States of Jersey
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Public Accounts Committee

Car Parks Trading Fund

Presented to the States on 19th November 2013

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Contents

Committee Membership

States Members

Deputy Tracey Vallois (Chairman)

Senator Sarah Ferguson

Deputy Richard Rondel

Deputy Gerard Baudains

Independent Members

Ian Ridgway

John Mills, CBE

Robert Parker

Terms of Reference

To examine how the financial return from the Car Parks Trading Fund to the States General Reserves is being utilised including –

(i) Examination into the practicality of continuing to contribute from the Car Parks Trading Fund to the States General Reserves taking into account the predicted shortfall

(ii) Examination to ascertain if funding from the Car Parks Trading Fund should be integrated wholly into the Sustainable Transport Policy and the transparency as to the use of the funds from the viewpoint of the tax payer/car park user

(iii) Examination of the rise in car parking charges in alignment with the Anti Inflation Strategy

Glossary of Terms

Car Parks Trading Fund (CPTF) – A fund holding the financial assets of Jersey Car Parking.

Jersey Car Parking – The formal name given to the States of Jersey car parking trading operation when it was established in law in 2005.

Medium Term Financial Plan (MTFP) – A 3 year business plan approved by the States during its first full year.

Transport and Technical Services (TTS) – The States Department with responsibility for Jersey Car Parking.

Sustainable Transport Policy (STP) – The States' current transport policy, as adopted in December 2010.

n.b. The electronic version of this report includes a number of hyperlinks to external documentation and other sources of relevant information.

Chairman's Introduction

The Committee embarked on this review by asking 2 simple questions. First, what is the Car Parks Trading Fund for? Secondly, why does the Medium Term Financial Plan predict an £18 million shortfall affecting the Car Parks Trading Fund by 2032? The answers to those questions are, regrettably, neither simple nor conclusive.

The United Kingdom Government Trading Funds Act 1973 indicates that a Minister would establish a trading fund to improve the efficiency and effectiveness of, and ultimately to sustain, a specific income generating operation within a ministerial portfolio. One might assume that the Car Parks Trading Fund is supposed to be doing something similar in Jersey. Purchasers of Paycards may believe that their money is ring-fenced to maintain the efficient operation of that Trading Fund. The truth is rather less straightforward.

Although the Public Finances (Jersey) Law 2005 permits the establishment of trading funds, and while Financial Directions offer additional detail regarding their operation, neither sheds clear light on the definition of a trading fund and the extent to which such a fund is, or is not, a commercial operation.

The operational reality is similarly less than transparent . It would seem that there is more than one view within the States as to what the Car Parks Trading Fund is for. Worse, the purposes we have been able to identify are acting against each other. The Fund finances projects that undermine its own revenue stream. It pays rent for the car parks it administers but also has to fund the replacement of those same car parks when they reach the end of their life. It is exposed to political considerations that can change its balance of priorities, to the detriment of longer term planning.

While we have at least been able to show that that the predicated £18 million shortfall is a guesstimate of questionable value, the above issues mean that we are unable to rule out the possibility that the Car Parks Trading Fund will suffer a significant deficit by, or even before, 2032. Early adoption of our 7 recommendations would be a good way to mitigate that risk.

PAC have carried out the review within the scope of the terms of reference; however, we recognise there are many competing issues regarding car parking which will require difficult and sensitive decisions. In order to innovate and produce a sustainable vision for the future, the customer should be at the forefront of any plans to change the model moving forward.

I would like to take this opportunity to thank those departments who have taken the time to provide the relevant information and evidence for our review.

Deputy T.A. Vallois

Chairman

Executive Summary

When the Car Parks Trading Fund was originally established in 1998, the intention was for the Fund to sustain the operation of public car parks, to make a financial contribution to general revenues and to fund improvements in the Island's traffic and transport system. Reference in the Medium Term Financial Plan to an £18 million shortfall in the Car Parks Trading Fund by 2032 originally indicated to the Committee that the operation of the Fund might be falling short in some way.

The Committee now concludes that the prospective £18 million shortfall is, in fact, no more than a guesstimate of the Car Parks Trading Fund's future position based on a financial model constructed in 2011 that was already out of date by the time the Medium Term Financial Plan was first published.

Notwithstanding the above, there remains cause for concern. The Committee has found -

(i) that there seems to be an element of doubt within the executive as to precisely what the CPTF is for;

(ii) that the States continues to expect the Car Parks Trading Fund to: pay for public car park operations, maintenance and replacement; to make a financial return to the States; and, to fund sustainable transport initiatives;

(iii) that the Fund is probably not achieving all 3 of these objectives because –
- its income is reduced and its expenditure is increased by political considerations, and
- there is an inherent tension between the 3 objectives for the Fund;

(iv) that the rationale for and the method of calculating the financial contribution to States' revenues are less than clear;

(v) that the quality of management information concerning the Jersey Car Parking operation is poor;

(vi) that there is a degree of conflict between the States' Anti-Inflation Strategy, the user pays policy and the rationale for the financial return from the Fund; and,

(vii) that, given the above, a significant shortfall in the Car Parks Trading Fund cannot reasonably be ruled out.

What does this mean for the Island's taxpayers? In practice, Jersey's car parks remain serviceable within the policy constraints set. Some £15.7 million is banked for car park maintenance and replacement. There are nevertheless grounds to suspect that taxpayers will someday have to make up a shortfall in the fund and may be doing so already. The position is difficult to assess because neither the operation of the Fund nor its financial relationship with the broader Sustainable Transport Policy are as transparent as they might be.

There does appear to be a case for reviewing the aims and objectives of the Car Parks Trading Fund and how it should help to deliver States' transport policy – perhaps even whether the implementation of that policy is best served by having a car parking operation in the public sector. In the intervening period, the Chief Officer, TTS and his management team at Jersey Car Parking would be well advised to pursue with even greater vigour the introduction of new charging mechanisms, so as to improve the quality of management information.

Recommendations

Recommendation 1: The Treasurer of the States and the Chief Officer, TTS, should revisit the aims and objectives of the Car Parks Trading Fund in conjunction with their respective Ministers and report back to the Committee within 3 months. (page 17)

Recommendation 2: The TTS Department should ensure that its Car Parks Trading Fund financial model is updated in close alignment with the production cycle for future Medium Term Financial Plans. (page 20)

Recommendation 3: The TTS Department should seek to improve the quality of management information concerning the Jersey Car Parking operation without delay and, in this regard, should complete its evaluation of the Sand Street electronic ticketing trial as soon as possible and report on it publicly and candidly. (page 26)

Recommendation 4: The Minister for TTS should refer to paragraph (n) of the Act of the States dated 1st December 2010 and publish, without further delay, a progress report on the Sustainable Transport Policy, with particular reference to areas exhibiting a lack of progress. (page 27)

Recommendation 5: Subject to the outcome of Recommendations 1 and 4, the Treasurer of the States and the Chief Officer, TTS should propose an updated methodology for calculating future financial returns to the States. (page 34)

Recommendation 6: Subject to the outcome of Recommendation 1, the Treasurer of the States should include within the draft Medium Term Financial Plan 2016-2018 a statement confirming the aims and objectives of the Car Parks Trading Fund and that the proposed financial returns to be paid from the Car Parks Trading Fund align with these aims and objectives. (page 34)

Recommendation 7: The Council of Ministers should review the Sustainable Transport Policy following publication of the Minister's progress report and, as part of that review, assess how or whether Jersey Car Parking should fit within that revised policy. (page 37)

1. Introduction

1.1 Paragraphs 463 to 620 of the Medium Term Financial Plan 2013 – 2015 set out a long term capital plan (LTCP) covering the period 2012 – 2032. Paragraph 580 reads as follows -

'The overall capital plan included in the LTCP for Jersey Car Park[ing] is £58 million. As a trading entity, Jersey Car Park[ing] does not have the ability to fund its capital allocation through the Consolidated Fund but must rely on its own Trading Fund. In this current plan, Jersey Car Park[ing] are anticipating an £18 million shortfall in funding if additional measures are not taken to find additional sources of income.'

1.2 Jersey Car Parking is the name given to the States' trading operation with responsibility for the administration, management, financing, development and maintenance of the public parking places that are within the functions of the Minister for Transport and Technical Services.[1] Jersey Car Parking's aims and objectives for 2013 are reproduced at **Appendix 1**.

1.3 The Car Parks Trading Fund (CPTF) holds the financial assets of Jersey Car Parking.

1.4 In 2012, Jersey Car Parking generated income of some £6.4 million per annum. Most of this income (just over 88 per cent) was generated by parking charges, with parking fines being the second largest source at just under 9 per cent. Page 199 of the Annex to the Financial Report and Accounts 2012 shows that the CPTF has £15.7 million banked for car park repair and replacement works. It also shows that total taxpayers' equity decreased over the period 2010 – 2012.

1.5 It is against the above backdrop that the Committee has asked whether the CPTF really is facing a potential £18 million shortfall by 2032, whether the financial return paid from the CPTF to the States Consolidated Fund might be a factor in any predicted shortfall and whether the use to which the financial return is put by the States is as intended.

[1] Regulation 4(4) of the Public Finances (Transitional Provisions – States Trading Operations) (Jersey) Regulations 2005.

2. Parking Policy

2.1 Jersey Car Parking operates within a broad States' transport policy framework that encompasses private car use and car parking. The policy framework is set out in a number of documents that, taken together, set a broad long term policy objective of reducing volumes of vehicular traffic on the Island's roads.

2.2 Successive Strategic Plans have set the high-level context for the States' transport policy, which is set out in detail in the Sustainable Transport Policy of 2010 ('the STP') and the Island Plan 2011. The Road Traffic (Jersey) Law 1956 and subordinate legislation, the Medium Term Financial Plan and the specific rules and regulations governing the CPTF cover the transition to the operational level.

2.3 Both the STP and the Island Plan 2011 were finalised under the Strategic Plan 2009, which was adopted by the previous States Assembly. Whereas the 2009 plan was overt in its aim to *'reduce traffic'* and *'persuade people out of cars'*[2] on environmental grounds, the Strategic Plan 2012 does not contain direct references to transport policy, car usage or parking. It should, however, be acknowledged that the 2012 plan is notably more high-level than its predecessor. What does feature in the 2012 plan, however, is a commitment to exploring *'sustainable options for funding infrastructure investment.'*[3]

2.4 When lodged, the STP was firm in its focus on achieving behavioural change. It advocated a range of specific measures to reduce reliance on the private car and to encourage other methods of transport. Together, these measures were intended to deliver a 15 per cent reduction in peak hour traffic flows entering St. Helier by 2015. If achieved, this reduction would reportedly lead to demand in town public car parks falling by between 1000 and 1300 vehicles.

2.5 During the subsequent debate on the then draft STP, the States accepted the 15 per cent target reduction but adjusted the detail of the policy. Successful amendments to the STP included the following –

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[2] Strategic Plan 2009-2014 – page 28: what we will do.

[3] Strategic Plan 2012 – page 16: key actions.

- *'that the cost of motoring (including parking) should not be disproportionately* increased *until a viable alternative method of transport is available to all'* (Connetable of St. Mary)
- *'to* carry *out a review of the proposal for increased shopper car parking at Snow Hill'* (Connétable of St. Helier)
- *'to* work *with States Departments... to achieve the release of a proportion of the privately leased parking spaces in States' ownership for short-stay shopper car parking and to enable the provision of increased scooter or motorcycle car parking'* (Connétable of St. Helier)
- *'to* request *the Minister for Transport and Technical Services (TTS) to take the necessary steps to provide that any additional revenue in the Car Parks Trading Fund from any above-inflation increases in parking charges will be ring-fenced to fund improvements in the provision of alternatives to the private car'* (Connétable of St. Helier)
- *'to* encourage *the use of smaller low emission vehicles'* (Connétable of St. Helier)

2.6 The States adopted the STP, as amended, on 1st December 2010. In so doing, they specifically requested the Minister for TTS to *'undertake appropriate monitoring of the impact and effectiveness of the Policy'* and to *'publish the results at least annually.'*

2.7 Adoption of the Island Plan 2011, with its strategic framework and specific travel and transport policies designed to advance the STP, occurred just under 7 months later.

2.8 On 30th September 2013, the Minister for Planning and Environment published the North of St. Helier Masterplan: St. Helier Parking Needs Study (R.120/2013 refers). This was published in the absence of a formal update on the STP. The Parking Needs Study concludes that while there is reasonable availability of short stay parking space in St. Helier, long stay parking in St. Helier is reaching capacity. It suggests that existing long stay capacity will remain appropriate *if* the Island Plan 2011 and the STP are successful in reducing volumes of commuter car traffic.

2.9 At the time of writing, the Minister for Transport and Technical Services (TTS) has still to publish a progress report on the STP. He has therefore fallen short of compliance with the States' decision in respect of the STP proposition. Notwithstanding the absence of a formal update, media reports published during October 2013 indicate that the target of a 15 per cent reduction in peak traffic volumes entering St. Helier by 2015 is unlikely to be met. A reduction of just 1.7 per cent had reportedly been achieved by June 2013.

3. Jersey Car Parking and the Car Parks Trading Fund

3.1 The history of the CPTF predates that of Jersey Car Parking, which has operated since the end of 2005. As **Appendix 2** explains, the timeline extends back over 2 decades.

3.2 Although the aims and objectives of the CPTF have remained broadly stable since 1997, there seems to have been some variation in how they have been described, interpreted and prioritised over that time. There have also been occasions when individual aims and objectives have been in conflict with each other.

3.3 The Chief Officer, Transport and Technical Services Department (TTS) and the Treasurer of the States have both offered the Committee clear explanations of the purpose of the CPTF. Each offers a different perspective. The former recalls that it was originally a ring-fenced sinking fund to fund car parking infrastructure that, historically, found it difficult to compete successfully for public funds during annual business planning rounds –

'... the trading fund was set up to start accumulating money for asset replacement and improving the car parks, because car parks are not sexy and they would never win on a debate about a new hospital or a hospital wing versus a new car park. So it probably does need this level of protection.'

3.4 Whether or not that was the original purpose, the Treasurer of the States is clear as to the purpose of the CPTF today –

'... principally, the idea of having a Car Parks Trading Fund is to make sure that the car parking activity is not being cross-subsidised from other areas. It is meant to wash its own face and give a sensible return on the assets' [4]

3.5 While it is not impossible to reconcile these explanations, one might question whether the reason for having a CPTF has evolved. In this regard, the approach of those directly concerned with the running of Jersey Car Parking today is, perhaps, key. Relevant officers include the Director of Transport, TTS, who states –

'The car parks are run as a public service rather than a profit-producing entity.' [5]

[4] Transcript of hearing with the Treasurer of the States – page 19

[5] Transcript of Hearing with the Chief Officer and other officers TTS Dept page 11

3.6 It seems, therefore, that a trading operation need not be a commercial operation.

3.7 In an attempt to clarify precisely what the CPTF is really for, the Committee has reviewed various minutes and reports concerning its establishment and operation. Those records suggest a fund with 3 uses, whereas the combined explanations of the Treasurer of the States and the Chief Officer, TTS acknowledge only 2.

3.8 Minutes of the then Finance and Economics Committee dating back to 1997 record the endorsement of a proposal of the then Public Services Committee to create the CPTF as a rechargeable account under the Public Finances (Administration) (Jersey) Law 1967. They reveal that the CPTF was to –

(i) be established *'at nil cost to the States and the Public Services Committee'*

(ii) generate *'financial benefit to general revenues from the outset.'*

(iii) provide funding for improvements in the Island's traffic and transport system.[6]

3.9 The CPTF was formally established as part of the Jersey Car Parking trading operation in November 2005, when the Public Finances (Transitional Provisions – States Trading Operations) (Jersey) Regulations 2005 came into force. When the then draft Law was originally lodged as P.210/2005, the accompanying report confirmed that Jersey Car Parking would operate using assets that would remain in public ownership and that the States would continue to agree the estimates of the operating account of Jersey Car Parking via the Annual Business Plan process. All income from the car parks would be received by the CPTF, being the financial heart of Jersey Car Parking.

3.10 In terms of expenditure, P.210/2005 explained that the funds in the CPTF would be used –

- to cover all expenditure related to the operation, maintenance and development of States of Jersey car parks including States of Jersey on-street parking;
- to pay a financial return to the States; and,
- for any additional uses agreed by the States.

3.11 The latter 2 would be set or agreed as part of the Annual Business Plan process (later the Medium Term Financial Plan process). Technically, the scope of the third use was sufficient to include the funding of transport projects other than those concerned with car parking

[6] Act 9 dated 9th June 1997 of the Finance and Economics Committee

provision. Indeed, it was theoretically wider than that which was stipulated in 1997, albeit that the need for a prior States decision provided a check on any broad inclination to spend.

3.12 It would seem, therefore, that there is a lack of clarity as to what precisely the CPTF is for. The Committee therefore invites the Treasurer of the States and the Chief Officer, TTS, in conjunction with their respective Ministers, to revisit the rationale for the Fund.

Recommendation 1: The Treasurer of the States and the Chief Officer, TTS, should revisit the aims and objectives of the Car Parks Trading Fund in conjunction with their respective Ministers and report back to the Committee within 3 months.

4. Is the CPTF facing an £18 million Shortfall?

4.1 Those concerned with the Jersey Car Parking operation are charged with maintaining the CPTF in accordance with the Public Finances (Transitional Provisions – States Trading Operations) (Jersey) Regulations 2005, with the Public Finances (Jersey) Law 2005 generally and with States' policy. What concerned the Committee at the commencement of this review was that those Regulations had formally established a fund that, according to the MTFP, was predicting an £18 million shortfall in the CPTF by 2032. The Committee therefore sought to establish the basis for the prediction and whether the predicted shortfall might be attributable to issues with the aims and objectives of the CPTF or, alternatively, their execution.

4.2 In fact, there is no £18 million shortfall. The figure cited in the MTFP is, in truth, a guesstimate of one possible position the CPTF might find itself in by 2032. The relevant calculation, though made with laudable intent, was based on a financial model of the fund constructed in 2011 that erred firmly on the side of caution and which was already out of date by 2012. Neither has the States made a formal commitment to an unfunded programme of future capital spending.

4.3 A long term capital plan is included within the MTFP to provide financial context for critical capital funding decisions that need to be made '*in relation to the hospital, investment in affordable housing and social housing in particular, and the liquid waste strategy.'* [7]. The Treasurer readily admits that the reference in that section to an £18 million shortfall was *'not good wording.'*[8] Her subsequent clarification explains the intended message –

'... the £18 million ... is "let us have a long-term look at what we might need and let us understand what our existing resources are and if we carried on with those existing resources until 2032, and when you put the 2 together, what do they look like?" It looks like there is a gap. So we have then got work to do to decide what needs to change. Is it the funding that needs to change or is it the fund level of expenditure that needs to change and then we can begin to bring those 2 things into balance.'[9]

[7] Transcript of hearing with the Treasurer of the States – page 25

[8] Transcript of hearing with the Treasurer of the States – page 26

[9] Transcript of hearing with the Treasurer of the States – page 28

4.4 In short, the data suggested that to maintain the long term sustainability of Jersey Car Parking as a trading operation was in doubt and some form of corrective action would be required – assuming, that is, the data was sound. The Committee has since established that there were several issues with the data that led to the above deduction.

4.5 Jersey Car Parking engages external consultants BDO Alto to produce and update a 25 year financial model of its operation. The model predicts future capital and revenue requirements and identifies whether the CPTF will be able to fund its capital requirements. Built into the model used to inform the MTFP were various policies and departmental assumptions as at 2011. These policy inputs included particularly cautious estimates of the lifespans of the multi-storey car parks. They factored in various implications arising from the North of St. Helier Master Plan which had, amongst other things, anticipated that Minden Place multi-storey car park would reach the end of its useful life by 2020 and should be replaced by a residential development with shopper parking below. Following the public elections in 2011, certain of these policy decisions were superseded. They nevertheless remained in the model and compounded the effect of the cautious car park lifespans. The resulting output was the prediction of an £18 million shortfall.

4.6 Had the States already committed itself to the relevant expenditure that would have been triggered by these policy decisions, there might have been a basis for citing a shortfall. There were, however, no such spending commitments. Paragraph 580 of the MTFP is, therefore, an example of poor drafting that should have been picked up at the proof-reading stage.

4.7 In fairness, the Treasury only ever intended the £18 million sum to be used as one of a number of base assumptions that, together, would provide financial context for the critical future capital funding decisions on housing, liquid waste and the hospital. The figure's inclusion nevertheless caused alarm bells to ring prematurely.

4.8 The TTS Department is currently working with its consultants on a revised financial model, as it apparently does every 2 years. It is anticipated that the 2013 financial model will not generate the same anticipated shortfall. The Chief Officer, TTS indicates that policy inputs will be updated and the car park longevity estimates will change –

'The cost model for car park trading was instigated based on an asset replacement concept and almost straight line depreciation for the assets with a finite asset life. That basically shows... 4 car parks to be replaced in the next 10 to 15 years... I think it

is obvious to most people that these assets do not wear out in that period of time. We have done a significant amount of preventative maintenance … in terms of asset life we can extend the asset lives of the car parks to whatever we want.'[10]

4.9 These revisions seem sensible. Given, however, the importance of the MTFP and the fact that each MTFP has a 3 year lifespan (4 years after 2018), it would also seem sensible for the Department to align the model's update cycle with that of the MTFP. A well-timed update with a compressed timescale for completion might reduce the risk that the fundamentals of the model are rendered obsolete by the passage of time.

Recommendation 2: The TTS Department should ensure that its Car Parks Trading Fund financial model is updated in close alignment with the production cycle for future Medium Term Financial Plans.

[10] Transcript of Hearing with the Chief Officer and other officers TTS Dept page 4

5. Is the CPTF Self-Funding?

5.1 If there is no £18 million shortfall then what might a suitably reworded paragraph 580 of the MTFP have stated? Should one expect to see a reference to a CPTF that, to use the words of the Treasurer of the States, is successfully *'wash[ing] its own face'* and giving *'a sensible return on the assets'*?

5.2 The original 1997 decision to create the CPTF was made on the basis that the fund would be established at nil cost to the States. In her evidence to the Committee, the Treasurer of the States confirmed that this remains the position. For the CPTF to achieve self-funding status, it has to generate sufficient revenue to cover its capital and revenue costs, the agreed financial return to the States, and any other States sanctioned uses, such as sustainable transport projects. To conclude its review, the Committee considered it should seek to confirm that the CPTF is indeed performing as required.

5.3 When asked how the financial targets for Jersey Car Parking were set, the Treasurer of the States confirmed that they were a matter for the accounting officer for TTS. On the question of whether Jersey Car Parking's CPTF is being subsidised by the taxpayer, the Treasurer advised –

> ***'I think that would very much depend on the way in which the capital costs were treated and charged for.'*** [11]

5.4 Although the States of Jersey Financial Report and Accounts 2012 sheds limited light on the Treasurer's equivocal answer, the Annex to the Report hints that the CPTF may not be self-sustaining. Page 193 reads –

> ***'It is a key objective that parking be self-funding, with parking charges being sufficient to cover the maintenance and future provision of public parking facilities.'***

5.5 Key objectives are, by definition, to be achieved in the future.

5.6 The Committee has attempted to shed further light on this issue by taking a closer look at the income and expenditure of the CPTF. While this examination has not led to a definitive

[11] Transcript of hearing with the Treasurer of the States – page 31

answer, it has certainly highlighted the extent to which the self-funding objective is affected by political considerations.

5.7 The Chief Officer, TTS, is clearly motivated to improve the Jersey Car Parking operation and make the operation sustainable. He nevertheless offers a philosophical assessment of the impact that political considerations have to date had on the operation –

'What tends to happen when you have got lots of external influences is you just tread water, so you do the basic minimum in terms of maintenance, refresh, change, and it stifles innovation ... I think the combination of planning changes, master plan changes and political reluctance to increase the cost, which I fully understand, means that we have not really grasped the nettle and got on the front foot.'

5.8 What, then, are those political considerations and how are they affecting income and expenditure?

5.9 Taking income first, the majority of CPTF income (just over 88 per cent) is raised by parking charges, with parking fines being the second largest source (just under 9 per cent). Although parking charges tend to be subject to an annual increase, those increases are moderated by at least two sources of downward pressure. The first is the States' Anti-Inflation Strategy, under which the prior endorsement of the Treasurer is needed if the intention is to raise more revenue by increasing charges above 2.5 per cent.[12] Direct political considerations are the second, and arguably stronger force, as the Chief Officer, TTS, explains –

'Car park charging is very political ... you have got to be a very brave Minister to increase your car park charges beyond ... 2.5 per cent.'[13]

5.10 The Minister for TTS determines what a politically acceptable car parking charge would be in any one year, having regard to previous States policy decisions including, but not exclusive to, the STP and the Anti-inflation Strategy. Article 84(1A) of the Road Traffic Law 1956 does, however, require the Minister to reach his decision with the concurrence of the Minister for Treasury and Resources. According to the Chief Officer, TTS, once that political decision

[12] Transcript of hearing with the Treasurer of the States – page 13

[13] Transcript of Hearing with the Chief Officer and other officers TTS Dept page 7

on charges is made, Jersey Car Parking *'rejig[s]'* its financial model to fit the income anticipated from that revised charge.

5.11 There are grounds to conclude that input from successive Ministers and their committee predecessors have led Jersey Car Parking and its financial model to err rather firmly on the side of caution, resulting in car parking charges that are lower than the market would bear and with clear consequences for the income reaching the CPTF.

5.12 Parking charges levied in St. Helier are in the bottom third of benchmarked equivalent towns and cities in the United Kingdom.[14] When the Chief Officer, TTS, was asked what his personal approach to parking charges would be if he was to run Jersey Car Parking as a commercial operation, he was clear that he would *'double them.'* [15] A relatively recent review of Jersey Car Parking by the United Kingdom firm National Car Parks (NCP) appears to have reached a similar conclusion on commercial sustainability. An NCP operation might have set parking charges some 3 times higher than the existing rates in Jersey, whilst cutting back on some expenditure.[16]

5.13 Charging in St. Helier car parks subsidises the provision of free car parking elsewhere in the Island. Jersey Car Parking is liable to pay a nominal rent for the land on which some of its free car parks are situated (e.g. Green Island, Le Hocq and Gorey Common). These car parks are maintained by Jersey Car Parking as a matter of expediency via arrangements that have *'grown organically'* over time.[17] TTS management information shown to the Committee is insufficient to describe those arrangements in financial detail.

5.14 During August and September 2013, the Minister for TTS waived parking charges on Thursday afternoons at Sand Street car park to encourage shoppers into St. Helier town centre and thereby support smaller businesses. The estimated cost to the CPTF of that initiative was put at just under £4,000. Although small scale, this example is notable because it shows that in addition to the declared expenditure uses for the CPTF, the Minister for TTS can, with the concurrence of the Minister for Treasury and Resources, agree to

[14] Transcript of Hearing with the Chief Officer and other officers TTS Dept page 31

[15] Transcript of Hearing with the Chief Officer and other officers TTS Dept page 11

[16] Transcript of Hearing with the Chief Officer and other officers TTS Dept page 11

[17] Transcript of Hearing with the Chief Officer and other officers TTS Dept page 14

forego CPTF income for various purposes – in this case encouraging the St. Helier retail economy. That the true cost to the CPTF arising from this initiative is not yet known is again, the Committee suspects, a function of the standard of management information available to the department. Indeed, management information is a subject to which we return later in this report.

5.15 Projects and proposals executed following adoption of the STP include a revision to the Eco Permit scheme, which entitles owners of vehicles that meet certain low emission criteria to park at half the ordinary hourly or monthly rate. In 2012, the Minister for TTS tightened the eligibility criteria against the backdrop of a small but already rising cost to the CPTF (£10,000 per annum by 2012) and with a steadily increasing number of qualifying cars being offered for sale in the Island.

5.16 The above examples indicate the extent to which the CPTF is exposed to political limitations on its ability to generate income. Then there are the issues on the expenditure side to consider.

5.17 We have already observed that monies held in the CPTF were originally to be used –

(i) for car park operations, maintenance, and replacement,

(ii) to fund a financial contribution to the States' general reserves, and

(iii) to fund sustainable transport initiatives.

5.18 The Public Finances (Transitional Provisions – States Trading Operations) (Jersey) Regulations 2005 described the CPTF uses in slightly different terms and, perhaps, with less direct emphasis on sustainable transport funding. As far as the States are concerned, however, all 3 original uses remain valid. This statement can be evidenced by the events of September 2009, when the States debated the Draft Annual Business Plan for the following year. During that debate, the then Minister for TTS argued firmly that the third use was less than appropriate. He declared –

'The Car Parks Trading Fund was set up to replace car parks. The creation of a sinking fund such as this is a prudent approach to budgeting where it is envisaged that capital assets will need replacing.' [18]

[18] Hansard, 24th September 2009, para 9.1.1

5.19 The Minister for TTS was having difficulty accepting the logic of an amendment, lodged by the Deputy of Grouville, which proposed the withdrawal from the CPTF of £500,000 for the purpose of commencing work on the Eastern Cycle Track project. The Minister described the proposal as *'a crazy way to do business.'* If successful, the project would be expected to erode the CPTF's revenue stream. The States disagreed with the Minister and approved the withdrawal. The Minister for TTS duly responded by raising parking charges by 14 per cent instead of the 10 per cent increase advocated in the draft Annual Business Plan for 2010. This was an attempt to maintain the financial position of the CPTF following the £500,000 withdrawal.

5.20 The Eastern Cycle Track example shows that Jersey Car Parking is obliged to finance a broader range of activities than a private sector operator would tolerate. It also highlights the competing objectives of the CPTF. The Eastern Cycle Track is but one of a series of sustainable transport initiatives within the STP that are intended to reduce commuter vehicle traffic and car usage generally. If CPTF expenditure on these initiatives is successful, there should be significantly less income deposited in the CPTF to spend on the agreed uses in future.

5.21 Of course, the prospect of reduced income need not undermine the self-funding objective, so long as the plan is for income and expenditure to remain broadly in balance over time. Put simply, lower demand for spaces may mean fewer car parks to build or maintain in future.

5.22 Irrespective of whether the operation contracts or expands, the provision of high quality management information will be critically important to those running Jersey Car Parking. Without comprehensive and timely information, operational managers and their political masters will struggle to take prompt corrective action as and when STP and other relevant policy initiatives begin to bite. Existing management information is, however, compromised by the existing Paycard and monthly ticket charging mechanism. These generate a total figure for receipts from all car parks at which a fee is charged. They do not allow for income breakdowns by individual car park, hence management have to rely on occasional and labour-intensive manual counts for data. Individual car park costings and establishing the true cost of the free after 3pm trial are therefore difficult to establish. This issue has frustrated the Committee's own efforts to discover how close Jersey Car Parking is to being self-sustaining and it is probably hindering the achievement of self-funding status generally.

5.23 Replacing Paycards and monthly tickets with a modern and fit for purpose system – perhaps, but not necessarily, that which has been trialled at Sand Street car park – should improve the situation. In this regard, some urgency is perhaps needed. Hansard and other sources indicate that it has taken at least 9 years of political contemplation to move from provisional proposals to discontinue Paycards to the position of the Sand Street trial. This is a rather clear example of a trading operation struggling to get on the front foot.

5.24 On a related matter, it is worth noting that the inability to measure the income generated by each car park that Jersey car Parking operates hinders the process of valuing each car park. Those car parks are re-valued annually based on occupancy levels, parking charge values and estimated asset lives. As things stand, occasional manual counts are used to arrive at estimated occupancy levels. The quality of this data can have a material bearing on the asset value and, in turn, the depreciation charge applied in the accounts.

Recommendation 3: The TTS Department should seek to improve the quality of management information concerning the Jersey Car Parking operation without delay and, in this regard, should -

(a) complete its evaluation of the Sand Street electronic ticketing trial as soon as possible and report on it publicly and candidly; and,

(b) supplement the above report with a comprehensive cost-benefit analysis that evaluates the system trialled at Sand Street car park against alternative systems.

5.25 Another potential impact on the valuation of car parks arises from the fact that new cars sold in Jersey have tended to grow in size over time, both in width and length. While TTS acknowledges that this fact has already impacted the viability of Minden Place car park for its customers, there does not yet seem to be a firm strategy in place to address this issue or, given the potential need to adjust parking bay sizes and car park capacities, to reflect this trend in car park valuations.

5.26 Internal data quality is one problem facing the CPTF in its drive to be self-funding. External data quality - such as that which informs the STP - is another. A successful STP should have a significant impact on the CPTF. Page 50 of the STP claims that achieving the core policy objective by 2015 should reduce demand in town public car parks *'by between 1000 and 1300 vehicles.'* Although the STP refrains from spelling out what this might mean to the CPTF income stream, one could state that 1000 fewer drivers purchasing monthly tickets throughout a full year at 2013 prices equates to just under £1.4 million in lost revenue per annum. This is not far short of the financial return paid to the Consolidated Fund. The STP then proposes that the cost of car parking *'is increased above the rate of inflation'*[19] to encourage bus use, while at the same time contending that a proposed above inflation increase in charges in 2015 would generate *'no net increase in income'* because of the extent to which demand for public parking spaces would fall. [20] Although each of these is potentially a negative outcome for the CPTF, high quality data generated by the STP might at least make it easier for the CPTF management to react in a timely fashion.

5.27 If however, the model on which the STP is based is flawed and / or its anticipated policy outcomes are in doubt, then the future for the CPTF becomes harder to predict. In this regard, there do seem to be issues with the STP. Information given to local media organisations by the TTS Department in recent weeks suggests that the STP's principal objective will not be achieved. Commuter car traffic does not appear to be falling in line with targets, notwithstanding the major charge increase of 2010. In addition, the 2013 St. Helier Parking Needs Study (R.120/2013) published by the Minister for Planning and Environment indicates that commuter car parking is at or near capacity. This relative lack of progress invites various questions, including whether the price elasticity of demand for public car parking in Jersey might be lower than had been anticipated. The obvious first step to answering these questions would be for the Minister for TTS to do as he was asked by the States in December 2010 and publish, without further delay, a full and frank progress report on the STP.

Recommendation 4: The Minister for TTS should refer to paragraph (n) of the Act of the States dated 1st December 2010 and publish, without further delay, a progress report on the Sustainable Transport Policy, with particular reference to areas exhibiting a lack of progress.

[19] Sustainable Transport Policy – para. 4.2

[20] Sustainable Transport Policy – para. 8.3.3

5.28 To conclude, the financial position of Jersey Car Parking is insufficiently transparent to allow for a conclusion to be reached on whether self-funding status has been achieved. In fact, there are reasonable grounds to suspect that the CPTF is *not* self-financing. Given the competing objectives of and the political considerations facing the CPTF, it would perhaps be an impressive feat if it were.

6. Should the CPTF Be Making a Financial Return to the States?

6.1 If the car parking operation is not self-funding over the longer term then it stands to reason that it is being, or will be, subsidised by the taxpayer. In turn, this raises the question of why the CPTF is making a financial contribution to the States of over £1.6 million per annum (over £2 million if a rental adjustment for the Esplanade open air car park is taken into account) and how sustainable that payment might be in the longer term.

6.2 One can begin with the answer that Financial Directions require a return. Financial Direction No 3.1 explains that –

'In normal circumstances trading operations will be required to make an annual financial return which will be calculated on the basis of a commercial rate of return.' [21]

6.3 Financial Direction 3.1 does, however, allow for a trading fund to reflect broader public policy considerations. It states –

'An area of States administration does not need to generate a surplus of income over expenditure, neither at the time of the request nor in the future to receive trading operation status. However, if a potential area does not indicate such a surplus it must be able to highlight other substantial reasons why the proposed course of action is beneficial to the States.' [22]

6.4 In the case of the CPTF, however, there has always been an expectation that some form of financial return would be forthcoming. The CPTF has, each year, paid at least £1.5 million to what is now the Consolidated Fund. Once that return is paid, the monies left in the CPTF are available to improve, replace or otherwise add to the Fund's assets or to apply to other initiatives in accordance with decisions of the States. In 2012, the Consolidated Fund held £15.7 million on behalf of the CPTF for use on future capital expenditure, against an approved future capital programme valued at just over £11 million. There are no monies banked specifically for future use on States approved transport initiatives.

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[21] Financial Direction 3.1 - para. 5.17

[22] Financial Direction 3.1 – para. 5.5

6.5 What follows is a summarised explanation of the quantum of returns made, the calculation methodology and the process by which the financial return is agreed.

6.6 Dealing first with the quantum of return, from 1998 - 2005, the States received £1.5 million per annum from the CPTF via the then Public Services Committee (later the Environment and Public Services Committee). During the period 2006 – 2009, the value of the return was increased by approximately 2.5 per cent per annum to take account of inflation, whilst also remaining within the limits set by the States Anti-Inflation Strategy. In 2010 the return increased markedly to £2.7 million. In 2013, however, the financial return falls to £1.55 million. The 2013 return equates to 23.4 per cent of the total revenue anticipated. In 2012 the return was equivalent to 24.2 per cent of total revenue.

6.7 A table outlining the returns made or due is included at **Appendix 3**.

6.8 The Treasurer of the States describes the current financial return as a *'very small contribution to the States' overall resources.'*[23]. Her advice is that the States spend *'substantially more on car* parking *and transport'* than the value of the financial return paid back to the States. This observation lends weight to the hypothesis that the CPTF may not have achieved the self-funding objective cited in the Annex to the Annual Report and Accounts 2012.

6.9 Turning to the calculation methodology, the first payments were classified as '*rent for the multi-storey car* parks' and as an '*arrangement for reimbursing the [Public Services] Committee for the lost income caused by the transfer of the Car Parks Section to a Trading Account.'*[24] On the question of how the original figure of £1.5 million was arrived at, the Committee was advised that the sum was –

'...a notional rental figure ... which was effectively the surplus of income over expenditure that was achieved in 1998.'[25]

[23] Transcript of hearing with the Treasurer of the States – page 13

[24] Financial Report and Accounts 2002 – page 50

[25] Transcript of Hearing with the Chief Officer and other officers TTS Dept page 20

6.10 Financial Direction 3.1 came into force in 2006, following the advent of ministerial government and the adoption of the Public Finances (Jersey) Law 2005. As noted above, this was also the first year in which inflation was applied to the financial return, the logic being that it would make the cost of the trading operation more transparent and commercially realistic.

6.11 Users of States car parks may recall that parking charges tended to rise by slightly more than 2.5 per cent per annum over the same period, as **Appendix 4** indicates. These rises have nevertheless been insufficient to take St. Helier's parking charges out of the bottom third of benchmarked equivalent towns and cities in the United Kingdom.

6.12 With effect from 2010, the rental charge to the CPTF was replaced with a financial return to the Consolidated Fund, on the basis that this was already the norm for the other States trading operations. In this regard, the Committee notes that the Jersey Fleet Management trading operation did not make a financial return to the States during either 2011 or 2012.

6.13 Having been relabelled a financial return, the sum paid to the Consolidated Fund in 2010 represented an increase of 63 per cent against the 2009 return. Half of the increase appears to have been attributable to the Council of Ministers' desire to see the CPTF make a greater contribution to general expenditure, whilst still using the old 1998 rental calculation as a base line. The Council may also have been mindful that an above inflation increase would align with the objectives of the then draft STP. The other half of the increase was to be a one-off payment of £0.5 million to pay for commencement of works on the Eastern Cycle Track, which had resulted from the successful amendment lodged by the Deputy of Grouville. The States approved that increase in the knowledge that the additional £0.5 million for the Eastern Cycle Track works would add a further 4 pence on the price of a 1 unit Paycard.[26]

6.14 In the accompanying Annex to the Draft Annual Business Plan 2010 (produced before the STP was debated) the Council of Ministers indicated that it expected the CPTF contribution to rise to £2.7 million per annum by 2012. To fund the increased contribution –

'... charges will need to increase from their [2009] level by at least 25% plus inflation because demand for parking is likely to reduce as the price increases.'

[26] Hansard 24.09.2009

6.15 These additional planned increases were not executed – quite probably in response to the STP as amended by the Connétable of St. Mary. In 2011 the return decreased to £2.255 million (there being no repeat of the £500,000 withdrawal to fund cycle track works). The 2011 Business Plan Annex warned that CPTF income was expected to reduce as a result of lost car spaces at Gas Place and lower interest rates on investment income. No obvious adjustment was made to remove the 4 pence Paycard increase that had funded the one-off Eastern Cycle Track payment the year before.

6.16 On paper, a lower return of £1,552.000 was required in 2012. In practice, there was no reduction. A financial adjustment was made to reflect the transfer of the Esplanade car park to the States of Jersey Development Company pending commercial development of the Esplanade site. Premises expenditure incurred by the CPTF rose by £759,000 in that year, while the financial return to the States decreased by a corresponding amount after allowing for inflation. Income from the Esplanade car park continued to be received by the CPTF, not least because the continued use of Paycards and monthly tickets made it difficult for the monies to go anywhere else.

6.17 The Annex to the Annual Business Plan 2012 cited a downward trend in Paycards and season ticket sales. This was, amongst other things, attributed to a reduction of available car spaces and the claimed success of the STP in encouraging more environmentally friendly forms of transport.

6.18 In terms of process, the financial return to be made by the CPTF is ostensibly arrived at following discussion between the Minister for Treasury and Resources and the Minister for Transport and Technical Services (TTS). Both Ministers receive appropriate input from their respective accounting officers. A provisional return is then recommended to the Council of Ministers. The Council endorses the return and incorporates the sum within the draft Medium Term Financial Plan, which is then put to the States for approval. Once approved (and the States may amend the figure before approving it), the Minister for Treasury and Resources still has the power to waive or amend the return in certain circumstances.[27]

[27] Financial Direction 3.1 - para. 5.18

6.19 As with income tax, GST and the various other sources of States' income, the Financial Return is pooled within the Consolidated Fund and plays a small part in paying for the full range of public sector activity outlined in the MTFP. Again, this is perhaps unsurprising. As the Treasurer of the States notes –

'We do not hypothecate sources of income to areas of expenditure or we would not have an education service, for instance, or a social service or income support.'[28]

6.20 On the question of the financial return, the Committee has drawn the following 3 conclusions.

6.21 First, the basis for the financial return payable to the States in 2013 remains the notional asset rental value as calculated in 1998, albeit that certain other factors have a limited impact. The Committee has seen little documented evidence that would suggest a more scientific or overtly commercial rationale for the particular returns required in recent years. Moreover, the current poor quality of management information available to Jersey Car Parking would inhibit any rational attempt to review the asset rental value being applied.

6.22 Secondly, the CPTF is effectively paying rent for the States' assets while at the same time endeavouring to absolve the States of the need to fund repair and replacement. This appears at best to be somewhat counterintuitive, particularly in the case of an operation that, to quote the Director of Transport, is intentionally *'run as a public service rather than a profit-producing entity.'*

6.23 Thirdly, if Jersey Car Parking has not achieved self-funding status then the logic of burdening it with a financial return of over £1.5 million is in doubt. Given that Financial Direction 3.1 specifically allows for trading funds to stop short of generating such returns if broader policy considerations are being fulfilled, one might instead ask why the CPTF is not released from the burden altogether.

6.24 On a related matter, the Committee understands that the ability of the CPTF to afford to make a financial return might be further compromised by the fact that the sum held for use on future capital expenditure does not have an investment strategy within the Common Investment Fund. As a consequence it earns only notional interest. In 2012, those interest payments equalled £126,511 against a deposit of £15.7 million (roughly 0.8 per cent). It is

[28] Transcript of hearing with the Treasurer of the States – page 14

pleased to learn that the Treasurer of the States intends to review this position in consultation with the Chief Officer, TTS Department.

Recommendation 5: Subject to the outcome of Recommendations 1 and 4, the Treasurer of the States and the Chief Officer, TTS should propose an updated methodology for calculating future financial returns to the States.

Recommendation 6: Subject to the outcome of Recommendation 1, the Treasurer of the States should include within the draft Medium Term Financial Plan 2016-2018 a statement confirming the aims and objectives of the Car Parks Trading Fund and that the proposed financial returns to be paid from the Car Parks Trading Fund align with these aims and objectives.

7. Do car parking charge increases align with the Anti-Inflation Strategy?

7.1 The States of Jersey Anti-Inflation Strategy aims, amongst other things, to achieve and maintain an inflation target of 2.5 per cent and to have the States set policies relative to the economic cycle, backed by appropriate research. It is applied in conjunction with Financial Direction 4.1, which acknowledges the need to bear down on inflation whilst also advancing the user pays principle. In this latter regard, the general introduction to Financial Direction 4.1 states –

'... if one particular group receiving a valuable service from the States is charged below cost, then that group is simply being subsidised by taxpayers generally.'

7.2 Having concluded that the CPTF may not be self-funding, the consequent implication is that taxpayers may be subsidising public car parks. This might be an uncomfortable hypothesis for those who see a case for the application of user pays principles to car parks. User pays charging would, however, need to be considered in the context of the STP as amended by the States. The STP dictates that car parking charges '*should not be disproportionately increased until a viable alternative method of transport is available to all.'* In practice, we understand that the TTS Department interprets this as a requirement to keep parking charge increases broadly in line with the Jersey Retail Price Index (the RPI) until 2015 and to deliver improvements to encourage walking, cycling and bus travel in the intervening period that provide able-bodied commuters across the Island with a reasonable alternative to the car. 2015 is the next target date cited in the STP for an above inflation increase in car parking charges.

7.3 The Treasurer of the States is clear that an above inflation increase in 2015 could be justified by the STP, subject to the success of work to deliver the improvements cited above. She explains -

'The relevant Chief Officer has to write to me with a justification for an increase above the 2.5 per cent... the Chief Officer of the T.T.S. would do exactly that and then would use the States policy change to support and help justify why an increase above the 2.5 per cent is necessary.'[29]

[29] Transcript of hearing with the Treasurer of the States – page 24

7.4 Public parking charges feature in the 'Other travel costs' section of the Jersey Retail Price Index. That section has a weighting of 0.8 per cent within the total RPI. In turn, this indicates that public parking charge increases would create upward pressure on the RPI. While the on-paper impact would be small, there are 3 practical reasons why a more significant impact might be perceived.

7.5 First, the car remains a very popular mode of travel in Jersey and is clearly the most popular way for commuters to get to work. Whereas 57 per cent of workers travel to and from work by car 3 or more times each week, only 4 per cent use the bus. Although 24 per cent walk to work 3 or more times each week, almost half of those are St. Helier residents.[30]

7.6 Secondly, Jersey Car Parking is by some considerable margin the dominant supplier of public car parking spaces in St. Helier. When the STP was published, it noted that almost 40 per cent of St. Helier workers parked in public car parks. If those with access to free or subsidised parking provided by their employer are removed from the equation the percentage is, in all probability, higher. Jersey Car Parking also had over 80 per cent of the shopper car parking market in 2010. The position is unlikely to be materially different in 2013.

7.7 The third reason is the extent to which Jersey Car Parking's operations are exposed to political considerations, as we have already discussed. Any further above inflation increases can be expected to give rise to political pressure given the number of Islanders that continue to use facilities operated by Jersey Car Parking.

7.8 It seems that the STP has achieved a 1.7 per cent reduction in peak hour traffic entering St. Helier against a target of a 15 per cent reduction by 2015. Given the fair likelihood of no substantive downwards change in this trend, any significant increase in car parking charges in 2015 might well be viewed not only as inflationary but also as evidence of failure by TTS, as a dominant supplier, to manage the risk of a mismatch between supply and demand for public car parking in St Helier.

7.9 One might conclude that the States are caught between a rock and a hard place in their desire to make transport sustainable and keep commuters happy whilst controlling inflation and ensuring equity for the taxpayer. While achieving all 4 may be all but impossible, the

[30] See the Jersey Annual Social Survey 2012 – page 33

States may wish to consider whether the status quo achieves the best compromise. If, as appears, the STP is not proving to be as successful as was hoped, it may wish to start by inviting the Council of Ministers to review that policy and consider how, or perhaps even whether, Jersey Car Parking has an integral role to play within it.

Recommendation 7: The Council of Ministers should review the STP following publication of the Minister's progress report and, as part of that review, assess how or whether Jersey Car Parking should fit within that revised policy.

8. Conclusion

8.1 While there is little reason to suspect that the £18 million shortfall envisaged in the MTFP may become a reality by 2032, the Committee is unable to conclude with any degree of certainty that the CPTF will not face a significant shortfall within the next 20 years.

8.2 There does seem to be an element of doubt within the executive as to precisely what the CPTF is for. Although the States seem to have a consistent view, they expect the Fund to meet objectives that are not particularly well aligned. The CPTF is expected to pay for public car park operations, maintenance and replacement; to make a financial return to the States; and, to fund sustainable transport initiatives. Its job is made more difficult by the extent to which CPTF income is reduced and its expenditure is increased by political considerations.

8.3 The Committee is not clear as to the rationale for and the method of calculating the financial contribution to States' revenues, other than that the basis for the payment appears to be an historical rental value that was notional when first used. Moreover, there appears to be a degree of conflict between the States' Anti-Inflation Strategy, the user pays policy and the rationale for the financial return from the Fund.

8.4 What does this mean for the Island's taxpayers? In practice, Jersey's car parks remain serviceable within the policy constraints set. Some £15.7 million is banked for car park maintenance and replacement. There are nevertheless grounds to suspect that taxpayers will someday have to make up a shortfall in the fund and may be doing so already. The position is difficult to assess because neither the operation of the Fund nor its financial relationship with the broader STP are as transparent as they might be.

8.5 There does appear to be a case for reviewing the aims and objectives of the CPTF and how, or indeed, whether, the Fund has a role to play in delivering States' policy. In the intervening period, the Chief Officer, TTS and his management team at Jersey Car Parking are encouraged to pursue with even greater vigour the introduction of new charging mechanisms, so as to improve the quality of management information.

8.6 If the preferred new charging mechanism is to be that which has been trialled at Sand Street Car Park, the States should expect to have sight of a suitably comprehensive business case explaining why that particular solution aligns better with consumer need and CPTF objectives than the available alternatives.

Appendix 1 – Jersey Car Parking Aims and Objectives (Transport and Technical Services Department Business Plan 2013)

AIM:

Our aim is to provide and manage public parking facilities in accordance with the Island's needs.

SUMMARY OF KEY OBJECTIVES AND KEY PERFORMANCE/SUCCESS CRITERIA

Objective 1: Provide sufficient car parking spaces to meet the needs of the Island.

(i) Maintain an appropriate number and balance of town parking spaces for workers and shoppers;

(ii) Ensure there are sufficient funds from parking charges to cover the maintenance and provision of public parking facilities;

(iii) Determine charging mechanism policy for parking.

Strategic Plan Reference:

- ***Vision:*** *A strong and sustainable economy; Preparing for the future*
- ***Priorities:*** *Develop sustainable long-term planning*

Objective 2: Police public parking areas effectively and fairly.

Performance/success criteria:

(i) Public surveys show that people are being treated fairly by the staff and that the policing is effective.

Strategic Plan Reference:

- ***Vision:*** *A safe and caring community*

Appendix 2 – History of the Car Parks Trading Fund

The genesis of the CPTF can be traced back at least as far as October 1991, when the then Public Services Committee asked the then Finance and Economics (F&E) Committee to consider treating the operation of the car parks section as a trading account. At that time the F&E Committee deferred its decision pending the anticipated presentation to the States of the outcomes from a traffic policy review.

In September 1995, the States approved a strategic policy review entitled: '2000 and Beyond.' This approval triggered a requirement for the production, by the then Public Services Committee, of a sustainable Island transport policy that would give a higher priority to the interests of the pedestrian and the cyclist.

In June 1997, the Public Services Committee submitted further proposals to the F&E Committee regarding the establishment of a car parks trading account. The F&E Committee expressed certain reservations regarding the proposal, having recalled that the States were still awaiting a traffic policy from the Public Services Committee. Agreement was nevertheless reached with the Public Services Committee on certain key principles for the trading account. It was to be introduced *'at nil cost to the States and the Public Services Committee'* and would generate *'financial benefit to general revenues from the outset,'*[31] as well as providing funding for improvements in the Island's traffic and transport system.

By January 1998 the Car Parks Trading Fund (CPTF) was formally established and in operation. At the same time, the then Public Services Committee was finalising its Transport Policy Strategy, which was lodged '*au Greffe'* some 3 months later as P.70/98. Among the various policy objectives cited within the report accompanying P.70/98 included the achievement of *'a more equitable approach to charging motorists.'* Paragraph 6.13 of the report records that the CPTF was –

> ***'only part funded by parking charges with the net income from the original 20p per hour charge being transferred to States' General Revenues.'***

The same report records that parking charges had recently been raised to 35 pence per hour with the aim of generating revenue of the order of £3.5 million per annum and, further, that the Finance and Economics Committee had –

[31] Act 9 dated 9th June 1997 of the Finance and Economics Committee

'...indicated that all of the income from car parks might be made available to the Public Services Committee to fund improvements in car parking. If such proposals materialise, £1.5 million which currently is returned to General Revenue would be available for investment in facilities.'

The draft strategy certainly envisaged all net income from public parking being available to fund the provision of public parking facilities and other traffic measures. It further advocated a charging policy based on providing '*an appropriate rate of return on investments to the States,'* an extension to Green Street Car Park and building of additional car parks in the town. The draft strategy drew criticism from several quarters including the then Finance and Economics Committee, which considered that a full financial appraisal of the draft strategy was needed.

On 11th May 1999 the Public Services Committee withdrew P.70/98 and lodged the Sustainable Island Transport Policy (P.60/99 refers). The main elements of the revised strategy were intended to lessen the impact of traffic on people's lives and to reduce overall levels of motorised traffic. They also included a pledge -

'to further extend the scope of public parking charges and, where possible, to use the income to fund provision of improvements in the transport network'

The 2000 States Budget report records that operational surpluses were to be transferred to the CPTF to finance larger maintenance projects and the development of new and existing car parks. The first major project funded in this way was the concrete degradation repair at Green Street multi-storey car park, which was intended to extend the life of that car park by some 15 years.

That same report included the following statement at page 65 –

'Whilst no significant charge increases are planned for 2000, it is inevitable that further increases will be necessary if the funds are to be made available to meet the demands made of the Trading Account ... Consideration will have to be given to the amount of work and expense that the Trading Account can support whilst maintaining parking charges at an acceptable level to the public.'

The above extract indicates the balance of political and commercial considerations that the Public Services Committee applied in its strategy.

The CPTF was used to fulfil commitments made in Policy TT12 of the Island Plan 2002 and the Sustainable Island Transport Policy (P.60/1999 refers). In 2004, the then Environment and Public Services Committee endorsed a pilot Safer Routes to School project, having recalled that the

States had authorised the withdrawal of £50,000 from the CPTF to fund the project.[32] In another case, the same committee utilised a similar sum for footpath continuation works.[33]

The Budget Report 2004 records that a *'comprehensive financial audit'* of the Fund had been undertaken during the previous year. This audit had –

- identified a provisional requirement for both Green Street and Minden Place car parks to be rebuilt within 25 years at a combined cost of £35.2 million,
- flagged a further £32 million of new construction and maintenance works elsewhere,
- considered the financial effect of funding the bus service at £1.5 million per annum.

Bus funding was highlighted as the factor that would put the Trading Fund in a deficit position within 25 years unless car parking charges were increased *'substantially.'*

With effect from 2004, the Public Services Committee levied a charge for all services provided to the car parks (including cleaning and central support functions). During the same year, the then Environment and Public Services Committee (EPSC) sought to address the issue of the bus subsidy and its effect on the CPTF. In June it lodged *'au Greffe'* the Draft Road Traffic (Amendment No.3) (Jersey) Law 200-, which would have 2 effects on the CPTF. First, it would allow the EPSC to take into account such matters as it thought fit when setting parking charges. Secondly, it would enable parking charges to be set at a level that would generate an income over and above the cost of car parking service provision and allow for additional income to be credited to general revenues. When the States expressed concern that the additional income would not be ring-fenced, the EPSC lodged P.147/2004 ('Car Parking Charges: allocation of additional income to the funding of transport initiatives'). This proposition was adopted on 19th October 2004, thereby mandating the allocation of additional income for *'transport initiatives such as the bus service and highway maintenance.'*

The Budget Report 2005 records that the was partially successful in securing additional funding to subsidise the bus service, with the aim of reducing financial pressure on the CPTF.

In 2005 a new Public Finances (Jersey) Law was approved. The new law made provision for the formal designation of trading operations and for each of these trading funds to make a return to the income of the States. The Environment and Public Services Committee worked with the Finance

[32] Act No. A3 dated 8th April 2004 of the Environment and Public Services Policy Sub-Committee

[33] Act No. A4 dated 21st October 2004 of the Environment and Public Services Committee.

and Economics Committee on this formal designation. An Act dated May 2005 of the former committee reveals that the CPTF was intended –

- to be subject to the forthcoming trading operations regulations and relevant financial directions;
- to bear all expenditure related to the operation, maintenance and development of States car parks including street parking, and derive the income thereof;
- to make a contribution to the General Reserve equivalent to the estimated surplus released from car parks in 1998;
- to encourage the development of partnerships with the private sector, particularly those associated with financing; and,
- to bear the costs and income associated with parking spaces provided by other organisations.

Further to the above, the charging policy for the Car Parks Operating Account was to be approved annually in advance by both Committees (later the Minister for Treasury and Resources and the Minister for TTS), while all surpluses from the Operating Account were to be transferred to the CPTF to finance projects approved by the Environment and Public Services Committee (later the Minister for TTS) and in connexion with the –

- premature repayment of capital projects or debt;
- extension, enhancement or development of existing car parks;
- acquisition and development of new car parks;
- development, introduction and operation of car parks policy and other associated initiatives;
- funding of any possible deficit of the Operating Account; and,
- existing and future transport initiatives.

In September 2005, the then Finance and Economics Committee lodged the Public Finances (Transitional Provisions – States Trading Operations) (Jersey) Regulations 200-. These Regulations essentially formalised the existing arrangements for the CPTF, the public face of which became known as 'Jersey Car Parking.'

The report which accompanied the establishing regulations gave a summarised account of the purpose of the CPTF.[34] It confirmed that the Fund would -

- continue to bear all expenditure related to the operation, maintenance and development of States of Jersey car parks including States of Jersey on-street parking
- continue to receive all income from car parking.
- operate using assets that would remain in public ownership.

That same accompanying report confirmed that the States would, as part of the Annual Business Plan process -

- agree any future uses for the CPTF fund,
- agree the estimates of the operating account of the trading operation, and
- ratify the financial return to the States.

In relation to the financial return the report stated:

> ***'... financial returns to the States from this trading operation will be subject to discussion and agreement between the Minister for Treasury and Resources and the Minister for Transport and Technical Services. Any such agreement will need to be formally ratified by the States in the Annual Business Plan.'*** [35]

The CPTF was duly re-established and, as at 2012, was one of four States Trading Funds:

Jersey Car Parking
Jersey Fleet Management
Jersey Harbours
Jersey Airport.

[34] Public Finances (Transitional Provisions – States Trading Operations) (Jersey) Regulations 2005.

[35] States approval is now through the Medium Term Financial Plan

Appendix 3 – Car Parks Trading Fund - Financial Returns to the States 1998 - 2015

Jersey Car Parks

Contributions to the States of Jersey
1998-2013

Year	Payment Description	£'000	% change
1998	Rental to TTS	1,500	
1999	Rental to TTS	1,500	
2000	Rental to TTS	1,500	
2001	Rental to TTS	1,500	
2002	Rental to TTS	1,500	
2003	Rental to TTS	1,500	
2004	Rental to TTS	1,500	
2005	Rental to TTS	1,500	
2006	Rental to TTS	1,537	2.47%
2007	Rental to TTS	1,575	2.47%
2008	Rental to TTS	1,615	2.54%
2009	Rental to TTS	1,655	2.48%
2010	Financial Return to the States of Jersey (*note 1*)	2,700	63.14%
2011	Financial Return to the States of Jersey (*note 2*)	2,255	-16.48%
2012	Financial Return to the States of Jersey (*note 3*)	1,552	-31.18%
2013	Financial Return to the States of Jersey (*note 4*)	*1,552*	
2014	Financial Return to the States of Jersey	*1,591*	2.51%
2015	Financial Return to the States of Jersey	*1,631*	2.51%

Notes

1. Per Report and Accounts :
   In 2010 the financial return was reclassified and transferred from Transport and Technical Services to Treasury and Resources in order to provide a consistent treatment across the States trading operations. In addition, it was increased by £500k through increased charges and a further one-off £500k to fund the Eastern Cycle Track. In 2011 the return will reduce to £2,200k.

2. As per above, financial return reduced by £500k compared to prior year "one off" allocation to the Eastern Cycle Track. Increased by 2.5% over the prior year figures excluding this one off allocation.

3. Per Report and Accounts :
   The Esplanade car park was transferred to the States of Jersey Development Company in 2012 and the rental of this area increased premises expenditure compared to 2011 by £759,000, whilst reducing the financial return to the States by the same amount, after allowing for inflation increases on the 2011 return.

4. Per MTFP for 2013 - 2015

Appendix 4 – Public Parking Charges 2003 – 2013

YEAR	PAYCARD (1 UNIT)	% INCREASE (PAYCARD)	FULL MONTHLY TICKET PRICE	% INCREASE (MONTHLY TICKET)	RATE OF INFLATION (RPI)
2003	45p	-	£75.00	-	4.9%
2004	47p	4.4%	£78.00	4%	4.0%
2005	47p	0%	£78.00	0%	5.3%
2006	50p	6.4%	£85.00	9%	2.2%
2007	52p	4%	£88.00	3.5%	3.7%
2008	54p	3.8%	£92.00	4.5%	4.5%
2009	56p	3.7%	£92.00	0%	3.3%
2010	64p	14.3%	£104.33	13.4%	1.7%
2011	65p	1.6%	£106.42	2%	2.3%
2012	68p	4.6%	£110.56	3.9%	5.0%
2013	70p	2.9%	£113.99	3.1%	2.1%

n.b.

- Fares increased on 1st February each year with the exception of 2004 (increased on 1st July), 2005 (no increase) and 2009 (increased on 1st April).
- RPI percentages quoted as at 1st February each year (when charges usually rise) but TTS base their increases on RPI as at September of the previous year.
- The above charges are exclusive of GST, which was applied with effect from May 2008