

		Executive – 3 rd September 2008	Agenda Item No.
Title		Business case for the car park improvement programme.	
For further information about this report please contact		Ian Coker 01926 456227 ian.coker@warwickdc.gov.uk	
Service Area		Neighbourhood Services	
Wards of the District directly affected		Milverton, Clarendon and Warwick West	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		No	
Date and meeting when issue was last considered and relevant minute number		July 2008 Executive	
Background Papers			

Contrary to the policy framework:	No
Contrary to the budgetary framework:	Yes
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <u>must</u> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director	19 August	Mary Hawkins
Chief Executive		Chris Elliott
CMT		
Section 151 Officer	19 August	Mary Hawkins
Legal		Simon Best
Finance		Mike Snow
Portfolio Holder(s)	20 August	Cllrs Kinson and Doody
Consultation Undertaken		
Please insert details of any consultation undertaken with regard to this report.		
Mel Gillman, Procurement Manager		
Final Decision?		Yes
A further report confirming the tender prices and the capital receipt for the sale of Bedford St.		

1. **SUMMARY**

- 1.1 The report sets out a business case for a programme of works in the order of £2.19million to structurally improve Linen Street car park in Warwick; and Covent Garden and St Peters car parks in Leamington. In addition visual and other improvements are recommended for Covent Garden Car Park so it can achieve the secure by design standard. The report sets out the proposed funding of the works and the implications for the Council Tax. .

2. **RECOMMENDATION**

- 2.1 To agree to the full set of improvements estimated at £2.19 million as set out in Option 1 of this report, subject to a further report confirming the tendered sums and the securing of the Bedford St capital receipt.
- 2.2 Tenders to be sought and the process agreed in consultation with the Procurement Manager.
- 2.3 To fund the investment required as follows (see Para 5.6): -
- £622k from the revenue repair and maintenance budgets from 08/09 – 12/13)
 - £510k in the capital budget originally financed from increased parking and S106 monies
 - £910k capital receipt from Bedford Street
 - £148k from prudential borrowing or capital receipts, to be decided when agreeing later years budgets
- 2.4 As a result, agree that £63,000 of the 2010/11 revenue budget is brought forward into 2009/10 in order to fund the works (Para 5.7)

3. **REASONS FOR THE RECOMMENDATION**

- 3.1 One of the key priorities identified in the Corporate Strategy is for the authority to support the development of thriving Town Centres. In order to achieve this priority the council needs to provide sufficient numbers of off-street parking spaces at a quality which meet the needs of customers.
- 3.2 An investment of £1,420,000 detailed in the report is required to maintain the general fabric of the car park and as a result the number of off-street spaces at the current level. An investment of £670,000 detailed in the report is required to bring Covent Garden multi-storey car park up to a standard which is in line with car parks in competing centres outside the district and any new car parks which might be built within the district. This is known as the secure by design standard.

4. **ALTERNATIVE OPTION CONSIDERED**

- 4.1 The alternatives are set out in Section 8 as part of the consideration of the business case, and the financial implications of these are set out in Para 5.

5. **BUDGETARY FRAMEWORK**

- 5.1 Section 8 summarises the non-financial elements of the business case.
- 5.2 At the last meeting of the Executive it was agreed to dispose of Bedford St car park realising approximately £900k capital receipt. Currently policy is for the council to

invest this capital receipt in maintenance and improvements to car parks. (Min 399 Sept 2007 Executive). However the prospective owners are now seeking planning permission and final receipt of this sum will be dependent upon this. Consequently it is recommended that a further report is brought forward when the tenders are in, and at such a time as the receipt should also be confirmed.

5.3 Three options have been identified and are explained in more detail in Paragraphs 7 and 8. They are:-

Option 1: Carry out both structural and secure by design works

Option 2: Carry out structural works only

Option 3: Carry out no further improvements and close the car parks

5.4 In order to demonstrate the net effect on the Councils financial position all options are compared to the current budgetary projections, although it is recognised that after some period of time doing nothing is not an option. The current position is taken from the 08/09 budgets except that the car parking income is taken from the 07/08 actual, uplifting by car park fee increases in 08/09, and then applying the real terms increase already planned and reflected in the budget strategy for later years. Adjustments are made for known changes over the next five years, such as the Chandos Street development. 2012/13 is then taken as the comparison year in the summary below of the ongoing impact of the options, using the projected Council Tax Base.

5.5 A comparison can then be made looking at the full impact on the Council ignoring specific funds already set aside for this work, so that the true opportunity cost of the options can be seen. This is set out in the table below:-

	Net service income £'000 including full opportunity costs of investment	Council Tax difference (£)	Council Tax (%)
Current projections	669.5	-	-
Option 1: All works	486.2	3.45	2.1
Option 2: Structural only	472.3	3.71	2.3
Option 3: Close & sell	337.3	6.24	3.7

5.6 However, the council has the following resources to meet the capital costs

- Repairs and maintenance budget for car parks. This contains £171k per year, which over the 5 year period (2008/09 to 2012/13), is a sum of £855k. After allowing for planned works to surface car parks over this time period of £233k there will be £622k remaining.
- £510k in the capital budget originally financed from increased parking and S106 monies
- £910k capital receipt from Bedford Street

Taking these three together there is a further £148k to finance if Option 1 is pursued and £582k of 'spare' capital resources if Option 2 is pursued. The difference in the Council Tax over previous forecasts, as opposed to the full opportunity costs in Para 8.3 are as follows:-

	Net difference from current projections (per year) In £'000	Council Tax difference (£)	Council Tax (%)
Option 1: All works	12.5	0.23	0.14
Option 2: Structural only	26.3	0.49	0.30
Option 3: Close & sell	161.3	3.03	1.84

5.7 If option 1 is agreed £1.85million of the total sum would be spent in 2009/10, and this would require £63,000 of the 2010/11 revenue budget to be brought forward into 2009/10 to fund the works.

6. POLICY FRAMEWORK

6.1 Warwick District Council car park policy states that the capital receipt from the sale of Bedford Street car park will be invested in the maintenance and improvements to car parks. (Item 5.1 of car park strategy).

6.2 Warwick District Council car park policy has been to increase prices by 10% year on year to create £1m funds to improve car parks. (Item 4.2 of car park strategy)

6.3 Warwick District Council has signed a S106 agreement to invest £270,000 received from Alburns in improvements to Covent Garden car park. Over half of this sum remains unspent to improve the quality of the car park.

6.4 The Corporate Strategy includes the priority of supporting the development of thriving Town Centres.

7. WORKS REQUIRED

7.1 In February 2007 tenders to build additional car park on the existing Covent Garden surface car parks were received which were significantly higher than expected. As a result Barneveld Consultants, a company who specialise in structural engineering and who have been employed over some time by Building Control and Engineers to advise Warwick District Council on major projects were commissioned to prepare a report setting out the cost associated with maximising the commercial life of the existing car parks.

7.2 Covent Garden and Linen Street multi-storey car parks were built in the early 1970's. Since that time significant investment in both the car parks has taken place. This includes significant strengthening works, the undertaking of anti corrosion work and the upgrade to electrical circuits and lighting. Other than work to provide a protective membrane very little investment has been carried out in St Peter's which was built in 1988

7.3 The report from Barneveld Consultants identifies £1.42m which is required to be spent on maintenance of the general fabric of the multi-storeys to maximise the lifetime of the structures as economically as possible and provide an additional 25 years of "life" to the car parks. This work includes the replacement of the corroded drainage system, repair of all damaged / cracked concrete, prepare and apply corrosion inhibitor to all exposed surfaces, the application of anti carbonation surface finishes and the replacement of the roof membrane. Customers would see little change to the appearance to the car park as much of the work is internal to the

structure. The identified work costing almost £300,000 in Linen Street, £980,000 at Covent Garden and £140,000 at St Peter's over the next three years is vital if we were to maximise the lifetime of the car parks. The plan is to run the works in Covent Garden and St Peter's together to gain best value

7.4 A further cost has been identified by the Consultants to upgrade Covent Garden Car Park to achieve secure by design standard. The report identifies £670,000 to upgrade the car park to meet this standard which is one of the Key Performance Indicators currently identified for car parks. Customers would see a significant change to the look of the car park with colour coded floors, ceilings and stairwells, improved lighting and safety provision including "Help Points". The plan is to run this work alongside the corrosion works to get best value.

8. BACKGROUND – THE BUSINESS CASE

This section considers the non-financial elements of the business case.

8.1 Option 1 - Carry out both structural and visual enhancement works

This would involve carrying out all the work set out in paragraph 7.3 and 7.4. We have assumed that half of the current income from Chandos Street will be displaced to Covent Garden during the development period, equivalent to 75 spaces. Following the development, this option assumes half of this displaced income is retained (equivalent to 37.5 spaces) at Covent Garden. The new Chandos Street is estimated to have 500 spaces, and Bedford Street and the current Chandos Street have 200 spaces, which gives an increase in car park spaces in Leamington of 300, being linked to the new retail capacity. The advantages and disadvantages are as follows:-

Advantages	Disadvantages
Lowest revenue impact on the Council	Might not achieve net ongoing increase in spaces after Chandos St development
Maintain attractiveness of car parks and Leamington as a place to shop compared to other towns	
Can use S106 contribution from Alburns development as part of the financing	

8.2 Option 2: Carry out structural works only

The Council could just undertake the corrosion protection works at a cost of £1,420,000 over five years. This would have the effect of maintaining the operational life of the car parks. However the lack of enhanced investment in Covent Garden will make it significantly less attractive to visitors and members may be familiar with the standards of modern car parks in Coventry and Solihull.

The key difference between this and Option 1 in terms of car parking income is that we have assumed that following the construction of the Chandos Street development the additional usage of this car park in Covent Garden, displaced during the building of Chandos Street would be lost. In addition we would fail to

meet the S106 agreement linking the receipt of £270,000 to specific improvements in parking at Covent Garden car park.

Advantages	Disadvantages
Less financial outlay, but.....	Car parks less attractive compared to (For example) Coventry/Solihull
	Visitors prefer to go to other towns
	Although improving the car parks, benefit not obvious in light of increased charges
	Will need to repay £270,000 which was provided through S106 from Alburns for enhancement to Covent Garden Car Park

8.3 Option 3: Carry out no further improvements and close the car parks

It is not possible to precise about when the car parks would fail a structural inspection and require closure. It has been assumed that this would happen in five years time given the age of the car parks. It is assumed that following closure the Council would sell the sites; the financial impact is driven by the size of the capital receipt that would be gained, and assumptions on interest rates. The advantages and disadvantages of these options are:-

Advantages	Disadvantages
Capital receipt to spend on other activities	Reduce the vitality of the town as a destination for visitors.
Might encourage more environmentally friendly transport usage	Car parking spaces significantly less than the previous estimated need
	Significant detrimental impact on revenue budget
	Not abiding by agreement to improve car parks as return from increased parking charges
	Will need to repay £270,000 which was provided through S106 from Alburns for enhancement to Covent Garden Car Park
	Congestion due to fewer spaces if transport modes not changed