

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	7 <sup>th</sup> November 2019
<b>Subject:</b>	Proposal to Develop an Outline Business Case for a Sefton Clean Air Zone		
<b>Report of:</b>	Head of Health and Wellbeing, Head of Highways and Public Protection	<b>Wards Affected:</b>	All Wards
<b>Portfolio:</b>	Cabinet Member - Health and Wellbeing, Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No		

### Summary:

The purpose of the report is to:

- Advise Cabinet of findings and recommendations of the Sefton Clean Air Zone (CAZ) Feasibility Study,
- Seek approval to develop an Outline Business Case (OBC) to inform future decisions in relation to the possible implementation of a Sefton CAZ
- Seek approval to provide the additional funding necessary to enable the OBC to be prepared

### Recommendation(s):

Cabinet is recommended to,

1. Note the conclusions and recommendations from the Clean Air Zone (CAZ) Feasibility Study
2. Provide approval to proceed with development of an Outline Business Case for a Sefton CAZ in line with the 5 Case Model as detailed in the report
3. Cabinet are asked to note the Revenue & Capital Budget Update 2019/20 report considered elsewhere on the agenda which contains a recommendation to approve a supplementary revenue estimate of £0.530M to fund the development of the Business Case.
4. Grant approval for officers to commence soft consultation with the key stakeholders identified in this report as an early and essential step in the OBC process
5. Note risks, assumptions and uncertainties associated with this key decision
6. Note future key decisions that result from the completion of an OBC

## **Reasons for the Recommendation(s):**

The Outline Business Case process is a systematic approach. It establishes the case for change, evaluates affordability, and aims to identify a commercially viable option or options that offers best value for money and is practically deliverable. The 5 Case Business Case model is the framework being used in other local authority areas where a CAZ is being considered. This model also enables effective risk management and strengthens rigour, transparency and objectivity in decision-making. Investment in this approach is commensurate with the magnitude of costs, benefits and risks that attend future decisions about a CAZ in Sefton.

## **Alternative Options Considered and Rejected:** (including any Risk Implications)

This section summarises considerations in relation to,

- Alternative options for reducing traffic-related air pollution
- Alternative options for further exploring a CAZ in Sefton compared to the funded, 5 Case OBC model being proposed

Sefton Council has good coverage of air quality monitors and has implemented air quality improvement action plans in four air quality management areas where air pollution readings are above government targets. A summary of these are provided here.

<https://mysefton.co.uk/2019/06/18/sefton-council-clears-the-air-on-pollution-initiatives/>

The rationale for conducting the CAZ Feasibility Study was provided by: evidence of the risk to health from road traffic pollution, ongoing above-target concentrations in discrete 'hotspots', and the absence of any other high impact interventions left to consider.

The Sefton Clean Air Zone Feasibility Study used a detailed mathematical model, to predict where the government's target for annual average nitrogen dioxide (NO<sub>2</sub>) concentration would not be achieved in the future, assuming no further air quality improvement interventions are implemented. This 'do nothing' scenario identifies 70 relevant locations in 2020. The prediction for 2025 is zero, however several remain just under the target.

The study concluded that a CAZ would achieve reduced emissions, but recommended additional, specialist analyses to identify a best fit design and location in order to identify options with the optimum balance of direct health benefit (less exposure to NO<sub>2</sub>) and indirect costs to health (e.g. possible displacement of polluting traffic, impacts on access to transport, economic conditions for local employers).

The Council's primary objective is to reduce harm from traffic pollution throughout Sefton, but particularly in those places where concentrations are highest. The risks of the three broad response options are as follows:

- Under a 'do nothing scenario' people will be exposed to more air pollution for longer, adding to inequality arising from other socio-economic and behavioural risk factors in communities in and around Sefton's existing Air Quality Management Areas
- A strategy of minor improvement measures is likely to result in a similar outcome

- Possible implementation of a CAZ addresses the primary objective but has risks in a number of areas – strategic context, economic, financial, commercial and management

The proposal to develop a comprehensive OBC is the best way to address the issues identified above.

The proposal to allocate funding to support this process recognises the scale and complexity of the task, and the specialist skills and knowledge needed to complete it.

The risks associated with not progressing along these lines include: delay, weaker basis for future decisions and sub-optimum management of risk.

**What will it cost and how will it be financed?**

**(A) Revenue Costs** - Forecast costs for the development of a business case for a CAZ amount to £0.530M over 2 years.

**(B) Capital Costs** - no capital cost implications for the development of the OBC

**Implications of the Proposals:**

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> As outlined in the report
<b>Legal Implications:</b> As outlined in the report
<b>Equality Implications:</b> There are no equality implications.

**Contribution to the Council’s Core Purpose:**

<b>Protect the most vulnerable:</b> Poor Air Quality affects the most vulnerable in society including children and the elderly. Exploring options for further improving air quality contributes to this core purpose.
<b>Facilitate confident and resilient communities:</b> Interventions to improve air quality taken by the Local Authority and its partners, including the community, demonstrate that mitigation against poor air quality is possible and can actively support making better choices and behavioural change.
<b>Commission, broker and provide core services:</b> The protection of public health and local air quality management are core services of the Council
<b>Place–leadership and influencer:</b> The development of a comprehensive OBC, exploring the option of a CAZ to tackle poor air quality, is a clear demonstration of place leadership.
<b>Drivers of change and reform:</b> The actions taken to date to improve air quality have sought to bring about positive change and reform where possible. The exploration of a CAZ continues that approach.
<b>Facilitate sustainable economic prosperity:</b> The development of a comprehensive OBC exploring the option of a CAZ is an important action in facilitating sustainable

economic prosperity. It recognises the negative impact on health and productivity from poor air quality and the potential negative socio-economic impact on people and businesses. The OBC will seek to identify option(s) providing the optimum balance of both.

**Greater income for social investment:** N/A

**Cleaner Greener-**The measures being explored to improve air quality in the Borough are directly linked this core purpose.

## **What consultations have taken place on the proposals and when?**

### **(A) Internal Consultations**

The Head of Corporate Resources (FD5828/19.) and the Chief Legal and Democratic Officer (LD4062/19.) have been consulted and any comments have been incorporated into the report.

### **(B) External Consultations**

Not Applicable

## **Implementation Date for the Decision**

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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## **Appendices:**

There are no appendices.

## **Background Papers:**

The following background papers, which are not available elsewhere on the Internet can be accessed on the Council website:

Link to Sefton’s Clean Air Zone Feasibility Study

<https://www.sefton.gov.uk/media/1611489/Sefton-Clean-Air-Zone-Feasibility-Study.pdf>

## 1. Introduction/Background

1.1 Air quality in the Borough has been reviewed and assessed by officers from Environmental Health for many years. Through the review and assessment process, air quality in most of the Borough has been determined to be within national air quality limits. However, 4 localised areas have been identified in the South of the Borough where levels of Nitrogen Dioxide (NO<sub>2</sub>) are close to or above the health based annual average national standard. These areas have been designated as Air Quality Management Areas (AQMA). These areas are Millers Bridge, Hawthorne Road, South Road and Princess Way.

1.1 Road traffic is responsible for the large majority of NO<sub>2</sub> in the air, with diesel powered vehicles being the largest contributor of this pollutant.

1.2 At high concentrations NO<sub>2</sub> causes inflammation and irritation in airways, which can trigger symptoms such as coughing and shortness of breath. High NO<sub>2</sub> levels increase the likelihood of lung infections, especially in more susceptible groups. In infants, chronic exposure to higher levels of NO<sub>2</sub> is associated with lung development issues.

1.3 Officers in Sefton have worked with various partner organisations on a number of air quality actions and interventions aimed at both preventing poor air quality arising, and improving air quality in these hotspot areas. A summary of the improvement actions already implemented can be found here,

<https://mysefton.co.uk/2019/06/18/sefton-council-clears-the-air-on-pollution-initiatives/>

These initiatives have had some success in reducing air pollution, however there remains concern that the ongoing expansion of the port and associated additional port traffic may result in increased levels of air pollution in the AQMAs and locality and/or require further AQMAs to be declared.

1.4 Further air quality mitigation/improvement measures are limited however one possible method of reducing traffic related pollution is the use of a charging Clean Air Zone (CAZ). A charging CAZ is a financial stimulus in a defined area for owners of non-compliant vehicles (which emit more pollution) to upgrade. Owners who do not upgrade their vehicle must pay the charge or use an alternative route. The introduction of a charging CAZ encourages owners of certain types of vehicle to upgrade to low emissions models sooner than they might otherwise. There are a number of factors that influence how successful a charging CAZ will be, e.g. placement and design, types of vehicle included, pricing, time to implement, exemptions, access to funding to help drivers upgrade, and the ease with which drivers can re-route around the zone.

## 2. Detail

2.1 Dealing with poor air quality is a priority for Sefton Council and whilst the ongoing monitoring shows that air quality in the majority of the Borough is of a good standard the concerns detailed above explain why it is necessary to further

explore the potential use of a CAZ to reduce traffic related emissions in these areas.

- 2.2 In view of the above, environmental consultants AECOM were commissioned in July 2017 to provide a report exploring the feasibility of developing a CAZ within Sefton. The report considered what the traffic makeup in Sefton was like, what the current baseline levels of air quality are in the Borough, what would happen in future to these levels if no further air quality improvement actions were implemented and whether implementing a CAZ would improve air quality. The report has now been completed and a copy is available on the Councils website via the following link:

<https://www.sefton.gov.uk/media/1611489/Sefton-Clean-Air-Zone-Feasibility-Study.pdf>

- 2.3 The report is a highly detailed technical account of the feasibility of implementing a CAZ in Sefton. The report draws on various data and information. In summary, AECOM's report concluded that given the current and projected make-up of the traffic in the area of Sefton's 4 AQMAs a Charging CAZ could be effective in reducing NO<sub>2</sub> emissions. Other options for reducing air pollution were considered but were not considered feasible or of little positive impact. These are detailed in the feasibility report.
- 2.4 Government guidance recognises there are 4 types of charging CAZ (CAZ A, B, C, D) which target different types of vehicles. As part of the study all charging CAZ types were predicted to reduce emissions if implemented in Sefton, however CAZ **type B** - targeting buses, coaches, taxis, Private Hire Vehicles and Heavy Goods Vehicles (HGVs) proportionally had the most significant impact on reducing NO<sub>2</sub> exceedances.
- 2.5 The detailed report sets out a number of assumptions and offers some caveats alongside the conclusions. The report recommends some further, detailed technical analyses. Officers must consider all aspects of what implementing a CAZ in Sefton would entail including the significant risk and resource implications.
- 2.6 The development and implementation of any Clean Air Zone(s) is a major project that could not be undertaken solely from within existing resources. For example, additional dedicated technical resource will be required to complete the project. Specialist expert support will also be required at specific stages in the project.
- 2.7 Other Local Authorities, with road link exceedances of the NO<sub>2</sub> limit, including Liverpool City Council have received significant funding and support from DEFRA and mandated to undertake similar feasibility studies and prepare business cases. As things stand, the cost to develop and implement any CAZ would have to be found by the Council
- 2.8 In view of these considerations, further exploration of a Sefton based CAZ is considered most appropriate through the formation of a Clean Air Zone working group reporting to the Air Quality Cabinet Member Reference Group, and the development of a formal Outline Business Case (OBC) in line with the approach recommended by DEFRA. The formal business case would then include the

development of a project plan, risk register, resource costings using recognised project management frameworks, and a communications and engagement plan.

### 3. Outline Business Case (OBC)

- 3.1 As detailed above, the next stage in the process is for Sefton to develop an Outline Business Case, which would explore the case for investing in a charging Clean Air Zone in more depth and under five distinct criteria.
- 3.2 In line with the guidance provided by the Government's Joint Air Quality Unit (JAQU), the development of the OBC would follow the UK Treasury's '**5 Case Model**', as set out in the HM Treasury Green Book. This is an established project management approach for developing complex programmes of work. This Business Case model is an evolving record, which supports transparent decision-making, balanced assessment of cost, benefits, risk and value for money.
- 3.3 In taking the above into account Sefton's OBC will need to include the following elements
  - **Strategic Case** – this interrogates and establishes the continuing rationale for considering a CAZ. It includes measurable objectives, and the main benefits, risks, constraints, dependencies and uncertainties
  - **Economic Case** – This section of the business case assesses the economic costs and benefits of the proposal to society as a whole. It includes cost-benefit analyses to make comparisons between possible options and a range of impacts. This is needed to inform the selection of a final preferred option. Economic costs extend beyond the purely financial, for example, impact on income, employment opportunity, costs from displacement of polluting traffic onto adjacent roads or other environmental impact
  - **Commercial Case** – this aims to answer the question 'can this be delivered?' It details the service needs, supplier capability and capacity, and the procurement route. In covering the procurement strategy, this element of the document will also seek to detail:
    - Required procurement packages and their outputs
    - Preferred procurement routes and the options appraisal undertaken
    - Allocation of risk
    - Contract timescales
    - Contract management
    - Appropriate resources to successfully deliver the strategy
  - **Financial Case** – this aims to answer the question, 'how will this be financed?' It details the funding needs, sources of finance, and financial model for the lifetime of the CAZ. The purpose is to present the costs and associated sensitivity analysis of the preferred option in terms of capital and revenue elements with associated profiling of costs, income streams and overall financial performance ie will potential income cover the cost of the CAZ. This is

presented alongside wider consideration of the financial risks and implications of the project.

- **Management Case** – this aims to address how development, implementation, running and decommissioning will be successfully delivered to ensure established objectives are met. It details the governance and risk management arrangements, and resource requirements. The management case also specifies the delivery programme, stakeholder management, communication and engagement plans, and monitoring and evaluation programmes.

## **4. OBC timeline and Governance**

- 4.1 It follows from the outline above that the development of Sefton's CAZ OBC is a technically complex and detailed process which will require specialist expertise from outside the Council to ensure that all 5 cases are completed to the required standard. This will also help to protect the Council as far as practicable from any legal challenges. The OBC forms a significant and essential part of the overall CAZ implementation timetable.
- 4.2 In view of the complexities it is anticipated that the preparation of a Sefton OBC with the necessary consultancy support would take in the region of 9 months to complete including procurement.
- 4.3 This is in line with the experience of other local authorities that have been mandated to identify options for bringing modelled roadside NO<sub>2</sub> exceedances to compliant levels as soon as possible. Over 60 local authorities (including Liverpool) are now working under ministerial direction, which is enabled through the provision of dedicated support from staff at DEFRA's Joint Air Quality Unit (JAQU) and direct government funding.
- 4.4 Stakeholder consultation is also a key element in the development phase of the business case. Initial 'soft' consultation with Key Stakeholders including Liverpool City Council, Highways England and Peel Ports is required as an early step in the OBC.
- 4.5 The progress of the development of the OBC will be reported to the Air Quality Members Reference Group at each meeting of that group, and more frequently if necessary, with quarterly reports taken to Cabinet to advise on progress and seek any necessary approvals/decisions.

## **5. Budget proposal for Business Case Development phase**

- 5.1 The preparation of Sefton's OBC and ongoing management of the project cannot be undertaken within existing resources and as such additional funding will be required to enable the OBC to be produced.
- 5.2 Funding required to develop the Business Case is estimated to be £530,000 and includes consultation and staffing costs over a 2-year period.



## **6. Liverpool City Council Outline Business Case**

- 6.1 As Members have been made aware Liverpool City Council have been mandated to prepare an outline business case for submission to DEFRA on the 31<sup>st</sup> October 2019 detailing which methods they propose to use to bring about reductions in NO<sub>2</sub> exceedances in the quickest possible time.
- 6.2 Due to Sefton and Liverpool bordering each other there are significant inter-dependencies between the authorities with regards to air quality. What Sefton and Liverpool propose to do to improve air quality may have a positive impact on their neighbour but conversely may have a negative impact. It is important therefore that these issues are fully understood and opportunities to mitigate risks arising are explored. It is proposed that this would be managed through ongoing communication and where appropriate close working with Liverpool City Council.