

Corporate Policy & Resources Committee

Monday 11 September 2023

Title	<i>Parking Services – Business Models</i>
Purpose of the report	To make a Key Decision
Report Author	<i>Bruno Barbosa, Parking Services Manager Jackie Taylor, Group Head Neighbourhood Services</i>
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	<i>N/a</i>
Corporate Priority	Community Recovery Environment Service delivery
Recommendations	Committee is asked to: <ul style="list-style-type: none">• Approve Option 5, as detailed at 4.3 of this report, and enable the Parking Services Operational Manager and the Group Head Neighbourhood Services to explore opportunities to partner with other authorities.• Authorise the Group Head Neighbourhood Services to continue managing the parking service with the current business model.• Authorise the Group Head Neighbourhood Services to chair a working group across interested authorities for shared services and represent the Council interests in that group.
Reason for Recommendation	<i>The agency agreement with Surrey County Council for management of on street parking ended in March 2023. This has created the opportunity to explore options to maximise efficiency and provide best value for money within Parking Services.</i>

1. Summary of the report

- 1.1 The Parking Services structure and service delivery fundamentally reduced due a unilateral decision by SCC to outsource On Street Civil Enforcement. With a reduced scope, and full focus on our own car parks, there is an opportunity to consider all available business models for the longer-term provision of Parking Services. This project is aimed initially at exploring one of the key options (**Option 5**) which will enable officers to provide Councillors with important information such as working arrangements and financial information enabling the Committee to make fully informed decisions.
- 1.2 The report is asking Committee to give authority to the Group Head Neighbourhood Services to proceed with exploring all aspects of the preferred **Option 5**.

2. Key issues

- 2.1 The service scope was significantly reduced due to the outsourcing of On Street enforcement by Surrey County Council.
- 2.2 Within the current parking service there are several contracts with third party providers, most of which are expired or renewed yearly, and for some the equipment is reaching end of life.
- 2.3 There is an expected significant reduction in available public car park spaces in Staines-upon-Thames due to upcoming developments, and these will impact footfall and income streams associated with those spaces.
- 2.4 The service is currently using several end-of-life pieces of software and equipment, which are associated with approved growth bids for permanent replacement, but are on hold, pending a decision regarding this project. Approved Growth bids are for a new car park management system for Elmsleigh Surface+MSCP (£250k) and a new PCN case management system (£50k).

3. Options analysis and proposal

- 3.1 There are 6 main possible business models that have been explored by the Parking Services Operational Manager:
 1. Outsource civil enforcement to a private operator.
 2. Lease out car parks on a case-by-case basis to private operators, whilst continuing to carry out civil enforcement on the remaining car parks.
 3. Relinquish all acquired Road Traffic Act 1984 powers and lease/rent out all car parks to a private operator.
 4. Continue the current business model.
 5. Enhance the current model to partner with other authorities.
 6. Create a Local Authority Trading Company as a private civil enforcement operator to perform the services towards SBC as a contractor and become able to carry out the same services for other authorities.

3.2 The following is a table that illustrates the main disadvantages/risks, advantages/opportunities as well as the main drivers for each option (please note that financial implications are contained within Section 4):

	Disadvantages/risks	Advantages/opportunities	Main driver for the provider
<p>Option 1</p> <p>Outsource civil enforcement</p>	<p>There is limited budget for this type of contract, since it would be the current staffing and civil enforcement software costs, which amount to around £375k (including oncosts and administrative costs).</p> <p>The priorities of the contractor will be deployment and enforcement, which is budgeted for income as £67k. Car park income would not be a priority for the contractor.</p> <p>By virtue of being the same business model chosen by Surrey County Council for their On Street civil enforcement, this business model carries additional reputational risk by association to the current poor performance and quality of the services provided by the SCC business model.</p> <p>The current performance from this business model elsewhere in Surrey also demonstrates that it carries a risk of degradation of quality of service to residents.</p>	<p>Service level assurances for deployment and enforcement would become a contractual obligation and thus a straightforward contract management function as opposed to a workforce management function.</p> <p>We would be less exposed to staffing shortfall issues since deployment and contractual functions would be a contractual assurance.</p>	<p>The private civil enforcement provider will mainly be driven by deployment of officers and PCN issuance as part of their contractual terms.</p>

	Disadvantages/risks	Advantages/opportunities	Main driver for the provider
<p>Option 2</p> <p>Lease/rent out some car parks</p>	<p>There is not much in terms of examples of this model being used elsewhere, and there is some guidance from the Secretary of State discouraging authorities from ceasing civil enforcement and reverting to contract law for parking management.</p> <p>Parking operators under contract law are heavily focused in PCN issuance and rely on PCN income to balance their business model costs.</p> <p>There is likely to be legal challenge against this type of model, or even an unfavourable internal legal opinion on the legality of this approach.</p> <p>The priorities of the operator may not align with those of the car park owner, leading to potential loss of footfall into the car parks and the associated recreation ground or town centre.</p> <p>The focus from private contractors on the issuance of notices can carry reputational risk to Spelthorne Borough Council by association.</p> <p>Leasing of car parks restricts our control in the implementation of EV resources and structures as part of a Council strategy since the operator would likely want to retain control of the management of the space.</p>	<p>This could eliminate current deficits from specific car parks by means of reducing the costs to manage them, since contract law is normally performed at nil cost to the owner of the car park by the supplier.</p> <p>This option creates a flexible approach to the management of car parks, allowing to streamline the management of car parks that run at a deficit and keeping full operational and strategic control for car parks where the operation is solid and creates a dependable surplus.</p>	<p>The private contractor will be driven solely by issuance of Notices as sole means of income. The current in-house team will be driven by quality of service, strategic alignment of the car parks as an asset with the surrounding facilities, adherence to the budgetary expectations and maximisation of use of spaces in the car parks.</p>

	Disadvantages/risks	Advantages/opportunities	Main driver for the provider
<p>Option 3</p> <p>Rescind ROAD TRAFFIC ACT 1984 powers and lease/rent out all car parks</p>	<p>There is not much in terms of examples of this model being used elsewhere, and there is some guidance from the Secretary of State discouraging authorities from ceasing civil enforcement and reverting to contract law for parking management.</p> <p>Parking operators under contract law are heavily focused in PCN issuance and rely on PCN income to balance their business model costs.</p> <p>There is likely to be legal challenge against this type of model, or even an unfavourable internal legal opinion on the legality of this approach.</p> <p>The priorities of the operator may not align with those of the car park owner, leading to potential loss of footfall and income into the car parks and the associated recreation ground or town centre.</p> <p>Leasing of car parks restricts our control in the implementation of EV resources and structures as part of a Council strategy since the operator would likely want to retain control of the management of the space.</p>	<p>This could eliminate current deficits from specific car parks by means of reducing the costs to manage them, since contract law is normally performed at nil cost to the owner of the car park by the supplier.</p>	<p>The private contractor will be driven solely by issuance of Notices as sole means of income.</p>

	Disadvantages/risks	Advantages/opportunities	Main driver for the provider
<p>Option 4</p> <p>Continue current business model</p>	<p>Continuing with the same model can be perceived as non-progressive or challenging.</p> <p>An in-house model involves a greater staffing cost than the ones born by private operators, as well as traditionally being less flexible when there are operational challenges.</p> <p>A civil enforcement model requires the enactment of statutory powers and strict adherence to a Parking Order, which can't be revised quickly and does not provide reasonable flexibility to a service to adapt to changing circumstances as quickly as a private operator under contract law can.</p> <p>This business model does not enable carrying out private car park services for private companies.</p>	<p>There would be no inherent additional cost for continuing the model, and resourcing could be fully dedicated to streamlining and improving the model, which would otherwise be needed to research and implement alternative models.</p> <p>This business model is differentiated and in high demand, with multiple authorities in the process of bringing back in house civil enforcement after poor performance and quality from a private operator. An in-house business model ensures full strategic alignment and a focus on quality of service that cannot be matched by private operators due to conflicts of interest.</p>	<p>The current in-house team would be driven by quality of service, strategic alignment of the car parks as an asset with the surrounding facilities, adherence to the budgetary expectations and maximisation of use of spaces in the car parks.</p>

	Disadvantages/risks	Advantages/opportunities	Main driver for the provider
<p>Option 5</p> <p>Enhance the current model to partner with other authorities</p>	<p>An in-house model involves a greater staffing cost than the ones born by private operators, as well as traditionally being less flexible when there are operational challenges.</p> <p>Sharing resources and functions with other authorities is an unknown, and the efficiencies may not be quantifiable.</p> <p>A civil enforcement model requires the enactment of statutory powers and strict adherence to a Parking Order, which can't be revised quickly and does not provide reasonable flexibility to a service to adapt to changing circumstances as quickly as a private operator under contract law can.</p> <p>This business model does not enable carrying out private car park services for private companies.</p>	<p>There would be no inherent additional cost for continuing the model, and resourcing could be fully dedicated to streamlining and improving the model, which would otherwise be needed to research and implement alternative models.</p> <p>This business model is differentiated and in high demand, with multiple authorities in the process of bringing back in house civil enforcement after poor performance and quality from a private operator. An in-house business model ensures full strategic alignment and a focus on quality of service that cannot be matched by private operators due to conflicts of interest.</p> <p>Partnerships, if successful, have a very positive impact in the perception of Boroughs and Districts delivering value for money in their services, as well as contributing to a sense of local relevance and identity.</p>	<p>The current in-house team will be driven by quality of service, strategic alignment of the car parks as an asset with the surrounding facilities, adherence to the budgetary expectations and maximisation of use of spaces in the car parks.</p> <p>Partnerships will have individual drivers per partner, mostly focused on the local ambition and priorities of each partner.</p>

	Disadvantages/risks	Advantages/opportunities	Main driver for the provider
<p>Option 6</p> <p>Outsource civil enforcement to a Local Authority Trading Company</p>	<p>This is completely unproven ground, so it would be a journey for SBC that would require plenty of legal and statutory advice.</p> <p>There may not be the ability to directly award a service to a Local Authority Trading Company created by an authority, leading to a possible tender that could end up with an award to a third party and ultimately make the creation of the Local Authority Trading Company redundant.</p> <p>Other Surrey Boroughs and Districts already carry this out without a Local Authority Trading Company for neighbouring Boroughs and Districts, and they have a much more mature and experienced model that would be a direct competitor to this Local Authority Trading Company.</p>	<p>This would enable greater flexibility and room for growth if there is a local market for this delivery.</p> <p>The Local Authority Trading Company would absorb risks, and there would be complete assurance of alignment of strategic aims and priorities between SBC and the Local Authority Trading Company.</p>	<p>An LATC would be driven by quality of service, strategic alignment of the car parks as an asset with the surrounding facilities, adherence to the budgetary expectations and maximisation of use of spaces in the car parks. They would also be driven by their budgetary health if the income generated is insufficient to cover the investment for its creation and sustainability.</p>

3.3 A further detailed overview of each Option is available within the Project Initiation document attached.

4. Financial implications

- 4.1 Some options do not currently have a quantifiable impact on income/costs, but as a baseline, the following are the current actual costs/income values in question:
1. Revenue - £1.165m (as per the budget for 2023/24)
 2. Staffing - £317k (as projected, based on current filled posts and at the highest scale point of each grade on 2022/23 actuals incurred)
 3. Contracts and materials - £83k (based on costs incurred in 22/23)
 4. Business Rates - £516k (as set on the budget for 2023/24)
- 4.2 For a context on current financial performance for the current business model, we have performed 10% above the budgetary income expectation in the first 3 months of 23/24, on average, and projected to achieve £1.309m by the end of 23/24.
- 4.3 There are some significant financial considerations for each option, as follows:
1. **Option 1** has limited budget availability for implementation, amounting to the current budgets for staffing, contracts and materials, which totals around £400k. Compliance levels under this business model would be intangible to estimate reliably at this stage, but the low compliance levels currently observed On Street could reliably inform an expectation of significant reduction of compliance, which could equate to a significant reduction in car park income from car park fees.
 2. **Option 2** could potentially introduce savings on Business Rates for some car parks, assuming that they would be payable by the company assuming the lease/rent, or the fact that there would not be a payable tariff would make significantly less Business Rates payable. There would however be a deficit in the income budget for those same car parks, since it's unlikely that a private contractor would achieve income from the operation of those car parks, unless agreed as a lease/rent fee. Most car parks with a budget deficit are within Recreation Grounds with a nil charge first hour, and this first hour free represents a loss of annual income of approximately £35k across up to 10 car parks.
 3. **Option 3** carries significant risk on the income budget since it's unlikely that a private operator would be able to generate or achieve the same levels of income as the current business model (partly due to lower footfall, and lower compliance).
 4. **Option 4** has no foreseeable immediate impacts on current approved budgets. The existing approved growth bid projects which are on hold could generate efficiencies and/or increase income as well as enabling different customer interactions that can also generate further efficiencies and/or additional income and represents the best interests of our residents and visitors by ensuring a high quality and reliable service.
 5. **Option 5 (preferred)** has no foreseeable immediate impacts on current approved budgets, but the approved growth bid projects could generate efficiencies and/or increase income as well as enabling different customer interactions that can also generate further efficiencies and/or additional income. The added focus on working collaboratively with other authorities

has the potential to deliver further savings and resilience on staffing if authorities decide to co-fund posts existing posts (these savings will not be realised if instead the collaborative decision is to co-fund further staffing). This preferred option also fits with the recommendation from the Peer Review for exploring collaborative working with other Boroughs and Districts and represents the best interests of our residents and visitors by ensuring a high quality and reliable service.

6. **Option 6** would have no implications on current budgets, but the LATC could incur significant costs in the TUPE process (assuming the LATC can be awarded the contract directly).

5. Risk considerations

- 5.1 Several options have significant risks due to not being models that we can find examples of in the market. The risks are as follows:
 1. **Option 1** – An outsourced civil enforcement model carries the risk of contractual priorities for the contractor not having a positive impact on the income budget achievement, as well as reputational risk of association with the business model and partner chosen by Surrey County Council for their On Street civil enforcement model.
 2. **Option 2** – Private companies that operate car park management through contract law normally rely solely on income from the issuance of penalties, hence there is great uncertainty over income streams for the owner of the car parks. Their particular focus on issuance of Notices could also carry reputational risk to the owner of the car parks.
 3. **Option 3** – Relinquishing Road Traffic Act 1984 powers is not something that we can look at a positive example for elsewhere in the UK. Notably it's a cumbersome process to regain those powers, and there is no known evidence of a local authority exclusively operating public car parks using contract law through a parking operator.
 4. **Option 6** – There are no Local Authority Trading Companies specialising on Civil Enforcement that we can compare and analyse performance with, and there is a very limited market that the company would be operating under. It's very likely that the company would operate at a loss in the short term.
- 5.2 For the Options based on the current service model, all risks form part of the current Corporate Risk register, but below are some notable risks for comparison with the other options:
 1. **Options 4 and 5** – The civil enforcement model is dependent on national legislation, and is often a major campaign focus from government policy, so legislation changes can be frequent and have a major impact on how civil enforcement is carried out (e.g. the Deregulation Act 2015 effectively banned the use of CCTV for civil enforcement and introduced a free period of 10 minutes of parking without payment) whilst the authority has little to no influence on how that legislation is shaped. Being a statutory function, when there is major social events such as Covid-19 it can often be more challenging for services to recover income levels, compared to private operators under contract law.

2. **Option 5** – If there are delays to this decision and the timeline detailed in Section 11, there is a risk that opportunities will be missed, by virtue of other Boroughs and Districts already working towards partnerships and achieving agreements before we can participate or be involved in that process.

6. Procurement considerations

- 6.1 There are multiple considerations in terms of procurement for each option and the Contracts and Procurement team have been consulted on this project.

7. Legal considerations

- 7.1 There are multiple considerations in terms of law for each option, and the Legal team have been consulted on this project.

8. Other considerations

- 8.1 If committee agrees with officers to commence discussions with other local authorities (**Option 5**) a report will come back to CPRC in February 2024 with the findings of the working group.

9. Equality and Diversity

- 9.1 Equality and Diversity considerations as per the attached assessment.

10. Sustainability/Climate Change Implications

- 10.1 There are several aspects of parking management that can influence sustainable behaviours with regards to transport, and depending on the business model chosen there is a varying degree of strategic control and oversight that Spelthorne Borough Council can retain or enact.

11. Timetable for implementation

Milestone/Key activities	Estimated start date	Estimate end date
Present report to MAT (high level)	18/07/2023	18/07/2023
Present report to MAT (final)	25/07/2023	25/07/2023
Present report to CPRC	11/09/2023	11/09/2023
Create the working group and invite all interested Borough and District partners	12/09/2023	30/11/2023
Analyze and present the workable options for Committee approval (MAT)	31/01/2024	31/01/2024
Analyze and present the workable options for Committee approval (CPRC)	19/02/2024	19/02/2024
Analyze and present the workable options for Committee approval (CPRC)	22/02/2024	22/02/2024
If a way forward is agreed, proceed with the implementation of the relevant agreement with the Borough and District partners	23/02/2024	31/03/2024

12. Contact

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Background papers: There are none.

Appendices:

Project Initiation - Parking Services Business Models

Equality and Diversity Impact Assessment - Parking Services - Business Models