Bath & North East Somerset Council		
DECISION MAKER:	**Cllr Anthony Clarke, Cabinet Member for Transport**	
DECISION DATE:	**On or after 14th December 2016**	E2919
TITLE:	**Freight Consolidation Future Options**	
WARD:	All	
AN OPEN PUBLIC ITEM		

List of attachments to this report:

Please list all the appendices here, clearly indicating any which are exempt and the reasons for exemption

Appendix A List of businesses using the service in Bath and North East Somerset

Appendix B Emissions savings and operational statistics

Appendix C List of membership for Employers Travel Forum and Business Network Groups

Appendix D Other schemes information

Appendix E Summary of traffic count at Bath Spa University

Appendix F Charge Auto Press Release

1 THE ISSUE

1.1. The joint Urban Freight Consolidation Centre has been operated by DHL on behalf of Bath and North East Somerset Council (B&NES) and Bristol City Council (Bristol) since 2011. Freight consolidation is where deliveries are diverted to an out of town depot (in this case Avonmouth) from where the “last mile” deliveries are made. These deliveries are combined (consolidated) for more efficient transit. For this scheme deliveries are made using an electric vehicle. The aim is to reduce journeys made by delivery vehicles and contribute towards improved air quality.

1.2. The freight consolidation centre will require ongoing funding to continue. Previous growth predictions necessary for reducing the costs have not borne out. The funding required for the scheme to operate is expected to stay at the current figure which is £270,952 per year across Bristol and B&NES; B&NES current share of this is £124,000. There is £124,000 approved from B&NES reserves for 2016/17, there is no future funding currently approved beyond March 2017.

1.3. The council has marketed the scheme to the best of its ability (see sections 5.25-5.37). This has had a limited impact. Options for bringing the Council's operations on board have been explored as well but neither will provide the necessary growth levels nor are they currently viable (see sections 5.19 – 5.22 and 5.24). However, alternative solutions for reducing council deliveries are being progressed separately (see section 5.23).

1.4. A decision now needs to be made as to whether the scheme should be closed down or whether it should continue to be subsidised at the specified level.

1.5. The current contract ends on 30th November 2017. Prior to this a procurement exercise would need to take place which will have staffing and financial implications. It is estimated this procurement exercise would take a minimum of seven months to complete. Either Council can cancel the scheme ahead of the 30th November 2017 by giving 3 months' notice to terminate the contract.

2 RECOMMENDATION

2.1 The recommended option is to support option 1 which is identified as the preferred option in the report.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 There are resource implications for finance, people and environment arising from the freight consolidation contract.

Financial Implications

3.2 The funding approved from Cabinet will covers the service up to 31st March 2017. The total funding for B&NES (January 2011 to March 2017) is £816,643 split between the funding sources as follows:-

- Civitas Grant = £277,479
- Local Sustainable Transport Fund Grant = £333,635
- Council Funding £205,529 (temporary funding from Council Reserves, £124,000 in 2016/17, £80,389 from previous years)

3.3 The current administration granted funding of the scheme's operational costs up to March 2017 using a temporary budget. The staff resource to manage this scheme is currently funded through Sustainable Transport Transition Year '16/17 (STTY) grant funding from DfT.

No funding is currently in place for staff or operational costs after the end of March 2017.

3.4 **Options Considered**

Option 1 Preferred Option

Operational Impact

A) The current Freight Consolidation Centre is closed at the end of March 2017 with contract notice submitted on the 30th December 2016

B) To mitigate the service impacts from the closure, grant money from the Go Ultra Low Office of Low Emission Vehicles (GUL OLEV) will be used to scope and pilot an alternative consolidation method using small electric delivery trucks and/or electric bicycles serving the city centre.

Financial Impact

A) £0 cost to B&NES.
The current Freight Consolidation Centre is closed at the end of March 2017.

B) £150,000 capital funds from GUL OLEV between April 2018 and March 2021. Using funding secured under the West of England GUL OLEV bid, officers would scope and pilot an alternative scheme covering small electric delivery trucks and electric bicycles for last mile deliveries in the city centre. This is covered in the terms of bid as detailed under section 5.40-5.44

3.5 Other Options Considered

Operational Impacts

Option 2 = The Freight Consolidation Centre remains in operation and is financially supported until the current contract ends in November 2017 and then no further operation is offered.

Option 3 = The Freight Consolidation Centre would continue to be financially supported until the end of the Contract in November 2017. During this time a new procurement process is undertaken to bring South Gloucestershire Council on board from December 2017, and to potentially use a different contract model.

Financial Impacts

Option 2 - £87,000 from B&NES reserves for April 2017 to November 2017

The Freight Consolidation Centre remains in operation and is financially supported until the current contract ends in November 2017 and then no further operation is offered. This would cost £87,000 (staff costs £7,000 and operational costs £80,000). Funding for this is not in place and would need either, approval to drawn down from revenue contingency reserves, or be funded from service savings if available to commit to this option.

Option 3 - £137,000 from B&NES reserves for April 2017 to March 2018, followed by £111,000 per annum thereafter from council revenue.

The Freight Consolidation Centre would continue to be financially supported until the end of the Contract in November 2017 (This would cost £100,000 (staff costs £20,000 and operational costs £80,000) scenario for the period April 2017 to November 2017). Funding for this is not in place and would need approval to drawn down from revenue contingency reserves

During this time a new procurement process is undertaken to bring South Gloucestershire Council on board from December 2017 to potentially use a different contract model (staff resource increased to manage the re-procurement). From December 2017 this option would cost £37,000 (staff costs £3,000 and operational costs £34,000) for the remainder of the financial year 2017/2018. From 2018/2019 onwards under this option costs would be £111,000 per annum (staff costs £10,000 and operational costs £101,000). There is no available revenue funding for this option, this would need to be treated as a service pressure item and funded from future savings subject to approval.

3.6 The reduced costs from December 2017 are subject to South Gloucestershire Council (SGC) joining the scheme from December 2017 and covering 1/3 of the overheads) as well as realising all of the DHL cost savings identified.

People Implications

3.7 There is currently a 0.75FTE member of staff employed to manage the contract under the STTY until March 2017. This is profiled to cost £30,000 for this period; there is no funding in place after March 2017. At this point the staff would move to other projects under the Access Fund if the freight consolidation scheme were withdrawn, or dismissed if Access Fund is unsuccessful. If the scheme continues the financial implications for staff resource to manage the scheme are covered under the options listed in section 3.4. The level of staff resource depends on whether the scheme is running business as usual or going through a procurement process, which will be more resource intensive.

3.8 Any continuation or re-tendering of the scheme includes a requirement for involvement of finance, contract officer and legal teams.

Environmental Implications

3.9 The number of vehicles replaced by the transhipment scheme that travel to Bath is 3 per day, which means 6 journeys in total. The proportional split in vehicle types reported delivering to the depot suggests that 2 of those movements would be LGVs; 2 of those would be rigid HGVs and 2 would be articulated lorries. The nitrogen oxides (NOx) emissions saved by the scheme equates to 0.15% of total traffic emissions on the Lower Bristol Road. The scheme has the effect of reducing heavy duty vehicle emissions by 0.40%. The effect on monitored concentrations of nitrogen dioxide at an existing diffusion tube location on Lower Bristol Road is calculated to be a difference of less than 1 microgram per cubic metre. Assumptions:

a) Assessment based on a 1.6km stretch of the Lower Bristol Road using DfT traffic count 57934 for the year 2015;
b) Emission Factor Toolkit v7 was used to calculate changes in NOx emissions;
c) the scheme replaces 6 lorry movements (outward and return) into Bath on the Lower Bristol Road only.

3.10 If the scheme were to be closed there would be an increase in delivery vehicles accessing the city. Through consolidating vehicles on to electric vans the scheme delivers an annual average reduction of 939 heavy duty vehicles entering Bath. At the last count the total number vehicles of a corresponding type entering Bath was 461,935 (this was counted at site 8 - A4 Newbridge Road - E of A36 Lower Bristol Rd for the period 21st July 2015 to 20th July 2016). Therefore if the scheme is closed there can be an expected an increase of 0.2% in HGVs entering the city.

3.11 In the period January 2011 – October 2016 there were three reported accidents involving cyclists and HGVs greater than 7.5tonnes in Bath. These were all classified as slight accidents. During the same period there were 270 accidents involving cyclists and cars; of these 2 were fatal, 32 were serious and 236 were slight.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 The Conservatives Manifesto of 2015 commits to "Lobby the Government to allow the Council greater scope to reduce the number of HGVs coming into and through Bath, such as the creation of a 'Low Emission Zone' in the city and vehicle weight restrictions, as well as encourage greater use of the freight consolidation scheme." www.bathnes-conservatives.com/transport. This can continue to be met through alternatives such as micro-consolidation (funded under GUL OLEV) or the consolidation of the Council's school food deliveries.

4.2 If the recommended option is accepted, the Council will be continuing to deliver to policy GABP14 by exploring alternative methods of consolidation. GABA39 should be reviewed and consider the inclusion of other consolidation options.

5 THE REPORT

5.1 The freight consolidation centre began as a demonstration project under the CIVITAS Renaissance scheme in 2011. Freight consolidation is where deliveries are diverted to an out of town location (Avonmouth in this case) from where the last mile deliveries are made. These deliveries are combined (consolidated) for more efficient transit – for this scheme an electric vehicle is used. The aim is to reduce journeys made by delivery vehicles and contribute towards improved air quality.

5.2 On average, the percentage of journey reductions achieved for participating businesses is around 78%. There are currently 38 businesses, with 40 premises, in Bath using the consolidation service.   In September 2014 a report was presented to Cabinet that estimated a breakeven point could not be reached within the lifetime of this three year contract but that the operation could be close to a break even position within five years if an increase in freight volumes of 375% could be achieved. The required levels of growth have not taken place, in fact the volumes have fallen, which means the cost of the scheme is still £270,952 per year across Bristol and B&NES.

5.3 Since the loss of Carphone Warehouse as a customer in 2014, the volumes going through the Consolidation Centre have seen a sharp drop, and despite the Council and DHL's continued efforts to market and promote the scheme, volumes have failed to return to baseline levels, increasing the gap between predictions presented in the tender documents of 2014 necessary to reach a breakeven position and the volumes currently experienced.

5.4 Table 1 below shows the percentage increase in volumes required to see a cost reduction (figures taken from DHL tender submission). For this table the year is taken as the contract year – 1st December to 30th November: -

Year	% increase in volumes required for price reduction	Baseline volume in cage equivalents (annual figure)	Increase required in cage equivalents	Annual volume required (Increase plus baseline volume) in cage equivalents	Recorded volume in cage equivalents	required % increase to achieve tender predictions
2013/2014	Baseline	10,883	0	10,883	10,883	0
Year 1 2014/2015	50%	10,883	5,442	16,325	5,038	224%
Year 2 2015/2016	150%	10,883	16,325	27,208	*6,000**	382%
Year 3 2016/2017	225%	10,883	24,487	35,370	*7,000***	405%
Year 4 2017/2018	300%	10,883	32,649	43,532	*8,000***	444%
Year 5 2018/2019	375%	10,883	40,811	51,694	*9,000***	474%

Table 1 Anticipated Volumes

***This is an estimation of likely volumes for this year.**

****For years three, four and five these are estimations of likely volumes and include a low level of growth for each year based on the growth experienced since the loss of Carphone Warehouse**

5.5 The required volumes to see a reduction in costs are significantly greater than actual volumes going through the centre.

5.6 Since April 2016 the Sustainable Transport Team negotiated with DHL to provide in year cost savings to enable a reduction and identify longer term savings. DHL provided several potential savings that could be applied and made over a 12 month period. These savings are identified in table 2 below: -

B&NES	Estimated annual saving for B&NES
Operational cost savings	£2,500.00
Vehicle cost savings	£3,108*
DHL additional customers	£9,000.00
Council additional customers	£13,500.00
Vehicle advertising	£1,500.00
Total	£30,000.00

Table 2 DHL Potential Cost Savings

* This saving has been applied from August 2016 – for the period August 2016 – March 2017 this saving is expected to be £2,072.

5.7 The operational cost savings, DHL, Council and on vehicle advertising figures are estimated and cannot be guaranteed. Discussions with Council Procurement teams indicate the level of suggested savings from additional Council customers is not viable. For the operational savings DHL are undergoing a business consolidation exercise, moving some of their satellite operations to Avonmouth to realise efficiency savings across their operations. This could provide some of the savings they identified in the table, as well as improving the opportunity for marketing the scheme to Bath retailers who are DHL customers on other contracts. Phasing of this will begin in November and continue into January.

Market Potential

5.8 The market potential across other sector freight consolidation centres has been investigated. Schemes are operational at Meadowhall, Southampton, Regent Street, Camden and Newcastle University covering a mixture of retail, public sector and university schemes.

Market Potential

5.9 The commercial viability of schemes in Meadowhall and Regent Street is greater than in Bristol and Bath due to the level of footfall - this is despite having similar numbers of scheme users. Indicative figures show that Meadowhall has over 25million customers[1] every year whilst Southgate in Bath has 17.8million[2]. Meadowhall is also an out of town retail facility whilst Southgate is a town centre facility. There is very limited use by retailers in Southgate as most are large name retailers with their own in house logistics provision. The Freight Consolidation Scheme came online too late in the planning process to insist on its use as a planning condition, and subsequent attempts to market to Southgate retailers has been unsuccessful due to their logistics operation overseen by head office. Regent Street can see weekly footfall figures in the region of 457,006[3] visitors - whilst this is not an out of town facility it is within the capital city. There is limited information available on the Southampton Sustainable Distribution Centre due to short term grant funding and staff no longer being in post.

5.10 The contract type in these schemes is also different to that in Bristol and Bath. The current contract model for Bristol and Bath is a fixed fee closed book contract with the annual fee for the contract to be no greater than £275,952.

Public Sector / Council scheme

5.11 Camden Borough Council undertook a nine month pilot in 2013/2014 to trial freight consolidation for use by Camden and other neighbouring councils. Following the success of the pilot project it was agreed to roll it out for a further three year period. The scheme in Camden has operational costs of approximately £180k per annum and has generated £30,000 income. The scheme costs Camden £150,000 per annum to subsidise the scheme. Discounts of typically 5% - 7% are negotiated with suppliers with supply chain savings made by reducing delivery costs.

University

5.12 The scheme at Newcastle University is operated by Clipper. Items are delivered to the Clipper Logistics facility outside of Newcastle from where deliveries are made to nine designated drop off zones within the university. The project is co-

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[1] http://www.cbre.co.uk/portal/pls/portal/docs/1/56963373.PDF
[2] http://www.britishland.com/news-and-views/press-releases/2014/13-06-2014

[3] https://heartoflondonbid.london/wp-content/uploads/2016/10/WeeklyFootfall_StJamessPiccadilly_Wk42Yr2016_L4L.pdf

funded by Clipper, Newcastle University, the EU and other partners as part of the Smartfusion project. The scheme aims to reduce the need for lorries and vans to enter the university grounds. Discounts have been negotiated with suppliers as this is linked to a centralised purchasing system which facilitates major bulk orders. The scheme at Newcastle University is run on an open book contract basis. Due to commercial sensitivities we have been unable to obtain information on funding costs.

5.13 Bath Spa University signed up to use the scheme for student deliveries in 2014. This was specifically relating to student amazon deliveries however the anticipated levels of use have not materialised due to staff changes impacting on the ability to find the correct niche at Bath Spa. Altering the use of the scheme by Bath Spa University has been investigated with a meeting held July 2016. Bath Spa's motivation for joining the scheme is to reduce vehicle movements and control driver behaviour on site – it was felt this would be easier with one organisation. With the university usage there is also the possibility of furniture storage and moving furniture around using the freight consolidation service. Costings and volumes for this would be determined on a needs basis as and when required as this would involve non-standard items.

5.14 A traffic count was undertaken over a five day period covering 07:00 to 19:00 hours each day to give indicative figures of the maximum potential for usage of the scheme at Bath Spa University. When compared to the operation at Newcastle University, which is broadly successful but yet to break even, 400 goods vehicles were observed entering the site compared to 1,229 at Newcastle. Therefore at Bath Spa University one third of the vehicles observed at Newcastle were seen. .

5.15 The majority of goods vehicles entering the site at Bath Spa came from the Bath direction. Therefore further investigation of is needed to ensure that joining freight consolidation would indeed remove these journeys from Bath's roads.

5.16 Current evidence therefore suggests Bath Spa University would not be the anchor customer necessary to reach a breakeven point.

Procurement

5.17 A retender exercise would take a minimum of seven months. Based on the length of previous procurement exercises if it is a decided to undertake a re-tendering exercise discussions should begin with Bristol City Council as soon as possible. The previous two tender exercises for the freight consolidation centre have seen minimal levels of competition. It is possible that future tenders could be more competitive and therefore lower the cost of the subsidy required; however careful scoping would have to take place to ensure this was the case. If the contract were to be moved to an open book basis which would be possible with a retender exercise it would give the opportunity to reduce costs of the scheme. By moving to an open book basis it would mean that the monthly subsidy would be based on the actual costs incurred for the scheme plus an agreed margin.

5.18 SGC are benefitting from the scheme with around 20 sites using the scheme within their border, SGC has shown interest in joining the scheme during the next round of procurement and if they were to join the freight consolidation scheme this would reduce the current overhead costs. The overhead costs at the moment are split 50/50 between B&NES and Bristol and cost £70,813 each. Based on the current contract figure for overheads if SGC were to join this could reduce the overhead to £47,209 each for Bristol, B&NES and South Gloucestershire.

5.19 There has been consultation and indicative scoping of the potential for additional volumes to go through the scheme by bringing the Council's own supplies through the Freight Consolidation Centre (FCC). The potential here is limited, and it is not anticipated that this would deliver the cost savings identified in 5.6, Table 2.

5.20 Deliveries made to council buildings are often part of trip chains to other customers, which means those vehicle miles into the city would not be removed by the Council switching to the FCC.

5.21 It also prevents the council (and other single customers) from negotiating supply chain savings with the supplier, which could be redirected to pay for the Freight Consolidation Centre service, as was undertaken by Camden Council.

5.22 There are ongoing reviews for purchased items which prohibit a change in the delivery method at present, and which could mitigate the need for Freight Consolidation Centre to provide a reduction in number of deliveries.

5.23 The Procurement team are rolling out a food consolidation solution for schools in the authority area from this September. There are currently around 60 schools participating and the current operation consolidates deliveries of meat, fruit and vegetables at a Keynsham based location, before then delivering on to the schools. This alternative method of consolidation is more affordable to the council than utilising the existing Freight Consolidation Centre, and is tied in with the potential for securing deliveries from local suppliers. There is the potential for expanding this operation to include dairy and dry goods in future operational adjustments.

5.24 Bristol were undertaking similar discussions with their Procurement and Facilities teams regarding the Council's own use but these have been halted. This is because Bristol has identified freight consolidation as a possible saving in their Corporate Strategy Consultation 2017-2022. The results from this consultation will be considered by the Bristol Cabinet in the New Year. If freight consolidation is approved as a saving they would give three months' notice on the scheme.

Driving Growth

5.25 To drive growth in the scheme this year marketing has been undertaken through a number of channels including the Bath and North East Somerset Employers Travel Forum. DHL have continued to market using their contacts. This campaign was drawn up using evidence and feedback of best value for money and effectiveness from previous marketing campaigns.

5.26 A promotional video was developed in 2015 and across November and December 2015 21,414 businesses across Bristol and Bath were sent a link to this along with a link to the travel west website. From this exercise seven conversations were had but no new businesses signed up to use the consolidation scheme. DHL funded this exercise at a cost of £8,806 which covered the data purchase, video production, landing page& email creation, email execution and case story creation.

5.27 Door knocking and leaflet distribution across Bath and Bristol continues on an ongoing basis throughout the contract. DHL also continue to explore development opportunities from within their business. The roadshow team undertook a door knocking and leaflet drop exercise across two days using two staff to promote the freight consolidation service in Bath in February 2015 as part of the preparatory work for the access restrictions. The exercise covered 40 businesses in the Stall Street / Lower Borough Walls area – from this seven businesses expressed interest in finding out more information but this exercise did not result in any additional businesses joining the scheme.

5.28 Target audiences were identified (council procurement teams, existing DHL group customers, large multi brand retailers (such as the Aurora group), Universities and business network organisations and channels that could be used for additional marketing (existing DHL channels, existing business networks, presence at large business events, community awareness, online and feature advertorials).

5.29 DHL were charged with producing a presentation in May 2016 to take to business network meetings demonstrating potential cost savings, how the freight consolidation centre operates and short case studies from existing customers. This would be delivered to local business network organisations including Bath BID, Chamber of Commerce and the Bath Business Club. DHL have experienced resource issues in marketing which have delayed the production of and then prevented the delivery of the presentation. This has meant the marketing plan for this financial year since June 2016 has had to be revised and now concentrates on a feedback gathering exercise to update our understanding of the barriers to joining in preparation of any future freight consolidation work. Due to Bristol's funding difficulties and the uncertainty of the scheme after March 2017 marketing has temporarily ceased.

5.30 Leaflets have been developed and updated for the scheme with the most recent leaflet produced in May 2016. This leaflet was designed to promote both the scheme and DHL's incentive offer for new customers to save 50% on the first three months use of the service. This offer is valid until 31st December 2016 at which point it will be reviewed. This continues the offer that was funded under the LSTF period, and this financial year is funded by DHL. Door knocking exercises and leaflet drops have been ongoing across Bristol and Bath.

5.31 Information has been disseminated at the Bath and North East Somerset Employers Travel Forum which meets three times a year and has 30 active members. At the June 2016 meeting the Consolidation Centre was highlighted, including the current incentive offer.

5.32 Internal marketing has taken place through discussions with procurement regarding the Council's own usage of the scheme, detailed under 5.19 – 5.24.

5.33 A longer term strategy to be progressed after November 2016 identified a number of items including the use of S106 agreements, construction management plans, and freight consolidation in Bath Enterprise Zone as well as use of low emissions zones, this would require further staff resource not costed in this report, and is unlikely to produce enough growth to bring the scheme to a break-even point.

5.34 There have been a number of barriers to growth experienced by the current scheme. The larger high street retailers such as Marks and Spencer or Boots have their own in-house supply chains – this is further demonstrated by the loss of Carphone Warehouse to the freight consolidation scheme in 2014 when Carphone Warehouse became part of Dixons as deliveries were taken back in-house. The Lower Borough Walls/ Stall Street access restrictions have had little impact on the scheme as the retailers in that are predominantly large scale retailers who have capacity to arrange overnight deliveries, thereby unaffected by the restrictions.

5.35 As the freight consolidation centre deals with an almost exclusively retail customer base it is challenging to find the correct contact to speak to regarding the deliveries to store. In addition to this retailers often experience frequent and rapid staff turnover which again adds to the difficulty in identifying the correct channels to go through. This presents a considerable challenge to be overcome as it results in extreme difficulty in being able to build a relationship with staff in store to be able to develop use of the freight consolidation centre. The best method of identifying correct contracts with responsibility for logistics is through DHL's existing contacts.

5.36 A research exercise was undertaken by Bristol City Council for their Old Town area in 2015 which identified a lack of awareness about the scheme despite it operating since 2004 as a key issue. This research exercise identified that it was not one single benefit of the freight consolidation scheme that made the scheme attractive but the combination of benefits that made people interested in the scheme. The use of electric vehicles was considered an attractive benefit for the scheme as it removes the need for a number of larger trucks and lorries.

5.37 Despite continued efforts to develop and market the scheme, it has been extremely difficult to attract significant growth to the scheme beyond that experienced in the first three years of the scheme. To overcome this barrier it would require an additional staff resource – this would have financial implications.

Vehicle reliability

5.38 There have been recent issues with the reliability of one of the electric vehicles – and in both of these cases a Euro 5 diesel vehicle has had to be used instead. This has implications for the monthly emissions figures as well as potential financial implications for the longer term should either one or both of the current electric vehicles needs to be replaced. There is a very limited market for electric vehicles of the size that is currently used and due to this difficulties have been experienced in sourcing replacement parts when needed.

5.39 Vehicle Developments may soon provide low to no emission solutions to all logistics companies without relying on a freight consolidation operation. In a press release dated 3rd November 2016 Denis Sverdlov, CEO of Charge Auto states "We are removing all the barriers to entry for electric vehicles by pricing them in line with conventional trucks, giving every fleet manager, tradesman or company, no matter how big or small, the opportunity to change the way they transport goods and make our towns and cities better places to live in." A new electric heavy goods vehicle is planned for production in 2017.

OLEV

5.40 The WEST of England Go ULTRA LOW bid sought and won £9.8m of funding to "deliver a package of innovative and interconnected initiatives that will result in large-scale uptake of Ultra-Low Emission Vehicles (ULEVs) across the WoE and make a significant contribution to air quality for all of its residents." The Freight consolidation project of the bid continues the existing scheme to provide ULEV freighted goods to local businesses. This will support Ultra Low Emissions Zones and improved air quality.

5.41 £150,000 is identified in the Go Ultra Low Office of Low Emission Vehicles (GUL OLEV) programme budget for B&NES to utilise "'micro' consolidation in the form of small electric vans (such as the NV200) and electric cycles. These consolidation vehicles would be proudly branded and make business-to business deliveries with benefits to business and smaller local traders." This funding is programmed to be spent between April 2018 and March 2021, which allows for some scoping work to be conducted this financial year under the remaining staff resource from Sustainable Transport Transition Year grant, ahead of the GUL OLEV funding kicking in.

5.42 Whilst the current scheme may not be financially viable, freight consolidation could still continue in a different guise. Using GUL OLEV funding presents an opportunity to develop a last mile consolidation centre in the city centre using smaller electric trucks than the current scheme. Detailed discussions would need to be held across the sub region to ensure this would satisfy requirements for the GUL OLEV funding, which is Capital only. It would need to be agreed whether this would be a demonstration project for the lifetime of the funding period only or whether there is further longevity and opportunity for expansion and development. Accurate costings would need to be obtained for likely vehicle costs and account taken of the likely time scales required and information needed to inform a procurement exercise. A scheme such as this would also require a marketing budget.

E-bike deliveries

5.43 An alternative option for a scheme under GUL OLEV would be to consider the development of an e-bike last mile consolidation scheme in the city centre as per those operated in Glasgow, Norwich and Cambridge

5.44 Outspoken! Delivery offer a last mile delivery solution amongst other services for businesses using cargobikes and electric vehicles to create a low impact delivery service with the aim of creating less congested, less polluted and more liveable cities.. Schemes are operated in Cambridge (since 2005), Glasgow (since 2014) and Norwich (since 2015). An e-bike delivery scheme is a possible option under GUL OLEV but sub regional confirmation is required as to what the scope is under GUL OLEV. There could also be an opportunity under a GUL OLEV scheme to work with Bath BID to minimise city centre movements.

6 RATIONALE

6.1 The preferred option is Option One (close the current operation at the end of March 2017). Officers could then be instructed to scope and pilot an alternative scheme under the GUL OLEV funding. This would utilise £124,000 already committed to the end of this financial year and £150,000 available under GUL

OLEV. The GUL OLEV funding is capital funding and could be used to develop a pilot “last mile” scheme using electric bicycles for delivery such as that operated by Outspoken in Cambridge, Norwich and Glasgow. This would also satisfy the manifesto commitment to delivering a freight consolidation scheme. This option is preferred as it means a lower financial commitment but still provides the option to meet the manifesto commitment.

7 OTHER OPTIONS CONSIDERED

7.1 There are a number of options for the future of the freight consolidation scheme:

Option 2 = The Freight Consolidation Centre remains in operation and is financially supported until the current contract ends in November 2017 and then no further operation is offered. This would be above the already committed funds for the current financial year and would be at an additional cost for the period April 2017 to November 2017. This would not be preferred as it does not satisfy the manifesto commitment to freight consolidation.

Option 3 = The Freight Consolidation Centre would continue to be financially supported until the end of the Contract in November 2017 at an additional cost for the period April 2017 to November 2017. This would be above the already committed funds for the current financial year. During this time a new procurement process is undertaken to bring South Gloucestershire Council on board from December 2017 to potentially use a different contract model. This option carries high risk due to the uncertainty over the level of response to a new procurement exercise. There would also be additional costs associated with procurement, therefore this option is rejected.

Option 4 = Considered but not included in the options for this report is to extend the existing contract by 12 months to November 2018. This would require continued revenue funding in excess of £110,000 and offers no benefit over option 3.

Option 5 = Considered but not included in the options is to close the Freight Consolidation Centre in March 2017, and no further operations be offered utilising GUL OLEV funding. This would utilise the £124,000 already committed to the end of this financial year. This would not satisfy the manifesto commitment to freight consolidation and offers no benefit over option 1, the preferred option.

8 CONSULTATION

8.1 Consultation has been undertaken with Bath and North East Somerset Councillors, Bristol City Council, the current scheme provider (DHL), customers, potential users and other providers to inform understanding of other current schemes.

9 RISK MANAGEMENT

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

Contact person	*Jessica Fox-Taylor 01225 394257*
Background papers	*List here any background papers not included with this report, and where/how they are available for inspection.*
Please contact the report author if you need to access this report in an alternative format	