

# Birmingham City Council

## Report to Cabinet

14 November 2023



**Subject:** Clean Air Zone vehicle scrappage and mobility credit scheme – recommendation to expand scope of the scheme

**Report of:** Strategic Director, Place, Prosperity and Sustainability

**Relevant Cabinet Member:** Councillor Liz Clements - Transport

**Relevant O &S Chair(s):** Councillor Lee Marsham – Sustainability and Transport  
Councillor Jack Deakin – Finance and Resources

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Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, name(s) of ward(s): Ladywood, Bordesley and Highgate, Soho & Jewellery Quarter, Newtown and Nechells		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 011851/2023		
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 for the creation of a vehicle scrappage and mobility credit scheme for residents of the Clean Air Zone (CAZ).

- 1.2 The aim of the scheme is to encourage residents of the CAZ who own a vehicle subject to the CAZ daily fee (i.e. a vehicle that does not comply with the emissions standards of the CAZ) to replace that vehicle sooner than what they may otherwise do. Accelerating the replacement of non-compliant vehicles, especially those that are used most frequently in the CAZ supports the achievement of the overall goal of the scheme, which is to achieve compliance with the legal limit for nitrogen dioxide in the shortest possible time (as per the ministerial directions to the Council dated 19 December 2017 and 11 March 2019).
- 1.3 The scheme will be funded (up to £4.000m) from un-used Clean Air Fund (CAF) grant funding which was provided by the Government to the Council in March 2019 following approval of the Council's Government Full Business Case (GFBC). The original scheme comprised of a mobility credit scheme (revenue of £5.420m) and a CAZ worker vehicle scrappage scheme (capital of £5.420m) and was referred to as CAZ Mitigation M1a.
- 1.4 The variation of use of CAF grant funding is subject to the approval of the Government's Joint Air Quality Unit (JAQU), which was confirmed on 09 October 2023.

## **2 Recommendations**

- 2.1 Approve the creation of a CAZ residents vehicle scrappage and mobility credit scheme as part of CAZ Mitigation M1a.
- 2.2 Approve the allocation of up to £4.000m of CAF Grant Funding in support of the scheme.
- 2.3 Delegate approval of a Full Business Case (FBC) and related reports, including any revised financial appraisal and a detailed risk register for the named scheme to the Strategic Director of Place, Prosperity & Sustainability in conjunction with the Interim Director of Finance, and in consultation with the relevant portfolio holder.
- 2.4 Authorise the City Solicitor and Monitoring Officer to execute, seal and complete all necessary documentation to give effect to the above recommendations.

## **3 Background**

- 3.1 Birmingham's CAZ commenced operation on 1 June 2021.
- 3.2 The CAZ was introduced to reduce the levels of the air pollutant nitrogen dioxide (NO<sub>2</sub>) to within the legal limit in the shortest possible time, as per the direction to the Council from the Secretary of State for the Environment, Food and Rural Affairs in December 2017.
- 3.3 In order to reduce the impacts of the introduction of the CAZ on certain groups, which were identified through a Distributional Impact Assessment (DIA), the Council proposed a number of mitigations as part of the GFBC and accompanying

CAF report. The GFBC and CAF report were presented to, and approved by, Cabinet on 11 December 2018.

- 3.4 The GFBC and CAF report were subsequently approved by the Joint Air Quality Unit (JAQU) in March 2019. At the same time the Council received a further direction from the Secretary of State for the Environment, Food and Rural Affairs to implement the CAZ and additional measures as per the GFBC.
- 3.5 This report relates to the CAF grant funding awarded to the Council in support of the creation of a CAZ worker vehicle scrappage (£5.420m of capital funding) and mobility credit scheme (£5.420m of revenue funding), which together formed Mitigation M1a.
- 3.6 Upon the confirmed scrapping of a non-compliant vehicle, and proof of compliance with other scheme eligibility criteria (including proof of ownership, workplace within the Clean Air Zone etc), applicants to the scheme are provided with a grant of £2,000 which can be used towards the cost of a compliant replacement vehicle. Alternatively, applicants can choose a mobility credit (£2,000) which is for use on the Transport for West Midlands (TfWM) Swift network.
- 3.7 The scheme complemented a temporary exemption from the CAZ daily fee, which was also available to low-income workers (defined as earning less than £30,000 annually) in the Zone for a period of up to 12 months from the launch of the scheme.
- 3.8 It was expected that a person eligible for the CAZ worker exemption would most likely meet the eligibility criteria for the scrappage and mobility credit scheme and would therefore receive additional support to adapt to the introduction of the CAZ.
- 3.9 The temporary exemption for CAZ workers ended on 31 May 2022 at which point 6,073 exemption permits had been issued.
- 3.10 To date, the CAZ worker vehicle scrappage and mobility credit scheme has received 263 applications. Of the applications received 161 have been approved. 76% of the successful applicants have chosen to replace a non-compliant vehicle. The remainder (c. 24%) chose to take a mobility credit.
- 3.11 The number of applications received is significantly less than originally estimated in the CAF Report for a number of reasons. These include the ongoing impacts of COVID 19 on work and travel behaviours and the impact of inflation on the cost of second-hand vehicles and disposable household income.
- 3.12 Therefore, the original allocation of CAF Grant Funding in support of this mitigation has been underutilised. See the Financial implications section of this report for further detail.
- 3.13 Residents of the CAZ, who owned a non-compliant vehicle, were also provided with a temporary exemption from the CAZ daily fee. This was for a period of up to two years from the launch of the scheme.

- 3.14 At the end of the temporary exemption period (31 May 2023) there were 2,312 active exemption permits. This was less than the number of permits in place at the end of the first year of the scheme (2,965). And over the full period of the scheme 3,720 permits were issued.
- 3.15 Based on the results of the 2021 Census 56% (12,187) of the 21,763 households in the CAZ do not have access to a car/van. This compares with 32% of households across Birmingham that do not have access to a car/van.
- 3.16 This suggests that up to 39% of the households in the CAZ that do have access to a car/van have benefited from the temporary exemption from the daily fee.
- 3.17 Prior to the end of the exemption period permit holders were invited to participate in a survey which sought to better understand what changes, if any, they had made to their travel behaviours. And what, if any, plans they had to change future travel behaviours.
- 3.18 The survey received 396 responses, which exceeded the target of 330 needed for a 95% confidence level with a 5% margin of error in the results.
- 3.19 The survey results indicated that just under a third (29%) of permit holders had already switched to a compliant vehicle or planned to do so in the next 6 – 12 months. Close to half of the respondents (46%) were considering switching to a compliant vehicle but may need support to do so. Finally, a quarter (25%) of respondents indicated that they planned to continue using their current vehicle and pay the daily fee.
- 3.20 Within all three groups around half or more of the respondents indicated that they may face additional barriers to change – including mobility issues and/or are in receipt of one or more benefits.
- 3.21 It should be noted that anyone in receipt of the Higher Rate Disability Living Allowance (DLA) or Personal Independence Payment (PIP), or certain other benefit payments of £71 per week, with at least 12 months left, are eligible to apply to the Motability scheme.
- 3.22 This scheme exchanges the value of the allowance for a new car, wheelchair accessible vehicle, or adaptation, including electric options. On the basis that they are new vehicles they are expected to be CAZ-compliant.
- 3.23 The CAZ was introduced in order to reduce the levels of the air pollutant NO<sub>2</sub> to within the legal limit in the shortest possible time. To achieve this goal the scheme applies a daily fee to vehicles that do not meet its emission standards. It was anticipated that the drivers and owners of vehicles subject to the daily fee would choose to upgrade or replace a non-compliant vehicle or choose to do something different.
- 3.24 Since the introduction of the CAZ the percentage of vehicles subject to the daily fee entering the Zone has reduced from 15.2% (June 2021) to 5.8% (August 2023). This means that the daily average number of non-compliant unique vehicles entering the Zone has reduced from 14,873 (June 2021) to 5,842 (August 2023).

- 3.25 On that basis incentivising residents of the CAZ with non-compliant vehicles to replace them sooner rather than later, especially where there may be additional barriers to change, could help accelerate the rate of change in the overall fleet. And incentivising change is especially important for a group of people where 68% of survey respondents indicated they used their vehicle, on average, four days or more per week.
- 3.26 In line with the existing approach applications to the scheme would be managed by the Clean Air Zone team, which already manages applications to the taxi and private hire grant and commercial vehicles grant schemes. Further details around the application process and eligibility criteria for the scheme would be set out in a the FBC for the scheme, which, it is proposed, would be subject to approval by the Strategic Director of Place, Prosperity & Sustainability in conjunction with the Interim Director of Finance, and in consultation with the relevant portfolio holder.
- 3.27 The variation of CAF Grant Funding is subject to approval by the Government's JAQU. On that basis a change request has been submitted to the JAQU, in line with the delegations provided to the Head of Clean Air Zone, in consultation with the Cabinet Member for Transport (Cabinet Member report: Birmingham Clean Air Zone Mitigation Grant M1a (Scrappage Scheme – December 2020). This change request was approved on 09 October 2023.
- 3.28 It should also be noted, in line with the delegations set out above that the scheme for CAZ low-income workers will be updated to align with the scheme proposed for CAZ residents.
- 3.29 It is anticipated that a slightly enhanced offer and greater choice will help increase demand for this grant scheme.
- 3.30 This report has been shared with the Commissioners, appointed to support the improvement journey and financial recovery of the Council, prior to its submission to Cabinet. The Commissioners have highlighted the potential for vehicles approved for scrappage through this scheme to be used for other purposes.
- 3.31 In particular, the Commissioners have highlighted a request of charities supporting activity in the Ukraine that roadworthy vehicles that qualified for scrappage with the scheme operated by Transport for London (in relation to its Ultra Low Emission Zone (ULEZ)) be made available for their use.
- 3.32 This option will be considered as part of the development of the FBC for the scheme. It should be noted that if this option is adopted, it would be subject to approval via a further change request from the JAQU.

#### **4 Options considered and Recommended Proposal**

- 4.1 Several options for further support for residents of the CAZ have been considered. It should be noted that the options offered remain consistent with the themes of the CAF report and grant conditions.

- 4.2 Prior to the end of the temporary CAZ residents' exemption permit holders were invited to participate in a survey. The purpose of this survey was to better understand any changes to travel behaviours since the introduction of the CAZ and, what, if any plans permit holders might have to change travel behaviours.
- 4.3 This survey also asked respondents to rate the attractiveness of the following broad categories of support: financial, shared vehicle and a transport/mobility credit.
- 4.4 Within each of these three categories there were further options, which included, but not limited to: a low-interest loan, vehicle scrappage scheme, car club car sharing, public transport credit and cycle credit.
- 4.5 All of the respondents were interested in at least one of the three categories. However, from the categories offered some form of financial support was selected by 84% of respondents. And of those that indicated an interest in a financial support scheme 60% expected that support to be in the region of £1,000 to £5,000. The next preferred form of support was a public transport credit (6%).
- 4.6 Each of the support options were scored according to a relative red, amber, green (RAG) rating based on the following metrics: speed of delivery, risk, co-benefits, cost/resourcing and resident coverage/benefit.
- 4.7 Based on this scoring a form of financial support in conjunction with one of the transport credit options is recommended for implementation.
- 4.8 It should be noted that the option of 'do nothing' was considered. However, if 'do nothing' was adopted it could mean that the achievement of the objective of the CAZ is delayed.
- 4.9 On that basis the recommended proposal is to offer successful applicants to a CAZ resident vehicle scrappage and mobility credit scheme the following options:
- Scrap a non-compliant vehicle:  
**TOTAL GRANT: £2,000**
  - Scrap a non-compliant vehicle and receive single mobility credit:  
Scrappage grant £1,600 + mobility credit: £1,500  
**TOTAL GRANT: £3,100**
  - Scrap a non-compliant vehicle and receive two mobility credits:  
Scrappage grant £1,000 + mobility credit 2 x £1,500 (£3,000 in total)  
**TOTAL GRANT: £4,000**
- 4.10 A successful applicant to the scheme would, in addition to the grant funding provided by the Council through this scheme, receive any fee associated with the scrapping of their non-compliant vehicle.
- 4.11 The proposed scheme is designed to provide support to a group that may face additional barriers to change in the short to medium term. Therefore, this proposal is intended to provide the opportunity and financial incentive for this group to not need to pay the CAZ daily fee, and to support the overarching goal of achieving

compliance with the legal limits for NO<sub>2</sub> concentrations in the shortest possible time.

- 4.12 These goals will be achieved by incentivising the replacement of non-compliant vehicles and grant funding has been awarded to the Council specifically for this purpose. The creation of a scheme of this type is also consistent with the strategy and ambitions of the Birmingham Transport Plan and the Route to Zero programme.

## **5 Consultation**

- 5.1 The development of this proposal is based on the feedback of CAZ residents' exemption permit holders to a survey which sought to understand whether or not additional support might be required and what form that support might take. More detail on this is set out in section 4 of this report.
- 5.2 The proposal to expand the existing vehicle scrappage and mobility credit scheme to include residents of the CAZ has been shared with Councillors whose wards are in the Zone. Those wards are: Ladywood, Bordesley and Highgate, Soho & Jewellery Quarter, Newtown and Nechells. These Councillors have expressed their support for this proposal.
- 5.3 The report has also been shared with the chairs (or their deputy) of the following scrutiny committees: Sustainability and Transport and Finance and Resources.

## **6 Risk Management**

- 6.1 A failure to reduce the levels of nitrogen dioxide within the plan area could create a material risk to the organisation as identified in the strategic risk register (Item 6.4: Non-compliance with statutory obligations relating to the enforcement of legal limits for air pollutants). Therefore, the creation of this option for residents of the CAZ should help to mitigate this risk by incentivising change amongst a group of people who may face additional barriers to change in the short to mid term.
- 6.2 Key risks relating to the operation of the proposed scheme will be defined in the full business case.

## **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 in this report are consistent with City Council's key policies and priorities as set out in the City Council Plan and Budget 2021-25, Birmingham Connected transport strategy, Birmingham Transport Plan, Local Walking and Cycling Strategy and Infrastructure Plan, and Clean Air/Climate Change Emergency, including the Route to Zero

### **7.2 Legal Implications**

- 7.2.1 The Secretary of State for the Department of Environment, Food and Rural Affairs issued a Ministerial Direction in March 2019 which required that the Council implement its plans so that compliance within the legal limit value for NO<sub>2</sub> is achieved in the shortest possible time. The Council remains subject to this Direction.
- 7.2.2 The requirement of air quality compliance was imposed upon the UK by the EU Ambient Air Quality Directive(b) and upon the Council by the Environment Act 1995 (Birmingham City Council) Air Quality Direction 2019
- 7.2.3 The Clean Air Zone has been introduced pursuant to the Transport Act 2000. A Charging Order was made on 26 April 2021. This order provides the legal basis for the operation and enforcement of the Clean Air Zone. The legislation used to create the Clean Air Zone also sets out the uses of revenues raised through the scheme.

### **7.3 Financial Implications**

- 7.3.1 Following the Government's approval of the Council's GFBC and CAF report in March 2019 it received CAF grant funding to support the creation of a CAZ worker vehicle scrappage (£5.420m of capital funding) and mobility credit scheme (£5.420m of revenue funding), which together formed Mitigation M1a.
- 7.3.2 Since its launch in 2021 the current scheme has received 263 applications. Of the applications received 161 have been approved. 76% of the successful applicants have chosen to replace a non-compliant vehicle. The remainder (c. 24%) chose a mobility credit.
- 7.3.3 On that basis the original allocation of CAF Grant Funding has commitments of £0.322m (£0.078m of revenue and £0.244m of capital). It is proposed that up to £4.000m of the remainder be allocated to support the implementation of this scheme.
- 7.3.4 This proposed allocation of grant funding to support this scheme is based on an estimate of demand for the scheme, which has been put at anywhere between 1,500 to 2,000 successful applicants.
- 7.3.5 The remainder of the CAF grant funding (£6.518m) would remain allocated to supporting an updated scheme for low-income workers in the CAZ. The proposed changes to this scheme include updating the grant offering to align with the offer to residents of the CAZ and the offer of a direct grant for the scrapping of a non-compliant vehicle.
- 7.3.6 It should be noted that the CAF report submitted to the Government in December 2018 indicated that the option of a vehicle scrappage scheme would be investigated at some future point in order to determine need. That report also suggested that funding for such a scheme might be funded from future CAZ net surplus revenues.



7.3.7 However, as the existing CAF grant funding for this scheme is currently underutilised it is proposed that this be used as a first source of funding for this scheme. Any future, similar scheme may need to be funded from CAZ net surplus revenues.

7.3.8 This proposal is also subject to approval from the Council's section 151 officer, in line with the spend controls put in place following the issuing of the section 114 notice on 05 September 2023. The approval for this allocation of funding was provided on 29 September 2023 on the basis that the scheme makes use of existing ring-fenced grant funding.

#### **7.4 Procurement Implications**

7.4.1 There are no procurement implications with the recommendations in this report. Approval of any procurement activity arising from the recommendations in this report would be in accordance with the Council's Procurement and Contract Governance Rules.

#### **7.5 Human Resources implications**

7.5.1 There are no anticipated human resources implications as the administration of the new scheme will be undertaken by existing Clean Air Zone staff.

#### **7.6 Public Sector Equality Duty**

7.6.1 Under Section 149 of the Equality Act 2010 the Council has a statutory duty to have due regard to the need to eliminate discrimination and advance equality of opportunity by ensuring that no dis-benefits are introduced to any persons who share a protected characteristic.

7.6.2 The CAZ scheme has an impact on a variety of aspects including the health and well-being and financial capacity of those working, living and visiting the city. The scheme also has an impact upon air quality, congestion, ease of travel within the city and also the capacity of the city's roads which may see an increased volume of traffic in some areas.

7.6.3 As such, an Integrated Impact Assessment (IIA) was undertaken during the feasibility phase. This consisted of an Equality Impact Assessment (EIA) and a Health Impact Assessment (HIA). As described below:

- **Equality Impact Assessment:** the purpose of this piece of work was to assess the impacts to the various socio-economic groups which inhabit the city. The assessment suggested that the largest impact could be to lower income families and those with disabilities. As part of the CAZ programme a number of mitigation measures were developed with the of reducing the impact on the people who fall into these groups. An updated Equality Impact Assessment for this specific scheme has been undertaken and is included in Appendix A.
- **Health Impact Assessment:** the purpose of this piece of work assesses the implications of introducing the various schemes on the health and wellbeing

of those people who live, work and visit the city, highlighting the particular impacts on identified vulnerable groups such as, children and disabled people. The output of this assessment showed that the overall health impact would be positive, with areas of high-income deprivation benefitting most. This is partly due to the improvement in vehicle emissions and the indirect benefits of the modal shift towards active travel.

## **8 Appendices**

- Appendix A: Equality Assessment ref EQUA1196
- Appendix B: Environment and Sustainability Assessment

## **9 Background Documents**

- Birmingham Clean Air Zone Submission of Full Business Case and Request to Proceed with Implementation, Cabinet Report 11 December 2018. CMIS Reference 005939/2018
- Tackling Air Quality in Birmingham - Clean Air Zone – Submission of Business Case to Government, Cabinet Report 10 September 2018. CMIS Reference 005425/2018 Page 18 of 18
- Birmingham Clean Air Zone Mitigation Grant M1a (Scrappage Scheme) - Cabinet Member Report – December 2020
- Birmingham Transport Plan, Cabinet Report 12 October 2021. CMIS Reference: 008947/2021
- Approval of Route to Zero next stage business case: 12 October 2021. CMIS Reference: 008305/2021