

Birmingham City Council

Report to Cabinet

17 December 2019



Subject: Birmingham Clean Air Zone Mitigation Grants M1a (Mobility Credit), M2a (Hackney Carriage Grant) and M2c (Private Hire Vehicle Grant).

Report of: Interim Director Inclusive Growth

Relevant Cabinet Member: Councillor Waseem Zaffar, Transport and Environment

Relevant O &S Chair(s): Councillor Liz Clements, Sustainability and Transport

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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: 007129/2019		
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, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

- 1.1 The purpose of this report is to seek approval of a Full Business Case (FBC) which details the means by which Clean Air Fund (CAF) grants for Clean Air Zone (CAZ) mitigations M1a (CAZ worker mobility credit), M2a (Hackney Carriage Vehicle Grant), and M2c (Private Hire Vehicle Grant) will be applied.

2 Recommendations

- 2.1 Notes that, subsequent to the approval by Cabinet of the Government Full Business Case on 11th December 2018, the Council has received written confirmation from DEFRA of a total sum of £37.958m in grant funding it has been awarded in relation to the mitigation measures detailed in the Clean Air Fund.
- 2.2 Approves the City Council Full Business Case for Mitigations M1a (Mobility Credit), M2a (Hackney Carriage Grant) and M2c (Private Hire Vehicle Grant) set out in Appendix A to this report, to be funded from the £17.420m Clean Air Fund (CAF) grants, and £2.000m of CAZ net proceeds, as follows:
- £5.420m to be used for the purpose of CAZ Mitigation M1a (Mobility Credit).
 - £5.000m to be used for the purposes of CAZ Mitigation M2a (Hackney Carriage Grant).
 - £7.000m to be used for the purposes of CAZ Mitigation M2c (Private Hire Vehicle Grant).
 - £2.000m from CAZ net proceeds to be used for the purposes of an additional option to CAZ mitigation M2c subject to the approval of 2.3 below.
- 2.3 Approves the use of up to £2.000m CAZ net revenue proceeds to fund an additional option to mitigation M2c as detailed in 2.2 above, in addition to those schemes identified in the CAZ Charging Order Cabinet Report approved on 25th June 2019.
- 2.4 Delegates authority to the Head of Clean Air Zone to approve and defray the Clean Air Fund Grant relating to the mobility credit, private hire and hackney carriage vehicle grants, up to a maximum grant value per individual of £0.005m, in accordance with the application and award process detailed within Appendix A.
- 2.5 Authorises the entering into a Grant Aid agreement with Transport for West Midlands (or West Midlands Combined Authority) in relation to grant M1a (Mobility Credit).
- 2.6 Delegates authority to the Head of Clean Air Zone to update the applications and awards processes and procedures in order to most efficiently and robustly administer the scheme.
- 2.7 Delegates authority to the Head of Clean Air Zone, in consultation with the Cabinet Member Transport and Environment, to agree variations with the grant authority (JAQU) to amend the grant fund allocations and conditions, within the total funding limit of this report, in order to most efficiently deliver the objectives of the grant funding.
- 2.8 Notes that a further three FBCs detailing a Hackney Carriage Rental Scheme, Non-Compliant Vehicle Scrappage Scheme and Heavy Duty Vehicle Fund will be

submitted for approval in line with the delegated authority granted by Cabinet in its approval of the Government Full Business Case (GFBC) on 11th December 2018.

- 2.9 Authorises the City Solicitor (or their delegate) to negotiate and complete any documentation necessary to give effect to any of the above recommendations.

3 Background

- 3.1 The FBC to which this report relates is derived from the Government Full Business Case (GFBC) which was presented to, and approved by, Cabinet on 11th December 2018. The GFBC justified the CAZ programme and associated mitigation schemes, as detailed in the Clean Air Fund Report, which was also approved in the same report.
- 3.2 The GFBC and CAF reports were subsequently approved by the Joint Air Quality Unit (JAQU) in March 2019 and were followed by letters from DEFRA to the Council on 20th March 2019 outlining the award of mitigation grant funding totalling £37.958m.
- 3.3 This report and FBC relates to £17.420m of grant funding which was awarded by DEFRA in March 2019 for the specific purpose of enabling the following CAZ mitigation schemes M1a, M2a and M2c detailed below. It also proposes for approval a third mitigation option under M2c, funded from £2.000m of CAZ net revenue proceeds.
- 3.3.1 M1a CAZ Worker Grant - £10.840m of grant funding for CAZ workers who earn less than £0.030m annually. This is broken down into two schemes. The first offers up to £0.002m in mobility credit for use on the TfWM Swift network in return for scrapping a non-compliant car (this element is covered in the accompanying FBC at Appendix A). The total available for this first scheme is £5.420m of revenue funding. The second scheme offers £0.002m towards the purchase price of a compliant vehicle in return for scrapping a non-compliant vehicle. This will be detailed in a separate FBC for expediency as it requires a bespoke procurement process; the total available for this second scheme is £5.420m of capital funding.
- 3.3.2 M2a Hackney Carriage Vehicle Grant - £5.000m (£2.500m capital and £2.500m revenue) of grant funding for Birmingham City Council Hackney Carriage Vehicle owners who have been licensed with the Council since 10th September 2018 and operate a non-compliant vehicle. There are two grant options available. The first is £0.005m towards a Clean Vehicle Retrofit Accreditation Scheme (CVRAS) accredited retrofit solution which will make their vehicle CAZ compliant. The second is up to £0.005m towards the operational expenses of an Ultra-Low Emission Vehicle (ULEV) Hackney Carriage, which will be payable by instalments projected to be of £0.001 each year for a four year period.

3.3.3 M2c Private Hire Vehicle Grant - £7.000m of grant funding for Birmingham City Council Private Hire Vehicle owners who have been licensed with the Council since 10th September 2018 and operate a non-compliant vehicle. There are two grant options available. The first is up to £0.001m towards the purchase or long term lease of a CAZ compliant petrol or diesel vehicle which meets the requirements of the Council's licensing policy. The second is up to £0.002m towards the purchase or long term lease of a plug-in hybrid or hybrid electric vehicle that is not eligible for the government's plug in grant, and also complies with the Council's licensing policy.

A third option is for up to £0.0025m towards the running expenses of a fully electric or long range plug in hybrid vehicle which will have been eligible for the government plug in grant, and also complies with the Council's licensing policy. This is subject to approvals sought within this FBC as the measure was not included as an original option in the Cabinet approved Clean Air Fund report of 11th December 2018. As in 2.2 and 2.3, it is proposed that this option will be funded by £2.000m of CAZ net revenue proceeds. This third option is only to be made available to those who can demonstrate that they have upgraded since the CAZ was officially announced on 10th September 2018.

3.4 The strategic and economic cases for the above grants remain unchanged from that set out in the GFBC. This FBC provides further clarity on the application and management of grant funding release which was previously unavailable.

4 Options considered and Recommended Proposal

4.1 A full options appraisal submitted to Cabinet on 10th September 2018 was produced following a detailed and wide reaching consultation. Cabinet subsequently approved the preferred option which was developed into the GFBC as detailed in the background section above.

4.2 The specific options for grant funding remain aligned to the CAF report submitted as part of the GFBC. This is because the CAF report justified the grant amounts and target groups, and was the basis upon which DEFRA awarded the conditional grant funding. A formal change process must be undertaken in conjunction with the grant award body (DEFRA) should significant alterations to the grant fund be required.

4.3 Given the need to adhere to the approved CAF report and grant conditions, no additional options have been considered. Where new opportunities have presented themselves, for example long term maintenance packages for ULEV taxis and funding ULEV PHVs, these have been included within the remit and conditions of the grant funding.

4.4 An additional third option for PHVs has been included to ensure the Council correctly incentivises vehicle upgrade and does not exclude those who chose to

purchase a vehicle that has benefited from the government plug-in grant, detailed as the third option under 3.3.3 above.

- 4.5 The mitigation grants detailed in Appendix A are designed to afford vulnerable groups the opportunity and financial incentive to avoid the CAZ charges. This will be through incentivising the use of alternative transport means or upgrading their current vehicle. Grant funding has been awarded to the Council specifically for these purposes.

5 Consultation

- 5.1 A statutory public consultation was undertaken by the Council between July and August in 2018. The consultation exercise involved 10,392 respondents along with 386 organisations and businesses. Specifically relevant to this report, the consultation was used to identify groups most vulnerable to the introduction of a Charging CAZ and shape the mitigation proposals/options, including those to which this report relates.
- 5.2 A communications strategy is in place to inform internal and external parties of the grant options and when they will be available. This will be launched once the government vehicle checker, upon which there is a critical dependency in order to verify a vehicle's compliance, is developed. This is scheduled to be in January 2020.
- 5.3 Cabinet Member for Finance and Resources was consulted and supports the contents of this report.

6 Risk Management

- 6.1 A risk identification, mitigation and management process is employed on the CAZ mitigations programme and the specific risks to the schemes to which this report relates are detailed in Section G2 of Appendix A.
- 6.2 The risk register is a live document which is regularly reviewed at the Brum Breathes programme board in line with the governance structure detailed in Section F5 of Appendix A.

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 most economically vulnerable. 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.

7.1.2.1 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.

7.1.3.1 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.

7.1.4.1 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.

7.1.5.1 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.

7.2 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. 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.

- 7.2.2 The Clean Air Zone will be introduced pursuant to the Transport Act 2000. A Charging Order has been produced which is expected to be finalised, signed and to be in force in November 2019. It is this order which will provide the legal basis for charging non-compliant vehicle users of the CAZ from 1st July 2020.

7.3 Financial Implications

- 7.3.1 The grant funding for combined CAZ mitigations was awarded by DEFRA and accepted by the Council in March 2019 as detailed in 3.2 and 3.3. Table 1 below summarises the total grant funding awarded in relation to CAZ mitigations and highlights in ***bold italics*** those which are detailed specifically in Appendix A. As noted previously in this report, other measures will be the subject of further FBCs.

Table 1 - Total Clean Air Fund Grant Received

Project	Scheme	Original Allocation - Total £	Current Allocation - Total £
MITIGATIONS & EXEMPTIONS (ME)			
Clean Air Fund (Capital)	Clean Air Fund (Capital)		
M1a - Mobility support for individuals	Vehicle Upgrade Support	5,420,000	5,420,000
<i>M2a - Hackney Carriage support</i>	<i>Hackney Carriage Support</i>	<i>2,500,000</i>	<i>2,500,000</i>
M2b - Council Hackney Carriage Leasing	Hackney Carriage Leasing	2,750,000	2,750,000
<i>M2c - Private Hire Vehicle upgrade</i>	<i>Private Hire Vehicle Upgrade</i>	<i>7,000,000</i>	<i>7,000,000</i>
M4 - HGV & Coach compliance fund	HGV & Coach Compliance	10,050,000	10,050,000
	Clean Air Fund (Capital)	27,720,000	27,720,000
Clean Air Fund (Revenue)	Clean Air Fund (Revenue)		
<i>M1a - Mobility support for individuals</i>	<i>Mobility Credit</i>	<i>5,420,000</i>	<i>5,420,000</i>
<i>M2a - Hackney Carriage Support</i>	<i>Hackney Carriage Support</i>	<i>2,500,000</i>	<i>2,500,000</i>
M5 - Marketing and Engagement	Marketing & Engagement	400,000	400,000
Administration Cost - CAF	Administration Cost CAF	1,917,529	1,917,529
	Clean Air Fund (Revenue)	10,237,529	10,237,529
	Total	37,957,529	37,957,529

- 7.3.2 An additional mitigation measure under M2C (private hire vehicle grant) has been identified, subject to approval within this report. This will offer support for 'plug-in' vehicle owners who have acquired vehicles since the CAZ was officially announced on 10th Sept 2018. Those acquiring these vehicles will already have benefited from the government's plug-in capital

grants and this mitigation will therefore focus on providing support for running costs in order to further encourage upgrades to such vehicles, funded from £2.000m CAZ net revenue proceeds. To not fund this measure would have the effect of discouraging the purchase of some of the most compliant vehicles.

- 7.3.3 The total funding detailed in Appendix A is £19.420m (£17.420 Clean Air Fund Grant and £2.000m CAZ net revenue proceeds), comprised of £9.920m revenue and £9.500m capital funding. This is summarised in table 2, below:

Table 2 - Funding Requirements of this Cabinet Report and FBC

Project	Scheme	Original Allocation - Total £	Current Allocation - Total £
<u>MITIGATIONS & EXEMPTIONS (ME)</u>			
Clean Air Fund (Capital)	Clean Air Fund (Capital)		
M2a - Hackney Carriage support	Hackney Carriage Support	2,500,000	2,500,000
M2c - Private Hire Vehicle upgrade	Private Hire Vehicle Upgrade	7,000,000	7,000,000
	Clean Air Fund (Capital)	9,500,000	9,500,000
Clean Air Fund (Revenue)	Clean Air Fund (Revenue)		
M1a - Mobility support for individuals	Mobility Credit	5,420,000	5,420,000
M2a - Hackney Carriage Support	Hackney Carriage Support	2,500,000	2,500,000
	Clean Air Fund (Revenue)	7,920,000	7,920,000
	Sub-Total	17,420,000	17,420,000
CAZ Net Proceeds (Revenue)	CAZ Net Proceeds (Revenue)		
	Private Hire Vehicle Upgrade	2,000,000	2,000,000
	CAZ Net Proceeds (Revenue)	2,000,000	2,000,000
	Grand Total	19,420,000	19,420,000

- 7.3.4 Administration costs of delivering these mitigation measure were factored into the original CAZ GFBC. Initial costs will be funded from the Clean Air Fund Administration Grant of £1.918m, as detailed in table 1 above. Where required, any further costs to complete delivery of the package of mitigation measures will be funded as part of the operational expenses from CAZ revenue proceeds.

- 7.3.5 Grants provided to individuals or businesses as a result of these measures are not subject to VAT and there is therefore no impact for the Council. VAT may be payable on products or services that grant funding is used to acquire, however this will be the responsibility of the recipient of the product or service.

7.4 Procurement Implications (if required)

7.4.1 There is a requirement to establish a Grant Agreement with Transport for West Midlands (TfWM) to allow the transfer of grant funding for use on their Swift network. This relates to mitigation M1a, mobility credit for CAZ workers who earn less than £0.030m annually. The principles of this agreement are to:

- Establish a regular auditable mechanism for TfWM to claim the grant funding rather than on a case by case basis. This will significantly reduce the administrative burden of processing individual grant claims.
- Agree regular reporting of Swift credit usage to inform future schemes and analyse success of the scheme. This will also allow accurate quarterly reporting to JAQU in accordance with the grant award conditions.
- Allow CAZ workers to benefit from the grant funding as quickly as possible by crediting their account prior to TfWM receiving the grant funding.

7.4.2 TfWM have been engaged regularly as the mitigation schemes have been developed. They are supportive of the scheme and approve of the agreement principles outlined above including a Grant Agreement.

7.4.3 The Council will determine each individual's eligibility for the scheme through the applications and approvals process detailed in Appendix A.

7.5 Human Resources Implications (if required)

7.5.1 The CAZ team will be responsible for delivering the schemes. Administration costs are detailed in 7.3.4 above.

7.6 Public Sector Equality Duty

7.6.1 An Integrated Impact Assessment (IIA) was undertaken as part of the CAZ feasibility study. The IIA assessed the economic and health impacts of the introduction of a Charging CAZ. As a consequence it identified certain economically vulnerable groups which formed the basis for developing the mitigations measures detailed in this report.

7.6.2 As with the IIA, 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.

7.6.3 The grant funds described in this report address some of the concerns raised in the IIA and EIA – further measures are in development.

7.6.4 The EIA has been reviewed and updated in December 2019 to ensure it remains current and aligned to CAZ initiatives.

8 Appendices

8.1 Appendix A – Full Business Case

8.2 Appendix B – Equality Assessment

9 Background Documents

- Clean Air Zone: Charging Order and Indicative Allocation of Net Proceeds, Cabinet Report 25th June 2019. CMIS Reference 006457/2019.
- Birmingham Clean Air Zone Submission of Full Business Case and Request to Proceed with Implementation, Cabinet Report 11th December 2018. CMIS Reference 005939/2018
- Tackling Air Quality in Birmingham - Clean Air Zone – Submission of Business Case to Government, Cabinet Report 10th Sept 2018. CMIS Reference 005425/2018