

CABINET

Review of Parking Fees and Charges 2009/10 20th January 2009

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT			
To consider the Annual Review of Parking Fees and Charges for 2009/10.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	4/11/08		
This report is public			

RECOMMENDATIONS OF COUNCILLOR MACE

- (1) To approve Option 1 b for Pay and Display for 2009/10.
- (2) To approve Option 1 c for Public Permit Charges for 2009/10.
- (3) To approve Option 2 for the 24-7 Staff and Member Permit Charges for 2009/10.
- (4) To approve Option 3 a for the 24-5 Staff and Member Permit Charges for 2009/10.
- (5) To confirm the City Council recommends that Lancashire County Council increases on-street pay and display charges for 2009/10 as outlined in paragraph 5.7 of this report.

1.0 Introduction

- 1.1 The City Council reviews parking fees and charges annually to meet its transportation policy and budget commitments. Cabinet recently approved the Parking Strategy that confirms a parking hierarchy of residents, closely followed by visitors, shoppers and local business needs and finally commuters and this hierarchy should now form the policy basis for determining parking charges.
- 1.2 Parking charges have previously provided a predictable stream of income but in recent years it has become more difficult to predict parking patterns and overall usage following price increases, with both factors affecting the total income generated.

2.0 Background Information

2.1 2008/09 Usage and Budget

A table showing comparative tariff sales for the first 6 months of the year is shown below for information:

TICKET SALES APRIL – SEPTEMBER 2008			
	2007	2008	%
<u>Short Stay</u>			
Up to 1 hour	298,168	292,292	-1.97
Up to 2 hours	192,672	188,499	-2.17
Up to 3 hours	77,526	62,769	- 19.04
Up to 4 hours		22,671	10.21
Over 3/4 hours	5,949	3,066	-48.46
Evening Charge (L)	36,393	36,115	-0.76
Total	610,708	605,412	-0.01
<u>Long Stay</u>			
Up to 1 hour	54,864	56,768	3.47
Up to 3 hours	58,353	61,442	5.29
Over 3 hours (Morecambe)	18,768	21,309	13.54
Up to 5 hours (Lancaster)	7,603	6,755	-11.15
Over 5 hours (Lancaster)	2,652	2,465	-7.05
Evening Charge (L)	4,914	5,571	13.37
Back Brighton Terrace	1,570	1,213	-22.74
Coaches SLG	130	254	95.38
Coaches BBT/HV	45	48	6.67
Up to 4 hours CR/HV/BB	14,917	16,029	7.45
Over 4 hours CR/HV/BB	2,110	2,177	3.18
Total	165,926	174,031	4.88
Grand Total	776,634	779,443	0.36

The above table shows a satisfactory position at the end of September with overall usage increased by 0.36%. The introduction of a new Short Stay Up to 4 hour tariff as part of last year's review has been successful with 22,671 tickets sold in the first 6 months. The tariff appears to have drawn customers from the Up to 3 hours and Over 4 hour stays. A reduction in the Up to 5 hour commuter tariff on Lancaster long stay has also been noted and whilst this is likely to be customers transferring to the new Short Stay 4 hour tariff this makes better use of Short Stay car parks and is in line with the Parking Strategy.

The above usage resulted in a favourable variance of £33,100 at the end of September 2008. However, in October and November pay and display income was 3.77% and 2.18%, respectively, below target and this is potentially indicative of the current economic climate. If this trend continues for the remainder of the financial year the original budget of £1,848,400 will only just be achieved.

2.2 2009/10 Draft Budget

The current draft budget outlined in the following table has been prepared. The pay and display revised budget remains the same with a reduction on the permits budgets in light of the reduced sales. An inflationary increase of 2% has then been added in line with the Council's existing policy on fees and charges.

	2008/09 Original	2008/09 Revised	2009/10 Estimate	Inflation Included
Pay and Display	1,848,400	1,859,000	1,896,000	37,000
Permits	283,200	267,000	272,300	5,300
Evening Charges	62,400	68,000	69,600	1,600
Totals	2,194,000	2,194,000	2,237,900	43,900

The Annual Review therefore considers options for raising the additional inflationary increases of £43,900 across the three headings highlighted above along with other options that will potentially raise further additional income and address issues within the established parking hierarchy.

2.3 Temporary Change in VAT rate from 1st December 2008

The Chancellor of the Exchequer announced a temporary reduction in the standard VAT rate from 17.5% to 15% with effect from 1st December 2008 until 31st December 2009. The implications for parking charges are that charges are set by Cabinet without reference to VAT and these are subsequently incorporated into the Off Street Parking Places Order with VAT being declared by the Council at the appropriate rate. The current indication is that the standard rate of VAT will return to 17.5% on 1st January 2010.

The potential effect on parking charges if the reduction in VAT was passed onto the customer range from a £0.02 reduction on a 1 hour £0.90 pay and display charge to a reduction of £22.76 on a Public Specific Permit if the reduced VAT rate was applied over 12 months.

It is estimated the temporary benefit for the 9 months in 2009/10 ending 31st December 2008 is approximately £36,000 across pay and display and permit income. The effect of the temporary reduction in VAT has been taken into account in developing the options included in this report.

3.0 **Proposal Details**

3.1 Pay and Display Charges

The City Council's current tariff strategy is to allow any length of stay on either Short Stay or Long Stay car parks and to encourage shorter stays on Short Stay and longer stays on Long Stay. Short Stay car parks account for 75% of the income generated with both Short Stay and Long Stay contributing to the established parking hierarchy.

The following table illustrates the potential income that could be generated from various tariff increases:-

	Existing	10p increase	20p increase	30p increase	50p increase
Short Stay					
Up to 1 hour	0.90	20,000	60,000	90,000	150,000
Up to 2 hours	1.60	28,000	58,000	80,000	120,000
Up to 3 hours	2.40	7,000	16,000	25,000	45,000
Up to 4 hours	3.20	3,000	6,000	9,000	14,000
Over 4 hours	8.00	500	10,400	1,500	2,600
Evenings	1.00	5,000	10,000	15,000	22,000
Long Stay					
Up to 1 hour	0.90	3,000	9,000	18,000	35,000
Up to 3 hours	2.00	8,000	15,000	22,000	37,000
Over 3 hours (Morecambe)	3.00	2,000	4,500	7,000	11,000
Up to 5 hours (Lancaster)	3.50	900	2,000	3,000	5,200
Over 5 hours (Lancaster)	6.00	350	700	1,100	1,800
Evenings	1.00	800	1,600	2,400	4,000
Other Car Parks –					
Up to 4 hours*	0.80	1,500	3,000	4,500	6,000
Over 4 hours*	1.20	200	400	500	700
Up to 24 hrs**	0.50	200	400	500	700

Please note the above figures allow for reduced sales due to customer resistance to tariff increases and overpayments.

* These tariffs are for Coastal Road and Battery Breakwater in Morecambe and Heysham Village car park.

**This tariff is for Back Brighton Terrace Car Park in Morecambe.

3.2 Public Permits

Public permits are still sold at a substantial discount with the Lancaster and Morecambe General Permit sold at approximately 43% compared with the daily cost of parking all day on a Long Stay car park in Lancaster. Last year public permits were increased by 5% and lower sales have been experienced and this is partly due to the privately owned car park on Alfred Street in Lancaster. This car park is due to close in December 2008 following a planning appeal decision.

The following table illustrates the additional income that could be generated but includes resistance factors as indicated:-

Permit Type	Present Charge	5% increase rounded	10% increase rounded	15% increase rounded	20% increase rounded
Reduced Sales		Same	- 5.0%	-7.5%	-12.5%
General	£770	£810	£845	£885	£925
Additional Income		8,800	8,300	12,200	11,800

Morecambe	£475	£500	£525	£545	£570
Additional Income		800	800	1,200	1,000
Specific	£1230	£1290	£1,350	£1,415	£1,475
Additional Income		1,800	1,300	1,900	2,300
Totals		11,400	10,400	15,300	15,100

3.3 Staff and Member Permits

Minute No 26 refers to Cabinet's consideration in July 2008 of a report on Employee and Elected Member Parking Permits where the following was resolved:

- (1) That the Employee, Member and Public permit renewal dates be realigned to ensure that all parking charges be determined and introduced at the same time, namely 1st April.
- (2) That charges for permits of each type be increased with effect from the 1st April 2009 by a percentage no higher than the rate of inflation since the previous setting of the charge for that permit.
- (3) That with an implementation date of 1st April 2009, an option of a separately priced 5-day permit [i.e. 24-5] be introduced for all permit holders [at a lower cost than the equivalent 24-7 permit].
- (4) That charges for the eight month period from 1 August 2008 to 31 March 2009 should be at the same monthly rate as for the permits expiring on 31 July that they replace.

3.4 Evening Pay and Display Charges

The income generated from evening parking has been rising steadily since the charge was introduced and the estimated income in the current financial year is projected at £68,000. There are no proposals within this report to increase or extend these charges and it is suggested the additional £1,600 included in next year's budget is covered by increases to day-time pay and display and permit charges.

3.5 On-Street Pay and Display Charges

The principle of on-street and off-street charges is that on-street charges should be higher than off-street charges to encourage use of off-street car parks and to leave on-street spaces for those willing to pay a premium for the location. Any proposals to increase the off-street Up to 1 hour charge to £1.00 requires the on-street pay and display charges to be reviewed to ensure the tariff differential is maintained.

4.0 **Details of Consultation**

- 4.1 The local Chambers of Commerce and of Trade have been consulted over the preferred pay and display and public permit option included in the report and their comments will be made available at the meeting.

On-Street pay and display charges are the responsibility of Lancashire County Council and discussions have already been held with County representatives and an 'in principle' agreement to the proposals included in this report has been given.

5.0 Options and Options Analysis (including risk assessment)

The following options for pay and display and public permits have been put forward for consideration. The temporary benefit of the reduced standard rate of VAT from 1st April to 31st December 2009 as outlined in paragraph 2.3 has been taken into account in the Financial Implications section of the report.

5.1 Option 1 a

This option is aimed at minimal price increases and achieving the budgetary commitments, but only after allowing for the VAT increase:

Pay and Display

Tariff Description	Current Tariff	Proposed Tariff	Additional Income
Increase Up to 1 hour on all car parks	£0.90	£1.00	£23,000

This option limits the price increases as shown above and assumes that 60% of customers already pay £1.00 as per a sample analysis that has been undertaken. The City Council's pay and display machines can be either programmed to accept overpayments and issue a pay and display ticket, or to reject incorrect payments and only accept the correct fee and not print a pay and display ticket. The City Council's machines are programmed to allow the customer to purchase their pay and display ticket.

Total estimated additional income for Option 1 a - £23,000

5.2 Option 1 b

This option is aimed at discouraging long stay parking whilst addressing the budgetary commitments:

Pay and Display

Tariff Description	Current Tariff	Proposed Tariff	Additional Income
Increase Up to 1 hour on all car parks	£0.90	£1.00	£23,000
Long Stay Car Parks			
Increase Up to 3 hours	£2.00	£2.20	£15,000
Increase Over 3 hours (Morecambe)	£3.00	£3.20	£4,500
Increase Up to 5 hours (Lancaster)	£3.50	£3.70	£2,000

Public Permit Charges

Permit Type	Current Tariff	Proposed Tariff	Additional Income
Increase Lancaster and Morecambe General Permit by 15%	£770.00	£885.00	£12,200
Increase Morecambe General Permit by 5% (see Note 1)	£475.00	£500.00	£800
Increase Specific Permit by 15%	£1,230.00	£1,415.00	£1,900

Note 1: The Morecambe permit will not sustain a 15% increase due to the daily cost of all day long stay parking in Morecambe being £3.00 compared with £6.00 in Lancaster.

This option is directly linked to the Parking Strategy in that it discourages long stay parking. Resistance and reduced sales has been allowed for in calculating the estimated income that is outlined in the table at paragraph 3.2

Under this option it is also suggested that officers investigate the introduction of Green Permit options for next year's review. This would potentially allow price reductions for vehicles with low cubic capacity or low emissions but research would have to be undertaken with other Council's to gauge the success of this type of scheme and to see how administrative and enforcement arrangements are dealt with.

Total estimated additional income for Option 1 b - £59,400

5.3 Option 1 c

This option proposes a range of increases across short stay and long stay car parks and increases public permits by approximately inflation.

Pay and Display

Tariff Description	Current Tariff	Proposed Tariff	Additional Income
Increase Up to 1 hour on all car parks	£0.90	£1.00	£23,000
Short Stay Car Parks			
Increase Up to 3 hours	£2.40	£2.50	£7,000
Increase Up to 4 hours	£3.20	£3.40	£6,000
Long Stay Car Parks			
Increase Up to 3 hour charge	£2.00	£2.20	£15,000
Increase Over 3 hours (Morecambe)	£3.00	£3.20	£4,500
Increase Up to 5 hours (Lancaster)	£3.50	£3.70	£2,000

Public Permit Charges

Permit Type	Current Tariff	Proposed Tariff	Additional Income
Increase Lancaster and Morecambe General Permit by 5%	£770.00	£810.00	£8,800
Increase Morecambe General Permit by 5%	£475.00	£500.00	£800
Increase Specific Permit by 5%	£1,230.00	£1,290.00	£1,800

This option recommends a range of inflationary increases for pay and display and public permits and is primarily aimed at achieving the budgetary commitments in 2009/10 and subsequent years.

This option meets some of the aims of the Parking Strategy in that it allows the continuation of making provision for longer stay parking in peripheral car parks and for business users by providing contract parking at a limited number of car parks. However, applying only inflationary increases does not address concerns about the level of commuter parking and the wider aims of reducing long stay parking particularly in Lancaster city centre.

Total estimated additional income for Option 1 c - £68,900

5.4 Staff and Member Permits

Following the review of Employee and Elected Member Parking in July 2008, Cabinet now needs to determine the level of charges in line with the minute outlined at paragraph 3.3.

Option 2 is limited to applying inflation to the current charges for 24-7 permits and Option 3 has several options for determining the charges for 24-5 permits.

5.5 Option 2

Inflation added to Current 24-7 Permit Charges

The current Staff and Member permit charges were set in December 2007. Applying the rate of inflation from this date until the end of October results in proposed 24/7 permit charges from 1st April 2009 as follows:

Permit	Current Charge	Proposed Charge
Staff General	£190.00	£200.00
Staff Specific	£320.00	£330.00
Member	£190.00	£200.00

5.6 Option 3

Options for 24-5 Permits

As previously mentioned Cabinet has already approved the implementation of an option to introduce a separately priced 5-day permit [i.e. 24-5] for all permit holders with effect from 1st April 2009. This was on the basis that the permit would be at a lower cost than the equivalent 24-7 permit.

A number of options are included in the following table for the 24-5 permit ranging from a reduction of 5% to a reduced charge based on 5/7ths of the proposed 24-7 permit.

Option 3	(a)	(b)	(c)	(d)	(e)
Permit Type	Less 5%	Less 10%	Less 15%	Less 20%	5/7 of 24-7
Staff General	£190.00	£180.00	£170.00	£160.00	£145.00
Staff Specific	£315.00	£300.00	£280.00	£265.00	£235.00
Member	£190.00	£180.00	£170.00	£160.00	£145.00

It is extremely difficult to estimate the uptake of the 24-5 permit and therefore the financial implications of each charging option. However, if all permit holders elect to purchase the 24-5 permit at the price detailed under option (e) then it would result in a reduction of income estimated at £13,600 per annum.

Cabinet has since approved the Parking Strategy and the policy documents that inform the strategy support the reduction of commuter and long stay parking in town and city centres. The City Council is also faced with managing the reduction in long stay parking in Lancaster city centre as part of the proposed Canal Corridor redevelopment. In setting the level of discount offered Cabinet needs to consider the impact on both the management of parking and the existing budgetary commitments. Although increasing the level of discount is likely to increase sales and therefore reduce the financial impact, the sustainability and parking management issues are considered to more important in policy terms.

It is therefore recommended that Option 3 (a) is approved for setting the 24-5 permit charges.

5.7 On-Street Pay and Display Charges

As previously outlined at paragraph 3.5 on-street charges should be higher than off-street charges. Under Options 1a, 1b and 1c it is proposed to increase the Up to 1 hour off-street charge from £0.90 to £1.00. The following increased charges are therefore recommended:

Charges	Current	Recommended
Tariff 1 Castle Hill (spaces for TIC)	Up to ½ hour – 50p	Up to ½ hour – 60p
Tariff 2 e.g. Dalton Square/ Church Street	Up to ½ hour – 50p Up to 1 hour - £1.00	Up to ½ hour – 60p Up to 1 hour - £1.20
Tariff 3 e.g. Robert street/ Quarry Road	Up to 1 hour - £1.00	Up to 1 hour - £1.20
Tariff 4 e.g. High Street/ Queen Street	Up to 1 hour - £1.00 Up to 2 hours - £2.00	Up to 1 hour - £1.20 Up to 2 hours - £2.00 (No change)

The recommended charges represent a 20% increase with the exception of the 2 hour charge where no increase is proposed due to the off-street charge being £1.60. These charges are sometimes perceived as the City Council's charges rather than the County Council's charges. However, if approved, further increases would not be required for several years as there would be sufficient headroom for the 1 hour off-street charge to be subsequently increased from £1.00 to £1.10 as part of future annual reviews. It is also expected the proposed charges would re-encourage the use of off-street car parks.

6.0 Officer Preferred Option (and comments)

6.1 The officer preferred options are listed below and are based on the background information and the options and options analysis supplied within this report:

- 1) Option 1b for pay and display and public permit charges as this meets the requirements of the Parking Strategy whilst also exceeding the income requirements.
- 2) Option 2 for the 24-7 Staff and Member Permit charges.
- 3) Option 3 (a) for the 24-5 Staff and Member Permit charges as this meets the requirements of Cabinet's earlier decision whilst also addressing the requirements of the Parking Strategy and minimising any potential financial implications.
- 4) To finalise discussions with Lancashire County Council over increased on-street pay and display charges for 2009/10.

RELATIONSHIP TO POLICY FRAMEWORK

Corporate Plan Medium Term Objective – Ensure cost effective services that give good value for money.

Contributing to the Priority Outcome - Keep the level of Council tax increase to acceptable levels.

District Parking Strategy Aim 5 – To set charges to meet the Council's transportation policy objectives and budget commitments.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Direct links with the Lancaster District Local Strategic Partnership (LSP) – Travel and Access and indirect links with Using Resources Wisely and Economy and Work.

FINANCIAL IMPLICATIONS

The financial consequences and risks associated with parking income are included in this report and have also been reported in previous reviews. Inflationary increases totalling £43,900 have been included as part of the 2009/2010 Budget Process.

As detailed in the report under section 2.3 there has been a temporary reduction to the VAT rate from 17.5% to 15% which will affect the first 9 months of the 2009/2010 financial year. The options have been calculated using the standard VAT rate of 17.5% and the anticipated temporary benefit will be in the region of £36,000 but should this be utilised in reaching the inflationary increases set, Members need to be aware that this will affect the base budget and the next annual review will require higher level increases in order to bridge the inflation gap.

With all options it should be noted that these estimates carry an inherent risk due to various assumptions regarding resistance factors and any differing trend will inevitably impact on income raised.

	Option 1a	Option 1b	Option 1c
Budgetary Requirement (Inflation)	(43,900)	(43,900)	(43,900)
Pay & Display Income	(23,000)	(44,500)	(57,500)
Permit Income	-	(14,900)	(11,400)
TOTAL	(23,000)	(59,400)	(68,900)
Budget Shortfall/(Surplus)	20,900	(15,500)	(25,000)
VAT Benefit	(36,000)	(36,000)	(36,000)
Total Budget Shortfall/(Surplus)	(15,100)	(51,500)	(61,000)

As the table suggests, Option 1a is the only option reliant on utilising part of the additional £36,000 receipts generated by the VAT reduction in order to meet the budgetary

requirement. It should be noted that only the inflationary increase has been included within the latest budget projections and that the approved option will require the budget to be updated accordingly.

Options 2 and 3 will impact on each other as it is very difficult to predict the usage rates with the different options provided. Option 3(a) limits the financial risk and option 3(e) provides the greatest risk with a worst case scenario of a £13,600 shortfall. Although unquantifiable it is envisaged the reduction in income for Option 3(a) would not be significant.

Members need to be aware that in making this decision, if they approve anything that does not meet the current draft budget assumptions, then this will impact on the need to make more savings in other areas of activity.

SECTION 151 OFFICER'S COMMENTS

In reaching a decision on the level of fee increases, Members are advised to consider the budget position and their targets for achieving savings and for Council Tax levels, as well as the impact on service users.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Property Services Working File
2009/10 Draft Budget
Minute 26 Cabinet report on Employee and
Elected Member Parking Permits

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