

<b>SUBJECT:</b>	Station Road Car Park Redevelopment Gerrards Cross Business Case	
<b>REPORT OF:</b>	Resources Portfolio Holder - Cllr Barbara Gibbs	
<b>RESPONSIBLE OFFICER</b>	Chris Marchant	Head of Environment
<b>REPORT AUTHOR</b>	Linda Newell Rodney Fincham	Estate Manager Head of Finance
<b>WARD/S AFFECTED</b>	Primary Gerrards Cross	

## 1. Purpose of Report

1.1. The purpose of the report is to:

- Note that Cabinet approved the final business case for the project which has been called in by six Members and is being considered by the Overview and Scrutiny Committee on 8 November 2018. If the Overview and Scrutiny Committee agree that this item should be reconsidered by Cabinet then this item will be withdrawn from this agenda.
- In addition Cabinet also noted that the construction period will be Jan-Dec 2020 unless agreement can be reached to allow the car park to be closed over the 2019 Christmas trading period
- Cabinet agreed that:-
  - the Head of Environment be authorised to conclude the delivery agreement between Balfour Beatty and the Council for the construction phase.
  - the Head of Finance be authorised to carry out the necessary arrangements to obtain the loan finance.

### **RECOMMENDATION to Council:**

**1 That the Capital Programme for the Station Road Car Park be amended to the following:**

**2019/20      £5,000,000**

**2020/21      £8,051,000**

## 2. Executive Summary

2.1. Planning consent has been granted for expanding the Station Road Car Park to provide a total of 442 parking spaces.

- 2.2. To enable this project to proceed to completion, the Council will need to invest a further estimated £13.051m.
- 2.3. The proposal is for the project cost to be financed by way of a loan from the Public Works Loan Board (PWLB).
- 2.4. The expanded car park is expected to increase annual income by £431,000.
- 2.5. The reason for expanding the car park is to meet current and future parking need in the Town. The business case indicates that in the longer term the development will cover its costs.

### **3. Reasons for Recommendations**

- 3.1. Recent surveys indicate that there is a need for an extra 375 non commuters car park spaces in Gerrards Cross, to provide sufficient car parking to meet predicted local parking needs.
- 3.2. Other options have been considered but expanding the Station Road car park is considered to be the best option currently available to meet this need.

### **4. Background**

- 4.1. The Council currently operates a surface car park at Station Road, Gerrards Cross providing 122 spaces.
- 4.2. The site is shown edged in red on the plan at **Appendix A**.
- 4.3. The proposed development comprises a multi storey car park providing a total of 442 parking spaces.

### **5. Planning Permission**

- 5.1. Planning Permission for the Station Road car park was issued on the 16 August 18 subject to 14 conditions, 3 of which have to be discharged prior to commencement. (Planning Application Ref PL/18/2173/FA).
- 5.2. Balfour Beatty has reviewed these conditions and are taking steps to comply with these. Overall the conditions are unlikely to have a significant impact on the project.

## **6. Agreement with Waitrose**

- 6.1. The Waitrose / John Lewis surveyor is in the process of obtaining necessary approvals to Heads of Terms covering variations to the current legal documents for Waitrose's trolley bays in the car park.
- 6.2. Until the Heads of Terms are agreed this remains a risk to the project timetable.

## **7. Construction Period**

- 7.1. The aspiration was to construct the car park between January and December 2019.
- 7.2. However, correspondence from local residents indicates that a Judicial Review challenge is likely to be lodged.
- 7.3. It is therefore recommended that construction should not commence until the time limited Judicial Reviews periods have ended and / or any Judicial Review is concluded. As if a Judicial Review is lodged this would effectively delay the project and mean that £200k+ of abortive costs would be incurred, even if ultimately the judicial review was unsuccessful.
- 7.4. If agreement can be reached with Waitrose it may be possible to start the construction during 2019. However this would mean that the car park would be closed over the crucial 2019 Christmas trading period, and Waitrose have so far indicated that they would not agree to this.
- 7.5. This business case has therefore been based on a construction period of January to December 2020.

## **8. Cost of Development**

- 8.1. Construction costs have changed since the scheme was last considered, and Balfour Beatty has now provided updated construction costs.
- 8.2. The current estimated cost to completion is set out in the table below. There are still a number of cost items that are being reviewed / challenged, however this is the best cost estimate currently available.

	£	£
Construction		9,058,535
Contractor Preliminaries		928,414
Forecast Change Control Notices Allowance		87,500
Remaining Project Design Team Fees etc (£88k already paid)		70,625
Risk allowance - Contractor		396,000
Risk allowance - Client		250,000
Remaining Pre-Construction works (£600k already paid)		71,873
Associated framework fees		1,297,702
Repricing costs (as works delayed) – Estimate		100,000
Estimated Build Inflation (c5%) - Estimate		500,000
		12,760,649
Other costs payable by SBDC		
Railtrack - Payable upon planning implementation	85,000	
Building Control Fee (payable to SBDC)	8,000	
BCC 106 Agreement	15,000	
Party Wall - Estimate	150,000	
Legal Fees	20,000	
Waitrose	7,500	
Tesco fees	5,000	
	290,500	
		13,051,149

- 8.3. Included in the total cost is a project contingency / risk allowance of £396k for contractor risks and £250k for client risks. The client risk allowance is for any further expenditure to cover risks such as design changes once the Delivery Agreement has been signed.
- 8.4. Also included is a 5% build inflation allowance, to reflect a construction period of January to December 2020.
- 8.5. In order to fund this project, it will be necessary to amend the Capital Programme to reflect the latest costs.
- 8.6. Cabinet is therefore asked to recommend to Council that the Capital Programme for the Station Road Car Park be amended to the following:
- |         |            |
|---------|------------|
| 2019/20 | £5,000,000 |
| 2020/21 | £8,051,000 |

## 9. Business case

- 9.1. The current business case is detailed in **Appendix B**.

9.2. In summary the current business case figures are as follows.

Number of car park spaces	442
Extra Spaces	320
<b>Current Cost Estimate</b>	13,931,149
Figure includes £880k of costs already incurred	
<b>Income</b>	
Car Parking Income (year 3)	588,000
Less current income	-175,000
Extra income	413,000
Extra income as percentage of build cost	2.96%
<b>Business Case Model</b>	40 yrs
IRR - should be more than borrowing cost	2.73%
Net Present Value - negative is good	6,535,359
(Profit) / Loss - negative is good	-1,273,481

9.3. In the initial years the scheme will not generate extra net income for the Council as the extra income (£413k) is not sufficient to cover the cost of the loan (£555k).

9.4. In the longer term as the income will grow with inflation, but the cost of the loan does not, the development will cover its costs and provide a return to the Council.

9.5. In summary a commercial operator would be unlikely to develop this scheme as the payback period is too long. However as the purpose is to meet parking need the Council can decide to take a longer term view.

## 10. Assumptions Regarding Car Park Charges

10.1. The Station Road parking charges have recently been increased to £8 (9.5 hours) and £10 (24 hour charge) in order to deter long stay parking.  
The main station car park charges £8.50 a day. Orchehill Rise and the upper station car parks charge £6 a day.

10.2. When the new Station Road car park is opened it has been assumed that the Station Road charges will be brought in line with surrounding car parks - as there will be greater capacity and thus longer stay parking will no longer need to be discouraged.

10.3. Furthermore it has been assumed that prices will rise in regular increments of 50p averaging about 4% a year over the next 40 years.

## 11. Sensitivity analysis

11.1. The Business Case is based on various assumptions. Changing any of the assumptions will affect the return. For instance

- If the build cost goes down, the profitability goes up
- If the loan rate goes down, the profitability goes up
- If we increase the take up assumptions, the profitability goes up
- If we increase the charges, the profitability goes up

And of course vice versa.

Income Predictions are made on the basis of £6 for long stay up to 9.5 hours and £8 for 10 hours which are subject to Cabinet approval.

11.2. The following table shows the effect on the Internal Rate of Return, Net Present Value and Profitability figures if we change some of these assumptions.

	Base Model	Interest rate 0.25% higher	Income estimate 2% higher
Build Cost (Including sunk costs)	£13,931,149	£13,931,149	£13,931,149
Loan Interest Rate	2.58%	2.83%	2.58%
Extra income per year	-£413,000	-£413,000	-£421,260
Internal Rate of Return (Should be above loan interest rate)	2.73%	2.73%	2.85%
Net Present Value over 40 years (Negative is good)	£6,535,359	£7,184,489	£6,230,092
Total Surplus over 40 years (Negative is good)	-£1,273,481	-£293,428	-£1,858,492

## 12. Funding

12.1. This project will be funded by borrowing from the Public Works Loan Board (PWLb).

12.2. The financing cost is based on borrowing at a fixed rate from the PLWB, on an annuity basis, over 40 years. The rate as at 22 August 18 is 2.58%. The actual rate will be fixed on the day the loan is organised. The precise timing and structure of the loan will be determined by the Director of Resources.

12.3. The Treasury Management Strategy that was approved by full Council on 27 February 18 set an Authorised Borrowing Limit of £35m and an Operational Borrowing Limit of £30m for 2018/19. The Authorised Limit for South Bucks represents the maximum temporary borrowing limit. The Operational Limit is the limit beyond which external debt is not

normally expected to exceed. SBDC does not currently have any borrowing. Given the likely timetable for the project the Treasury Management impact will be in 2019/20, and the Strategy that will come to members as part of the budget process will reflect the impact of this project.

### 13. Communication Plan

13.1. A proposed communication plan is attached at **Appendix C**.

### 14. Risks

14.1. Once the Delivery Agreement has been signed the contractor takes on the majority of the construction risks.

14.2. However there are certain risks which remain with SBDC and a contingency sum must be kept aside for these risks. The table below sets out the key risks which remain with SBDC.

Risk	Cost /mitigation
Delay of project due to Judicial Review or injunctions	Not controllable by SBDC. Can be submitted any time within six weeks / three months of relevant decision.  Potential claim for loss of light not controllable by SBDC. There is no time limit for such an action. Can be taken even after car park constructed. Currently the likelihood of any claim being successful is considered to be low.
Costs from judicial Review from concerned parties	If a challenge/claim is successful, the Council would be liable for the claimant's costs as well as its own.
Predicted usage	Many factors influence future usage and hence affect income. Charges can be changed with demand also change number of permit holders.
Waitrose agreement	Completion of documentation prior to signing of delivery agreement. Heads of Terms not yet signed off and further concession from Waitrose to extend construction over Christmas period 2019 being sought.

Risk	Cost /mitigation
Party Wall agreements	Specialist instructed but cost budgeted at £50k which may change. Overall cost could increase to £150K subject to discussion with neighbouring occupants and contents of any Party Wall Awards. SBDC are required to pay all fees.
Fire strategy preparation	Following Liverpool car park fire it has been necessary to improve cladding to side elevation and a requirement to have a fire strategy in place. This fire strategy has not yet been completed.
Service Diversions	No allowance has been made for diversion of any services which have not been found during the standard detection methods.
Client changes	Any design changes initiated by client.
Unforeseen issues le ordnance	Unlikely to occur.
Potential payment to Waitrose if completion is delayed.	Damages may be payable to Waitrose if completion is delayed, not all of which may be covered by the main contractor.

## 15. Options

15.1. SBDC has the following options.

- Progress with this scheme now. This option seeks to meet the parking need as quickly as possible, but risks significant abortive costs if legal proceedings are lodged.
- Delay the project in order to resolve any legal challenges and / or have more time to complete all contractual agreements and / or seek alternative build prices. This would delay meeting the parking need, and is likely to result in an increase in the build cost due to the impact of construction inflation.
- Decide not to progress with the scheme. This option would not meet the parking need and the expenditure to date would be abortive costs.

## 16. Corporate Implications



- 16.1. Financial – The detailed business case is shown in **Appendix B**.
- 16.2. Legal – The Council has power to provide off-street parking places, including additional spaces at the Station Road car park, under section 32 of the Road Traffic Regulation Act 1984. This is a general power which enables local authorities to provide off-street parking places if it “appears necessary in order to relieve or prevent congestion of traffic”.
- 16.3. The Council is satisfied that a need for additional parking places in Gerrards Cross has been identified, first in the report undertaken by Yes Engineering Ltd in 2014 and subsequently in a survey and report into future demand prepared by Peter Brett Associates in May 2017. In response to the 2014 report the Council made the provision of increased off-street parking in Gerrards Cross to meet future need a council priority in the Business Plan 2015-20. Therefore it has been Council policy since 2015, based on identified need, to provide additional parking places in Gerrards Cross.
- 16.4. As part of the Transport Assessment for the 2016 planning application Peter Brett Associates carried out a further assessment of future parking demand in the town. This report concludes that there will be demand for additional short and long stay parking in and around Gerrards Cross up to 2053 and that the proposed redevelopment of the Station Road car park would help to meet the forecast demand for short stay parking. These conclusions have been accepted by the highway authority.

## 17. Links to Council Policy Objectives

- 17.1. This matter is related to the Councils corporate aims to deliver cost effective customer focused services and to promote local communities.
- 17.2. This report progresses the aims of the Council’s asset management plan.

## 18. Next Steps

- 18.1. The proposed programme is as follows:

<b>Activity</b>	<b>Date</b>
Cabinet	17 <sup>th</sup> Oct 18
Council Meeting to approve change to Capital Programme	14 <sup>th</sup> Nov 18
Sign Delivery Agreement	Mid 19

<b>Activity</b>	<b>Date</b>
Mobilisation and enabling works start	Late 19
Main start on site	Jan 20
Handover	Dec 20
Project completion	Dec 20

<b>Background Papers:</b>	Cabinet report 25 Oct 16 Cabinet report 17 Apr 18 SBDC Planning Application Ref PL/18/2173/FA
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