

**Report to:** *Budget Panel*  
**Date of meeting:** *29 October 2013*  
**Report of:** *Head of Strategic Finance and Head of Regeneration and Development*  
**Title:** *Review of the Parking Reserve Account*

**1.0 SUMMARY**

- 1.1 This report analyses the potential draw on the Parking Reserve Account by the proposed level of traffic related schemes identified for delivery within the forthcoming financial year.
- 1.2 The Parking account more or less breaks even, that is, income almost balances expenditure on the enforcement contract and other costs. However, the level of income is not sufficient to replenish the Parking Reserve or fund all of the proposed new parking schemes.
- 1.3 If traffic related schemes continue to be delivered it will be necessary to review parking permit charges and or top up the Parking Reserve from the General Fund. It is not possible to increase charges for Penalty Charge Notices, as these are nationally set.

**2.0 RECOMMENDATION**

- 2.1 Budget Panel are requested to comment to Cabinet regarding the future use of the CPZ Reserve and the need to ensure its solvency through either a reduction/ rephasing of Projects or an increase in the price of residents' parking permits (or both).

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## 3.0 DETAILED PROPOSAL

### 3.1 Purpose of report

To consider the solvency of the CPZ Reserve and the need to consider appropriate charges for residential parking permits.

### 3.2 Background

Under the 2003 Agency Agreement with the Highway Authority, Hertfordshire County Council, Watford Borough Council manages parking in the Borough. The management function consists of the enforcement service and the introduction of new or revised parking schemes of varying scales. In practice, the Borough has a fairly free hand to manage and develop parking controls in the town with only a very 'light touch' reference back to HCC as part of the traffic order process as new schemes come forward.

3.3 In budgetary terms, funding to maintain the service both in terms of managing the contract for parking enforcement and the development of new schemes is raised from income arising from:

- Income from on-street bays;
- Permit charges in Controlled Parking Zones (CPZs);
- Penalty Charge Notice (PCN) income; and
- Sundry income from dispensations and other charges.

Originally the income from the Parking Service led to a surplus year on year which has accumulated into the Parking Reserve. In 2009/10 the Reserve was £962,000. It now stands at approx. £575,000 (as at March 2012). In a report to Budget Panel in November 2011 Members were advised that if the current rate of depletion of the Reserve continued, the Reserve would be exhausted by the end of 2013/14. The projection now is that the Reserve will become close to depletion towards the end of 2014/15.

3.4 Legislation requires that income arising from the Parking Service is ring fenced. The uses to which any surpluses generated by these ring fenced budgets are prescribed by legislation. In Watford first call on the surplus has been to maintain the existing service infrastructure (signs, lines, Pay and Display machines etc.), to amend and expand parking controls and to invest in new technology to improve efficiency and the customer experience in relation to contacts with the service. The original legislation required Civil Parking Enforcement Services to be self financing with no General Fund subsidy allowed. More recently the financial guidance has been relaxed to a small degree to allow for a subsidy from the General Fund in exceptional circumstances where break even is not achievable in certain areas.

3.5 The reduction in the level of funds in the parking reserve has occurred for a number of reasons. The key factors are:

- residents permit charges have not been increased in line with inflation
- a reduction in the number of PCNs issued
- increased enforcement costs charged to the Council by the Enforcement Contractor reflecting the increased areas to be enforced and RPI uplifts (which are part of the contract).

- Member desire for accelerated delivery of parking schemes which has necessitated increased use of external consultants to supplement the limited level of in house parking resource. (see **Annex B** for list of schemes and indicative costs set against each scheme for the remainder of 2013/14 and for 2014/15.
- 3.6 The above factors and, in particular, the predicted spend on schemes as laid out in Annex B will deplete the Parking Reserve significantly during the remainder of 2013/14. The estimated spend on schemes in 2013/14 is £222,000 whilst schemes committed for 2014/15 are estimated at £133,000. Whilst these figures will be refined as firm fee proposals from the Council's Framework Consultants being engaged to deliver the larger schemes are received, the scale of the total projected spend is not anticipated to change as there is significant pressure from Members to deliver parking schemes to an accelerated programme to meet residents' expectations.
- 3.7 **Annex A** provides a breakdown of the Parking Reserve Account. Based on current budget information and the work programme contained in **Annex B**, the level of the Reserve at the end of 2013/14 will be approximately £297,000. If this rate of depletion continues, the Parking Reserve will be near to exhausted by the end of 2014/15. If the Council wishes to continue delivering new schemes it will need to consider increasing income streams to avoid exhausting the Reserve.
- 3.8 Some increases in off-street car park charges were made in April 2011 which increased income from the Council's directly managed off-street car parks in the short term. This income is accounted for separately however and does not contribute to the Parking Reserve. Initially demand dropped in the off street car parks however usage levels have now increased to the level prior to the charges increase. Increases in charges for on-street Pay and Display parking bays (which would contribute to the reserve) may well experience similar drops in demand and could as a consequence be self defeating as a means of increasing income. In any event the pressure from Government is to moderate town centre charging as a means of supporting retail, resisting the acceptability of increased charges at this time.
- 3.9 Income from Penalty Charge notices is affected by two factors. The first is the level of penalty charge applied. This is specified by Central Government and whilst Local Authorities can opt for either a higher or lower band they have no latitude to set levels independently. Watford in line with most Local Authorities in Hertfordshire has already opted to apply the higher band PCN charges. The second factor is the number of PCNs issued. Whilst nationally both inside and outside London PCN levels have generally gone up slightly on the last year, in Watford the number of PCNs issued has been falling consistently over the last few years as levels of compliance with parking regulations in the town continues to improve. 2012/13 has however seen a slight increase on the previous year with PCNs issued rising from 19,806 to 20,301.

There are a number of factors as to why PCN levels in Watford are falling / levelled out:

- The match day signage has been improved to increase clarity for the motorist so that they observe the restrictions and avoid the issue of a PCN
- At no extra cost we have increased the hours of enforcement on street to higher than any level before and have more staff deployed more often. This has led to a visible improvement in the level of illegal parking, which consequently results greater observations of the restrictions and less PCNs being issued.
- Motorists are well aware of the restrictions across Watford, they also see that they are better patrolled so are less likely to take a risk, which again results in less PCNs
- The provision of effective enforcement with higher levels of deployment and on street patrol hours has enable us to target problem locations which in turn has enabled us to achieve greater compliance and meet the objectives of the Traffic Management Act.

**On Street Year                  PCN      PCN's**  
**Income      Issued**

	£	
2006/7	(654,355)	25,800
2007/8	(644,525)	23,041
2008/9	(679,911)	22,925
2009/10	(840,624)	22,363
2010/11	(608,023)	20,274
2011/12	(544,471)	19,806
2012/13	(558,314)	20,301

<b>Off Street</b>	
Year	PCN income car parks
2009/10	(67,250)
2010/11	(48,642)
2011/12	(47,346)
2012/13	(48,549)

- 3.10 The Council introduced CPZs in 1997. The residents' permit charges in Watford remained unchanged for many years. In April 2013 the residents' permit charges were increased for only the second time. The First Permit was increased from £20 to £22 and the Second Permit was increased from £40 to £55.

The table below shows the number of permits issued and the income generated. Zone by Zone.

01/04/2012 TO 31/03/2013

Zone	1 Day Visitor Voucher	1 hour Visitor Voucher	4 Hour Visitor Voucher	1st Permit	2nd Permit	1 Week	Zone Permit Nos & Income
A	110	182	136	122	31	30	(153) £3,680
B	746	1316	993	666	198	179	(864) £21,240
C	22	40	15	7	4	1	(11) £300
D	570	640	581	467	133	112	(600) £14,660
E	58	138	81	42	16	27	(58) £1,480
F	296	423	380	255	70	66	(325) £7,900
G	306	654	350	337	104	105	(441) £10,900
J	380	608	495	324	125	128	(449) £11,480
K	475	927	671	509	165	100	(674) £16,780
L	217	490	279	269	88	62	(357) £8,900
M/N	1265	0	0	574	191	0	(765) £5,736
S	185	390	236	237	83	50	(320) £8,060
T	275	359	502	329	108	49	(437) £10,900
V	10	223	317	253	61	7	(314) £7,500
<b>Totals</b>	4915	6390	5036	4391	1377	916	(5768) £129,456

### 3.11 Deployment of CEOs

It is not possible to directly link the Civil Enforcement Officer's deployment to the Zones as shown in the table above. Deployment is managed to ensure that staff time is efficient and effective in terms of coverage of the entire town, which includes the enforcement of off-street and leisure centre car parks, schools, the town centre and locations only reachable by mobile patrol such as Garston, Leavesden and North Watford, where our presence is expected on specific days or at specific times. Simply, successful deployment can only be achieved following assessment of the areas to be covered and then devising a beat plan to ensure regular and full coverage.

Included within the attachments to this report is a Deployment Annex map showing one of the beats (beat 3) as it was originally tendered showing the typical coverage of an area. This may include a CPZ but very few beats will only cover an entire CPZ and nothing else, unless the combined zones cover a large area. It is not a practical deployment of resources to only have an Officer walk the length and breadth of a zone and then stop at its boundary before having another CEO cover the same nearby vicinity. Beats are drawn up with coverage of the area and the type of

restrictions to be enforced in that area in mind. Travel time to beats is also factored in and the typical duration of time that it will take to cover that area on foot. There are a total of 13 main beats but this excludes match day beats, evening patrols, Sundays and the evening lorry bans.

As shown with the Deployment Annex the area that the Officer is required to cover on beat 3 includes Zone M/N, Zone T and the Cassiobury commuter ban restrictions. Any CEO making his way to this beat would walk through at least two other beats and it would border with any other CEO deployed at a particular time to cover Zone V. However, as stated, successful coverage could not be achieved if the Officers were deployed together so they are not. Officers are deployed singly as full beat coverage can only be achieved this way. In limited circumstances (e.g. training and evening deployment) Civil Enforcement Officers may be deployed in pairs but this constitutes only a small proportion of deployed hours.

- 3.12 The Service Prioritisation exercise involved an examination of staffing levels in the Parking Service which resulted in reductions in staffing costs arising from rationalisation of posts following the retirement of the Parking Manager in 2011. It is not considered that staffing levels in the Parking Service can be reduced further at this time. Following approval of the business case the Service is currently investigating how new technology might reduce the revenue cost of delivering the service and improve service levels and flexibility and budget provision has been made to take this project forward.

### **Summary**

- 3.13 The Parking account more or less breaks even, that is, income almost balances expenditure on the enforcement contract and other costs. However, the level of income is not sufficient to replenish the Parking Reserve or fund all of the proposed new parking schemes.
- 3.14 The Parking Reserve has reduced from approximately £962k in 2009/10 to £575,000 at the end of 2011/12. For April 2013 the balance carried forward was £596,937. It is estimated that by the start of the new financial year in April 2014 the level in the Parking Reserve Account will stand at £297,000. If the current rate of depletion continues then the Reserve will be exhausted mid way / towards the end of 2014/15. Client side costs have already reduced significantly but enforcement costs will almost certainly increase due to the effects of inflation built into the contract which expires in April 2018. Customer resistance and Government advice reduces the ability for the Council to increase parking charges, PCN tariffs are controlled by central government and income from this stream has been falling consistently due to high levels of compliance and improved efficiency of the enforcement service. If the Parking Reserve can no longer fund car parking initiatives then this will place a financial burden on the Council's General Fund.
- 3.15 The trend of the Parking Account income as shown under item 3.9 is that year on year the service makes a modest surplus. This surplus is not sufficient to replenish the Reserve to fund all the projects as identified in **Annex B**. The Budget Panel are requested to review the information in this report and make recommendations in relation to the management of the Parking Reserve to secure

its long term stability

## 4.0 IMPLICATIONS

### 4.1 Financial

- 4.1.1 The Vinci contract in 2012/2013 showed an increase due to the resolution of a dispute relating to annual inflationary uplifts. As a consequence the 2012/2013 forecast includes some back payments which will not recur in 2013/2014.
- 4.1.2 Income levels are stable (albeit higher numbers of PCN's were issued in 12/13 than the previous year). As an outcome of the CPZ Review project there may be additional income arising out of further CPZ zoning, but it is likely that additional enforcement will eliminate any bonus.
- 4.1.3 The major area of focus is pulling forward projects (and as detailed at **Annex B**) which is estimated to require additional expenditure. This level of activity does need urgent review.
- 4.1.4 The Council has worked extremely conscientiously to identify efficiency savings in order to keep within Government Control totals. Accelerating spend is outstripping these savings however and unless additional revenue can be generated through the CPZ account, subsidy from the general fund will be required.
- 4.1.5 The CPZ Reserve has been heavily drawn down in recent years and Budget Panel needs to consider the need for the reviews.

### 4.2 Legal Issues

The Head of Legal and Property Services comments that all legal issues have been covered within the report.

### 4.3 Equalities

Should parking permits be increased then the proposal will not be particularly targeting any specific sector of the community. The Equalities Impact Assessment for parking is available on the web

### 4.4 Potential Risks

Potential Risk	Likelihood	Impact	Overall Score
The CPZ Reserve will be in deficit	3	3	9
An further increase in permit charges will result in resistance	2	3	6

#### 4.5 **Staffing & Accommodation**

There are no staffing or accommodation implications arising out of this report

#### **Appendices**

Annex A Parking Reserve Account balance.

Annex B List of TRO schemes and indicative costs

Annex C Deployment of Civil Enforcement Officers