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Sefton Council
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Town Hall
Trinity Road
Bootle
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TO: All Members of the Cabinet

Date: 1 November 2019
Our Ref:CAB/RH
Your Ref:

Contact: Ruth Harrison
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Dear Councillor

CABINET - THURSDAY 7TH NOVEMBER, 2019

I refer to the agenda for the above meeting and now enclose the following reports and appendices which were unavailable when the agenda was printed.

Agenda No.	**Item**
13	**Crosby Lakeside Redevelopment Project** (Pages 123 - 172) Appendix of the Report of the Head of Commercial Development *(The above appendix is exempt as defined in Paragraph 3 of Part 1 of schedule 12A to the Local Government Act)*
16	**Crosby Lakeside Redevelopment Project** (Pages 173 - 248) Report of the Head of Commercial Development

Yours faithfully,

Democratic Services

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Report to:	Cabinet	**Date of Meeting:**	7 November 2019
Subject:	Crosby Lakeside Redevelopment Project – Full Business Case		
Report of:	Head of Commercial Development	**Wards Affected:**	Church
Portfolio:	Regeneration and Skills; Regulatory, Compliance and Corporate Services; Health and Wellbeing.		
Is this a Key Decision?	Yes	**Included in Forward Plan:**	Yes
Exempt / Confidential Report:	NO, but some detailed appendices of the full business case, are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The Public Interest Test has been applied and favours the information being treated as exempt.		

Summary:

The purpose of this project is to provide a sustainable future for and to optimise the benefits from the Crosby Lakeside Adventure Centre (CLAC). This report and its appendices provides the full business case (FBC) for this project.

Recommendation(s):

1. The Full Business Case is agreed and option 5 within the Full Business Case is approved.

2. The Head of Commercial Development is authorised to implement the delivery plan outlined within the Full Business Case in consultation with: the Cabinet Member – Regeneration and Skills; the Cabinet Member – Regulatory, Compliance and Corporate Services; and the Cabinet Member – Health and Wellbeing.

3. The Head of Commercial Development is authorised to conduct a procurement exercise for the appointment of a contractor to undertake the capital works outlined in the Full Business Case in consultation with the Portfolio Cabinet Members and is granted delegated authority to award the contract resulting from the procurement.

4. The Head of Commercial Development is authorised to conduct a procurement exercise to procure a partner in line with the requirements outlined within the Full Business Case in consultation with the Cabinet Members and is granted delegated authority to award the contract resulting from the procurement.

5. Officers are authorised to engage in appropriate consultation with employees and trade unions in terms of employment matters and, where necessary, issue statutory notifications. Where necessary Heads of Service are also authorised

(subject to the avoidance measures detailed in this report) to terminate contracts of employment as appropriate.

6. Note that the capital cost of this project and refurbishment will be £3.1m and will be funded from a direct grant by the Combined Authority. A subsequent supplementary capital estimate for this sum will be provided for Cabinet to recommend to Council for approval'.

Reasons for the Recommendation(s):
The reasons for these recommendations are to enable the project to progress from the Development Stage (Stage 1) onto Transition to Delivery Stage (Stage 2) then to on-going Operations (Stage 3).

Alternative Options Considered and Rejected: (including any Risk Implications)
Five options for delivery of the objectives of this project were considered, which are detailed in the table below.

The assessment of these options identified the Preferred Option to be Option 5: a JVCo to deliver operational transformation within a fully refurbished hospitality facility.

The summary of the outcome of the assessment is shown in the table below:

OPTION	VALUE AND RISK ASSESSMENT
Option 1. **No ops changes.** **No refurbishment.**	Retain the existing operating model and team; no investment in the hospitality facilities. No change – continue 'as-is'. Financial outcome: no reduction in current c.£250k pa subsidy (likely to rise over next 10 years, average of c. £290k pa). (Backlog maintenance requirements not addressed). Overall assessment: not a sustainable option.
Option 2 **New management.** **No refurbishment.**	Retain the existing operating model and team and hire new management with hospitality experience; no investment in the facilities. Financial outcome: only marginal reduction in current c.£250k pa subsidy to an average of c.£220k pa subsidy over 10 years). (Backlog maintenance requirements not addressed). Overall assessment: not a sustainable option.

OPTION	VALUE AND RISK ASSESSMENT
Option 3. **No ops changes.** **Full refurbishment.**	Retain the existing operating model and team; and invest in refurbishment and reconfiguration of the facility. Financial outcome: increase in current c.£250k pa subsidy after funding on-going maintenance to c. £420k pa average over 10 years. (Backlog maintenance requirements covered in full refurbishment). Overall assessment: not a sustainable option.
Option 4. **New management.** **Full refurbishment.**	Retain the existing operating model and team and hire new management with hospitality experience. Also invest in the refurbishment and reconfiguration of the facility. Financial outcome: current c.£250k subsidy not removed with insufficient new income to fully fund on-going maintenance requirements: average £265k pa over 10 years. (Backlog maintenance requirements will be covered in full refurbishment). Overall assessment: not a sustainable option.
Option 5. **New JV and operating model** **Full refurbishment.**	Financial outcome: current c.£250k pa subsidy fully removed and a surplus generated for the Council of c. £70k pa average over 10 years (total c. £320k pa average) after fully funding on-going maintenance and paying profit share to operator partner (c. £100k pa average over 10 years). Backlog maintenance requirements covered in full refurbishment. £3.53m benefit to the Council (improvement on current position) over 10 years. Overall assessment: sustainable and Preferred Option.

More details of this assessment are provided in **Appendix B** to this report*, “**CLAC Improvements Full Business Case – (Public)**”.*

What will it cost and how will it be financed?

(A) Revenue Costs

The Business Case is forecast to deliver the following revenue cost improvements over 10 years:

c.£3,535k total improvement over 10 years comprising: -

c.£2,360k removal of current council subsidy
c.£1,030k dividend from company profits
c.£ 504k funding for on-going maintenance included in operating costs
c.(£ 361k) cost of project development and transition
c.£3,535 net financial benefit

Full details of these financial returns and costs are provided in Appendix A (Exempt), Annexes 1-3 to the attached Full Business Case.

The business case provides a detailed sensitivity analysis for information and to support decision making but importantly it outlines the increase in income and assumptions that have been made by officers in conjunction with an industry expert that result in the income figures for the new operation. This is the most important element of the business case that will drive financial performance.

The base case outlines that annual income will rise from £0.9m to £1.7m following investment. This is a substantial increase in income (94%) that is required in order to deliver this financial performance. Within the sensitivity analysis a number of income scenarios are presented that outline the impact that both over and under achievement will have on the council's annual budget. In the event that annual income (in any given year) is below the £1.7m level then the net financial benefit and annual return to the council will be lower than that set out.

The point from which the Net Present Value for the project is zero is £1.4m whereby the annual existing subsidy will be removed and only a nominal additional return would be generated. This would equate to a reduction of £0.103m per annum compared to the base case. Such an income level is 61% higher than that currently received. This scenario would also lead to the council's Joint Venture Partner also receiving a nominal annual sum and may influence their future engagement.

Under this proposal the Council will not be required to provide any working capital to the new venture.

(B) Capital Costs

The Business Case includes £3.1m capital investment in major refurbishment, reconfiguration and improvement of the hospitality facilities at the CLAC.

This includes both the professional fees for project management and design to RIBA Stage 3 and all construction costs.

c. £1m of the £3.1m will address currently unfunded back-log maintenance requirements.

The capital funding of the business case is subject to confirmation of a grant allocation from the Combined Authority for the same amount, c.£3.1m. Approval of this decision to fund the business case will be subject to satisfactory appraisal, approval and State Aid clearance.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): Details of the resource implications are contained within the Full Business Case.
Legal Implications: Pursuant to the General Power of Competence under sections1 to 4 of the Localism Act 2011 the Council has the power to set up and participate in a company. Section 95 Local Government Act 2003 and the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 provide that the Council must establish a company through which to trade.
Equality Implications: The equality Implications have been identified and mitigated.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not Applicable
Facilitate confident and resilient communities: Development of Crosby Lakeside to maximise its potential for visitors to the region and the local community, to enjoy all the current uses within this facility now and for years to come, including water sports, fitness, hospitality and accommodation.
Commission, broker and provide core services: Not Applicable.
Place – leadership and influencer: For the Council to be seen to directly contribute to an improved and sustainable visitor offer for the Crosby Coastal area in accordance with the Sefton Coast Plan 2017.
Drivers of change and reform: To provide a sustainable future for an important asset in a key coastal gateway that supports long term benefits for the health and wellbeing of the local community, users and visitors to this coastal location.
Facilitate sustainable economic prosperity: To provide a financially viable operating model for Crosby Lakeside which will provide a revenue neutral or revenue generating position for the Council and sustainability for the centre.
Greater income for social investment: To provide a financially viable operating model for Crosby Lakeside which will provides a revenue neutral or revenue generating position for the Council

Cleaner Greener: For the Council to be seen to directly contribute to an improved and sustainable visitor offer for Crosby Coastal area in accordance with the Sefton Coast Plan 2017.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources (FD 5837/19) and the Chief Legal and Democratic Officer (LD 4071/19) have been consulted and any comments have been incorporated into the report.

Other Directors/Heads of Service that have been consulted on this report are:

- The Executive Director SRO for the Growth and Strategic Investment Programme
- The Head of Service for Communities.
- The Head of Service for Localities.
- The Chief Personnel Officer.

Comments have been incorporated into the report.

(B) External Consultations

Not applicable.

Implementation Date for the Decision

Following the expiry of the "call-in" period for the Minutes of the Cabinet Meeting

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Appendices and annexes to this report:

Appendix A: Full Business Case (Exempt)
Annex 1: Detailed Financial Model for the Preferred Option
Annex 2: Financial Model Sensitivity and Net Present Value Analysis
Annex 3: Hospitality Expert Key Volumetric Data and Assumptions
Annex 4: HR Considerations
Annex 5: Independent Legal Advice Summary

Appendix B: Full Business Case (Public)
Annex 6: RIBA Stage 2+ Designs
Annex 7: Stage 2 Risk Register

Background Papers:

1.0 Introduction/Background

1.1 The Crosby Lakeside Adventure Centre is an important council asset in a key coastal gateway that is now 10 years old. There is a significant backlog of maintenance work required and a need to provide for planned maintenance year on year, none of which is currently funded. The hospitality functions provided from the Centre currently require a substantial council subsidy each year.

1.2 The purpose of this project is to provide a sustainable future for the Centre.

1.3 Crosby Lakeside Adventure Centre is a fully inclusive Water Sports and Visitor Centre located in the heart of Crosby Coastal Park, Waterloo in an ideal location. Part of the gateway to the Mersey Estuary, sitting alongside the internationally renowned Antony Gormley's Another Place Iron Men statues, CLAC is in an area of outstanding natural beauty. Just 10 minutes out of Liverpool, CLAC is easily accessed with Waterloo train station on the bustling South Road just five minutes' walk away.

1.4 Currently, the Centre provides the following to visitors:

- A bistro, serving food and alcoholic and non-alcoholic drinks.
- 14 hotel rooms.
- A selection of event suites available to hire.
- A fitness suite and group fitness studio.
- Wet side changing rooms and offices for access to the lake.
- Lake activities.

1.5 The building is now c. 10 years old and has had little investment in maintenance. As a result, there is a back-log of maintenance required in the hospitality facilities estimated at c. £1m, with some parts of the hospitality facility now at end of life.

1.6 The existing design of the interior of the hospitality side of the Centre does not well support efficient, flexible use of the space or the provision of a compelling, quality offer to customers.

1.7 As part of the Council's Framework for Change programme, a strategic review has been undertaken of the Council's assets. As part of that review the strategic importance of the CLAC as part of a key coastal gateway was confirmed as well as the potential for the asset to deliver a revenue saving and possibly a net surplus for the Council.

1.8 The potential investment in the CLAC has been confirmed as one of the priority projects in the Growth and Strategic Investment Programme.

1.9 The Council intends that the CLAC continues to contribute in the long-term to the strategic priorities it currently supports. To provide a sustainable future requires investment to in:

- Enhancing the declining physical infrastructure to keep the building in good repair and reconfigure it to support an enhanced hospitality offer.

- Transforming the hospitality offer and operations within this new fit for purpose facility to:

  - Provide a high-quality visitor experience.

  - Attract more visitors and manage all visitors more effectively (including mitigating the impact on the ecological environment).

  - Provide a financially viable business to underpin the sustainability of the centre in the medium to long-term.

1.10 The Full Business Case (FBC) attached at Appendices A and B to this report (with annexes), provides the detailed justification and plans for the transformation of the Hospitality Operating Model and related building enhancements at the Centre.

1.11 This FBC provides an options appraisal and seeks approval from Cabinet to progress to the next stage, Transition to Delivery (T2D) for the Preferred Option. The T2D would include the following key activities:

(a) The refurbishment and enhancement of the hospitality facilities within the Crosby Lakeside Centre.

(b) The formation of a Joint Venture Company (JVCo) with an expert operator partner to launch a new shared venture in hospitality services delivered from the enhanced CLAC facility.

1.12 The FBC document is divided in to 2 parts attached as 2 appendices to this report:

- Appendix B (Public) with annexes 6-7 – the public documents detailing the 5-case justification for the project and the plans.

- Appendix B (Exempt) with annexes 1-5 – the confidential documents dealing with detailed financial modelling, HR matters and legal advice, which are commercially sensitive or confidential and therefore not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The Public Interest Test has been applied and favours the information being treated as exempt.

1.13 The FBC includes two procurements: one for a building contractor and another for a hospitality partner. The procurement process for the building contractor(s) will be conducted in compliance with the Council's Contract Procedure Rules and selection based on evaluation of a combination of the following criteria:

- Pass/Fail: Meeting a minimum threshold for financial and organisational bona fides
- 40%: Price (within the affordability envelope of £3.1m)
- 30% The suitability of the contractor in terms of their skills and experience for a project of this nature (supported by evidence of track record)
- 20% The availability of the required resources to deliver the project according to the proposed schedule.
- 10% the value of social contributions made to the local community, primarily in terms of local employment and spend with local suppliers.

1.14 If the procurement process for the building contractor(s) does not produce a suitable candidate able to deliver the project requirements in full and within the affordability envelope of £3.1m then the Business Case will be reviewed, and another report brought to Members.

1.15 The procurement process for the operator partner will be conducted in-line with the Council's Contract Procedure Rules (but legally does not need to be conducted under the Public Contract Regulations) and selection based on evaluation of a combination of the following criteria:

- Pass/Fail: Meeting a minimum threshold for financial and organisational bona fides
- Pass/Fail: Agreement to form a Joint Venture Company with the Council on the terms described within the Full Business Case.
- 60%: Credibility of the plans for delivering a new hospitality offer at Crosby Lakeside that will deliver or exceed the baseline business case target returns.
- 30% Suitability of the partner in terms of their skills, experience and track record in delivering the proposed plans for a new hospitality offer at Crosby Lakeside.
- 10% the value of social contributions made to the local community, primarily in terms of alignment with the Council's vision and values and local employment and spend with local suppliers.

1.16 Both procurement processes would be run in parallel such that an operator partner can be secured before a contract is made for the construction works.

1.17 If this Business Case is approved, the officers will work with staff and unions to ensure full consultation about any changes to employment that may arise. In developing the options, the Council has sought to avoid solutions based on outsourcing (e.g. granting a concession to a 3rd party). The Council has also endeavoured to avoid compulsory redundancy and all the options could potentially be delivered without compulsory redundancy. Unions have been consulted through the Joint Trades Union forum.

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Sefton Council

APPENDIX B
(Public)

Crosby Lakeside Adventure Centre Improvements Full Business Case – New Hospitality Operating Model and Building

Full Business Case – (Public)

Introduction

This Full Business Case (FBC) is for the transformation of the Hospitality Operating Model and related building enhancements at Crosby Lakeside Adventure Centre (CLAC).

The FBC provides an options appraisal of five different approaches to achieving the target objectives and seeks approval from Cabinet to progress to the next stage, Transition to Delivery (T2D) for the preferred Option. The T2D plan includes the following key activities:

(a) The completion of a refurbishment and enhancement of the hospitality facilities within the CLAC.

(b) The formation of a Joint Venture (JV) with an expert operator partner and the launch of a new hospitality business to operate from the enhanced CLAC hospitality facilities.

Following the completion of the T2D, the new venture would move to the on-going delivery stage based on a detailed Business Plan to be developed by the expert operator partner during the T2D phase.

The Council has the relevant powers to undertake this project under the following provisions:

- The general power of competence under the Localism Act 2011 section 4.
- The Local Government Act 2003 section 12.
- The Local Government Act 1972 sections 95 and 111.

The FBC Document, which is appended to a Cabinet Report, is divided in to two parts:

- Appendix A (Exempt) a separate appendix, including Annexes 1-5, which is not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The Public Interest Test has been applied and favours the information being treated as Exempt.

- Appendix B (Public) – this document, including Annexes 6-7, which is a public document.

Contents of CLAC Full Business Case Appendix B (Public)

1. Executive Summary

1.1 The importance of CLAC as a key asset

1.1.1. Crosby Lakeside Adventure Centre (CLAC) is an important Council asset.

1.1.2. The CLAC, located at the southern end of the Crosby Costal Park, supports a range of key Council priorities, including:

a) Providing visitor facilities at a key coastal gateway, with an important role in helping both to attract visitors and contribute to the local visitor economy as well as helping to manage visitors in the most sustainable way (in-line with the provisions of the Coastal Plan).

b) Providing facilities that help support and promote the Council's Health and Well-being priorities, including indoor and outdoor activities with a membership gymnasium and water-based activities.

c) Providing residential, activity and education facilities for community groups including Sea Cadets, Guides, Scouts and Schools.

d) Increasing accessibility to leisure and recreational services, including for those with disabilities.

e) Providing local employment.

1.2. The need for investment

1.2.1. This important asset is now 10 years old and in need of significant investment in improvements to secure its long-term future.

1.2.2. The main investment needs are:

a) To refurbish and enhance the declining physical infrastructure of parts of the hospitality facilities in a way that keeps them in good repair and reconfigures them to support an enhanced hospitality offer.

b) To transform the hospitality operations and offer within a fit for purpose facility to provide:

- a high-quality visitor experience;
- attract more visitors;
- manage visitors effectively and sustainably (environmental impact);
- establish a viable business to underpin centre in the long-term.

1.3. The strategic objectives for the project

1.3.1. The strategic objectives are:

a) To help deliver the Council's strategic vision and ambitions as set out within the Sefton Vision 2030.

b) To implement a hospitality operating model for the CLAC which will provide a revenue neutral or revenue surplus position for the Council.

c) For the Council to be seen to directly contribute to an improved and sustainable visitor offer for Crosby Coastal area in accordance with the Sefton Coast Plan 2017.

d) To provide long-term benefits for the health and wellbeing of the local community and visitors to the Sefton Coast.

1.4. The specific outcomes required from the project

1.4.1. The specific required outcomes are:

a) To address a 10-year maintenance back-log (c. £1m) and on-going maintenance (c. £100k pa) needs currently unfunded.

b) To remove the Council subsidy currently required to maintain hospitality operations amounting to c. £250k p.a.

c) To remodel the layout of the hospitality facilities, which is too inflexible and restricts the ability to run concurrent hospitality activities and functions.

d) To provide alternative accommodation arrangements for the Sea-cadets who regularly use the facility, as these are currently unaffordable for the Sea-cadets whilst being subsidised by the Council.

1.5. Delivery approach options appraisal

1.5.1. A range of options for delivering these objectives has been assessed with the most advantageous option, in terms of the delivery of the strategic objectives and required outcomes, being identified as the Preferred Option. The Preferred Option is Option 5:

a) for the Council to fund a significant c.£3m refurbishment and enhancement of the hospitality facilities; and

b) for the Council to enter in to a Joint Venture (JV) with an expert hospitality operator partner to transform hospitality operations and deliver an enhanced hospitality offer.

1.5.2. The key features and benefits of the Preferred Option are as follows:

a) The Council retains freehold ownership of the asset (with the JV provided a 10-year lease for the use of the hospitality facilities).

b) Refurbishment and reconfiguration of the hospitality facilities to provide more flexible, fit for purpose spaces for hospitality services.

c) Creation of a self-contained, purpose-built ‘bunk barn’ accommodation with self-catering and efficient space utilisation able to host young people of different genders with better safe-guarding.

d) Refurbishment to address c. £1m of back-log maintenance for end of life parts of the hospitality facilities.

e) Hospitality expert partner input to the detailed interior design of the enhanced facilities to maximise the value of the new hospitality offer.

f) The required capital would be part of the Council’s investment programme, to be approved by Council. (It is expected that the funding will be provided by the Combined Authority, subject to confirmation of a supplementary capital estimate from the Combined Authority for the same amount, c.£3.1m, and satisfactory appraisal, approval and State Aid clearance).

g) Transformation of hospitality operations by a hospitality expert partner with a proven operating model that can be easily adapted to drive transformation to best practice business processes and a compelling hospitality offer.

h) Step-change improvement in financial viability of the hospitality operations with the removal of the Council subsidy, full funding for on-going maintenance and delivery of a surplus for the Council.

i) Provision for the Council to have continued control of its priorities for the Centre within the joint venture Shareholder Agreement.

1.6. Headline financials

1.6.1. The headline financials of this Full Business Case are summarised in the table below:

As-is	Preferred Option
No funding for essential back-log maintenance. No allocated funding for the necessary replacement of end-of life hospitality facilities, fixtures, fittings and equipment.	**c. £1m investment in replacing end of life hospitality facilities.** Back-log maintenance included within scope of the c.£3m capital investment.
No provision or plans for making the facility fit for purpose and more flexible as required for effective hospitality operations.	**c.£3m investment in enhancing the hospitality facilities (incl. replacement of end of life facilities)** Extend and make more flexible the bistro, bar and events spaces; add a 'bunk barn'; and refurbish the hotel rooms.
No provision for on-going maintenance. No budgeted provision for planned or reactive maintenance (needs min. £65k pa) or for periodic FFE refresh.	**c. £100k provision for on-going maintenance.** Includes sinking fund for replacement of fixtures, fittings and equipment (FFE).
c. £250k pa Council subsidy. Hospitality functions currently operate at a loss, requiring a c. £250k per annum Council subsidy.	**c. £250k pa Council subsidy recovered plus c. £65k pa Council surplus achieved** Removal of need for subsidy and provision of c.£65k surplus AFTER provision for on-going maintenance.

1.7. Key assumptions

1.7.1. This Business Case is based on the following key assumptions and is subject to several risks (for which mitigation management provision has been made).

1.7.2. **Capital costs.** It has been assumed that there will be no material increase in capital costs due to:

a) unforeseen inflation beyond the provision made based on RICS Building Cost Information Service All in Tender Price indices as at 2nd quarter 2019;

b) unforeseen impacts from Brexit (including unavailability of materials, plant or labour);

c) unknown costs that may arise during detailed technical design (a contingency of 6.5%, c. £100k, has been included).

1.7.3. **Electricity capacity required**. The increase in activity forecast for the new venture is assumed to be within the capacity of the existing electrical supply to the Centre. (Adding additional capacity would incur a further cost of c. £250k).

1.7.4. **Added value from contractor and partner**. It has been assumed that the procurement process for the building contractor and the hospitality partner will include requirements to deliver added value in terms of social benefits, including, for example:

a) Social benefits such as local employment and skills and training;

b) Environmental sustainability provisions;

c) Wider community benefits.

1.7.5. **Income growth.** The success of the Joint Venture is dependent on a significant increase in income for the venue and a shortfall in this could put the viability of the Joint Venture at risk. This risk has been mitigated in the following ways:

a) A hospitality expert operator advisor was commissioned to support the development of the forecasts in the following ways:
- Undertaking local market research.
- Designing an optimum hospitality Target Operating Model (TOM) tailored for the venue and its location, including menus, pricing schedules, and advertising plans.
- Inputting to the designs for the redevelopment of the building to ensure it directly supports the proposed new operating model.
- Developing an income generator model based on the market research and benchmarking other similar operations from the advisor’s experience.

- Producing a detailed Profit and Loss (P&L) account and Cash-flow forecast over 10 years based on the above.

b) A competitive process will be used to request detailed proposals from prospective partners seeking their own ideas for the optimum TOM, income generator models, P&L and cash-flow forecasts. These can then be compared to the expert advisor's baseline and to each other to provide further validation of confidence in the forecasts.

2. Full Business Case – Structure and Content

2.1. Structure and Content

This Full Business Case follows the structure of the Treasury Green Book template for business cases, which comprises 5 separate sections as follows:

CASE	CONTENT
[A] Strategic Case	The case for change and strategic fit: - Clarification of the purpose, objectives and importance of the Centre. - Assessment of the current performance and why change is required. - The scope of change required. - The key benefits. - Key constraints and dependencies.
[B] Economic case	The Economic Case considers: - The options available to the Council to deliver its objectives. - The critical success factors. - The recommended option.
[C] Commercial case	The viability of the procurement approach: - Contractual arrangements. - Risk management/allocation. - Personnel implications.
[D] Financial case	Affordability and funding.
[E] Management case	Demonstrating that the preferred option can be successfully delivered: - Best practice management. - Independent assurance of arrangements for change and contract management, benefits realisation and risk management.

3. Strategic Case

The Strategic Case details the case for change and the strategic fit of the project with the Council's priority objectives. The key components of the Strategic Case for investing in improvements to the building and the hospitality operating model of the CLAC are detailed below.

3.1. Purpose, importance and objectives relating to the CLAC

3.1.1. The CLAC is an important Council asset that supports a range of key Council priorities, including:

a) Providing visitor facilities at a key coastal gateway, with an important role in helping both to attract visitors, who contribute to the local visitor economy, as well as helping to manage visitors in the most sustainable way (in-line with the Coastal Plan).

b) Providing facilities that help support and promote the Council's Health and Well-being priorities, including indoor and outdoor activities with a membership gymnasium and water-based activities.

c) Providing residential, activity and education facilities for community groups including Sea Cadets, Guides, Scouts and Schools.

d) Increasing accessibility to leisure and recreational services, including for those with disabilities.

e) Providing local employment.

3.1.2. The CLAC is an important part of the Sefton Coast Plan, with Crosby Coastal Park being one of the key coastal gateways included within the plan:

a) Sefton's coastline, which is an extensive natural asset contributing to the unique character of the borough, needs to be carefully managed and a balance achieved between the requirement for resident and visitor use with the need to protect the natural habitat.

b) The Sefton Coast Plan identifies those areas most capable of managing visitor use – known as key coastal gateways – which can help to protect from further damage the more vulnerable areas and those of high natural habitat quality.

3.2. Current arrangements and the case for change

3.2.1. The CLAC is a fully inclusive water sports and visitor centre located in the heart of Crosby Coastal Park, Waterloo in an ideal location.

3.2.2. Part of the gateway to the Mersey Estuary, sitting alongside the internationally renowned Antony Gormley's Another Place Iron Men statues, CLAC is in an area of outstanding natural beauty. Just 10 minutes out of Liverpool, the CLAC is easily accessed by road and rail, with Waterloo train station on the bustling South Road just five minutes' walk away.

3.2.3. Currently, the Centre provides the following to visitors:

a) A bistro, serving food and alcoholic and non-alcoholic drinks.

b) 14 hotel rooms.

c) A selection of event suites available to hire.

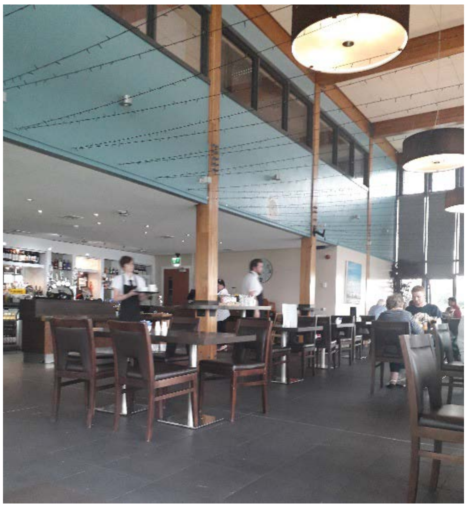
d) A fitness suite and group fitness studio.

e) Wet side changing rooms and offices for access to the lake.

f) Lake activities.

3.2.4. The building is now c.10 years old and has had little investment in maintenance. As a result, there is a significant back-log of maintenance required, with significant parts of the hospitality facilities now at end of life.

3.2.5. The current layout of the hospitality parts of the Centre do not efficiently support the need to increase customer numbers, spend per head and thus overall annual income.



3.2.6. Strategic Review – value of maintaining the Centre.

As part of the Council's Framework for Change programme, a strategic review has been undertaken of the Council's assets. As part of that review the strategic importance of the CLAC as part of a key coastal gateway was confirmed as well as the potential for the asset to deliver a revenue saving and possibly a net surplus for the Council.

3.2.7. Growth and Strategic Investment programme priority.

The case for investment in the CLAC has been identified as one of the Priority Projects in the Council's Growth and Strategic Investment Programme.

The Council intends that the CLAC continues to contribute to the strategic priorities it currently supports in the medium to long-term. This objective requires investment to provide a sustainable future for the Centre. Investment is required in:

a) Enhancing the declining physical infrastructure of the hospitality facilities in a way that keeps them in good repair and reconfigures them to support an enhanced hospitality offer.

b) Transforming the hospitality offer and operations within a fit for purpose facility to:

- Provide a high-quality visitor experience.
- Attract more visitors and manage all visitors more effectively (including mitigating the impact on the ecological environment).
- Provide a financially viable business to underpin the sustainability of the centre in the medium to long-term.

3.3. Scope of change and improvements required

3.3.1. The review of the current hospitality arrangements conducted at CLAC has identified the following improvement needs and the scope of change required.

Current improvement needs	Scope of change required
Need to address a 10-year maintenance back-log (c. £1m) and on-going maintenance (c. £100k pa), which are currently unfunded.	Undertake refurbishment and enhancement of the hospitality facilities incorporating the backlog maintenance requirements. Transform profitability of operations to enable self-funding of on-going maintenance.
Need to address the subsidy currently required to maintain hospitality operations amounting to c. £250k p.a.	Transform hospitality operations and overhaul interior design to be fully integrated with the food, drink, events and hotel to enable delivery of a high quality, profitable offer that can remove the subsidy and deliver a surplus after funding on-going maintenance.
Need to achieve more consistent levels of customer satisfaction and reputation for the hospitality offer.	Implement high design quality interiors and market leading menus for food, drink and events hosting to delight customers.
Need to remodel the building's layout, to be more fit for purpose in provision of high quality hospitality services (e.g. bistro closes during events such as weddings; only able to host a single event at a time; leisure and wet-side users mixed with diners and guests including groups of children)).	Refurbish and reconfigure the hospitality facilities to provide more flexible, fit for purpose restaurant, bar and events spaces and residential accommodation of improved quality and efficiency.
Need to provide alternative accommodation arrangements for sea-cadets as these are unsustainable (unaffordable for users even with a Council subsidy)	Create self-contained, purpose-built accommodation with self-catering and efficient space utilisation able to host young people of different genders and providing better safeguarding.

<table>
<tr><th>Current improvement needs</th><th>Scope of change required</th></tr>
<tr><td>Need to make a step change increase in operational efficiency and productivity.</td><td rowspan="7">Secure hospitality expert support to drive transformation of the hospitality operations and customer offer embedding:
a complete redesign of the hospitality operating model;
best practice business processes and systems including Point of Sale (POS) and Management Information (MI);
new compelling offers and ‘up-selling and cross-selling to increase customer spend per head and profit levels;
more effective and efficient management arrangements and fit for purpose roles, responsibilities and skills;
hospitality experts with credibility and respect able to lead and embed transformation and continuous improvement.
Seek hospitality expert operator partner with a proven best practice model that can be readily tailored to the specific potential of the Crosby Lakeside venue and local market.</td></tr>
<tr><td>Need to reconfigure space to allow an increase in the number of covers provided within the bistro.</td></tr>
<tr><td>Need to increase current spend per head per lunchtime visit.</td></tr>
<tr><td>Need to achieve hospitality industry standards for quality and profitability on food and beverage sales.</td></tr>
<tr><td>Need to increase average bedroom occupation and yield.</td></tr>
<tr><td>Need to create a new evening dining offer.</td></tr>
<tr><td>Need to create stronger non-summer season revenue receipts.</td></tr>
</table>

3.3.2. Specifics of the deliverables needed for these improvements are provided below.

1. Transformation of the hospitality model – quality and sustainability.
2. Major enhancement to the hospitality facilities.
3. Address backlog and on-going maintenance needs.
4. Provide new and better facilities for community groups.
5. Actively promote the venue to support financial sustainability.
6. Engage proactively with stakeholders.
7. Support wider strategic benefits for the borough.

Each of the above factors is described in more detail in the tables below.

1. Transformation of the hospitality model – quality and sustainability
Transform business processes to hospitality industry best practice: • Further improvement requires transformation not incremental improvements to the current model, which is not fit for purpose. • Need to introduce new compelling offers and ‘up-sell and cross-sell across services to increase customer spend per head and profit levels on transactions. • Need to improve effectiveness and efficiency of staff management arrangements with fit for purpose roles and responsibilities and relevant skills and experience. • Need to provide effective business leadership including hospitality management expertise with extensive skills to design compelling offers and act as credible leaders of change able to gain support and respect from the workforce.

2. Major enhancement to the hospitality facilities.
Reconfigure spaces for hospitality, accommodation and events to create efficiency and flexibility and enhance the customer journey and experience: • New bar and coffee area with discrete entrance and capacity for 120 seated and standing. • Dedicated access to upstairs hospitality facilities. • New separate, dedicated entrance for restaurant. • Permanent restaurant extension located on lakeside terrace, fully glazed. • Increase cover capacity within restaurant. • Refurbished lakeside terrace decking outside restaurant. • New decking on lakeside providing usable outside space for new events facility. • 4 new events spaces fully configurable with dividers • No material impact on existing leisure spaces (gym and 'wet-side' facilities). • Refurbished 1st floor kitchen: new equipment, ventilation, flooring and lighting. • New larger lift to ground floor restaurant with capacity to fit 'hot cabinets'. • New staff facilities: changing area, common room and toilets. • Significant refresh of all 14 existing bedrooms. • New security facilities for accommodation areas. • New rooftop decking to allow use of the space on the rooftop terrace. • New rooftop and garden facilities for summer 'pop-up bar' (power, drainage, storage etc.). New rooftop covers and heaters to allow some winter usage. • Financial provision for regular replacement of fixtures, fittings and equipment including new furniture in the bistro, bar and events spaces.

3. Address back-log and on-going maintenance needs	
Feature	**Benefit**
Replacement of 10-year-old FF&E (fixtures, fittings, equipment) and finishes, including: • new floor finishes; • re-covered/painted walls/ceilings; • replacement of aging sanitary facilities; • general updating of other (FF&E) including kitchen equipment and furniture.	Addresses part of an unfunded and reactive maintenance requirement (overall total c. £400k). Enables the transfer of liability for future maintenance to an operator via a lease on a viable basis.

3. Address back-log and on-going maintenance needs	
Feature	**Benefit**
Refurbishment of some M&E (mechanical and electrical) end of life infrastructure.	Addresses part of an unfunded and reactive maintenance requirement (overall total c.£400k).
Replacement of existing decking (lakeside in front of existing bistro space).	Addresses part of an unfunded and reactive maintenance requirement (overall c.£100k).
Maintenance and part replacement of existing kitchen facilities.	Addresses part of an unfunded and reactive maintenance requirement (overall total c.£100k).

4. Provide new and better facilities for community groups	
Feature	**Benefit**
Addition of a new rooftop 'bunk-barn' facility on part of the grass roof incorporating: • Separation of genders and adults from young people. • Beds for 36 young people and 4 adults. • More accessible rooms in total. • Own common room with kitchen for self-catering. • Secure separation from other parts of the centre. • Dedicated access to leisure facilities.	Purpose built for community groups especially youngsters (e.g. sea cadets, scouts, guides and schools): • More effective child safeguarding. • Reduced overall costs for groups. • Increased capacity/revenue • Provides self-catering facility making stays more affordable for users and removing Council subsidy on meals. • Frees up existing hotel rooms for additional revenue generation. • Overflow for hotel and events guests for additional revenue.

5. Actively promote the venue to support financial sustainability	
Feature	**Benefit**
Exceptional location in a key coastal gateway yet current reputation and customer satisfaction is mixed.	Increased customer satisfaction and customer loyalty with repeat business and new business through recommendation.

5. Actively promote the venue to support financial sustainability	
Feature	**Benefit**
Refurbishment will address current issues with quality and availability falling short of some customers' expectations, e.g. • complete closure of the bar and bistro when events (such as weddings) are hosted; • closure of the bistro early due to a lack of staff availability; • customer expectations require improvements to some areas. The new interiors, improved customer service and enhanced quality offers for food, drink and accommodation will directly address gaps in the current quality of the customer experience.	Increased revenues as a result of longer dwell times and spend per head per visit. Reputational benefit for Sefton Council in terms of quality of visitor infrastructure at a key coastal gateway. Recognition of Sefton's commitment to accessibility for all and investment in the health and well-being agenda as well as providing educational opportunities for young people.
Full funding for backlog and on-going maintenance and removal of Council subsidy including potential for a surplus contribution to help relieve pressure on Council revenue cost budget.	Sustainable solution to assure the future of the centre and continuation of the health and well-being and social and community offer in the leisure and wet-side activities. Reduction in the pressure on Council budgets and the level of cuts needed. Improved stewardship of public finance and resources.

6. Engage proactively with stakeholders			
Group	**Method**	**Comment**	**Priorities**
Staff and Unions	Informal communications and formal consultation if required.	Early engagement commencing as soon as a Cabinet decision is made about which option is to be taken forward.	Clarity about any implications for current employment and options available.
Users / customers	Display in Centre, information on website, emails/discussion directly with key user groups.	All current users will have opportunity to comment.	Purpose of changes – to ensure on-going sustainable future for the centre and to enhance the quality of the facilities and the offer. Assurance

6. Engage proactively with stakeholders			
Group	**Method**	**Comment**	**Priorities**
			of on-going commitment to community and health and well-being uses.
Local Residents	Soft consultation meetings(s).	Opportunity to discuss project prior to planning application being submitted.	Sustainable investment in Centre; community use; health and well-being; coastal gateway.
Local Businesses	Soft consultation meeting(s).	Opportunity to discuss prior to planning application.	Fit of plans with and added value to local the economy (e.g. attraction of more visitors).
All	Planning Application including consultation.	Planning committee and local stakeholders given input.	Full probity and due process including consideration of local people's concerns.

7. Support wider benefits for the borough.	
Feature	**Benefit**
High quality offer and facility attracting additional visitors to the area.	Increased contribution to the visitor economy.
Provision of a high-quality visitor facility at a key coastal gateway.	Direct support for the objectives of the coastal plan. Attraction of more visitors. Reduced pressure on environment through better management of visitors.
Coordination with wider plans for investment in the Costal Park on: • public toilets; • wayfinding and access; lighting and security.	TOILETS New facilities for the park at South Road will allow toilets at the centre to be dedicated for customers. A Changing Places unit is part of the centre refurb and advance the objectives

7. Support wider benefits for the borough.	
Feature	**Benefit**
	for better access for those with high level additional needs. LIGHTING AND SECURITY Lighting improvements along the route from Great Georges Road and South Road (S106 funded) will give increased safety to the Crosby Lakeside Centre.

3.4. Key constraints and dependencies

3.4.1. The key constraints and dependencies on the existing arrangements in achieving these target improvements are listed below.

a) The performance of the hospitality operations at CLAC is constrained by its layout and facilities, which are not fit for purpose.

b) The level of financial subsidy required to maintain the current hospitality operations at CLAC, which is expected to rise over 10 years as a result of the need to do unavoidable minimum maintenance of the aging facility, may not be sustainable in the medium to longer term.

4. Economic Case

The Economic Case considers:

- The options available to the Council for delivering the project.
- The critical success factors for assessing the options.
- The Preferred Option.

4.1. Critical Success factors

In developing and assessing the options available to the Council to deliver the target improvements and changes detailed in the Strategic Case, several critical success factors have been identified.

4.1.1. Methodology

These critical success factors have been used to undertake a qualitative and quantitative options appraisal to identify the most appropriate operating and delivery model. This approach is in line with Government's guidance for informed decision making: identifying the options available; designing relevant evaluation criteria; and analysing the monetary and non-monetary costs and benefits of each option to identify a recommendation.

4.1.2. Identified evaluation criteria

The critical success factors developed for assessing the different options are listed below. These have been informed by discussions with key stakeholders, including Members and the main regular users of the CLAC.

Each option has been assessed in terms of its likely effectiveness in terms of the level to which it would:

a) Retain Council control for Member's priorities for the Centre, including, for example, Business Plan performance; the character and nature of the offer delivered by the JV; ensuring continued support to the Council's community and health and well-being objectives

b) Transform operations in terms of achieving best practice and a strong quality offer, efficient operations capable of delivering the improved financial returns needed to provide a sustainable future for the Centre.

c) Fully provide for both the back-log and on-going building maintenance requirements of the hospitality facility.

d) Remove the existing subsidy (which is expected to rise over 10 years as a result of the need to provide for unavoidable maintenance requirements).

e) Deliver a financial surplus to the Council (over and above removing the subsidy, after recovering the project implementation costs and providing for all hospitality facility maintenance costs as well as providing for any partner's profit share).

f) Advance and support the Council's strategic objectives, including providing a sustainable quality visitor facility at a key coastal gateway.

g) Improve customer satisfaction with and the reputation of the hospitality offer delivered by the CLAC.

h) Improve the Council's stewardship of its public finances (in terms of ensuring Council funding its directed to its priorities for funding).

4.2. Options

4.2.1. The options considered against these evaluation criteria were as follows:

Option	Approach
Option 1. **No ops changes.** **No refurbishment.**	Continue with existing arrangements including existing operating model. No investment in refurbishing the facilities (i.e. no change).
Option 2 **New management.** **No refurbishment.**	Continue with existing arrangements but bring in new Council managers with some specialist hospitality industry experience to lead an operational improvement change program and an ongoing enhanced quality hospitality offer. No investment in refurbishment of the facilities.
Option 3. **No ops changes.** **Full refurbishment.**	Continue with existing operational arrangements. Investment in full refurbishment of the hospitality facilities.
Option 4. **New management.** **Full refurbishment.**	Continue with existing arrangements but bring in new Council managers with some specialist hospitality industry experience to lead an operational improvement change program and an ongoing enhanced quality hospitality offer. Full investment in refurbishment of the facilities.
Option 5. **New JV and operating model** **Full refurbishment.**	Enter into a JV arrangement with a hospitality specialist partner to transform operations to a completely new hospitality industry best practice operating model with full refurbishment of the facilities.

4.3. Options appraisal

4.3.1. Assessment of effectiveness of delivery – individual options

The tables below provide the details of the assessment of the five options identified in terms of how effective they would be against the primary objectives of addressing the maintenance requirements and transforming operations:

Option 1 No change to operations and no refurbishment.	
Strengths and opportunities	**Weaknesses and risks**
• No requirement for major capital investment. • No impact on current hospitality staffing arrangements.	• Poor reputation due to closures and limitations of facility. • No reduction in current Council subsidy. • No budget or new income to fund on-going maintenance requirement leading to a likely increase in subsidy over time as the facility declines. • Likely decline in revenues over time as offer becomes dated. • Will not improve quality of visitor infrastructure or support other strategic objectives. • Unsustainable for Sea Cadets and school groups
Financial outcome: no reduction in current c.£250k pa subsidy (likely to rise over next 10 years). (Backlog maintenance requirements not addressed). ***Overall assessment: not a sustainable option.***	

Option 2 New management only; no refurbishment.	
Strengths and opportunities	**Weaknesses and risks**
• No requirement for major capital investment. • Some incremental improvement to hospitality operations.	• Level of improvement to operations not transformational. • c.£250k subsidy only marginally reduced after funding on-going maintenance requirements. (Backlog maintenance requirements not addressed).

Option 2 **New management only; no refurbishment.**	
Strengths and opportunities	**Weaknesses and risks**
	• Facility lay-out constraints will remain (only 1 event at a time). • Likely decline in revenues over time as offer becomes dated. • Unlikely to make real input to strategic objectives.
Financial outcome: only marginal reduction in current c.£250k pa subsidy. (Backlog maintenance requirements not addressed). ***Overall assessment: not a sustainable option.***	

Option 3 **No changes to operations but full refurbishment.**	
Strengths and opportunities	**Weaknesses and risks**
• Better facilities that could enable an improved offer and improved reputation. • More than one event could be hosted simultaneously. • Incremental improvement in income generation.	• No material change to business process, effectiveness of operational model or quality of offer. • Unlikely to optimise potential of new facility. • c.£250k subsidy increased as a result of increased maintenance needed to maintain facility (else income growth reduced such that subsidy still required) • Unlikely to make meaningful input to strategic objectives.
Financial outcome: increase in current c.£250k pa subsidy after funding on-going maintenance. (Backlog maintenance requirements covered in full refurbishment). ***Overall assessment: not a sustainable option.***	

<table>
<tr><th colspan="2">Option 4
New management and full refurbishment.</th></tr>
<tr><th>Strengths and opportunities</th><th>Weaknesses and risks</th></tr>
<tr><td>• Improved facilities supporting an enhancement to the offer.
• Expert manager input to design and layouts of the interior.
• New expertise to introduce best practice, higher quality offer.
• Likely to deliver operational improvement and achieve some reduction in Council subsidy.
• Staff remain on Council terms and conditions, receive new training and career development.
• (Equal pay claim already recently settled).</td><td>• Not likely to achieve full operational transformation.
• Not likely to achieve most compelling high quality new offer or therefore the full potential growth in revenue and surplus.
• Unlikely to optimise the full potential of the newly refurbished facility and so unlikely to recover the full value of the investment.
• Not likely to achieve full operational transformation.
• Cultural and behavioural issues will still need to be addressed.
• Not likely achieve most compelling high quality new offer.
• Not likely to achieve full potential growth in revenue.
• Will not generate sufficient income to fund all required on-going maintenance.
• Unlikely to optimise the full potential of the newly refurbished facility and so unlikely to recover the full value of the investment.</td></tr>
<tr><td colspan="2">Financial outcome: current c.£250k subsidy not removed with insufficient new income to fully fund on-going maintenance requirements. (Backlog maintenance requirements will be covered in full refurbishment).

Overall assessment: not a sustainable option.</td></tr>
</table>

<table>
<tr><th colspan="2">Option 5
JV Company (new operating model) and full refurbishment.</th></tr>
<tr><th>Strengths and opportunities</th><th>Weaknesses and risks</th></tr>
<tr><td>• Industry specialist expert partner input to interior design and layouts to max value for new offer.
• Expert partner takes responsibility for transforming operations with proven best practice business processes and compelling hospitality offer.</td><td>• Profits will be subject to tax and then net profits will have to be shared with the partner.</td></tr>
</table>

Option 5 JV Company (new operating model) and full refurbishment.	
Strengths and opportunities	**Weaknesses and risks**
• Will remove all of Council subsidy and deliver a surplus after fully funding all required on-going maintenance. • (Backlog maintenance needs fully covered in refurbishment). • Council retains ability to input to the offer ensuring support for strategic objectives. • Council retains ownership of the asset and lets to JV via a commercial lease with restrictions on use and operation. • New staff terms – would include real living wage, and above industry pension contributions. • Provides a replicable platform that can be used to bring other Council assets back in to use (e.g. Sands Pub, Whitehouse Café).	
Financial outcome: current c.£250k pa subsidy removed and a surplus generated for the Council after fully funding on-going maintenance. Backlog maintenance requirements covered in full refurbishment. £3.53m benefit to the Council (improvement on current position) over 10 years. ***Overall assessment: sustainable and strongest option.***	

4.3.2. Assessment of effectiveness of delivery – results summary

Considering all the options collectively in terms of their effectiveness in delivering the primary objectives of addressing maintenance requirements and transforming operations, the overall assessment has produced the following conclusions:

a) Options 1 to 4 will retain full control for the Council but are unlikely to deliver the required level of transformation in operations to achieve hospitality industry best practice and thus to ensure the facility is financially sustainable in the long-term.

b) Only the option based on a hospitality specialist partner, Option 5, is likely to provide that level of transformation and thus the removal of the Council subsidy after providing for on-going maintenance requirements.

c) The Option 5 JV partner model (Council minority shareholder), would still allow the Council to a level of control of its priorities.

d) The facility needs a full refurbishment to deal with the back-log maintenance and to deliver the wider strategic objectives for a key coastal gateway facility as well as to underpin transformation to a level capable of reversing the subsidy or delivering a surplus.

4.3.3. Summary of the assessment of options in terms of financial performance

The table below summarises for each of the options the forecast financial performance of operations ('profit and loss' / 'P&L') and the overall financial benefits to the Council taking account of wider business case financial costs and benefits ('Total Net (Benefits) / Subsidy for the Council').

CROSBY LAKESIDE HOSPITALITY TRANSFORMATION BUSINESS CASE ALL OPTIONS - FINANCIAL COMPARISON (negative number) = financial benefit ; positive number = cost		1 No Change 10 Year Term £000s	2 New Mgmt Only 10 Year Term £000s	3 Refurb Only 10 Year Term £000s	4 Refurb & New Mgmt 10 Year Term £000s	5 Refurb & JVCo 10 Year Term £000s
COUNCIL INVESTMENT	CAPEX TOTAL	0	0	3,047	3,047	3,047
P&L	INCOME TOTAL	(8,940)	(11,206)	(9,866)	(13,234)	(17,335)
	COST TOTAL	11,804	12,371	13,626	14,440	14,785
	(PROFIT) / LOSS	2,864	1,165	3,759	1,206	(2,550)
	TAXATION @ 19%					493
	NET (PROFIT)					(2,057)
COUNCIL WIDER BUSINESS CASE	TOTAL OTHER COUNCIL COSTS		1,030	451	1,451	361
	DIVIDEND (AFTER TAX)					(1,030)
	TOTAL OTHER COUNCIL BENEFITS					(1,030)
TOTAL COUNCIL NET (SURPLUS) or SUBSIDY		2,864	2,195	4,211	2,657	(669)
VARIANCE FROM AS-IS SUBSIDY		n/a	(669)	1,347	(207)	(3,533)

Only Option 5 will deliver a net financial benefit to the Council, amounting to an average of £67k per annum.

(Further information about the underlying details of this forecast Profit and Loss (P&L) account and Council Wider Business Case are provided in Part 2 of this Full Business Case document).

4.3.4. Approach to detailed options development.

a) An 'optimum' performance model was developed with the assistance of an expert specialist hospitality advisor to use as a benchmark against which to assess the relative financial performance of each option.

b) In addition, each option was assessed in terms of the following weighted evaluation criteria in terms of the extent to which the option would: -

- allow Sefton to continue to have control over the Council's priorities
- deliver the required level of operational transformation
- provide for the required and currently unfunded maintenance of the hospitality facilities
- remove the requirement for Council subsidy
- deliver a surplus to contribute to the Council's MTFP
- support the Council's wider strategic objectives for the Park and the borough
- improve stewardship of public finances

c) This initial assessment allowed identification of the options that would provide a deliverable, sustainable solution and to rank the options in terms of effectiveness in delivering these criteria to select which option should be developed in full detail including detailed financial forecasts.

4.3.5. Summary of the assessment of options against all evaluation criteria

The comparable scores for each option are detailed in the table below:

Option	Total Score (X/280)	Retain Council Control	Transform Operations	Provide for Maintenance	Remove Subsidy	Deliver Surplus	Advance Strategic Objectives	Improve Customer Satisfaction / Reputation	Improve Public Finance Stewardship
Weighting		4	3	5	3	2	4	3	4
1. NO CHANGE	**40**	40	0	0	0	0	0	0	0
2. NEW MANAGEMENT ONLY	**101**	40	15	0	12	2	8	12	12
3. REFURBISHMENT ONLY	**115**	40	0	40	0	0	20	15	0
4. REFURB & NEW MANAGEMENT	**143**	40	15	40	0	0	24	24	0
5. REFURB & JV	**230**	24	24	40	30	16	32	24	40

The option that emerged with the highest score from this process and the only option to be financially sustainable is Option 5: JV with full refurbishment.

Therefore, Option 5: JV with full refurbishment is the Preferred Option.

4.3.6. Key considerations for the Preferred Option

Timescales: The design team, GL Hearn, have been appointed and have already completed RIBA Stage 2+ design and costings.

Quality (Outputs and Outcomes): Detailed briefing of the design team has been done to ensure design proposals align with the Preferred Option 5.

Cost (Financial implications): Detailed cost planning has been undertaken for the Preferred Option construction works (Stage 2+) and, likewise, detailed cost estimating for the target operating model.

Value for Money: The Preferred Option will contribute towards the economic growth of the area and will support the objectives of the 2030 Vision and Framework for Change Public Sector Reform (PSR) programme.

Social Value: The Preferred Option provides potential for realising social value over and above the provisions of the Social Value Act 2012 by including a c.5% weighting for social value in the procurement evaluation criteria. Bidders will be asked to commit to a number for each of the following criteria, with the highest commitment contributing to the evaluation:

- The number of sub-contractors to be based within a 25mile radius.
- The number of employees being Sefton based residents.
- The number of builders' merchants who are Sefton based
- The number of suppliers who are Sefton based.
- The number of apprenticeships being created via the main contract.

Accessibility: Improving access for persons with disabilities.

5. Commercial Case (Preferred Option)

The Commercial Case considers procurement and contractual issues including the viability of the procurement approach and the proposed contractual arrangements.

5.1. Procurement approach

5.1.1. The Preferred Option requires two main procurements:

a) Procurement of contractor(s) for the building works.

b) Procurement of/competitive process for a partner to form a Joint Venture.

5.1.2. Prior to both procurements, soft market testing would be undertaken to ensure interest in the market and to inform the specific procurement requirements.

5.1.3. All tenders would be sought in full compliance with Sefton Council's contract procedure rules and assess bidders' financial standing in the evaluation criteria.

5.1.4. Procurement evaluation criteria would ensure that only those bidders that can demonstrate appropriate capacity, financial standing for a contract of this size, capability, systems, expertise, evidence of ability to deliver to scope and timescales and recognition of desired social value will be considered.

5.2. Procurement of contractor(s)

5.2.1. To enable the most economically advantageous tender to be returned whilst maintaining control of time, cost and programme, building works would be procured through competitively tendering the works using the following mechanisms:

a) JCT Building Contract with Design Portion Supplement.

b) Fully detailed drawings and specifications.

c) Separately tendered prices for specialist packages of work such as:

- Off-site constructed Bunk Barn.
- Bar installation.
- Glazing, external doors and enclosures.
- Lift.
- Staircases.

5.2.2. Further procurement options are to be considered post Full Business Case approval:

a) Single stage traditional procurement.

b) Two stage procurement for early engagement of a contractor.

5.2.3. The procurement process for the building contractor(s) will make the selection of the preferred bidder based on evaluation of a combination of the following criteria:

a) Pass/Fail: Meeting a minimum threshold for financial and organisational bona fides.

b) 40%: The lowest price within the affordability envelope (£3.1m).

c) 30% The suitability of the contractor in terms of their skills and experience for a project of this nature (supported by evidence of track record).

d) 20% The availability of the required resources to deliver the project according to the proposed schedule.

e) 10% the value of social contributions made to the local community, primarily in terms of local employment and spend with local suppliers.

5.2.4. If the procurement process for the building contractor(s) does not produce a suitable candidate able to deliver the project requirements in full and within the affordability envelope of £3.1m then the Business Case will be reviewed, and another report brought to Members.

5.3. Partner for hospitality operations

5.3.1. The procurement of a partner for the hospitality operations would take place simultaneously with the building contractor procurement process.

5.3.2. The recommended approach would not require a formal procurement process under either the Public Contract Regulations 2015 ("PCR") or the Concession Regulations 2016. However, this Business Case assumes that a structured competitive process would take place to ensure achievement and demonstration of best value for money.

5.3.3. The tender requirements will include setting up a new company with a Partner to run the Hospitality operations (the "JVCo"):

a) JV partner will run day-to-day operations.

b) The Council and JV partner will share profits through dividends.

c) The JVCo will take a ten-year lease for the hospitality facilities at a peppercorn rent:

- The Council would continue to be responsible for maintenance of the core fabric of the building as a whole.
- The JVCo would be responsible for maintenance of fixtures, fittings and equipment and the condition of the hospitality facilities.

5.3.4. The JV partner will be required to have a proven track record in hospitality operations and is likely to be looking to expand without the need to acquire a property asset.

5.3.5. It is not presently intended that the Council would require the JVCo to provide services back to the Council.

5.3.6. The key priorities for the structure of the JVCo and hospitality operation are:

a) The Council retains ownership of the freehold of the Hospitality Facility;

b) The Council retains an agreed level of operational control;

c) A structure that minimises HR issues;

d) A structure than avoids unlawful State aid; and

e) A proposition that is attractive to the market.

5.3.7. Detailed legal advice has been commissioned around the procurement, structure and operations of JV's, which is summarised in the table at 6.2 (b) below.

5.3.8. The procurement process for the operator partner will be conducted in-line with the Council's Contract Procedure Rules (but legally does not need to be conducted under the Public Contract Regulations) and selection based on evaluation of a combination of the following criteria:

a) Pass/Fail: Meeting a minimum threshold for financial and organisational bona fides.

b) Pass/Fail: Agreement to form a Joint Venture Company with the Council on the terms described within the Full Business Case.

c) 60%: Credibility of the plans for delivering a new hospitality offer at Crosby Lakeside that will deliver or exceed the baseline business case target returns.

d) 30% Suitability of the partner in terms of their skills, experience and track record in delivering the proposed plans for a new hospitality offer at Crosby Lakeside.

e) 10% the value of social contributions made to the local community, primarily in terms of their alignment with the Council's vision and values and local employment and spend with local suppliers.

5.4. Contractual arrangements for the contractor(s).

5.4.1. The proposed contractual arrangements for the procurement of contractor(s) are as follows.

a) The building works contractor would be appointed using a JCT Standard Form of Building Contract commonly used in the construction industry amended for any Sefton Council specific requirements.

b) Sefton Council would be named as the Employer for the purposes of the contract with the Contractor(s) for the works. A Contract Administrator would need to be appointed in due course as they too would need to be named in the contract to fulfil this role.

5.5. Contractual arrangements for the hospitality operator partner

5.5.1. To best deliver the priorities two types of JV have been explored through independent legal advice:

a) *Incorporated Joint Venture*

- This would entail the Council and a JV Partner setting up a company limited by shares with each subscribing for shares in that JVCo. The exact amount of money invested would need to be determined but would be insubstantial.

- Separately, the JVCo would then take a lease for the facility from the Council.

b) *Unincorporated, contractual Joint Venture*

- Contractual joint ventures are a contract between two parties where each party makes a defined contribution / commitment to a specified project and each party takes risk and has the right to reward from that collaboration.

- These are common arrangements for specific projects such as research projects and short-term term projects which involve 'testing the water' to assess if the project is likely to be successful.

- For the CLAC project, this would require the entry into an agreement containing relevant provisions to allocate risk share between the parties and to reserve some control to the Council in respect of the operation of the joint venture.

- Separately, the JV would then take a lease for the facility from the Council.

c) *Legal advice on the structure of the JVCo:*

Legal advice has been commissioned to assess these two JV options and recommend the best fit for the CLAC project. The advice (an overview of the full details of which are attached at Annex 5 in the Appendix A (Exempt) to this business case report) has considered in detail the following:

- Allocation and structure of shareholdings.
- Control over operations.
- Control over the Board and number of directors.
- Allocation of distributed profits.
- Attractiveness to the market / incentivisation of partner.
- Responsibility for funding.
- Council Powers to act.
- Rules on companies controlled, influenced or regulated by Councils.
- Public Contract Regulations 2015 ("PCR") – applicability.
- Treaty on the Functioning of the European Union (TFEU) - applicability.
- State aid implications.
- TUPE and/or redundancy implications.
- Employment obligations.

Taking account of the legal advice, this business case proposes a Joint Venture Company with the Council owning a minority of the shares and having reserved control over the priority matters it deems to require Council approval.

6. Financial Case (Preferred Option)

This section sets out the forecast financial implications of the Preferred Option.

Development of the financial cash flow forecast model

6.1.1. Expert advice was commissioned from a specialist hospitality advisor to support the Council to produce a financial cash-flow forecast model for the proposed hospitality operations, identifying:

a) Direct returns in the form of a dividend from the JVCo.

b) Wider business case benefits for the Council including:

- the removal of historic and future maintenance liabilities for the centre;
- removal of the need for any Council subsidy.

6.1.2. The advisor has supported the development of a detailed 'Income Generator model', which underpins the cash-flow forecast with market intelligence and assumptions about volumes, costs and prices including:

a) Bistro covers;

b) spend per head for each cover;

c) number and size of weddings;

d) number and size of events;

e) rack rates for accommodation;

f) impacts of seasonality

g) level of new business market growth.

6.1.3. The detailed cash-flow forecast (modelled over a 10-year period, aligning with the proposed lease term for the hospitality facilities at the CLAC) is included in Annex 2 to Appendix A (Exempt) of this FBC Document.

6.1.4. A summary of the key assumptions has been included below.

a) *Launch Date - February 2021*: in time for Easter trading.

b) *Pre-Opening and Design*: final detailed design completed after the appointment of the building contractor(s). An amount of c.£250k is included for this mobilisation, amortised in the model over 10 yrs.

c) *Revenue Streams for bistro, bar and coffee lounge*: forecast revenue per day benchmarks closely to comparable operations assessed by the expert advisor.

d) *Functions, Weddings Conference and Banqueting*: the forecast combined income level per day also benchmarks closely to comparable operations assessed by the expert advisor . The income for this area is underpinned by the ability to split the rooms and reduce the space to provide an atmospheric event but more importantly to allow three separate events to run concurrently on the same day/evening.

e) *Roof Terrace*: ability to be adapted to create a ‘pop up bar’ area which can open and close to the elements. The income is shown as peak May to Sept with limited use in the winter.

f) *Bedrooms*: the Investment in the building includes refurbishment of all 14 rooms as en-suite doubles, high spec finishes with top-end mattresses and comfort.

g) *Bunk Barn*: the rate of £25pp per night has been forecast flat all year for all years on a weighted average basis against funded school trips etc. Therefore, forecast occupancy starts at only 39.25% in year 1.

h) *Spend per head and gross profits (GP)*: this has been forecast as a weighted average based on the proposed offering being high-quality freshly prepared quality food using local ingredients at realistic prices. Some provision has been included for increased food costs because of BREXIT.

i) *Target demographic*: CLAC will provide an offer significantly better aligned to the demographic within a 10 minute drive than the existing offers the research indicates are currently available.

j) *The immediate local economy*: on the basis that most existing restaurant / bar facilities in the area are trading successfully, being sustained by the local community and are within a short distance of the CLAC (5-minute walk), it is believed that the local economy can support the required customer growth for the new venture.

The detailed market intelligence and volumetric data assumptions are included in Annex 3 to Appendix A (Exempt) to this Full Business Case Document.

6.1.5. There is confidence in these assumptions and the forecasts that are based on them for the following reasons:

a) There has been extensive support throughout the development of the forecasts from a hospitality expert with a proven track record in setting up and successfully operating similar operations.

b) The key assumptions underpinning the forecasts are based on objective evidence of data collected about the market by the advisor and benchmarks from the advisor's own experience.

c) The Council's project team have audited the P&L, cash-flow forecasts and Income Generator model produced by the hospitality expert, including producing extensive sensitivity analysis, to underpin confidence.

6.1.6. The very strong step-change growth in income that has been forecast (from c.£900k to c. £1.7m per annum) is supported by a strong evidence base including:

a) Detailed analysis of the factors constraining the as-is operations, which including:

- Suitability of business processes and systems (including stock taking and profit and loss and accounting; forward workload planning with appropriate resourcing).

- Availability and robustness of data and analysis about the market (including potential customers and actual competition) in terms of developing and evolving an attractive, competitive offer.

- Competitiveness of pricing structures.

- Utilisation of the hospitality space (constrained by the current layout of the building and in some cases end of life fixtures, fittings and equipment).

b) A robust process developing a new target operating model tailored for the strengths of the venue.

c) Very detailed profit and loss and cash-flow modelling, which has been subject to extensive sensitivity analysis to identify and mitigate risks of underperformance on forecasts.

6.2. Financial Forecast Overview and Assumptions

6.2.1. A summary of the 10-year financial forecast for the Preferred Option (Option 5) is shown in the table below:

CROSBY LAKESIDE HOSPITALITY TRANSFORMATION BUSINESS CASE PREFERRED OPTION DETAIL (negative numbers) = income/benefits; positive numbers = costs		5 Refurb & JVCo 10 Year Term £000s
COUNCIL INVESTMENT	CAPEX TOTAL	3,047
P&L	INCOME TOTAL	(17,335)
	COSTS	
	- cost staff incl expenses	6,081
	- property / repairs	3,399
	- all other	5,055
	- launch costs	250
	COST TOTAL	14,785
	(PROFIT) / LOSS	(2,550)
	TAXATION @ 19%	493
	NET (PROFIT)	(2,057)
COUNCIL WIDER BUSINESS CASE	OTHER COUNCIL COSTS	
	FBC DEVPT COSTS	30
	SPECIALIST MANAGEMENT FEE	
	CLOSURE COSTS	65
	TRANSITION COSTS	267
	TOTAL OTHER COUNCIL COSTS	361
	OTHER COUNCIL BENEFITS	
	DIVIDEND (AFTER TAX)	(1,030)
	TOTAL OTHER COUNCIL BENEFITS	(1,030)
TOTAL COUNCIL NET (SURPLUS) or SUBSIDY		(669)
VARIANCE FROM AS-IS SUBSIDY		(3,533)

6.2.2. The key features of this model are:

a) £3.1m capital investment in major refurbishment:

- c.£2.35m on reconfiguring the layout of the building and addressing unfunded maintenance.
- c.£0.75m on refurbishing and replacing FF&E and finishes (including addressing unfunded maintenance).

b) Refurbishment addresses c.£1m of unfunded backlog maintenance.

c) Partner involved in final designs of refurbishment.

d) Operating costs include provision for on-going maintenance (i.e. profits are after provision for on-going maintenance).

e) Use of the venue by the JVCo under a 10-year lease from the Council on a peppercorn rent allowing sufficient operational profits to attract a hospitality specialist partner after funding on-going maintenance, removing Council subsidy and providing a surplus to the Council via dividend.

f) A transformed operating model with best practice business processes and enhanced hospitality offer delivering increased revenues and profitability.

g) Revenue increased from c.£0.9m (as-is) to c. £1.7m pa when fully implemented (by Year 3). (Over 10 years = c.£9m as-is increased to c.£17m).

h) Earnings Before Tax over 10 years increased: c.£2.6m profit increased from £2.8m subsidy (loss):

- Council share of profit after tax = c. £1m.

- Partner share of profit after tax = c. £1m.

i) The Council will also benefit from the removal of the need to provide any of the current c. £2.8m* subsidy. (*Future subsidy will be higher than c.£250k pa as it will need to include additional provision for on-going maintenance not currently in the Medium Term Financial Plan).

j) The Council have the c. £1m on-going maintenance requirements fully funded before profits. (c.£1m of backlog maintenance also provided for through the c.£3.1m refurbishment).

6.3. Net Present Value (NPV)

6.3.1. The Net Present Value (NPV) appraisal technique has been used to assess the financial viability of the proposal. NPV represents the return / gain on initial investment in present day terms in line with the Treasury Green Book appraisal methodology using a standard discount factor of 3.5%. A positive NPV indicates a project is worth undertaking from a financial point of view.

6.3.2. For financial appraisal purposes, the initial investment excludes the £1m backlog maintenance liability as this will be required irrespective of which option is approved and therefore has been excluded from the NPV analysis.

6.3.3. The Preferred Option results in a positive NPV of £0.76m indicating that the project is worth undertaking from a financial point of view. This represents a gain of 36.99% on the initial investment of £2.1m.

6.3.4. It should be noted that the total construction cost of £3.1m (including £1m backlog maintenance) has been derived from a RIBA Stage 2+ cost plan. As the developed designs are refined in conjunction with a contractor through to detailed technical designs there may be some refinement of this cost. The NPV viability of the project will be reassessed at that point.

6.4. Sensitivity Analysis

6.4.1. With a project of this nature, whilst a base case can be developed to enable informed decision making, there will inevitably be some variation to this over time.

6.4.2. Therefore, in developing this business case sensitivity analysis has been undertaken that aims to outline the impact in financial performance that could be experienced should there be changes to:

a) Construction costs and fees.

b) Gross Income.

c) Cost of Sales.

d) Staff costs; and

e) Discount Factor sensitivities.

6.4.3. It is important to note that these changes may not take place in isolation e.g. over 10 years there may not only be a change in construction cost, but other changes could also take place concurrently over the life-cycle of the project. Therefore, a detailed assessment has been developed and included at Annex 2 to Part A (Exempt) of this Business Case. This shows a number of combinations and their impact on financial performance. A summary of this analysis is provided at the end of this section.

6.4.4. In considering a range of outcomes, it is evident that the two most significant financial risks are in respect of: -

a) The cost of construction.

b) Achieving the forecast income growth from £0.9m to £1.7m.

6.5. Sensitivity: cost of construction

6.5.1. The positive NPV and annual return to the Council is based on the cost of construction of the new facility being £2.1m. This value is derived from the RIBA stage 2+ cost plan and it is acknowledged that this will be refined at RIBA stage 3 (Developed Design) then RIBA Stage 4 (Detailed Technical Design). These more developed and detailed designs would provide greater certainty of the actual outturn cost but are not expected to significantly vary the cost schedule developed at RIBA Stage 2+ as a result of changes to design requirements.

6.5.2. In addition to the risk that costs change as a result of the design process, construction costs are susceptible to market conditions, which could be influenced by a change in government, BREXIT and a potential UK recession.

6.5.3. The Stage 4 design will have been completed and the situation regarding BREXIT will be further progressed before construction commences (scheduled for May 2020). If costs have increased by that time, then the financial model will be revised and the impact on future performance evaluated.

6.5.4. Similarly, during construction, if the UK enters recession or the build is affected by a later impact of the EU exit, costs may rise, and the impact will need to be understood. By way of example, the table below provides a summary of the impact of cost increases on the base case:

Scenario	Construction costs (including fees) £'m	NPV* £'m
Base case	£2.047m	0.757
Construction costs increase by 37% (breakeven)	£2.804m	0
Construction costs increase by 50%	£3.071m	(0.266)
Construction costs decrease by 10%	£1.843m	0.962

*A positive NPV indicates a project is worth undertaking from a financial point of view).

6.5.5. To mitigate against this risk, the JCT contract will be developed on a fixed price basis and as stated the full financial model and risk analysis will be updated when the potential cost is known.

6.6. Sensitivity: income

6.6.1. The base-case positive NPV and annual return to the Council assumes an increase in income from £0.9m to £1.7m per annum by year 3 of the new business. This represents an increase of c.94%, which is significant and depends on transforming every aspect of the current operation, successfully attracting and maintaining a new client base, and that client base spending significantly more per head per visit than is the case at present. This is reflected in the base-case assuming:-

a) Spend per head for lunch increasing from below £10 to £12.50.
b) Spend per head for dinner increasing from below £16 to £24.25.
c) No. of customers pa (dinner + lunch) increasing from 39,055 to 44,252.
d) No. of weddings/events and average spend increasing by >50%.
e) Price per night for rooms increasing from £85-£95 to £100
f) No. of nights pa increases from 6,205 to 11,349 (incl. bunk barn).
g) The value of bar sales increasing to £0.602m pa.

6.6.2. The management of the cost base for these activities and the growth in income are two of the most critical factors in the success of this project. The sensitivity analysis models the impact that variations in these factors could have on annual performance and the Councils financial position.

6.6.3. A summary of a number of scenarios is provided below:

Scenario	Net Present Value £'m	Average Annual Financial (Surplus)/Deficit before tax £'m	Average Annual Return to the Council £'m	Average Annual Return to the operator £'m
Base case Income increases from £0.9m to £1.7m (up 94%)	0.757	(0.255)	(0.103)	(0.107)
Income remains at current level of £0.9m (no increase)	(1.620)	0.391	0.192	0.199
Income increases from £0.9m to £1.1m (up 22%)	(1.009)	0.236	0.116	0.121
Income increases from £0.9m to £1.3m (up 44%)	(0.397)	0.081	0.040	0.041
Income increases from £0.9m to £1.4m (up 61%)	0	(0.027)	(0.009)	(0.010)
Income increases from £0.9m to £1.5m (up 67%)	0.154	(0.074)	(0.028)	(0.030)
Income increases from £0.9m to £1.9m (111%)	1.150	(0.384)	(0.152)	(0.158)

6.6.4. If income reaches £1.7m (which is achievable based on the advice of the industry expert and evaluation by the Council's commercial team) then the Council will achieve a financial gain of £0.103m per annum after removing the current subsidy of c.£0.250m and providing for backlog maintenance and on-going maintenance requirements for the hospitality facilities. The JV partner would receive £0.107m. This scenario reflects the 94% increase in income compared to current levels. It is this financial gain that will be built into the council's medium term financial plan- £0.353m

6.6.5. If income increases to £1.9m per annum, the Council will achieve a financial gain of £0.152m (an increase of £0.049m compared to the base case) per annum after removing the current subsidy of c.£0.250m and providing for backlog maintenance and on-going maintenance requirements for the hospitality facilities. The JV partner would receive £0.158m.

6.6.6. It is important to recognise the adverse impact that could result if the annual £1.7m income target is not achieved, as a result of, for example, demand not being at the forecast level or spend per head being less than anticipated.

6.6.7. For example, if income increases to £1.4m per annum only (this would still represent a 61% increase on current levels) the Council will not achieve any financial gain ~~of~~ after removing the current subsidy of c.£0.250m and providing for backlog maintenance and on-going maintenance requirements for the hospitality facilities. The JV partner would also not receive any financial benefit.

6.6.8. Therefore, any income level of less than £1.4m would result in the need for the Council to have to continue to provide a subsidy and the operating partner not receiving any income in that year.

6.6.9. Similarly, if income increases by 22% to £1.1m then the council would experience an adverse variance of £0.219m (£0.103m +£0.116m) when compared to its base case and the JV partner would need to provide a contribution of £0.121m to fund operations.

6.6.10. For the Council, any shortfall would be a budget pressure in that year and would need to be met from within the Council's existing budget.

6.6.11. For the Partner the shortfall would need to be absorbed from their own financial resources, which creates a risk of the partner seeking exit from the Partnership.

6.6.12. The following mitigations will be implemented against the risk of the undesired exit of the Partner (for example by dissolving their company), which would enable the seamless introduction of a new partner, whilst maintaining continuity of operations in the interim:

a) The Business Plan and Operations Plan (including organisational structures, shift plans, food and drinks menus, advertising plans and propositions etc.) will be documented in detail and be retained as the property of the Company.

b) Requirements will be included in the procurement of the partner for details of succession planning and skills development and mentoring for middle management to be able to start to learn pick up the expertise of the operator partner's key transformation leads from day 1 of the new operations.

c) Council directors will remain in touch with middle management to provide support and encouragement to be able to take on the leadership role in the event of the exit of the expert partner.

6.6.13. Whilst construction costs and income levels are the biggest financial risks, there may be multiple variations that could impact overall financial performance both annually and over the 10-year life cycle of this project.

6.6.14. A summary of the outputs from the full sensitivity analysis, which explores a number of these potential variations, are provided in the table below:

Sensitivity Group	Sensitivity Description	Projected Net Present Value (NPV) £000s	% Discounted Return / (-Loss) on Initial Investment %
Preferred Option 5		757,268	36.99%
Construction Costs (Incl. Fees but excl. £1m Maintenance *(1)) Sensitivities	Increased by 37% (Breakeven)	0	0.00%
	Increased by 50%	(266,346)	-8.67%
	Increased by 70%	(675,792)	-19.42%
Gross Income Sensitivities	Gross Income Reduced [from £1.7m average per year to £1.4m (Breakeven)*(2)]	0	0.00%
	Gross Income Reduced [from £1.7m average per year to £1.3m *(2)]	(397,218)	-19.40%
	Gross Income Reduced [from £1.7m average per year to £1.2m *(2)]	(702,966)	-34.34%
Cost of Sale Sensitivities	Cost of Sale Increased by 10% [from £390k average per annum to £430k]	610,843	29.84%
	Cost of Sale Increased by 58% [from £390k average per annum to £620k (Breakeven)]	0	0.00%
	Cost of Sale Increased by 70% [from £390k average per annum to £660k]	(153,159)	-7.48%

Sensitivity Group	Sensitivity Description	Projected Net Present Value (NPV) £000s	% Discounted Return / (-Loss) on Initial Investment %
Labour Cost Sensitivities	Labour Costs Increased by 5% [from £610k average per annum to £640k]	638,130	31.17%
	Labour Costs Increased by 37% [from £610k average per annum to £830k (Breakeven)]	0	0.00%
	Labour Costs Increased by 50% [from £610k average per annum to £910k]	(272,657)	-13.32%
Discount Factor Sensitivities	Base Case Discount Factor -1.5% (2.0%)	1,043,500	50.97%
	Base Case Discount Factor +5.16% (8.66%) (Breakeven)	0	0.00%

(1)*There is an additional requirement of £1m to cover backlog maintenance of the building included within the capital ask which is over and above the build costs and fees included in this analysis. This will be required regardless of the chosen option and has therefore been excluded from this analysis.

(2)*A reduction in Gross Income down to or below £1.4m (19%) on average over the 10-year period (c£300k per annum) would move the JV into a loss-making position. Any reductions would also impact on the JV partner who may require a different level of return to maintain operations.

6.7. Sensitivity analysis conclusion

6.7.1. **Increase in construction costs** (including associated fees) - these would need to increase by over £0.76m, from £2.1m (excluding the £1m maintenance liability) to £2.86m, to produce a negative NPV. This would be an increase in addition to the contingency included in the capital sum.

6.7.2. **Decrease in gross income of the JV** – this would need to decrease by an average of 19% per year over a 10-year period to produce a negative NPV. This equates to an average reduction in gross income of c£300k per annum from £1.7m to £1.4m. It should be noted that gross income for the existing operations is currently c£900k per annum and so the financial model assumes, with capital investment and the new hospitality model, that this can be increased by 90%. The supporting assumptions for this increase are included in the following section of the business case.

6.7.3. **Increase in direct costs of sale -** costs of sale would need to increase by more than 58% to produce a negative NPV. Direct costs of sale including stock (e.g. provisions) are assumed to be 78% of gross income within the financial model and this equates to approximately £390k per annum on average over the 10-year analysis period.

6.7.4. **Increase in labour costs** – these have been modelled at £610k per annum and would need to increase by over 37% to produce a negative NPV. This equates to an increase of over £220k per annum on average.

6.7.5. **Discount rate producing a negative NPV** - this would not occur until the discount rate was over 8.66%. A discount factor of 3.5% has been used to calculate the NPV and this is in line with UK Government Treasury Green Book guidance. Private sector organisations may choose to use an alternative discount factor. The sensitivity analysis has been carried out to identify at what rate the proposal would no longer produce a positive NPV.

6.7.6. **Viability** - all sensitivities have been considered from a Council financial viability perspective. Any reduction in profits would also impact on the JV partner who may require a different level of return to maintain operations. The associated partner side risk will be quantified and mitigated through the partner procurement exercise.

6.7.7. **The NPV calculation** - assumes that the Council is only responsible for half of any losses incurred by the JV and that the partner will cover the remainder. However, in the event of insolvency or winding up, the proposal is to establish the company as a company limited by shares with liabilities for the shareholders capped at £1 each, which would be the maximum liability for each partner.

6.7.8. The supporting detail underpinning the sensitivity analysis is attached at Annex 2 to Appendix A (Exempt) of this business case. The impact of changes to multiple sensitivities has also been considered and the results have also been included in the Sensitivity Analysis Matrix in Annex 2.

7. Management Case (Preferred Option)

This section addresses the ‘achievability’ of the Preferred Option including the actions required to ensure the successful delivery of the scheme in accordance with best practice.

7.1. Project management and plans

7.1.1. Project structure and governance arrangements

There 3 key stages to this project:

a) *Stage 1: Project Development – Full Business Case (complete)*

b) *Stage 2*: Transition to Delivery – Formation of the JVCo/launch of the new venture

c) *Stage 3*: On-going company operations

7.1.2. The project’s Transition to Delivery (if approved by Cabinet) will be governed through the Council’s established Framework for Change, Growth and Strategic Investment (GSI) pillar.

7.1.3. The governance arrangements will differ for ongoing operations with senior responsible officers being assigned to support a Shareholder Representative from Cabinet to manage the Council’s (shareholder’s) interests.

7.1.4. The indicative timetable for the project is shown in the table below:

Key Activity	Dates		Comments
	Start	End	
1) Cabinet approval of Full Business Case.	*05/09/2019*	*07/11/2019*	*Stage 1.* *Update CLAC as-is operations to allow scheduling of shifts and planning for taking bookings.*
2) Procurement of the contractor.	07/11/2019	16/03/2020	Stage 2. Start of works dependent on Cabinet approval of FBC; grant of planning permission; securing a suitable operator.

Key Activity	Dates		Comments
	Start	End	
3) Procurement of an expert hospitality operating partner and formation of the JVCo.	07/11/2019	13/04/2020	Stage 2. Commencement dependent on Cabinet approval of FBC.
4) Application for Planning permission (12 weeks allowance).	08/11/2019	07/02/2020	Stage 2. Submission dependent on formal Cabinet approval
5) Start of building works.	22/04/2020	22/04/2020	Stage 2. Cut-off date for future bookings (weddings and other events).
6) Closure of operations and implementation of staffing plans.	23/04/2020	23/04/2020	Stage 2. Post Easter to allow benefit from Easter trading. Formal staff and union engagement would have taken place > 30 days before.
7) Site mobilisation (one month)	13/04/2020	11/05/2020	Stage 2. Winding down of as-is hospitality operations. Preparation of building contractor to start works.
8) Start of works on site	11/05/2020	11/05/2020	Stage 2. Start dependent securing operations partner.
9) Completion of building works	15/01/2021	15/01/2021	Stage 2. Dependent on start date. Duration extended in April 2019 from 6 months to 8 months (9 months with contingency) following review of construction project scope and risk.
10) Mobilisation launch of the new business.	15/1/2021	1/3/2021	Stage 3. Dependent on completion of works to schedule. No new operations in risky period running up to Xmas.

7.2. Stage 2 Transition to Delivery

7.2.1. Project Management

a) Governance - Framework for Change:

Stage 2 will continue to be managed as part of Framework for Change (F4C) programme (as Stage 1), through the Growth and Strategic Investment (GSI) Board.

All workstreams for Stage 2 will be reviewed on a monthly basis through reporting to the GSI Board from a Project Manager and the Project Sponsor.

Reports will include commentary on progress and programme, quality and design outputs and cost together with relevant risks and issues arising in the month.

Any changes to the project in scope, cost, quality or time will be reported through a variance report and agreed at next available GSI Board. Should the variance be significant then it will be escalated to F4C Programme Board.

b) Project manager and plan:

A Project Manager (PM) was put in place for Stage 1 and will continue for Stage 2.

Lessons learnt workshops will be organised by the PM at key gateways for continuous improvement purposes at project and programme level.

The project will be managed through a Project Plan for timescale management and risk register, identifying risks specific to the project. This data will be aggregated at a Programme level to produce at Programme level risks to be recorded and potentially escalated.

c) Build project – Contract Administrator:

Once the building contractor is in place then a Contract Administrator will also be put in place for the duration of the building contract. This will ensure the Council is able to effectively monitor progress through the technical design, procurement, construction and 12 months defects period (which will overlap with the procurement, implementation and first 12 months of operation of the JVCo).

d) Build project - change and contract management:

The building works will be managed using the processes, contractual arrangements and conditions described in the JCT Standard Form of Building Contract.

The Contract Administrator engaged by Sefton Council would monitor the performance of the Contractor and administer the contract on behalf of the Council (the Employer).

Any potential changes arising during the works would be communicated to the Project Sponsor and agreement sought should there be any financial implications.

Contract variations would be agreed, rejected or negotiated with the Contractor but only if prior approval has been given by Sefton Council authorised representatives.

Change control procedures and financial limits for officers will need to be agreed in due course and ahead of any contract agreement.

7.2.2. Stage 2: risk management

The key risks for Stage 2 of the project and the mitigating actions are detailed in the table below.

Key assumptions/risks	**Mitigating actions**
Unexpected significant construction costs arise after commencement of works.	• JCT contract to include provision to pause construction at minimal cost to allow time for revaluation of the financial case for continuing the project on the current scope or identifying required changes to scope. • JCT contract to include provisions to allow for reduction in scope to reduce the overall construction spend if required.
No interest from hospitality specialist partners due to level and potential risk to forecast profits.	• Soft market testing before tenders. • Provide evidence supporting business case.

Key assumptions/risks	Mitigating actions
	• Early engagement to allow potential partners to input to detailed refurb designs.
State Aid challenge on peppercorn rent model.	• Advance production of business case evidence of wider financial benefits to the Council, including: - removal of Council subsidy (c. £250k pa); - provision for c. £1m backlog maintenance; - full provision for on-going maintenance.
Unnecessary relinquishing of forecast revenues for existing operations as a result of delays in starting works / closure of hospitality functions.	• Robust programme planning with Early Contractor Involvement (ECI). • Timely Council decision making. • Effective liaison with as-is management.
Planning permission is not granted.	• Submit a pre-panning application as early as possible based on RIBA Stage 3 designs.
Cost overruns on build programme.	• ECI to ensure robust costings. • Adopt JCT Design and Build contract model to obtain fixed price.
Concerns from staff or unions.	• Early informal employee and union engagement and planning for formal consultation. • Comprehensive HR and legal review.
Lack of support from key stakeholders: • Hospitality staff and unions • Leisure side staff and users	• Early engagement and communication with all stakeholders immediately following approval from Cabinet of FBC. • Joint planning with leisure team.

Key assumptions/risks	Mitigating actions
• Sea-cadets (lack of support for proposed new ‘bunk-barn’ accommodation). • Scouts/guides (refusal to allow access to areas comprised within current lease (migrating to license). • Local residents and businesses: objections to planning application.	• Workshops to allow sea-cadets input to detailed bunk-barn designs. • Proactive promotion of benefits of proposed refurbishment to scouts/guides. • Early informal pre-planning consultation.

Attached at Annex 2 to this Appendix B (Public) part of the Full Business Case is the main Transition to Delivery project risk register, providing full details of the risk, mitigation and management measures including construction related matters.

7.2.3. Stage 2: contingency arrangements.

The following contingency plans have been developed for Stage 2.

a) Building works failure

If the building works cannot be progressed, the following arrangements have been considered for continued delivery of the required services and outputs.

- Scenario A – inability to secure an affordable tender
  - Redesign the proposals and undertake value engineering.
  - Withdraw the business plan and alternative approaches would be considered to seek a way forward.

- Scenario B – failure of the building contractor during construction
  - Secure the property by Sefton Council property services team
  - Procure new contractors and / or consultants to manage the completion of the works
  - Negotiate financial redress with administrators.

7.3. Stage 3 - Operational delivery

7.3.1. On-going operations

Following completion of Stage 2 and the procurement and appointment of an expert hospitality operator partner and the formation of the Joint Venture Company, with a 10-year lease, on-going operations would commence.

a) Mobilisation of the new venture

Stage 3 would commence with the mobilisation of the new venture including:

- Recruitment and training of staff.
- Set-up of new business processes and systems.
- Marketing and promotion for the opening of the venue.
- Commencement of hospitality services (in time for Easter 2021).

b) Management of the JVCo 10-year lease

As the JV would not be providing any services to the Council under a concession, supply or management contract the lease will be important as a key mechanism for the Council to manage the activities of the JV at the Centre.

The Council will continue to hold the freehold interest for the whole Centre, letting a lease for the hospitality areas to the JVCo.

This lease would:

- be a 10-year full repairing lease at a peppercorn rent; and
- specify the broad uses to which the venue can be put and the terms for any further works to the interior or exterior of the venue.

At the end of the lease, the Council would be able to introduce a commercial rent for the venue in any new lease (if it was felt that the JV profits were sufficient to support this).

There would be no assumption that any other Council venue would be leased to the JV in future and if further venues were leased to the JV each would be subject to a separate Business Case requiring member approval in line with the Council's obligations to achieve Best Consideration in the use of its assets, which could require charging a commercial rent for those assets.

c) Council oversight of its JVCo shareholding and on-going operations

The performance of the Council's shareholding in the Company would be managed through allocated senior officers supporting a nominated Member of the Cabinet acting as Shareholder Representative of the Council's share of the JVCo.

These officers would receive regular reports from the Council nominated directors of the Board and from the Board itself through Board reports.

The Council's oversight and input to the performance of the JVCo operations would be provided by the Council's nominated board directors at Board meetings.

The Board would meet at least monthly and receive reports from the Executive Management team including as a minimum:

- A profit and loss account showing actuals and forward forecast against business plan.
- A cash-flow statement.
- A balance sheet statement.
- A risk register.
- A forward delivery programme for the coming 12 months.

Change management would be managed as part of the function of the board of directors in line with the Memorandum and Articles of the Company.

Day to day delivery management would be the responsibility of the specialist expert hospitality partner.

7.3.2. Stage 3: risk management

The key risks for Stage3 of the project and the mitigating actions are detailed in the table below.

Key assumptions/risks	Mitigating actions
Business case returns fall short of forecast to reverse Council subsidy.	• Obtain political mandate for minimum acceptable return: - 100% funding of backlog maintenance; - 100% funding of on-going maintenance; - 0% increase in current Council subsidy; - 100% of wider strategic objectives.
Partner decides to exit partnership prematurely (e.g. because of below target financial returns).	• The Business Plan and Operations Plan to be documented in detail and retained as the property of the Company. • Seek collateral to underwrite contractual commitments as part of procurement. • Include in contract robust risk allocation in terms of benefits realisation between the Council and the partner. • Procurement requirement for the partner to include succession planning, skills development and mentoring for middle management to be able to lead transformation from day 1 of the new operations. • Council directors to remain in touch with middle management to provide support and encouragement to be able to take on the leadership role in the event of the exit of the expert partner.

7.3.3. Stage 3: contingency arrangements

The following contingency plans have been developed for Stage 3 in the event of failure of the JV, to ensure continuity of operation of hospitality services.

a) Scenario A – inability to secure a suitable partner

- The Business Plan would be withdrawn, Transition to Delivery would be halted and alternative approaches (including other rejected options) would be considered to seek a way forward for the centre.

b) Scenario B – failure of the Board of the JV to deliver the Business Plan (BP) targets approved by the Shareholders

- Early identification of BP failure via monthly monitoring (via the Investment Board) on behalf of the Council as Shareholder.

- The Council shareholder (supported by the Council's Investment board) would have the ability to commission professional advice on, for example:

    - Whether individual existing Directors of the Board are suitable to continue in position.
    - Whether the existing BP remains deliverable (potentially with temporary step-in support (e.g. by a 3rd party) via a short-term Business Continuity plan.
    - Whether a revised BP is required and the approval of that in due course.

- The lease would include a requirement for in scope operations to be maintained by the lessee with failure to do so resulting in the termination of the lease and the return of possession and control of the venue to the Council.

- The Memorandum, articles and shareholder agreement would limit Council liabilities.

c) Scenario C – exit or winding up of partner organisation

- Investment board commission professional advice and recommendations, for example:
    - Continue with existing BP with temporary step-in via a short-term Business Continuity plan for either in-house management or a 3rd party concession put in place.
    - Lease to include requirement for in scope operations to be maintained (monitored by Sefton).

- Explore potential for alternative partner for the JV.

d) Scenario D - JVC breaks the terms of its lease

- Repossession of the venue with temporary step-in via a short-term Business Continuity plan for either in-house management or a 3rd party concession put in place to maintain hospitality operations

- Lease to include requirement for in-scope operations to be maintained (monitored by Sefton).

7.4. HR matters

7.4.1. If this Business Case is approved, the Council will work with staff and unions to ensure full consultation about any changes to employment that may arise.

7.4.2. In developing the options, the Council has sought to avoid solutions based on outsourcing (e.g. granting a concession to a 3rd party). Therefore, the option that includes the involvement of a third party has only been considered on the basis of a joint venture arrangement, where the Council is still involved.

7.4.3. The Council has also endeavoured to avoid compulsory redundancy and all the options could potentially be delivered without compulsory redundancy.

7.4.4. Unions have been consulted through the Joint Trades Union forum.

8. Annexes

ATTACHED TO APPENDIX B (PUBLIC) REPORT (this document)

8.1. Annex 6: RIBA Stage 2+ Designs
8.2. Annex 7: Stage 2 Risk Register

INCLUDED WITHIN APPENDIX A (EXEMPT) REPORT (a separate document)

Annex 1: Detailed Financial Model for Preferred Option

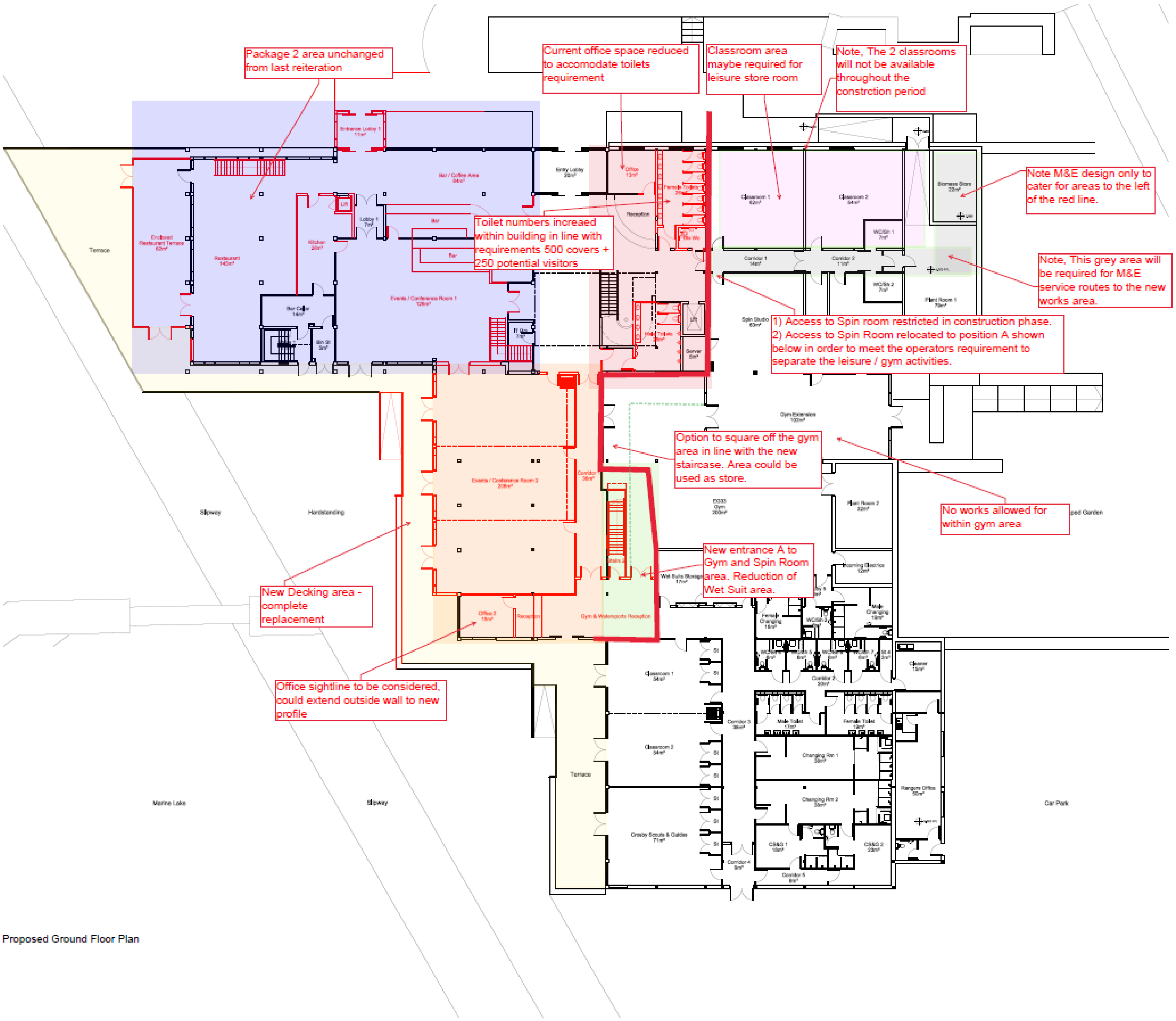
Annex 2: Financial Model Sensitivity & NPV Analysis

Annex 3: Expert advisor key data and assumptions

Annex 4: HR matters

Annex 5: Independent legal advice summary

CLAC FBC - APPENDIX B (Public), Annex 6: Stage 2 Designs



Proposed Ground Floor Plan

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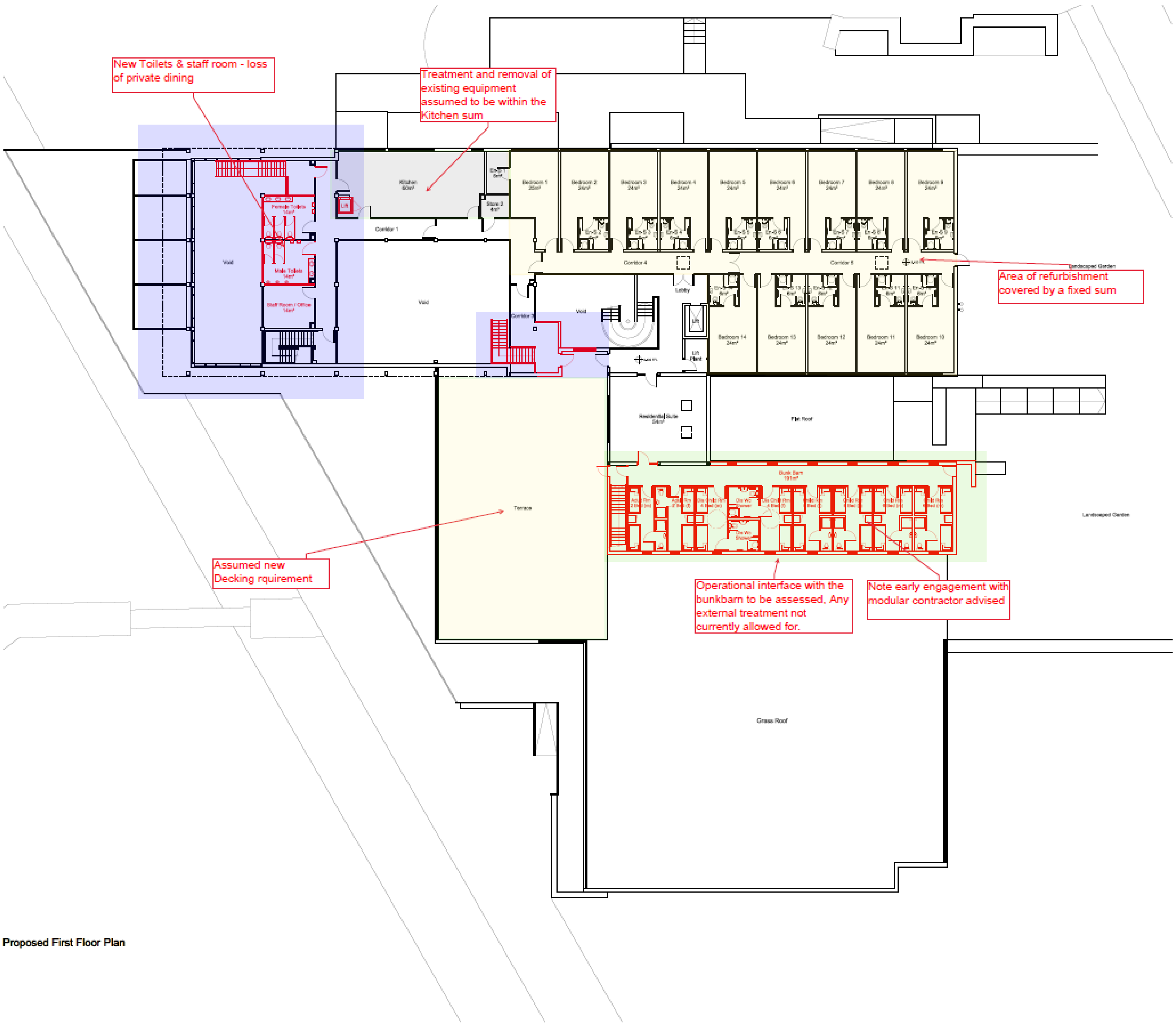

Proposed First Floor Plan

MAGINEERING GLOBAL

Tatton Film Studios

Client: Sefton Council

Project: Proposed Alterations and Remodelling of Crosby Lakeside Adventure Centre, Crosby

Drawing: Proposed First Floor Plan

Scale: 1:100 @ A3

Date: November 2018

Status: Preliminary

Revision: D

Agenda Item 16

Agenda Item 16

Annex 4: Stage 2 Risk Register

Full Business Case Risk Register: Crosby Lakeside						
Risk Number	**Risk Description**	**Impact Score - 1 (low) to 5 (high)**	**Likelihood Score - 1 (low) to 5 high)**	**Score**	**Risk Mitigations**	**Risk Owner**
1.0 Business Case						
1.1	Accuracy of construction costs	5	2	10	Costs are being reviewed by external PM and Council's Property and Asset Management Service. Include 5% contingency costs. Early Client Involvement to ensure robust costings; adopt JCT Design and Build contract model to obtain fixed price.	T2D project manager
1.2	Accuracy of future income modelling	4	3	12	Income modelling carried out by external hospitality industry consultant and Council's Head of Commercial together with senior staff from Health and Well-being and Finance.	SMBC Head of Commercial
1.3	Inaccurate launch date (e.g. due to delays in construction)	4	3	12	External PM appointed to oversee project delivery and a Project Team is also in place. Initial programme being reviewed by external PM and Council's Property and Asset Management Service.	T2D project manager
1.4	Accuracy of hospitality side fit-out costs	5	2	10	External PM appointed to oversee project delivery and a Project Team is also in place. Initial costs are being reviewed by external PM and Council's Property and Asset Management Service. Include 5% contingency costs.	T2D project manager
1.5	Predicted margins on hospitality model too high	4	3	12	Modelling based on expert industry advice.	SMBC Head of Commercial
1.6	Project costs do not include adequate client costs e.g. decanting	3	2	6	Liaison with CLAC management	T2D project manager
1.7	Market demand for potential operating model - no interest from suitable 3rd Party expert operators.	5	3	15	Soft market testing before tenders. Provide evidence base of forecast business case. Early engagement to review refurbished designs and input to interior design.	SMBC Head of Commercial
1.8	Insufficient capital to deliver all of the min. investment needed (c. £3m).	5	1	5	Seek inclusion as a priority project for capital receipts in asset review and Council approved Capital programme.	SMBC Head of Commercial
1.10	Increase in running costs for asset as a result of inaccurate split between hospitality/leisure	2	1	2	Design to include separate meters for electricity.	T2D project manager
1.11	Increase in FM costs due to inaccurate split of costs for maintenance, replacement etc.	2	1	2	Scope to be agreed between with SMBC Asset Management Team	T2D project manager
1.12	HR matters	5	3	15	Early informal employee and union engagement and formal consultation if required	T2D project manager
2.0 Approvals						
2.1	Delay in approval process required prior to Cabinet.	4	2	8	Robust Cabinet Report and FBC. Early Member consultation.	SMBC Exec Director Sponsor
2.2	Cabinet reject FBC	5	2	10	Robust Cabinet Report and FBC. Early Member consultation.	SMBC Exec Director Sponsor
3.0 Design						
3.1	Inadequate electricity supply for the increased loads	4	3	12	Testing to be done prior to construction	T2D project manager
3.2	Design gaps (delays or cost increases) due to lack of existing building information	3	3	9	Sefton Council Asset Team to work with PM and Design Team to provide more data	T2D project manager
3.3	Detailed design exceeds budget from Stage 2 designs	3	3	9	Value engineer project before construction starts to ensure viability	T2D project manager
3.4	Impact on leisure users during build period	4	2	8	Agree detailed phased delivery plan in consjunction with CLAC management	T2D project manager
3.5	Inadequate provision of public toilets in the Park after closure of facilities at CLAC	3	1	3	Park public toilets due on site in June.	T2D project manager
3.6	Unacceptable number/position of toilets within within new design.	4	1	4	PM & Design Team to validate through detailed design	T2D project manager
3.7	Inadequate IT for proposed increased future use.	3	1	3	PM & Design Team & CLAC management to validate through detailed design	T2D project manager
3.8	Unknown structures increase scope/cost/duration	3	3	9	Validate through detailed design and intrusive surveys; risk transfer to contractor through procurement.	T2D project manager
3.9	Unknown services increase scope/cost/duration	3	1	3	Validate through detailed design and intrusive surveys; risk transfer to contractor through procurement.	T2D project manager
3.10	Unknown accoustic requirements increase scope/cost/duration	3	3	9	Validate through detailed design and surveys; risk transfer to contractor through procurement.	T2D project manager
3.11	Additional fire-safety requirements increase scope/cost/duration	3	3	9	Validate through detailed design and surveys; risk transfer to contractor through procurement.	T2D project manager
3.12	Delays to construction as a result of inadequate access for on-going leisure operations.	4	2	8	Phased construction plan to be agreed with CLAC management.	T2D project manager
4.0 Construction						
4.1	Additional costs for decanting the building.	3	2	6	Work with CLAC management to refine plans immediately after FBC approval	T2D project manager
4.3	Issues caused by construction site Access / Egress	3	1	3	Phased plan to be requested from Contractor	T2D project manager
4.4	Issues caused by need for Site Security	3	1	3	Phased plan to be requested from Contractor	T2D project manager
4.5	Issues caused by Excavations	1	1	1	Minimum works planned	T2D project manager
4.6	Dangers of Working at Height	4	2	8	CDM plan to be developed	T2D project manager
4.7	Dngers of working with Live Services	5	2	10	CDM plan to be developed	T2D project manager
4.8	Dangers of working in Dust	3	2	6	CDM plan to be developed	T2D project manager
4.9	Dangers of working in Noise	2	2	4	CDM plan to be developed	T2D project manager
4.10	Dangers of working in Confined Spaces	2	1	2	CDM plan to be developed	T2D project manager
4.11	Dangers of Lifting Operations	5	2	10	CDM plan to be developed	T2D project manager
4.12	Risk of construction items entering lake	4	2	8	CDM plan to be developed	T2D project manager
4.12	Impact on scope/cost/duration of damage to the roof water protection from proposed roof works.	4	3	12	Risk to be passed to contractor through procurement.	T2D project manager
4.14	Contractor slippage in programme	3	3	9	Close monitoring of contractor by PM	T2D project manager

Annex 4: Stage 2 Risk Register

5.0 Commercial						
5.1	Crosby Corporation Act: potential loss of seaviews for residential properties	4	1	4	Reviewed by Legal, not likely to be an issue	SMBC Legal
5.2	Delay to planning permission if MEAS HRA required due to the location of CLAC.	3	2	6	Informal advice from MEAS indicates minimal impact for build	T2D project manager
5.3	Planning Permission: potential objections raised by local residents and/or businesses	2	4	8	Early discussion with Planning Authority has indicated that there should be no issues with planning policy. Early consultation.	T2D project manager
5.4	Planning permission: objection raised by Natural England or another statutory consultee due to increased visitor numbers and pressure on habitats	4	3	12	Informal discussion with Natural England identified mitigation measures. More formal discussion required to firm up.	T2D project manager
5.5	Constuctor planning issues: traffic management etc	3	3	9	Early consultation with Sefton planning and traffic management.	T2D project manager
5.6	Delay in appointing suitable operator partner prevents construction work from commencing on time	3	4	12	Early market engagement.	T2D project manager
5.7	No interest from any suitable operator partners	5	3	15	Early market engagement; construction contract not signed until partner in place.	T2D project manager
5.8	State Aid challenge on peppercorn rent model	5	2	10	Legal advice indicates proposed approach has low risk of unlawful state aid.	SMBC Legal
5.9	Delays to schedule if PM Design Team required to continue working at risk to progress Stage 3 prior to FBC approval	2	3	6	Obtain agreement from PM & Design Team to work at risk for that limited period.	T2D project manager
5.10	Unable to agree SLA between hospitality and leisure operations	2	1	2	Early engagement soon after FBC approval.	T2D project manager
5.11	Operator partner winds-up / exits early as a result of failure to deliver expected financial returns	4	3	12	Partner to provide collateral to underwrite contractual commitments and robust risk allocation in the contract/shareholder agreement.	SMBC Head of Commercial
6.0 Stakeholders						
6.1	Lack of support from Unions; impact on existing employees.	4	3	12	Early engagement and communication with unions immediately following approval from Cabinet to proceed with detailed plans	T2D project manager
6.4	Lack of support for proposed new 'bunk-barn' accommodation from Sea Cadets	3	1	3	Early discussions have already taken place with Sea Cadets regarding design and finish of bunk-barn. This will continue as design progresses.	T2D project manager
6.5	Scouts/guides refusal to allow access to areas comprised within current lease (migrating to license)	4	2	8	Proactively promote benefits of proposed refurbishment to scouts/guides	T2D project manager

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