

Financial Appraisal

This appraisal details the estimated net impact on the council's current overall budget. Prior to Covid-19, car parking demand increased considerably year on year by as much as 8% between 2013 and 2019. The central prudent case below assumes a growth of 2.5% per annum in overall demand. However, given Covid-19 and the potential economic landscape there is considerable uncertainty around car parking usage; in order to assess the potential impact, two further scenarios have been modelled: 1% representing slower growth and 5% higher growth should things return to "normal" after Covid-19.

The central case estimates that the additional overall capacity will be fully utilised within 7 years of opening with 1% growth and 5% growth within 17 and 4 years respectively. The net estimated income to the Council is in a range from £3.0m to £4.4m with the central case of £4.1m.

The extra capacity will be utilised sooner should car parking capacity reduce elsewhere in the city; however, this will not result in a net increase in income to the council as income is lost from any car park closures.

Capital Budget Required										
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Whole life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Demolition	115	0	0	0	0	0	0	0	0	0
LEP admin fee	0	135	0	0	0	0	0	0	0	135
Construction incl. preliminaries & green wall	6	2,192	4,000	0	0	0	0	0	0	6,192
Total	121	2,327	4,000	0	0	0	0	0	0	6,327
Financed by:										
LEP grant	0	1,875	3,775	0	0	0	0	0	0	5,650
Prudential borrowing	121	452	225	0	0	0	0	0	0	677
Total	121	2,327	4,000	0	0	0	0	0	0	6,327

Revenue Consequences										
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Whole life	Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	0	0	14	45	77	111	147	6,911	7,305	
Expenditure	0	0	(49)	(50)	(51)	(52)	(53)	(1,731)	(1,986)	
Net surplus/(deficit)	0	0	(35)	(5)	26	59	94	5,180	5,319	
Financing costs										
Interest payments	0	(21)	(24)	(23)	(23)	(22)	(22)	(309)	(444)	
Minimum Revenue Provision (MRP)*	0	0	(17)	(17)	(18)	(18)	(19)	(709)	(798)	
Net impact on the General Fund balance	0	(21)	(76)	(46)	(15)	18	53	4,162	4,077	

*Borrowing need is reduced over the life of the asset by applying MRP annually from revenue

Net Present Value/(Cost) £000:

1,462

Discounted payback period:

12 years

Incremental Impact of Capital Investment Decisions*	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£	£	£	£	£	£	£
General Fund - equivalent to increase/(decrease) in annual band D Council Tax	0.00	0.41	1.48	0.88	0.28	(0.35)	(0.99)

*This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax.

The above appraisal assumes growth in overall parking demand of 2.5% which is below the historic trend. Given the significant uncertainties currently, the overall impact of only a 1% increase and also a 5% increase (closer to historic trends) is illustrated below.

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Whole life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net impact at 1% growth	0	(21)	(84)	(73)	(62)	(49)	(37)	3,310	2,986
Net impact at 5% growth	0	(21)	(61)	(1)	65	115	118	4,193	4,410

Assumptions

Appraisal period	30 years	Estimated useful economic life
Completion date	January 2022	
Discount Factor	3.00%	Estimated cost of capital
Asset type	Operational land and buildings	Car parking
Income	Central case assumes a 2.5% increase in overall demand	Income per space uplifted annually by inflation
Expenditure	Business rates estimated at £20,000 per annum	Uncertainty as actual liability unknown until Valuer's Office assigns rateable value. Estimate based on existing car parks.
	Maintenance estimated at 15% of income	Expenditure uplifted annually by inflation
Inflation	2.00%	Based on Bank of England target CPI
Notional interest	3.00%	Rate based on long term borrowing rates available to WCC including margin for prudence
Minimum Revenue Provision	3.00% on annuity basis	As above; applied in the year following asset acquisition over estimated life

CAB3236 - Appendix 2

Full Recommendation 1.

Approve capital expenditure of up to £6.327m

Full paragraph 2.4.

In order to install a green living wall, a supplementary estimate for an additional £153,000, in accordance with financial procedure rule 8.2, is required. This will increase the total budget from 2020/21 to £6,327,000 and the wall will be funded by prudential borrowing at an estimated additional annual borrowing cost of just under £8,000 per annum over the 30 year project life assuming a cost of borrowing of 3%. At this stage it is not certain that all of this allocation will be required, this will become clearer as the design progresses.

Full paragraph 2.5

Having now been awarded a grant of £5.65m from the LEP, approval is sought for the construction of a decked car park of approximately 300 spaces on the site at a total estimated cost, including the green wall, of £6.327m to be funded by the grant with the balance of £0.677m funded by prudential borrowing.

