

Annual Review of Parking Fees and Charges 22nd January 2008

Report of the Head of Property Services

PURPOSE OF REPORT			
To consider the Annual Review of Parking Fees and Charges for 2008/09.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	14/9/07.		
This report is public.			

RECOMMENDATIONS OF COUNCILLORS GILBERT AND MACE

- (1) To approve Option 2 of the Annual Review of Fees and Charges for 2008/09 consisting of:
- a) Increase the Short Stay Up to 2 hour tariff to £1.70.
 - b) Introducing a Short Stay Up to 4 hour tariff at £3.20.
 - c) Amending the Short Stay Over 3 hour tariff to Over 4 hours and increasing the charge to £8.00.
 - d) Increasing all General and Specific Public Permits by 5%.

1.0 Introduction

- 1.1 The City Council reviews fees and charges annually to meet its transportation policy objectives and budget commitments. A Draft Parking Strategy, previously approved by Cabinet following public consultation last year, has an established hierarchy of residents, closely followed by visitors, shoppers and local business needs and finally commuters.
- 1.2 In the past parking charges have provided a predictable stream of income but recent experience has shown that the risks are now significantly greater when estimating income and predicting parking patterns following price changes. Traffic management, can, if successful, have an adverse effect on the revenue budget but in so doing can achieve a successful outcome of other policies e.g. discouraging commuting by car, and it is not always possible or appropriate to expect other tariffs or parking charges to cover these shortfalls. Applying inflation to this budget every year in line with Council policy is proving difficult when recommending a package of fees and charges that meets all the Council's objectives and at the same time minimising financial and

reputational risk. Essentially car park charging should now be seen as an important element of the management of cars and transport rather than income generation, and the current proposals try to achieve this whilst also meeting the policy of applying inflation to the fee income.

2.0 Background Information

2.1 2006/07 Usage and Budget

Last year's Annual Review considered the reduced usage of car parks previously reported to Budget and Performance Panel as a result of Concessionary Travel and other initiatives such as the Cycling Demonstration Town (CDT) initiative etc. As part of last year's budget process the 2007/08 original budget was subsequently reduced from a forecasted £1,927,100 to £1,815,600 which included inflationary increases. The Annual Review approved pay and display increases of Up to 1 hour from 0.80p to 0.90p. Public permits were also increased by 30% following a survey that highlighted that the City Council offered a well above average discount (58%) on the daily cost of parking compared with the other authorities surveyed. A new Morecambe General Permit was also introduced to reflect the lower cost of long stay parking in Morecambe.

2.2 2007/08 Usage and Budget

Usage of pay and display car parks and the income generated was more encouraging particularly on short stay car parks during the first 6 months of current financial year. A table showing comparative tariff sales is shown below for information.

	1st April - 30th September		
Short Stay	2006	2007	%
Up to 1 hour	298,006	298,280	0.09
Up to 2 hours	192,621	198,298	2.95
Up to 3 hours	72,907	77,559	6.38
Over 3 hours	5,556	5,949	7.07
Evening parking	29,307	36,393	24.18
Total	589,397	616,479	3.02
Long Stay			
Up to 1 hour	57,261	54,843	-4.22
Up to 3 hours	57,704	58,384	1.18
Over 3 hours M	17,716	18,768	5.94
Up to 5 hours L	7,180	7,607	5.95
Over 5 hours L	2,268	2,648	16.75
Evening parking	5,879	4,914	-16.41
Coaches SLG	149	130	-12.75
Total	148,147	147,294	-0.60

This increased usage has resulted in the Pay and Display fees budget being increased to £1,855,600 at the Revised Budget stage. However, there has been a reduction in ticket sales in October and early December and this highlights there are no guarantees that increased usage will be sustained for the remainder of this financial year and throughout 2008/09 – a **favourable variance of £40,000**.

As previously mentioned permit charges were increased by 30% and this resulted in reduced sales of 32% compared with the 10% estimated in last year's report. This is partly attributable to a private car park opening on Alfred Street in Lancaster but is

also indicative of increased charges being successful in discouraging commuter parking with the consequential resulting financial implications – **an adverse variance of £22,500.**

2.3 2008/09 Draft Budget and Assumptions

The current draft budget outlined in the following table has been prepared. Both budgets have been reassessed to include the trends encountered in the first half of the current financial year will continue. An inflationary increase of 2.5% has then been added in line with the Council's existing policy on fees and charges.

	2007/08 Original	2007/08 Revised	2008/09 Estimate	Inflation Included
Pay and Display	1,815,600	1,855,600	1,878,400	45,400
Permits	290,900	267,500	274,500	7,300
Totals	2,106,500	2,123,100	2,152,900	52,700

The Annual Review therefore considers options for raising the additional inflationary increases of £52,700 across the two headings highlighted above.

3.0 **Proposal Details**

3.1 The Lancaster and District Chamber Liaison Group and the Morecambe Retail, Commercial and Tourism Cabinet Liaison Group have been invited to submit their proposals on parking fees and policies prior to this report being prepared. A summary of the comments received from these groups is shown below:

Lancaster – inclusion of more attractively priced 3 to 4 hour parking provision to acknowledge the most valuable period of shopper parking. Introduce a stronger approach on long stay parking on short stay car parks to offset any revenue limitations of the 4 hour parking tariff. The Chamber also resubmitted their comments on the Parking Strategy including consideration of Pay on Foot payment options.

Morecambe – expressed concern about any price increases and the possibility of further shoppers going to out of town retailers with free parking. Other issues including being unable to achieve significant reductions in car journeys without damaging Morecambe's economy and without replacement means of transport becoming available. Pay on Foot payment options and anomalies in Christmas and Bank Holiday parking were also raised.

From these comments this report is limited to considering the introduction of 4 hour parking tariffs and increasing the long stay tariff on short stay car parks. The advantages and disadvantages of the Pay on Foot payment option will be the subject of a separate report to Budget and Performance Panel in February and is therefore not part of the current budget process.

3.2 Pay and Display Charges

The City Council's current tariff strategy is to allow any length of stay on short stay or long stay car parks and to set the tariff levels to achieve both transportation and budgetary objectives. A schedule of existing charges is attached at **Appendix A**. Short stay charges account for 75% of the income and there is therefore more scope for increased revenue. Long stay charges are set to allow longer stays and are linked to permit charges whilst also attempting to discourage commuter parking.

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

	Existing	10p increase	20p increase	30p increase	£1.00 increase
Short Stay					
Up to 1 hour	0.90	50,700	101,400	152,000	-
Up to 2 hours	1.60	33,000	66,000	99,000	-
Up to 3 hours	2.40	12,800	25,700	38,500	-
Over 3 hours	7.00	1000	1,900	2,900	9,500

	Existing	10p increase	20p increase	30p increase	50p increase
Long Stay					
Up to 1 hour	0.90	9,200	18,400	27,600	46,000
Up to 3 hours	2.00	9,000	17,900	26,900	44,800
Over 3 hours (Morecambe)	3.00	2,400	4,800	7,200	11,900
Up to 5 hours (Lancaster)	3.50	1,200	2,500	3,700	6,200
Over 5 hours (Lancaster)	6.00	400	700	1,100	1,800

Please note that at this stage the above figures do not allow for any reduction due to customer resistance to tariff increases.

3.3 Permit Charges

Last year public permits were increased by 30% as outlined in paragraph 2.1. Although this reduced the level of discount compared with the cost of daily parking fees the General Permit is still sold at a discount of up to 46%. The following table illustrates the level of additional income that could be generated but also includes resistance factors as indicated:

Permit Type	Present Charge	5% increase rounded	10% increase rounded	15% increase rounded	20% increase rounded
Reduced Sales		Same	- 2.5%	-5%	-10%
General	£735	£770	£810	£845	£882
Additional Income		8,900	13,000	16,900	16,200
Morecambe	£450	£475	£495	£520	£540
Additional Income		900	1,300	1,800	1,700
Specific	£1170	£1230	£1,285	£1,345	£1,400
Additional Income		1,900	2,800	3,600	3,400
Totals		11,693	17,112	22,274	21,261

3.4 Private Car Park Charges and Other Towns

The following parking charges are attached for information:

Appendix B - Marketgate and Parksafe, Lancaster

Appendix C – South Lakeland District Council

Appendix D - Preston

Appendix E - Blackpool

3.5 Evening Charges

Evening parking charges were introduced in Lancaster in April 2005. Cabinet resolved that the income should be hypothecated for improved cleansing in the city centre and as such an established base budget £55,000 is now in place. From an initial estimate of £25,000 in 2005/06 evening charges is expected to contribute £62,400 in 2008/09 and it is therefore recommended that the £1.00 charge for 6.00pm to 8.00am remains the same for next year.

3.6 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. The 2006/07 Annual Review reintroduced the required cost differential that had been eroded over a number of years. There are no proposals to increase on-street charges as part of this review and this approach is supported by Lancashire County Council as highway authority. However, should Cabinet decide to approve another option and to increase the Up to 1 hour charge from 0.90p to £1.00 the on-street charges would need to be reviewed and this is outside the scope of this report.

4.0 Details of Consultation

4.1 As previously outlined at 3.1 the Lancaster and District Chamber Liaison Group and the Morecambe Retail, Commercial and Tourism Cabinet Liaison Group had been invited to submit their views on parking fees and policies. In addition the Groups have also been consulted on the options included in this report and their comments will be available at the meeting. The County Council has also been consulted on the existing differential between on and off street pay and display charges.

5.0 Options and Options Analysis (including risk assessment)

5.1 The following options have been put forward for consideration in light of the discussions with the Chamber Groups and the need to meet the budgetary commitments. The options are limited to minor changes rather than across the board increases in the hope that the additional usage previously mentioned can be maintained. However, Cabinet needs to be aware of the risks associated with this assumption combined with relying on some tariff increases raising the required additional income and the introduction of a new tariff. The traffic and parking implications are highlighted where applicable.

Please note that an allowance for resistance has now been included in the following Pay and Display projections.

Option 1

Pay and Display – Short Stay

Tariff Description	Tariff	Additional Income
Introduce Up to 4 hours (assumes no increased sales and 10% change from up to 3 and over 3 hour tariffs)	£3.20	£6,600
Amend Over 3 hours to Over 4 hours and increase charge by £1.00	£8.00	£8,000

Public Permits

Increase General and Specific by 5% in line with table at 3.3	£11,700
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This option provides the additional tariff of Up to 4 hours that is effectively a 3 to 4 hour charge. As indicated the estimates assume 10% of existing 3 hour and Over 3 hour customers will elect to stay longer in the new Up to 4 hour category. This new tariff may attract some customers from the existing long stay Up to 5 hour category in Lancaster and this would transfer vehicles from long stay to short stay car parks. If successful, the new tariff may affect the turnover of spaces at peak periods although this may not necessarily affect income. Clearly there are risks associated with introducing a new tariff and this tariff or charge may need to be reviewed next year if there is a subsequent adverse variance.

This option also includes increasing the amended Over 4 hour tariff from £7.00 to £8.00 to discourage long stays on short stay car parks. However, this is estimated to only raise an additional £8,000.

A 5% increase in public permits is broadly in line with inflation and this reduces the level of discount offered to commuters compared with daily parking costs. However, the same level of sales is anticipated and this does not discourage further reductions in commuting and the use of long stay car parks.

This option does not achieve the budgetary commitment with an estimated shortfall of £26,400.

Option 2

Pay and Display – Short Stay

Tariff Description	Tariff	Additional Income
Increase Up to 2 hours by 0.10p	£1.70	£30,000
Introduce Up to 4 hours (assumes no increased sales and 10% change from 2 and over 3 hour tariffs)	£3.20	£6,600
Amend Over 3 hours to Over 4 hours and increase charge by £1.00	£8.00	£8,000

Public Permits

Increase General and Specific by 5% in line with table at 3.3	£11,700
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This option is similar to Option 1 but includes increasing the existing Up to 2 hour charge from £1.60 to £1.70. This is estimated to raise an additional £30,000 in view of the number of customers using this tariff. As previously mentioned the 4 hour tariff and charge may need to be reviewed in the 2009/10 review in light of parking patterns and usage.

In budgetary terms this option is estimated to generate a total of £56,300 against the budgetary commitment of £52,700.

Option 3

Pay and Display - Short Stay

Tariff Description	Tariff	Additional Income
Increase Up to 3 hours by 0.10p	£2.50	£11,000
Introduce Up to 4 hours (assumes no increased sales and 10% change from 2 and over 3 hour tariffs)	£3.20	£6,600
Amend Over 3 hours to Over 4 hours and increase charge by £1.00	£8.00	£8,000

Public Permits

Increase General and Specific by 5% in line with table at 3.3	£11,700
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Again this option is similar to option 2. This option provides an alternative by increasing the Up to 3 hour tariff from £2.40 to £2.50. This option reduces the differential between the cost of 3 and 4 hour parking and may help to encourage shoppers and visitors to stay for the additional hour.

Combined with the permit increases this option is estimated to generate additional income that is £15,400 below the required budget commitment.

Option 4

The final option is to do nothing and retain the existing level of fees and charges. This will not achieve the budget commitment unless increased pay and display usage significantly exceeds the level experienced in the first half of 2007 and possibly combined with increased permit sales. This option is clearly a significant risk to the revenue budget and assumes further substantial increased use due to price stability or other factors outside the Council's control.

6.0 Officer Preferred Option (and comments)

- 6.1 Option 2 is the preferred option in that it introduces an inflationary increase on the Up to 2 hour tariff and introduces the new Up to 4 hour tariff along with inflationary increases in public permits charges. This option could raise up to £56,300 in additional revenue but it is suggested the original budgetary commitment of £52,700 is still included in the budget to assist with any subsequent adverse variance issues.

RELATIONSHIP TO POLICY FRAMEWORK

Council Core Values: Sound Financial Management

Cabinet Priorities: 1.1 Keeping the City Council element of Council Tax to 4.5% in 2008/09. Indirect links with 2.2 regarding working closely with partners in the CSP to meet the partnerships crime reduction targets through Partnership Plus with the Police and NCP Services Ltd.

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 and usage changes totalling £52,700 have been included within the 2008/09 Budget Process.

The officer preferred option (2) could generate an estimated additional £44,600 from pay and display charges and £11,700 from permit charges which would exceed the increase required. However, 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. It is therefore suggested that only the original £52,700 is included in the 2008/09 budget.

Options 1, 3 and 4 do not achieve this amount and would require a financial reduction (ranging from £15,400 to £52,700) to the assumptions made within the draft budget.

Members need to be aware that in making this decision, if they approve anything other than the officer preferred option (2), then this will require either savings to be made on other areas of activity, or a higher increase in Council Tax. This should be considered in light of Government's position regarding capping.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments to add.

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

Agenda and Minutes, Morecambe Retail, Commercial and Tourism Cabinet Liaison Group 3/12/07.

Agenda and Minutes, Lancaster and District Chamber Liaison Group 4/12/07.

Email and letter from Morecambe & District Chamber of Trade and Commerce 4/12/07.

Email and letter from Lancaster District Chamber of Commerce Trade & Industry 6/12/07.

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