

Report of Project Manager (SEAQ)

Report to Director of Resources and Housing

Date: 19 February 2019

Subject: CAZ Implementation Fund (CAZIF) and the Clean Air Fund (CAF)

Capital scheme number: 33024/000/000

Are specific electoral wards affected? If relevant, name(s) of ward(s):	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number:	Yes	x No

Summary of main issues

1. The Council submitted to the Executive Board its final proposal for the Leeds Clean Air Charging Zone (CAZ) in October 2018.
2. Following this the Council submitted its Full Business Case to Government for the Leeds Clean Air Charging Zone in December 2018.
3. The Council received a letter from the Department for Environment, Food and Rural Affairs & Department of Transport on 17 January confirming that the Council's application to the Clean Air Zone Implementation Fund (CAZIF) had been approved in full, and the application to the Clean Air Fund (CAF) had been approved in the main, with the funding to be released in two parts subject to us being able to evidence demand.
4. The October 2018 Executive Board report included a number of delegations pertaining to the delivery of the CAZ. However, it wasn't possible to include all spending decisions because the size of the potential funding award was unknown and not guaranteed. However, the decisions relating to the expenditure for the Automatic Number Plate

Recognition (ANPR) camera network were confirmed in the June 2018 Executive Board.

5. This report sets out the amount of grant funding to be received, its allocation, how it will be spent, and how the budget processes will be set up to facilitate management of the funds.
6. This decision is to be taken using the 'general exemption provisions' laid out in the Constitution. Any delay to this decision to spend will result in the council being unable to meet the deadlines laid out in the Grant Agreement from Government, which ultimately will mean the Leeds Clean Air Charging Zone is delayed and we will be in breach of the Ministerial Direction to deliver a CAZ in January 2020.
7. Linked to point 6 above, this report recommends that call-in rules are waived. The CAZ proposal has been fully debated/consulted on at Executive Board. This report contains no changes to any of the CAZ proposals, it merely formalises the decision to discharge the grant funding awarded by Government.

Recommendations

8. The Director of Resources and Housing is requested to :
 - 8.1. Inject £6,300,978 capital into the programme and provide Authority to Spend for each item in the CAZ Implementation Fund (CAZIF).
 - 8.2. Inject £15,821,760 of capital (CAF) and note the revenue (CAF) allocation of £7,264,236. This funding is to be issued in two parts: £18,085,996 will be issued upfront with a further £5m available as stretch funding subject to evidence of need capital into the programme and provide Authority to Spend for each item in the Clean Air Fund.
 - 8.3. Provide authority to spend for £20,818,800 related to the provision of interest free taxi/private hire loans or transition grants.
 - 8.4. Waive call-in rules (see point 7 above).

1 Purpose of this report

- 1.1 This report provides an overview of the funding secured from the two available pots, the detail of expenditure within the CAZ implementation fund (CAZIF) and the support packages within the Clean Air Fund (CAF). The report will inject these funding pots and grant authority to spend together with the Loan/Grant pot injected in the October 2018 EB report. This report also includes the revenue related expenditure to support and mitigate the programme.

2 Background information

- 2.1 Central Government made available two funding pots for Local Authorities that were identified as requiring Clean Air Zone's to apply to. The CAZIF and the CAF.
- 2.2 The CAZIF is a blend of capital and revenue funding is aimed at delivering the practicalities of CAZ Implementation, for example signs, ANPR cameras, and so forth.
- 2.3 The CAF is a blend of revenue and capital and is aimed at providing mitigation against the economic impact of introducing a CAZ.
- 2.4 Leeds has been successful in its application for funding. At a high level the funding awards are as follows:
- £6,300,978 (CAZIF). This includes £818k contingency funding that may or may not be required.
 - £23,085,996 (CAF). This funding is to be issued in two parts: £18,085,996 will be issued upfront with a further £5m available as stretch funding subject to evidence of need.
- 2.5 Government have confirmed the grant funding awards will be paid to the Council prior to the new 2019/20 financial year.

3 Main issues

3.1 CAZ Implementation Fund:

- 3.2 The CAZIF at a high level requires a capital injection to allow spend across the following areas:

Automatic Number Plate Recognition (ANPR) cameras	£2,906,371
Local Highways network signage	£778,973
Imperial IT system upgrade	£10,000
External Legal consultancy	
Counsel	£30,000

Transport Order	£30,000
Legal Challenge contingency	£100,000
Technical consultancy	£16,000
Communications campaign	£162,264
Staff resource (including staff from):	
Sustainable Energy and Air Quality team (SEAQ)	£438,987
Highways	£265,387
Comms	£60,104
Legal services	£59,000
DIS	£50,000
Contingency (signs and cameras)	£575,146
Risk pot	£818,746
TOTAL:	£6,300,978

- 3.3 ANPR: the procurement to appoint a contractor to deliver the camera network and back office systems was carried out via using a Crown Commercial Services Framework during business case development. We have announced our Preferred Bidder and Contract Award (at the time of writing) is imminent. All capital expenditure related to this work will take place during the 19/20 financial year.
- 3.4 Signs: the council is carrying out detailed design using its own staff resource. The physical signs are to be fabricated in the council's in-house sign shop. The poles and installation of the signs is being facilitated via call-off from the council's existing measured term contract with Colas for these works. All capital expenditure related to this work will take place during the 19/20 financial year.
- 3.5 Imperial system upgrade: All capital expenditure related to this work will take place during the 19/20 financial year.
- 3.6 Communications campaign: the council is delivering a communications campaign during the course of 2019 and 2020. All activity will be procure in line with the Council's low/intermediate value CPRs and capital expenditure will take place during the 19/20 financial year.
- 3.7 The other items of expenditure identified will occur on an as-required basis throughout the project lifecycle (eg, resources, technical consultancy, etc). All spend is expected to occur in 19/20.

3.8 **Clean Air Fund:**

3.9 The CAF, at a high level requires a capital injection to allow for spend across the following areas:

Heavy Goods Vehicle (HGV) competition	£13,821,760
Non-scheduled Bus and Coach competition	£2,000,000
Taxi support scheme (Interest free loan and transition grants)	£7,264,236
TOTAL:	£23,085,996

3.10 The HGV and Bus and Coach competitions are being delivered as one scheme due to qualifying criteria and solutions (upgrade or retrofit) being identical. This scheme has been named the “Large Vehicle Grant Competition” (LVGC).

3.11 The LVGC will be delivered in two waves. It is intended that wave one (bus and coaches) will launch in March 2019 with the first grant awards taking place in April 2019. Wave two will launch in April 2019 with awards potentially taking place in May. However, as this competition is expected to have a higher level of demand than wave one, issuance of grants may be staggered over two to three months, however all grants will be issued within the 19/20 financial year.

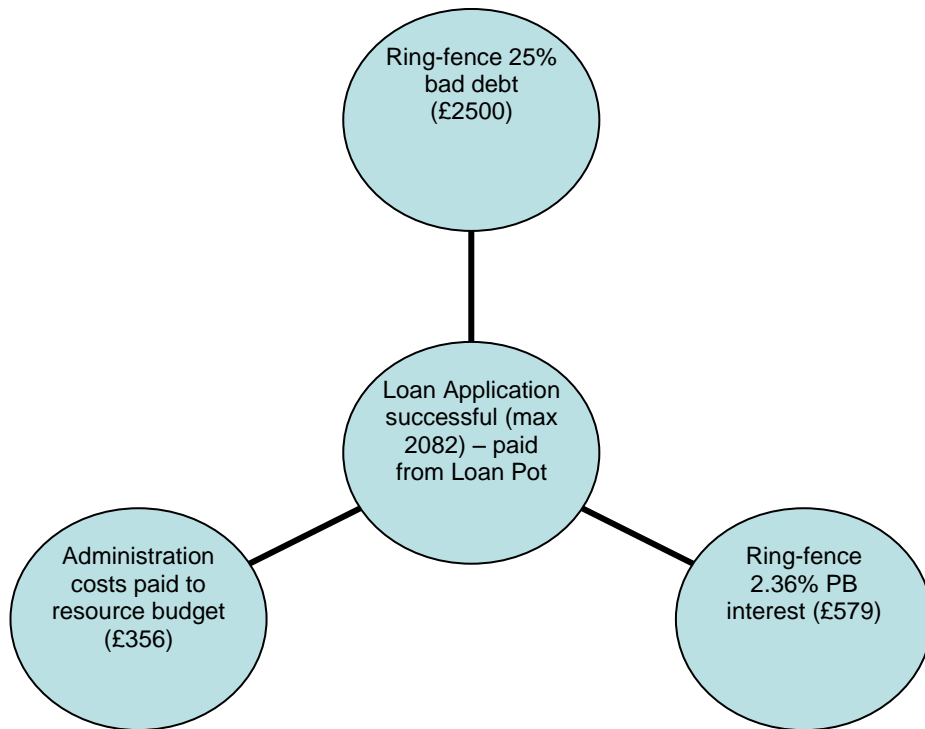
3.12 The taxi support scheme is to be delivered using the CAF grant funding provided by Government (listed above), £700k from the Early Measures fund that has already been paid to us by Government, and a capital pot funded via prudential borrowing. For clarity, the financial set up of the scheme is detailed in the table below:

Mobilisation and Administration (staff resource)	Government CAF	£741,956
Bad debt	Government CAF	£5,204,700
Credit searching	Government CAF	£74,947
Prudential Borrowing interest	Government CAF	£1,242,633
SUB-TOTAL:		£7,264,236
Grant pot	Government (Early	£700,000

	Measures fund)	
Loan / grant capital pot	LCC Prudential Borrowing	£20,818,800
TOTAL:		£28,783,036

3.13 Approval to inject the Loan / grant capital pot was secured at October 2018's Executive Board. At this stage the injection amounted to an estimate of up to £24m, this will now be reduced to the £20,818,800 latest estimate.

3.14 The funding provided by Government from the CAF requires financial processes to be set up to correctly manage the funds. The process flow below lays out the requirements:



3.15 Where an application for funding is for a grant as opposed to a loan, it will be paid from the funding pot, however there is no associated bad debt ring-fence requirement.

4 Corporate considerations

4.1 Consultation and engagement

- 4.1.1 There has been an extensive consultation process for CAZ delivery, details of which can be found in the October 2018 Executive Board report.
- 4.1.2 Consultation in regards to the delivery of the Clean Air Fund support packages is ongoing with affected sectors. Face to face events with Large Vehicle operators and the Taxi and Private Hire trade are scheduled during March 2019.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 An Equality Impact Assessment (EIA) for the Clean Air Zone has been completed and can be found as an appendix to the October 2018 Executive Board report.

4.3 Council policies and the best council plan

- 4.3.1 The importance of air quality as an issue is reflected in the Council's vision under our Best Council Plan. Our vision is for Leeds to be a healthy city in which to live, work and visit and we are working with partners to reduce emissions which will bring about health and wellbeing benefits including reducing premature deaths, improving health, promoting physical activity and reducing obesity levels.
- 4.3.2 The Leeds Public Transport Improvement Programme is working to make improvements to the bus and rail networks which will enable reductions in congestion and greater modal shift, supporting a reduction in emissions.
- 4.3.3 We are raising general health and environmental standards across the city through the promotion of walking and cycling.

4.4 Resources and value for money

- 4.4.1 The resources required to deliver the Clean Air Zone work are fully funded by Government as described in the paragraphs above.
- 4.4.2 Procurement has taken place to secure best value for the ANPR Camera network. There is a contingency fund set aside in the event of any additional costs identified during detailed design.
- 4.4.3 The price for signage is based on a schedule of rates, therefore we have a high level of confidence in accuracy. There is a contingency fund set aside in the event of any additional costs identified during detailed design.
- 4.4.4 Government have allocated funding equivalent to processing 2082 loans. In reality, we may not issue all of the funding as loans because applicants have the option to select a £1500 grant instead of a loan (a saving of c£2k per transaction).

4.4.5 Capital funding and cash flow.

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2018 £000's	FORECAST				
			2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022 on £000's
CAZ Early Measures	700.0		350.0	350.0			
TOTALS	700.0	0.0	350.0	350.0	0.0	0.0	0.0
Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2018 £000's	FORECAST				
			2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022 on £000's
CAF Heavy Goods vehicles	13821.8			8000.0	5821.8		
CAF Non scheduled Bus & Coach	2000.0			2000.0			
Loan / Grant pot	20818.0			15000.0	5818.0		
CAZ Implementation Fund	6301.0			6301.0			
TOTALS	42940.8	0.0	0.0	31301.0	11639.8	0.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2018 £000's	FORECAST				
			2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022 on £000's
Departmental Unsupported Borrowing	20818.0			15000.0	5818.0		
Government Grant (Early Measures)	700.0		350.0	350.0	0.0		
Government Grant (CAF)	15821.8			10000.0	5821.8		
Government Grant (CAZIF)	6301.0			6301.0	0.0		
Total Funding	43640.8	0.0	350.0	31651.0	11639.8	0.0	0.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Parent scheme number : 33024/000/000

Title : CAZ Infrastructure and support

Revenue effects

The following table illustrates the alterations which will be necessary to the department's revenue budget:

REVENUE EFFECTS	2018/19 £000's	Total 2019-2023 £000'S
EMPLOYEES		742.0
INTEREST ON BORROWING		1242.6
BAD DEBT PROVISION		5279.6
TOTAL		7264.2

4.5 Legal implications, access to information and call-in

4.5.1 This report is exempt from call in and is being taken under the General Exemption rules as outlined in the Constitution as the issue hasn't been on the List of Forthcoming Key Decisions for 28 days.

4.5.2 CAZ Legal implications are discussed in the October 2018 Executive Board report.

4.6 Risk management

- 4.6.1 There are areas where there is a risk of overspend where contingency funds are allocated, in addition to the 'risk pot'. The rationale related to these amounts are contained within the Council's Clean Air Zone Financial Business Case – this is a confidential document.
- 4.6.2 The taxi and private hire loans have an allocated fund of 25% to cover potential bad debt. If bad debt exceeds 25% this is the council's risk. To mitigate the potential for bad debt to occur, the council has designed a robust eligibility criteria which includes credit and affordability checking. The administration team will have a dedicated loan underwriter who will make recommendations for loans to be approved or declined. Each decision will be reviewed by the management team at SEAQ until the point that confidence levels in the underwriting process are satisfactory. Specialist debt collection staff in the Council's Sundry Income team are in place for ongoing account management and legal referrals in the event of default. The Loan Agreement that has been developed is robust in respect of the process of default following a single missed payment. The ultimate backstop to protect the council's capital is the cessation of the scheme if bad debt levels rise quickly beyond expected levels.

5 Conclusions

- 5.1 The preparation work to implement the CAZ has been the subject of activity for many months. The funding allocation from Government allows the Council to proceed to the Implementation stage of the project, ready for go-live on 6 January 2020.

6 Recommendations

- 6.1 The Director of Resources and Housing is requested to:
- 6.2 Inject £6,300,978 capital into the programme and provide Authority to Spend for each item in the CAZ Implementation Fund (CAZIF).
- 6.3 Inject £15,821,760 of capital (CAF) and note the revenue (CAF) allocation of £7,264,236. This funding is to be issued in two parts: £18,085,996 will be issued upfront with a further £5m available as stretch funding subject to evidence of need capital into the programme and provide Authority to Spend for each item in the Clean Air Fund.
- 6.4 Provide authority to spend for £20,818,800 related to the provision of interest free taxi/private hire loans or transition grants.
- 6.5 Waive call-in rules (see point 7 above).

7 Background documents¹

- 7.1 October 2018 Executive Board report and appendices.

¹ The background documents listed in this section are available for download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.