

Programmes and Investment Committee

Date: 20 July 2022



Title: Road User Charging

This paper will be considered in public

1 Summary

- 1.1 This paper summarises the key developments in Road User Charging (RUC) since the last update was given to the Committee at its meeting in March 2022, as part of the wider Air Quality and Environment (AQE) Programme annual submission. Specifically, progress of the three newest proposed RUC projects (London-wide Ultra Low Emission Zone (ULEZ), Scrappage Scheme and Future RUC) is outlined along with an assessment of the likely requirement for additional Programme and Project Authority to the end of 2022/23, totalling £53.7m, which would be requested once TfL's funding position is clearer.
- 1.2 A paper containing exempt information is included on Part 2 of the agenda. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972, in that it contains information relating to the business affairs of Transport for London (TfL). Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and the exempt supplementary paper on Part 2 of the agenda.**

3 Background

- 3.1 In March 2022, the Committee approved additional Programme and Project Authority of £54.5m for the wider AQE Programme, increasing the total Programme and Project Authority from 2017/18 to £518.4m. Of the £54.5m approved, £49.7m was specifically for RUC in 2022/23, split as:
- (a) £20.5m to commence initiation, development work and any necessary early purchasing for the proposed London-wide ULEZ project, up to P8 2022/23;
 - (b) £26.5m to continue development of the RUC in-house BOps System workstream;
 - (c) £2.3m to progress RUC re-let procurement activities for 2026;
 - (d) an initial allocation of £0.5m to commence early scoping and feasibility work for the Future RUC project, with the project returning later in 2022/23 to request further authority for the remainder of the financial year; and
 - (e) no authority was sought for the TUC project as forecast spend for 2022/23 is within the previously approved £6.8m Programme and Project Authority, transferred from the Silvertown project in October 2021.

- 3.2 Due to the very early stage of development of the Scrappage and Future RUC projects, detailed cost forecasts were not available to be included in the last submission to the Committee. As these schemes and the proposed London-wide ULEZ project are categorised as enhancements, they were not included as part of the TfL Budget in March 2022 and are therefore currently unbudgeted, as further outlined in Section 6.4. Forecasts for these projects have continued to be refined and, while estimates are included in this paper and the exempt supplementary paper, refinement continues and it is proposed that Authorities will be sought from the Committee when TfL's funding position is clearer.
- 3.3 RUC was undergoing a critical period of growth at the time of the last submission to the Committee in March 2022. The Mayor's request for TfL to progress two potential RUC projects in January and March 2022 aims to take further bold action to tackle London's toxic air pollution, the climate emergency and traffic congestion. The resulting change in significant components of RUC means that additional authority is now required this financial year for these latest RUC proposals to prepare for their potential delivery at pace, subject to the Mayor deciding to implement the proposals following consideration of the consultation responses, impact assessment and other relevant considerations.
- 3.4 The key projects within RUC now include:
- (a) the potential London-wide ULEZ in 2023;
 - (b) Blackwall and Silvertown TUC in 2024;
 - (c) the BOps system (in-house);
 - (d) the potential Future RUC; and
 - (e) the re-let of service contracts in 2026.

4 RUC Progress Update

- 4.1 **Proposed London-wide ULEZ:** Following submission to the Committee in March 2022, work has continued on the proposed London-wide ULEZ scheme. The Mayor announced in March 2022 that TfL was to consult on the proposal to expand the ULEZ London-wide in 2023 and this began on 20 May 2022 for a period of ten weeks. The proposed expansion of the ULEZ London-wide would have a significant effect on emissions relative to the cost to Londoners as a whole, as well as helping to tackle the climate emergency and traffic congestion. Around 4,000 premature deaths in 2019 were attributed to filthy air, with the greatest number in outer London. The current and long-term threat from toxic air pollution to public health is significant. All Londoners live in areas that breach the World Health Organization (WHO) target for particulate matter and nitrogen dioxide, around 500,000 suffer from asthma and a similar number will develop diseases linked to dirty air over the next 30 years. In the same period, it is estimated harmful emissions will cost the NHS and social care £10.4bn if no further action is taken to improve air quality.
- 4.2 TfL is working quickly to clean up its services with more than 800 zero emission at tailpipe buses, making it the largest green fleet in western Europe. Strict licensing standards mean that over a third of black cabs are now zero emission capable. As part of the wider move to electric, all drivers are being supported to switch to the cleanest vehicles, with more than 10,000 charging points now within the M25 – a third of the UK's total. Despite these interventions, toxic emissions from road transport in outer London are not reducing at the same speed as in central and

inner London and further action is needed. If the proposed London-wide ULEZ expansion were to be implemented, it is estimated that the number of cars not meeting the ULEZ standards each day in outer London would fall from 160,000 to 46,000 and the number of vans from 42,000 to 26,000. These proposals would mean the air around an additional 145 schools, mostly in outer London, would meet the interim WHO target for nitrogen dioxide. The changes would also see a further 340,000 Londoners living in areas meeting these international health-based standards.

- 4.3 The previous submission to the Committee, in March 2022, assumed delivery of the potential scheme by May 2024 at the latest, subject to consultation. However, reflecting the urgency of action required to address the triple challenges of air quality, climate change and congestion, more ambitious timescales have been explored. Subject to the public consultation and decision by the Mayor, the London-wide ULEZ expansion is now proposed to launch on 29 August 2023.
- 4.4 The cost estimate and forecast for the expansion have continued to be refined since the last submission. The Estimated Final Cost in March 2022 was based on the long list of options outlined by the Mayor in his announcement in January 2022 and has now reduced following clarification of the proposal including the launch date, as outlined in the submission on Part 2 of the agenda.
- 4.5 If the proposal does progress, a third party-funded vehicle scrappage scheme is likely to be launched, which could go live before the London-wide ULEZ. It is expected that eligible applicants will be offered an incentive to scrap their non-compliant vehicle, either in the form of a grant payment or alternatives such as mobility credits or vouchers to incentivise more sustainable transport options.
- 4.6 **Tunnel User Charging:** The Blackwall and Silvertown TUC system must be in place for December 2024 as required in the Development Consent Order granted by the Secretary of State for Transport in May 2018.
- 4.7 Delivery options have been assessed for the TUC considering the expanded projects within RUC, ensuring resources are appropriately focused on the longer-term deliverables. Details of this assessment and the resulting delivery recommendation are outlined in the submission on Part 2 of the agenda.
- 4.8 **Business Operations System (in-house):** Endorsement was given by the Committee following its meeting on 2 March for delivering the BOps system in-house from 2026. Timescales for BOps were originally aligned to deliver alongside TUC in 2024, although this was time sensitive and dependant on securing necessary approvals to enable a ramp-up in resources. The length of the approval process now means that the delivery of BOps in-house is no longer viable for 2024 and this option was therefore removed from the TUC options assessment referred to above. Timescales are under review to target the significant, longer term deliverables on potential Future RUC, closely coordinated with the RUC re-let project. Latest estimates for the Procurement Authority that is likely to be required are included in the exempt supplementary information.
- 4.9 **Future RUC:** The Mayor's announcements in early 2022 referred to a new 'smart road user charging' scheme and this is being explored as the Future RUC project. This could potentially replace existing charges, such as the Congestion Charge, LEZ and ULEZ with a single RUC scheme that uses more sophisticated technology to make it as simple and fair as possible for Londoners. The potential scheme is in the early stages of initiation and high-level policy questions are included in the public consultation taking place between May and July 2022, as

part of the proposed London-wide ULEZ project. The potential scheme is being developed in close coordination with BOps in-house and Re-Let projects, as there are critical dependencies between the three schemes.

- 4.10 **RUC Re-Let:** The operating model for RUC comprises three service contracts that will expire in 2026:
- (a) Detection and Enforcement Infrastructure (D&EI);
 - (b) Business Operations System and Services; and
 - (c) Enforcement Operations System and Services (EOps).
- 4.11 Activities for the re-let of these service contracts are continuing ahead of their expiry in September 2026, with the BOps system now endorsed for delivery in-house. The project is closely aligned with the Future RUC and BOps in-house projects to accurately inform requirements for the Re-Let procurement activities and coordinate timescales to ensure a seamless transition in services.

5 RUC Delivery in 2022/23 for this submission

- 5.1 **Proposed London-wide ULEZ:** Following the initial authority submission to the Committee in March 2022, additional Programme and Project Authority will be sought from the Committee when TfL's funding position is clearer, to progress the potential scheme to the end of 2022/23, at which point the scheme will have more certainty on progression, or not, and an update will also be given to the Committee as part of the wider AQE annual programme submission in March 2023. Funding to date has been focused on successfully progressing the scheme to public consultation, including completion of the Integrated Impact Assessment and production of consultation materials, along with the provisional placement of orders for long-lead time items to maintain the viability of a potential August 2023 launch date.
- 5.2 Further assessment has taken place to identify and manage delivery risks for the accelerated timescales, should the Mayor decide to proceed with the expansion of ULEZ, in particular the need to install cameras and signage on borough roads to ensure high compliance. The current camera network in outer London is limited to the Transport for London Road Network to enforce the Low Emission Zone and failure to strengthen this network will likely lead to lower compliance as some drivers seek alternative routes to avoid detection by enforcement cameras. Our preference is to have a standardised written agreement detailing the general approach to implementing the scheme in the form of a letter agreed under Section 8 of the Highways Act 1980. This approach should simplify the process for all parties and enable the required timescales to be met. TfL and the Mayor will only use their statutory powers under Schedule 23 GLA Act to directly install signage and cameras in the absence of Section 8 Agreements and/ or Streetworks permits if the required timescales are not met. Following local elections in May, we are working with boroughs to discuss this approach and the timelines involved.
- 5.3 Following completion of the public consultation in July 2022, and analysis of the responses received, the Mayor will be asked to consider the consultation report, the Integrated Impact Assessment and any other relevant information and decide whether the revised ULEZ scheme should go ahead. Expenditure is being minimised as much as practicable until after the Mayor's decision, however orders for some remaining long-lead items may be placed before December 2022, to

meet the planned launch date on 29 August 2023. Should the Mayor decide not to progress with the scheme, options for buy-back of materials will be discussed with suppliers, along with alternative use on other projects.

- 5.4 Should the scheme proceed following the Mayor's decision, it will be critical to undertake a substantial marketing campaign to raise awareness of the scheme implementation as far in advance as possible. Compliance is high, and growing, in the proposed expanded zone and advertising is planned to commence in January 2023, after the Mayoral decision, to support this. Commitments for 2023/24 will also need to be made in late 2022/23 due to media booking deadlines and so Programme and Project Authority will need to be sought when TfL's funding position is clearer for 2023/24 to enable these activities to be commissioned. Should the scheme not go ahead, the campaign would be cancelled at the earliest opportunity to minimise potential abortive costs.
- 5.5 **Scrappage Scheme:** City Hall colleagues are leading discussions with Government to secure funding for a scrappage scheme to support the proposed London-wide ULEZ, as they have done for other UK cities introducing similar scrappage schemes. Discussions seek to secure a substantial funding source, enabling the scale of uptake needed to incentivise people to scrap their non-compliant vehicle. Therefore, to maintain viability of delivery, we plan to undertake early activities to build a more automated scrappage solution for launch ahead of the potential London-wide ULEZ scheme introduction on 29 August 2023.
- 5.6 **Future RUC:** Following the initial Programme and Project Authority allocation approved by the Committee in March 2022, additional authority will be required to the end of 2022/23 and will be sought when TfL's funding position is clearer. This will fund key activities including requirements setting, option assessment, modelling to develop proposals and early systems development. It will also fund analysis of responses to the current public consultation relating to high-level policy questions, helping to inform the development of the potential scheme. These activities would help progress the project to a potential scheme specific public consultation in future years. The project will seek additional Programme and Project Authority from the Committee in March 2023 as part of the planned AQE programme annual submission.
- 5.7 The relationship between the Future RUC, BOps in-house and re-let projects is complex, with multiple dependencies and inter-linked requirements. These are being closely managed by the project teams to ensure key activities, timescales and resources are coordinated to support efficient delivery.

6 Challenges and Opportunities

- 6.1 There is an opportunity for RUC to play an important role in addressing the triple challenges of toxic air pollution, the climate emergency and congestion. This is reflected in the ambitious delivery dates for schemes, most notably the proposed London-wide ULEZ in August 2023, subject to consultation, and the development of the Future Road User Charging project.
- 6.2 As noted in the last submission to the Committee, resources remain a critical challenge for the successful delivery of several RUC projects, particularly for BOps in-house. Although resources have been secured for the wider project teams since March, specialist technical resource remains a key risk due to the scale of resource needed combined with the limited market availability.

- 6.3 The complex inter-dependencies between RUC schemes have increased since the introduction of additional projects in early 2022. Most notably the full impact Future RUC will have on the BOps in-house and Re-Let projects is still being assessed. While BOps in-house and the Re-Let have more certainty, Future RUC is significant and uncertain; therefore, we will work to assumptions but must prepare for all eventualities. Project teams are working closely together to identify and manage overlaps, particularly for requirements and timescales, with opportunities for efficiencies being explored along with minimising of delivery risks.
- 6.4 Improved financial certainty is critical. Not all the RUC schemes in this paper were included in the Managed Decline scenario which informed the TfL Budget. Proposed London-wide ULEZ, Scrappage and Future RUC are currently unbudgeted. This matter will be addressed when Authorities are sought.

7 Legal Implications

- 7.1 It will be ensured that any specific activity for which authority is given falls within the scope of TfL's powers to undertake preparatory work in respect of a RUC scheme and that it is reasonable and necessary to incur these costs.
- 7.2 **Privacy and the UK General Data Protection Regulation (GDPR):** TfL is under a legal duty to protect personal data and to ensure compliance with the UK GDPR and associated data protection legislation, including the Data Protection Act 2018. A range of robust policies, processes and technical measures are in place to control and safeguard access to, the use of, personal information associated with all RUC schemes.

8 Financial Implications

- 8.1 Financial Authority is currently provided through the two-year Budget for 2022/23 and 2023/24, approved by the Board in March 2022.
- 8.2 The sums for which Programme and Project Authority is likely to be sought (and which are being refined further) are set out below.

Activity Areas	Current Financial Authority to 22/23 £m	Current P&PA Authority £m	Additional Proposed P&PA Authority £m	Anticipated Likely Authority Request (£m)							
				2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2017/18 to 2024/25
Road User Charging	310	346	53.7	29	32	48	104	62	124	0	399.7

Table 2: RUC Anticipated Likely Authority Request

9 Assurance

- 9.1 An Integrated Assurance Review (IAR) on the proposed London-wide ULEZ project was carried out in May and June 2022 by the TfL Assurance Team and the Independent Investment Programme Advisory Group. One critical issue was identified due to the continued uncertainty of full funding for the proposed London-wide ULEZ project. Other recommendations focus on ensuring that, despite the pressing time scales for implementation, the business case and supporting project documentation is robust for the design of the proposed expansion. All these recommendations were accepted by the project team.
- 9.2 The Integrated Assurance Plan was updated in July 2022 and sets out the proposed reviews for projects within the wider AQE Programme for the next 12 months.

List of appendices to this report:

Exempt Supplementary Paper (Part 2)

List of Background Papers:

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