

GREATER **LONDON** AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2417

Title: London Vehicle Scrappage Scheme

Executive Summary:

The Mayor has identified improving air quality as one of his key priorities given its impact on public health and health inequality. The Ultra Low Emission Zone (ULEZ) being introduced in central London on 8 April 2019 aims to encourage the removal of the most polluting vehicles from London's roads by charging a fee for vehicles that do not meet strict emission standards.

The Mayor wants to support those microbusinesses and third sector organisations most impacted by the ULEZ scheme and in December 2018 he announced a £23 million fund to introduce a pilot vehicle scrappage scheme. This fund will be used to incentivise microbusinesses and third sector organisations to scrap older, polluting vehicles, including by switching to vehicles that either meet or go beyond the ULEZ standards. Transport for London (TfL) is responsible for implementing and managing the ULEZ and it would be more efficient for it to administer a London scrappage scheme, including determining eligibility and making payments to third parties (in consultation with the Mayor and the Greater London Authority).

This decision seeks approval from the Mayor to direct and delegate to TfL the necessary legal powers to implement a London Vehicle Scrappage Scheme ("the Scheme"). It also seeks approval for the transfer of £23 million to TfL by means of a revenue grant to cover the costs of the scheme.

Decision:

That the Mayor:


1. Authorises TfL under s 38 of the GLA Act 1999 to exercise the Authority's functions relating to economic development and wealth creation, environmental improvement and social development under section 30(1), and its subsidiary powers under section 34(1) of that Act, for the purpose of establishing and administering a London Vehicle Scrappage Scheme described in this Form in accordance with the Delegation & Direction Document at Appendix 1.
2. Directs TfL under s 155(1) of the GLA Act to prepare, finance and implement the Scheme as described in this Form in accordance with the Delegation & Direction Document.
3. Approves the GLA making a revenue grant to TfL of £23 million under section 121(1) of the GLA Act 1999 and authorises officers to agree arrangements under which the grant is to be applied towards expenditure incurred for the purposes of, or in connection with, the discharge of TfL's functions.

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:

15/2/19

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

Decision required – supporting report

1. Introduction and background

- 1.1. The Mayor will launch the world's first Ultra Low Emission Zone (ULEZ) in central London on 8 April 2019. This is the largest, earliest and most comprehensive of all the UK Clean Air Zones to be implemented and its success at removing the most polluting vehicles from London's roads is vital to the Government achieving legal limits for air quality in accordance with its UK Air Quality Plan (2017). The ULEZ is based on the Euro emission standards and sets Euro 6/VI as the compliant standard for diesel vehicles and Euro 4 as the compliant standard for petrol vehicles.
- 1.2. There has been comparatively low uptake of cleaner Euro 6/VI diesel light goods vehicles (LGVs, in particular vans and minibuses) in advance of the ULEZ launch date. This is partly because they have only been available on the market since autumn 2016, which means there is currently a limited market for more affordable second-hand vehicles. Uptake of newer cleaner vehicles has also been impacted by wider economic uncertainty for businesses caused by Brexit and other factors. The impact assessment for the central ULEZ estimated that owners of non-compliant LGVs will incur additional costs, caused by replacing their vehicles, paying the proposed charge or taking other action, estimated at around £20 million.
- 1.3. It is likely that without further financial support, a lower proportion of LGVs will be compliant with the ULEZ standards compared to other vehicle types; current projections show that 46% of vans driven in the ULEZ will be compliant over the next year. A high proportion of non-compliant LGVs would have a particular negative economic impact on small and medium enterprises operating in London. This is despite the ULEZ accounting for this economic impact by setting the daily charge for LGVs at the lower rate of £12.50 (the same as for non-compliant passenger cars and motorbikes) rather than £100 (the rate for non-compliant buses, coaches and lorries). In recognition of this potential economic impact, the Mayor has decided to implement a pilot vehicle scrappage scheme.
- 1.4. The Mayor announced in December 2018 that £23 million will be allocated in the 2018-2019 GLA budget for a London Vehicle Scrappage Scheme ("the Scheme"). The Scheme will be structured to help microbusinesses and third sector organisations based in London or extensively operating in central London (to be defined in the Scheme's eligibility criteria).
- 1.5. The proposed Scheme will encourage microbusinesses to scrap older, more polluting vans and minibuses, thereby contributing to an expected 45% reduction in road transport NO_x emissions in central London in 2020, protecting public health and improving compliance with legal air quality limits. Without this intervention to help microbusinesses switch their vehicles earlier there could be up to 30% less emission reductions from the van fleet.
- 1.6. A targeted scheme aimed at specific groups helps to ensure it delivers value for money, maximises environmental benefits and minimises administrative complexity. Although primarily aimed at scrapping older, more polluting vehicles, the Scheme's payments will also be structured to support other Mayoral priorities, including potentially by encouraging the uptake of electric vehicles. The extent to which this aspect can be included in the Scheme is subject to advice being sought on compliance with EU state aid legislation.
- 1.7. To enable TfL to undertake the Scheme it is necessary to delegate to it the Mayor's general powers under s 30 of the GLA Act, together with his subsidiary powers under s 34. TfL has been consulted on the proposal for it to undertake the delivery of the proposed Scheme and to delegate to them the necessary powers to do so. TfL has confirmed they are content with this approach. Notwithstanding this, it is also proposed the Mayor directs TfL to prepare, finance and implement the proposed scrappage scheme. The proposed delegation is set out in the Delegation & Direction Document at Appendix 1.

2. Objectives and expected outcomes

- 2.1. The objective is to enable a vehicle scrappage scheme which seeks to help mitigate the cost of compliance with the ULEZ for microbusinesses 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 will be achieved by 2025.
- 2.2. Subject to approval of this decision, the funding will be available from February 2019, in advance of the introduction of the ULEZ in central London. The Mayor has asked officials and TfL to consider how the money could be spent most effectively, and further information will be available later this year.
- 2.3. TfL estimate up to 100,000 vehicles could be eligible for the Scheme, although not all of these will participate. The expected outcome of the Scheme will be to help remove between approximately 3,500 and 6,000 older, more polluting, vehicles depending on the type of vehicle replacement chosen. This is mostly constrained by the limited budget and more organisations could be helped if match funding were offered by Government.
- 2.4. The Scheme will offer different levels of payment according to how each microbusiness and third sector organisation choose to replace their non-compliant vehicle. However, it will also be flexible whereby the microbusiness or third sector organisation can scrap their vehicle for a different payment and instead choose to use the financial support to comply with the ULEZ in a different way (e.g. a cargo bike or van sharing scheme) rather than directly replacing their vehicle.
- 2.5. Analysis undertaken by independent consultants on a similar scrappage proposal put forward by the Mayor showed a minimum benefit cost ratio of 0.8 when evaluating it against the Five Case Model contained in HM Treasury's Green Book. The Green Book provides guidance on best practice for appraising and evaluating policies and proposals. Positive economic benefits are achieved through the volume of vehicle kilometres upgraded to a cleaner vehicle; and distributional effects through focusing the Scheme on microbusinesses and third sector organisations. Some negative effects focus on the indirect taxes lost (through less fuel being purchased) and the cost of the scrappage payments themselves.
- 2.6. Similarly, the Scheme is aligned with national policy as it supports households and businesses to comply with air quality policy. It is consistent with the criteria set out in Department for Environment, Food and Rural Affairs (Defra) guidance for applications to the National Clean Air Fund. It encourages the use of electric vehicles, in line with the objectives of the Office for Low Emission Vehicles and it helps to support microbusinesses in the context of economic uncertainty ahead of Brexit.

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 characteristic¹ and those who do not; and (3) to foster good relations between such people.
- 3.2. 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

¹ 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.

legal limit value. In contrast, average concentrations of particles (PM₁₀ and PM_{2.5}) were, by 2010, already within EU Limit Values for the annual average concentrations.

- 3.3. Populations living in the most deprived areas are on average currently more exposed to poor air quality than those in less deprived areas. A recent 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.
- 3.4. The proposed Scheme is 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.
- 3.5. Furthermore, enabling TfL to implement this pilot Scheme will support microbusinesses (including those owned by people with protected characteristics) and third sector organisations (whose services may be more likely to be utilised by those with protected characteristics) to remove more polluting vehicles, switch to cleaner vehicles and thus avoid the ULEZ charge.

4. Other considerations

a) Risks and issues

- 4.1. If the proposed Scheme is not implemented there is a risk that the ULEZ will not result in the reduction in emissions from LGVs required to achieve legal air quality limits.
- 4.2. This Scheme will be a pilot, which means there are inevitably uncertainties as to how businesses may respond and uncertainty amongst stakeholders. To mitigate these risks, the Mayor, GLA officials and TfL are engaging 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, it is proposed that the Scheme will be marketed to eligible organisations to raise awareness. This will be done as part of the publicity campaign TfL are currently undertaking to prepare the public, business and stakeholders for ULEZ starting in April. Additional marketing activity may also be undertaken after the start of ULEZ.
- 4.3. Micro businesses are often required to pay higher upfront deposit 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 Scheme. To mitigate these risks, the GLA are engaging with manufacturers and leasing companies to see whether the eligible payment can be taken into consideration when assessing credit for applicants.

b) Links to Mayoral Strategies and priorities

London Environment Strategy

- 4.4. The Mayor's London Environment Strategy was published in May 2018 and prioritises reaching legal air pollutant levels as soon as possible.
- 4.5. 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."

4.6. 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."

4.7. 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

4.8. 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."

5. Financial comments

- 5.1. This Mayoral Decision asks the Mayor to authorise TfL under s 38 of the GLA Act 1999 to exercise the Authority's functions of economic development and wealth creation, environmental improvement and social development under section 30(1), and its subsidiary powers under section 34(1) of that Act, for the purpose of establishing and administering a London Vehicle Scrappage Scheme described in this Form in accordance with the Delegation & Direction Document at Appendix 1. It directs TfL to prepare, finance and implement the Scheme. It is anticipated that TfL's budget for the Scheme will be in the region of £23 million.
- 5.2. It also asks that the Mayor approves the making of a revenue grant to TfL of £23 million under section 121(1) of that Act and authorises officers to agree arrangements under which the grant is to be applied towards expenditure incurred for the purposes of, or in connection with, the discharge of TfL's functions.
- 5.3. The £23 million revenue grant to TfL will be funded from the GLA's general reserves.

6. Legal comments

- 6.1. Section 30(1) of the GLA Act 1999 enables the Mayor to do anything that furthers the promotion of the Authority's general purposes: economic development and wealth creation in Greater London, as well as its social development and environmental improvement. The GLA may also do anything that facilitates or is conducive or incidental to doing so under s 34(1). The objectives of the proposed London Scrappage Scheme fall within all three categories. In addition, the Scheme supports the implementation of the air quality provisions of the Mayor's London Environment Strategy, which includes policies and proposals to implement the ULEZ which is a key measure to reduce vehicle emissions to contribute to the achievement of NO₂ limit values in accordance with the Air Quality Directive and UK Air Quality Plan. Advice is being taken to ensure the Scheme is designed to be compliant with state aid requirements.

- 6.2. The proposal is that TfL undertakes the administration of the Scheme, including determining eligibility criteria and making payments. A delegation of the Mayor's s 30 powers is necessary to enable TfL to do this as the activities involved would not normally be within TfL's legal powers. Under s 38(1) of the GLA Act the Mayor may authorise (delegate) TfL to exercise any function of the GLA exercisable by the Mayor, such as the GLA's general powers set out in s 30. It is also proposed to delegate to TfL the Mayor's subsidiary powers under s 34(1) of the Act to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of functions under s 30. The Mayor may impose general or specific conditions on the authorisation. An authorisation under this section may be varied or revoked at any time by the Mayor. Under s30, subsection (7) TfL may exercise such functions on the GLA's behalf of the Authority, whether or not it would have any other power to do and irrespective of the nature of the function. The delegated function becomes a function of TfL. Under s 73 the GLA's monitoring officer retains responsibility as regards exercising the monitoring officer's functions regarding the exercise of the delegated powers, notwithstanding they are performed by TfL and its staff.
- 6.3. It is also proposed the Mayor directs TfL to prepare, finance and implement the Scheme. Under s 155(1) (c) of the GLA Act 1999 the Mayor may give TfL specific directions as to the exercise of its functions. These functions include the s 30 and 34 powers it is proposed be delegated to TfL to enable it to deliver the Scheme.
- 6.4. Appendix 1 sets out the text of the proposed Delegation & Direction Document. Under it the Mayor directs TfL to prepare, finance and implement the Scheme and for that purpose authorises TfL to exercise his section 30 and 34 powers in order to contribute to the achievement of the ULEZ emissions reductions through the removal of non-ULEZ compliant vehicles from operating on London's roads by means of payments to their owners/ operators. TfL will design and determine the scope, eligibility requirements, payments amounts, use of payments and related grant agreement terms and conditions, following consultation with the GLA (principally, the Deputy Mayors for Environment and Energy, and Transport and the Mayoral Director of Policy). Payments and related contracts regarding the scrappage of the vehicle will be between recipients and TfL, rather than the GLA. The effect of the delegation is that it empowers TfL to enter into any necessary or expedient arrangements or contracts with third parties for supplies or services related to the Scheme's administration, whether in-house or outsourced. The Delegation & Direction Document provides for the jurisdiction of the GLA monitoring officer and a duty to cooperate with her in relation to the powers delegated.
- 6.5. It is proposed that the GLA provide TfL with £23 million funding to cover the cost of the Scheme. Under s121(1) the GLA may transfer funding by way of grant to TfL towards meeting revenue expenditure incurred or to be incurred by it for the purposes of, or in connection with, the discharge of TfL's functions (including those delegated to it under s 38). Such grants must not be made subject to any limitation in respect of such expenditure which it may be applied towards meeting. The recipient is under a duty to apply the grant towards expenditure incurred or to be incurred by for the purposes of, or in connection with, the discharge of its functions. These functions now include powers to implement the Scheme as a result of the delegation; the £23 million revenue grant from the GLA is available to do this, and GLA and TfL officers will agree arrangements as to how the grant is to be spent.

7. Planned delivery approach and next steps

- 7.1. The GLA and TfL are working closely to finalise the proposal and launch of the Scheme in February 2019 ahead of the ULEZ starting in April 2019.
- 7.2. The impact of the 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:

Appendix 1: Delegation & Direction Document – London Vehicle Scrappage Scheme.

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: 8 May 2019. This is one month after the launch of the ULEZ.

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:

Lucy Owen 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 4 February 2019.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date


Tom MIDDLETON ON BEHALF OF MARTIN CLARKE


15-02-19

CHIEF OF STAFF:

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

Signature

Date



15 / 2 / 2019.