

Public Report

Birmingham City Council

Report to Cabinet

Date: December 11th 2018



Subject: BIRMINGHAM CLEAN AIR ZONE SUBMISSION OF FULL BUSINESS CASE AND REQUEST TO PROCEED WITH IMPLEMENTATION

Report of: CORPORATE DIRECTOR, ECONOMY

Relevant Cabinet Member: Councillor Waseem Zaffar, Transport & Environment

Relevant O &S Chair(s): Councillor Liz Clements, Sustainability & Transport Overview & Scrutiny Committee

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 005642/2018		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential: Information has been made exempt from this report as it contains commercially sensitive details which could prejudice the planned procurement activities which are required to deliver the proposals contained herein. The exempt information is detailed in a Private report.		

1 Executive Summary

1.1 The purpose of this report is to seek approval to submit a Government Full Business Case (GFBC) and Clean Air Fund (CAF) bid to Government for the

implementation of a Clean Air Zone (CAZ) in Birmingham. The proposed CAZ has previously been discussed by the Cabinet and approval was granted to consult on a CAZ (June 27th 2018) and to submit a Preferred Option Business Case (POBC) (September 10th 2018) to Government.

- 1.2 Upon approval of this report the City Council will proceed to appoint contractors and agree a Target Cost for the main civil engineering works, enabling the submission of a firmed up project cost to Government, anticipated to be in January/February 2019. The City Council will also proceed with the drafting of a Charging Order for the Clean Air Zone and the appointment of the necessary staff (subject to further approvals) to manage the implementation and operation of the CAZ.
- 1.3 Appendix A of this report, the Government Full Business Case (GFBC) provides an indication of the funding and funding profile required and to be requested for the implementation of a CAZ D plus Additional Measures and Mitigation Measures and Exemptions. The final estimated costs and profile are to be agreed following the conclusion of the procurement process and agreement of a Target Cost for the main civil engineering works. The current estimate of total project cost is £68.706m. The cost of the CAZ programme is to be funded via a funding grant which will be provided by Government. This grant will be made up of a combination of revenue and capital; split between revenue and capital to be confirmed in the final funding request.
- 1.4 The City Council's governance process requires an Options Appraisal (OA) report to be submitted for approval by the Cabinet which sets out the options available for the delivery of a project and requests approval to proceed with project development. Appendix B of this report is the OA for the CAZ Programme. This report seeks approval to the OA and the Recommended Option, CAZ D plus Additional Measures, and to proceed with project development in line with Appendix B.
- 1.5 Approval is also requested for the release of interim development funding from the Transportation & Highways Capital Budget at a total value of £0.440m. This funding is required to enable progress with elements of the programme to GFBC stage, in advance of the receipt of grant funding from Government and will be repaid following the submission of the final funding request and subsequent receipt of grant, anticipated to be March 2019.
- 1.6 It is estimated that a core team of 10 staff will be required to manage and administer the CAZ on an ongoing basis, including mitigation measures and exemptions with the size peaking at 27 during mid-2019. A subsequent report and business case will be submitted for approval when the staffing requirements have been finalised, in line with Recommendation 2.12. The purpose of this team is to manage and administrate the mitigation measures and exemptions, funding for this will be via a Government grant and is included in the funding request being made in the GFBC. This team will continue to manage the business as usual (BAU) operation of the CAZ when the mitigation

measures and exemptions have expired, the BAU activities will be funded via the CAZ generated revenue.

- 1.7 A Project Management team of approximately 13 people is required throughout 2019 to manage the implementation of the project. A subsequent report and business case will be submitted for approval, in line with Recommendation 2.12. Funding for this team will be through Government grant and current estimated costs are included in the funding request being made via the GFBC.

2 Recommendations

- 2.1 Approves the Options Appraisal (OA) and the Recommended Option for the Clean Air Zone (Appendix B).
- 2.2 Approves the final proposals as detailed in Section 4 and Appendix A and authorises the submission of the Government Full Business Case for the Clean Air Zone (see Appendix A) to Government.
- 2.3 Approves the Procurement Strategy as set out in Appendix B2.
- 2.4 Approves the final proposals as detailed in Section 4 and Appendix C and authorises the submission of the Clean Air Fund Report (Appendix C) to Government.
- 2.5 Notes that the funding and the funding profile requested in Appendix A is an estimate, and that the City Council is required to confirm costs and profile upon the confirmation of the Target Costs for each work stream.
- 2.6 Delegate's authority jointly to the Cabinet Member, Transport & Environment, the Corporate Director, Economy and the Corporate Director, Finance & Governance to submit a subsequent report to Government, in line with 2.4 above.
- 2.7 Delegate's authority to the Cabinet Member, Transport & Environment, the Corporate Director, Economy and the Corporate Director, Finance & Governance to accept the funding from Government subject to Secretary of State approval of the GFBC.
- 2.8 Notes that a City Council Full Business Case (FBC) will be brought forward for separate CAZ work streams in line with the Council's governance procedures and Gateway and Related Financial Approval Framework. Details of the BCC FBC's which will be brought forward are given in the Options Appraisal (Appendix B, Section 11).
- 2.9 Delegate's authority to the Corporate Director, Economy jointly with the Corporate Director, Finance & Governance to approve the City Council FBCs in line with 2.7 above up to a value of £2.00m, subject to confirmation of funding.
- 2.10 Delegate's authority to the relevant portfolio holders jointly with the Corporate Director, Economy and the Corporate Director, Finance & Governance to

approve the City Councils FBC's in line with 2.7 above up to a value of £10.00m, subject to confirmation of funding.

- 2.11 Approves the release of interim development funding of £0.440m through the Transportation & Highways Capital Budget to progress individual projects to Full Business Case stage, in advance of the receipt of grant funding from Government, and delegates authority to incur expenditure to Assistant Director Transportation & Connectivity in accordance with the Council's governance procedures and Gateway and Related Financial Approval Framework, (see Section 7.3.7 for further information).
- 2.12 Delegates approval to award the contracts as listed in Appendix B2 to the Corporate Director, Economy, the Director of Commissioning and Procurement, the Corporate Director of Finance and Governance (or their delegate) and the City Solicitor (or their delegate).
- 2.13 Notes that the Order for the CAZ to enable implementation of the recommended option, in line with the GFBC, will be submitted to Cabinet for approval. The Order is scheduled to be produced by April 2019.
- 2.14 Delegate's authority to the Cabinet Member, Transport & Environment jointly with the Corporate Director, Economy to approve subsequent FBC's for the recruitment of staff resources required for the implementation stage and ongoing business as usual stage, subject to confirmation of funding.. Recruitment of any staff will be in line with the existing City Council recruitment process and internal City Council sign off processes. Authorises the City Solicitor to negotiate, execute, seal and complete all necessary documentation to give effect to the above recommendations.

3 Background

- 3.1 The proposal contained in Appendix A, Appendix B and Appendix C is for a Class D Clean Air Zone which would be implemented in response to National and European requirements for Birmingham to achieve compliance with the EU Directive on legal Nitrogen Dioxide (NO₂) limits in the shortest possible time (see Section 7.2).
- 3.2 Several reports have previously been submitted to the Cabinet for approval of various stages of the CAZ programme, each report being a development upon the last. The list below summarises the reports which have received Cabinet approval thus far:
 - 3.2.1 Tackling Air Quality in Birmingham, Cabinet Report, June 26th 2017 – approval to consult on the CAZ proposals;
 - 3.2.2 Birmingham Clean Air Zone submission of a Preferred Option Business Case to Government, 10th September 2018.
- 3.3 The GFBC Appendix A is required by Government to set out Birmingham's case for implementing a CAZ and to act as the mechanism for requesting the necessary funds.

3.4 The Options Appraisal (OA) Appendix B sets out the appraisal of options, and proposes the Recommended Option for how the project is to be implemented (in line with the Council's Gateway and Related Financial Approval Framework). It sets out the programme and strategy for delivering the CAZ and will be followed by a series of FBCs for each work stream (see Section 12.0 of Appendix B).

4 Options considered and Recommended Proposal

4.1 The options appraisal for Birmingham's CAZ D plus Additional Measures has been detailed in previous reports (see Section 3.3) and is set out in Section 2.2 of Appendix A. Since approval of the September 10th 2018 report (see Section 3.2.2) the modelling of the proposed CAZ has been finalised and further stakeholder engagement has been undertaken which has informed decisions on charging and the final proposals for mitigations.

4.2 Charging Levels

4.2.1 Further work commissioned by the Council into behavioural responses to the CAZ charges and feedback from the public consultation has informed the final decision on charging levels. The work undertaken shows that the charges now being proposed will act as a significant incentive to individuals and companies to upgrade their vehicles.

4.2.2 The final proposed charging levels are set out in Table 1.0 below

Table 1.0

Vehicle type	Charge
Cars, Taxis (Hackney Carriages & Private Hire), LGV's	£8.00 per day
HGV's, coaches and buses	£50.00 per day

4.2.3 The charging levels will be kept under review to ensure that the CAZ is delivering the expected improvements in air quality. Any potential future amendments to the charging level would be subject to gaining the necessary approvals via the City Councils governance process.

4.3 Exemptions and Mitigations

4.3.1 In order to mitigate the impacts to certain socio-economic groups a package of mitigation measures and exemptions are also being proposed. These have been developed in light of the Distributional Impact Analysis Report (September 18), the responses to the public consultation and were initially set out in the report to Cabinet on the 10th September 2018.

4.3.2 Since the submission of the report of the 10th September 2018 further refinement of the proposed measures has been undertaken. A deliverability and viability assessment of each of the mitigation measures was undertaken. These assessments made it clear to the City Council that the initially proposed measures would be difficult to manage and administer. The revised suite of

measures being proposed are thought to be realistically deliverable in the timescales and will also create a reduced administrative burden for the City Council. Table 2.0 below sets out the upper salary limit for 'low income' and therefore the point at which individuals become eligible for mitigations and exemptions.

Table 2.0

Group	Individual salary
Individuals who work within the CAZ	£30,000
Residents of areas outside of the CAZ	£20,000

4.3.3 Further details together with the rationales for the measures can be found in Appendix C Clean Air Fund Report. A summary of final proposals are presented in Table 3.0 below.

Table 3.0 Exemptions from the Clean Air Zone

Target Group	Exemption	Duration
Commercial Vehicles registered within the CAZ	LGV/HGV/Coaches registered within the CAZ will receive an exemption (max 2 vehicles per company).	1 year
Commercial Vehicles with an existing finance agreement	LGV/HGV/Coaches registered in the Birmingham area travelling to the CAZ with an existing finance agreement beyond 2020 (max 2 vehicles per company).	1 year
Private vehicles registered within the CAZ	Individuals with non-compliant vehicles registered in the CAZ will be exempted.	2 years
Individuals travelling into the CAZ for work.	Individuals with a non-compliant vehicle who work within the CAZ and satisfy the income criteria.	1 year
Visitors of key hospitals	Visitors to select medical facilities in the CAZ, GP offices and care homes.	Duration of stay (exemption will run for 1 year)
Community and schools and disabled vehicles	Vans and mini buses registered as providing essential community and school transport services and those classified as section 19 operators, registered for operation in Birmingham.	All years

Table 4.0 Mitigation Measures (funded through the Clean Air Fund)

Target Group	Description
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All	Engagement and marketing campaign to provide information on the CAZ and reach out to groups eligible for support through the mitigation measures package.
Individuals who work in the CAZ	Choice of mobility credit or scrappage scheme offered to non-compliant car owners working within the CAZ. Key workers will be prioritised and the remaining availability will be prioritised by those of low income.
Residents of areas outside of the CAZ	Scrappage scheme offered to non-compliant car owners in West Midlands, allocated by distance to the CAZ and income
Hackney carriages	Birmingham licenced Hackney carriage drivers can: <ul style="list-style-type: none"> - Purchase an EV taxi to receive an operational financial support package; - Receive funding towards retrofitting an eligible vehicle.
Hackney carriages	Birmingham City Council to purchase 50 ULEV taxis to lease out to the most vulnerable taxi drivers.
Private Hire Vehicles upgrade support	Private hire vehicle owners who upgrade to a compliant vehicle which goes beyond the minimum BCC's 2020 licencing criteria (i.e. is a hybrid or ultra-low emission vehicle) and is under 3 years of age will receive financial aid.
Van/LGV	ULEV van drivers can register to receive credit on Birmingham's public charging network.
HGV/Coach	Fleet operators within the West Midlands will be able to apply for a cash payment towards retrofitting technology/compliant vehicle.
Residents located around the CAZ	Parking measures implemented to manage any displacement parking around the outside of the CAZ. This scheme will be introduced on an 'as required' basis.

4.3.4 The availability of all mitigation measures is dependent on funding from Government, as such the volume of mitigation measures available will be capped at the amount of funding provided. Government approval of the City Councils application for CAF funding will determine the need for a review into the prioritisation of measures. Implementation of mitigation measures will be subject to submission and approval of specific FBCs through the relevant City Council governance procedures and Gateway and Related Financial Approval Framework and in line with the delegations being sought.

4.1 CAZ Order and Network Management

4.1.1 An Order for the CAZ to enable implementation of the recommended option, in line with the GFBC, will be submitted to Cabinet for

approval. This will include consideration of diversions on the road network and any incidents that lead to official diversions. The Order is scheduled to be produced by April 2019.

5 Consultation

- 5.1 A statutory public consultation was undertaken by the City Council between July and August 2018 (6 weeks total), a detailed explanation of the process and summary of the response to the consultation was given in the report approved by Cabinet on the 10th September 2018 (see 3.2.2). That report is publicly available and can be accessed via the City Council's website www.birmingham.gov.uk/caz
- 5.2 To summarise, the public consultation received a record number of responses for any consultation ever carried out by the City Council (in excess of 10,000). Careful and meaningful consideration was given to the response, in the context of the duty to ensure that compliance is achieved in the shortest possible time, and shaped the package of mitigation measures and exemptions which are being proposed. Appendix C Clean Air Fund Report provides further details of the mitigation measures being proposed. The response to the consultation has also informed rework to the design for the CAZ proposal.
- 5.3 In addition to the consultation which has been undertaken for the overall CAZ proposals, further statutory consultations will be required for the implementation of the Additional Measures.
- 5.4 In addition to the external consultation as outlined above, internal consultation has been carried out with all key stakeholders including Councillor Brett O'Reilly (Cabinet Member- Finance & Resources), Cabinet Members and Senior Management Team. A communications campaign is planned to begin in early 2019 which is intended to inform all members of staff of how they will be impacted and what they can do to prepare.

6 Risk Management

- 6.1 Air Quality and the risk of fines as a result of non-compliance with legal limits was included on the Corporate Risk Register in May 2017.
- 6.2 A risk identification, mitigation and management process is employed on this programme to capture the risks around the relevant policy and delivery activities, Section 7.0 of Appendix B provides full details of the Risk Register which is maintained as a live document.
- 6.3 A quantitative risk assessment has been undertaken for the risks identified in Appendix B4 associated with project implementation in order to establish the current required contingency allocation. In some areas of risk a quantitative assessment could not be carried out and therefore an Optimism Bias (OB) has been included to account for the uncertainty. The level of OB has been refined since the Preferred Option Business Case (POBC) submission (10th September

2018). Whilst at 15% the OB is higher than the Green Book guidance recommends for FBC stage, the level of OB has been deemed appropriate as procurement activities are ongoing. The level of OB will be reduced when the final costs are confirmed in January/February 2019.

6.4 Specific risks which should be noted are below:

6.4.1 The implementation funding will not be agreed until the Civils Design and Build contract is awarded and target costs can be confirmed. However, initial expenditure incurred in advance of formal approval will in the main be to develop the CAZ proposals in order to provide a more robust cost estimate as required by Government. These development costs are a pre-requisite for the final submitted programme costs and as they will be known and evidenced costs they will be included within the final costings. It is deemed unlikely that these would not be funded;

6.4.2 The project costs could overrun the amount of funding provided by Government. As above, the City Council have allowed for Contingency and OB in the cost estimate to mitigate the risk of overrun and as stated in the Appendix B, the works which are being implemented under this programme are not complex in nature and are considered to be 'standard' highway infrastructure improvements;

6.4.3 Only a proportion of the requested Clean Air Fund funding will be granted, Government have indicated that some measures will be challenged and may not be funded. However, should the City Council still want to proceed with the non/partially funded measures then, as detailed within the Section 7.3 below, the CAZ net operating income may be used to support the implementation of the measures, subject to City Council approval and net income being sufficient;

6.4.4 The Government central charging system isn't fully operational in time for the CAZ to 'go live'. Should this risk materialise there may be an operational cost to the City Council as no income can be generated until the charging system is operational. The City Council have ongoing communication set up with Government to manage this risk and plan for the system interface. Government have a project team in place with sufficient resource and are proactively managing to achieve successful delivery.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

7.1.1 The recommendations of this report support the City Council's corporate priorities as set out in the "Council Plan 2018-2022" and summarised below:

- Birmingham is an entrepreneurial city in which to learn, work and invest in;
- Birmingham is an aspirational city to grow up in;

- Birmingham is a fulfilling city to age well in;
- Birmingham is a great city to live in.

7.1.2 The Birmingham Health and Wellbeing Strategy and supports the delivery of policies included in the 'Birmingham Connected Transport White Paper', which in turn, supports delivery of the adopted Birmingham Development Plan and Movement for Growth

7.1.3 The Health and Social Care Act 2012 requires Local Authorities in England to have a Health and Wellbeing Board (HWBB). A key responsibility of the HWBB is to develop a Health and Wellbeing Strategy (HWBS). Improving air quality is a key ambition of the Birmingham Health and Wellbeing Strategy.

7.1.4 The proposals given in this report are supportive of the emerging Clean Air Strategy which is due for publication in the winter of 2018/2019.

7.2 Legal Implications

7.2.1 Government issued a Ministerial Direction in December 2017 which required the Council to submit a Business Case to the Government by 15th September 2018 for measures to deliver compliance with legal Nitrogen Dioxide (NO₂) limits in the shortest possible time.

7.2.2 The Clean Air Zone will be introduced pursuant to the Transport Act 2000. A Charging Order is being produced which will be submitted for approval in a subsequent report, as per 4.1.1 above.

7.2.3 The full extent of the legal implications for the City Council are detailed in the Cabinet Report (Tackling Air Quality in Birmingham – Clean Air Zone) approved on the 26th June 2018.

7.3 Financial Implications

7.3.1 The submission of the GFBC, including the financial implications, is the mechanism by which the City Council will apply for the required funds to implement the CAZ D plus Additional Measures and the package of Mitigation Measures being proposed; drawing down from the two separate funding streams, the Implementation Fund and the Clean Air Fund (CAF) as required. The funding is being requested under a Section 31 grant.

7.3.2 The financial implications provided in the report to Cabinet on September 10th 2018 were an estimate, accurate at the time of writing. Since then further detailed financial modelling has been undertaken to determine the financial implications included within the GFBC, based on a set of informed assumptions. The modelling was undertaken by specialist technical consultants, in conjunction with officers from the City Council, and as a part of the work undertaken the modelling has been subject to their internal quality assurance and testing processes to ensure robustness. In addition an independent review of the draft GFBC financial case including the financial model has been undertaken as part of JAQU's role in supporting development of the FBC. The City Council has taken account of matters arising during the course of the

review process in finalising the GFBC and financial model in producing this report. JAQU will carry out a further review of the updated costs and profile referred to under 'CAZ Implementation' below following completion of the procurement process.

- 7.3.3 The Sections below provides high level summaries of the revised financial implications. Please note that full details have been excluded due to the potential for prejudicing upcoming procurement activities and are instead shown within the Private report.

CAZ Implementation

- 7.3.4 The CAZ Implementation costs shown in Table 5.0 indicate the current estimated cost and profile of the main CAZ programme or works. The costs of implementation will in the main be capital in nature however there may also be an element of revenue expenditure. The final estimated cost and profile including the capital and revenue combination will be firmed up following completion of the procurement activities, anticipated to be by January/February 2019. The costs will be funded via an Implementation Fund grant which will be provided by Government, with the final combination of capital and revenue resources being in line with the final estimated cost and profile defined within the final funding request.
- 7.3.5 A quantitative risk assessment has been undertaken for the risks identified in Appendix B4 in order to establish the current required contingency allocation. In some areas of risk a quantitative assessment could not be carried out and therefore an Optimism Bias (OB) has been included to account for the uncertainty. The level of OB has been refined since the Preferred Option Business Case (POBC) submission (10th September 2018). Whilst at 15% the OB is higher than the Green Book guidance recommends for FBC stage, the level of OB has been deemed appropriate as procurement activities are ongoing. The level of OB will be reduced when the final funding request is made in January/February 2019.
- 7.3.6 Further details for each separate CAZ programme implementation work stream will be provided in subsequent FBC reports in line with the City Council's Gateway and Related Financial Approval Framework.

Interim Implementation Development Funding

- 7.3.7 Government have indicated that the timescales for review and approval of the GFBC (Appendix A) and the associated funding request will be a minimum of 8 weeks from receipt. If the Council were to wait for such approvals before progressing with development, the programme will be subject to delay, impacting on overall delivery and achievement of compliance. Recommendation 2.10 of this report seeks approval for the release of development funding from the existing Transportation & Highways Capital Budget until the receipt of

Government grant funding, currently anticipated to be March 2019, at which point the resources will be repaid.

This expenditure will in the main be to develop the CAZ proposals in order to provide a more robust cost estimate as required by Government. These development costs are a pre-requisite for the final submitted programme costs and as such they will be included within the final costings.

The estimated funding and associated work streams are detailed below:

Work stream	December 2018	January 2019	February 2019	March 2019	Total
	£m	£m	£m	£m	£m
Main CAZ (Civils)	0.030	0.060	0.060	0.060	0.210
Back office Charging System	0.000	0.020	0.020	0.020	0.060
Network Changes	0.020	0.020	0.020	0.020	0.080
Parking Restrictions	0.010	0.040	0.020	0.020	0.090
Totals	0.060	0.140	0.120	0.120	0.440

CAZ Mitigation Measures

7.3.8 Section 4.3 and Table 4.0 above details the proposed package of mitigation measures. Table 5.0 below indicates the current estimated cost and profile of providing these measures which it is anticipated will be both capital and revenue in nature. The costs will be funded via a Clean Air Fund grant provided by Government and as such the volume of mitigation measures available will be capped at the amount of funding provided. Feedback from Government on the Council Clean Air Fund application will determine the need for a review into the prioritisation of these measures.

7.3.9 As detailed in Section 4.3 the Residents Parking Scheme measures will be introduced as and when required. As such the funding for this scheme will be held in a Council ring fenced reserve until required. In the event that the funding required exceeds the amount received, it is proposed that the shortfall will be funded from the net CAZ operating income, which is in line with regulation, (please see Operating Income and Expenditure Section below).

7.3.10 Further details for each separate CAZ programme mitigation work stream will be provided in subsequent FBC reports in line with the City Council's Gateway and Related Financial Approval Framework.

Table 5.0 Implementation Costs and Funding

Budget Information – Implementation Costs and Funding								
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m						
Project Costs:								
CAZ Implementation	4.270	12.915	0.395	0.244	0.020	0.000	0.000	17.845
CAZ Mitigation Measures	3.914	18.255	20.762	4.192	2.070	1.556	0.113	50.861
Total	8.184	31.170	21.157	4.436	2.090	1.556	0.113	68.706
Funded by Government Grants:								
Implementation Fund	4.270	12.915	0.395	0.244	0.020	0.000	0.000	17.845
Clean Air Fund	3.914	18.255	20.762	4.192	2.070	1.556	0.113	50.861
Total	8.184	31.170	21.157	4.436	2.090	1.556	0.113	68.706

CAZ Operating Income and Expenditure

7.3.11 CAZ Income and Expenditure - The Clean Air Zone will be introduced under Part 3 of the Transport Act 2000. CAZ revenue income will be generated through a combination of CAZ Charges raised and Penalty Charge Notices issued and, in line with requirements of the Act, will first be used to cover “the expenses incurred for and in connection with the scheme which are so attributable”. The City Council expenses have been identified as the costs of maintaining and operating the assets installed under the CAZ project and ongoing operations and processing costs in line with its responsibilities (illustrated in Appendix B1), summarised below:

- Assets include signs, ANPR cameras, air quality monitoring equipment and assets installed as part of the Early Measures element of the project are also eligible expenses, (details of the Early Measures project can be found in the Joint Cabinet Member/Chief Officer report “Joint Air Quality Unit Early Measures Fund for Local NO2 Compliance – Application for and acceptance of funding” 19 September 2018);
- Costs of ongoing operations include human resources required for validation and enforcement processing, JAQU processing costs, penalty charge processing and postage, office accommodation costs and communications.

Table 6.0 below indicates the current estimated operating income and expenditure.

7.3.12 CAZ Net Proceeds – Table 6.0 below indicates the current estimated ‘net proceeds’ balance carried forward. Part 3 of the Transport Act 2000, schedule 12 para 8, requires that the ‘net proceeds’ of a charging scheme shall be applied by the authority “for the purpose of directly or indirectly facilitating the achievement of local transport policies of the authority”. The ‘Tackling Air Quality in Birmingham, Cabinet Report, June 26th 2017 also states that net proceeds will be invested in transport infrastructure measures to benefit the public and to improve air quality. In addition to new schemes that are identified that meet these requirements there are a number of schemes within the existing Capital Programme which could potentially be funded, in whole or in part, either through a direct contribution or to fund borrowing costs. The existing programmes identified are shown below:

- The Big City Plan;

- Birmingham Development Plan, Growth and Sustainable Transport Area;
- Local Cycling Walking Initiative Programme;
- Journey Time Improvement;
- Rail and Rapid Transit.

It should be noted that all programmes, both existing and new, will be selected in order to directly or indirectly facilitate the Council's transport policies following a prioritisation process and will be subject to approval in line with the City Council's Gateway and Related Financial Approval Framework.

7.3.13 Car Parking Income – In addition to the income generated directly from the CAZ Charges and Penalty Charge Notices the City Council is also introducing a range of additional Car Parking measures as a part of the overall implementation of the CAZ, supporting delivery and in furtherance of the City Council's strategy to disincentivise private car use. The associated setting of parking tariffs and charges will generate additional income and the second section of Table 6.0 below indicates the current estimated level of income. Any resulting net surplus income remaining after the deduction of operating costs and other eligible expenditure will be used in accordance with the Road Traffic Regulation Act 1984 Section 55 para 4.

Table 6.0 Operating Income and Expenditure

Budget Information – Operating Income and Expenditure														
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income														
CAZ	0.000	(11.451)	(43.096)	(32.264)	(23.052)	(18.697)	(14.343)	(10.572)	(8.552)	(6.533)	(4.513)	(2.249)	0.000	(175.322)
CAF Administration Grant	(0.382)	(1.353)	(0.682)	(0.174)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(2.591)
Total Income	(0.382)	(12.804)	(43.778)	(32.439)	(23.052)	(18.697)	(14.343)	(10.572)	(8.552)	(6.533)	(4.513)	(2.249)	0.000	(177.913)
Expenditure														
CAZ	0.000	1.656	6.340	5.197	4.230	3.771	3.292	2.869	2.661	2.441	2.209	2.367	2.542	39.577
CAF Administration	0.382	1.353	0.682	0.174	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.591
Total Expenditure	0.382	3.010	7.021	5.372	4.230	3.771	3.292	2.869	2.661	2.441	2.209	2.367	2.542	42.168
Net (Income)/Expenditure	0.000	(9.795)	(36.756)	(27.067)	(18.822)	(14.926)	(11.050)	(7.703)	(5.891)	(4.091)	(2.304)	0.119	2.542	(135.745)
To/(From) Sinking Fund	0.000	0.373	1.426	1.169	0.952	0.849	0.741	0.493	0.000	0.000	0.000	(1.501)	(4.502)	0.000
Net (Inflow)/Outflow	0.000	(9.422)	(35.330)	(25.898)	(17.870)	(14.077)	(10.310)	(7.210)	(5.891)	(4.091)	(2.304)	(1.382)	(1.960)	(135.745)
Balance Brought Forward	0.000	0.000	(9.422)	(44.752)	(70.649)	(88.519)	(102.596)	(112.906)	(120.116)	(126.007)	(130.099)	(132.403)	(133.785)	
Balance Carried Forward	0.000	(9.422)	(44.752)	(70.649)	(88.519)	(102.596)	(112.906)	(120.116)	(126.007)	(130.099)	(132.403)	(133.785)	(135.745)	

Budget Information – Car parking income												
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Totals
	£m											
On-street	(0.481)	(1.924)	(1.924)	(1.924)	(1.924)	(1.924)	(1.924)	(1.924)	(1.924)	(1.924)	(1.443)	(19.247)
Off-street	(0.258)	(1.032)	(1.032)	(1.032)	(1.032)	(1.032)	(1.032)	(1.032)	(1.032)	(1.032)	(0.774)	(10.332)
Total Income	(0.739)	(2.957)	(2.217)	(29.570)								

Miscellaneous

- 7.3.14 The City Council will be responsible for reporting to JAQU on a monthly basis and JAQU reserve the right to reclaim unspent or misspent funding. The City Council through its management of the project will put in place relevant monitoring processes and controls to ensure that project costs are managed and expenditure is in line with the grant conditions. In the event that the project is delivered within the grant resources allocated, unused grant will be retained within reserves for re-payment in line with the grant conditions.
- 7.3.15 The GFBC (Appendix A) contains a financial model for the Implementation and Clean Air Fund based on estimated costs and cost profiles which have been benchmarked against similar projects. It is however a requirement that the final estimated cost and cost profile is built up from quotes or agreed contracts from the supply chain. As the procurement activities are still underway, the project team have been unable to include actual costs and, as noted under CAZ implementation above, a subsequent report will be submitted to Government clarifying the project costs, cost profile and the associated funding request as soon as all information is available, anticipated to be January/February 2019. See Recommendation 2.5.

7.4 Procurement Implications (if required)

- 7.4.1 The Procurement Strategy (see Appendix B2) sets out necessary procurement activities required to deliver the CAZ project including routes to market, contract terms and tender evaluation processes. To summarise, each work stream under the project has its own requirements which will be delivered by procuring goods and/or services. The goods/services required will be delivered using existing framework arrangements available to the City Council, the key procurement activities are as follows:
- Civils work (signs, poles, gantries, ground works) – West Midland Highways and Infrastructure Works Framework;
 - Technology work (cameras, back office) – Capita ICTDS Framework;
 - Additional Measures - West Midland Highways and Infrastructure Works Framework (or its replacement, framework expires in September 2019);
 - Mitigation Measures – Various, as per Appendix C.

7.5 Human Resources Implications (if required)

- 7.5.1 In order to manage the implementation and ongoing business as usual phases of the CAZ, it is anticipated that the City Council will need to recruit additional staff and/or amend the roles and responsibilities of existing staff resource and/or amend existing staff resource roles and responsibilities. This will be in line with existing City Council human resource policies, subject to staff consultation (where required) and subsequent approvals in line with the City Councils

governance procedures and Gateway and Related Financial Approval Framework.

- 7.5.2 An update of the Council's staff Travel Plan is currently underway. This will seek to encourage staff to travel to work and where practical undertake work related business using sustainable forms of transport.

7.6 Public Sector Equality Duty

- 7.6.1 An Integrated Impact Assessment (IIA) has been undertaken as part of the feasibility study. The IIA assesses and analyses the economic and health impacts of introducing a CAZ and maps out the spread of impact in terms of scale and significance, identifying the most vulnerable groups and the ways in which they are impacted. The findings of the IIA have been used by the City Council to develop the proposed set of measures, in particular the mitigation measures and exemptions.
- 7.6.2 This has identified that there are potentially impacts for a number of protected characteristics. An Equality Impact Assessment has been undertaken and is provided at Appendix D and provides further narrative around the proposed exemptions and mitigations proposed.

8 Background Documents

- 8.1 Tackling Air Quality in Birmingham, Cabinet Report, June 26th 2017;
- 8.2 Birmingham Clean Air Zone submission of a Preferred Option Business Case to Government, Cabinet report 10th September 2018.
- 8.3 Joint Cabinet Member/Chief Officer report "Joint Air Quality Unit Early Measures Fund for Local NO2 Compliance – Application for and acceptance of funding" 19 September 2018.
- 8.4 List of Appendices accompanying this Report (if any):
- Appendix A Government Full Business Case;
 - Appendix B Options Appraisal Report;
 - Appendix B1 Charging Infrastructure Diagram;
 - Appendix B2 Procurement Strategy;
 - Appendix B3 Delivery Schedule;
 - Appendix B4 Risk Register;
 - Appendix C Clean Air Fund Report;
 - Appendix D Equality Analysis.