

Report to: *Budget Panel*
Date of meeting: *11 January 2012*
Report of: *Head of Strategic Finance and Head of Planning*
Title: *Review of Controlled Parking Zone Reserve*

1.0 **SUMMARY**

1.1 This report follows on from the previous report to the Budget Panel in November and reviews the current levels of income received by the parking service and analyses the potential draw down on the Parking Reserve. If traffic related schemes are to be continued to be delivered it will be necessary to increase charges for parking permits. It is not possible to increase charges for Penalty Charge Notices, as these are nationally set.

2.0 **RECOMMENDATION**

2.1 The Budget Panel are requested to consider a 40% recommended average increase in parking permit charges and to refer their observations to the Cabinet meeting on 16th January where a final decision will be taken.

Contact Officer:

For further information on this report please contact: Bernard Clarke or Jane Custance telephone extension 8189 / 8044

3.0 DETAILED PROPOSAL

3.1 Purpose of report

To consider the solvency of the CPZ Parking Account and the need to increase 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 surface car parks and on-street bays
- Permit charges in Controlled Parking Zones (CPZs)
- Penalty Charge Notice (PCN) income
- Sundry income from dispensations and other charges.

3.4 Originally the income from the above led to a surplus year on year which has accumulated into the Parking Reserve which is forecast to be circa £486k as at March 2012) but has reduced in recent years. A full analysis of the CPZ Parking account is attached at **Appendix 1**.

3.5 In consequence, current projections for the Parking Service budget indicate that if current trends continue the Parking Reserve will have a balance of circa £178k as at April 2013 with a probability that it would be exhausted by 2014/15. This situation has arisen for a number of reasons however the key factors are:

- the level of permit charges which have not been revised in line with inflation for a number of years
- a reduction in the number of PCNs issued
- increased enforcement costs charged to the Council by the enforcement contractor

3.6 It is important to appreciate that the parking account is not recovering its ongoing operating costs even before special projects and essential funding of replacement pay and display machines are taken into account. The figures at Appendix 1 indicate a deficit in 2011/2012 of circa £35k, rising to a forecast deficit of £97k in 2012/2013. A key component of these forecasts is the level of income likely to be generated and, it is anticipated, that further information will be available for the Budget Panels consideration regarding projected income streams.

3.7 A few supplementary notes in respect of Appendix 1 include:

- Vinci enforcement contract includes provision for an inflation uplift. Also the Council has introduced additional zones for which monitoring is required.

- “Projects” are those referred to at Annex A and are largely financed as a direct charge against revenue. In some circumstances they will be a charge against capital. So for example the bulk of the costs of the Cassiobury CPZ process has been charged against capital; for next year a £50k meter replacement programme has initially been earmarked as being a charge against capital. In reality it makes little difference whether capital or revenue, as any net deficit will be funded from the CPZ Reserve.
- Income has shown a small decline in recent years. The additional income received in 2009/2010 was purely due to a ‘change in accounting treatment’. Prior to 2009/2010 no reserve was made for the collection of any PCN income at year end. Essentially it was assumed that none of this income would be collected. In closing the 2009/2010 accounts provision was made for the collection of outstanding PCNs and was dependent upon the age profile of such debts. For example, if the outstanding debt was less than 3 months old then a 50% collection assumption would be made. This however was only a one year windfall and in future years it would only be the difference between end of year calculations that would be reflected within the CPZ revenue account.

- 3.8 Much of the infrastructure installed when the Council adopted Civil Parking Enforcement powers in 1994 is approaching the end of its useful life and is in need of replacement. This principally relates to the Pay and Display machines. A rolling programme of replacement has been initiated over the last two financial years which has seen many of the older machines replaced. The cost of continuing this programme of replacement in 2011/12 along with the essential replacement of all coin selector equipment in every machine by January 2012 so that amended coinage with revised weights due to be issued by the Bank of England can be accepted is estimated at £65k in 2011/12.
- 3.9 The Council has aspirations to develop further parking controls in the town. Attached at **Annex A** is a list of current schemes and projects. As well as the potential proposals at Annex A, a large number of requests come forward from members, residents and businesses for new parking controls or changes to existing controls to address road safety or obstruction concerns and could place financial pressure upon the CPZ Reserve.
- 3.10 Based on the forecast at Appendix 1, it is anticipated that the parking reserve will be exhausted by 2014/15 at which time if the Council wishes to continue delivering new schemes it will need to consider current levels of parking charges or a long overdue review into current parking permit levels.
- 3.11 Some increases in off-street car park charges were made in April 2011 which has increased income from the Council’s directly managed off-street car parks. Further increases in tariffs during the current recessionary economic climate may however be self defeating if usage levels fall as motorists seek to find alternative parking locations elsewhere.
- 3.12 The residents’ permit charges in Watford have remained unchanged for some years. Current income from permit sales in Watford is approximately £220k p.a. The table at **Annex B** shows predicted levels of additional income generated if permit charges were increased by 10%, 20% or an average 40% (which is recommended) and assumes continued levels of uptake. Although some drop in demand is possible as a result of an increase in these charges, demand is likely to be less elastic than for off-street car parks. If, for example, Residents’

Parking Permit charges be increased by 40% this would result in an estimated increase in income of £88,000 p.a. For comparison purposes, **Annex C** illustrates permit charges in a range of Local Authority areas in Hertfordshire and surrounding Counties.

The Budget Panel are requested to consider (and refer to Cabinet) its views to the extent and degree that parking permits should be increased.

3.13 Although income from Penalty Charge Notices is circa £600k p.a., charging levels are set by Government. Although Local Authorities can opt for charges based on an upper or lower level set by Government, as Watford have already opted to charge at the higher level there is no scope to increase PCN charges further at this time.

3.14 **Summary**

3.15 The CPZ Reserve is being progressively reduced, PCN tariffs are controlled by central government and residents parking permits have not been reviewed for a number of years. By reference to Annex C, Watford's charges are in the lower quartile in comparison with neighbouring authorities. In these circumstances an average 40% increase would not appear unreasonable.

3.16 The Budget Panel are requested to consider the information in this report and to endorse the need and extent of an increase in residents permit charges.

4.0 IMPLICATIONS

4.1 **Financial**

The Head of Strategic Finance comments that the CPZ Reserve has been drawn down in recent years and this cannot be sustained indefinitely.

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.

4.4 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall Score
The CPZ Reserve will be in deficit	3	3	9
An increase in permit charges will result in resistance	2	2	4

4.5 **Staffing & Accommodation**

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

Appendices

Appendix A Parking Income and Expenditure Account

Annex A Parking Schemes – Programme and costings

Annex B Permit Charges

Annex C Residents Permit Charges; comparative data