

**BRISTOL CITY COUNCIL**

**Place Scrutiny Commission**

**5 February 2015**

**Report of:** Peter Mann - Service Director, Transport

**Title:** Residents' Parking Schemes Finance update

**Ward:** Citywide

**Officer Presenting Report:** Peter Mann

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**RECOMMENDATION**

A Residents Parking Schemes Finance update was presented to Place Scrutiny Commission on 17th November 2014, which provided information and statistical data on the RPS finances at that point in time.

Place Scrutiny subsequently requested a follow up report to be presented in February 2015, detailing the outturn implementation costs for each scheme in place, along with the income both actual and projected going forward. They also requested an update on the payback period. They also made reference to a document presented to the working group in October 2013 which they requested to be updated and represented with all the requested information.

The purpose of this report is to provide the requested updated position on RPS Finances with appropriate comments.

**Updated - Financial Forecast**

An updated financial analysis of the residents' parking schemes on a scheme by scheme basis is shown in Appendix A. The income and expenditure for each scheme area is assessed on an individual basis.

The analysis provides

- Actual or forecasted start date of each scheme

- Capital cost of live schemes to date and forecasted cost of schemes due to be launched later this year.
- Breakdown of income from each scheme divided between:
  - Permit income, and
  - Fee and charges income
- Annual Parking Section direct costs attributed to each scheme
- Annual cost of on-going scheme reviews and revision plus annual maintenance costs
- Annual finance charge for each scheme based on individual scheme revenue projections.

Individual schemes are analysed over a full year of operation so that each can be compared on a like for like basis.

### **Capital Costs**

Capital costs of live schemes are based on information received from Highways and are based on actual costs incurred to date with some minor estimates of ongoing items such as snagging works added. These costs include the physical cost of implementing each scheme, consultation costs, TRO processing costs and the detailed design work undertaken for each scheme. Clifton Village RPS costs are estimates based on existing scheme plans with costs of all other schemes to be launched based on the original Cap Ex for each scheme. The current total forecast of £5.1m is well within the anticipated overall total spend which was originally set at £6.6m.

The costs of existing operational schemes are shown in Capex Actuals column of Appendix A in green, with estimated costs of schemes to be launched in the same column in black.

### **Income and Direct Expenditure**

The financial information for income and day to day expenditure has been provided by Parking Services. Live RPS figures are based on actual figures to the end of December 2014, with forecasts going forward added to represent a full 12 month period of operation. Figures for schemes yet to be launched are original estimations which were based on existing operational residents parking schemes.

The estimated monthly income, for each scheme was used to provide a 12 month income total from both residents' permits and fees and charges. The

value of permits sold to date was used to create an average value per permit per scheme which has been used for forecasting purposes to simulate the variety of residential, business and customer permits sold at different prices. Direct costs include items such as, back office permit staff, maintenance of pay and display equipment, associated software licences, and cash collection. Parking services costs were analysed to provide a whole year cost forecast. This required small adjustments to calculations as some costs were incurred once, others annually and others every quarter. These were allocated to individual scheme areas based on the level of income. Some costs were only allocated in respect of permits, some only for fees and charges and some for both.

The figures for income and direct expenditure are shown in the appropriately marked columns of Appendix A.

### **Annual Review Costs**

Highways have also provided an estimate for annual reviews including such items as replacement of signs and lines with an estimated average cost of £50k per scheme per year. These costs will tend to vary year on year depending upon the needs of each scheme area.

The overall figure of £600k for the 12 schemes has been adjusted to reflect the smaller size of Bower Ashton and Spike Island RPS areas and now show an annual total cost of £550k per annum. This total cost of the annual review and repairs and maintenance is allocated to individual schemes on the basis of scheme income. (Permit income and fees and charges combined). This was on the basis that costs of review and especially maintenance and repair will be greater in scheme areas with the most activity.

These figures are shown in the Cost of Annual Review column of Appendix A.

### **Finance Costs & Repayment Plan**

The cost of borrowing is based on the standard internal rate of borrowing provided by Capital Finance BCC. These figures are based on the current overall cost of borrowing for the Council. The cost of borrowing varies in accordance with the time the loan is repaid and currently interest rates are at an historic low level. The rates would increase slightly if the loan period were to increase, but the current low level of interest means that interest is a low factor in loan repayment. For example, for a 6 year loan, interest makes up just 6.6% of overall repayments, the rest being repayment of the principal capital sum.

The cost of borrowing is based on rates of interest provided by BCC Capital

Finance, with the period of the loan repayment being assessed on the shortest payback period. BCC Finance have therefore used the modelling parameters set out above and have calculated that the 12 schemes as a whole would provide income such that the Council could pay back the financing costs within 6 years with the first repayment being paid in March 2016 and the final payment being made in March 2021.

The current estimated total capital cost of the 12 schemes is £5.123m and the annual repayment required to repay the capital loan would be £915k per annum. This figure has been apportioned to individual RPS's on a total income generated basis. For example Cotham North generates c12% of the total income for the programme so the scheme has been allocated c12% of the total finance costs of the programme.

The Cabinet Report originally stated that in order to provide a robust finance model, the cost and income from RPS needs to be considered across the whole programme. This is because some areas will, by their nature, cost more than others to implement and similarly some will generate more income than others to assist with the payback of prudential borrowing.

As with all income to the Council's parking service, this is required by law (s 55 Road Traffic Regulation Act 1984) to be used first to offset costs against the parking account. In the case of RPS this means the cost of implementation, payback of borrowing including interest charged, enforcement, review and maintenance of lines, signs and machines.

### **Overall Annual Outturn**

The forecast shows that each individual scheme is forecasted to generate a small surplus per annum, with the overall programme generating a total surplus of c£30k per annum once all the schemes are fully operational. In percentage terms this is only 3.2% of the overall total net income forecasted for the programme.

The percentage figure above indicates there is very little in terms of contingency to cover any un-projected shortfalls in income. It must also be stressed that there are a number of very large RPS schemes still to be launched and that income projections are forecasts based on an analysis of existing operational schemes and these may vary in terms of accuracy. Parking Services are however currently forecasting the six schemes that are currently live will generate a £442k surplus for this financial year (2014/15). This sum has therefore been provisionally set aside to act as a contingency fund to cover any unexpected delays, costs or shortfalls in income over the six year capital loan re-payback period.

The annual outturn figures are shown in the Overall annual outturn column of

Appendix A.

## **Sensitivity**

In terms of sensitivity, a 20% decrease in F&C income would mean that the 12 schemes would require an 8 year loan repayment plan rather than 6 years to pay back its borrowing. The income figures do not include any allowance for increases to fees and charges or permits to allow for inflation.

## **Appendices**

*Appendix A – Residents Parking Schemes Full Year Forecast.*

### **Financial implications / issues:**

Information in relation to costs and payback of the capital borrowing has been provided by Mike Allen from the Finance Team and included in the body of this report.

## Residents Parking Schemes - Full Year Forecast

Appendix A

Residents Parking Zone Area	Start Date	Cap Ex Actuals by area	Income source	Direct Income by source	Total direct income by area	Parking services direct costs	Gross surplus by area	Cost of annual review	Net income by area	Finance costs	Overall annual outturn
Easton & St Phillips	Live - April 2014	548,579	Permits Fees and charges	(47,434) (95,594)	(143,027)	38,804	(104,223)	38,314	(65,910)	63,778	(2,132)
St Pauls	Live - Oct 2014	347,745	Permits Fees and charges	(44,714) (49,758)	(94,473)	25,631	(68,842)	25,307	(43,535)	42,126	(1,408)
Bower Ashton	Live - Sept 2014	27,755	Permits Fees and charges	(2,091) (6,979)	(9,070)	2,461	(6,609)	2,430	(4,180)	4,044	(135)
Spike Island	TBC	273,795	Permits Fees and charges	(6,987) (15,717)	(22,704)	6,160	(16,544)	6,082	(10,462)	10,124	(338)
Cotham North	Live - July 2014	415,000	Permits Fees and charges	(151,174) (104,640)	(255,814)	69,404	(186,410)	68,527	(117,884)	114,071	(3,813)
Redland	Live - July 2014	228,549	Permits Fees and charges	(57,933) (32,832)	(90,765)	24,625	(66,140)	24,314	(41,826)	40,473	(1,353)
Clifton East	Apr-15	536,415	Permits Fees and charges	(145,899) (158,484)	(304,384)	82,581	(221,803)	81,537	(140,265)	135,728	(4,537)
Cliftonwood & Hotwells	Live - May 2014	389,368	Permits Fees and charges	(119,645) (66,373)	(186,019)	50,468	(135,551)	49,830	(85,721)	82,948	(2,773)
Clifton Village	Mar-15	746,692	Permits Fees and charges	(180,670) (430,713)	(611,383)	165,871	(445,512)	163,775	(281,736)	272,623	(9,113)
Bedminster East	Aug-15	536,415	Permits Fees and charges	(14,053) (49,115)	(63,168)	17,138	(46,031)	16,921	(29,109)	28,168	(942)
Southville	Jul-15	536,415	Permits Fees and charges	(105,326) (108,054)	(213,380)	57,891	(155,489)	57,160	(98,329)	95,149	(3,180)
Montpelier	Jun-15	536,415	Permits Fees and charges	(46,690) (12,305)	(58,994)	16,005	(42,989)	15,803	(27,186)	26,306	(879)
<b>Totals</b>		<b>5,123,140</b>		<b>(2,053,181)</b>	<b>(2,053,181)</b>	<b>557,038</b>	<b>(1,496,142)</b>	<b>550,000</b>	<b>(946,142)</b>	<b>915,539</b>	<b>(30,603)</b>

%

100%

Year

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