



Appendix 1 to this report is not for publication by virtue of paragraphs 3 of schedule 12A of the Local Government Act 1972

AGENDA ITEM 14

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**

27th NOVEMBER 2020

**REPORT OF THE
HEAD OF TRANSPORT**

TEES VALLEY WHEELS 2 WORK EXTENSION

SUMMARY

Tees Valley Combined Authority (TVCA) is seeking to extend the Wheels to Work scheme for a further three years following a successful trial managed by Redcar & Cleveland Voluntary Development Agency (RCVDA).

The scheme provides an affordable means to access employment and training opportunities for those without access to public transport or the means to purchase or hire their own private vehicle. To date the scheme has been very successful and has benefited over 150 people since early 2018.

The initial trial has been supported by £191K from the Department for Transport (DfT) Access Fund that covers the period up to March 2021. Furthermore, there is an existing allocation of £260K for the scheme in the Integrated Transport Programme, following Cabinet approval on the 31st January 2020, of which £65K has already been committed to expand the current fleet.

The aspiration was to grow the scheme to the point at which it generated enough revenue to cover costs and become self-financing. However, it has become apparent during the trial that for the scheme to be viable and affordable, there is a need for ongoing financial support. There is therefore a requirement for an additional allocation of £645K from the Integrated Transport Programme to extend the scheme for a further three years, which Cabinet is asked to approve. This investment will also facilitate an increase in the fleet size and a transition to all electric vehicles.

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority Cabinet:

- i. Approves an additional £645K of funding from the Integrated Transport Programme to support the Wheels 2 Work scheme for a further three years.

- ii. Approves that in accordance with the Assurance Framework a business case is developed, and approval is delegated to the Combined Authority Chief Executive, in consultation with Tees Valley Management Group, the S73 Officer and the Monitoring Officer.

DETAIL

Background

1. The Tees Valley Wheels 2 Work scheme is currently managed by RCVDA and provides an affordable way to access employment and training opportunities for those without access to public transport or the means to purchase or hire their own private vehicle.
2. Participants are given training and hire a small scooter, bicycle or an electric bicycle for up to six months to help them establish themselves at a new place of employment, retain existing employment or access training.
3. The scheme was established in early 2018 with £191K of Access Fund secured from the DfT, which enabled RCVDA to purchase an initial fleet of 30 petrol scooters and cover running costs for the period up until March 2021. The scheme has been regularly oversubscribed and there continues to be evidence of unmet demand.
4. A further £65K was therefore allocated to RCVDA in mid-2019, from the existing Integrated Transport Programme allocation of £260K, to enable the scheme to grow. This funding was used to purchase an additional 45 vehicles (a mix of petrol scooters and electric bicycles).
5. The current fleet size is around 60 vehicles and since 2018 over 150 people to date have benefitted from the scheme, which will remain operational until at least March 2021.
6. The aspiration was to grow the scheme to benefit increasing numbers of people and seek to reach the point at which it generated enough revenue to cover costs and become self-financing. However, one of the challenges that has emerged during the trial is that vehicles need to be replaced at 3 years old, as the costs of maintenance and repair increase dramatically at this point. There is therefore a requirement for on-going funding to replace the vehicle stock. It has also become apparent that TVCA funding has been supplemented with other short-term funding sources to cover the operating costs. These short-term funding sources cannot be relied upon to secure the future of the scheme and it is evident that the scheme will require on-going financial support from TVCA to continue and grow.

Proposed scheme extension

7. TVCA is now looking to deliver the scheme for a further three years and transition to an all-electric fleet. This has clear benefits in terms of carbon reduction and complements the wider aspirations around electric vehicles, including the current e-scooter trial. However, this also increases the capital cost of the scheme as electric vehicles are currently more expensive than their diesel/petrol counterparts.

8. There remains an on-going imperative to keep the scheme affordable. The costs to the clients are currently £30 per week for a petrol scooter and £20 per week for an electric bicycle. This is much lower than the comparable cost for a commercial leasing scheme or private ownership, which helps to remove a key barrier to employment and training for those earning minimum wage or without the income certainty of a permanent contract. However, this does mean that it is not possible to generate enough revenue to cover the operating costs of the scheme and build up reserves to replace the fleet when necessary.
9. It is proposed that the existing £195K allocation in the Integrated Transport Programme is supplemented with additional funding and that this is used to procure electric motorbikes.
10. Furthermore, additional funding is needed to support the operating costs of the scheme over an extended three-year period. These costs include management fees, insurance, fleet maintenance, parts, delivery/pick-up and replacement when a vehicle is damaged. The trial has highlighted increasing cost pressures, particularly around insurance and fleet replacement.
11. There is a need to procure a provider to deliver the scheme and therefore a risk that the incumbent provider is not successful. RCVDA has funding to deliver the current trial scheme until March 2021. Should RCVDA not be successful in the procurement, then TVCA would seek to work with them to agree a mutually agreeable way forward recognising the need to avoid any detrimental impact on existing clients. The current petrol scooter fleet will reach the end of its viable operational lifespan in the next couple of years.

FINANCIAL IMPLICATIONS

12. There is an existing allocation of £260K in the Integrated Transport Programme, of which £65K has already been allocated to RCVDA to secure additional vehicles.
13. There is a need to approve a further £645K from the Integrated Transport Programme to purchase the new vehicles and support the operating costs of the scheme for three years. A financial breakdown and cost estimate are provided in **Appendix 1**.
14. It is proposed that TVCA purchase and retain ownership of the new vehicle fleet and will therefore benefit from receipt of the residual value at the end of the 3 years. This residual value could either be used to offset the costs incurred during the proposed three-year extension or could be used as a contribution towards a further continuation of the scheme.
15. The additional funding is manageable within the overall transport theme of the Investment Plan and will be subject to appropriate due diligence through the business case development in accordance with the Tees Valley Assurance Framework.

LEGAL IMPLICATIONS

16. It is proposed that TVCA procures and retains ownership of the new electric vehicle fleet.

17. TVCA will also undertake a procurement to appoint a provider to manage all aspects of the scheme, including vehicle maintenance and storage. The knowledge gained during the trial will assist in the development of the specification.

RISK ASSESSMENT

18. The Wheels 2 Work scheme is considered low to medium risk. The scheme provider will be responsible for ensuring that the risks associated with the scheme are managed appropriately. It is also proposed that the appointed scheme provider inputs into the procurement of the new electric motorbikes.
19. As set out in paragraph 11 there is a risk in relation to the utilisation of the vehicles purchased from the previously approved £65K of advanced funding if RCVDA isn't successful in the forthcoming procurement. Under those circumstances, TVCA would seek to work with RCVDA to agree a way forward in relation to these assets.
20. There is a risk that the uptake of the scheme is not enough to generate the income required to complement the TVCA investment. However, demand to date would suggest that there will be sufficient uptake and TVCA will ensure that the scheme provider continues to actively promote the scheme.

CONSULTATION & COMMUNICATION

21. The item has been discussed at the Tees Valley Management Group and Tees Valley Chief Executives Group, and project updates have been regularly provided to the Cabinet Portfolio Holder for Transport and Transport Committee.

EQUALITY & DIVERSITY

22. The Wheels 2 Work scheme is open to all groups and makes a positive contribution to equality by providing access to employment and training for those earning minimum wage or without the income certainty of a permanent contract. The scheme has the potential to have a positive impact on several of the protected characteristics.

LOCAL ENTERPRISE PARTNERSHIP

23. This item has been considered by the LEP in advance of it coming forward to Cabinet.

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Appendix 1 – financial breakdown and cost estimate – CONFIDENTIAL