

**TITLE OF REPORT: PARKING**

**REPORT OF THE HEAD OF FINANCE, PERFORMANCE & ASSET MANAGEMENT**

**1. SUMMARY**

- 1.1 At the Finance, Audit and Risk Committee meeting on 27<sup>th</sup> January 2014, Members requested that a report be brought to Committee concerning “the use of surplus income raised from parking charges for on street parking and off street parking and income from the issue of Fixed Penalty Notices”.
- 1.2 Members wished to gain a better understanding of the levels of income earned and expenditure incurred and how any net income was subsequently utilised.

**2. RECOMMENDATION**

- 2.1 That this report be noted

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 As requested by Members, to inform the Finance, Audit & Risk Committee of the issue outlined in 1.1.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 None.

**5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 5.1 Consultation has been undertaken with the Portfolio Holder for Planning, Transport & Enterprise.

**6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

**7. BACKGROUND**

- 7.1 Following on from a previous FAR Committee request for the Shared Internal Audit Service to carry out an audit regarding parking enforcement, the question set out at 1.1 was posed.
- 7.2 This report focusses on the operational aspects of the parking operation and enforcement. It does not explore in detail the policy aspect of parking, or the Area Wide Parking Reviews, which are both also General Fund costs. However, it should be noted that the parking policy function includes setting Controlled Parking Zone (CPZ) schemes, Traffic Regulation Orders (TRO's) and parking tariff changes, all of which underpin enforcement action.

- 7.3 A summarised breakdown is given below for information, although these figures are not included in later tables.

**Table 1: Parking Strategy – Revenue costs**

category	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's (proj)	Total £000's
TRO's	4.8	12.2	29.9	34.5	
LABGI: road markings	3.3	10.1	4.8	36.8	
Planning staffing/ strategy charges	20.2	9.0	15.2	76.1	
<b>Total</b>	<b>28.3</b>	<b>31.3</b>	<b>49.9</b>	<b>147.4</b>	<b>256.9</b>
<b>Total GF cost (net of LABGI)</b>	<b>25.0</b>	<b>21.2</b>	<b>45.1</b>	<b>110.6</b>	<b>201.9</b>

NB – LABGI (Local Authority Business Growth Incentive) is an external grant.

- 7.4 The increased levels of cost in 2013/14 are due to the Parking Strategy review work in this year.

## 8. ISSUES

- 8.1 Over the past four years, net parking income has amounted to £1.6 million in total, as shown in table 2 below.

**Table 2: Revenue Income & Expenditure**

	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's (proj)	Total £000's
Off street: Gross direct expenditure	515	572	546	636	2,269
Off street: direct income	-1674	-1614	-1632	-1654	-6,574
Indirect costs	489	508	730	495	2,222
<b>Net income</b>	<b>-670</b>	<b>-534</b>	<b>-356</b>	<b>-523</b>	<b>-2,083</b>
On street: Gross direct expenditure	64	103	69	82	318
On street: direct income	-191	-216	-225	-410	-1,042
Indirect costs	313	275	270	284	1,142
<b>Net position</b>	<b>186</b>	<b>162</b>	<b>114</b>	<b>-44</b>	<b>418</b>
Residents parking: net direct income	-69	-86	-98	-96	-349
Residents parking: indirect costs	118	104	96	93	411
<b>Net position</b>	<b>49</b>	<b>18</b>	<b>-2</b>	<b>-3</b>	<b>62</b>
<b>Net Totals</b>	<b>-435</b>	<b>-354</b>	<b>-244</b>	<b>-455</b>	<b>-1,603</b>
(negative = income)					

- 8.2 The above table also shows that, taken as a whole, off street parking generates an annual surplus (£2 million over four years), on street had operated at a deficit until this current financial year and residents parking has been operating at a loss, but is now virtually break-even.
- 8.3 Members will be aware that on-street parking functions should not be operated on a “for profit” basis across financial years. The figures above illustrate that, over the past four years, on-street parking has operated at a net loss to the Council of over £400k. Unlike the surplus generated from off-street parking, legislation requires that any income raised from on street parking over and above the cost of administration must be invested in “transport purposes”, e.g. lines and signs, improved road management etc. Any surplus in 13/14 will either offset losses in previous years, or go into a reserve at year-end for re-investment into future on-street parking/transport related projects subject to advice from Legal Services following a High Court case last year..
- 8.4 Gross direct expenditure includes repairs & maintenance, utilities, rent/rates, supplies/services and bad debt provision.
- 8.5 Supplies and services expenditure includes:
- Security Cash (Cash collection)
  - Repairs & Maintenance: (Pay & Display machine maintenance)
  - Security (Multi-storeys)
  - Printing (Parking permits)
  - Miscellaneous Insurance Premiums such as public liability and damage to the car park machines.
  - Computer Fees (Licensing and support for back-office PCN processing software)
  - Pay by Phone (RINGO convenience fee)
  - Equipment Purchases (Cameras / mobile phones)
- 8.6 Indirect costs include parking administration, recharges and capital charges
- 8.7 There was a significant increase in on street PCN income between 2012/13 in 2013/14, which rose from £225k to a projected £410k (PCN income is included in table 1 and a breakdown provided in table 3). This is largely due to:
- increased staffing levels; there is a full complement of staff in post and available for deployment in 2013/14
  - the implementation of a review on areas covered and the hours of enforcement
  - an increase in parking activity more generally.
- Penalty charges are issued to motorists who are contravening traffic regulations. Enforcement is necessary to address road safety issues and to keep traffic flowing. It is projected that PCN income will reduce in future (if a full CEO staffing complement is maintained) as motorists realise that enforcement activity has increased.
- 8.8 This income contributes to the overall income received by NHDC to fund the annual revenue budgets approved by Council. Members will be aware that this income contributes to the overall “fees & charges” total within the annual budget setting process. The ability to raise income from fees and charges is one of the factors in balancing the annual budget. The main others being to reduce services/service costs and increase council tax. The council does have a policy whereby services that can be charged for should at least break even and, where possible, make a positive contribution to Council funds (ref MTFS 2.2, point 11).

- 8.9 Proposed increases to parking charges were debated at Full Council on 13<sup>th</sup> February 2014 (minute 87) as follows:

"12 tariffs for parking in the Council's car parks have not been increased since April 2010. The backlog of inflation is equivalent to 13.45% and this proposal seeks approval from Members to review tariffs on a car park by car park basis **across the district which may mean some increases but also decreases in the current charges** applicable to the particular car park and with a view to bringing the parking income overall to the level it would have been had this increase been applied. The estimate for 2014/15 assumes the review of the tariffs will result in the implementation of a new tariff structure around June/July 2014 and hence a part-year effect for financial year 2014/15. There is a risk that a review of the tariff structure (in line with the Council's parking strategy) that is implemented on a car park by car park basis as opposed to a flat inflationary increase may not produce the full amount of additional income and this risk is identified as a financial risk in the general fund balance." and

"13 The Council's policy with regard to discretionary fees and charges is that an inflationary increase equivalent to RPI at November each year should be applied to tariffs, this proposal seeks to apply inflation for 2014/15. The estimate, implementation date and risks are the same as for 12 **and the review on a car park by car park basis may result in some increases but also decreases in charges.**"

- 8.10 As demonstrated below in table 3, funding for capital works relevant to the overall parking operation and associated infrastructure is also provided from a number of sources, including capital receipts from sales and also draw down of cash investments. This ensures investment is made in enhancements and that the car parks can remain operational.

**Table 3: Capital Expenditure on car park related works**

	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's (proj)	Total £000's
Multi storey car parks	3	315	170	222	710
Off road car park re-surfacing				90	90
Car park mgmt system		4	175		179
Pay & display machines	29	21			50
<b>Total</b>	<b>32</b>	<b>340</b>	<b>345</b>	<b>312</b>	<b>1,029</b>

- 8.11 Therefore capital investment in car parking related areas has been £1.029 million in recent years.

- 8.12 Please note that table 2 includes PCN income as follows:

**Table 4: Penalty Charge Notice income**

	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's (proj)	Total £000's
Off street	-147	-147	-140	-145	-579
On street	-189	-214	-206	-410	-1,019
<b>Total</b>	<b>-336</b>	<b>-361</b>	<b>-346</b>	<b>-555</b>	<b>-1,598</b>

8.13 A report by the RAC Foundation regarding revenue income and expenditure on parking operations (before capital charges) for 2012/13 provides some relevant context. This ranked parking authorities by the level of surplus generated from on and off street parking activities, with the Authority ranked first generated the highest surplus. NHDC was ranked only 186<sup>th</sup> out of 353 authorities. By way of comparison, the figures for all Hertfordshire are shown in the table below:

**Table 5: Revenue Income & Expenditure: Parking operations**

Herts Authority	National ranking
Stevenage BC	80th
St Albans	119th
Watford	139th
East Herts	153rd
<b>North Herts</b>	<b>186th</b>
Dacorum	203rd
Broxbourne	256th
Welwyn Hatfield	260th
Hertsmere	29th
Three Rivers	326th

## 9. LEGAL IMPLICATIONS

- 9.1 The Constitution states that the Strategic Director of Customer Services is responsible for enforcement of on and off street parking orders, including residential parking zones (14.6.6 H).
- 9.2 The Constitution also states that the Strategic Director for Planning, Housing and Enterprise is responsible for traffic management including the creation of on and off street parking orders and street closure orders (14.6.8 D);
- 9.3 Please also note comments at para 8.3 in this report.

## 10. FINANCIAL IMPLICATIONS

- 10.1 The financial implications arising from this activity are contained in the main body of the report.

## 11. RISK IMPLICATIONS

- 11.1 The Parking Service has identified a risk relating to parking income. The risks to the income include:
- less visitors to the town centres and hence use of car parks due to the economic climate/the town centre offer.
  - perception that the car parks are unsafe (lighting/surfacing/general cleanliness)
  - cheaper or free parking elsewhere
  - failure to have sufficient Civil Enforcement Officers to enforce regulations
  - failure to have adequate street lighting and signage to enable enforcement
  - theft of money from machines.

11.2 In addition, loss of income from the parking service is an identified medium likelihood financial risk for 14/15. The risk is described as “failing to achieve budgeted income from parking services due to; review of tariff structure not producing as much income as would be generated from a flat inflationary increase across all tariffs; failure of contractor to transfer collected income; theft of money from car park machines.” The full value of this risk is estimated at £100k.

11.3 The financial risk has been called upon twice in recent years. In 2011/12 quarter one, the sum of £13,750 was used and in 2013 quarter 2 the sum of £30,000 was used.

## **12. EQUALITIES IMPLICATIONS**

12.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty that public bodies must meet, underpinned by more specific duties which are designed to help meet them.

12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

## **13. SOCIAL VALUE IMPLICATIONS**

13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of ‘social value’ as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12.

## **14. HUMAN RESOURCE IMPLICATIONS**

14.1 There are no direct Human Resource implications arising from this report.

## **15. APPENDICES**

None.

## **16. CONTACT OFFICERS**

16.1 Andy Cavanagh  
Head of Finance, Performance & Asset Management  
[andrew.cavanagh@north-herts.gov.uk](mailto:andrew.cavanagh@north-herts.gov.uk)  
01462 474243

Vaughan Watson  
Head of Leisure Environmental Services  
[vaughan.watson@north-herts.gov.uk](mailto:vaughan.watson@north-herts.gov.uk)  
01462 474641

Steve Crowley  
Contracts & Projects Manager  
[steve.crowley@north-herts.gov.uk](mailto:steve.crowley@north-herts.gov.uk)  
01462 474211

Ian Fullstone  
Head of Development & Building Control  
[ian.fullstone@north-herts.gov.uk](mailto:ian.fullstone@north-herts.gov.uk)  
01462 474480

Katie White  
Corporate Legal Manager  
[katie.white@north-herts.gov.uk](mailto:katie.white@north-herts.gov.uk)  
01462 474315

Antonio Ciampa  
Group Accountant - Customer Services  
[antonio.ciampa@north-herts.gov.uk](mailto:antonio.ciampa@north-herts.gov.uk)  
01462 474566

**17. BACKGROUND PAPERS**

Medium Term Financial Strategy – Cabinet 30<sup>th</sup> July 2013 (Item 14).