

Birmingham City Council

Report to Cabinet

19th January 2021



Subject: Birmingham Clean Air Zone (CAZ) Update to Cabinet on Digital and Physical Infrastructure Development, Air Quality Monitoring, and Income and Expenditure Forecast.

Report of: Acting Director Inclusive Growth

Relevant Cabinet Member: Councillor Waseem Zaffar, Transport and Environment

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

Report author: Stephen Arnold, Head of Clean Air Zone.
Email: Stephen.Arnold@birmingham.gov.uk

Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): add Wards here WITHIN CAZ: Newtown, Soho & Jewellery Quarter, Nechells, Bordesley and Highgate, and Ladywood CAZ BOUNDARY: Lozells, Bordesley Green, Sparkbrook and Balsall Heath East, Balsall Heath West, and Edgbaston		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference: 008212/2020		
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 ensure Cabinet remains sighted on the progress of the Clean Air Zone's digital and physical infrastructure development, changes to the income and expenditure forecast, and the air quality monitoring situation

over the course of the last year. It also highlights the agreements that the Council will need to enter into with the Secretary of State for Transport for the delivery of Central Government systems, which are required for the operation and enforcement of the CAZ, and delegations are sought to enable those agreements to be entered into once the documents have been finalised.

- 1.2 At various meetings of the City Council it has been noted that some time has elapsed since Cabinet received sight of the latest CAZ income and expenditure forecast which has been impacted by the delay to launch. More recently the Joint Air Quality Unit (JAQU), which is a joint organisation between the Department for Transport (DFT) and the Department for Environment, Food and Rural Affairs (DEFRA), has also detailed its plans for recovering the costs of Birmingham's use of their CAZ Central Services which warrants visibility of the impacts of their proposals on the CAZ operating expenditure. This report also provides an opportunity for a broader update on the CAZ delivery.
- 1.3 As the Council continues to work towards the CAZ launch on 1st June 2021, further work is ongoing to integrate local CAZ systems with the Clean Air Zone Central Services provided by Central Government for all Local Authorities developing CAZs in England. In addition to digital integration, the Council will be required to enter into a 'CAZ Agreement' with the Secretary of State for Transport which details the provision of the CAZ Central Services to the Council. These services include:
 - i an online vehicle compliance checker (VCC) which determines if a vehicle complies with the CAZ emissions standards and if a charge should be paid,
 - ii an online payment portal through which all payments for use of the CAZ will be made, and
 - iii a central helpdesk for central CAZ queries and digital assisted payments.
- 1.4 In order to prioritise and enable systems integration and testing in the New Year, whilst the main CAZ Agreement continues to be developed, a separate Data Sharing Agreement (DSA) is being drafted by JAQU. The Council's Clean Air Zone team, with significant support from Legal Services, have provided extensive feedback to drafts of both the CAZ Agreement and Data Sharing Agreement to ensure JAQU are aware of the standards and provisions that the Council expects. The delegation sought in this report will allow the signing of those agreements to be authorised in a timely manner once they are finalised.
- 1.5 In December 2020 the Secretary of State for Transport signed into force the Clean Air Zones Central Services (Fees) (England) Regulations 2020. These regulations require that any local authority using the Clean Air Zone Central Services pay a £2 charge which will be applied to all transactions processed by the online payment portal (item 'ii' in paragraph 1.3). A copy of these regulations can be seen in Appendix B. In practice, this charge will apply to all payments made for entry into the Birmingham CAZ and this represents a change in both the basis and the value of the fee from the Council's original FBC submission to

JAQU. The Council previously expected to pay up to 5% of the CAZ revenue for these services, but now forecasts that costs will increase to approximately 16% of CAZ revenue. More detail on the implications of this change is provided in paragraph 7.3.

- 1.6 The Leader and the Cabinet Member for Transport and Environment have attended meetings with the Parliamentary Under Secretaries of State for DEFRA and DFT where the Government's mandate for the implementation of the Birmingham local plan for NO₂ compliance has been consistently affirmed.

2 Recommendations

- 2.1 Notes that the launch date for the CAZ has been agreed as the 1st June 2021. This is a change from the original date of 1st January 2020 which could not be met initially due to the late delivery of the government's vehicle compliance checker, and was followed by a further delay to the revised launch date set for summer 2020 as a result of the impacts of COVID-19.
- 2.2 Notes that the Council remains subject to a Ministerial Direction (the Environment Act 1995 (Birmingham City Council) Air Quality Direction 2019) which requires that it implements its plans so that compliance within the legal limit for Nitrogen Dioxide is achieved in the shortest possible time.
- 2.3 Notes that the Council continues to monitor air quality in the city and recorded improvements in Nitrogen Dioxide (NO₂) levels throughout the course of 2020 and the legal limit for annual average NO₂ levels remains at 40 µgm⁻³ (micrograms per cubic metre). Improvements in 2020 were largely because of significantly reduced traffic levels caused by the national restrictions imposed as a result of COVID-19. Whilst the reduction in NO₂ levels for last year is positive, the improvements are not considered to be permanent and are expected to be reversed when traffic levels increase following the anticipated lifting of COVID-19 restrictions.
- 2.4 Notes that the majority of infrastructure works to support and enforce the CAZ are complete and testing of the IT enforcement solution and integration with the Clean Air Zone Central Service will commence in early 2021, subject to the necessary data sharing arrangements being in place.
- 2.5 Notes that Cabinet previously approved the Charging Order and Indicative Net Allocation of Net Proceeds report in June 2019 which included estimated revenue forecasts based on the information available at the time. The income and expenditure (I&E) forecast has been updated to reflect the revised CAZ operational dates, assumptions regarding traffic volumes and compliance, and revised costs from JAQU for the use of the Clean Air Zone Central Service. It also includes projects which have been allocated CAZ funding, subject to sufficient net revenue being generated, following approval by Cabinet.
- 2.6 Notes that the fees to pay for the Council's use of the Clean Air Zone Central Services provided by the Secretary of State for Transport, through JAQU, will be

recovered using a Statutory Instrument (SI) and that the basis and value of the fee has changed from the Council's original FBC submission to JAQU, which equated to 5% of the Council's revenue, to a transactional approach which levies a £2 fee per transaction and will incur charges equivalent to approximately 16% of CAZ revenue.

- 2.7 Notes that the I&E will continue to be updated as assumptions are refined and new data becomes available. This includes data from additional air quality monitoring stations, additional traffic counting equipment, and automatic number plate recognition and compliance information. A further report will be presented to Cabinet following the CAZ launch with an updated forecast which will seek to address the remaining uncertainties and confirm the ongoing reporting process.
- 2.8 Notes that the Council will be required to enter into agreements with the Secretary of State for Transport for the provision of the Clean Air Zone Central Services. These agreements are currently still being drafted by JAQU on behalf of the Secretary of State and will include a Data Sharing Agreement (DSA) and a Clean Air Zone Central Services Agreement (CAZ Agreement) which will detail the specification and provision of the Clean Air Zone Central Services by the Secretary of State to the Council. These documents are expected to be finalised by JAQU in the New Year and at present are insufficiently mature to present to Cabinet.
- 2.9 Delegates authority to the Cabinet Member for Transport and Environment in consultation with the Director, Inclusive Growth, to finalise and enter in to a CAZ Agreement with the Secretary of State for Transport for the provision of the Clean Air Zone Central Services required to operate the CAZ.
- 2.10 Delegates authority to the Cabinet Member for Transport and Environment in consultation with the Director, Inclusive Growth, to finalise and enter in to a Data Sharing Agreement with the Secretary of State for Transport for the purposes of testing, monitoring, operation and enforcement of the CAZ.
- 2.11 Authorises the City Solicitor (or their delegate) to negotiate, execute, seal, take any necessary action, and complete all necessary documents to give effect to the above recommendations.

3 Background and Update on Air Quality and CAZ Digital and Physical Infrastructure Implementation

- 3.1 The Council has been working to implement the CAZ since approval of the FBC by Cabinet in December 2018 and receipt of funding for the programme from Central Government in March 2019.
- 3.2 Following delays experienced by Central Government in delivering their systems for enforcement, and more recently due to the impacts of COVID-19, the launch date for the CAZ has been moved originally from 1st January 2020, to summer 2020, and has now be agreed as 1st June 2021.

- 3.3 This report provides an update on progress towards implementing the CAZ, a summary of the air quality monitoring that has taken place this year given that air quality improvements are the key justification for the CAZ, and the latest income and expenditure forecast.

Air Quality

- 3.4 The Council undertakes continuous monitoring of air quality throughout the city and reports annually as part of its obligations under the Environment Act 1995 for Local Air Quality Management. In addition, specific studies have been commissioned in relation to the CAZ programme.
- 3.5 The Council has identified on successive occasions that excessive levels of Nitrogen Dioxide (NO₂) is the main air quality issue in the city, particularly within the city centre, with road traffic emissions being a substantial contributor. NO₂ exposure can exacerbate respiratory problems and the Council has previously committed to an area-based strategy which includes the CAZ and is detailed in the Council's Air Quality Action Plan. NO₂ levels are measured in µgm⁻³ (micrograms per cubic metre of air) and the legal limit for a calendar year is an average not exceeding 40 µgm⁻³.
- 3.6 The results included in the Council's 2019 Air Quality Annual Status Report (ASR), which considered data captured in 2018, showed annual average NO₂ level exceedances in a number of areas with the highest reading measuring 55 µgm⁻³, 37% higher than the legal limit. Across all the 96 sites with measuring apparatus that collected sufficient data, 34 showed exceedances above the legal limit. The following year, in the Council's 2020 ASR which detailed results from 2019, the highest reading was 51 µgm⁻³ and 26 of the Council's monitoring stations recorded exceedances above the legal limit.
- 3.7 Traffic volumes fluctuated significantly over the course of 2020 in response to the national COVID-19 restrictions. Weekly traffic levels dropped to around 30% of those recorded in January (pre-COVID-19), with minimum levels recorded in March and April. Subsequently traffic levels rose to around 90% of those recorded pre-COVID-19 until early November 2020 when they decreased significantly again due to the further restrictions.
- 3.8 Annualised data from 2020, collected between January and September, showed that the number of monitoring sites that recorded exceedances had reduced to just 5. There have been COVID-19 related challenges that have prevented all of the monitoring sites having their results processed which has impacted the number of sites with complete data sets, however not only have fewer sites recorded exceedances but those exceedances have also reduced.
- 3.9 The results of monitoring throughout 2020 appear positive with a marked reduction in NO₂ levels compared to the previous years. It is not possible to conclude that it is exclusively as a result of lower traffic levels, largely due to anomalous weather experienced earlier in the year which can impact the

monitoring equipment, but with the reduction correlates strongly with reduced traffic volumes. This was expected given the strong causal links between roadside traffic emissions and NO₂ concentrations. Air quality improvements noted during 2020, however, cannot be considered to be permanent as traffic levels are expected to increase following the anticipated lifting of COVID-19 restrictions, and therefore the improvements recorded are expected to be at least partially reversed.

- 3.10 The objective of the CAZ is to accelerate changes in traffic fleet composition to increase the proportion of less polluting vehicles in order to achieve compliance with the legal air quality limits. The Council's air quality monitoring team urge caution when interpreting short term data trends because of the large number of factors that can affect results and prefer to look at longer term trends (over periods of 5 years). These strongly indicate that there remains an intervention required in order to achieve compliance with the legal NO₂ limits in the shortest possible time, and provide a longer term solution to the air quality issues within the city.

CAZ Infrastructure

- 3.11 The infrastructure to support and enforce the CAZ continues to progress, with the vast majority of works to the physical infrastructure complete and the back office IT enforcement solution advancing in conjunction with the Central Service development. The Council does anticipate further change requests from JAQU and the impact of any changes will be considered once the necessary detail has been provided. A further Executive report will be provided should significant issues arise.
- 3.12 The Council has completed the installation of 61 Automatic Number Plate Recognition (ANPR) cameras in 40 locations around the CAZ perimeter, and a further 6 within the CAZ. These interface with a bespoke back office system which records vehicle entrants and will communicate with the Clean Air Zone Central Services to determine each vehicle's compliance and also whether a payment has been made to enter the CAZ as will be required for drivers of non-compliant vehicles. Also now installed are all boundary signs notifying motorists of the CAZ, with radial advance warning signs expected to be fully installed early in 2021 alongside gantry signs on the A38.
- 3.13 Beginning in January 2021, systems integration and testing will take place in accordance with an agreed test plan which has been co-created between the Council, its contractor, and JAQU. This timescale for this testing assumes no further significant changes being required by JAQU.
- 3.14 There are several key dependencies upon JAQU which present risks to the project's timely delivery and include; the provision of sample data for testing purposes, a Data Sharing Agreement (DSA) which covers both testing and normal operations, and a CAZ Agreement which specifies the Clean Air Zone

Central Services, their performance levels and service standards. The Council continues to assist JAQU with the development of these agreements.

- 3.15 The Council continues to manage applications for time-limited exemptions from CAZ charging which will begin from the CAZ launch in June 2021. These include CAZ residents and eligible workers and local businesses under certain circumstances. It is also compiling longer term exemptions from charging for emergency service vehicles and other specialist vehicles.
- 3.16 The CAZ business case included some Additional Measures which complement the CAZ. Of these works, the Great Lister Street junction with Dartmouth Middleway and the two Controlled Parking Zones (CPZs) associated with this programme are scheduled for completion by July 2021 pending consultation. Traffic signal changes at Dartmouth Circus will take place after the launch of the CAZ to account for actual traffic flow changes once the CAZ is operational. Furthermore, work on the junction between Suffolk Street Queensway and Paradise Circus is scheduled for the last quarter of 2021 to link in with phased works for the Metro currently underway in that area. These works have developed since the original Additional Measures proposal and continue to be progressed with key stakeholders.
- 3.17 As part of the Early Measures programme, works to install 10 Variable Message Signs (VMS) are complete and the signs are operational. Transport for West Midlands have completed works for 10 new bus shelters around the city as well as refurbishment of several others. These include Real Time Information (RTI) screens for users of the bus network. Further work is underway to install Bus Priority Measures (BPM), an updated Network Signing Strategy (NSS), and Traffic Signal Upgrades (TSU) which are also expected to be complete by March 2021.

Income and Expenditure

- 3.18 The CAZ income and expenditure has been under continuous review as the project has developed and will remain under review following the implementation of the CAZ. A breakdown of the elements of the income and expenditure forecast, alongside changes from the original FBC projections and the reasons for change, are included in section 7.3 Financial Implications.

Agreements with the Secretary of State for Transport

- 3.19 The Council has been working with JAQU to develop their CAZ Agreement and DSA. Further detail is provided in section 7.4 Legal Implications.

4 Options Considered and Recommended Proposal

- 4.1 Not Applicable.

5 Consultation

- 5.1 A statutory public consultation for the CAZ was undertaken by the Council between July and August 2018. This was reported to Cabinet in September 2018.

6 Risk Management

- 6.1 Overall programme risks are managed through the internal performance monitoring boards associated with the programme. This includes the management of risks related to capital works, exemptions and the supporting IT systems.
- 6.2 CAZ income and expenditure continue to be based on forecasts until sufficient up to date data on vehicle compliance and CAZ journey information is available. The I&E will be kept under review and updated when this information is available. The Council has made prudent adjustments to the modelled net income in order to allow for variations between the modelled outcomes and what the actual outcomes may be. More information is provided in 7.3.7 below.
- 6.3 The effects of COVID-19 related lockdowns present a challenge for accurately modelling traffic levels though the Council continues to assume that there will be an increase following the anticipated lifting of COVID-19 restrictions in the future.
- 6.4 There remain a number of dependencies on JAQU for the delivery and performance of the Clean Air Zone Central Services. This includes the production of the necessary legal agreements to enable the use of those services and further detail is provided in 7.2.4 and 7.2.5 below. Delegations are sought in paragraphs 2.9 and 2.10 to allow the Council to enter into these agreements in a timely manner.
- 6.5 There are further dependencies on JAQU which require their developers taking a consistent approach to the delivery of the Central Services, into which the Council's systems will interface. Any additional development work required resulting from adjustments to that system will introduce risk to the Council's delivery schedule and additional costs. Further governance may be required should significant changes arise, and this will be taken forward in accordance with the Council's gateway and financial approval framework.

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 the Council Plan 2018-2022 (2019 Update).

Birmingham is an entrepreneurial city to learn, work and invest in

- The Clean Air Zone and associated grant funds encourage investment in compliant methods of transportation.

- 7.1.2 **Birmingham is a fulfilling city to age well in –**

- 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 or upgrade their vehicles rather than commuting in non-compliant vehicles.

7.1.3 **Birmingham is a great, clean and green city to live in –**

- The CAZ will directly improve air quality in the city centre. This is a further step on the way to a clean and sustainable city.

7.1.4 **Birmingham is a city that takes a leading role in tackling climate change**

- The scheme supports the Additional Climate Change Commitments agreed by Cabinet on 30th July 2019 following the motion on Climate Emergency passed by full City Council on the 11th June 2019, including the aspiration for the City Council to be net zero-carbon by 2030.

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 Nitrogen Dioxide is achieved in the shortest possible time, and by 2021 at the latest. The Council remains subject to this Direction.

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 made in January 2021 or as soon as possible thereafter. It is this order which will provide the legal basis for charging non-compliant vehicle users of the CAZ from 1st June 2021.

7.2.3 A Statutory Instrument (the Clean Air Zones Central Services (Fees) (England) Regulations 2020) has been developed by the Joint Air Quality Unit and signed into force by the Secretary of State for Transport in December 2020. The SI details the recovery of the fee for the use of the Clean Air Zone Central Services and can be seen in Appendix B. The Clean Air Zone Central Services will provide a means of determining vehicle compliance through a vehicle checker, an online payment portal for all UK CAZ charges including for the Birmingham CAZ, and a centralised helpdesk for assisted digital payments. As a result, the Council, alongside all other Local Authorities implementing a CAZ, will be mandated to pay the fees (currently £2 per transaction) associated with use of the service.

7.2.4 The Council will need to enter into a Data Sharing Agreement (DSA) with the Secretary of State for Transport (through JAQU) with provisions for the personal data that will be shared to enable the CAZ enforcement and

monitoring. The DSA is currently being developed by JAQU and the final details of this agreement have yet to be provided, though the Council has provided detailed feedback to earlier drafts on a number of occasions.

- 7.2.5 The Council will also be required to enter into a Clean Air Zone Agreement with the Secretary of State for Transport for the provision of the Clean Air Zone Central Services. This agreement details the services that will be provided by the Secretary of State, including an online vehicle checker, an online payment portal through which CAZ charges can be paid, and a central CAZ helpdesk for queries and digital assisted payments. The final details of this agreement have yet to be provided by JAQU though the Council has provided detailed feedback to earlier drafts on a number of occasions.
- 7.2.6 The CAZ Agreement will be entered into pursuant to Regulation 12(7) of the Public Contract Regulations 2015 and as such does not require a procurement exercise. The CAZ Agreement for the provision of the CAZ Central Service seeks to establish co-operation between the Secretary of State for Transport and the Council with the aim of ensuring the achievement of the common objective of air quality compliance. The service will be provided on a cost-recovery basis.
- 7.2.7 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.

7.3 Financial Implications

- 7.3.1 The core objective of the Clean Air Zone is to accelerate the achievement of compliance within the legal limits for NO₂ in the shortest possible time; whilst revenue will be generated in the process it has not fundamentally been designed with revenue generation in mind.
- 7.3.2 The Clean Air Zone net revenue income/expenditure was the subject of the Clean Air Zone: Charging Order and Indicative Allocation of Net Proceeds report to Cabinet of 25th June 2019. Specifically, the report noted that net proceeds must be used to fund local transport initiatives and be allocated in accordance with Part 3 of the Transport Act 2000.
- 7.3.3 Schedule 12 paragraph 8 of that Act requires that net proceeds of a charging scheme shall be applied by a local authority “for the purpose of directly or indirectly facilitating the achievement of local transport policies of the authority”.
- 7.3.4 In developing the original CAZ business case, the Council commissioned the development of a model to forecast CAZ income and expenditure (I&E). This model was based on assumptions around traffic volumes and composition forecasts, as they were known at the time, and anticipated compliance rates across various vehicle categories. These assumptions

result in a degree of uncertainty in relation to the forecast income and expenditure. Whilst some of this uncertainty has been resolved/reduced as a result of the recent update, some significant areas of uncertainty remain such as the continued effect of COVID-19 on traffic levels. The assumptions will continue to be refined as the CAZ programme develops. Once implemented the I&E forecast will continue to be updated regularly and the frequency of these updates will be defined in a subsequent report to Cabinet following the launch.

7.3.5 At the time the Indicative Allocation of Net Proceeds report was written, the forecasted income for the CAZ was anticipated to generate £82.174m of net proceeds between the 2020/21 and 2030/31 financial years which was a slight reduction from the £85.708m in the CAZ FBC which is the figure used for comparison in this report. The report also provisionally allocated £75.700m to the following projects:-

- Controlled Parking Zones to mitigate localised impacts of the CAZ;
- Gap funding for the Hydrogen Bus Pilot;
- City centre pedestrianisation and public realm improvements;
- Enhanced programme of bus priority, walking and cycling schemes;
- Creation of a Clean Air City Fund, with a proposed annual allocation of £20,000 to each ward (£40,000 for two member wards) for use against a defined catalogue of measures to aid sustainable transport and improve air quality;
- New transformational transport plans for the period up to 2050; and
- Match funding contributions towards new or upgraded public transport projects.

7.3.6 Numerous changes have occurred that impact the overall income and expenditure forecast which stem from four key areas. These are:-

- delays to implementation,
- a firming up of assumptions,
- increased costs of using the CAZ Central Services, and
- a reduced operating period as the CAZ Central Services are due to terminate in 2027.

The revised I&E is shown in Tables 1 and 2 below.

7.3.7 It should be noted that the majority of the revised I&E figures are still based on forecasts. In order to account for the continued level of uncertainty, particularly around vehicle compliance rates which cannot be accurately forecasted, and to reflect a prudent approach to estimating net revenues, an adjustment factor has been included which reduces net income to 65%

of the forecast level. This adjustment factor is consistent with the approach taken in the original FBC.

Table 1 - CAZ PROJECTED OPERATIONAL I&E

	21/22 £000	22/23 £000	23/24 £000	24/25 £000	25/26 £000	26/27 £000	Total £000	FBC Total (2020-2030)	Variance from FBC
CAZ Gross Income	(27,167)	(23,052)	(18,697)	(14,343)	(10,572)	(8,552)	(102,383)	(175,322)	72,939
Sinking Fund (General)	165	167	167	167	167	167	1,000	6,066	(5,066)
Central Service Costs	4,277	3,848	3,139	2,430	1,812	1,466	16,972	7,855	9,117
Operating Costs (including Admin)	4,706	4,001	3,525	3,243	2,990	2,654	21,119	29,543	(8,424)
Net Revenue	(18,019)	(15,036)	(11,866)	(8,503)	(5,603)	(4,265)	(63,292)	(131,858)	68,566
Adjustment (Percentage)	65%	65%	65%	65%	65%	65%	65%	65%	65%
Net Revenue	(11,712)	(9,773)	(7,713)	(5,527)	(3,642)	(2,772)	(41,140)	(85,708)	44,568

- 7.3.8 Table 1 includes a revised net revenue forecast, after applying the adjustment factor, which shows a reduction from £85.708m as forecast in the original FBC to £41.140m as currently forecast. This is primarily because of the reduced operating window (originally 2020 to 2030, now 2021 to 2027) and increased costs for the CAZ Central Services. Further details are provided in 7.3.9 to 7.3.13 below.
- 7.3.9 The reduction in income of £72.939m is as a result of delays to implementation and also the reduction in the overall operational lifespan of the CAZ. Initially expected to operate until 2030, the Clean Air Zone Central Services will now terminate in 2027 which means the CAZ will currently be unable to operate past the date of termination.
- 7.3.10 The Council's operating costs forecast in the original FBC totalled £43.464m and are now forecast to be £39.091m, which is an overall reduction of £4.373m primarily due to the reduced operating lifespan of the CAZ.
- 7.3.11 The sinking fund contributions have been revised in line with updated expectations from a revenue percentage contribution of £6.066m to a limited fund of £1.000m for decommissioning which sees a reduction in forecast expenditure of £5.066m; actual costs will depend on whether complete decommissioning will take place or the apparatus is repurposed for other means.
- 7.3.12 Central Service costs have increased by £9.117m to £16.972m as a result of a change in the basis and value of the fee from the Council's original FBC submission to JAQU, which equated to 5% of the Council's revenue, to a transactional approach which levies a £2 fee per transaction that will incur charges equivalent to approximately 16% of revenue. This is based on the original traffic modelling and expected number of non-compliant vehicle journeys. The fees to pay for the Council's use of the Clean Air Zone Central Services provided by the Secretary of State for Transport, through JAQU, will be recovered using a Statutory Instrument which can be seen in Appendix B. The exact costs of the service will be proportional to non-compliant vehicle use of the CAZ and will therefore increase or decrease in line with use of the service.
- 7.3.13 Overall, the CAZ operating costs have decreased by £8.424m which is again linked in the main to the overall reduction in the operational lifespan of the CAZ.

Table 2 - CAZ COMMITTED EXPENDITURE

	21/22 £000	22/23 £000	23/24 £000	24/25 £000	25/26 £000	26/27 £000	Total £000
Net Revenue (Incl. Adjustment)	(11,712)	(9,773)	(7,713)	(5,527)	(3,642)	(2,772)	(41,140)
<i>Projects with Funding Approved by Cabinet</i>							
Hydrogen Bus	3,355	0	0	0	0	0	3,355
Taxi Running Grant	200	200	200	200	200	200	1,200
City Centre Pedestrianisation	5,835	2,560	3,460	3,623	0	0	15,478
Sub-Total	9,390	2,760	3,660	3,823	200	200	20,033
<i>Projects with Provisional Allocation to meet Air Quality Objectives</i>							
Contingency for Additional Mitigations	0	3,873	2,068	1,559	0	0	7,500
Sub-Total	0	3,873	2,068	1,559	0	0	7,500
Projected Net Proceeds	(2,322)	(3,140)	(1,985)	(145)	(3,442)	(2,572)	(13,607)
<i>West Midlands Combined Authority Transport Schemes Capped Contributions Subject to Funding Availability/Prioritisation</i>							
University Station Redevelopment							3,400
Camp Hill Line Stations Scheme							5,218
Cross City Bus Scheme							4,225

- 7.3.14 Included in Table 2 above, are projects which have CAZ funding allocated to them via an approved Cabinet report. These are shown in the top section of the table and cover the Hydrogen Bus Project, an additional CAZ mitigation measure in the form of Private Hire Vehicle Running Grant, and the City Centre Public Realm (CCPR) project. The CCPR project and associated CAZ funding requirements continues to be developed and will be subject to separate reporting and approvals in line with the Council's Gateway and Financial Approvals Framework. Further projects which require funding will need to meet the requirements of paragraphs 7.3.2 and 7.3.3 and be in line with the Council priorities.
- 7.3.15 To be prudent and to enable compliance within the required timescales, the Council has set aside £7.500m should further financial incentive measures, which target specific areas of non-compliance, be required (see Table 2).
- 7.3.16 Table 2 also contains projects included in the Clean Air Zone Contributions to West Midlands Combined Authority Transport Schemes report approved by Cabinet on 17th March 2020. This approved capped revenue funding contributions of £3.400m towards delivery of the University Station redevelopment scheme, £5.218m towards delivery of the Camp Hill Line Stations scheme and £4.225m towards delivery of the Cross-City Bus scheme. Whilst it is still the Council's intention to fund these projects it should be noted that the funding contributions will only be available where sufficient CAZ net proceeds have been accumulated, after resourcing CAZ operational requirements and prioritised schemes, with due regard to other funding commitments made by Cabinet. Where funding is available it should be noted that this may not be to the full value or in line with the original expenditure profile included in the approved Cabinet reports.
- 7.3.17 Should any additional net revenue become available over the lifetime of the CAZ there will be an initial process of prioritisation by the Cabinet Member, Transport and Environment and the Assistant Director, Transport and Connectivity to ensure funding is utilised in line with regulations and is aligned with the relevant Council priorities. This will take place in advance of the formal approvals being sought through the Council's Gateway and Financial Approvals Framework.

7.4 Procurement Implications (if required)

7.4.1 None.

7.5 Human Resources Implications (if required)

7.5.1 None.

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. The CAZ programme will have 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 will have an impact upon air quality, congestion, ease of travel, within the city and also the capacity of the city's roads which will see an increased volume of traffic in some areas. As such, an Integrated Impact Assessment (IIA) has been undertaken during the feasibility phase which consists 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 is to assess the impacts to the various socio-economic groups which inhabit the city. The assessment shows that the largest impact will be to lower income families and those with disabilities. As part of the CAZ programme a number of mitigation measures have been developed which will aim to reduce the impact on the people who fall into these groups.
- Health Impact Assessment: the purpose of this piece of work assesses the implications of introducing the various schemes on the health and well-being 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.

7.6.2 Equality Assessment (EQUA210) is provided as Appendix A. This document is being kept under review.

8 Appendices

8.1 Appendix A - Equality Analysis

8.2 Appendix B - The Clean Air Zones Central Services (Fees) (England) Regulations 2020

9 Background Documents

- 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

- Clean Air Zone Charging Order and Indicative Allocation of Net Proceeds Report, Cabinet Report 25th June 2019. CMIS Reference 006457/2019.
- Birmingham City Council 2019 Air Quality Annual Status Report - https://www.birmingham.gov.uk/downloads/file/15061/air_quality_annual_status_report_2019_containing_data_for_2018
- Birmingham City Council 2020 Air Quality Annual Status Report (link not yet available).