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| <b>Committee(s)</b>  | <b>Dated:</b>            |
| Residents' Consultation Committee - For Information<br>Barbican Residential Committee – For decision | 28/11/2016<br>12/12/2016 |
| <b>Subject:</b><br>Charging Policy for Car Parking and Stores  | <b>Public</b>            |
| <b>Report of:</b><br>Director of Community and Children's Services                                   | <b>For Decision</b>      |
| <b>Report author:</b><br>Michael Bennett, Department of Community and Children's Services            |                          |

### Summary

As part of the annual review of the Car Parking Charging Policy in December 2015 the Barbican Residential Committee declined to accept the proposal to increase car parking rents by 5%, because the underlying reasoning for doing so was unclear. It was decided that a review of the Policy be presented to the December 2016 meeting of the Committee.

The context of the review is that Barbican car parking expenditure has exceeded income for some years, that underused Barbican car parking spaces should be put to other uses (primarily storage) and that the Service Based Review, which seeks to maximise the City's income from its property assets, is currently taking place, along with a general review of city car parking charges.

In dealing with the city's land and property assets, as well as maximising the City's income from them, charges levied should involve neither cross subsidy from one group to another, nor incur subsidy from the City itself.

As the valuation of the car parking spaces is linked to that of storage spaces, this report covers the charging policy for both car parking and stores.

### Recommendation(s)

The Residents Consultation Committee are asked to note and comment on the Charging Policy for Car Parking and Stores.

The Barbican Residential Committee are asked to:

- agree that income from city assets should be maximised and lettings should not be subsidised
- agree the principle that no subsidy should be provided from one group of users to another

- instruct officers to obtain independent valuations of car parking and storage spaces and bring forward recommended charges to the meeting of the Barbican Residential Committee on 13 February 2017

## **Main Report**

### **Background**

1. At the meeting of Barbican Residential Committee in March 2016 it was agreed that car parking charges be increased in line with the Retail Price Index (RPI), prior to a review of charges coming to the December 2016 meeting.
2. This current review has taken place alongside a number of factors:
  - The City's Service Based Review (SBR), which has charged spending committees with delivering sustainable savings and/or increased income in order to balance City Fund and City's Cash over the medium term (for the Barbican Estate this is to generate additional £154,000 income for the Stores & Car Park Accounts for 2017/18)
  - The decision by the Barbican Residential Committee to replace some car parking on the Barbican Estate with other uses, primarily storage
  - A review of the charging policy for the city's car parks in general with a report on a Review of Public Car Park Provision in the City being presented to the Planning and Transportation Committee in November
3. There have been two surveys carried out this year to ascertain demand for residents' stores and this has been compared with the current waiting lists (see Residents Survey Results and current occupancy in Appendix 1). As a result there is now a waiting list of over 260 residents for a store with a demand for larger stores as well as workspace areas (which could utilise larger stores subject to individual residents seeking planning permission).
4. A project to construct over 300 new residential stores in the car parks will be completed in 2017. For the purpose of the review, it has been assumed that all storage spaces will be taken and that planning permission will be forthcoming.
5. There is also the potential to develop other SBR options including a Consolidation Centre. The City's Cultural Hub will also potentially use some of the Barbican Estate's car parks for future retail opportunities on Beech Street – these are included in Appendix 2 (History & Forecast of Barbican Estate Car Parking Occupancy).
6. The history of car parking charges in the Barbican Estate comprises a series of adjustments, but no clear underlying policy or rational base (see history of car parking charges in Appendix 3).

7. Prior to 2009 there were no increases in fees for car parking for 10 years. Since then both car parking and stores charges have been reviewed based on the annual increase in the Retail Price Index (RPI) published by the Office of National Statistics in the last available month before committee.
8. Recent history has been one of declining demand (see Appendix 2) and income failing to cover expenditure (see History of total net expenditure for the Car Park Account Appendix 4).
9. The latest budgeted total net expenditure/income for the Car Park Account (see Appendix 4) for 2016/17 shows a total deficit of £337,000. However, the Stores Account for 2016/17 shows a profit of £132,000.

### **Current Position**

10. In moving to a rational and consistent charging policy, it is necessary to make explicit the principles underlying charging for the use of City's assets and the information required to act on these principles. These principles include:

- maximisation of income from City property assets, which requires independent valuations of car parking and storage spaces
- no subsidy should be provided from one group of users to another, which requires understanding the detailed costs of providing car parking

11. The information required to act on these principles are detailed below.

### **Car parking provision**

12. Details of the current car park provision on the Estate is provided in Appendix 5. Some spaces are rented and others are owned, with a service charge levied on them. It should be noted that when a leaseholder purchases a space, although a space is assigned, the licence is for a right to park and can be reallocated.

### **Car parking expenditure**

13. As the Car Park Account indicates (see appendix 4) there are two major items of expenditure - staffing and the opportunity cost of the land (capital charges), currently used for car parking.

### **Staffing - Current**

14. The varied duties carried out by the 28 Car Park Attendants (CPA) have changed over the years, and for example, particularly due to the declining number of residentially let car parking spaces, the significant increase of receiving parcels for residents (due to the emergence of online shopping) and the changes to Key Porter services as detailed within Appendix 6.

15. The current proportion of CPA costs are attributed to the Car Park Account (two thirds – 66.67%) and the Resident Service Charge Account (one third – 33.33%).

16. An analysis of their duties and summary based on their Time Recordings is enclosed at Appendix 7. This illustrates that 42% of the Car Park Attendants time is spent on car parking duties only. Thus, in effect the service charge is being subsidised by car parking charges.

### **Staffing – Subsidy**

17. The declining number of car parking spaces let has meant that car park users have continued paying two thirds of the cost whilst only making use of 42% of the car park attendants' time. This obviously needs to be rectified.
18. The advice from the City Solicitor is that it would be difficult, verging on impossible, to change the car park attendants charging basis terms in the lease (Para.4 (4) (b)). However, it is entirely possible for the Barbican Estate Office to provide this sought after service by reintroducing Key Porters, as this is already within the residents lease (The Fifth Schedule, Part IV), but not currently provided. Obviously this would reduce the cost to the car park account and might entail a further cost to the service charge as the Key Porters are listed as a 100% Service Charge cost (see Appendix 6).
19. As a 100% service charge cost, the Key Porter role could also include further duties, not currently covered by the car park attendants.

### **Capital costs**

20. Currently, this is expressed as a capital charge on the site (see Appendix 4). Having charges for car parking and storage spaces set in line with current valuations of the spaces would mean that these capital charges would be properly taken into account in the charges levied.

### **Car parking income**

21. Income comes wholly from rent and service charges. Following the principles outlined, it would be appropriate that the charge to owners would be the entailed costs. For renters these costs would need to be added to the proportionate value of the land asset.

### **Proposals**

22. If it turns out that proposed charges are significantly higher than current ones, recommendations will be made regarding the phasing in of these increased payments.

### **Corporate & Strategic Implications**

23. This review supports the City's aim to provide modern, efficient and high quality local services and policing within the Square Mile for workers, residents and visitors with a view to delivering sustainable outcomes. In particular, this incorporates:

- **KPP2:** Maintaining the quality of our public services whilst reducing our expenditure and improving our efficiency
- **KPP4:** Maximising the opportunities and benefits afforded by our role in supporting London's communities

24. In terms of relevant policies incorporated in the City's Corporate Asset Management Strategy, this approach covers:

- **SO1** – Operational Assets remain in a good, safe and statutory compliant condition
- **SO2** – Operational Assets are fit for purpose and meet service delivery needs
- **SO4** – Annual revenue expenditure is reduced
- **SO5** – Opportunities to maximise income generation be explored and promoted where feasible
- **SO8** – Service Committees Business Plans properly reflect not only short term objectives but medium and long term ones, to enable effective forward planning

## Implications

25. If this methodology is accepted, it is likely that the combined income from car parking and storage will ensure that a significant budget is available for Estate works.

26. A Strategic Audit of the Car Park Account has recently been carried out by the City's Chamberlains Department and the following recommendations were made:

- Car Park Account forecasts should be updated to reflect the impact of SBR plans agreed to date by the Barbican Residential Committee and additional options considered if potential income generation is insufficient to sustain operations
- Consideration should be given to the review of car park expenditure to determine opportunities to reduce the cost of operation, taking into account the proposed alternative use of space and the potential impact upon staffing requirements

## Conclusion

27. The City has a duty to achieve a proper return from its assets having regard to market levels and any net surplus generated benefits the City Fund. Therefore this report recommends that members of the Barbican Residential Committee agree that the following principles are progressed by officers and that a report with proposed charges is provided in February 2017:

- that income from city assets should be maximised and lettings should not be subsidised
- no subsidy be provided from one group to another

## **Appendices**

- Appendix 1 – Residents Survey Results and occupancy for stores
- Appendix 2 – History & Forecast of Barbican Estate car parking Occupancy
- Appendix 3 - History of Barbican Estate charges
- Appendix 4 - History & Forecast of total net expenditure/income for the Car Park Account
- Appendix 5 – Car Park Occupancy
- Appendix 6 – History of Key Porter Service
- Appendix 7 – Car Park Attendants – Description of duties and analysis of Time Recording

## **Background Papers:**

Car Park Strategy Stage One 2009

Car Park Strategy Update 2009

Barbican Estate Car Park Efficiency Strategy Working Party 2011

Baggage Stores Charging Policy 2011

Car Park Charging Policy February 2013

Car Park Charging Policy December 2013

Car Park and Baggage Stores Charging Policy January 2014

Revenue and Capital Budgets – Latest Approved Budget 2013/14 and Original Budget 2014/15

Service Based Review Proposals – Department of Community & Children's Services 2014

Car Park Charging Policy 2015

Car Park Charging Policy March 2016

Service Based Review March 2016

Review of Public Car Park Provision in the City November 2016

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