

EASTBOURNE PARKING

Financial Appraisal

Introduction

At this early stage in developing a scheme, financial projections of income and expenditure and of set up costs are subject to a significant level of uncertainty. The principal long term uncertainties relate to income levels which are sensitive to the extent of the scheme, the level of take up of permits, the level of turnover, the levels of charges, the days and hours of charging, the level of enforcement and the level of violation. The same factors also affect ongoing costs. If the enforcement operation is contracted out, the cost to the Council will be sensitive to any economies of scale available to the contractor and the extent to which these are reflected in tendered charges.

Capital set up costs are sensitive to the extent of the scheme and to its detailed design, whilst the decision as to whether the scheme is operated in-house or contracted out will determine whether certain significant set up costs are met directly by the Council (as capital expenditure) or by a contractor (with the capital costs reflected in higher ongoing management fees to the Council).

With so many uncertainties, a cost and revenue model has been developed to allow the financial implications of a wide range of scheme permutations and assumptions to be tested. This gives confidence that, across the range of likely scheme structures, charging options exist that are within the likely range of acceptability and would result in the scheme at least breaking even and covering set up costs within an acceptable period. Experience elsewhere in the country confirms that decriminalised parking schemes of a range of sizes and in a wide range different circumstances are financially viable and, in many cases return a significant surplus.

Analysis

The specific financial appraisal shown below is based on the most likely geographical coverage (taking account of views expressed in previous consultations) and on a charging tariff which reflects the current views of members of the joint project board. The individual elements of cost are estimated directly based on unit costs derived from experience elsewhere and estimated quantities. In practice, the enforcement operation will almost certainly be contracted out and these costs will be subsumed within a single monthly payment to the contractor.

The figures relate only to the on-street operation. Changes affecting off-street pay-and-display public car parks in Eastbourne would be made at the same time as changes on-street but these costs and income would accrue to Eastbourne Borough Council. The County Council would incur costs in managing the whole parking contract, including an element in respect of off-street parking but that element of the cost would be recovered from the Borough Council. There would be no net cost or revenue to the County Council in respect of off street parking.

Table 1 shows the estimated capital expenditure to be met by the County Council. The total cost is estimated at £600,000 and the greater part would be incurred during a period of approximately four months prior to the launch of the scheme. By that time, a firm decision would have been made to implement a scheme and a contractor would have been

appointed. The analysis assumes an implementation date of 1 October 2007 and any variation in that date could affect the capital spend profile (but not the total spend).

In addition to direct capital expenditure by the Council, the contractor would meet capital costs in setting up the scheme, principally for ticket machines and IT systems. This expenditure is estimated to be in the order of £500,000. The contractor would recover that expenditure through the monthly service charge. (If the scheme were to be operated in-house, this cost would have to be met by the council but this would almost certainly be done on a leasing arrangement so that total capital and revenue expenditure would be similar to that if a contractor were used).

Table 1 also shows the estimated profile of income and revenue expenditure. This again assumes an implementation date of 1 October 2007 and makes allowance for the need to give information and issue permits in advance of the start date and for the fact that some income streams will not be realised until some time after launch.

It is estimated that the scheme would show a small operational deficit of £50,000 at the end of the first part year (2007/08) but in a full year of stable operation is estimated to show an annual return of just under £500,000. On this basis, the scheme would move into cumulative operational surplus during 2008/09 and would move into overall surplus, having repaid the ESCC capital set up costs, during 2009/10.

It must be stressed that costs and, particularly, income are extremely sensitive to the behavioural responses of individual motorists to the introduction of charging and higher levels of enforcement factors. These cannot be predicted with certainty and may change over time. Also, costs and income can fluctuate for reasons beyond the Council's control, such as the state of the national economy or the weather. Even relatively small changes in either the cost or revenue (or both) can have a significant impact on the net surplus or deficit.

However, it is also the case that decriminalised enforcement allows the Council considerable scope to "fine tune" the scheme over time so as to adjust the costs and/ or revenue to achieve an acceptable net financial result.

The financial forecasts shown, therefore, should only be regarded as a general indication. It is almost inevitable that the actual figures will fluctuate around those figures from year to year (particularly in the early years) but the Council can have a high level of confidence that, taking one year with another, the scheme will at least cover its costs and will be capable of showing a net surplus if appropriate charges are levied.

Any surplus from on street decriminalised parking is required to be spent on local transport. This income can be a valuable supplement to other funding sources but the inevitable variability in the level of surplus from year to year means that it is inadvisable to rely on that income stream to fund core items.

Table 1 – Income and Expenditure¹

<i>Item</i>	<i>2005/06</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>TOTAL</i>
Capital Expenditure²						
Consultants/ Preparatory Work	70,000	25,000				95,000
Consultation and Publicity	30,000	15,000	30,000			75,000
Design/ Notices/ Procurement		50,000				50,000
Lines, Signs and Minor Works		30,000	35,000			380,000
TOTAL	100,000	120,000	380,000			600,000

Income						
Pay and Display			1,163,000	2,327,000	2,327,000	
Residential Permits			189,000	189,000	189,000	
Other Permits			354,000	354,000	354,000	
Penalty Charge Notices ³			259,000	621,000	621,000	
TOTAL			1,965,000	3,491,000	3,491,000	

Revenue Expenditure⁴			2,015,000	3,023,000	3,023,000	
Surplus/ (Deficit)			(50,000)	468,000	468,000	
Cumulative Operating Surplus/ (Deficit)			(50,000)	418,000	886,000	
Cumulative Total Expenditure	100,000	220,000	650,000	232,000	(236,000)	

¹ All figures GBP at 2005/06 prices.

² Sums shown relate to estimated capital expenditure by ESCC. Additional capital expenditure in respect of ticket machines and other items and estimated to be in the order of £500,000 will be borne by contractor and reflected in the contractor's charges to ESCC. The estimated on-going revenue expenditure allows for this. All figures at 2005/06 prices.

³ Assumes PCN income received equivalent of two months in arrears

⁴ Assumes equivalent of full monthly expenditure one month before commencement date to allow for set up, handling of enquiries and issue of permits etc