

<b>Subject:</b>	<b>Parking payment systems</b>
<b>Date of Meeting:</b>	28 June 2016 – Environment, Transport & Sustainability Committee
<b>14 July 2016 – Policy, Resources &amp; Growth Committee</b>	
<b>Report of:</b>	<b>Acting Executive Director for Economy, Environment &amp; Culture</b>
<b>Contact Officer:</b> Name:	<b>Paul Nicholls</b>
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<b>Ward(s) affected:</b>	All

## **FOR GENERAL RELEASE**

### **1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The report seeks approval for the procurement of 330 card-only Pay and Display machines, upgrades to the existing 320 Pay and Display machines to accept card payments only, and additional upgrades to 150 newer cash machines to allow them to accept the new £1 coin and card payments.
- 1.2 It should be noted that in addition to the 650 new and upgraded contactless card machines, the customer would still be able to pay by cash at 150 cash and card Pay and Display machines or at the 150 Paypoint outlets in the city.
- 1.3 The report aims to balance the needs to provide convenient, reliable payment facilities, reduce cash handling risks and obtain best value for money given the requirement to upgrade all machines to allow payment with the new £1 coin from March 2017

### **2. RECOMMENDATIONS:**

That the Environment Transport and Sustainability Committee:

- 2.1 Notes the procurement options evaluated in this report and recommends that Policy, Resources & Growth Committee approves the report's recommendations (Option 3) for the procurement of Pay and Display machines, for the reasons explained in the report.

That the Policy, Resources & Growth Committee:

- 2.2 Approves the procurement of 320 card-only Pay and Display machines, upgrades to the existing 330 Pay and Display machines to accept card payments only, and additional upgrades to 150 newer cash machines to allow them to accept the new £1 coin and card payments;

- 2.3 Grants delegated authority to the Executive Director Economy, Environment and Culture to award the contract(s) following the procurement.
- 2.4 Approves that the upgrade and purchase of parking machines is included into the council's Capital Investment Programme 2016/17 funded through prudential borrowing. .

### **3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The Council's Corporate Plan commits to deliver "*a well run city – keeping the city safe, clean, moving and connected*". The Council's Transport Vision is "*to develop an integrated and accessible transport system that is well maintained and enables people to travel around and access services as safely and freely as possible*".
- 3.2 In 2013 drivers mainly had to pay in cash for parking with only 55 of the city's 1,380 pay and display machines able to accept card payments,. Following complaints from traders about drivers continually asking for change for their parking, Transport Committee in January 2013 approved the introduction of a new service to allow payment for parking by phone.
- 3.3 Over 40% of drivers now pay for their on street parking by phone. In 2015 Budget Council approved a saving of £225,000 from reducing the number of on street Pay and Display machines from 1,380 to the 800 currently in service. The last phase of machine removals was completed in January 2016.
- 3.4 The steady increase in customers choosing to pay for parking by phone has helped reduce wear and tear on the machines as they take much less cash. There is however still demand for conveniently located Pay and Display machines and this is expected to continue for the 7 to 10 years expected lifespan of the average machine.
- 3.5 Much of the remaining stock of Pay & Display machines is showing signs of corrosion following years of service. The annual cost of machine maintenance is approximately £500,000 with the upkeep of cash machines (which need frequent emptying), generally higher than card machines. The 425 'Stellio' machines are the oldest model of machine in service and they cannot be upgraded to accept card payment.
- 3.6 The proposed procurement is in response to an increase in attempted thefts, damage to cash only machines and to minimise the cost of upgrading all cash machines to accept the new £1 coin. Since 2008, the total cost of thefts from cash Pay & Display machines is estimated at £150,000. Recently, between January and March this year, customers were inconvenienced by 51 incidents of attempted thefts from machines with £14,995 stolen. Damage to these machines cost almost £30,000 and also creates a period of machine 'down time' until fully repaired
- 3.7 Operating cash Pay & Display machines involves additional expenses in terms of machine maintenance, cash collection and reconciliation costs compared to card only machines. There are a number of specific risks associated to the transit and

safekeeping of the council's cash from on-street parking fees and charges. These risks include:

- theft from machines;
- cash collection and transit operations;
- banking and payment operations;
- company failure or insolvency of the cash collection and transit supplier leading to potential loss of return of cash collected to the council.

- 3.8 Management of these risks was a key consideration during the appraisal of parking payment options for this report. By reducing the number and value of cash transactions and implementing other actions identified in this report, the above risks will be reduced having a potentially positive financial impact for the council.
- 3.9 Exposure to these risks could be managed by providing alternative payment methods such as card payment and reducing the amount of cash held on street. The 150 remaining cash machines that are less than 7 years old could be relocated to areas covered by CCTV and fitted with additional security features where appropriate. As a similar number of 'Paypoint' outlets accept cash payments for parking (without additional charge) drivers would still be able to pay in cash at over 300 locations in the city.
- 3.10 In March 2017, the Royal Mint will replace the current one pound coin with a new, 12 sided version. All Pay & Display machines would need to be upgraded to accept the new £1 coin at an estimated cost of £188,000
- 3.11 The latest Pay and Display machines still issue a ticket but also ask the driver to enter their vehicle registration. This allows electronic verification of paid parking time in the same way as phone parking sessions are verified. Digital information about which spaces are in use could also allow for the development of apps to help drivers find a parking space in exclusive paid parking bays.
- 3.12 The current stock of Pay and Display machines is shown in the table below. Intermittent mobile network coverage is a problem in some areas and this can affect customer's ability to pay using Chip and PIN (where a live authorisation is required). To improve reliability new machines would include "Contactless" since this method allows payments, up to a limited amount (£30), to be processed without live authorisation.

#### Current stock of Pay &Display machines and proposals

Machine type	Current stock	Proposals for replacement before the new £1 is introduced in March 2017
Stellios – up to 16 years old, <i>cannot</i> be upgraded to accept cards	425	Replace with 330 new card only machines.
Strada cash only machines can be upgraded to accept cards	320	Upgrade 225 machines to accept card payments only and upgrade 95 machines to accept card and new £1 coin cash payments
Strada card and cash machines	55	Upgrade to accept new £1 coin

Total	800	150 cash and card machines, 650 card only machines -Total 800 machines
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## 4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Five options were considered:

- 1) Upgrade all 800 existing cash machines to accept new £1 coins
- 2) Replace all 800 existing machines to accept credit and debit cards and cash, and capture vehicle registrations
- 3) Replace old machines with 320 card-only Pay and Display machines, upgrade 330 newer Pay and Display machines to accept card payments only, and additional upgrades to 150 newer cash machines to allow them to accept the new £1 coin and card payments
- 4) Remove all machines and simply offer Pay-by-Phone and PayPoint only
- 5) Do nothing – This option was discounted and not evaluated as machines need to be able to accept the new £1 coin after March 2017

4.2 Table 1 below summarises the benefits of the options evaluated of which Option 3 has the most benefits:

Table 1: Benefit Analysis	Option 1	Option 2	Option 3	Option 4
Allows payment without pre-registration	✓	✓	✓	✗
Capture VRM data	✗	✓	✓	✓
Reduced cash collection costs	✗	✗ (minimal)	✓ (significant)	✓
Reduced risk of theft	✗	✗ (minimal)	✓ (significant)	✓

4.3 Table 2 below summarises the one-off capital investment required for each parking payment option. Note that the table includes the capital costs required to introduce the identified options only, and not the costs of ongoing machine replacement. Each option will result in a different requirement for ongoing machine replacement depending on the level of initial investment in new machines and the type of machines put in place. The borrowing costs (capital and interest) of both the initial investment and ongoing replacement have been reflected in the annual revenue costs table 3 in section 4.4.

<b>Table 2: One Off Capital Investment</b>	Option 1	Option 2	Option 3	Option 4
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Coin upgrade cost	£0.188	£0.000	£0.035	£0
Machine upgrade cost (excluding coin)	£0.000	£0.000	£0.477	£0.000
Cost of new machines inc installation	£0.000	£3.590	£1.271	£0.000
removal/signage relocation costs	£0.000	£0.000	£0.045	£0.360
<b>Total Capital costs</b>	<b>£0.188</b>	<b>£3.590</b>	<b>£1.828</b>	<b>£0.360</b>

4.4 Table 3 below summarises the estimated annual revenue costs associated with each parking payment option for all Pay and Display machines. This therefore includes the cash collection and processing costs, machine operational costs and the borrowing repayments (both capital and interest) associated with both the introduction of the parking payment options included in this report and the ongoing machine replacement schedule where appropriate.

<b>Table 3: Annual Revenue Costs</b>	Option 1	Option 2	Option 3	Option 4
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash service costs including loss of income from theft	£0.444	£0.381	£0.122	£0.000
Card processing costs (fixed and per transaction costs to be absorbed by the council)	£0.375	£0.800	£0.874	£0.860
Machine Maintenance and Running Costs	£0.538	£0.508	£0.368	£0.100
<b>Total Operational Costs</b>	<b>£1.357</b>	<b>£1.689</b>	<b>£1.364</b>	<b>£0.960</b>
Capital Borrowing: Parking Payment Options (Repayment of capital costs in Table 2) Continuation of existing replacement schedule, where appropriate	£0.031 £0.528	£0.599 £0.000	£0.305 £0.222	£0.060 £0.000
<b>Total Borrowing (capital and interest) Costs</b>	<b>£0.559</b>	<b>£0.599</b>	<b>£0.527</b>	<b>£0.060</b>
<b>Total Annual Revenue costs</b>	<b>£1.916</b>	<b>£2.288</b>	<b>£1.891</b>	<b>£1.020</b>

- 4.5 Option 3 is recommended because it offers the best value for money option for balancing the immediate needs of responding to the coin change and providing a physical on-street payment option. This option has lower annual revenue costs compared to options 1 and 2 after the required capital borrowing costs have been considered. It will also reduce the risks and costs associated with providing hundreds of cash holding machines across the city.
- 4.6 Option 1 is not recommended due to the increasing cost of parts and maintenance and the increasing risks and costs of maintaining quantities of cash in hundreds of machines across the city.
- 4.7 Option 2 is not recommended because of the high investment required and risks attached with still maintaining 800 cash machines on street.
- 4.8 Option 4 is not recommended because whilst Pay by Phone does now account for a large proportion of payments, there is still a significant demand for a physical on-street payment option. Equalities issue have been identified for the elderly and others who may not have a mobile and may have mobility issues.to use limited Paypoint facilities as the only way of paying by cash.
- 4.9 The option of buying fewer Pay and Display card only machines was considered. Most streets currently have on average one machine. Reducing this number any further would mean that in some cases drivers would have much further to walk to pay for their parking causing difficulty for some people with mobility problems but without a blue badge.
- 4.10 Consideration was given to removing the 150 newer cash Pay and Display machines to eradicate all cash collection costs and losses to thefts by allowing cash payments at paypoint outlets only with all machines accepting card payments only. These remaining cash machines are however relatively new and in good working order. Keeping them in service would allow for cash payments in areas not well covered by the remaining cash option of Paypoint outlets throughout the city and areas of expected high demand for a cash payment facility
- 4.11 The re-introduction of the parking voucher system was considered to reduce cash collection on street. This system was however withdrawn because it was expensive to administer, with printing costs, retail fees and the cost of keeping shops stocked with vouchers. Mistakes when scratching off or using the vouchers also sometimes resulted in Penalty Charge Notices being issued. Paypoint shops already allow drivers to pay for their parking in cash with details of the vehicle and paid parking sent electronically to enforcement agents
- 4.12 The best value option for keeping machines on street is to procure machines and upgrades of the same brand as those currently in situ within the city, as opposed to procuring a new brand of machine which would increase costs. The Council will therefore choose the most economically advantageous option for this procurement.
- 4.13 One option is to use an existing parking contract in order to procure the required goods and services. The alternative option is to use a national framework for this

procurement. Quotations will be obtained from both options prior to a decision being made on the best value strategy to undertake for this procurement.

- 4.14 It is envisaged that the contract duration may be 7 years (which is similar to the lifespan of a Pay and Display machine) but this will be determined once more research has been conducted regarding the maintenance options available to the Council.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 As part of the Citywide Parking Review carried out in 2012 when almost all parking had to be paid in cash, residents were asked which payment methods they would consider using. At that time 78% responded that they would use card payments if available (the most popular option). This compares to 67% who said they would use a mobile 'phone'.
- 5.2 Overall 95% of the UK population have a bank card. This number is likely to be even higher amongst drivers given the need to insure and tax their vehicles. The age group least likely to have a bank card is the under 26 group.
- 5.3 A full communications campaign would accompany these proposals if approved to help members of the public familiarise themselves with the new machines and access the various payment methods and options available. A map would be displayed on all card only machines showing the location of the nearest cash payment facility. Covers could also be purchased for cash and card machines with different branding to make them more easily identifiable on street
- 5.4 Environment Transport and Sustainability Committee Members will be consulted on the proposed location of the 150 cash and card machines in advance of their installation.

## **6. CONCLUSION**

- 6.1 It is recommended that the Committee approve option 3 the procurement of 330 card-only Pay and Display machines, upgrades to the existing 320 Pay and Display machines to accept card payments only, and additional upgrades to 150 newer cash machines to allow them to accept the new £1 coin and card payments. This offers the best value for money, balancing the immediate needs of responding to the coin change and providing a physical on-street payment option, whilst removing the risks and costs attached with providing hundreds of cash holding machines across the city. Reducing thefts should also mean drivers wishing to pay at a machine receive a more reliable service.
- 6.2 By providing for all parking sessions to be recorded digitally, this recommendation has the potential to deliver a more efficient and cost effective enforcement service. Better information about parking activity could be used to help drivers find an on street parking space.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 7.1 The financial implications of the four options have been reviewed to assess the anticipated initial capital costs and impact on annual revenue costs, which are summarised in the main body of this report. The capital costs are based on quotes from suppliers and are considered to be reliable estimates.. These proposals would reduce the risk of theft of cash from Pay & Display machines by reducing on-street cash options and reverting to card payments or paying by cash in PayPoint retail outlets. An estimate of the financial impact from this reduced risk has been included within the financial appraisal of each option. Therefore the ongoing operational costs are based on current costs and best estimate assumptions for changes in payment behaviour
- 7.2 The 2016/17 Revenue Budget for the costs associated with Pay and Display machines total £1.973 m. Therefore, the introduction of Option 3 at an estimated annual revenue cost of £1.891m would achieve a small saving of £0.082m per annum. However this saving should be treated with caution at this stage as it is based on estimates, particularly for capital costs and associated borrowing costs and machinery maintenance costs. Any significant variation between anticipated and actual costs will be reported as part of the council's Targeted Budget Monitoring process.
- 7.3 The recurring financial impact of the approved recommendation will be incorporated in future years budget as part of the budget setting process when information on the costs and income becomes more robust and can be accurately forecast. It is not anticipated that the implementation of option 3 will have a significant impact on the level of parking income receivable or change in parking behaviour, as it is anticipated that the majority of on-street pay and display users will be able and willing to pay by the alternative available methods. The potential implications on levels of income have not been assumed within the financial appraisal of the options as it is difficult to predict, however the impact on the levels and type of parking income as a result of this project will be reviewed.
- 7.4 If the recommendations of this report are approved, the capital scheme of £1.828m for replacement and upgrades to Pay and Display Machines will be included in the capital programme and the borrowing funded from the Transport revenue budget with any projected variances reported as part of the Targeted Budget Monitoring reporting process.
- 7.5 The proposed procurement process is subject to compliance with the council's Contract Standing Orders and Financial Regulations. Is it essential that all Chief Officers follow Contract Standing Orders as well as Financial Regulations in the procurement and control of contracts. The achievement of value for money when procuring goods and services is a key task to ensure that public money is well spent. The councils Contract Standing Orders states that contracts above the value of £0.500m require approval from the relevant committee or executive decision-making body.

*Finance Officer Consulted: Sue Chapman*

*Date: 24/5/16*

Legal Implications:

- 7.6 If the Council decides to procure the services under the current parking services contract, it will need to be varied to take account of this new requirement. As the value of the variation to the services is over the EU threshold for supplies and services, then the Public Contracts Regulations 2015 will need to be complied with, as well as satisfying Contract Standing Orders and value for money. If the Council decides to procure under an external framework contract, then it will need to show compliance with the afore-mentioned legislation, CSOs and value for money. As the value of the proposed contract is over £250,000 the form of contract will require approval from the Head of Law and it will need to be sealed.

*Lawyer Consulted: Jo Wylly*

*Date: 25/5/16*

Equalities Implications:

- 7.7 Blue badge holders can park for free for an unlimited time in paid parking bays. Younger age groups (under 26) are the least likely to have a bank card and so would have further to walk if they wanted to pay by cash. A full Equalities Impact Assessment has been completed in respect of the proposed change to payment options. A number of mitigating measures to reduce the impact of this change are to be put in place, such as the inclusion of maps showing the location of the nearest cash outlet on card only machines and making cash machines easier to identify on street through branding

Sustainability Implications:

- 7.8 A move to card payment options would reduce some vehicle emissions arising from cash collections and most machine maintenance call outs

Any Other Significant Implications:

- 7.9 Investment in machines should also improve the look of the street environment through the removal of old corroded machines.

## **SUPPORTING DOCUMENTATION**

### **Appendices**

None

### **Documents in Members' Rooms**

None

### **Background Documents**

Transport Committee report introducing phone parking

<http://present.brighton-hove.gov.uk/ieDecisionDetails.aspx?AId=31440>