



GUILDFORD ON-STREET PARKING ANNUAL REPORT

SURREY COUNTY COUNCIL LOCAL COMMITTEE (GUILDFORD)

30th MARCH 2006

KEY ISSUE

This report summarises the key issues from last year including financial performance and the outcomes of an audit of the account. It presents a budget and suggests priorities for the coming financial year. It also sets out the recommendations of a recent audit of the On-Street Parking Account by Surrey Audit Services.

SUMMARY

This report is an annual report of issues relating to the on-street parking functions carried out by Guildford Borough Council on behalf of Surrey County Council. It summarises activity over the last year and financial performance and presents a budget and options for next year.

Report by

GBC PARKING SERVICES MANAGER
& SCC LOCAL TRANSPORTATION
MANAGER

Surrey Atlas Ref.

N/A

GUILDFORD B.C. WARD(S)

ALL

COUNTY ELECTORAL DIVISION(S)

ALL

OFFICER RECOMMENDATIONS

The Committee is asked to agree:

- (i) that annual reports are brought to the Committee to provide updates on issues relating to on-street parking and to present budget out-turns and estimates.
- (ii) that the proposed budget for 2006/07 with the exception of the split between the two sub accounts for the resources and income be agreed.
- (iii) that the issue with regard to the split in resources be noted, together with the proposal that this be referred to the Guildford DPE Steering Group; a further report will be presented in due course.
- (iv) that the audit recommendations as set out in paragraphs 54 to 57 and **ANNEXE 4** be agreed.

BACKGROUND

- 1 Guildford Borough Council (GBC) has carried out enforcement of the Guildford town centre Controlled Parking Zone (CPZ) since 1997. GBC has also administered the permit scheme and managed the maintenance and alteration to parking orders. In June 2004 Decriminalised Parking Enforcement (DPE) was implemented in Guildford.
- 2 DPE changed the way tickets are processed after they have been issued, and enabled GBC, on behalf of Surrey County Council (SCC), to enforce all yellow lines and other parking restrictions covered by a parking order outside the CPZ. In this report DPE refers to the additional functions taken on as a result of the change.
- 3 Each year the GBC Parking Manager presents a report to the GBC Executive which is mainly concerned with off-street parking but also provides information about on-street parking activity. The most recent report was presented on 2 February 2006, and can be found on GBC's website at www.guildford.gov.uk or a copy can be provided by the Parking Manager.
- 4 Annual reports have not previously been presented to the Local Committee but it is recommended that this takes place in future. Members may wish to see additional information and any comments would be welcomed to help prepare such a report in subsequent years.

REVIEW OF THE CPZ

- 5 Following the implementation of DPE a system of reviews of parking restrictions was agreed in December 2004. The Committee agreed that officers should look in alternating cycles at the town centre CPZ and the areas outside the town centre CPZ. It was suggested that these reviews should take around 12 months to review and design changes and the following 6 months to implement them.

- 6 The first review of the CPZ started in January 2006 and focussed on three areas:
- Reviewing the effect of the restrictions in Area J, Onslow Village/Dennisville
 - Reviewing the restrictions in Phase 4b, East Guildford
 - Reviewing all correspondence (over 300 items) and issues raised in the CPZ.
- 7 In Area J a survey of all households was conducted to assess residents' views on Saturday controls and whether 4 hour limited waiting period in dual use bays should be reduced to 2 hours. The response was high and views on Saturday controls were fairly evenly split with a small majority in favour of keeping the restrictions. No change was proposed. With regard to the reducing the 4 hour limit to 2 hours, Aresford and Benbrick Roads were in favour of reducing the limit and this change is progressing.
- 8 In East Guildford parking outside the boundary of the existing CPZ was causing considerable problems. A consultation was conducted to assess whether residents wanted the CPZ extended and there was a strong majority in favour. Extensive consultation was carried out on the design of a scheme with public exhibitions and considerable changes were made before the scheme was formally advertised. The Committee considered objections to the advertised scheme in December 2005 and agreed to implement it. The scheme is due to be implemented in April 2006.
- 9 The correspondence assessed as part of the review (over 300 items) highlighted a high level of concern about difficulty finding parking spaces in the most central areas of the Controlled Parking Zone. These problems had risen with more effective enforcement of the yellow lines. The Committee agreed to commission a survey of residents' views in Areas A to E to assess where and when problems occurred and what options residents would favour to help address these. It agreed to use the survey to highlight to residents plans to introduce additional bays and convert some dual use parking bays to permit only in order to provide more space for residents. The survey was distributed to over 6,000 households in July and the returns received in August.
- 10 The response rate was high at around 20% and results of the survey were analysed and reported to the Committee in December 2005. Over 80% of residents who responded were in favour of strengthening the criteria to avoid people from getting permits who were not entitled to them. The Committee agreed to change the criteria to ensure that residents with private cars had them registered at their Guildford address in order to obtain a permit. The Committee also agreed to increase the cost of the permit to cover the cost of the scheme from £30 for the first permit to £35 and from £50 for the second to £65. The second permit was increased by a higher percentage to discourage the ownership of two cars.

- 11 The Committee also agreed to advertise the additional bays and the changes from dual use to permit only. These changes have been advertised and the comments are reported as a separate item on this agenda.
- 12 The final stage of the review is to look at the boundaries of the zones and changes are proposed in two areas. These are detailed in the same report. This will conclude the review of the CPZ.
- 13 This has been the first review across the CPZ since its implementation. A large number of issues have been considered in a relatively short period of time. The implementation of the changes has been left to the end of this process so that they can be carried out in larger volumes rather than less efficient smaller units. The period that it has taken to implement changes has caused comment and there is a discussion about resources and timescales later in the report.

BUDGET FOR 2006/07

- 14 The proposed budget for 2006/07 is attached in **ANNEXE 1** together with projected outturns for 2005/06. There are a number of issues that members of the Committee should be aware of.

DPE

- 15 DPE has been operating well. A survey of compliance after the first 6 months of operation showed that parking on yellow lines during controlled hours had reduced by 40%. The number of appeals against tickets is low compared to other local authorities. However there are concerns about the way the finances are currently structured.
- 16 An agency agreement was signed to oversee the way in which the partnership between SCC and GBC operates. There are a number of key financial clauses in this agreement:
1. The borough council shall establish and hold an account called the "Guildford On Street Parking Account".
 2. There shall be credited to the On-Street Parking Account all income from discharging the functions.
 3. Where there is income including that from penalty charge notices (PCNs) and expenditure arising from the management and implementation of on-street parking charges and residents parking schemes, the income and expenditure will be separately identified within the On Street Parking Account and the net surplus / deficit of these activities are for the Local Committee to determine and administer subject to legislation (if any) in force for the time being in respect of such income and expenditure.

4. In relation to that part of the On Street Parking Account which does not relate to on-street parking charges and residents parking schemes as provided for above, if following preparation and submission to the County Council of an annual statement of the account there is (i) a surplus of income over expenditure such surplus in the current Financial Year may be used by the County Council in its sole discretion to reduce or eliminate deficits in other boroughs or districts in Surrey or for other purposes. (ii) an excess of expenditure over income the County Council shall reimburse the on street account by the total amount of the excess.
- 17 As a result of these clauses the On-Street Parking Account has been split into two sub accounts. Members should note that both sub accounts deal with County Council funds. The CPZ sub-account is the responsibility of the Local Committee and the DPE sub account is the responsibility of the County Council Executive.
- 18 When DPE was implemented there was considerable discussion concerning the level of resources needed. The consultants appointed to advise on DPE used a model to calculate that 5 additional parking attendants (PAs) were needed. The County Council's Executive was concerned to ensure that costs were controlled across the County and set a fixed limit on the number of PAs that could be deployed. Guildford's allocation was 3 PAs.
- 19 In partnership the Borough and the County Councils agreed to implement DPE and review the resources needed and other issues in the light of experience. The current staff allocation for enforcement is the same as when DPE was implemented. There are 3 PAs allocated in the budget for DPE, 8.5 for enforcing the parking bays in the CPZ and the Borough Council employs 7.5 in the car parks.
- 20 The 8.5 PAs budgeted for in the CPZ sub account are only responsible for the parking bays in the CPZ. The budget for 3 DPE PAs is intended to cover the enforcement of all other restrictions. This includes all single and double yellow lines (enforceable 24 hours a day) across the Borough and all limited waiting and other restrictions outside the CPZ.
- 21 In practice the majority of restrictions are within the CPZ. When patrolling the CPZ each PA takes a route which covers yellow lines and parking bays and sometimes car parks. However by patrolling all the activities at the same time the amount of time spent on each is determined by the level of contravention committed by the motorist in each area and not by artificial budget allocations.
- 22 The level of enforcement in the car parks has not changed since DPE and the ratio of tickets issued per PA has not changed significantly. However the amount of resources used for DPE, yellow lines and amount of resources used for the CPZ, do not match the way the budgets have been allocated. The effect is that the CPZ account is subsidising DPE account whereas the agency agreement makes clear that the expenditure and income for each should be identified separately.

- 23 To illustrate the issue further, 25% of the on-street enforcement resource has been allocated to DPE but 40% of the tickets are issued for DPE contraventions and therefore 40% of the income goes to DPE. Whereas 75% of the resources are allocated to the CPZ but only 60% of the income.
- 24 Another indication of the effect the lack of resources on DPE is having is that before DPE 7.5 Parking Attendants were issuing an average of 14,000 tickets per year on the parking bays (1,867 per PA). Now there are around 12,400 PCNs issued in parking bays with one additional parking attendant charged to the account making 8.5 PAs (1,459 per PA). The level of tickets issued on DPE restrictions is far higher than expected from 3 parking attendants with 8,000 per year (2,666 per PA). Original estimates predicted that 3 PAs would issue around 4,400 DPE (1,466 per PA). The issue rate assumed for DPE was slightly lower than on the parking bays in the CPZ because there was a greater need to travel to DPE restrictions outside the CPZ.
- 25 It is clear that enforcing DPE has reduced the time available to issue penalty charge notices in the CPZ parking bays. This situation has lead officers to reduce the income estimates for the CPZ by £76,000 and increase the DPE estimate by £117,000. The DPE estimate benefits from a higher than expected level of ticket issued.
- 26 The only way of controlling the way resources are used would be to separate out the functions and have 3 dedicated PAs enforcing the yellow lines and other DPE restrictions and 8.5 PAs patrolling the parking bays. This would be extremely inefficient. It would also lead to far higher levels of enforcement in the parking bays where it is generally safe to park than on yellow lines where it is not. On their way to enforce the parking bays most PAs would walk past contraventions on yellow lines which would be absurd.
- 27 It is clear from the agency agreement that the cost and income from DPE and costs and income from the CPZ should be accounted for separately. The Parking Manager considers that this means that the additional resources being used by DPE should be charged to the DPE account and that the surplus from the CPZ account should be retained for the Local Committee to determine. However County Council Officers are not permitted to allow Guildford's allocation of PAs to go above 3 for DPE. It is recommended that an officer Steering Group is convened to resolve this issue, and that a further report be made to the Local Committee in due course.

PAY & DISPLAY

- 28 The estimate for pay and display income has been reduced by £60,000 this year. This is partly because a number of pay and display sites will be lost because of the Friary development but also because of a downward trend in use. In the last two full financial years there has been a 4% drop in usage each year. While the position has stabilised this year the disruption caused by major developments in the town is likely to have an effect particularly on the casual use of pay and display. The financial estimate has been based on a further 4% drop in use and this may prove to be cautious but it is considered prudent.

ON-STREET –TOWN CENTRE- TOTAL USERS (PAY & DISPLAY ONLY)

YEAR	USERS	% change from previous year	INCOME (£)	% change from previous year	AVERAGE PAYMENT PER USER (£)
1998/99	580,251		534,999		0.92
1999/00	615,508	+6	564,210	+5.5	0.92
2000/01	605,130	-1.7	559,951	-1	0.93
2001/02	613,364	+1.4	578,552	+3.3	0.94
2002/03	599,245	-2.3	575,996	-0.4	0.96
2003/04*	574,854	-4	659,906	+14.6	1.15
2004/05	552,059	-4	649,432	-1.6	1.18

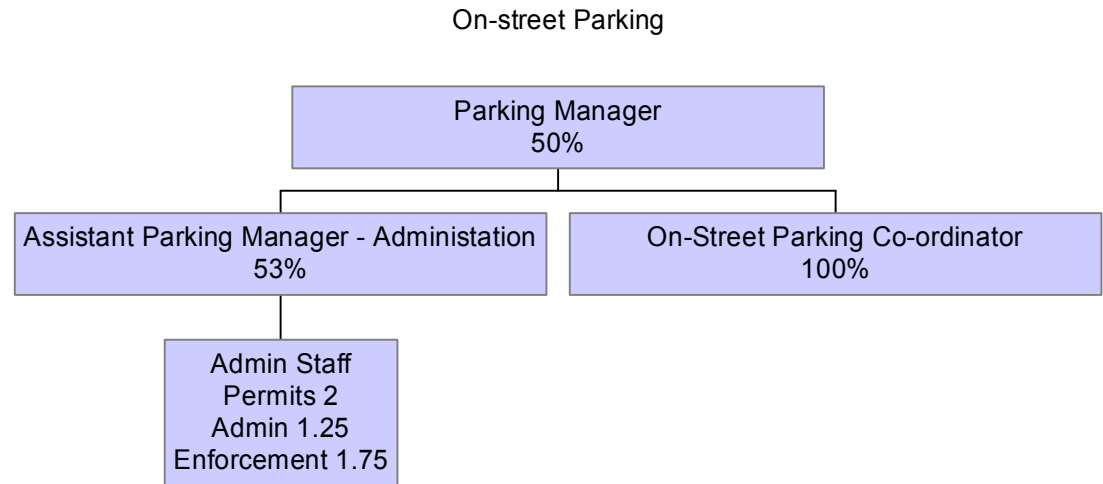
* The price of parking increased from 50p for ½ hour to 60p in April 2003

PERMIT INCOME

- 29 In December 2005 Members agreed an increase in charges for the permits. A household's first permit will increase from £30 to £35 and the second permit will increase from £50 to £65. This will increase the income from permits by £25,000.
- 30 However under the County Councils rules a permit scheme should break even and a further increase of a similar level is needed to achieve this.

EXTRA RESOURCES

- 31 Some Members have raised concerns about the current level of staff resources and (a) the ability to introduce restrictions or change the existing restrictions and (b) the ability to carry out additional checks on permit applications as agreed. The current level for office staff involved in on-street work is detailed below.



- 32 The above chart shows staffing levels dealing with on street issues in the parking office. The percentage reflects the percentage of time the post spends dealing with issues and the numbers reflect the full time equivalents employed to deal with particular areas.

ON -STREET CO-ORDINATOR

- 33 There are two sides to this role:

- (a) **strategic** - devising and implementing changes to on street orders and restrictions, managing the work of contractors, designing and analysing surveys, and
- (b) **operational** - advising residents and colleagues on day to day issues that arise, investigating permit eligibility both in writing and by site visits.

This post had a full range of duties prior to DPE but the addition of the new responsibilities has widened the scope.

ADMINISTRATION STAFF

- 34 The administration staff issue permits and answer standard enquiries about permits and their applications. All residents' permits currently expire on the 30 September each year and there is a massive peak in work at this point and staff are taken off other duties to assist. Throughout the year there is a steady stream of people changing vehicles, moving house etc.
- 35 Changes to the criteria for issuing permits will increase the administration and pressure on the permit staff, it also could lead to more enquiries being referred to the on-street co-ordinator or other managers. The on-street co-ordinator is also central to the process of reviewing the restrictions.
- 36 There are a number of ways of looking at and addressing these increased pressures:

Using existing resources

- 37 The change in the criteria agreed by the Committee to require residents to have their vehicle registered to their residential (Guildford) address will in itself help focus applications on genuine permanent residents. While any change is likely to lead to more enquiries and queries it is expected that this will die down and the staff will become more confident in applying the new rules.
- 38 Parking attendants, who already patrol all the areas, can carry out initial checks on whether a property has off street parking. The on street co-ordinator would only be called on if there was a particular point that needed clarification.
- 39 In addition some of the administration duties have been transferred from the on-street co-ordinator to the parking attendants such as the booking and arranging for suspensions to parking bays and this process will continue.

Extra Administration Post

- 40 An extra administration post could be used to provide further support and make the task of delegating lower level work easier to achieve. Such a post would add approximately £21,000 per year to the budget including support costs. As the majority of the work would involve permits the cost of this post would add to the cost of running the permit scheme and have to be recovered through permit charges. There are around 3,000 permits on issue and the additional cost would add £7 to the cost of each permit.

New Technician

- 41 A technician could provide additional support for the technical process of changing the orders, helping to supervise contractors and implementing changes. Members should be aware that the process for changing restrictions takes a considerable time because of the legal process involved and the need for consultation. Attached as **ANNEXE 2** is a sample timetable for introducing a major change such as introducing an extension to the CPZ. The actual steps needed may vary as will the time taken to implement but Members of the Committee should be aware that doubling the staff will not half the time taken. Increasing the resource in this area would relieve pressure and enable more projects to be processed at once. It would also help provide cover for leave, sickness or other absence.
- 42 The cost of such a post would be around £32,000 with support costs and this would add £10.60 to the cost of each permit.
- 43 In addition to either of these additional costs the permit scheme is around £25,000 in deficit and a further £8.30 per permit is needed to make the scheme cover its costs.

- 44 The recent review of the CPZ has been the first and there many issues that it has attempted to address which have developed over a period of time. It has also been exacerbated by more effective enforcement of yellow lines which were previously used by some residents to park on. It is unlikely that future reviews will be so full or need to be so ambitious. It is therefore not recommended that the establishment be changed but for the Parking Manager to keep the situation under review. Should the changes to the criteria and the need for greater checking create levels of work that cannot be handled within the establishment a further report would be presented to the Committee.
- 45 It is requested that Members note the legal process needed to change an order can take considerable time, particularly if there is need for informal consultation before advertising final proposals and/or if there are objections to the proposed change.

FUTURE WORK

- 46 Officers are currently concluding the work associated with the first CPZ review. The extension of the Controlled Parking Zone to the East will be effective from 3 April 2006. The changes to the bays in the central areas could be implemented in June 2006 if approval is granted. If the Committee agrees to advertise changes to the boundaries then this could be implemented in the late summer.
- 47 The programme of reviews agreed in December 2004 requires a review of the non-CPZ areas. Such areas fall under DPE rather than the CPZ sub account and the County Council have made clear there is no further money for DPE. Increasing the restrictions in these areas will increase the amount of enforcement needed and as highlighted earlier in this report the limited enforcement resources allocated to Guildford to carry out DPE are already over stretched.
- 48 Members of the Committee could decide to use some of the on-street reserve to fund limited reviews by consultants of these areas. There are three locations where there are considerable concerns about the effects of parking and these are Ripley, Ash and Stoughton.
- 49 If Members are agreeable to the principle of funding such reviews from the CPZ sub account it is recommended that officers produce a programme for reviewing the restrictions and bring forward a report which can be more specific about costs, work and timescales. This report could link in with discussions about DPE funding.

AUDIT OF THE ON-STREET ACCOUNT

- 50 During 2005 an audit of the on-street account was undertaken by Surrey Audit Services. An initial draft of the audit report with six recommendations was circulated for officer comment, particularly from GBC finance officers. The GBC response is attached as **ANNEXE 3**.
- 51 As a result of comments received, two of the recommendations have been withdrawn, and the final version of the audit report is attached as **ANNEXE 4**. Members should note that since the GBC comments were made on an earlier draft of the audit report, the comments in **ANNEXE 3** and the report in **ANNEXE 4** do not entirely align.
- 52 The two issues which have been resolved were relatively minor accounting matters relating to (i) the payment of interest on the balance in the account, and (ii) the charging to the account of asset rents or capital financing charges.
- 53 This leaves four matters to be addressed. These are:
- 54 **Budget reports on the Parking, Highways and Transport Reserve Fund and associated costs should be made to the Local Committee at least annually.**
- This report effectively addresses this issue, and it is recommended that such reports are brought to the Local Committee annually from now on.
- 55 **A budget approval process in place with a periodic review of accounting arrangements including the identification of appropriate areas or schemes to be funded from the reserve fund.**
- Again, this report presents a budget for next year (2006/07) and it is recommended that this practice be continued in future years.
- It has been the policy of this committee and its predecessors for some years that the surplus on the account, after the legitimate costs of on-street parking have been met, should be reserved for the revenue support of the Guildford Park and Ride services. It is recommended that this continue for the time being, subject to review as part of the strategy development (see item 12 on this agenda).
- 56 **Confirmation that the support provided by the reserve fund to the revenue costs of park and ride should not exceed the net operating cost of the services, i.e. the exclusion of notional capital charges, depending on the advice of CIPFA.**
- This is a technical accounting issue, and it is recommended that this be agreed.

57 **Use of the reserve fund to be subject to regular review.**

It is recommended that the annual report should in future cover the balance held in the account and the use to which it has been put over the previous year in order that its use may be properly reviewed.

FINANCIAL IMPLICATIONS

58 The financial implications have been detailed in the text of this report. It should be noted that there is considerable pressure on the CPZ account caused by a reduction in pay and display usage and from the effect of DPE enforcement. Members are reminded that the surplus in this account pays for the revenue support for the park and ride services.

SUSTAINABLE DEVELOPMENT IMPLICATIONS

59 The promotion of effective enforcement and control of parking leads to less congestion and pollution.

LEAD OFFICERS

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BACKGROUND PAPERS:

Guildford Local Committee Reports:
6 June 2002 and 10 July 2003

Summary 06/07 Estimates

Description	CPZ 0506 Est	CPZ 0506 Proj Outturn	CPZ 0607 Est	DPE 0506 Est	DPE 0506 Proj Outturn	DPE 0607 Est	Total Est 0506	Total Proj Outturn 0506	Total Est 0607
Salaries	392,250	368,113	430,000	121,880	122,592	120,520	514,130	490,705	550,520
Other Employee Costs	9,790	9,217	10,270	7,500	4,877	7,450	17,290	14,094	17,720
R&M	3,060	1,779	4,000	0	135	0	3,060	1,914	4,000
Service Charge	21,100	14,387	14,560	4,690	3,449	3,640	25,790	17,836	18,200
Other Premises Costs	7,270	4,819	6,590	0	0	0	7,270	4,819	6,590
Transport Costs	4,970	5,360	3,870	3,940	2,539	2,950	8,910	7,899	6,820
Equipment & Tools	22,000	20,208	3,360	0	0	0	22,000	20,208	3,360
Signs	20,000	20,000	20,000	0	0	10,000	20,000	20,000	30,000
P&D Machines	20,400	20,400	18,000	0	0	0	20,400	20,400	18,000
Printing & Stationary (Admin Costs)	25,940	27,993	29,990	3,160	4,091	4,270	29,100	32,084	34,260
Cash Collection	30,000	30,814	32,000	380	380	0	30,380	31,194	32,000
Computer Costs	42,240	41,548	46,450	11,210	11,095	11,100	53,450	52,643	57,550
Telecomms	7,500	8,470	8,740	3,700	2,278	1,450	11,200	10,748	10,190
Other Supplies & Services	103,660	102,442	59,770	17,530	16,565	15,540	121,190	119,007	75,310
Support Costs	55,910	55,622	57,700	9,900	9,900	9,870	65,810	65,522	67,570
Capital Financing Costs	3,390	3,390	3,300	0	0	0	3,390	3,390	3,300
Permit Income	-151,990	-166,185	-189,650	0	0	0	-151,990	-166,185	-189,650
Meter Income	-660,000	-664,171	-601,900	0	0	0	-660,000	-664,171	-601,900
Penalty Fees	-355,000	-316,073	-278,730	-93,140	-209,962	-201,640	-448,140	-526,035	-480,370
Other Income	2,540	-470	2,000	-90,750	32,061	14,850	-88,210	31,591	26,850
TOTALS	-394,970	-412,337	-319,680	0	0	0	-394,970	-412,337	-309,680

NOTES - 06/07 Budget

£10,000 has been transferred from On Street to DPE for signs

£25,000 income has been included for the increase in the cost of Permits agreed in December 2005

The DPE account always balances to zero either with a contribution from SCC to make up a deficit or with a surplus going to SCC

Typical Process for major changes to the Traffic Regulation Order

Process for major changes

Proposals received from residents/councillors or part of review ask Local Committee for authority to proceed.

Report to Local Committee on options (min 6 weeks)

Feasibility

Write to residents seeking views on potential options (2 weeks)
Period to respond (4 weeks)
Analyse responses (2 weeks)
Lead in time for Committee (4 weeks)

Report to Committee on outcome of initial consultation

Design

Employ consultant (6 weeks)
Mobilise consultant (2 weeks)
Consultant carries out work and produces report (6 weeks)
Lead in time for Committee (4 weeks)

Local Committee agrees to consult on proposals

Informal Consultation on design

Arrange consultation (1 week)
Circulate letters to those affected (2 weeks)
Consultation period (4 weeks)
Feed back analysed, results discussed with local members,
And revisions made where possible (4 weeks)
Lead in time for Committee (5 weeks)

Report to Local Committee seeking authority to advertise the scheme

Formal Consultation

Advertisement in the Surrey Advertiser and street notices posted
(1 week)
Period for formal Objections (4 weeks)
Analyse formal objections, discuss with local members, and make changes
where possible, draft report (4 weeks)
Lead in time for Local Committee (3 weeks)

Report objections to Local Committee seeking authority to implement scheme

Implementation

Advertise made order
Tender for contractor to implement scheme (8 weeks)
Mobilisation time for contractor (2 weeks)
Implementation (6 weeks)

Total 80 weeks (18 months)

GBC OFFICER COMMENTS ON INTERNAL AUDIT REPORT

I have now had the opportunity to look at the report of the County Council Internal Audit section reviewing the Guildford CPZ (Controlled Parking Zones). The comments are made against each of the recommendations in paragraph 21 of the report.

1. **Budget reports on the Reserve and associated costs to be made to the Local Committee at least annually**

This is agreed and should form part of an agreed procedure between SCC and GBC for the management of CPZ, DPE and park and ride.

2. **A budget approval process in place with a periodic review of accounting arrangements**

The comment implies that the process may not be in place, when it is. The accounting arrangements were discussed in some detail as part of the negotiations for the DPE agreement. GBC prepares annual budgets for the service but has experienced some difficulty in identifying the individuals responsible at Surrey County Council and securing their attendance at meetings.

This is agreed but should not be a problem if the parties adopt good accounting practice. One issue raised in the paper is whether asset rent or capital financing charge should be included in the cost of park and ride. Officers from the two authorities are seeking to agree upon this principle with advice from the Chartered Institute of Public Finance and Accounting (CIPFA).

3. **Interest to be paid on balance**

This is an error in the report. It says that the reserve does not receive interest. The agreement on the operation of DPE, which is effective from 1st June 2004 is silent on the interest and I understand that clauses relating to interest on the DPE account that were in an earlier draft were deleted in the final version.

Since 1st April 2004 interest has been credited to the Reserve estimated to be £53,000 in 2004/5 and £63,890 in 2005/6.

4. **Confirmation that the support provided by the reserve fund to the revenue costs of park and ride should not exceed the net operating cost of the services.**

It is not clear what this is about but I think it is emphasising the point about asset rent referred to in 2. We therefore need to wait until the issue of the Capital Charge is resolved with CIPFA.

5. **The identification of appropriate areas or schemes to be funded from the reserve fund**

We would welcome clarification of rules for the operation of the reserve. However, we would assume that these would be based upon the resolution of GPATSC in July 2000 to support Guildford Park & Ride with surpluses and remaining balances “be retained ... for contribution towards the capital cost of new Park & Ride sites”.

Paragraph 5 of the report says “Although a legal agreement is now in place to formalise the Decriminalised Parking Enforcement arrangements, there is no mention of the arrangements for the original on-street Parking, Highways and Transportation Reserve Fund apart from the Local Committees’ role in approving the spending of the surplus”. Paragraph 14 emphasises this point. However, we believe that the agreement is clear and covers CPZ. It says that income and expenditure from CPZ shall be separately identified and its use determined by the Local Committee.

In the report much is made of the level of surpluses achieved over the past few years and the suggestion that these may be used for other purposes. The report does not acknowledge the fact that the annual surplus would be removed when the next park and ride site (presumably Merrow) comes into operation.

All of the amount currently in the reserve arises from CPZ activity, which is under the control of the Local Committee.

The DPE activity is currently running at a deficit, which is reimbursed to the Borough by the County. The agreement states that, should the DPE account have a surplus, the County Council has sole discretion as to its use. Such a surplus could, therefore, only be transferred to the PH & T reserve with the agreement of the County.

6. **Use of the reserve fund to be subject to regular review**

This is a partnership between GBC and SCC and both parties should seek to adopt plans on the operation of the fund.

One omission of the report is long term planning. There is a need to prepare a longer term (5 year) plan for this reserve including the management of the income side of the account to help meet the costs of current and future park and ride sites.

It is a pity that no reference is made to the success of the CPZ operation which has generated such surpluses for transport initiatives.

**REVIEW OF THE USE OF THE SURPLUSES GENERATED
BY THE GUILDFORD ON STREET PARKING SCHEME**

BACKGROUND

1. Surrey County Council (SCC) has opted in a number of cases to delegate responsibility for management of on street parking (also known as Controlled Parking Zones or CPZ) to the local borough council. One such case is Guildford, which with assistance from SCC began the phased introduction of a scheme for residents and visitors to the area in October 1997.
2. The Guildford Passenger Area Transportation Sub-Committee (GPATSC) and its successor, the Guildford Local Committee, have managed surpluses generated by the scheme. These are held in the Parking, Highways and Transportation Reserve Fund and are currently in excess of £1m. Over a period of time these committees, consisting of representatives of both councils, has decided the uses to which these surpluses may be put.

REASONS FOR THE REVIEW

3. Officers have requested an independent assessment be undertaken by Surrey Audit Service of the purposes to which the borough council may legitimately use the surpluses generated by the scheme.

AIMS OF THE REVIEW

4. These were threefold.
 - To determine the extent to which there is a definitive list of approved uses for funds generated by the scheme.
 - To establish whether the expenditure in question is compliant with the list of approved uses.
 - To recommend to management how control over the management of the surplus may be improved.

MANAGEMENT SUMMARY

5. The Parking, Highways and Transportation Reserve Fund is held by Guildford B.C. and consists of the surplus from the on street parking revenue account less the costs of Park and Ride and other approved expenditure. Although a legal agreement is now in place to formalise the Decriminalised Parking Enforcement arrangements, there is no mention of the arrangements for the original on-street Parking, Highways and Transportation Reserve Fund apart from the Local Committees' role in approving the spending of the surplus.
6. There is a need for the Local Committee to improve accountability for the management of the Parking, Highways and Transportation Reserve Fund, including the clarification of the costs to be charged to the fund and the payment of interest on balances. Recommendations have also been made for half yearly reporting on the budget and the outturn to the Local

Committee to ensure transparency. This would also lead to a regular review of the fund usage to ensure it continues to meet the requirements of the County Council and the appropriate accounting guidelines. Guildford Borough Councils' response to the report is attached as Appendix A.

FINDINGS

Establishing approved uses of the surpluses

7. A review of minutes of Committee meetings revealed that at its meeting on 26th July 2000 GPATSC made the following two resolutions:

“That subject to the financial implications of the decision taken in minute 53/00 (decriminalisation of parking enforcement in Guildford) below, Guildford On Street Parking Surpluses be hypothecated on a permanent basis for Guildford Park and Ride support.”

“That the Guildford On Street Parking Joint Members’ Task Group be requested to consider.....and that any remaining balances from the Guildford On Street Parking surpluses be retained and considered by the Task Group on a site by site basis for contribution towards the capital cost of new Park and Ride sites.”

8. The second resolution would appear to quite specific on the future use of the surplus monies, i.e. for *capital* costs. However, the first resolution is non-specific and on 11th April 2001 the Committee made the following resolution that confirms the surplus may be used for revenue purposes.

“That Spectrum meets 26% of the cost of Route 100 provision, whilst the On Street Parking Revenue Surplus meets the remaining 74% and that these percentages be reviewed on an annual basis as part of the Park and Ride operation in Guildford.”

9. The Local Committee should be requested to approve and adopt a definitive listing of what costs may be recharged to the On Street Parking Surplus. This list should be subject to regular review in order to ensure it continues to reflect the needs of the Committee.

Parking, Highways and Transport Reserve Fund Balance

10. Guildford Borough Council estimates for financial year 2004/05 predict a year-end balance on the fund of approximately £1,365,000. These figures also indicate a total transfer out of £1,030,631 for the period 2000/01 to 2003/04, i.e. an annual average of £343,544.
11. It is also noted that receipts into the fund have consistently been higher than expenditure suggesting that the value of the surplus will continue to grow in advance of its current needs. This raises two questions:
12. Should the balance in the fund be reduced to a level commensurate with its needs freeing up monies for use elsewhere within Transportation?

13. Would members be satisfied knowing that a significant sum of money is unavailable for use whilst budget pressures are felt elsewhere within the organisation?
14. Section 55 of the Road Traffic Regulation Act (1984) states that surpluses from on street parking can only be used as determined by Surrey County Council for:
 - Offsetting previous year deficits from on-street parking (for up to 4 previous financial years).
 - Provision and maintenance of off-street parking
 - Payment to parties which have made contributions towards the provision of off-street parking
 - Provision of public transport services
 - An improvement carried out by the highways authority as defined by the Highways Act (1980)
15. The use of the surplus is therefore ring fenced although not limited to a specific geographic area. The on-set of Decriminalised Parking Enforcement (DPE) has resulted in a legal agreement with Guildford B.C. covering DPE however it does not encompass the Reserve Fund arrangements.
16. Management should consider whether the current level of the surplus should be reduced to reflect more accurately the requirements placed on it thus freeing up funds for use elsewhere within Transportation.

Review of expenditure from Reserve Account

17. In 2003/04 the income to the Reserve fund from the on-street parking account was nearly of £0.6m. The expenditure paid from the reserve account related to three areas as identified below.

	<u>£000</u>
Capital costs of CPZ extension for phase 4B and Onslow village	58
Decriminalised Parking Enforcement (DPE) set up costs	16
Revenue cost of Park & Ride	<u>305</u>
	<u>£379</u>

18. An examination of the transactions were made for 2003/04 and a sample tested to confirm the validity and accuracy of the expenditure. All transactions tested were found to be valid and accurate charges on the account. However, an asset rent (sometimes called a capital financing charge) is charged annually against Artington Park & Ride revenue account amounting to £14,440 in 2003/04. It is in accordance with proper accounting practice that a notional charge is made to the revenue account to accurately identify the net cost of providing a service. This charge is reversed out of the consolidated revenue account via the asset management revenue account (AMRA) resulting in the net operating expenditure of the service. Proper accounting practise requires capital charges to be shown at individual service level and deducted at the consolidated revenue account level.

19. The amount charged in 2003/04 is based on the value in the asset register of £412,591 and is calculated as a 3.5% return on the asset. The charge is in accordance with the Code of Practice on Local Government Accounting in the United Kingdom (SORP) and is prescribed by the CIPFA / LASAAC Joint Committee.
20. Guildford Borough Council is transferring the net cost of the service instead of the net operating expenditure of the Artington Park & Ride service to the Parking, Highways and Transport Reserve Fund. This effectively benefits Guildford Borough Council consolidated revenue account each year equivalent to the value of the asset rent, and hence subsidises their Council Tax. The accounting treatment is correct; however the retention of the credit is considered inequitable. Guildford Borough Council has explained the retention of the credit as compensation for lost interest on funds spent on Artington Park & Ride scheme.
21. The Parking, Highways and Transport Reserve Fund, however, does not receive "Interest on Balances" and therefore Guildford Borough Council is receiving a double benefit. If the cash reserves were held in Surrey County Council's accounts they would earn interest on balances of approximately 3% or £28k in 2003/04 and 4% or £47k in 2004/05. This matter is under discussion with Guildford B.C.
22. **It is recommended that** the Local Committee is requested to agree the operation of the reserve fund, including
 - Budget reports on the Parking, Highways and Transport Reserve Fund and associated costs to be made to the Local Committee at least annually
 - A budget approval process in place with a periodic review of accounting arrangements, including the identification of appropriate areas or schemes to be funded from the reserve fund.
 - Confirmation that the support provided by the reserve fund to the revenue costs of park and ride should not exceed the net operating cost of the services depending on the advice of CIPFA.
 - Use of the reserve fund to be subject to regular review.

Acknowledgement

23. We would like to thank members of staff at SCC and Guildford Borough Council for their help and assistance during this review.

