

APPENDIX 1 - RCC MINUTES 21/5/18

Barbican car park charging policy

Submission by the Lauderdale Tower House Group

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1 INTRODUCTION

The BRC working party on car park charges has suggested a very large increase in the car park charge (from £1,258 a year to £1,750) and an even larger increase in the cost of baggage stores. Our response is as follows.

- i. We fundamentally reject the suggestion that charges should be set at a level that maximises profits, noting that this approach was rejected by the Barbican Residential Committee at its meeting on 12 December 2016. (Section 4 below.)
- ii. Local authorities exist to provide the best possible services to the local community at the lowest possible cost, not to maximise profits. It is unlawful for a local authority to charge more for a service than the cost of providing it. (Section 3 below.)
- iii. Residents are already being charged more for car park and baggage store services than the cost of providing them. (Section 7 below.) Any increase in the car park charge beyond present levels would therefore be unlawful as well as violating policies laid down by the Barbican Residential Committee. (Section 8 (ii) below.)
- iv. The independent valuations of car park charges elsewhere in London have no relevance when the City itself charges only £800 a year for residents' parking in secure underground car parks in the immediate vicinity. (Section 5.1 below.)
- v. Even if lawful, which is disputed, a large increase in the car park charge would serve little purpose since most of the potential gains would be wiped out by the loss of car park users. (Section 5.3 below.)

2 BACKGROUND

The Barbican car park charge is currently £1,258 a year for residents and £5,522 for commercial users.

Most of the charge is attributable to the cost of employing 28 staff who, although described as car park attendants, spend more than half their time providing concierge services to the terrace blocks.

The working party's report shows a £382,000 deficit on the car park account for the current year. However, if updated to show the effect of measures already agreed or proposed by the City, the account would show a surplus of £212,844. This is after including the contribution from new and existing storage units within the car parks and eliminating the cross-subsidy to concierge services. (Section 7 below.)

3 LEGAL POSITION

Local authorities are under a duty to make best use of their assets. However, the underlying principle behind this duty is to minimise costs to local residents and/or to improve services. It would contradict this principle if local authorities were deliberately to overcharge residents for a service simply to create a surplus.

It is also forbidden by law. Section 93 of the Local Government Act 2003 requires local authorities to ensure that, taking one year with another, the charge for a given service does not exceed the cost of providing it. Overcharging in order to cross-subsidise other services is prohibited except where the local authority sets up a commercial trading company specifically for that purpose. A commercial company would have to pay tax.

Based on the above, we submit that it would be unlawful for the City to set the residents' parking rate, or charges for baggage stores, at a level that produced a surplus.

4 BARBICAN RESIDENTIAL COMMITTEE'S POSITION

At its meeting on 12 December 2016 the Barbican Residential Committee considered a report on car park charges which asked members to agree that income from City assets should be "maximised". Members rejected this recommendation and instead agreed to a softer approach, merely "noting" that returns should be "fair". The wording of the Barbican Residential Committee's resolution was:

Members note that income from city assets should represent a fair return and lettings should not be subsidised.

At the same meeting, members of the Barbican Residential Committee were asked to agree the principle that no subsidy should be provided from one group of users to another. They accepted this, passing the following resolution:

Members agree the principle that no subsidy should be provided, on running costs, as between one group of users to another, except where concessionary fees are appropriate.

Note: The working party's report asserts (page 4, paragraph 15) that this same committee meeting "agreed to utilise market rates as a basis for a charging policy." The minutes record no such agreement or decision. The minutes record only that officers were "instructed to obtain independent valuations of car parking and storage spaces and bring forward recommended charges."

5 OTHER CONSIDERATIONS

The car park charge will be largely determined by the legal position and by the policies of the Barbican Residential Committee, as set out above. Nevertheless, we comment briefly here on three other considerations:

5.1 INDEPENDENT VALUATIONS

The working party has once again used independent valuations as a justification for recommending a big increase in the car park charge. These do not appear to depart significantly from the valuations that were heavily criticised by the Barbican Residential Committee last year. We do not propose to repeat the criticisms save to say that modern, luxury apartment complexes cannot usefully be compared with a 50-year-old housing estate built, owned and operated by a local authority.

5.2 COMPETITION

Much more relevant than the independent valuations is the fact that City residents, including Barbican residents, can park for £800 a year in either of two City car parks in the immediate vicinity of the Barbican Estate – one running beneath the surface of London Wall from the Museum of London to Moorgate and the other on two levels beneath Smithfield Market. These car parks are well maintained and secure and Smithfield in particular has very substantial surplus capacity.

At present, although awareness of these facilities is low, it is believed that 30 Barbican residents already park in London Wall while an unknown number use Smithfield. If the Barbican car park charge were to rise to the level proposed, the options would become widely discussed and many residents might feel that the much higher cost of a Barbican space could no longer be justified.

5.3 OPTIMAL PRICING

A big increase in the Barbican car park charge would be economically inefficient in terms of raising extra revenue because much of the potential gain would be wiped out by the loss of car park users, as the figures in the working party's report show.

At Appendix 5, the report puts the number of spaces let to residents at 647. It predicts that, if the charge rose to £1,750, that figure would fall by 5 per cent a year over the three-year phasing-in period, leaving it at 555 by 2020/21. That loss of 92 users means that, instead of raising an extra £318,000 in revenue, which would be the case if everybody stayed, only £135,000 of extra revenue would be raised - in other words, 58 per cent of the potential extra revenue would be lost. Clearly, the figures would be even worse if more users left than expected.

It is difficult to understand why this economically and socially suboptimal approach is suggested when the same amount of revenue could be generated by a smaller price increase that retained all or most users. Our concern would be if the price increase were motivated in part by a desire to reduce the number of car park users, thereby releasing Barbican Estate land for other purposes – as, for example, with the current proposal to close Thomas More car park and turn it into a school, and the future plan to convert parts of the car parks along Beech Street tunnel into shops for the Culture Mile.

6 HOW THE CHARGE SHOULD BE SET

The simplest and fairest way to set the car park charge would be to set it on a cost recovery basis: that is, high enough to eliminate the deficit but low enough to avoid a surplus. Unfortunately, this is not feasible with a deficit of £382,000 – the increase would be too large for users to bear. But if it turned out that the figure of £382,000 was flawed and in fact there was no deficit at all, then setting the car park charge would be easy.

In the following section we show how the figure of £382,000 is indeed flawed and how, once adjusted to include the effect of measures already agreed or proposed by the City, the deficit on the car park account turns out to be a surplus.

7 CALCULATING THE DEFICIT

There are two significant items missing from the budget for the car park account, as follows.

7.1 STORAGE UNITS

The figures do not include the rental income from the storage units installed, or about to be installed, within the car parks. It has already been agreed that this income will in future be included in the car park account and this is confirmed in the working party's report (page 6, paragraph 27). When this is done, it will produce **£254,844** of additional annual income for the car park account without the need for any increase in the charge for baggage stores. This is made up of:

- i. £76,737 in annual rental income from the 191 storage units already installed within the car parks. These comprise 109 "Medium" metal container storage units rented out at £373 a year and 82 "Large" brick or block stores rented out at £440 a year.
- ii. £178,107 in annual rental income from the 313 new storage units about to be installed in the car parks as a result of the planning permission granted on 9 April 2018. This figure, which accords with the estimate of £180,000 previously provided by City officers to the Barbican Residential Committee, assumes that the new stores will be let at the same rate as the £10.73 per square foot charged for the existing "Large" stores, which cost £440 for 41 square feet.

7.2 ALLOCATION OF CPA COSTS

As City officers and the Barbican Residential Committee have repeatedly recognised, the car park account is currently being overcharged for the services of the car park attendants. The figures are explained in the appendix but briefly, the car park account pays for two-thirds of the CPAs' wage costs while receiving less than half their time. This means car park users are cross-subsidising the concierge service, contrary to the second of the two resolutions of the Barbican Residential Committee quoted in section 4 above.

In a report to the Barbican Residential Committee on 12 December 2016, City officers said: “This obviously needs to be rectified.” The chairman of the Barbican Residential Committee, Councillor Ann Holmes, acknowledged the problem at the committee’s meeting on 5 June 2017, saying in response to those who had called for a review: “They are right and work on this is under way.” So it is extremely disappointing to find that, one year later, the working party has produced no proposals on this issue other than to recommend (page 2, recommendation 11) that the working party “further reviews the work of the concierge service (including the allocation of its costs).”

In view of the past undertakings, residents are entitled to feel impatient over the lack of progress on this issue and we now regard the matter as urgent. As shown in the appendix, the overcharge is currently costing the car park account an extra £340,400 a year which is equivalent to £350 a year for every car park user. What this means is that every car park user is currently paying £350 a year to subsidise the concierge service for the terrace blocks – so car park users in the terrace blocks are paying twice over for their own concierge service while those in the tower blocks are paying £350 for a service that they do not use at all.

The solution to this problem was set out by City officers in their report to the Barbican Residential Committee on 12 December 2016 and is included in the appendix. When implemented, the annual saving to the car park budget, based on the City’s figures, will be **£340,400**.

7.3 TOTAL EFFECT OF ADJUSTMENTS

The combined effect of these two adjustments (£254,844 + £340,400) will be to produce a benefit to the car park account of **£594,844** a year. This will easily wipe out the current deficit of £382,000 and leave a surplus on the account of **£212,844** a year without the need for any increase in the car park charge or baggage store costs. This surplus could be used to improve the car park or baggage store service, to reduce the car park charge, to keep the car park charge at the present level for the next few years, or for any combination of these.

8 CONCLUSION

We agree that local authorities should seek to maximise the value of their assets, but as a means to an end, not as an end in itself. The aim of asset maximisation should be to benefit the local community with better services and/or lower costs – an excellent example being the decision to install new storage units in redundant Barbican car park space, bringing all-round benefits. In contrast, a large increase in the car park charge would be wasteful and destructive. It would harm the interests of many hundreds of residents while producing a negligible return and, by pricing residents out of the Barbican car parks, it would have the perverse effect of decreasing asset utilisation rather than increasing it.

Fortunately, as this submission has set out to show, no increase in the car park charge is necessary at present since the car park account is in surplus when adjusted to include the effect of measures already agreed or proposed by the City. Indeed, in view of the surplus, there would be at least two

practical obstacles to the implementation of any immediate increase in the charge, whether for car parking or baggage stores:

- i. It would contravene the provisions of section 93 of the Local Government Act 2003, as described in section 3 above.
- ii. Regardless of the legal position, the creation of a surplus that was then put to other uses would violate the principle laid down by the Barbican Residential Committee on 12 December 2016, that “no subsidy should be provided, on running costs, as between one group of users to another, except where concessionary fees are appropriate.”

9 RECOMMENDATIONS

We recommend that:

- i. The charge for the new baggage stores about to be installed in the car parks be set at £10.73 per square foot, this being the same as the rate charged for the existing “Large” baggage stores, which cost £440 for 41 square feet .
- ii. The car park charge and the charge for all baggage stores be frozen at their present level pending the outcome of the following.
- iii. Officers be asked to put forward firm proposals for implementing the fair allocation of CPA costs between the car park account and the service charge account, having regard to the principle “that no subsidy should be provided, on running costs, as between one group of users to another.” (Barbican Residential Committee, 12 December 2016.)
- iv. In the meantime, officers be asked to draw up a fresh budget for the car park account reflecting, in addition to existing income and outgoings:
 - a. The income from the existing baggage stores within the car parks (at current rates);
 - b. The projected income from the baggage stores about to be installed within the car parks, assuming charges are based on the rate set out in (i) above; and
 - c. The reduced cost of the CPA service after CPA costs have been properly allocated between the car park account and the service charge account in accordance with the division of their time.
- v. If the new budget forecast shows the car park account to be in surplus, neither the car park charge nor the baggage store charges should rise above the present level until such time as an annual deficit is forecast.

- vi. At that point, the car park and baggage store charges should be allowed to increase annually in line with CPI with the aim of keeping income at a level just sufficient to cover all, or most, expenditure.
- vii. RPI should not be used as an index of inflation since it is unreliable, exaggerates inflation and is no longer a national statistic.
- viii. Once car park and baggage store charges are rising annually in line with CPI, a review of the charges should be carried out every five years to ensure that income and expenditure are remaining broadly in step.

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Chair, Lauderdale Tower House Group

[Appendix follows]

APPENDIX

This appendix provides more information on the way costs are allocated for the car park attendants.

The 28 CPAs split their time between car park duties and concierge services. At present, the car park account pays for two-thirds (67 per cent) of their costs while the service charge account pays one-third (33 per cent). However, time studies have shown that the CPAs actually spend only 42 per cent of their time on car park duties while spending 58 per cent of their time on concierge services.

In the last budget, the car park account was charged £920,000 for CPA costs. But if it had been charged only 42 per cent of the CPA costs instead of 67 per cent, the figure would have fallen to £579,600 – a reduction of £340,400. So the car park account would have been £340,400 better off.

The following is the City's description of the problem, extracted from a report on car park charging submitted to the Barbican Residential Committee on 12 December 2016.

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.

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Appendix 6

History of Key Porter (KP) service:

- There was a KP service (charged to the service charge for all blocks according to the lease) which was provided by various locations across the Estate until the mid-90s (by dedicated KP & Resident Housekeeper staff)
- The Tower blocks have always had an individual KP service provided by the Lobby Porters which is charged via the service charge
- The KP service was then delegated to a centrally located reception service and charged via the service charge (based on allocated on-costs)
- Over time there was then the development of a local KP service for the terrace blocks which was provided by the local Car Park Attendants (CPA) from their Car Park offices (which was considered part of their Concierge duties and which forms one-third of the proportion of the CPA costs charged to the service charge account)

[Continued on following page]

Appendix 7

Car Park Attendants (CPA)/Estate Concierge (EC) duties:

- **Car Parking service** - Time spent with either Temporary or Permanent car parking
- **Concierge service** - Dealing with any relating to residents, their visitors, flats or estate wide issues
- **Parcels service** - The receiving, safe guarding, forwarding and administration of the residents' parcels and post.
- **Keys service** - The receiving, safe guarding, forwarding and administration of the residents' keys.
- **Security service** - Not only specific incidents, but also time spent monitoring the CCTV and general security of your location.
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Summary of CPA/EC duties based on Time Recording April – October 2016:

2016	Car Parking %	Concierge %	Parcels %	Keys %	Security %
April	22	29	21	6	22
May	23	31	22	7	17
June	21	22	27	9	21
July	20	19	25	8	28
August	18	24	25	11	22
September	21	26	22	12	19
October	27	22	25	10	16

2016	Car Park Duties %	Residential Block Duties %
April	44	56
May	40	60
June	42	58
July	48	52
August	40	60
September	40	60
October	43	57
TOTAL AVERAGE	42	58

[Ends]