

Divisions Affected - Isis, Jericho and Osney, University Parks

**DELEGATED DECISIONS BY CABINET MEMBER FOR
INFRASTRUCTURE AND DEVELOPMENT**

20 JUNE 2024

**Oxford Zero Emission Zone Pilot Scheme - Income Sharing
Agreement**

Report by Corporate Director of Environment and Place

RECOMMENDATION

The Cabinet Member is **RECOMMENDED** to:

- a) **Delegate authority to the Corporate Director of Environment and Place in consultation with the Head of Legal and Deputy Monitoring Officer and Section 151 Officer to negotiate, complete, sign, seal and implement the Income Sharing Agreement with Oxford City Council for the Oxford Zero Emission Zone Pilot Scheme.**

Executive Summary

1. The Oxford Zero Emission Zone Pilot Scheme (the Scheme) has been introduced by Oxfordshire County Council and Oxford City Council acting in partnership. The two councils are the Parties to the Income Sharing Agreement that is the subject of this decision. The Income Sharing Agreement sets out the responsibilities and funding commitments of each Party with respect to costs incurred and income generated by the Scheme. It also specifies how the net income generated will be distributed between the Parties and the conditions imposed on the spending of such net income.

Exempt Information

2. The Income Sharing Agreement at Annex 1 and the scheme development and operating costs at Annex 2 are confidential due to inclusion of commercially sensitive cost information.

Background

3. The ZEZ Pilot scheme (the scheme) has been developed jointly by Oxfordshire County Council and Oxford City Council. It is a road user charging scheme and covers a small number of streets in Oxford city centre. It is intended to help improve air quality and reduce carbon emissions and also

to enable the county council to test how the scheme works before expanding the ZEZ to a wider area in Oxford in a potential future phase.

4. The scheme was introduced in February 2022 and is the first phase of the ZEZ.
5. Oxfordshire County Council's Cabinet approved the introduction of the scheme on 16th March 2021. Oxford City Council's Cabinet approved the introduction of the scheme on 10th March 2021. The reports to both of those Cabinet meetings noted that the city council will receive a share of net proceeds raised by the scheme in proportion to its contribution to the costs of implementing the ZEZ, assumed to be 50 per cent. The Transport Act 2000 requires that net proceeds generated by the scheme are used only for schemes that facilitate the achievement of local transport policies.
6. The Pilot scheme is generating net proceeds after payment of costs.
7. The income sharing agreement that is proposed for the scheme has been prepared by officers of the two authorities and is included at Annex 1.
8. An analysis and forecast of the scheme's costs and income up to 2026 is at Annex 2.
9. The income sharing agreement (the Agreement) sets out the responsibilities and funding commitments of each Party with respect to the scheme. It also specifies how the income generated by the scheme may be offset against the costs incurred by each Party, how the resulting net income will be distributed, and the conditions imposed on the spending of such net income.
10. The Agreement sets out that where sufficient net income raised by the scheme is available it will be used first to repay to each council their eligible costs, and that net income available after that will be shared equally by the councils.
11. The Agreement requires that each council spends its share of the net income only on directly or indirectly facilitating the achievement of local transport policies contained in the County Council's Local Transport Plan and/or in the City Council's Local Plan. The County Council's spend will be in accordance with the following high-level objectives:
 - supporting the delivery of the ambitions of the Pilot ZEZ Scheme in promoting cleaner air and tackling climate change;
 - supporting active travel and incentivising public transport use; and
 - supporting zero emission and sustainable infrastructure and actions in and around Oxford;

and through the delivery of measures including but not limited to some or all of the following:

- Grants and/or financing for vehicle charging points and/or zero emission vehicles;
 - Electric car/van clubs;
 - Support for freight consolidation or transfer schemes, including use of cargo bike schemes;
 - Small scale public realm improvements and improved pedestrian areas;
 - Small scale walking and cycling schemes;
 - Funding to trial new ideas or ways of working (for example exemplar delivery & servicing plans);
 - Innovative ways of managing moving in and out days for students.
12. In the unlikely event that eligible costs exceed income then such net eligible costs shall be borne equally by each party in equal proportions.
13. The total income raised by the scheme over its first full financial year of operation (April 2022-March 2023) is £702,940. The scheme also raised a total of £25,432 in February and March 2022.
14. The forecast total net income after repayment of eligible costs generated by the scheme until it ends (assumed to occur in the middle of the financial year 26/27) is estimated to be approximately £1.77million.
15. The Agreement will automatically cease when the scheme ends.

Corporate Policies and Priorities

16. Oxfordshire County Council's [Local Transport and Connectivity Plan](#) (LTCP) is our statutory Local Transport Plan, required under the Transport Act 2000. The ZEZ supports the vision in the LTCP to deliver a net-zero transport system that enables Oxfordshire to thrive, protects the environment and makes the county a better place to live for all residents. This includes ambitious targets to:
- replace or remove 1 in 4 car trips in Oxfordshire by 2030
 - deliver a net-zero transport network by 2040, and
 - have zero, or as close as possible, road fatalities or life-changing injuries by 2050.
17. [The Central Oxfordshire Travel Plan](#) (COTP) has been developed as part of the (LTCP). The ZEZ is one of the COTP's actions to build a more sustainable, reliable transport system.
18. The Agreement will enable net income generated by the Scheme to be shared by the county and city councils to fund measures that support the aims and objectives of the LTCP and the COTP.
19. The ZEZ has a significant role to play in supporting the county council's [Climate Action Framework](#) and its commitment to be 'net zero carbon' in its operations by 2030.

20. The ZEZ supports the council's Corporate Plan by helping people live healthier, safer lives and by protecting the local environment. It supports the council's nine priorities and in particular those to:
- put action to address the climate emergency at the heart of our work.
 - prioritise the health and wellbeing of residents.
 - invest in an inclusive, integrated and sustainable transport network.
 - work with local businesses and partners for environmental, economic and social benefit.

Financial Implications

21. It is estimated that the Scheme will generate net proceeds of approximately £1.77million up the middle of the 2026/27 financial year by when the scheme is likely to have been replaced by the wider ZEZ scheme, subject to consultation and Council Cabinet decision.
22. The Agreement sets out how the eligible costs of each council and the net proceeds in connection with the Scheme will be determined, shared and on what they can be spent.
23. The Agreement requires that if costs that are eligible for recovery from scheme income exceed gross scheme income in any year then the resulting net eligible costs shall be borne by each council in equal proportions.
24. The proposed agreement does not limit the costs that the councils could be required to bear. However, the financial exposure of both councils would be very limited given that:
- it is in both councils' interests to ensure that the annual eligible costs of the scheme are minimised.
 - the proposed agreement includes a mutual indemnity against costs arising to either party as a result of the other's failure to fulfil its functions lawfully or properly
 - the income raised by the Scheme's during its first year of operation was substantially higher than its operating costs. Scheme income in subsequent years is also expected to substantially exceed operating costs.
 - A substantial number of vehicles used in the Scheme area are expected to be chargeable throughout the lifetime of the Scheme's operation. This will enable the generation of Scheme income. Monitoring surveys undertaken in 2022 approximately nine months after the Scheme had launched identified a daily mean of 487 vehicle movements, excluding buses and taxis, in the zone during the Scheme's operating hours. 62 of those movements (ie approximately 13%) were made by zero emission vehicles.
25. Costs associated with managing the Income Sharing Agreement will be eligible for recovery from income generated by the Scheme.

Comments checked by:

Filipp Skiffins, Assistant Finance Business Partner,
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Legal Implications

26. The Scheme is a local charging scheme, introduced using powers available under the Transport Act 2000.
27. The Scheme is given legal effect through a Road User Charging Order which requires that income it generates is first used to cover the costs of operation, including the maintenance of cameras, operational staff etc. Any surplus once these costs have been covered (“net proceeds”) may only be used for facilitating the achievement of local transport policies. The mandatory restrictions on spending the surplus are made binding contractual obligations in the Income Sharing Agreement.
28. Each Council can terminate the Income Sharing Agreement on 6 months’ notice. However, bearing in mind the commitment of the Councils to cooperate for the purpose of the implementation and operation of the Pilot ZEZ Scheme it is anticipated that it shall not become necessary to terminate the Income Sharing Agreement before it would otherwise end.

Comments checked by: Jonathan Pool, Solicitor (contracts)
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Staff Implications

29. It is anticipated that the Income Sharing Agreement will be managed by staff from the Network Management team, supported where necessary by staff from other teams.
30. Costs associated with managing the Income Sharing Agreement will be eligible for recovery from income generated by the Scheme without needing to draw on other financial resources.

Equality & Inclusion Implications

31. No direct implications in respect of equality and inclusion have been identified in respect of the Agreement itself. However, the Agreement will enable net income generated by the Scheme to be shared by the county and city councils to fund measures that will support equality and inclusion through the requirement that they contribute to delivering the aims and objectives of the LTCP and the COTP.
32. The Scheme is anticipated to induce positive impacts on health and the environment. By reducing traffic volumes and vehicular emissions,

encouraging sustainable modes of transportation the Scheme is expected to promote mental, physical, and general wellbeing.

33. The Equality & Inclusion Implications of measures funded by the net proceeds of the Scheme would be subject to the council's normal equality and inclusion assessments.

Sustainability Implications

34. No direct implications in respect of sustainability and climate impact have been identified in respect of the Agreement itself. However, the Agreement will enable net income generated by the Scheme to be shared by the county and city councils to fund measures that will support sustainability and climate impact through the requirement that they contribute to delivering the aims and objectives of the LTCP and the COTP.
35. Measures funded by net proceeds shared through the Agreement will also support:
- the county council's [Climate Action Framework](#).
 - the council's Corporate Plan by helping people live healthier, safer lives and by protecting the local environment
 - the council's priorities, in particular those to put action to address the climate emergency at the heart of our work; prioritise the health and wellbeing of residents; invest in an inclusive, integrated and sustainable transport network, and work with local businesses and partners for environmental, economic and social benefit.
36. Climate Impact Assessments will be completed for measures to be funded by net proceeds from the Scheme.

Risk Management

37. There is a risk of reputational damage if the Agreement is not completed and implemented as that would prevent the sharing and spending of net proceeds to support measures in accordance with the requirements of the Scheme.
38. The Agreement does not limit the costs that the councils could be required to bear. However, the financial risk for both councils would be very limited given that:
- it is in both councils' interests to ensure that the annual eligible costs of the scheme are minimised.
 - the proposed agreement includes a mutual indemnity against costs arising to either party as a result of the other's failure to fulfil its functions lawfully or properly
 - the income raised by the Scheme's during its first year of operation was substantially higher than its operating costs. Scheme income in subsequent years is also expected to substantially exceed operating costs.
 - A substantial number of vehicles used in the Scheme area are expected to be chargeable throughout the lifetime of the Scheme's

operation. This will enable the generation of Scheme income. Monitoring surveys undertaken in 2022 approximately nine months after the Scheme had launched identified a daily mean of 487 vehicle movements, excluding buses and taxis, in the zone during the Scheme's operating hours. 62 of those movements (ie approximately 13%) were made by zero emission vehicles.

39.No other notable risks have been identified for the Agreement.

Consultations

40.The Scheme and the Agreement has been developed and agreed with Oxford City Council.

41.The Agreement does not require public consultation.

Bill Cotton
Corporate Director Environment and Place

Background papers: Nil

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May 2024

Annex 1: Income Sharing Agreement (Confidential)
Annex 2: Shared Costs and Income Forecast