

Birmingham City Council

Report to Cabinet Members for Transport and Environment and Finance and Resources



21st January 2020

Subject: SINGLE CONTRACTOR NEGOTIATIONS – CLEAN AIR ZONE MITIGATIONS APPLICATION AND CASE MANAGEMENT SYSTEM

Report of: Interim Director, Inclusive Growth

Relevant Cabinet Members: Cllr Waseem Zaffar, Transport and Environment, Cllr Tristan Chatfield, Finance and Resources

Relevant O&S Chair(s): Cllr Liz Clements, Sustainability and Transport, Cllr Sir Albert Bore, Resources

Report author: Stephen Arnold, Head of Clean Air Zone,
Telephone No: 0121 303 2923
Email Address: stephen.arnold@birmingham.gov.uk

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No - <i>all wards affected.</i>
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<p>Please refer to Appendix 1 for exempt information.</p> <p>The accompanying exempt appendix contains confidential market and financial information which could impact on the tender process for reason stated below:</p> <p>Schedule 12A of the Local Government Act 1972 as amended- paragraph 3 – information relating to the financial or business affairs of any particular person (including the authority holding that information).</p>		

1 Executive Summary

- 1.1 The Council has received £37.958m of capital and revenue grant funding to mitigate the impact of the introduction of a charging Clean Air Zone in July 2020.
- 1.2 The Council requires a mitigations application and case management system to allow effective processing of applications for Clean Air Zone related grants to be functional by 1st April 2020. Whilst it was originally envisaged that the IT system developed to process CAZ exemptions would also support CAZ mitigations processing, it has since been identified that the current business solution does not have the technical capability to do so, nor will it be possible to adapt it in the future. Due to the limited time available to procure an effective business solution it is therefore proposed that the Council enters into single contractor negotiations with an organisation to deliver the solution by the required deadline.

2 Recommendations

- 2.1 Notes the content of Exempt Appendix 1.
- 2.2 Under Standing Order 2.5iv, approves the commencement of single contractor negotiations by the Assistant Director, Transport and Connectivity with the recommended supplier identified in Exempt Appendix 1 for the provision of a mitigations application and case management system, and application support for up to 5 years commencing in January 2020.
- 2.3 Delegates authority to the Interim Director, Inclusive Growth in conjunction with the Assistant Director, Development and Commercial (or their delegate), the Interim Chief Finance Officer (or their delegate) and the Acting City Solicitor (or their delegate) to award a contract, subject to the satisfactory outcome of negotiations described in 1.2 above.

3 Background

- 3.1 On 11th December 2018, Cabinet approved a City Council Full Business Case (FBC) justifying a Clean Air Zone for onward submission to the Joint Air Quality Unit (JAQU). The FBC included a package of exemptions and mitigations aimed at encouraging behaviour change and assisting those who would be most negatively impacted by the implementation of the CAZ. In its approval of the FBC, JAQU awarded grant funding to implement the scheme (including a back-office management function), approved a number of the proposed exemptions and also awarded funding for a number of the proposed mitigations.
- 3.2 The Council has developed a business solution to manage the application and award of exemptions; a system which was expected to have the capacity to cope with the mitigations applications and case management also. However, it has recently been identified that the necessary functionality required to cope with the complexity and user interface requirements of a mitigations application system cannot be met by the exemptions solution that has been developed to date, nor will it be possible to adapt it in the future. As a result, there is now an urgent requirement for a suitable business solution to be developed to process the mitigation measures, including vehicle scrappage, retrofit of hackney carriages, private hire vehicle upgrades, and any others that arise during the implementation of the CAZ (the latter subject to identification of suitable funding).
- 3.3 The timeline for development and implementation of the solution is now challenging. The timeline is dictated firstly by the introduction of the CAZ on the 1st July 2020

(after this point, potential beneficiaries of the grant funding may incur daily charges if their vehicles are non-compliant). Secondly, the Council's licensing conditions changed in January 2020. This now means any taxi (both Private Hire and Hackney Carriage) over 15 years old can no longer have its license renewed. The CAZ mitigation grant will assist many taxi drivers in upgrading or retrofitting vehicles to maintain employment, avoiding charging and continuing their valuable service to the City.

- 3.4 Similar systems, including for the Brum Account, have been developed for the Council and it is recommended that an organisation with current experience is best placed to develop the required solution within the challenging timeline.
- 3.5 IT contracts formerly managed by Capita on behalf of the Council were novated back to the Council in August 2019. Two suppliers who have existing commercial relationships with the Council for similar IT services, who were part of this novation exercise, were approached in a soft market testing exercise to assess suitability and availability of suppliers to provide the solution. One organisation expressed an interest in providing a proposal based on the draft service requirements for the system. Another organisation responded that they were currently unable to offer or develop the business solution within the required timescales.
- 3.6 Given that both suppliers have existing commercial relationships in place with the Council, it was concluded that a Contract Variation to the existing contract for IT services could be raised to allow the commission of the mitigation application and case management system by April 2020.
- 3.7 The recommended organisation is a global provider specialising in web content management systems, online forms and customer case management. Their existing systems and IT infrastructure platform provided to the Council through the Brum Account and other systems integration uniquely places them in a position to develop the mitigation application and case management system. An initial business proposal has been submitted to the Council and the indicative costs quoted are comparable to their existing contract with the Council for similar services.
- 3.8 The basis for the negotiations will be to agree the system capability requirements, including any integration with existing Council processes, to agree the pricing of the additional scope of services.
- 3.9 The contract will be managed by the Head of Clean Air Zone in conjunction with the Head of Online Service Delivery and the IT Commercial Director.

4 Options considered and Recommended Proposal

- 4.1 Option 1. To not procure a business solution – this is not an option. This would mean that support would not be provided to those most adversely impacted, including taxi drivers, those earning less than £0.030m, small and medium enterprises etc, delaying achievement of compliance. It would also significantly increase the administrative burden and cost to the Council due to the increased resources needed to manually process the many thousands of applications expected. The Council would suffer reputational damage from a poor customer experience, as well as taking longer to discharge the grant funding. This would have the practical implication of not allowing some access to the grant funding in time for the CAZ start date in July.
- 4.2 Option 2. To carry out a procurement process – there is insufficient time to run a full procurement exercise due to time restrictions for implementation and associated impacts detailed in 4.1; therefore, this option was discounted.

- 4.3 Option 3. To use a collaborative framework agreement – there is not a collaborative framework agreement in place for the bespoke solution required; therefore, this option was discounted.
- 4.4 Option 4. To enter into single contractor negotiations with an existing supplier to the Council. Due to the short timescales for implementation of 1st April 2020, the Council's only option is to begin negotiations with the existing commercial relationships with the recommended supplier to provide the business solution. This is the recommended option for the reasons stated in section 3 of this report.

5 Consultation

- 5.1 None.

6 Risk Management

- 6.1 There is a significant risk linked to the ineffective management of mitigation grant fund applications. In particular, those who may be adversely affected by the CAZ, including CAZ workers and taxi drivers, may not be able to take advantage of the grants which are designed to assist their adaptation to the Zone. This could lead to daily charges or fines for those groups.
- 6.2 The mitigations grants are designed to both assist those who may be negatively impacted by the CAZ, as well as increasing the number of compliant vehicles – there is therefore a risk to reaching compliance in the shortest possible timeframe if the grants are delayed in their defrayal.
- 6.3 There is a reputational risk to the Council if they are not seen to be properly administering the grant funding, as well as the other negative impacts identified in paragraph 4.1 above.

7 Compliance Issues:

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

7.1.1 The implementation of the CAZ mitigation measures will support the delivery of the wider CAZ objectives, contributing to improved air quality whilst also mitigating the impact of a charging CAZ on those who may be most negatively affected. An application and case management system is a core requirement to enable this to be effectively managed. This is consistent with the City Council's Plan 2018-2022 (2019 update) as set out below:

7.1.2 **Birmingham is an entrepreneurial city to learn, work and invest in** - We want a city that invests in its people, so that everyone can have opportunities to realise their potential through lifelong learning, skills and good jobs. We want to invest in the buildings and transport connections of our city to provide better places to live and work, and to enable businesses to prosper.

- The mitigation grant funds encourage investment in compliant methods of transportation. This includes state of the art ULEV taxis and use of the Swift card travel system which is on track for a substantial user functionality upgrade in early 2020 by TfWM.

7.1.3 Birmingham is a fulfilling city to age well in - We want citizens to live more active, longer, healthier and independent lives. We want to reduce social isolation so that people can make positive choices and take control of their wellbeing.

- Improving air quality will have a direct impact on the health and wellbeing of citizens and visitors to the city centre. People are encouraged and financially incentivised to use public transport rather than commuting in non-compliant vehicles.

7.1.4 Birmingham is a great, clean and green city to live in - We want Birmingham to be a sustainable city of vibrant culture and flourishing neighbourhoods, with good quality housing. A city with clean air, safe and clean streets, and green spaces. We want to be a city where our citizens have pride in where they live, have a strong sense of belonging, and a voice in how Birmingham is run.

- The CAZ will directly improve air quality in the city centre. Investing in the City's taxi community will mean the essential service they provide will have much less impact on the immediate environment. This is a further step on the way to a clean and sustainable city.

7.1.5 Birmingham is a city that takes a leading role in tackling climate change - Climate change is an urgent issue with a global reach that directly impacts upon Birmingham residents. We will work with our partners to tackle this issue to make Birmingham a city in which all of our residents, including those from our most deprived communities, can lead healthy, safe and fulfilling lives.

- Birmingham is one of the first cities to implement a CAZ, and the very first to operate a Charging CAZ type D. It is at the forefront of change in this area and will set the bar for future cities who wish to tackle air quality for their citizens.

7.1.6 Birmingham Business Charter for Social Responsibility (BBC4SR)

7.1.6.1 The recommended supplier will be required to be a certified signatory to the BBC4SR and produce an action plan proportionate to the value of the proposed contract.

7.2 Legal Implications

7.2.1 Under Section 1 of the Localism Act 2011, the Council has the power to enter into the arrangements set out in this report, which are within the remit and limits of the general power of competence Section 2 and 4 of the Localism Act 2011.

7.3 Financial Implications

7.3.1 The system will be classed as an intangible asset with a useful economic life of greater than one year and as such the cost will be deemed capital in nature. The Council received £14.215m in Implementation Funding capital grant from JAQU which was awarded on the 19th March 2019, including a risk allocation of £2.086m. It is proposed that these capital costs will be funded from within the available risk allocation.

7.3.2 On 18th December 2019 the Brum Breathes Executive Board approved in principle the decision to utilise funds from the risk allocation for the purposes of the capital expenditure required for the proposed solution.

7.3.3 The revenue costs will be included as part of the annual CAZ expenditure and

be charged against CAZ charging income prior to arriving at the CAZ net proceeds.

7.3.4 Further information regarding the estimated capital and revenue costs is provided in Exempt Appendix 1.

7.4 Procurement Implications

7.4.1 This report concerns the requirement to enter into single contractor negotiations to award a contract as set out in paragraph 4.2. As there is not sufficient time for this requirement to be entered into the monthly Procurement Planning Activities report to Cabinet, in accordance with the Procurement Governance Arrangements, this executive approval is requested to approve the decision.

7.5 Human Resources Implications

7.5.1 None.

7.6 Public Sector Equality Duty

7.6.1 An Equality Impact Assessment (EQUA210) was undertaken which also formed the basis for the CAF report and proposed mitigations. As it underpins the development of the grant funding detailed in this report it is therefore directly relevant. The EIA was reviewed and updated in December 2019 to ensure it remains current and aligned to the CAZ initiatives.

8 List of Appendices accompanying this Report.

8.1 Exempt Appendix 1.

8.2 Equality Impact Assessment – Appendix 2.

9 Background Documents

9.1 None.