



**Report of Director of Resources and Housing, Director of City Development,
Director of Communities and Environment and Director of Public Health**

Report to EXECUTIVE BOARD

Date: 17th October 2018

Subject: IMPROVING AIR QUALITY WITHIN THE CITY

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s): All wards.	
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 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, access to information procedure rule number:	
Appendix number:	

Summary of main issues

1. Our ambition is to improve the air quality of Leeds to support a thriving and sustainable city for those that live, work or visit here, improving the health outcomes for the whole city.
2. The Council is under a ministerial direction to provide a Full Business Case (FBC) to government which sets out detailed proposals for a scheme to deliver compliance with the legal limit value for nitrogen dioxide in the shortest possible time (subject to its legal and statutory obligations and in accordance with public law principles). The Council has undertaken consultation on a proposed scheme during which it has heard representations from numerous parties with varying views. The outcome of the consultation process has been reflected where possible in the revised proposal, consistent with our legal obligations. The proposal that the Council is recommending for approval is a

Clean Air Charging Zone (CAZ), category B with additional measures, that will impose charges on those buses, coaches, Heavy Goods Vehicles (HGVs) as well as taxi and private hire vehicles which are not compliant with the required emission standards.

3. Significant concern has been raised by those impacted about the financial impact on their businesses because in many cases, they will need to replace their vehicles earlier than they would have planned and customers driving non-compliant vehicles may also choose to take their business elsewhere. Not only would this adversely affect the concerned business, there are potential ramifications for the economic performance of the City. For this reason the Council is asking for £27 million (based on our current best estimates) from the government's Clean Air Fund to provide mitigation assistance to the sectors that are impacted.
4. As part of our proposal the Council is requiring the taxi and private hire sector to meet emissions standards that are higher than the national standards. Analysis of the demographic profile of drivers in this sector indicate they are typically from areas of social deprivation and often are on lower than average incomes. This means that many drivers face barriers to accessing finance, or raising capital. On this basis a range of financial support packages have been developed to assist impacted drivers.
5. The CAZ is just one part of an overall plan to improve citywide air quality and will complement all the work that is being undertaken to improve the city's transport through the £173.5 million of funding from the Local Public Transport Investment Programme (LPTIP).
6. Alongside the CAZ and the LPTIP, the Council will also roll out its anti-idling campaign with a particular focus outside schools and at taxi ranks. The Council will also continue to work with Highways England to develop a Regional Centre of Excellence for low emissions vehicles that will target the emissions from the van sector.

Recommendations

The Executive Board is recommended to:

1. Delegate authority to the Director of Resources and Housing to approve the Final Business Case for submission to the government
2. Approve (subject to Government funding approval) a capital injection of up to £24,000,000 to finance the taxi/private hire loan fund scheme.
3. Delegate authority to spend to the Director of Resources and Housing in conjunction with the Chief Finance Officer and in consultation with the relevant Executive Members for the final taxi and private hire loan scheme, subject to approval of the Final Business Case by Government.

4. Delegate authority to the Director of Resources and Housing to approve any decisions required to issue the funding received from the Government.
5. Delegate authority to the Director of Communities and Environment to enforce under the relevant legislation vehicle anti-idling and the Clean Air Charging Zone.
6. Note that the draft Transport Charging Order for the Clean Air Zone will be submitted to the Executive in November with information around its operation for the proposals in the submitted Final Business Case.

1. Purpose of this report

The report to Executive Board will:

- 1.1. Provide an overview of the statutory consultation process undertaken on the CAZ proposal and the key findings;
- 1.2. Outline the details of all of the proposed financial support packages for each affected Sector
- 1.3. Detail the key dates up until the proposed “go live” date of the CAZ and the key risks to successful implementation;
- 1.4. Outline details of the vehicle anti-idling scheme and other actions to improve air quality.

2. Background information

- 2.1. In June 2018 a report was brought to the Executive Board that outlined the proposed air quality solution for Leeds. Based on the National Clean Air Zone Framework, a CAZ B was proposed, which introduced a charge for buses, coaches, HGV's and taxi/private hire vehicles entering the CAZ that do not meet pre-determined emission standards.
- 2.2. In July 2018 a second report was brought to the Executive Board that further clarified the citywide approach to improving air quality.
- 2.3. NO₂ concentrations at some specific locations across Leeds are exceeding the annual average limit of 40 µg/m³, making Leeds non-compliant with the UK objectives. As a result the Council received a Ministerial Direction that has placed it under a legal obligation to submit a full business case, setting out proposals for a scheme to achieve compliance in the shortest possible time, consistent with other legal obligations.
- 2.4. The CAZ will improve public health by addressing the issue of air quality in the city. Both long- and short-term exposure to air pollution are known to adversely affect health. Short-term exposure (over hours or days) to elevated levels of air pollution can cause a range of negative effects including exacerbation of asthma, effects on lung function, increases in hospital admissions and mortality. Epidemiological studies have shown that long-term exposure (over several years) reduces life-expectancy, mainly due to increased risk of mortality from cardiovascular and respiratory causes and from lung cancer.¹
- 2.5. Between January and March 2018, the Council ran a non-statutory consultation (phase 1) to understand how the proposed Clean Air Charging Zone might affect the way people live and do business in Leeds. Alongside further work on

¹ National Institute for Health and Care Excellence (NICE) - Expert testimony from Public Health England to inform NICE 'Air pollution: outdoor air quality and health' guideline 2017 <https://www.nice.org.uk/guidance/ng70>

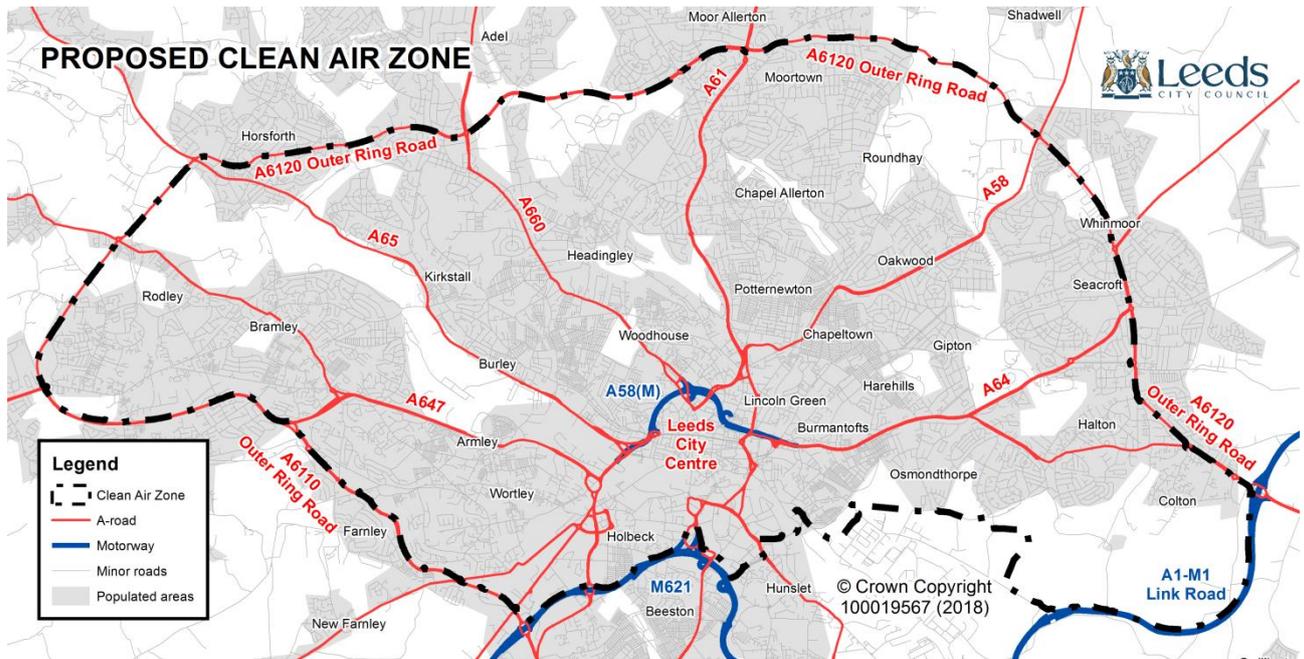
the transport and air quality modelling impacts, the findings of the non-statutory consultation helped to form the amended CAZ proposal.

2.6. The key changes to the air quality proposal arising from the feedback received during the non-statutory consultation exercise are listed below:

- Amended CAZ boundary;
- Created a list of proposed exemptions and sunset periods for specific circumstances;
- Further developed the financial support packages for the affected sectors;
- Reduced the proposed charges as detailed in the table below:

Category	Original charge	proposed	New proposed charge
Buses, coaches & HGVs	£100 per day		£50 per day
Taxi & Private Hire Vehicles	£12.50 per day		£12.50 per day (non-Leeds licensed drivers) £12.50 per day or £50 per week (Leeds licensed drivers only)

2.7. The revised CAZ Boundary Map is featured below. The key change is the relocation of the outer boundary to the northern side of the M621 and the Enterprise Zone. Traffic modelling analysis demonstrates that reducing the boundary does not result in any displacement and areas south of the M621 still stand to benefit from cleaner vehicles entering the CAZ.



3. Main Issues

Statutory Consultation

- 3.1. The statutory consultation period ran between 29th June and 12 August 2018, during which consultation participants were asked to complete a questionnaire.
- 3.2. We received 3532 questionnaire responses, the full analysis of the consultation questionnaires can be found at Appendix A.
- 3.3. The business responses to the questionnaire were low when compared to the volume of responses from the public (6% businesses v 94% public). However, there have been numerous trade specific events held during both stages of consultation and some of the key concerns raised at these events are highlighted in the following sections. A list of all the engagement undertaken is included in the consultation report. The views expressed in the consultation events and via letters and our responses to them are captured in Appendix B.

HGV Sector

- 3.4. In line with the proposed implementation of a Class B Clean Air Charging Zone (CAZ) Heavy Goods Vehicles (HGVs) must be Euro VI compliant to avoid paying daily charges for travelling within the zone. We proposed that there would be support offered to enable businesses based within the CAZ to retrofit their vehicles.
- 3.5. Throughout the consultation periods, discussions have been held with key trade and sector representative organisations. Local operators have also been extremely helpful in sharing their views and possible impact of a CAZ on their businesses with the Council. In addition, formal consultation responses have been submitted to LCC. Some of the key trade organisations that have responded include the Road Haulage Association (RHA), Freight Transport

Association (FTA) as well as the Federation of Small Businesses (FSB) and the Builders Merchant Federation (BMF).

- 3.6. The announcement of CAZs across the country has resulted in a number of unintended consequences;
- Inflated prices of new and second hand Euro VI HGVs (Road Haulage Association report increases as high as 3 fold);
 - Residual values for HGVs with a EURO standard lower than Euro VI are at a record low;
 - Lack of market availability of Euro VI HGVs as more companies, especially those with the capacity to upgrade are purchasing large numbers of vehicles as soon as they become available
- 3.7. These factors have been key to informing our core proposal to develop a support package for HGVs.
- 3.8. The HGV operators have been clear regarding their concerns about the proposals these are summarised as:
- Lack of retrofit solution available for HGVs and a concern about the technical suitability of retrofits for HGVs;
 - EURO VI standard is too high – different charges should apply to different EURO standards;
 - Charge levels are still high despite the reduction;
 - Special consideration to be given to vehicles which are built for a very specific purpose and may do limited mileage – and thus have a normal working life in excess of the norm;
 - Risk of HGVs being switched to vans as these will not incur a charge;
 - National payment portal requested rather than multiple systems, leading to an administrative burden on firms;
 - Ensure key routes not involving most polluted areas can be exempted such as access to Authorised Testing Facilities (ATFs);
 - Degree of uncertainty makes it problematic for businesses to plan.
- 3.9. Some of the requests from the HGV sector were for actions that are not within the Council's control such as:
- Regulatory or fiscal incentives for alternative fuelled HGVs;
 - Insufficient time to make changes;
 - No other financial burdens to be placed on this sector whilst they deal with the costs of compliance;

- Intercity charging still remains a concern (where an operator is charged in every CAZ that it enters during a 24 hour period).

Buses/ Coaches

- 3.10. As with HGVs a Class B Clean Air Charging Zone (CAZ) requires that buses and coaches must be Euro VI compliant to avoid paying daily charges for travelling within the zone.
- 3.11. Throughout the process of discussion and design of non-scheduled bus and coach support packages LCC have been extremely grateful to local operators for their time, support and candour in exploring the issues for the sector. The Confederation of Passenger Transport (CPT) have also provided sector support in liaising with the local authority in planning for CAZ implementation while clearly advocating on behalf of and lobbying for their sector.
- 3.12. The scheduled bus sector have benefitted greatly from the national Government backed Clean Bus Technology Fund (CBTF) with over £4m being available in Leeds and West Yorkshire alone to retrofit buses to Euro VI standard. With some commonality of engine type the coach sector have also benefitted indirectly from this scheme as it has enabled swift design and submission for accreditation of the first coach solution (due imminently).
- 3.13. We estimate that there are around 137 non-scheduled buses and coaches based within the Leeds CAZ and around a further 100 operating in Leeds area.
- 3.14. The coach and non-scheduled bus companies have raised the following concerns:
- Retrofit solutions are currently not available for coaches and may not be suitable for all types of coach;
 - Coach companies see themselves as part of the CAZ solution as they can remove over 60 private cars from the road in one journey. They therefore feel they should not be penalised for operating in the zone especially where they operate Euro IV or V coaches;
 - Timescale for implementation is too short due to the high cost for replacement vehicles;
 - Coach & non-scheduled bus operators have highlighted that they provide a key service to schools and vulnerable groups enabling them to access social and sporting activities which are key to tackling other societal issues such as isolation and loneliness, obesity and reduced activity levels.

3.15. The scheduled bus companies have raised the following:

- The short timescale to implementation: a sunset period is seen as critical whilst awaiting retrofit or new vehicle deliveries;
- The risks associated with daily CAZ charges for non-compliant buses being passed onto passengers; which in turn could de-incentivise the modal shift away from cars to public transport;
- The bus companies feel the Government CAZ framework is set in inverse proportion to the actual source of emissions and this should be addressed;
- They would like to see more focus and proportionate charges on the emissions per passenger as they highlight these as being much higher with car use than bus use;
- There is a small risk that the total funding available through the CBTF will not be sufficient;
- The need to improve bus journey times through congestion measures such as traffic light sequencing and reducing car use etc. was highlighted as key to increasing bus patronage.

Taxi/Private Hire Sector

3.16. The proposed CAZ requires the taxi and private hire sector to be either petrol hybrid or electric. A number of sunset periods were proposed following concerns raised at the first stage of consultation.

3.17. During the sector specific consultation events held during the second phase of consultation the sector raised the following key issues about the CAZ proposal:

- The timescale for implementation is too short;
- The Council should adopt the national standard, not the higher requirement for taxi and private hire of petrol hybrid or electric;
- Work needs to be done to ease licensing conditions at Leeds City Council in order to prevent drivers having greater costs than those in surrounding authorities (more detail can be found at section 3.63);

- Maximum age of vehicles at the point they are first licensed should also be increased to increase the pool of potential second hand vehicles drivers may purchase to become CAZ compliant;
- Size of petrol-hybrid and electric vehicles has been raised as an issue. The majority cannot be used for some common taxi and private hire functions such as airport runs due to limited storage capacity;
- Market availability of petrol-hybrids in the second hand market is limited. A suggestion was made that LPG should also be adopted;
- Would prefer the full £3000 of grant funding towards electric vehicles to be extended towards petrol-hybrid as well as they are currently a more viable option based on the limited range capabilities of electric only vehicles;
- Asked for the grant and loan to be made available upfront rather than retrospectively;
- Representation was made on the basis that the support packages should be made available to individual drivers only, or at least be limited to a certain amount of vehicles per applicant. This, it was argued, would be to prevent larger companies claiming a majority of the funding, to the detriment of drivers who owned their own vehicles;
- Limited availability of electric charge points across Leeds makes electric vehicles a more problematic consideration and less of a viable option.

Environmental/ Health Interest Groups

3.18. In the statutory consultation phase we have had responses from organisations such as Client Earth and Friends of the Earth.

3.19. Client Earth would like us to:

- Keep the higher level of daily charging in place detailed in the first consultation;

- Implement a CAZ D which includes lighter goods vehicles (vans) and private car.

3.20. Friends of the Earth have asked us to:

- Implement the CAZ as soon as possible in 2019;
- Retain the larger boundary originally consulted on;
- Consider the effectiveness of the proposed lower charge, their view is that this will not prompt the step change to less polluting vehicles;
- Implement a CAZ D.

Responses to key asks

3.21. We have carefully considered all of the consultation responses received. Below we have highlighted some of the areas where significant comment was received from multiple parties and the Council's responses to these.

Timescales for implementation

3.22. The Council had proposed a "go live" date of 1st January 2020. In the key sector asks outlined above, timing has been a key cause of concern for both those impacted by the changes and the environmental and health interest groups, with impacted sectors asking for longer to comply due to the severe financial impact and some of the interest groups asking for implementation to happen in early 2019.

3.23. The Council is sympathetic to the requests from industry to allow more time for implementation, however the Council is under a legal obligation to achieve compliance in the shortest possible time (subject to its legal and statutory obligations and in accordance with public law principles) which is underscored by the Ministerial Direction issued by Government, which in turn was driven by various legal challenges by Client Earth against the Government in the Administrative Court. Due to this legal requirement, it is considered that there is no opportunity to defer the go live date. The official "go live" date will now be 6th January 2020 to allow businesses to make any required administrative arrangements following the bank holiday period.

3.24. Within the consultation questionnaire, we asked whether we should allow a lead-in period when the scheme is first launched. 81% of businesses were in support of this proposal. Therefore the Council is proposing that the scheme will "go live" on 6th January 2020, however, if a company that is liable for charges fails to pay, enforcement action will be deferred although the charge will remain payable up until and including 2nd February 2020.

3.25. The facility to register vehicles for exemptions or to purchase advance passes will be available prior to the "go live" date.

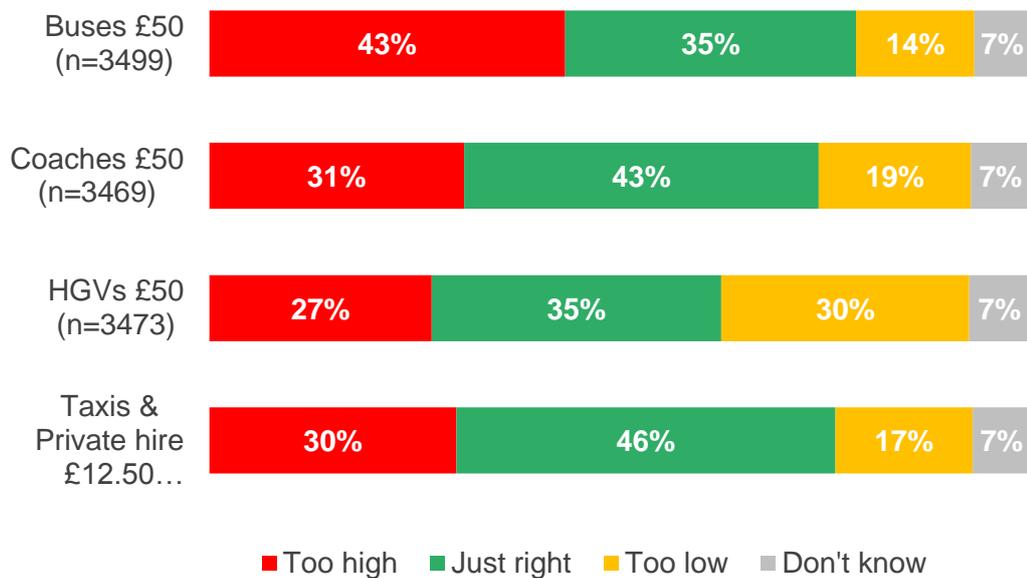
3.26. The Council has also included a sunset period for companies that have taken appropriate action such as ordering a new vehicle or booking a retrofit but

where the market cannot respond quickly enough. For a company to benefit from this sunset period, the company will have to be able to evidence that they have taken action within 6 months of the scheme approval by Government, anticipated to be December 2018.

3.27. There is no realistic opportunity to bring forward the “go live” date due to the time required for the implementation of the infrastructure and issuing the support packages received from Government to impacted parties.

Charge levels

3.28. The responses from the consultation to the proposed charges are shown in the chart below:



3.29. One suggestion from the HGV Sector has been to introduce tapered charging according to the Euro standard of the vehicle. The Council consider that there is not a significant enough reduction in emissions between Euro III-V to justify this approach. Please see graph below and footnote i to various links for a further evidence base:

Long haulage diesel fuelled Euro VI vehicles show a strong reduction of the real-world NO_x emissions

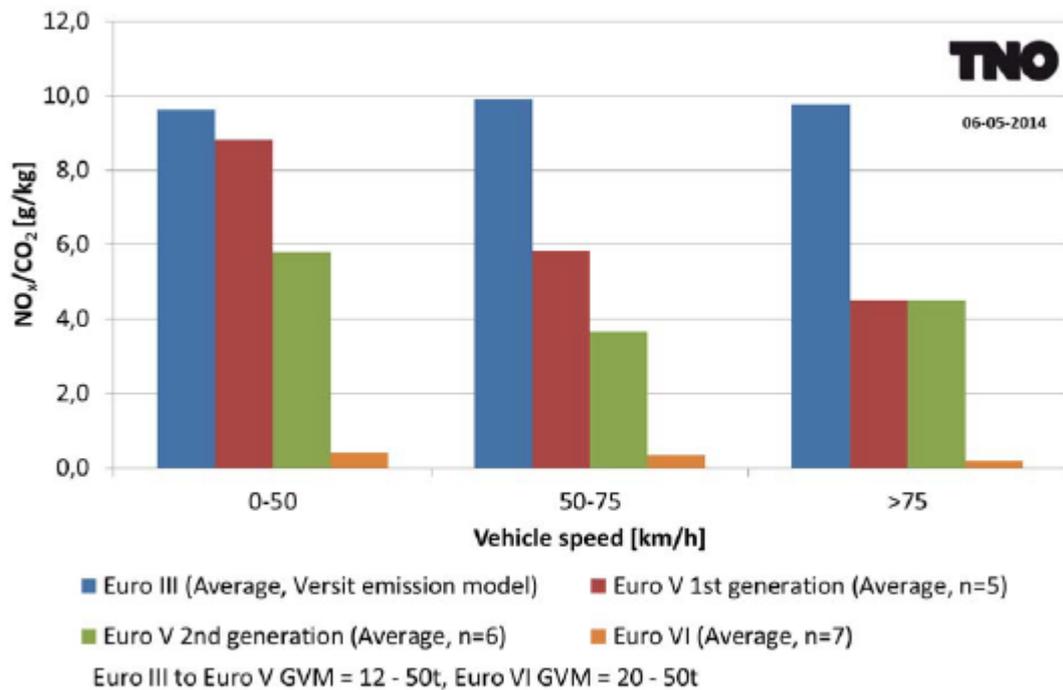


Figure 14: Trend of the average real-world NO_x emissions of heavy-duty diesel vehicles from Euro III to Euro VI, over three different speed ranges. The Euro VI vehicles in this picture are the average of the vehicles tested. These vehicles have a Gross Vehicle Mass from 20 to 50 tonne, whereas the Euro III to Euro V have a GVM of 12 to 50t.

- 3.30. If the council were to introduce tapered charging, it would be charging some vehicles less money to emit broadly equivalent levels of pollution.
- 3.31. The work undertaken by a consultant on behalf of the council shows that the charges proposed maintain a significant incentive to companies to upgrade their vehicles.
- 3.32. The charge levels will therefore be maintained at the level set out in section 2.6.

Emissions Standards

- 3.33. In light of consultation responses, the standard for taxi and private hire has been expanded to include not only petrol hybrid and electric but also Liquefied Petroleum Gas (LPG). The LPG conversion has to be undertaken by a garage registered with the DVLA as an approved UKLPG installer. This provides a lower cost route to compliance as second hand petrol cars are more readily available and retrofit is well established. There are also whole life cost savings through operating a car on LPG as opposed to diesel or petrol.
- 3.34. The allowable standards are detailed in the table below:

Vehicle Options	Description
Full Electric	A vehicle which is powered only by a battery charged from the electricity grid.
Plug-In Hybrid Electric Vehicle (PHEV)	A vehicle which is powered by a plug-in battery and an Internal Combustion Engine After the battery charge is used up the vehicle returns to a conventional hybrid operation (Minimum Euro 4 Petrol).
Full Petrol Hybrid	A vehicle which is powered by an Internal Combustion Engine and can be powered solely using a battery and electric motor. The battery cannot be plugged in, and is charged by driving. (Minimum Euro 4 Petrol)
LPG conversion (Petrol to LPG)	A vehicle which is powered by an Internal Combustion Engine, and has been retrofitted to also run on LPG subject to accredited installs.
Euro 6 Diesel or Euro 4 Petrol	Only allowable for vehicles that can carry 5 to 7 passengers, Executive Vehicles, 8+ passenger vehicles or Wheelchair Accessible Vehicles (please note sunset period for 8+ passenger vehicles and WAVs until 31 st December 2021 detailed in section 3.36 below)

3.35. We anticipate that out of 4951 Leeds licensed vehicles only 837 are already compliant.

Sunset Periods/ Exemptions

3.36. As well as support packages to aid upgrades, a number of sunset periods were proposed and these were supported by the trade as an outcome from Statutory Consultation and will therefore be retained as part of the final proposal. These are set out in the table below:

Vehicle Type	Detail
Wheelchair Accessible Taxi and Private Hire Vehicles (WAV)	WAVs will be exempt from CAZ charges until 31 st December 2021. WAVs will need to be Euro 6 by 31 st December 2021.
8+ passenger vehicles	8+ passenger vehicles will be exempt from CAZ charges until 31 st December 2021. 8+ passenger vehicles will need to be Euro 6 standard by 31 st December 2021.
Euro 6 diesel, or Euro 4 petrol already licenced	Already licenced by 17th October 2018 Euro 6 diesel, or Euro 4 petrol will be exempt until 31 st December 2021. Charges will apply from 1 st January 2022.
Finance Sunset Period	Owners of taxi and private hire vehicles in an existing financial agreement (prior to 17th October 2018) where early replacement of vehicles is not possible. A sunset period will apply until the end of the finance deal <u>or</u> 31 st December 2021, whichever is soonest.

3.37. Within the National Clean Air Zone Framework, there are a number of standard exemptions from Clean Air Zone emission requirements. The following exemptions apply:

- Vehicles with a historic tax class i.e. more than 40 years old
- Military vehicles are exempt from charges by virtue of Section 349 of Armed Forces Act 2006
- Certain types of non-road going machinery which are allowed to drive on the highway such as agricultural machines; digging machines; and mobile cranes. The Council will assess the nature of the specialist vehicle(s) concerned and provide for an exemption on a case by case, or by type, basis.

3.38. All of the exemptions below (paragraph 3.39 to 3.50) were determined locally and will be subject to review to ensure that the impact of the exemptions has been accurately estimated.

3.39. Showmen

3.40. These are highly specialised vehicles and are very expensive to replace with a long lead time for replacement. We have a very small number coming into the city centre and they do approximately 2,000 miles per annum and the impact on emissions reductions and achievement of concentration limits will be minimal.

3.41. Vintage Buses

3.42. These buses are aged between 20 - 39 years old and have limited technical options to make them compliant. They are typically operated by 'hobby enthusiasts' and normally attend community events. They do a very limited mileage and rarely travel into the city centre. Their impact on emission reductions and achievement of concentration limits is minimal. The exemption would only be for a pre-determined number of days per year rather than a blanket exemption. This is currently anticipated to be 10 days. Vintage buses that are aged between 20 and 39 years and used for commercial purposes (such as weddings) would not be exempt from the charge. However, as a result of the representation received during the statutory consultation it is proposed that vintage buses that are over 39 years old and operated commercially will qualify for an exemption.

3.43. Emergency Services

3.44. By 2027 all fire service vehicles will be Euro VI compliant in line with their fleet replacement programme; currently 18 out of 74 vehicles are compliant. Lead in times to upgrade specialist vehicles are long and can cost up to £850,000 per vehicle. These vehicles represent a very small number of vehicles with low mileage and the impact on emission reductions and achievement of concentration limits will be minimal.

3.45. School buses

3.46. Due to the low mileage of school buses providing services for transport to state schools, it is intended to provide those transporting pupils living in Leeds to state schools with an exemption if they are above Euro 3 as a minimum. An impact on the costs in this sector would limit the ability of schools to be able to deliver any extra curriculum activities, impacting on children who would otherwise not have access to extracurricular activities or visits.

3.47. Lack of market capacity

3.48. Due to the late start in terms of developing retrofit solutions for HGVs and coaches as well as the over demand in the Euro VI market, Leeds is also

proposing an exemption that will allow those companies who have placed an order (by a pre-defined date) for a compliant vehicle or a retrofit to benefit from a 'sunset period' until the compliant vehicle arrives or the upgrade work is completed. The company will have to evidence that they have placed an order and a replacement compliant vehicle is due to be delivered of the retrofit completed within a reasonable time. This is considered appropriately reasonable in these circumstances as the CAZ proposals are not intended to be a revenue raising mechanism, but are intended as a means of securing compliance with the legal limit value for nitrogen dioxide in the shortest possible time.

3.49. Diversions on the road network

3.50. If there any incidents on the road network that lead to official diversions, any vehicles that are diverted into the CAZ would be exempt from the charge for the time period that the diversion is in place. If the vehicle is spotted at a different place or time within the same 24 hours, they would still incur the daily charge.

3.51. The exemptions were consulted upon during the statutory consultation and the majority supported each of the proposed exemptions. The results can be seen in the table below:

Type of vehicle	Agree (%)	Disagree (%)	Don't know (%)
Showmen	47.2	44.9	7.9
Vintage Buses	72.9	21.2	5.9
School buses	63.5	32.2	4.3
Lack of market capacity	65	21.5	13.4
Diversions on the road network	88.4	7.7	3.9

3.52. Support Packages

3.53. The following support packages are proposed (subject to Government funding being confirmed):

- An interest free loan of up to £10,000 for taxi and private hire
- A small grant to cover the transition costs of changing vehicle for taxi and private hire
- A grant of up to £16,000 per non-compliant vehicle for the HGV sector based within the CAZ– businesses will be required to bid for the funding via a competition to ensure that the funding is focused at those businesses that meet the pre-determined requirements
- A grant for retrofit for the non-scheduled and coach industry for those operators who can evidence that they primarily operate with the CAZ and their impact on air quality – again funding will be distributed via a funding competition

3.54. All of the above support will only be available to companies who can provide evidence that they will continue to operate the upgraded vehicles in the CAZ

and the Council will retain the right to recover funding from those who do not meet the eligibility criteria that are set out at the time the funding is issued.

3.55. With regards the funding for the taxi and private hire loan, the funding will be reserved for anyone who has licensed a taxi and private hire in Leeds for a minimum of 1 year. However, the number of vehicles that will be supported will be capped per operator/ company (dependent on the final funding package received from government) to ensure that there is sufficient funding available for those individual drivers who will be most economically impacted.

3.56. One of the key concerns of the HGV sector was that the support packages were focused on retrofit and that effective solutions are still under development. Although the Council will continue to work with retrofit providers and the Government to speed up the development of retrofit, the proposed support packages have been amended to allow companies to bid for up to £16,000 per non-compliant vehicle to be used as support towards the purchase of a new or second hand vehicle or to pay off the balance of a lease early to allow an earlier upgrade as well as for retrofit. The support will be particularly focused towards businesses that are located within the CAZ and who will be most financially impacted by the proposals.

3.57. Industrial Areas

3.58. Organisations such as the Federation of Small Businesses and the Road Haulage Association have stressed the impact that the CAZ will have on business. Although the Council is bidding for a substantial package from Government, there is recognition that this may still not be sufficient in some instances. As a result the Council has explored other ways to support businesses without impacting on achieving compliance in the shortest possible time.

3.59. There are areas of the city, which are primarily industrial and have very low residential concentration and also have compliant levels of air quality. These limited areas have been included within the CAZ in order to ensure that there is a clear and readily understandable boundary which captures the primary non-compliant areas. However, the Council is looking at whether areas that meet the following draft criteria could be excluded from the CAZ boundary (for a specified period), those which:

- border the CAZ boundary;
- have high industrial usage/ low residential;
- have compliant air quality and are not within vicinity of areas of air quality concern;
- can be accessed via a cul de sac principle, not creating displacement to other areas.

3.60. Two specific examples of areas that would meet these criteria are Pudsey Grangefield Industrial Estate and Limewood Approach, Seacroft.

3.61. It should be noted that although the council operates sites in both of these estates, this exclusion will not benefit the council as it has already committed to upgrade all of its vehicles to be compliant for the CAZ by 2020.

3.62. This would result in reducing the number of businesses impacted and allow the support packages to be allocated to businesses that remain within the CAZ.

3.63. **Licensing Review**

3.64. Following on from the feedback received during the statutory consultation, the review of vehicle licensing conditions has been expedited to specifically consider the areas raised in the CAZ consultation:

- Hackney Carriage and Private Hire Vehicle Age Criteria;
- Hackney Carriage and Private Hire Vehicle Emission Standards;
- Hackney Carriage and Private Hire Minimum Engine Size Conditions;
- Hackney Carriage and Private Hire Anti-Glare Glass (Window Tint) Conditions;
- Hackney Carriage and Private Hire Spare Wheel Conditions (to look at space requirements for a LPG engine conversion, etc.); and
- Any other Vehicle Policy or Condition with a direct link to the CAZ proposals to support ultra-low emission vehicles (ULEVs) as identified by the Members' Working Group

3.65. The timetable for the review of these conditions will be as follows:

- Consultation with Trade and other Stakeholders – September/October 2018
- Recommendations of Working Group to Licensing Committee – November 2018

Additional Clean Air Measures

3.66. In June and July's Executive Board report the intention to reduce vehicle idling across the city was detailed as a way to reduce unnecessary emissions. In the second phase of consultation we asked for opinion on where the anti-idling measures would be most beneficial. Schools and taxi ranks were a joint first at 74% (three locations were suggested that could be ranked in order of priority). In response to this feedback an anti-idling scheme is being introduced at schools and taxi ranks across Leeds.

- 3.67. 'Anti-idling' posters will be erected on existing street furniture to inform road users that the area is an anti-idling zone. Initially, the 30 schools that are participating in the 'scoot to school scheme' will be prioritised with a further roll out to be planned in future. To raise awareness, schools will hold competitions where pupils will design anti-idling signs with the best entry being turned into posters that will be erected outside the schools. This will also be supported by a focused communication campaign across all schools in Leeds.
- 3.68. DfT approved advisory signs will be erected at taxi ranks and other idling hot-spots around the city.
- 3.69. Civil Enforcement Officers (CEO) will be patrolling these areas and handing out leaflets which will be intended to promote behavioural change and improving understanding of the consequences of poor air quality. This approach was used in London and has been successful in changing behaviours of drivers when they are parked up with their engines on.
- 3.70. In addition to the clean air charging zone, several supporting measures were suggested as part of the statutory consultation. Additional measures to further reduce the level of air pollution were generally well favoured by respondents.
- 3.71. Close to three quarters of respondents (74%) would like to see more electric charging points in and around Leeds. Popular suggestions for the location of these were at car parks or on street parking areas and supermarkets and shopping areas. Whilst half (50%) said they would consider getting an electric vehicle if there were more charging locations.
- 3.72. There will be a programme to roll out electric charging across the city over the next 12 months to support this ambition.
- 3.73. Respondents recognised the importance of reducing air pollution, but felt they needed access to more information such as real time air pollution level information, which was valued by two thirds (67%) of respondents.
- 3.74. The Council is currently procuring more variable message signs that will be used to promote real time information, using grant funding from the Government. We are also exploring other ways to display real time information, using existing digital media. This will form one strand of our broader communications campaign to continue to increase public awareness of air quality.
- 3.75. Charging private vehicles was once again touched upon in the Statutory consultation. Overall around two thirds (62%) said that in the future the Council should consider charging non-compliant private vehicles, with businesses being more likely to favour this option. Looking at when this should be introduced, overall, 44% said by 2025 and 18% said by 2030. Options were also provided to see car free days in the city centre during fixed periods, such as during every weekend (33% in support), peak times (43% in support), monthly (51% in support), public holidays (36% in support) or when pollution is at its highest (56% in support).

3.76. Opportunities for car free days to support community and sporting events as well as Clean Air Day and Car Free Day in 2019 will be explored as part of the Council's ambition to raise awareness citywide.

Charging Order

3.77. The draft traffic charging order will be brought to Executive Board in November prior to its submission to the Secretary of State for comment and before being formally made by the Council.

3.78. The charging order will provide full details of the scheme, including the boundary, exemptions, sunset periods etc.

3.79. The plans for how the net proceeds from the implementation of the CAZ are proposed to be spent will also be detailed in this order.

3.80. In summary, the revenue from the CAZ will be used in the first place to cover the cost of operating the CAZ, including the maintenance of cameras, operational staff etc.

3.81. Any net proceeds will be then used to implement further clean air measures in line with the requirements of the national clean air framework.

3.82. Measurement and verification process

3.83. Following the proposed "go live" date, the air quality will continue to be monitored to assess the impact of the CAZ and other measures to ensure that compliance has been achieved. The composition of the fleet and its age profile will also be monitored to see what impact the CAZ has had on the fleet profile within the city.

3.84. Infrastructure

3.85. To enforce the Clean Air Charging Zone, the Council is procuring a contractor to design, build, operate, and maintain a network of ANPR cameras and supporting systems to capture all vehicles operating within the CAZ. This contractor will capture number plates of all vehicles operating within the CAZ, and interface with a National Payment Portal developed by Central Government which will determine which vehicles are not compliant with the Leeds CAZ standard. Over 140 sites have been selected to enforce the CAZ to ensure a comprehensive network of cameras is delivered to capture all non-compliant vehicles and prevent vehicular rat running.

3.86. A preferred contractor will be selected in early November 2018 with the target price produced informing the Council's bid for funds from the Government's Implementation Fund.

3.87. Programme

3.88. The table below shows the key dates from now until implementation:

Draft Full Business case submitted to Government (with sign off pending Executive Board approval)	15 September 2018
Executive Board	17 October 2018
Standstill period	17-27 October 2018
Final business case submitted to government for approval	End of October
1 st phase of grant for taxi/private hire from early measures funding	October 2018
Executive Board	21 November 2018
Standstill period	1 December 2018
Charging order submitted to government	2 December 2018
Scheme approval and funding awarded	8 weeks after submission(anticipated to be December 2018)
Contract award for infrastructure provider	January 2019
Loan/Grant schemes open	February 2019
Scheme Go Live	6th January 2020

4. Corporate considerations

4.1. Consultation and engagement

- 4.2. We have undertaken a comprehensive consultation process over the two phases that is detailed in the main issues section.
- 4.3. The report attached at Appendix A includes an appendix that sets out how the Council addressed lessons learnt from the non-statutory consultation to further strengthen the consultation process.
- 4.4. Over the two phases we have engaged in a wide ranging awareness campaign that included advertisements on social media, the radio, buses and on electronic road signage along the main routes into and out of Leeds.
- 4.5. We have worked with trade organisations and trade magazines as well as sending out a postcard to every household in Leeds; further details can be found here on all the promotion we did with all interested parties.
- 4.6. We have also worked with key stakeholders such as Highways England to ensure that any interfaces are considered early on.
- 4.7. We have closely liaised with the Joint Air Quality Unit on a weekly basis to keep them apprised of both our progress and any issues that are discovered.

4.8. There has been extensive Member consultation throughout the design of the scheme, with cross party briefings and presentations to cabinet and scrutiny at regular intervals.

4.9. The scheme has been developed by a cross directorate team to ensure that it has been considered from all perspectives i.e. highways, environmental health, public health, corporate communications, legal and finance.

4.10. **Equality and diversity / cohesion and integration**

4.11. The equality impact assessment is attached as Appendix C.

4.12. As part of the phase 1 non-statutory consultation the consultation responses evidenced that there were parts of the population that were under-represented in the survey. The phase 2 consultation addressed this through targeted action aimed at increasing representation from under-represented groups – namely women, BAME and those with disabilities. Information about the consultation and questionnaires were sent out to equality hubs (including women’s hub, Age Hub, Carers Hub, LGBT+ Hub, Disability Hub, Religion/Belief Hub) and Voluntary Action Leeds.

4.13. **Council policies and best Council plan**

4.14. 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.

4.15. 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.

4.16. We are raising general health and environmental standards across the city through the promotion of walking and cycling.

4.17. **Resources and value for money**

4.18. As part of the Full Business Case submission, the Council will be requesting funding from the Clean Air Fund to support the impacted sectors:

Sector	Funding request
HGV	£13 million
Non Scheduled Bus/Coach	£2 million
Taxi/private hire	£12 million
Infrastructure Funding	£13 million
Total	£40 million

4.19. Developing the support packages for the impacted sectors is new ground for both local authorities and government and has proven challenging. However, the costs that are included are based on the best estimates of costs and take-up but will be subject to further refinement as we work closely with government to secure the final support package.

4.20. Support to the taxi and private hire sector will be delivered through a combination of grant and a repayable interest free loan. The Council is seeking financial support from the Government for the grant element and to cover the cost of the loans, which it will administer either directly or via a third party.

4.21. As well as the money from the Clean Air Fund the Council will also be submitting a bid for funding from the implementation fund for the CAZ infrastructure. The total funding requirement for implementation is still under development but is anticipated to be circa £13 million to cover signage, camera infrastructure, communication campaign and resource to manage the support packages and creation of white lists. All costs for implementation should be covered by Government grant.

4.22. As the operation and maintenance costs of the camera network are still unknown and the number of non-compliant vehicles still operating in the CAZ is an estimate, it is difficult to determine the level of income net of costs. However, the business case will be based on all costs being covered by revenue generated and a year on year reduction in revenue due to the improved levels of compliance. This will be the subject of review as the scheme progresses.

4.23. Risk Management

4.24. The Council has developed a scheme that aims to deliver compliance with the legal limit value for nitrogen dioxide in the shortest possible time whilst complying with its other legal and statutory obligations and in accordance with public law principles. It has also sought to mitigate the economic impacts with the support packages that it has developed. However, without adequate financial support from Government, the impact on industry would be unsustainable and there would be an impact on the compliance levels forecast as these are reliant on adequate support being provided.

4.25. There are also a number of critical risks to implementation that are listed in the table below. None of these risks are within the direct control of the Council:

Description	Consequences	Ownership
The development of the national payment portal is delayed	Delay to go live date	Central Government
Development of comprehensive DVLA database to enable accurate identification of compliant and non-compliant vehicles is delayed	Delay to go live date/ Incorrect charges issued and associated ramifications	Central Government

Availability of DVLA database at a local level to reduce comms costs	Would significantly impact on income received and the support that could consequentially be provided.	Central Government
Development of a national taxi and private hire database is delayed.	Taxi and private hire vehicles excluded from scheme until database is in place to avoid unfair penalisation of local drivers	Central Government
Required signage not installed on strategic road network	Without appropriate signage in place, the go live will be delayed	Highways England
Approval of charging order and full business cases, and associated funding is delayed	Any delay to approvals will impact on the go live date	Central Government

4.26. The lack of progress on the retrofit solution at a national level is a key concern as this is the most affordable way for a large number of businesses to achieve compliance. The Council will continue to work with retrofit providers and lobby Government to support the quicker delivery of solutions.

4.27. Market capacity is a concern across all sectors of vehicles due to the substantial increase in demand for Euro VI and retrofit options.

4.28. It is acknowledged that there is a high potential of challenges to the proposals for the Clean Air Charging Zone in Leeds, these could be from either environmental interest groups who do not consider that the proposals go far enough, from specific individuals or groups that may be adversely affected by the proposals. As this is the first scheme of its kind being advanced by the Council at this early stage it is difficult to predict the nature of these challenges. However, the Council considers that these proposals strike the right balance consistent with its legal and statutory obligations and in accordance with public law principles.

4.29. The costs for implementation will be finalised when the procurement for the camera network is completed. However, a level of contingency will also be built into the funding request as it is recognised that there may be changes to requirements as the detailed scheme design is developed in terms of camera placement etc. It is also acknowledged that the timescales are incredibly challenging as the scale of infrastructure is comprehensive.

4.30. As the Council is currently considering the potential for providing the capital for the taxi and private hire loans, it should be noted that there are a number of risks associated with this. Although it is anticipated that Government will cover the cost of interest, bad debt and administration of the loans, it is critical that the Council properly assess these costs in order to ensure that all its potential costs and losses are covered.

4.31. Research has been undertaken to assess likely levels of bad debt when lending to self-employed drivers, often with lower than average credit ratings.

Any unfunded bad debt will be the council's risk to cover. An effective enforcement process would also have to be in place to ensure that bad debt is minimised.

4.32. The consumer credit market is highly regulated and as a result the council is working closely with a legal advisor to ensure that the scheme is compliant with all requirements.

4.33. The best route to provide the loan administration function is still being explored to determine how best value for money balanced against minimal risk exposure can be achieved.

4.34. Due to the complexity of delivering the loan scheme, the proposed "go live" of early 2019 is acknowledged as being incredibly challenging.

4.35. Legal implications, access to information, and call-in

4.36. The Air Quality Standards Regulations 2010 ("the Regulations") have brought Directive 2008/50/EC of the European Parliament and of the Council on Ambient Air Quality and Cleaner Air for Europe in to UK Law. Regulation 26 of the Regulations requires the Secretary of State to draw up and implement an air quality plan to achieve the relevant limit or target value of pollutants in ambient air within the **shortest possible time**.

4.37. The Government's Air Quality Plan (*the UK Plan for Tackling Roadside Nitrogen Dioxide Concentration*) was published in July 2017 and requires Local Authorities to set out their initial plans for improving air quality by the end of October 2017 and their final plan by the summer of 2018.

4.38. As set out in this report, on 20th December 2017 Leeds City Council was issued with the Environment Act 1995 (Leeds City Council) Air Quality Direction 2017 ("the Direction"). This directs the Council to prepare and submit to the Secretary of State a Full Business case in connection with its duties in respect of air quality under Part 4 of the Environment Act 1995 ("the Act") and as part of the UK Plan. The Council's draft Full Business case will now set out detailed proposals for a scheme which is the Council's preferred measure to deliver compliance in its area with the prescribed limits of nitrogen dioxide in the shortest possible time. Upon submission of this Full Business Case, the Council will have therefore discharged the requirements of section 85(7) of the Act.

4.39. In finalising its Full Business Case, the Council has concluded its proposals will achieve compliance with prescribed limits of nitrogen dioxide in the shortest time possible (subject to its legal and statutory obligations and in accordance with public law principles). Under paragraph 5(b) of the Direction the Council is required to confirm that all public consultation necessary in respect of the scheme identified in the Full Business Case has been completed. The Council has concluded both non statutory and statutory consultation to ensure that it is

both meaningful and fair in finalising its proposals. The Council has taken detailed and conscientious account of the responses received during the consultation process in formulating its administrative decision for this proposal in accordance with R v N and E Devon Health Authority ex p Coughlan [2001] QB 213.

- 4.40. The Statutory Consultation for the Clean Air Zone, which is part of the Council's proposal is pursuant to section 170 of the Transport Act 2000, and has fully consulted with local people, as well as the relevant representatives of local persons with regard to business, language and accessibility to information, who are directly affected by the scheme in order that appropriate and material responses have been gathered during the six week consultation period. The requirements for consultation for charging schemes permit authorities to undertake consultation as they consider appropriate.
- 4.41. Part 4 of the Direction states that the Council must seek the Secretary of State's consent before holding a public Inquiry and only where it is necessary to do so. The question of whether an inquiry should be held under S170 of the Transport Act 2000 has been carefully considered. The Council considers that it has carried out full and meaningful public consultation. Having carefully considered the issues involved and the consultation responses received, the judgment is reached that the Council has sufficient information in front of it to make a decision without the need for an inquiry. Further, the Council does not consider that it is "necessary" (in the terms of the Ministerial Direction) to hold an inquiry for the same reasons. The Council is also mindful that holding an inquiry would introduce substantial delay which is considered to be unwarranted.
- 4.42. Alongside the Full Business Case the Council is continuing to finalise the draft Charging Order to meet the requirements of the Transport Act 2000. The draft charging Order will be submitted to Executive Board in November 2018 in its draft form for submission to Government for any comments it has in review alongside the Council Final Business Case before being formally made by the Council.
- 4.43. As set out in the report, the Council will implement a behavioural awareness campaign city wide informing the public of the consequence of vehicle idling with an emphasis to changing this behaviour in the locality of schools and Taxi Ranks in Leeds. Where appropriate, the enforcement of anti-idling will be initiated by authorised officer under regulations 6 and 12 of the Road Traffic (Vehicle Emissions) (Fixed Penalty) (England) Regulations 2002 which permit authorised officers to stop the commission of stationary idling offences where there is reasonable cause to believe that the driver of a vehicle that is stationary on a road is committing a stationary idling offence and issue a fixed penalty notice in respect of such an offence committed in its area.

- 4.44. In introducing a clean air zone and either granting exemptions from it or providing assistance to mitigate against the effect of it, the Council must have regard to the European Commission's rules as to the provision of State aid. State aid occurs where State resources are used in a way which provides undertakings with a selective advantage that could distort competition and trade in the European Union.
- 4.45. Whilst the introduction of a clean air zone is not, in itself, State aid, the granting of exemptions from it and the provision of assistance to mitigate against the effect of it are subject to the State aid rules.
- 4.46. As regards the proposed exemptions from the application of the Charging Order, these are not considered to be State aid on the basis that they will be available to all operators in a specific market and will not therefore confer an advantage on the recipient and will not distort competition.
- 4.47. As regards the proposed 'Sunset Period' (whereby vehicles will be exempt from the Charging Order if ...), State aid will only arise if these exemptions are likely to distort competition within the European Union. Careful consideration has been given to the exemptions to ensure that they will not give rise to impermissible State Aid to avoid distorting competition.
- 4.48. Provision of assistance to mitigate against the effects of the Charging Order might give rise to State aid concerns, depending upon who the assistance is provided to and what activities they are engaged in. In so far as their activities are limited to Yorkshire and the Humber it considered this is no State aid will arise in those confined circumstances, but otherwise the assistance will be provided in a way which is compliant with the State aid rules.
- 4.49. In so far as State Aid does arise, there are a number of exemptions which the Council could use to provide assistance in a compliant manner.
- 4.50. Conclusions**
- 4.51. The proposed clean air charging zone achieves compliance in the shortest possible time whilst complying with its legal and statutory obligations and in accordance with public law principles. It has also sought to mitigate the economic impact on the city.
- 4.52. The clean air zone is just one strand of a whole package of work that is being undertaken to drive air quality improvements citywide and works alongside the Leeds Public Transport Investment Programme.
- 4.53. This scheme is just the first step in improving the city's air quality and the Council will continue to plan out its medium and long term vision to reduce pollution beyond that required in the Directive.

5. Recommendations

- 5.1. The Executive Board is recommended to:
- 5.2. Delegate authority to the Director of Resources and Housing to approve the Final Business Case for submission to the government.
- 5.3. Approve (subject to Government funding approval) a capital injection of up to £24,000,000 to finance the taxi/private hire loan fund scheme.
- 5.4. Delegate authority to spend to the Director of Resources and Housing in conjunction with the Chief Finance Officer and in consultation with the relevant Executive Members for the final taxi and private hire loan scheme, subject to approval of the Final Business Case by Government.
- 5.5. Delegate authority to the Director of Resources and Housing to approve any decisions required to issue the funding received from the Government.
- 5.6. Delegate authority to the Director of Communities and Environment to enforce under the relevant legislation Vehicle anti-idling and the Clean Air Charging Zone.
- 5.7. Note that the draft Transport Charging Order for the Clean Air Zone will be submitted to the Executive in November with information around its operation for the proposals in the submitted Final Business Case.
- 5.8. **Background documents²**
- 5.9. None.

ⁱ TNO report: https://www.tno.nl/media/3443/hdv_in_service_testing_tno_2014_r10641.pdf

- The introduction of first generation Euro V vehicles did not lead to the presumed reduction of real-world NO_x emissions of diesel engines under urban driving conditions. The first generation of Euro V diesel vehicles emits, under urban driving conditions, on average as much NO_x as Euro III vehicles. (p55)

Air Quality Consultants report: <http://www.aqconsultants.co.uk/getattachment/Resources/Download-Reports/Emissions-of-Nitrogen-Oxides-from-Modern-Diesel-Vehicles-210116.pdf.aspx>

- On average, there does not appear to be any significant evidence of an appreciable reduction in emissions per vehicle between Euro III, Euro IV and Euro V standards. (para 9.8 p40)

² The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.