

Title of meeting:	Cabinet Member for Transport
Date of meeting:	20 March 2024
Subject:	Future Transport Zone – Portsmouth Micro Consolidation
Report by:	Felicity Tidbury, Assistant Director Economy, Planning and Transport
Report Author:	Gareth James, Transport Strategy Team Leader
Cabinet Member:	Councillor Gerald Vernon-Jackson, Cabinet Member for Transport
Wards affected:	Charles Dickens, St Thomas, Fratton, Milton, Baffins, and Central Southsea.
Key decision:	No
Full Council decision:	No

1. Purpose of report

- 1.1. This report provides an update on the Solent Transport Future Transport Zone (FTZ) Portsmouth micro consolidation project. It outlines the approach to appointing an operator and next steps for final site selection.

2. Recommendations

It is recommended that the Cabinet Member for Transport:

- 2.1. **Delegates authority to the Assistant Director of Economy, Planning, and Transport, in consultation with the Assistant Director for Procurement, and the Cabinet Member for Transport and Opposition Spokespersons for Transport to, award and enter an operating agreement with the operator that the selection process outlined in this report, indicates will best meet the requirements of the FTZ micro consolidation project in Portsmouth.**
- 2.2. **Delegates authority to the Assistant Director of Economy, Planning, and Transport, in consultation with the Cabinet Member for Transport and Opposition Spokespersons for Transport, to select one site for the operator to run the micro-consolidation project from, subject to receiving planning consent, noting that the two potential sites, namely Cascades Shopping Centre and The Bridge Shopping Centre, were shortlisted following a rigorous site selection process as detailed in this report.**

3. Background

- 3.1. In March 2020, Solent Transport was awarded £28.8m of funding from the Department for Transport (DfT) FTZ programme to implement a programme of trials of innovative approaches to transport across the Solent area. The FTZ programme and its funding is due to conclude on 31 June 2025.
- 3.2. Theme 2 of the FTZ programme consists of innovative approaches to urban logistics, aiming to move goods more sustainably through urban areas, reducing transport and its wider impacts. Implementation of a micro consolidation hub trial in Portsmouth, is one of the FTZ theme 2 funded projects.
- 3.3. Parcel logistics models commonly in practice involve deliveries being completed directly from a depot or sub-depot to final delivery address undertaken by vehicles with petrol or diesel engines. Micro consolidation hubs are facilities where deliveries from depots can be dropped off, sorted and then transferred onto a lower emission vehicle such as a cargo bicycle, or electric vehicle for onward delivery to its final destination.
- 3.4. Micro consolidation hubs have the benefit of reducing the number of delivery vehicles in the city and compared to using traditional combustion powered vehicles will contribute to improved air quality and reduced congestion. The use of cargo bicycles is also beneficial as they occupy less space on the road in transit and when parked, navigating urban areas more easily by accessing cycle lanes and narrow streets and reducing demand on parking spaces. This leads to more efficient deliveries particularly at peak times.

Policy Context

- 3.5. Policy O of Portsmouth Transport Strategy outlines measures to deliver micro and macro freight-consolidation measures, supporting businesses and other organisations to consolidate their operational journeys, including use of zero emission vehicles for last mile delivery. The policy goes on to state that micro consolidation must be based close to specific locations with high demand for deliveries and could see the use of e-cargo bikes for last mile deliveries. The proposed location for the micro-consolidation units are within high density areas and town centre locations, aligning with the conditions outlined in Policy O.
- 3.6. The proposal would reduce the number of vehicles required, particularly larger more polluting vehicles, in line with Policy PCS17 Transport of the Local Plan, which highlights the need to provide a sustainable and integrated transport network.
- 3.7. The key driver of the micro-consolidation project is to promote the use of more sustainable modes of transport to deliver parcels in high density areas such as Portsmouth City Centre and Fratton District Centre. Due to the density of the surrounding area, deliveries would be undertaken via cargo bikes, with the hub to be serviced by one electric delivery van up to three times a day, or a single larger

vehicle to bring in a single delivery each day. This will help reduce the number of motorised vehicles in the city in line with transport policy in the Local Plan.

- 3.8. A new Portsmouth Local Plan is currently being developed, which will seek to deliver the Imagine Portsmouth 2040 Vision. Regarding one of the proposed sites detailed below, The Bridge Shopping Centre, it should be noted that the emerging Local Plan addresses Fratton District Centre strategies in Policy E5. If adopted, this would support the case to convert the specified unit, as it “encourages the use of vacant units and/or the redevelopment underutilised blocks”. The same policy of the draft Local Plan also states that “Proposals could seek to develop upon the existing key features of the area, for instance: ... Regeneration opportunities for identified vacant or underutilised development plots, such as The Bridge Centre.”
- 3.9. Whilst the draft Portsmouth Local Plan 2038 (Regulation 18) has not yet been adopted, it should be noted that it contains an aspiration for freight consolidation centres within Portsmouth in Policy C3. It states that “freight consolidation centres will help to reduce the number of large delivery vehicles requiring access into the city by transferring freight onto small electric bikes and vans,” and outlines the council’s objective to “deliver freight consolidation centres that reduce the number of large vehicles on ... streets, while reducing costs for businesses.”
- 3.10. The National Planning Policy Framework (NPPF, 2023) sets out the Government’s planning policies for England and how these should be applied. The NPPF is a material consideration in planning decisions, and at its heart is the presumption in favour of sustainable development.
- 3.11. The proposal supports Objective 4 of the Portsmouth Air Quality Strategy 2017-2027, aiming to develop and implement measures to reduce traffic and congestion-related emissions, addressing road network flow and functionality in the plan period.
- 3.12. The benefits of consolidation centres are also recognised by the council in the Air Quality Local Plan 2019. Section 8.4.3 outlines the value for money case for a Sustainable Distribution Centre (SDC), citing the reduction of commercial vehicles in central Portsmouth which leads to reduced congestion, improved travel time, reduced emissions, noise and accidents. The plan also identifies the potential to further reduce emissions through transferring delivery into cleaner vehicles in “last mile” journeys in the same section, closely aligning with the principle of the micro-consolidation facility.
- 3.13. While the Cascades site is located inside the Clean Air Zone and the Bridge Shopping Centre is located outside it, operators will be required to ensure all their vehicles are compliant with the council’s Clean Air Zone standards regardless of the site selected.

4. Portsmouth micro-consolidation hub

- 4.1. This project will trial a micro consolidation hub in Portsmouth. The trial will act as a demonstration for how the concept can be scaled up in the city and across the Solent area while also informing national policy on urban freight.
- 4.2. The trial will be delivered in partnership with a logistics business who will be responsible for management and operation of the hub for the duration of the trial (“the operator”). Solent Transport are providing project management supported by relevant officers at Portsmouth City Council. Solent Transport’s research partners at the University of Portsmouth (UoP) are supporting with hub site selection and monitoring and evaluation.
- 4.3. FTZ funding is available to support the trial until May 2025. This will be used to identify a site, undertake works, acquire the necessary approvals to facilitate micro consolidation operations and support monitoring of the trial. Funding could also be utilised by the operator to subsidise operations for the trial period.

Site Selection

- 4.4. **Longlist:** The trial is dependent on finding a suitable location to host the micro consolidation hub in Portsmouth. UoP initially created a longlist of over 50 potential sites following a desk-based exercise which aimed to present sites that offered a wide distribution across the city, a mix of use classes, variety in building type and proximity to housing and industry.
- 4.5. **Longlist Sifting:** This longlist was then reviewed by council officers, Solent Transport and academics in a series of workshops and visits to rule out any that were practically unviable or introduce any new sites. This created a shortlist of 13 sites. The shortlisted sites were then reviewed against a set of agreed criteria to assess how each site would objectively ‘score’ when purely based on the criteria. The criteria, and sub criteria, are as follows:

Criteria	Sub criteria
Availability	Likely short-term availability (3-12 months), Likely medium-term availability (12-24 months), the ability for a site to expand should need/demand increase
Social/environmental impacts	Social impacts Environmental Impacts
Parking Spaces	Parking spaces (capacity), Parking spaces (Peak utilisation)
External Access	Existing site access, Height barrier and Step free access for vehicles? (site access)
Highway Capacity	Surrounding road network congestion, surrounding cycle infrastructure
Payment/Hours	Payment System, Opening Hours
Internal operations	Any working or storage space? Traffic Regulation Orders on local highway access?

	Internal turning circles Step free access for bikes/people?
Utilities	Lighting/power supply, Water & Electricity supply, toilets and staff welfare facilities
Security	Security features (e.g. CCTV, gates, fencing, Security (building) doors, windows, secure cycle storage, access for other users)
Visibility	Visibility to public (for marketing/awareness)
Density	Density of/proximity to delivery destination locations, proximity to industry/ suppliers

- 4.6. **Shortlist:** The two available locations that scored highest against the criteria are Cascades Shopping Centre and The Bridge Shopping Centre, so they were taken forwards for further scoping. Another site at Hilsea Industrial Estate scored negligibly more than The Bridge Shopping Centre as shown below, but a tenant was secured for it late last year and it was thus removed from further consideration.

Locations	Grouped & Weighted Score
Best Example	10.0
Cascades 1st Floor (accessed from rear of NCP)	8.7
Unit 20 Hilsea Industrial Estate	8.0
Bridge Centre Fratton Road	7.9

- 4.7. Planning permission will likely be needed at both shortlisted locations, and the council commissioned planning consultants at AtkinsRéalis to prepare site appraisal reports and steer the project through the planning process.

Operator Selection

- 4.8. The mechanism for entering an agreement with a preferred operator has not yet been decided upon. The options being considered include letting the operator arrangement based on a clearly defined, closely managed grant agreement or via a service concession contract. The former grant option may be simpler to implement but would not provide the level of security of the concession contract option.
- 4.9. This mechanism will be informed by the market testing phase of operator selection. However, as the value of the arrangement falls below the current Public Concessions Regulations (2016) threshold of £5,372,609 (inclusive of VAT), and allocation of grants are generally not subject to the procurement regulations, the competitive process run to select an operator will follow the general approach set out below.

- 4.10. **Market Testing:** Initially the project team will contact logistics businesses that may have an interest in working with Solent Transport and the council on trial delivery, asking for their expression of interest in the project. This will be targeted to organisations with experience and a track record of delivering schemes with a similar model in the UK. Following expression of interest, the operators will be invited to a briefing with Solent Transport, PCC officers, and other project partners where feedback and input will be invited.
- 4.11. **Specification:** Using the information acquired during the industry market testing phase to refine scope including, but not limited to, the site works, planning documentation, contracting model (grant or concession) and subsidy approach. This will feed into a final specification that will outline objectives of the trial, requirements for operations and constraints.
- 4.12. **Appoint Operator:** Responses to the specification will be reviewed and the operator that best meets the requirements of the trial will enter an agreement with the council to deliver the trial. As noted, the specific mechanism for this agreement remains to be confirmed but will be confirmed in consultation with the council's legal and procurement teams, and other officers where appropriate.

Trial Mobilisation

- 4.13. An outline schedule for trial mobilisation is as follows:

Milestone	Date
Shortlisting of site	Complete
Confirm hub design	Feb to March 2024
Market testing	Feb to March 2024
Final site selection	March 2024
Operator selection	March to May 2024
Site fit out	March to May 2024
Planning decision	May 2024
FTZ Trial Launch	June 2024
FTZ Trial Ends	May 2025
Potential to operate commercially	May 2025 onwards

- 4.14. In addition to the existing project team, it was recognised that industry expertise is required to align site scoping with the future operator needs. To support this, the council commissioned Decarbon Logistics Solutions (DLS), who have worked with local authority partners to deliver similar schemes in London and across the UK.
- 4.15. DLS will also be supporting trial mobilisation. They will advise on the final hub design, contractor requirements, document requirements (e.g. RAMS, SOPs, method statements) and manage the handover to the appointed hub operator.

Monitoring and Evaluation

- 4.16. A critical component of the trial will be monitoring and evaluation (M&E). Data on its performance and process related lessons will be captured which will inform local and national policy on micro consolidation hubs. This work will be delivered by UoP with oversight from the FTZ's M&E consultant's TRL.
- 4.17. The UoP's methodology allows comparisons to be made on the impact of applying different delivery models, such as diesel vans, electric vans or cargo bicycles delivering from depots direct to delivery addresses, or via a consolidation hub.
- 4.18. The methodology is based on the following steps:
- Step 1: Establish key performance indicator (KPI) costs per parcel and per mile including economic, social and environmental costs, for all delivery vehicle types, relevant to the Solent area context.
 - Step 2: Apply mathematical and simulation modelling for scenarios of delivering to the micro-consolidation hubs to all customers.
 - Step 3: Apply the baseline KPI cost figures to the modelled number of parcels and distance travelled in the different scenarios to confirm the economic, social and environmental impact.
 - Step 4: Determine the impact of the trials on the business-as-usual freight footprint on the local road network.
- 4.19. The methodology has been refined using a sample set of data provided by a commercial operator in Portsmouth, including refinement to the metrics required to calculate the KPIs.
- 4.20. During implementation of the trial, the trial will require the operator provide data that covers the required KPI metrics, including but not limited to costs (e.g. equipment costs, resource costs, overheads) and operational (number of customers, deliveries, vehicles used, journey data).

5. Reasons for recommendations

- 5.1. The micro consolidation project is an important part of Theme 2 (Urban Logistics) Solent FTZ programme and is well-aligned with the council's transport and planning policies, as it would help promote the use of more sustainable modes of transport to deliver parcels in high density areas, reducing the negative impact of freight journeys.
- 5.2. Both potential sites, Cascades Shopping Centre and The Bridge Shopping Centre, were shortlisted following a rigorous site selection process that indicates they would be well-suited to accommodating a micro consolidation hub, subject to planning consent being received and consideration of any conditions that might be imposed.

- 5.3. The selection of an operator for the chosen site is being well-informed by market testing of experienced organisations and support from a consultancy with specialist expertise in this emerging sector, as well as the council's procurement department.
- 5.4. The project is fully funded through the Solent Transport FTZ programme and can be delivered and evaluated before the FTZ programme ends in June 2025.
- 5.5. The council is working with Solent Transport to understand how some projects within the FTZ programme might continue beyond June 2025 and be incorporated into "business as usual" for the council, noting any resource implications. The highly innovative nature of micro consolidation makes it hard to predict its potential to become self-sustaining, but options to achieve this will be explored and any ensuing recommendations will be brought to a future Cabinet Member for Transport meeting.

6. Integrated impact assessment

- 6.1. An integrated impact assessment has been completed for this project and is included with this report as Appendix A.

7. Legal implications

- 7.1. Legal Services will advise and assist in connection with the selection and implementation of an appropriate mechanism for appointing an operator to deliver the trial.
- 7.2. As stated in the body of the report, the above will comprise a service concession contract or grant agreement, and a form of licence permitting the operator to occupy council owned land for the purposes and duration of the trial is also likely to be required.

8. Director of Finance's comments

- 8.1. Project costs associated with the development and running of the Portsmouth micro consolidation trial will be met by Solent Transport, in accordance with funding allocated as part of the Future Transport Zone programme.
- 8.2. FTZ Funding is available to support the trial until May 2025. This will be used to identify a site, undertake works, acquire the necessary approvals to facilitate micro consolidation operations and support monitoring of the trial. Funding could also be utilised by the operator to subsidise operations for the trial period.

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Signed by:

Appendices:

Appendix A: Integrated Impact Assessment (IIA)

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Solent Future Transport Zone Update Report, 29 th February 2024 Transport Committee Meeting	https://democracy.portsmouth.gov.uk/documents/s50687/FTZ%20update%202024Feb.pdf
Solent Future Transport Zone Bid Report, 29 th October 2020 Traffic and Transportation Committee Meeting	https://democracy.portsmouth.gov.uk/documents/s28558/TT%2029%20Oct%2020%20-%20Solent%20Future%20Transport%20Zone%20report.pdf
Portsmouth Transport Strategy (Local Transport Plan 4)	https://www.portsmouth.gov.uk/services/parking-roads-and-travel/travel/local-transport-plan-4-ltp4/
Portsmouth Local Plan (current Local Plan, and draft new Local Plan)	https://www.portsmouth.gov.uk/services/development-and-planning/planning-policy/portsmouth-local-plan/
Portsmouth Air Quality Strategy, 2017 - 2027	https://www.portsmouth.gov.uk/wp-content/uploads/2020/04/env-air-quality-strategy.pdf
Portsmouth Air Quality Local Plan 2019	https://www.portsmouth.gov.uk/wp-content/uploads/2020/04/air-quality-local-plan-2019.pdf

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by Councillor Gerald Vernon - Jackson, Cabinet Member for Transport