

Financial Appraisal Report

External Funding Application to Department for Transport's Office for Zero Emission Vehicles for On Street Residential ChargePoint Scheme

Report to Cabinet

Date Issued: 18th October 2021

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1 Executive Summary

Introduction

Regeneration & Economy are seeking approval to enter into a grant funding agreement with the Department for Transport's Office for Zero Emission Vehicles (OZEV), to support the delivery of 37 on-street charge points for plug-in electric vehicles at sites across Sandwell.

In September 2021, Cabinet approved the Black Country Low Emission Vehicle Strategy. Following approval from Statutory Officers Group, an external funding application was submitted to the Office for Zero Emission Vehicles (OZEV) for grant funding of £0.300m in September 2021. A funding offer was subsequently received for the requested amount. The total project cost is estimated at £0.401m, with match funding of £0.101m available from the Council's Local Transport Plan budget.

By 2030, the sale of petrol and diesel cars in the UK will end. Consequently, it is projected that there will be an additional 42,500 ultra-low emission vehicles in use within the Black Country by 2025. Data from the Black Country Low Emission Vehicle Strategy identifies a need for an additional 175 public low speed charging sockets and 49 fast public charging sockets throughout Sandwell to meet demand.

It is anticipated that most charging will take place on residents' driveways, as the cost and fitting of chargers are generally integrated into the purchase price of the vehicle. This option will not however, be available to those residents without a driveway, leaving a significant proportion of people without access to residential charging. Whilst the private sector has begun to fill the gaps within the rapid and ultra-rapid charging markets within car parks etc., provision of residential on-street charge points is commercially unattractive without public-sector leverage.

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Strategic Finance has been asked to carry out an appraisal of the funding application, which has been evaluated against HM Treasury Green Book guidance. The appraisal process recorded a score of 78%, with some areas of risk identified.

Project Objectives

- To assist with the reduction of air pollution and improvements in air quality, as set out in the Black Country Low Emission Vehicle Strategy and Implementation Plan.
- To deliver public charging infrastructure within Sandwell, supporting the borough's transition to electric vehicles.
- To support the Council's Vision 2030, where Sandwell creates environments in the six towns where people choose to live and assist people in living healthier and for longer.

Project Details

In April 2021, the Office for Zero Emission Vehicles were allocated funding of £20m to support the On Street Residential ChargePoint Scheme. The scheme's objective is to increase the availability of on-street charge points to residents where off-street parking is not available. The scheme gives local authorities access to grant funding of 75% of project costs to part-fund the procurement and installation of on-street electric vehicle charge points for residential needs. The Energy Saving Trust is administering the scheme on behalf of the Office for Zero Emission Vehicles.

The programme aims to deliver against local and national objectives to reduce carbon emissions and involves the installation of 37 electric charge-points on residential streets that do not have off street parking. The charge-points will all have 'Pay As You Go' functionality, with contactless payment methods and will deliver around 40% of the 7kw charge points required by 2025.

A procurement exercise to appoint a Charge Point Operator on a concession basis will be led by Transport for West Midlands, who will appoint an operator to install and maintain the charge points.

The total project cost is £0.401m, with grant funding of £0.300m secured from the Office for Zero Emission Vehicles. Match funding of £0.101m will be sought from the Charge Point Operator but could be provided by the Council's Local Transport Plan Fund if necessary.

The project has the potential for future income generation for SMBC, as an agreed percentage of the income collected by the charge point operator will be payable to the council. This is likely to be in the region of 10% of total income collected, which could equate to around £0.060m per annum. However, this will ultimately depend on usage levels and terms and conditions of operation.

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The project will commence in November 2021 and will need to be complete by March 2023 to be eligible for grant funding.

Scope and objectives of financial appraisal

The purpose of financial appraisals is to consider the guidance provided by HM Treasury in evaluating business case proposals and assessing the potential risk to the Council in achieving its objectives. The following components and risks are assessed:

HM Treasury Green Book	Potential Risks
<u>Strategic Case</u> Objective, need, demand and reasonableness	Insufficient justification for project/will not meet strategic objectives
<u>Economic case</u> Option analysis and risk	Poor use of council resources & excessive risk to Council
<u>Commercial Case</u> Legal and statutory implications	Project may contravene legal/statutory regulations
<u>Financial Case</u> Affordability	Proposals are not affordable or realistic
<u>Management Case</u> Governance, project management, monitoring and evaluation	Non-delivery of project and outputs
Limitations to scope of appraisal	Information provided by Project Officer

LEVEL OF ASSURANCE GAINED FROM FINANCIAL APPRAISAL		
Limited (0%-65%)	Satisfactory (66%-80%)	Substantial (81%-100%)
There is a high risk of objectives not being met due to insufficient assurance within the project proposals. There is limited evidence to confirm that the risks to the Council could be adequately mitigated.	There is adequate assurance that objectives could be met, but further actions are required to adequately mitigate the risk to the Council.	There is good assurance that objectives will be met, with little risk to council resources.

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Overall Conclusion

The appraisal scored 78% and provides **satisfactory assurance** over the adequacy of the proposals.

Financial appraisals will identify the following levels of issues:

Fundamental

Action is imperative to ensure that the objectives of the project are met

Significant

Action is required to avoid exposure to significant risks in achieving objectives

Merits Attention

Action is advised to enhance operational efficiency

Summary of key issues identified

- The financial appraisal has identified NO 'fundamental' issues
- The financial appraisal has identified 3 'significant' issues
- The financial appraisal has identified 4 'merits attention' issue

2 Issues Arising

Action is required to avoid exposure to significant risks in achieving objectives
Significant

2.1 Strategic Case – Delivery within funder timescales

Funding conditions require all electric charge-point installations to be completed by March 2023 and whilst a project programme has been produced, delivery timescales cannot be confirmed as reasonable until the appointment of a charge-point operator.

Implication:

Project delivery may not be in accordance with funding timescales and repayment of grant may be required.

Recommended action:

- That the preferred charge-point operator confirms project delivery can be undertaken within funding timescales prior to appointment.

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2.2 Commercial Case – Contractual arrangements - Charge Point Operative

It is advised that the operation and maintenance of the electric charge-points will be the responsibility of the appointed Charge Point Operator. However, until the procurement process has been completed and a preferred bidder selected, the contractual terms cannot be clarified.

Implication:

Contractual terms may not adequately transfer risk and responsibility of the operation and maintenance to the operator and could have financial implications to the Council. The potential revenue stream from income collection may also not be maximised to SMBC's financial advantage.

Recommended action:

- That a draft agreement between SMBC and appointed Charge Point Operator is reviewed by Strategic Finance prior to finalising.

2.3 Financial Case – Contingency

No contingency allowance has been included within the project costs at the funder's request. It is advised that all requests for additional funding will be considered by OLEV on a case by case basis, subject to a change request.

Implication:

Increased costs may not be adequately provided for within available funding and additional council resources may be required.

Recommended action:

- That cost estimates are kept under review to ensure timely change requests can be made to the funder.
- That should OLEV reject a request for additional funding of additional costs, funding will be provided from within the Council's Local Transport Plan allocations.

Action is advised to enhance operational efficiency
Merits Attention

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2.4 Economic Case – Risks

A corporate risk register has been provided for the project but does not identify a responsible officer to undertake mitigating actions.

Implication:

The level of risk to the Council may not be adequately managed, resulting in non-delivery of the objectives and financial implications to the Council.

Recommended action:

- That the Risk Register is reviewed to ensure responsible officers are identified for the mitigation of risks.

2.5 Management Case – Monitoring of Outcomes

Whilst various outcomes were identified, including reductions in carbon emissions from private vehicles, particulate matter and nitrogen dioxide, it was unclear how these could be evaluated solely for the project.

Implication:

Meaningful outcomes cannot be identified, monitored and evaluated in relation to the project and the success of the project cannot be assessed.

Recommended action:

- Measurable outcomes for the project are identified and evaluated.

2.6 Management Case – Evaluation

As part of the grant terms and conditions, The Office for Zero Emissions requires the sharing of usage data of the electric charge-points for 3 years. It is advised that post project evaluation will be reported to the Director for Regeneration & Economy but there are no proposals to report outputs or outcomes to Members as part of progress updates on the Black Country Low Emission Vehicle Strategy.

Implication:

That the opportunity for improvements to future projects may be missed and Council Members are not fully briefed on the success of the project and progress in reducing the borough's carbon emissions.

Recommended action:

- That Council Members are briefed on the outputs and outcomes of the project following completion.

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2.7 Financial Case – VAT/Tax implications

Whilst it is not envisaged that the project would have any negative VAT or tax implications for the Council, confirmation is awaited from the Council's Tax Accountant.

Implication:

Negative VAT/tax implications may have financial implications for the Council.

Recommended action:

- That the Council's Tax Accountant confirm any negative VAT/tax implications.

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