

DECISION-MAKER:	CABINET
SUBJECT:	ELECTRIC VEHICLE CHARGE POINT INSTALLATION AND MANAGEMENT PROCUREMENT
DATE OF DECISION:	14 th MARCH 2022
REPORT OF:	Councillor Rob Harwood Cabinet Member for Customer Services and Transformation

<u>CONTACT DETAILS</u>				
Executive Director	Title	Interim Executive Director, Business & City Services		
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STATEMENT OF CONFIDENTIALITY
Not Applicable
BRIEF SUMMARY
<p>Southampton City Council (SCC) has actively sought to encourage the uptake of electric vehicles (EV's) in the city to realise the benefits to local air quality and reduced greenhouse gas emissions that zero-emission technology can offer. This includes offering EV's free use of the Itchen bridge and reduced rates for parking season tickets. The council has established itself as the largest provider of public electric vehicle charging points (EVCP's) in the city. Using grant funding secured from government it has installed a total of 55 fast chargers and 2 rapid chargers across its car parks. All installation and operational costs have been covered by grants, including providing the facilities on a free to use basis.</p> <p>In 2020 government announced its intention to end the sale of new cars powered by petrol and diesel combustion engines by 2030. The sale of EV's increased by 186% in 2021 and there are now approximately 400,000 electric and 750,000 plug-in hybrids on UK roads. Charging infrastructure will need to grow accordingly to ensure an unhindered transition to EV's. The council has a key role to play by ensuring its public car parks, streets and estates can offer appropriate facilities at the rate and scale of delivery the market requires. By seeking a suitable arrangement with an appropriate supplier SCC can ensure it has the necessary capability to ensure it can satisfy that demand and encourage growth in the local EV market with the benefits it can bring to our environment.</p>

A contract with an external supplier, offering that supplier the opportunity to invest in and operate an EV charging infrastructure across our property, has the potential to attract the level of market expertise and capability needed to provide a step change in EVCP delivery in the city and actively contribute to the achievement of the council's strategic objectives.

Such an agreement may include specific terms to ensure that;

- SCC can benefit from and share in the income generated;
- is safeguarded from future liabilities;
- Is most likely to create a solution which, as far as reasonably possible, is future proofed; and
- there is adequate scope for the development of an EVCP infrastructure to support and encourage the transition to EV's across our communities.

RECOMMENDATIONS:

	(i)	To give approval to proceed with an openly advertised procurement process to seek a supplier to develop, deliver and operate a network of public electric vehicle charging points on Southampton City Council's land holdings including car parks, public highways, and housing land. The final procured arrangement will be operated as a Concession Contract, whereby a single supplier will be appointed to operate the EV charging scheme at no cost to the Council.
	(ii)	To require the Procurement Specification, Tender Pack and Concession Contract takes all reasonable steps to: <ul style="list-style-type: none"> • Limit the liability to SCC; • Optimise the development and growth of the public EVCP on SCC's property and in the city; • Ensure the EVCP network provided is fit for purpose; • Ensure there are appropriate opportunities for delivering EVCP in locations that support the transition to EVs for all of the city's communities, including those locations that might otherwise be commercially less attractive; • Include mechanisms for income-sharing between the supplier and SCC and, subject to the parameters of the concession relationship.
	(iii)	To delegate authority to the Interim Executive Director for Business & City Services (or successor post of equivalent seniority) to stop the pre-procurement process and review options, following consultation with the Leader and Cabinet Member for Customer Service & Transformation, if a Concession Contract is no longer considered to be a practical solution for attracting investment in public EVCP on SCC property.

REASONS FOR REPORT RECOMMENDATIONS

1.	An EV charging infrastructure capable of accommodating the future needs of our city will be reliant upon the timely installation and effective operation of facilities in SCC car parks and on public highway and housing land.
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2.	A specialist EVCP operator has the potential to bring the level of market expertise and investment required to develop a public EV charging network across SCC's property that is fit for purpose.
3.	A Concession Contract is the most appropriate mechanism for providing a third party with the opportunity to invest and operate public EVCP's on SCC property. In the interest of clarity, a concession is not an outsourcing contract nor privatisation.
4.	A Concession Contract offers the opportunity for SCC to realise a share of any income generated.
5.	A 'pay as you go' EV charging network can generate income and external investment to drive its expansion.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
6.	Maintain the existing "owner-operator" model. This will require significant capital investment in EVCP hardware and systems. This in turn will need to be supported by proportionate revenue expenditure to ensure SCC has the expertise available to design and maintain the network. SCC would be undertaking this in a highly competitive environment experiencing rapid technical developments.
7.	As an alternative delivery model, a partnership-based agreement via the appropriate procedure under the Procurement Contract Regulations 2015 would define shared responsibilities between SCC and the supplier/suppliers which can typically include financial contributions, income, and exposure to risk by both parties. A standard concession contract would afford SCC protection from needing to find capital for upfront investment and risk exposure.
DETAIL (Including consultation carried out)	
8.	To date, a high proportion of public charge points have been installed through UK and devolved government funded grant schemes, along with local authority match funding, including those installed by the City Council to date.
9.	One of the challenges in encouraging widespread adoption of electric vehicles (EVs) is the "chicken and egg" relationship between EVs and charging infrastructure. Charging infrastructure needs to be in place to give consumers and businesses the confidence to purchase an EV. Yet, to provide appropriate numbers of charge points, there needs to be an understanding of the level of demand from potential EV users in order to be confident of an adequate return on investment.
10.	However, as the EV charging infrastructure market has matured, so has the variety of procurement models and funding options available to public sector bodies as investor confidence has grown. Private sector partnerships and revenue share arrangements are becoming increasingly common and a viable consideration for some local authorities, depending on the circumstances.
11.	Through some initial soft market testing it is also clear that some operators will be in a position to work closely with the authority on prioritising possible roll out of locations in deliverable phases and using their own demand data modelling and industry information. For example, needs requests from the

	public, mobile app enquiries for EVCP's in locations where there is no EV charge point as yet etc.
12.	<p>Charge point technologies are developing quickly, increasing in power, and reducing in cost. Charge points are primarily categorised by their power, measured in kilowatts (kW), reflecting the speed at which they can charge an EV. The most common categories are:</p> <ul style="list-style-type: none"> • Fast ◦ between 7-22kW ◦ most fast charge points are 22kW ◦ two to four hours to fully recharge, depending on the vehicle ◦ provide up to around 75 miles of range per hour ◦ useful at destinations where EVs are parked for a few hours (e.g. shopping centres). All existing public charge points installed by SCC to date fall within this category. • Rapid ◦ between 43-50kW ◦ most rapid charge points are 50kW ◦ 25-40 minutes for 80% recharge, depending on the vehicle ◦ provide around 100 miles of range in half an hour ◦ useful for EVs parked for a quick break (e.g. service stations, taxis, contractors, commercial vehicles). 2 charge points of this specification have been installed in Southampton specifically for the taxi trade. • Ultra-rapid ◦ over 50kW ◦ several ultra-rapid charge points range between 100kW or 150kW ◦ provide around 200 miles of range in half an hour ◦ at present, few existing EV models can accept an ultra-rapid charge, however newer models appearing on the market are now beginning to ◦ useful for EVs that need to refuel whilst in transit. Similar to refuelling at a petrol station. Significant supply capacity is required for this technology.
13.	To date SCC has undertaken an authority “owner operator” approach to EVCP delivery in its public carparks and highways. A total of 55 fast chargers and two rapids (exclusively for taxi use) have been installed funded by various grants obtained from central government departments. These have been delivered, operated, and maintained by JoJu procured via the Central Southern Regional Framework for Electric Vehicle Charging. These are currently offered on a free to use basis as part of the council’s package of measures to encourage EV uptake.
14.	There are many commercial EV charge point operators or mix of contractor consortiums whereby their business models all tend to work on the basis that they bid to provide a city / town with an EV fully managed service. By working closely with SCC, the operator can design and work with the authority on an EV phased roll-out strategy for the city. For further information on operators, their locations and detailed statistics please see https://www.zap-map.com/
15.	Many of the well organised quality operators are now able to remotely track, monitor and report on the EV usage as well as use self-diagnostic tools to enable them to track charge use, revenue analysis, as well as maintenance requirements of the charging points themselves. Some can also remotely “sense” when a charge point is out of action.
16.	Through their own apps and back-office operations, quality operators manage their own entire business and assets, the whole charging process, including taking any payments from each user, giving users educational and safety behaviour instructions, maps of EV charging points in the city, plus any concessions or regular user discounts and so on. The EV operator will

	also undertake their own marketing and communications to promote EV uptake and share behavioural elements, whilst working with stakeholders. They are able to conduct this at a national level and then ensure trends, experiences and economies of scale are shared at a local level.
17.	In October 2021 an EV Charge Points Concession Options Appraisal and Proposal was presented to Councillor Harwood, Cabinet Member for Customer Service and Transformation and Councillor Moulton, Deputy Leader and Cabinet Member for Growth. See Appendix 1. A preference was expressed for a Concession Contract to be pursued.
18.	To achieve the desired outcome, a Procurement Specification, Tender Pack and Concession Contract would need to be designed so it sets out the local authority's expectations of a supplier and standards which would need to be held to, including; <ul style="list-style-type: none"> • key performance indicators (KPIs) • expectation concerning the integration of the Council's existing network of public EV charge points, • Assurances concerning the location, charger type and scale of expansion,
19.	Furthermore, the terms of the Concession would need to stipulate that the supplier would be responsible for each stage in the delivery of a charge point including feasibility, surveys, installation, liaison with the District Network Operator (DNO) to secure connection licenses, repair and maintenance, signage, back-office monitoring, promotion of the network and customer support.
20.	The Concession Contract we would look to adopt is a mixed contract (both Works and Services) as defined in the CCR2016 and whichever provision characterises the main subject-matter of the contract will determine if the overarching contract is works or services. At this stage we suggest it will be a services contract given the significant time spent prior to installation and on post-installation maintenance, management, and customer service.
21.	The Concession Contract would also need to state that charge points are to be considered in all areas of the city and cover both residential areas alongside the city centre. So will be a city-wide scheme, proposed in a phased roll out format.
22.	A Concession Contract offers the opportunity for SCC to realise a share of any income generated. However, this would be subject to the operator's payback period on their initial investment cost model which they will be asked to demonstrate in the tender submissions.
23.	A suggested delivery timetable is included in Appendix 1. The timescales are indicative at this stage and likely to change as the needs of the Contract are better understood. The implementation dates suggested is also dependent on having adequate resources available within the project delivery team from the onset.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	

24	<p>A pre-procurement costing exercise will need to be conducted to establish the contract value and associated income sharing opportunities for SCC. Initial soft market testing would suggest the total contract value over its term would exceed the concession contracts threshold (currently £5,336,937 ex vat) and the process and timescales would be dictated by Concession Contracts Regulations 2016.</p>
25.	<p>The Concession Contract aims to ensure development and operation of a EVCP at no cost to the council and without any capital investment from its funds.</p> <p>However, this is predicated on the following assumptions:</p> <ol style="list-style-type: none"> a. The bidders accept they will be responsible for providing all surveys, civil works, ground works, electrical and mechanical works as well as the installation of their charging points, service, maintenance, back office, and service team, as a full turnkey service in their tender submissions. b. The bidders accept they will be responsible for any land, highways, planning, and legal activities to deliver the scheme. c. It will require officer time for the pre-procurement work packages, procurement, enablement to launch and ongoing monitoring and management of the contract, which will necessitate an ongoing revenue cost to the authority. d. It is anticipated the preliminary Concession development and procurement work will be absorbed within existing resource. However, some project management and specialist, expert support may be required, although the Energy Savings Trust are already engaged to assist on some elements to reduce this need. Any associated costs are not anticipated to be significant and there is scope to cover these from existing budgets in Green City assigned for this purpose. e. Following the adoption of the Concession Contract, officer resource will be required for ongoing contract and relationship management, and to provide project management resource to manage EV incentives, promotion, and future planning to inform any phased roll outs.
<u>Property/Other</u>	
26.	<p>The Concessions Contract will provide a third party with the opportunity to accommodate EVCP facilities on SCC property where car parking restrictions provide appropriate access. In some cases, it might be appropriate for those parking arrangements to be amended to accommodate effective use of the EVCP e.g. introducing a short-term parking restriction to ensure effective use of a rapid charger by multiple customers. Such changes can only be agreed by SCC and in accordance with its agreed policies.</p>
27.	<p>All infrastructure and street furniture installed under the Concessions Contract on SCC property will be subject to the usual approvals and polices required by SCC, including planning approvals were relevant.</p>
28.	<p>The introduction and maintenance of EVCP is likely to include works that can cause disturbance to property and inhibit access from time to time. The</p>

	supplier will be expected to manage this in accordance with the same best practice followed by other utility companies.
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LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

29.	The procurement process will be conducted in accordance with the Council Constitution, Part 4 - Contract Procedure Rules. Section 15 - The Concession Contracts Procedure.
30.	The procurement of a Concession Contract is governed by the Concession Contracts Regulations 2016.

Other Legal Implications:

31.	Any Concession Contract introduced will need to robustly address immediate and future assets, liabilities and warranties associated with the infrastructure placed on its property.
32.	The Procurement Specification, Tender Pack and Concession Contract will ensure all highways-related and other general powers related to the installation of EVCP are appropriately addressed.

RISK MANAGEMENT IMPLICATIONS

33.	A review of existing local authority practice suggests there are currently no concession agreements of this type and scale in place. SCC cannot call upon existing specifications or experiences as a guide. As such we have identified a number of challenges that the process will need to manage.
34.	In development of the specification, a concessions agreement could be found to no longer to be the best option or even suitable. Other models such as a partnership arrangement might be more appropriate.
35.	It is not possible to confidently gauge how much appetite there will be in the market for the contract without understanding the liabilities and limitations it might eventually present. If there are no bids or none fulfil our minimum requirements, SCC will need to review its options including continuing under the "owner operator" model using its own capital funding and grant funding.
36.	SCC may find in development of the specification or, in the assessment of the bids that it will not be possible to ensure sufficient infrastructure development can be directed at supporting EV uptake in environments where short-term returns on investment might be restricted. SCC is not required to issue a contract if it is able to demonstrate that its minimum requirements have not been fulfilled and must ensure these are included in the specification without ambiguity.
37.	SCC may find in development of the specification or, in the assessment of the bids that future investment in the city's EVCP infrastructure is significantly constrained if the concessions agreement is prevented from utilising central government grants.
38.	SCC will need to find a solution to accommodate its existing EVCP hardware and management contracts within the concessions agreement or where not possible exclude them. The former must ensure that the value and liabilities associated with these assets is given due consideration. If

	they are to be excluded from the agreement it must be recognised that this could undermine the exclusivity of the arrangement and supplier interest.
39.	<p>A preliminary assessment of the market suggests suppliers would typically look for a return on their investment in a 7-10 year timeframe.</p> <p>A concessions agreement is typically issued for a 3-5 year timeframe. However, there is scope for this to be extended to 10-15 years where there is sufficient justification, but this cannot be to reduce the economic operating risk to the supplier as this would no longer count as a concession contract under the CCR16. This includes any return on investment as the supplier must be exposed to a potential loss on its investments and costs. As part of procurement process, SCC will need to ensure there is a clear understanding of responsibility and ownership of the assets and liabilities when the agreement ends, ensuring that service continuity would not be compromised.</p>
40.	To class as a concession contract subject to the CCR16 the potential supplier must be exposed to a potential loss on its investments and costs, and it should not be merely nominal or negligible risk.
41.	Timescales have been reported in Appendix 1. However, managing the risks described above presents multiple opportunities for tasks to require more attention than currently understood. The start date is also dependent on having the appropriate project management resource available from this point. Therefore, the implementation date of December 2022 must be accepted as estimate at this stage and may experience significant slippage.
POLICY FRAMEWORK IMPLICATIONS	
42.	A concessions agreement promises to help fulfil the aspirations of the Green City Action Plan by <i>“developing a growing network of EVCP’s across the city”</i> that will in turn help to reduce tailpipe emissions, address carbon emissions, and improve local air quality
43.	The Southampton: City of Opportunity 2021-2025 Corporate Plan sets out a clear ambition for Southampton to be an entrepreneurial city that delivers business growth and new jobs and opportunities by being at the forefront of the journey to net carbon zero by 2050, with a specific commitment to ‘Deliver Electric Vehicle (EV) charging across our estates’.
44.	The government’s Road to Zero strategy brought forward the ban on new cars powered solely by petrol or diesel internal combustion engines by 10 years, to 2030. That heralds a step change in the transition to EV’s for private transport and the need for an EV charging infrastructure able to accommodate the shift without causing social or economic barriers.

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	

Appendices	
1.	Estimated Timeframes
2.	Briefing Paper - EV charge points concession options appraisal and proposal. 21/10/2021
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes/No
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
Other Background Documents	
Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None

