

Report to: Budget Panel
Date of meeting: 27 November 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 reviews the current levels of income received by the parking service and analyses the potential draw on the Parking Reserve by proposed traffic related schemes. 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 comment to Cabinet regarding the future use of the CPZ Reserve and the need to ensure its solvency through either a reduction/ rephrasing of Projects or an increase in the price of residents' parking permits (or both).

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 Reserve 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 on-street bays
- Permit charges in Controlled Parking Zones (CPZs)
- Penalty Charge Notice (PCN) income
- 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. This is still the case.

3.4 Legislation requires that the budgets used for the Parking Service are 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, P and D 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 that Civil Parking Enforcement Services were self financing with no General Fund subsidy allowed. More recently the financial guidance has been relaxed to a small degree to allow for exceptional circumstances where break even is not achievable in certain areas. In urban situations such as Watford however, the requirement for self financing of the enforcement service remains.

3.5 The reduction in the level of funds in the reserve has occurred for a number of reasons. 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 and reflecting the increased areas to be enforced.
- Member desire for accelerated delivery of parking schemes which will necessitate increased use of external consultants to supplement the limited level of in house parking resource. (see **Annex A** for list of

schemes and indicative costs)

- 3.6 The above factors and, in particular, the predicted spend on schemes as laid out in Annex A will deplete the Reserve significantly during 2012/13 and 2013/14. The estimated spend for these schemes in 2012/13 is £217,000 whilst schemes committed for 2013/14 are estimated at £169,000. 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 Based on current budget information and the work programme contained in **Annex A**, the level of the Reserve at the end of 2012/13 will be approximately £160,000. If this rate of depletion continues, the Reserve will be exhausted by the end of 2013/14. 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 Reserve. Observation has indicated that demand has dropped in these car parks and whilst it is not possible to attribute this directly to the increases in charges, it is likely to be a significant factor. Increases in charges for on-street 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.
- 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 PCN's issued has been falling consistently over the last few years as levels of compliance with parking regulations in the town continues to improve. There are a number of factors as to why PCN levels in Watford are falling:
- 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
 - 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 in greater observations of the restrictions and less PCN's 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 PCN's

- The provision of an effective enforcement with higher levels of deployment and on street 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.

Year	PCN Income	PCN's 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	(591,817)	19,806

3.10 The residents' permit charges in Watford have remained unchanged for some years. The Council introduced CPZs in 1997. Since then there has been only one significant increase in permit charges and compared to many other towns in Hertfordshire and surrounding Counties, Watford's charges are one of the lowest (see **Annex B**). Current income from permit sales in Watford is approximately £210k p.a. The table at **Annex C** shows predicted levels of additional income generated if permit charges were increased by 10%, 20% or 30%, assuming continued levels of uptake. (NOTE: match day scheme charges are not put forward for increase as the number of operational days will drop in early 2013 when Saracens leave Vicarage Road Stadium). Although some drop in demand is possible as a result of increase in these charges, demand is likely to be less elastic than for off-street car parks. If, for example, Residents' Parking Permit charges were increased by 30% this would result in an estimated increase in income of £61,500. The Budget Panel are requested to consider (and refer to Cabinet) its views to the extent and degree that parking permits should be increased.

3.11 Members have requested that consideration be given to the introduction of variable rates for permits that seeks to develop a zone by zone financial balance of cost v. income. Permit income is approximately one third of that from PCNs and therefore forms only a relatively small proportion of the total income to the service. A review of the high level parameters that define the current arrangements is currently out to tender and the view of residents on this principle will be tested as part of the review which is programmed to report back to Members towards the middle of 2014. A separate request from members was that the introduction of a free period for parking in on-street bays be tested. A small number of such bays were introduced in Queens Road at the request of Central Ward Members at the end of October 2012. It was agreed by the

Portfolio Holder that these be used as an experiment to assess the impact, particularly in relation to the level of income from on-street pay and display bays generally and this will take place over the next few months. Expansion of the experiment will require assessment of likely financial impact on the Parking Account particularly in light of the contents of this report which highlights the current deteriorating financial position.

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. Currently however, the Service is 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 forward subject to approval of the business case.

3.13 **Summary**

3.13.1 The CPZ Reserve has reduced from approximately £962k in 2009/10 to £575,000 at the end of 2011/12. If the current rate of depletion continues then the Reserve will be exhausted by the end of 2013/14. 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 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. Residents parking permits have not been reviewed for a number of years and Watford's charges are in the lower quartile in comparison with neighbouring authorities. In these circumstances a 30% increase would not appear unreasonable. If the reserve can no longer fund car parking initiatives then this will place a financial burden on the Council's General Fund.

3.14 The Budget Panel are requested to consider the information in this report and to endorse the need for an increase in residents permit charges or reduction in Project work.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 A summarised financial analysis has been attached at **Annex D** and indicates a reasonably consistent level of expenditure and income. Employee costs may come in under budget in 2012/2013 as there is currently a vacancy within the Division which is being filled through an apprenticeship supported resource. 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 significantly lower than previous years). 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 concern has to be the increasing desire for additional projects (and as detailed at Annex A) which is estimated to require additional expenditure of circa £200k between 2012/2014. 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. It would be disturbing if this work were to be undermined should the CPZ Account need to be subsidised from the General Fund.

4.1.5 The CPZ Reserve has been heavily drawn down in recent years and Budget Panel needs to consider the need for all the reviews at Annex A and the cost of parking permit levels which have remained unchanged for a number of years.

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

Annex A Parking Schemes – provisional programme and costings

Annex B Comparative table of permit charges

Annex C Permit Charges

Annex D Summary of Financial Performance