

# **Guildford Borough Council**

Report to: Council

Date: 13 August 2024

Ward(s) affected: ALL

Report of Director: Finance

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Report Status: Open

## **Replacement / upgrade of various car park payment equipment**

### **1. Executive Summary**

- 1.1 To request the authority to use capital funds within the car park maintenance reserve to fund the procurement and acquisition of new car park payment equipment across all council run car parks.
- 1.2 This matter will be considered by the Executive at its meeting on 8 August 2024. Details of any recommendations from the Executive will be reported to Council on the Supplementary Agenda Pack.

### **2. Recommendation to Council**

That Council:

- 2.1. Approves funding up to £650k from the capital car park maintenance reserve budget to fund a replacement barrier pay on foot (PoF) car park payment system.

- 2.2. Approves funding up to £250k from the capital car park maintenance reserve budget to fund a replacement/upgrade to the pay and display (P&D) car park payment equipment.
- 2.3. Authorises the Assistant Director, Commercial Services, in consultation with the Joint Strategic Director, Finance, to take any action in relation to the procurement and letting of contracts in respect to the P&D equipment, this could be undertaken as a joint procurement by GBC and WBC to obtain best value for both councils.
- 2.4. Authorises the Assistant Director, Commercial Services, in consultation with the Joint Strategic Director, Finance, to take any action in relation to the procurement and letting of contracts to replace the PoF equipment, which could be combined with the P&D procurement to enable suppliers that offer both systems to bid and maximise the procurement opportunity for the Council.

### **3. Reason(s) for Recommendation:**

- 3.1. The existing PoF car park payment equipment is 13 years old and maintenance, upkeep and the availability of spares is becoming increasingly problematic. Replacement equipment will allow for the introduction of a modern, ticketless, automatic number plate recognition (ANPR) system providing an improved service to customers, greater opportunities to future-proof payment provision and offer flexibility to maximise income generation, better business intelligence and reduced maintenance issues.
- 3.2. Most of the existing P&D car park payment equipment is around 10 years old. Although maintenance, upkeep and the availability of spares are not currently problematic, over the course of the next few years, this is likely to become more of an issue. More importantly, the replacement / upgrade will expand the availability of contactless technology across all pay and display car parks, providing an improved range of payment options / service for customers, the ability to introduce ticketless parking and provide greater opportunities to future-proof payment provision and offer flexibility to maximise income generation and reduced maintenance issues.

- 3.3. A joint procurement by GBC and WBC for the P&D equipment will help derive best value through economies of scale and further increase alignment of the equipment and systems that the two organisations use. Recently GBC and WBC have adopted the same handheld enforcement devices, back-office penalty, and permit processing software and both Councils have recently taken the decision for GBC to perform enforcement duties in WBC's off-street car parks. Combining the P&D and PoF procurements, allowing suppliers that offer both systems to bid, could help derive further savings even if their respective implementations follow slightly different timelines.

#### **4. Exemption from publication**

None.

#### **5. Purpose of Report**

- 5.1. To obtain authority from Full Council to use capital funds held within the car park maintenance reserve to fund the procurement and acquisition of new car park payment equipment.
- 5.2. To note the ongoing servicing, maintenance, upkeep, and parking transactional costs over the period of the contract will be covered by the car park revenue account as occurs at present.

#### **6. Strategic Priorities**

The provision and effective management of off-street parking feeds into a number of the Council's strategies, including transportation, economic development, climate change and sustainability.

#### **7. Background**

- 7.1. **PoF equipment (GBC)** - Currently the council operates 4 barrier pay on foot car parks, comprising of 13 entry / exit barrier systems and 11 payment machines. These facilities generated £3.3m net revenue and cost around £130k to service in 2023-24.

- 7.2. However, being 13 years old, the ticketed technology is now antiquated, prone to ticket reading issues, becoming increasingly difficult to service, not particularly customer friendly and limited in terms of the business intelligence it can provide.
- 7.3. More modern ticketless, ANPR equipment is available, which would provide improved customer service, additional flexibility to increase the opportunities to generate additional revenue, future-proof payment provision, improved business intelligence and reduced maintenance issues and costs.
- 7.4. The improved service provision could include integration with pay by phone, thereby allowing customers to use pay by phone within the PoF car parks alongside, cash and card payments. Pre-booking of spaces could also be made available, and the management of the season tickets and pre-payment cards would be simplified, relying on whitelists of vehicle registration marks, instead of RFID equipment / readers that need to be programmed, dispatched etc.
- 7.5. Newer barrier systems also tend to be more sensitive to vehicle and pedestrian movements. This may help reduce the number and severity of health and safety issues at the entry and exits of the car parks and the resultant potential insurance claims.
- 7.6. Presently, blue badge holders must pay to use PoF car parks. The improved technology may make it possible to offer blue badge holders the ability to use the PoF car parks free of charge, as they already can the P&D car parks.
- 7.7. It is highly unlikely that it would be possible for the existing PoF equipment to remain serviceable for another 10 years, and if it did fail unexpectedly, one might expect a net revenue loss of between £2.0m-£3.0m during the 6 months that an unplanned procurement exercise might take to complete and implement.
- 7.8. In terms of the procurement, the estimated capital cost (of up to £650k) is such that a full procurement exercise would be necessary.

- 7.9. The transactional costs and the proportion of payment methods are unlikely to change significantly from the present situation, although there may be some scope to reduce the frequency of cash collections, particularly if pay by phone payments also become possible in the PoF car parks.
- 7.10. Servicing and maintenance costs are also likely to reduce. The newer equipment may be less prone to issues, particularly as more modern equipment tends to have fewer mechanical components, so this too could potentially derive some savings.
- 7.11. **P&D equipment (GBC)** – Currently the Council operates 17 P&D car parks that only accept coin and pay by phone payments. This involves 44 P&D machines. The P&D facilities generated £6.0m net revenue and cost around £50k to service in 2023-24.
- 7.12. While 10 years old, the equipment continues to maintain high levels of serviceability. However, over the course of the next few years, issues associated with serviceability and the availability of spare parts are likely to increase.
- 7.13. The primary limitations associated with the existing P&D equipment is the fact that currently, the vast majority only accept coins. Whilst pay by phone payments are also available, providing contactless card payment will improve payment options and customer service. It will also provide the opportunity to introduce ticketless parking in the P&D car parks, with the parking session being linked to the customer's vehicle registration.
- 7.14. The current transaction cost could be reduced by as much as £1.0m over the course of 10 years, by more economical revenue processing methods and reductions in the number of cash collections.
- 7.15. Card only P&D equipment are mechanically less complex than coin accepting P&D machines, so rationalising the numbers of the latter could also reduce machine maintenance costs and the need for GBC enforcement officers to undertake first-line maintenance duties on the mechanical components. Ticketless parking would also reduce or

eliminate entirely, the need for ticket rolls, again helping to save money and the need for GBC enforcement officers to undertake ticket replenishment duties. This would allow the enforcement team to spend more of their time performing their core enforcement, customer service, security, and health and safety duties.

- 7.16. The adoption of contactless technology is also likely to generate additional revenue. Coin-using customers that limit their stay by the amount of change that they are carrying will no longer be restricted if they instead choose to pay by card. If half of the 20% of customers that still use coins were instead to use card payments, this could potentially generate significant additional revenue (circa up to £300k pa) based on known average income per transaction of the various payment methods. Ticketless parking, where the ticket is linked to the registration of the visitor's vehicle, will also reduce the transfer of unspent time from one customer to another. The touchscreen payment equipment that is available on the market may also provide opportunities to use the display for advertising purposes, opening another potential revenue stream. In comparison, the advertising on the current physical tickets effectively reduces their cost to the council, rather than generating additional revenue.
- 7.17. P&D equipment (WBC)** – In addition to GBC's needs, WBC currently operates 19 P&D car parks that only accept coin and pay by phone payments. It also operates 10 car parks where contactless payment facilities are available. These facilities generated £4.2m net revenue and cost around £75k to service in 2023-24.
- 7.18. However, the age of both the contactless and non-contactless equipment, combined with the recent switch off of the 3G network, mean that there are significant risks to service delivery, revenue protection and means that customers are currently being offered more limited payment options.
- 7.19. The renewal of the P&D equipment and upgrade to include contactless equipment throughout will derive similar benefits to those identified in respect to GBC's needs. The introduction of roaming sims in the P&D machines, like those in GBC's car parks, will

allow them to switch to the strongest signal if there are network issues, providing customer with a wider and more stable range of payment options. Furthermore, card only P&D equipment are mechanically less complex than coin accepting P&D machines, so rationalising the numbers of the latter could also reduce machine maintenance costs, as well as ongoing cash collection fees.

- 7.20. Procurement** – GBC and WBC could, if they chose, undertake separate procurement exercises. Although this might allow each organisation to progress along their own preferred timelines, it would result in the duplication of procurement exercises, tender evaluation, contract, and legal tasks.
- 7.21. Separate procurements would also reduce the opportunities to benefit from the economies of scale. It is known that certain procurement frameworks offer discounts of up to £1k per P&D machine if more than 100 units are purchased. GBC's requirement for 44 machines and WBC's requirement for 68 machines would exceed this threshold, resulting in a potential capital saving of £112k across both organisations.
- 7.22. Procuring the same equipment through one exercise also has several other benefits, which could include simplified frontline maintenance by GBC's enforcement staff and reduced ongoing servicing costs.
- 7.23. It is also the case that some suppliers provide both P&D and PoF equipment. If one of these companies were to be successful, this could derive yet more savings. However, one would also have to be mindful of the limitations that such a wide-ranging procurement could impose in terms of the route to market and timings. It is likely that the PoF equipment procurement would need to involve a full tender exercise due to its value and complexity, whereas the P&D equipment procurement process could potentially be done on a more restricted tender basis, which will allow potentially more cost-effective, more limited contactless upgrades to be considered, in addition to the possibility of entirely new P&D equipment.

- 7.24. If funding and the procurement is approved as recommended, discussions will be held with our Procurement colleagues to finalise the timeliest and cost-effective approach to acquire the equipment and the associated ongoing services.

## **8. Consultations**

- 8.1. Colleagues from the Council's Legal, Finance, HR (Human Resources), Procurement and various other enabling teams have been consulted as has the Lead Councillor.

## **9. Key Risks**

- 9.1. **PoF** - For GBC, the primary risk relates to the PoF equipment and its need for replacement. Given the age of the equipment, it has effectively reached end of life and is becoming increasingly difficult to maintain.
- 9.2. If the equipment were to fail unexpectedly, either at a specific car park, or more generally, this could have significantly negative service delivery and financial ramifications.
- 9.3. Indeed, a complete system failure (e.g. a loss of comms. to all the equipment) could result in direct income losses of around £333k per month, plus likely displacement from the P&D car parks of up to £167k per month, whilst funding for a replacement system is secured, procurement undertaken and equipment manufactured, supplied, installed, and commissioned (circa > 6 months). This could quite easily result in losses of around £2.0m-£3.0m. Therefore, the need for a timely, planned replacement is essential.
- 9.4. **P&D** – For GBC, at the present time, the need to replace the P&D equipment is less pressing than the need to replace the PoF equipment. The primary objective is to improve payment options for customers. However, given that the equipment is 10 years old, maintenance and parts availability are likely to become more pressing in the next few years.

- 9.5. In this regard, the risks for WBC are far more pressing, due to the lack of 4G connectivity of their present equipment, its present poor performance and the recent switch off of the 3G network. This already results in 18% of all attempted card payments transactions voiding. Whilst pay by phone connectivity would remain, the loss of comms. to the payment equipment and the contactless payment option at several of their sites could result in estimated losses of around 10%-20% in net revenue (£420k-£840k per annum).
- 9.6. So, although the failure of the P&D equipment / 3G switch off is less likely to be catastrophic in nature compared to a PoF failure, if all the equipment in a particular pay and display car park were to fail simultaneously, currently the only alternative option for customers would be for them to use pay by phone. Of course, mobile network coverage can also sometimes prove troublesome. This would represent a significant degradation in service and a loss of flexibility in respect to how customers choose to pay.
- 9.7. The provision of new equipment with contactless payment technology will reduce the likelihood of equipment failure whilst providing customers with a wider range of payment options to meet both their present needs and future expectations.
- 9.8. Furthermore, if GBC and WBC were to procure the P&D equipment together, they could benefit from economies of scale, which could reduce the initial capital outlay by as much as £112k (£44k saving to GBC and a £68k saving to WBC). Procuring separately risks losing this opportunity to reduce costs.

## **10. Financial Implications**

- 10.1. PoF equipment cost/revenue estimates (GBC)
- Capital cost - £650k
  - Servicing costs - £130k pa after yr1
  - Transaction costs – £70k pa
  - Net Revenue - £3.3m+ (23/24 net figures)
  - So, over a 10-year period

- Costs - £2.65m
- Revenue - £33m+ (net)

#### 10.2. P&D equipment cost/revenue estimates (GBC)

- Capital cost - £150k-£250k
- Servicing costs - £50k pa after yr1
- Transaction costs – £190k-£290k pa
- Income - £6.0m+ pa (23/24 net figures)
- So, over a 10-year period
  - Costs – £2.5m-£3.6m
  - Revenue - £60m+ (net)

#### 10.3. Do nothing - P&D and PoF equipment cost/revenue 23-24 (GBC)

- Capital cost – N/A
- Servicing costs - £180k pa
- Transaction costs – £360k pa
- Income - £9.3m+ pa (net)
- So, over a 10-year period
  - Costs – £5.4m (without any replacement / upgrade)
  - Revenue - £93m+ (net)
- Increased servicing costs and risks to revenue if equipment is not replaced in a planned and timely manner

10.4. The joint procurement with WBC in respect to the P&D equipment is expected to generate a capital saving of £112k across both organisations. This has the potential to reduce GBC's overall capital spend (for P&D and PoF) from £1.15m to £1.11m, whilst reducing WBC's capital spend (for P&D) from up to £250k to £182k.

10.5. It is highly unlikely that the existing payment equipment (particularly GBC's PoF equipment) would remain serviceable for another 10 years, and if it did fail unexpectedly, in the case of the PoF system, one might expect a revenue loss of £2.0m-£3.0m during the 6 months that an unplanned re-procurement exercise was undertaken.

- 10.6. The same is also applicable for WBC's P&D equipment, although the scale of financial losses incurred whilst an unplanned re-procurement exercise was undertaken are likely to be of a lower magnitude, in the range of £1.0m-£2.0m.
- 10.7. The adoption of new payment equipment could reduce transaction costs by as much as £1.0m over the 10-year period (GBC) and £1.2m in WBC over the same period.
- 10.8. The availability of card payments is likely to result in the removal of the restrictions associated with coin payments which are limited in respect and this could generate an additional £300k new per annum. The modern technology may also provide a greater offer to customers allowing them to autopay and book spaces in advance, as well as linking to other systems that offer ticketless parking.
- 10.9. Although the life-cycle maintenance and transactional costs are already effectively covered by existing revenue budgets, given their size and the size of the initial capital expenditure, they will form a significant part of the tender evaluation(s) and overall contract value (est. £5.15m-£6.25m to GBC over 10 years).
- 10.10. Confirmed as a Capital Project approved by Executive, to be funded from available Earmarked Reserves.

## **11. Legal Implications**

- 11.1. It is likely that this will be an above threshold procurement which will be undertaken in accordance with the relevant legislation. Procurement and legal advice will be provided throughout the process to ensure that this is a compliant procurement which achieves best value.
- 11.2. Appropriate contract(s) will be entered in to with the successful tenderer(s).

- 11.3. Provision and maintenance of suitable payment equipment will enable enforcement to be undertaken where necessary. There is a risk of challenge to enforcement if equipment is not operational.

## **12. Human Resource Implications**

None

## **13. Equality and Diversity Implications**

- 13.1. We have looked at the proposed changes and the anticipated operation of the new system in the context of the matters to which we need to have regard under the Public Sector Equality Duty (PSED) as defined in Section 149 of the Equality Act 2010. It is not anticipated that there would be any adverse impacts arising from the new system for car park users with disabilities. On the contrary, it is anticipated that the automated ANPR system will make it easier to use by most users, including those with disabilities and we believe that the aspirations of the PSED will be met by the introduction of the new system. It is anticipated that there may be some occasions where difficulties could be encountered by users with disabilities but in any system, this will be unavoidable, and we anticipate that these occasions will be limited. However, the overall benefits from the new system to the Council's car parking service, and to the greater majority of car park users, including those with disabilities, justifies the adoption of the new system.
- 13.2. All payment equipment will comply with all relevant disabled legislation, albeit that in the pay and display car parks, blue badge holders will continue to be able to park free of charge for an unrestricted period.
- 13.3. In respect to the barrier pay on foot car parks, currently blue badge holders must pay to use these facilities. The introduction of more modern payment equipment with improved camera functionality may provide opportunities for blue badge holders to be offered free parking across all the Council's car parks, including those that are barrier pay on foot.

- 13.4. The retention of the coin payment option in all car parks will ensure the proportion of our customers that prefer to use this method of payment will not be adversely affected by the upgrades, albeit that the number of machines capable of accepting coin payments may be rationalised to enable a reduction in ongoing cash collection costs.
- 13.5. No other protected characteristics are anticipated to be unduly impacted by the adoption of the new equipment.

#### **14. Climate Change/Sustainability Implications**

- 14.1. The provision and effective management of off-street parking feeds into both councils' corporate strategies, including transportation, economic development, climate change and sustainability.
- 14.2. Controlling parking through effective control, allows spaces to be prioritised for particular user-groups and this can assist with traffic, congestion, the resultant journey times, and pollution.

#### **15. Summary of Options**

- 15.1 Do nothing – Were this approach to be adopted, the parking issues experienced at a number of the car parks would persist and increase over time, resulting in poorer ongoing service provision for those users for whom the spaces are intended.
- 15.2 Not only would management of the car parks be impacted, making it more difficult for the intended users to find space and pay for parking, but it could also have significant impacts on revenue for both councils.
- 15.3 Some of the recommendations could be implemented. However, this would not resolve all the issues raised and identified.
- 15.4 The adoption of all the recommendations would reduce the risks to service delivery and income protection, improve customer experience, business intelligence and help future proof the equipment for the next decade.

## **16. Conclusion**

- 16.1 The procurement of replacement barrier pay on foot car park payment equipment will allow for the introduction of a modern, ticketless, ANPR system providing an improved service to customers, greater opportunities to future-proof payment provision, better business intelligence and reduced maintenance issues.
  
- 16.2 The replacement / upgrade of the pay and display car park payment equipment will expand the availability of contactless technology across all pay and display car parks, providing an improved range of payment options / service for customers, provide greater opportunities to future-proofing payment provision as well as reducing the likelihood of maintenance / service delivery issues.

## **17. Background Papers**

None

## **18. Appendices**

Appendix 1 - Business Case document