

AGENDA ITEM 6**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****27th NOVEMBER 2020****REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES****TRANSPORT PORTFOLIO****CAR PARKING****SUMMARY**

The purpose of this paper is to outline the proposals for the introduction of free car parking across key Tees Valley Town Centres to make it easier, cheaper and more convenient for people to use Tees Valley high streets and support local businesses.

The proposed scope of the policy proposal is to introduce a minimum of two hours up to a maximum of three hours' free car parking for two years in each of the five Tees Valley Local Authority primary town centres, namely; Darlington, Hartlepool, Middlesbrough, Redcar and Stockton.

The physical locations within each of these Town Centre areas are provided in the maps shown at **Appendices 1-5** respectively. The scope of parking at these locations encompasses on and off street car park facilities. The maps also show any locations in terms of privately-owned car parks within the same vicinity for completeness.

The total baseline income level from car parking charges across the Tees Valley is £5.32m per annum. All figures presented are based on the maximum of three hours.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Approves the proposed introduction of free car parking across the car park areas designated at **Appendices 1-5** for two years as part of the wider Indigenous Growth Programme (IGP); and
- ii. Approves the allocation of a further total of £10.64m to the IGP, funded from a transfer from the Transport funding allocation in the Investment Programme.

BACKGROUND

1. The introduction of free car parking across all Tees Valley Town Centres is to make it easier, cheaper and more convenient for people to use Tees Valley high streets and support local businesses.
2. The proposed scope of the policy proposal is to introduce three hours' free car parking in each of the five Tees Valley Local Authority primary town centres, namely; Darlington, Hartlepool, Middlesbrough, Redcar and Stockton.

3. The physical locations within each of these Town Centre areas are provided in the maps shown at **Appendices 1-5** respectively. The scope of parking at these locations encompasses on and off street car park facilities. The maps also show any locations in terms of privately-owned car parks within the same vicinity for completeness.
4. The current charging position of the car parks shown at Appendices 1-5 is shown in Table 1 below along with the 2019-20 financial year income baseline associated with those locations. In accordance with the relevant legislation to income derived from the car parks contributes to the cost of managing carparking in the relevant Local Authority area. Memorandum information has been provided in respect of the number of privately-owned car parks within the scope of the areas selected across the Tees Valley. This is to provide an indication of other parties with a potential interest in the proposals.

Table 1

| Town Centre Car parks | Number privately owned Car parks | Current charging position | Number of publicly owned car parks | 2019-20 Baseline publicly owned (plus on street spaces) £ per annum |
|-----------------------|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------------------------------------------|
| Darlington | 3 | £1 per hour 8 – 6pm, free all-day Sunday | 7 | £1.923m |
| Hartlepool | 0 | £1 up to 2 hours £2.10 up to 3 hours £2.80 up to 4 hours Above charges apply to main town centre car parks. Smaller, less accessible town centre car parks have small variations on above charges | 7 | £1.038m |
| Middlesbrough | 12 | 2hrs free at Captain Cook Square car park only Short Stay - £1.30 per hour Long stay ranges as below depending on location; 80p - £1.30 for 2 hours £1.30- £2.30 for 4 hours £2.00 - £3.30 for 10 hours | 15 with charges | £0.850m |
| Redcar | 4 | short stay: £1.00 for 1 hr, £1.50 for 2 hrs and £1.00 for each additional hr Long stay: £1.00 for 1 hr, £1.50 for 2 hrs and £3.00 all day | 19 | On Street £0.144m Off Street £0.597m Total £0.741m |
| Stockton-on-Tees | 10 | SBC off street car parks: SHORT £1 for 1 Hr SHORT £1 for 2 Hrs SHORT £1 for 3 Hours Free on Sunday On Street: SHORT 20p for 30 Mins SHORT 50p for 1 Hr SHORT 50p for 30 Mins Free on Sunday Wellington Square tariffs: | 22 plus approx. 22 on street areas | £0.226m £0.163m |

| | | | | |
|-----------------------------------------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------------------------------|
| | | £1.50 from 2-4 hours and £3 from 4-24 hours Castlegate tariffs: Up to 2 hours – £1.20 2 to 4 hours –£2 4+ hours – £3.50 £1 flat fee on a Sunday Yarm | | £0.210m £0.168m TOTAL £0.767m |
| Tees Valley main town centre car parks | 29 | Various different charging methods across Tees Valley LAs | 70 Plus, on street spaces | £5.319m |

5. Table 1 shows the different charging policies within each Local Authority and respective income levels. The local authority Directors of Finance recommended the use of the 2019-20 financial year as the most empirical baseline dataset available at the time of writing of this report. The total baseline income level from car parking charges across the Tees Valley is **£5.32m**. Although these charging levels are pre-Covid-19 and undoubtedly Town Centre car parks have been severely impacted by Covid-19, it is not recommended to rebase these proposals for any income reductions as a result of Covid-19.

Proposed implementation

6. The proposed implementation is for the locations listed at **Appendices 1-5** to be three hours' free car parking. The proposals do not include other "towns" across the Tees Valley that are outside of the main Town Centres for each Local Authority. The total income currently received from those other car parks across the entire Local Authority area is provided in **Table 2** below. This information is provided for completeness to demonstrate the value of car park income not in scope of the proposals.

Table 2

| Local Authority | Number of other publicly owned Car parks | 2019-20 £ |
|--------------------------------------------------|-------------------------------------------------|------------------|
| Darlington | 10 | £0.226m |
| Hartlepool | 16 | £0.260m |
| Middlesbrough | 0 | £0.000m |
| Redcar and Cleveland | 10 | £0.170m |
| Stockton-on-Tees | 0 | £0.000m |
| Tees Valley (excluding main Town Centres) | 36 | £0.656m |

7. The information in Table 2 is provided as context information only and demonstrates the proposals in Table 1 are the material areas of potential impact of the policy proposals.

Options development

8. There has been consideration of various options in terms of implementation methodology to ensure a fair and proportionate approach to the implementation of free car parking across the Tees Valley. The summary of options considered is set out below: -
- **Option 1** – Initial upfront payment from Tees Valley Combined Authority (TVCA) based on the baseline financial year with annual reconciliation of footfall numbers after each year-end to bring the allocation back to actual income levels that would have been expected had fee paying car parks remained in operation
 - **Option 2** – As per Option 1 but with monthly profiled payments
 - **Option 3** – As per Option 1 with no annual reconciliation due to the costs incurred in maintaining systems and processes to capture the required information to support a robust reconciliation exercise
 - **Option 4** - As per Option 3 but with a two-year allocation period to allow sufficient time to properly assess the impact of the measures and to provide stability to local authorities and communities in terms of the charging mechanism change.
 - **Option 5** – Do Nothing – this has been discounted on the basis of the significant need to support Town Centre locations as part of their overall economic recovery. This is particularly relevant due to the impact of Covid-19.
9. All of Options 1-3 are annual exercises with the policy being reviewed annually as part of the annual budget setting cycle. Option 4 is the preferred option providing stability in respect of the policy change and enabling the measures to be fully assessed over a time period.

Risk Assessment

10. Each option has been appraised in terms of the risks associated with implementation and maintenance. A summary of the risks alongside each option is provided in **Table 3** below. The primary objective to achieve an increase in Town Centre footfall, although a risk, is not listed in the risk assessment table below as this briefing note focuses on the relative merits of implementation options rather than the ability of the policy to achieve its objectives.

| Table 3 - Risk | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------|----------|----------|----------|
| Policy changes due to political leadership change | X | X | X | X | |
| Additional costs of implementing the policy proposal | X | X | | | |
| Challenge from private sector operators in relation to state aid | X | X | X | X | |
| Potential cost/productivity savings from implementation | | | X | X | |
| Material impact on other "Town Centres" in the Tees Valley | Unknown | | | | |
| Impact on private sector car parks (including where car parks underpin landlord financial positions e.g. shopping centres) | X | X | X | X | |
| Employees increased use of free car parking reduces the intended impact of increased footfall into Town Centres | X | X | X | X | |
| Integrating car parking charges with costs associated with the broader user requirements (e.g. location, personal safety, safe environment, ease of access, no/little queuing, capacity, effective surveillance, size of parking space, appropriate lighting) | X | X | X | X | |
| Stability of multi-year period of implementation | | | | X | |
| Lack of empirical evidence to show the benefits of free parking | Applies across all options | | | | |

Recommended Option

11. The recommended approach is **Option 4** to provide a sustainable solution that enables the impact of the policy proposal to be assessed over a period of time alongside other Town Centre development activity.

FINANCIAL IMPLICATIONS

12. Each of the options relies on a baseline assessment of the lost car parking income that Local Authorities would require compensating for with a variation potentially for actual footfall numbers. The total cost to the Combined Authority will depend on which option is selected and for what length of time the proposals are designed to be committed for. The preferred Option 4 would be a cost of **£5.32m per annum** over two years = **£10.64m total commitment** from the Combined Authority, based on the maximum of three hours. These costs exclude any incidental costs associated with the implementation of the proposals (e.g. signage changes/administrative changes) that would be required to be met by each local authority.
13. There is potential for cost savings within each local authority as a result of Option 4 as enforcement, administration and maintenance activity would not be required. However, based on current information local authorities would still require enforcement activity regarding the three-hour free car parking period. The Tees Valley local authorities also have flexible resourcing models that mean their enforcement activities are not just in respect of car parking and it is more likely resource would be redeployed onto other enforcement related activities.
14. The cost estimates to implement this policy decision would require redirection of funding from the current allocations within the Tees Valley Investment Plan. This would be envisaged as part of an overall strategic response to Covid-19 economic recovery activity.
15. It is proposed that the allocation of these funds for town centre car parking is managed by way of an increase to the Indigenous Growth Programme ("IGP") approved by Cabinet as part of the 10 year Investment Programme in [date], the business case for which was subsequently approved in line with the Combined Authority's Assurance Framework. Rather than a new business case being required for the car parking funding, the Combined Authority will produce an assessment of the projected outputs and economic benefits of the additional IGP funding, to assist with the rapid release of the funds as required.
16. By way of reminder, the IGP was developed to promote area regeneration in support of economic growth in each of the five key settlements of the Tees Valley. Indicative Activities for the IGP were stated to include gap capital support for public realm initiatives aimed at creating vibrant town centres and operating costs for discrete programmes designed to support associated capital expenditure. It is therefore considered that this car parking funding can be added to the IGP under the existing business case and managed under the agreed IGP drawdown process.
17. The funding to increase the IGF allocation to reflect the car parking proposals will be from the Transport allocation of the investment plan. Within the overall Transport allocation there is currently £66.64 million unallocated, subject to securing Government

funding and therefore there is a recommendation to Cabinet to earmark £10.64m of Transport funding to be transferred to IGF subject to approval of this report. Approval of this proposal would leave £56 million in the Transport allocation available for future projects subject to securing Government funding.

18. The proposals have the potential to increase footfall, and therefore business activity in the Town Centres leading to increased business rates income for local authorities. The move to a fixed term TVCA funded free car parking position also removes the financial risks associated with uncertain revenue streams for local authorities. Alternatively, local authorities may view that their Towns Fund and associated funding for Town Centre redevelopments may lead to increased car parking revenues from improved “offers” to the public.

LEGAL IMPLICATIONS

19. Public parking is regulated through the Traffic Management Act 2004 and the Road Traffic Regulation Act 1984 (“RTRA”). Section 32 RTRA 1984 gives local authorities the power to provide parking places, including off-street public parking, and section 35 RTRA gives local authorities the power to impose charges in connection with the use of such parking places. The legislation provides that the level of charges must be based solely on the need to manage parking i.e. local authorities must not set charges in order to provide a source of revenue for other activities
20. In the provision of car parking the Local Authorities are discharging their public purposes with any cost recover mechanism limited controlled by statute. In accordance is the delivery of these public duties, notwithstanding the cost recovery mechanism, the Local Authorities are not carrying out an economic activity and are accordingly not acting as ‘undertakings’ for the purposes of State Aid Law. Indeed, the funding contemplated by this paper has the effect of subsidising the costs of managing the carparking and the correct application of the RTRA by each beneficiary authority is that the car parking charges for the period specified in the report should be reduced to Nil.
21. Accordingly, the funding is both lawful and appropriate and the provision of car parking without charge as contemplated is believed to be a correct application of the legislation by the Authorities. This analysis is also supported by external sourced legal advice.
22. The car parking spaces will be openly to all suitable vehicle users, on a first come first served basis, in accordance with the conditions applicable to each car park and are otherwise not selective. Whilst there are likely to be general benefits to the businesses in the area of the relevant car parks this is also not selective and does not amount to indirect aid to any business.
23. It will be for each Local Authority funding beneficiary to implement the reduction in the car parking charges, having satisfied itself that it is correctly applying the relevant law in its decision making. This will be a condition of the drawdown of funding.
24. As set out above it is proposed that the allocation of these funds for town centre car parking is managed by way of an increase in funding to the IGP, the business case for which was previously approved in line with the Combined Authority’s Assurance Framework. A separate business case is not therefore required for the car parking funding; TVCA will produce an assessment of the projected outputs and economic

benefits of the additional IGP funding, to assist with the rapid release of the funds as required.

RISK ASSESSMENT

25. The implementation and management of risks associated with these proposals are summarised in the table under paragraph 10. The proposals contained within this report have covered the financial risk element in terms of a fixed sum for each financial year based on the 2019-20 baseline position agreed with each local authority Director of Finance. The local authorities will be responsible for any costs associated with implementation of these proposals (e.g. signage, administration, etc).
26. The legal risk of challenge is set out clearly in the legal implications section of this report. The conclusion is there is no risk in terms of successful challenge on state aid or competition law grounds.
27. The reputational risk element remains in terms of how free car parking provision would continue beyond the proposed two-year timeframes within this paper.

CONSULTATION AND COMMUNICATION

28. The Tees Valley Management Group, Chief Executives and Local Enterprise partnership have all been consulted as part of the production of this report.

EQUALITY & DIVERSITY

29. There are no equality and diversity implications associated with the recommendations in this report.

Name of Contact Officer: Gary Macdonald

Post Title: Group Director of Finance and Resources

Telephone Number: (01642) 527707

Email Address: gary.macdonald@teesvalley-ca.gov.uk