Such a grant cannot be made subject to any limitation in respect of the expenditure to which it may be applied; however, TfL has confirmed that it will earmark the funding towards the van scrappage and heavy vehicle schemes. In addition, the funding may only be applied towards for capital expenditure.
- 6.2. TfL has been delegated the necessary legal powers (MD266) to operate and design the scrappage schemes, and has been directed to prepare, finance and implement them. This includes the ability to approve different eligibility criteria and different available grant levels and apply available funding between the schemes.

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 schemes are currently live the funding can be deployed rapidly within the existing scheme structures.
- 7.3. The impact of the scrappage schemes are monitored throughout implementation and a review takes place every six months to determine whether they are on track to deliver the expected outcomes. The Schemes are expected to end once the funding has been exhausted. The Mayor continues to lobby for national scrappage funding from the Government to support successful local schemes like the London van scrappage scheme. This would enable cities across the country to accelerate the removal of the most polluting vehicles from our roads.

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? NO

Until what date: (a date is required if deferring)

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:

Stephen Inch has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Phil 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 14 December 2020.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

D. Gove

16 December 2020

CHIEF OF STAFF:

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

Signature

Date

D. Bellamy

14 December 2020