

***Full Business Case –
Southwood Country Park Visitor Centre
and Cafe, Farnborough***

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1 Strategic Overview and Background

This business case is organised around a five-case structure designed to systematically ascertain that each investment proposal:

- i is supported by a compelling case for change – the ‘strategic case’
- ii optimises value for money – the ‘economic case’
- iii is commercially viable – the ‘commercial case’
- iv is financially affordable – the ‘financial case’, and
- v is achievable – the ‘management case’.

1.1 Project Description

In 2017, Cabinet resolved that Southwood Golf Club be closed to provide Suitable Alternative Natural Greenspace (SANG) in order to create natural open space and to mitigate the impact of new housing on the Special Protection Area (SPA). The new SANG would be called Southwood Country Park and the creation and management of the SANG would be funded through developer contributions.

Officers have been working with the Portfolio Holders and Deputy Leader to consider options for the former Golf Club buildings to include a visitor centre, toilets, ranger’s office, and education space, funded through developer contributions. There is an available funding pot of £600,000 for delivery of the SANG-related accommodation.

Several iterations of a design concept have been considered, culminating in a scheme which demonstrates that it is possible to deliver the SANG-related accommodation within the available £600k SANG contribution.

There is an aspiration to enhance this with a café. This element would not be funded by developer contributions as it is not an eligible cost and therefore any capital investment would be based on a business case which demonstrates the return-on-investment for this aspect.

The return-on-investment model is based on a 5% per annum return on capital investment (i.e., 20 year pay back). Work has been undertaken to understand the costs of developing the wider scope of the project and this Full Business Case provides the rationale for progressing the café build as part of the overall scope for delivery.

Soft market testing has been undertaken with several Café Operators including two with experience of running facilities in Country Parks to understand the financial model and viability of the investment. The most experienced operator that we engaged with advised that, in order to ensure the quality of the provision and offer and to secure a long-term relationship with a provider, a turnover-based rent will be necessary.

Following a process where a number of café operators were invited to submit bids a total of 8 bids were received. Analysis of the bids has been undertaken covering several factors including; reputation, experience & credibility, financials (rent and income projections), depth and quality of submission. This has enabled a full business case to be modelled.

The scope of the full business case only includes work required to progress an operational café/visitor centre and does not include other activity related the site development, for example, paths for the east side, a children's play park or a road crossing.

1.2 Project Objectives and Case for Change

The creation of Southwood Country Park is a significant amenity for residents across the Borough and has already attracted considerable visitor numbers without any facilities. There is an aspiration to maximise visitor numbers and enhance the visitor experience by offering a high-quality café on the site subject to business case.

There are several SANG/SPA facilities which have a similar offer who have seen a significant uptake in visitor numbers following investment in an on-site café and an overall enhancement to the value of the local amenity.

There is already funding for the SANG facilities which means that there is an opportunity to achieve better value for money by developing the café at the same time in a single building and let this to an experienced operator.

1.3 Internal and External Factors

The project will deliver significant community benefit for users across the Borough. The site is already widely used by dog-walkers and other users.

There is significant Member support for the delivery of the scheme.

1.4 Strategic Fit

Development of a Café and Visitor Centre at Southwood Country Park is identified as a priority for Place within the 'Council Business Plan 2021-2024 documented and agreed in June 2021. Specifically, it aligns with key objectives that include;

- Mitigating against climate change by implementing carbon neutral and sustainable schemes
- Maintaining financial resilience and generating additional ongoing income streams for the council
- Continue to develop parks and playgrounds that support the well-being of local residents

1.5 Options Appraisal

A number of options were presented in the outline business case. In summary, these included:

- Demolish existing building and leave the site cleared
- Refurbish the existing (former golf club) buildings with a residential dwelling
- Refurbish the existing (former golf club) buildings without a residential dwelling
- Demolish the existing buildings and construct brand new Visitor Centre and café

Detailed analysis of these options can be found in the outline business case document. The preferred option by the Council was to refurbish the existing building to create a new café/visitor centre without a residential dwelling.

The rationale behind this decision included the overall cost position as well as environment considerations, for example, reuse of the existing buildings means that the Council can minimise the carbon impact.

The scheme has not changed since the outline business plan proposals. The visitor centre will offer a cafe, a ranger's office, education space and new Changing Places accessible public toilets. There will be indoor and outdoor seating areas, a covered outdoor space, and disabled parking at front of the centre.

Plans for other facilities in and around the café and visitor centre include a children's play area and a dog wash, although costs for these are not included within this business case.

1.6 Environmental Sustainability and Climate Action Considerations

Environmental sustainability has been considered throughout the design phase. Where possible, all labour and material will be sustainably sourced.

The following elements are being reviewed as part of design and build as well as ongoing operations:

1.6.1 Waste

All waste arising from the site both through strip out and construction will be recorded and recycled where appropriate

1.6.2 Energy / insulation

The new building will predominantly run “off grid”, it is proposed that it will receive the majority of its electricity from solar energy, heating via a combination of ground source heat pump and regenerated extraction energy.

Rainwater harvesting will be used to provide water for toilet flushing and the dog wash facility, which will include solar powered pumps. It is intended that a storage tank will be located beneath the disabled parking bays.

The new roof surfacing will green using either moss or a similar CO2 high absorbing natural material.

The building structure will be upgraded to include improved wall and roof insulation replacement windows with reflective triple glazed glazing. A register of material source and its environmental credentials will be retained throughout the build in line with industry standards, every effort will be made to ensure the green credentials of the site are maintained.

All lighting will be low energy with sensor switches in rooms where irregular use takes place, for example, toilets.

1.6.3 Operations

Without gas, there is an expectation that the cafe operator will use low energy electrical appliances.

Implementation of an extraction heat recovery system will enable to be recycled into room and water heating. An emphasis on waste and recycling including food waste has been discussed with potential café operators with a recommendation that they should sign up to food recycling website or app

1.7 Equality and Diversity Impact Assessment

The proposed scheme will meet equality and diversity considerations by:

- Ensuring that the new café/visitor centre is fully DDA compliant
- Inclusion of a “changing places” fully accessible toilet/washroom *

There are no known Equalities Impact Implications arising from this report.

*A funding application to support this was made but ultimately unsuccessful. However it was felt that this would significantly enhance the offer at the Country Park and increase accessibility and user numbers.

2 Economic Case

2.1 Economic Appraisal

The estimated costs of building the café and visitor centre are as follows:

- Café £ 440,000
- Visitor Centre £ 461,000
- Total Costs £901,000

The costs for the visitor centre are slightly higher than the café due to an increased footprint and larger roof space and inclusion of the toilet facilities.

These costs include all build costs and fees and a 30% contingency on material costs, which are currently increasing due to the knock-on impacts of COVID. These costs have decreased from the estimated £1,074,000 that were produced in the outline business case. The saving can be attributed to delivering the project in house rather than via a third-party main contractor. Also, the project has strived to utilise as much of the existing building as possible to reduce costs.

A SANG contribution of up to £600k is available to fund the Visitor Centre elements only. On current estimates £491,000 will be utilised including a 50% - £30,000 - contribution to feasibility costs. The total cost to the Council will therefore be the £440,000 for the café plus a £30,000 contribution to feasibility costs, a total of £470,000 to be funded from Council resources / borrowing.

At current estimated borrowing rates, the cost would be fixed at 2% over a period of 30 years with MRP estimated at £15,700 pa and interest of £9,400 pa

In order to achieve a pay back over a maximum of 30 years and a 5% return on initial investment of £470,000 the project would require an income stream of approximately £23,500 per annum for 20 years.

Based on soft market testing it has been established that most Country Park operators consider the provision of a café on added amenity value terms rather than business case viability. Accordingly, there are no external benchmarks available. However, we have established that the café at Heather Farm in Horsell has been let on terms which provide for a base rent of £12,000 pa plus a further contribution based on 5% of turnover.

As can be seen in Section 3 the estimated annual income, based on responses received during the marketing campaign, would be around £65,000 per year once the café is established. Based on an average of £60,000 per year total income the payback period

would be reduced to approximately 13 years. The payback period is the number of years taken for the gross income received to match the capital outlay.

The return on investment is c7.7%. This measures in percentage terms, the amount of return on a particular investment, relative to the investment's cost.

If the borrowing requirement was over 40 years, the minimum revenue provision would be £11,750 and interest would remain at £9,400. Therefore, the total capital funding payment equates to £21,150 per year. This is a reduction of £3,950 per year compared to a borrowing requirement over 30years.

The build cost estimate excludes fit out costs and any additional infrastructure costs required by the SANG manager and Café Operator. It has been confirmed that these costs will be funded directly by the operator.

2.2 Additional Benefits

Based on discussions with other Country Park operators, the addition of a Café offers additional benefits to users of the facility enhancing the offer. These include:

- Increasing the length of time people spend at the SANG
- Attracting more visitors and different types of users/ age groups
- Enhancing visitor experience
- Creates a community meeting space and enables other activities to take place in the park
- Likely to attract users other than those visiting the park e.g., informal meetings, morning coffee stop etc.

The addition of a café and visitor centre will also create employment opportunities in the local area. These will include:

- Short-term construction jobs during the duration of the build
- Long-term jobs within the café/visitor centre to support day to day operations

2.3 Value for Money

The total costs of the project have decreased from the estimated £1,074,000 that were produced in the outline business case to approximately £901,000 currently. In addition, the feasibility costs initially expected to be around £126,00 are now estimated at £60,000. The saving can be attributed to delivering the project in house rather than via a third-party main contractor. Also, the project has striven to utilise as much of the existing building as possible to reduce costs.

The estimated pay back of the project costs were anticipated to be around 20 years at a Return on Investment (ROI) of 5%. Based on the latest projections of costs and income generation the project will achieve pay back within 13 years at a ROI of approx. 7.7%

3 Financial Case

3.1 Scheme Cost

Following the approval of the Outline Business Case funding of £126,000 was approved to complete a Feasibility Study on the design and build concept of the Café and Visitor Centre.

It is now anticipated that due to efficiencies in the procurement and delivery of the feasibility study that an amount of £60,000 will be expended on the study resulting in a saving of £66,000 on the original estimate.

As part of the feasibility study, the café and visitor centre architectural designs have been completed and shared with members for review and approval. The designs, along with a series of land and building surveys have enabled further cost analysis to be undertaken.

The estimated costs of building the café and visitor centre are as follows:

- Café £ 440,000
- Visitor Centre £ 461,000
- Total Costs £901,000

These costs include all build costs and fees and a 30% contingency on material costs, which are currently increasing due to the knock-on impacts of COVID. A full breakdown is outlined in the table below:

	Cafe	Visitors Centre
Building control fees	£280	£280
Structural designs	£1,270	£1,270
Site set up/welfare	£12,500	£12,500
scaffolding	£14,000	£14,000
Remove Chimney	£571	
External cladding	£25,000	£45,000
Roofing inc. green covering	£15,500	£19,500
Roof Insulation	£3,500	£6,000
Windows and doors	£45,000	£35,000
Structural beams openings	£2,500	£2,500
Internal first fix	£6,000	£6,000
Electrics	£25,000	£23,000
Plumbing	£15,000	£20,000

Internal 2nd fix	£53,000	£50,000
Security	£12,000	£12,000
Green energy	£50,000	£50,000
Landscape	£42,000	£42,000
	<u>£323,121</u>	<u>£339,050</u>
30% contingency	£96,936	£101,715
	<u>£420,057</u>	<u>£440,765</u>
Sub Total	<u>£420,057</u>	<u>£440,765</u>
Internal Labour Costs	£20,000	£20,000
TOTAL	<u>£440,057</u>	<u>£460,765</u>

A SANG contribution of up to £600k is available to fund the Visitor Centre elements only. On current estimates £491,000 will be utilised including a 50% - £30,000 - contribution to feasibility costs. The Council will need to forward fund this element as SANG contributions are profiled to be received over the next 18 months. The internal borrowing cost associated with this forward funding will be re-charged to the SANG.

The costs for the visitor centre are slightly higher than the café due to an increased footprint and larger roof space and inclusion of the toilet's facility.

The total net funding requirement from the Council therefore equates to £901,000.00 of which approximately £440,000 will be repaid through revenue from the Café and £460,000 from SANG contribution once received.

Detailed costs and funding requirements are shown below:

		CAFE	Visitors Centre		TOTAL
Estimated Build Costs		£323,121	£339,050		
30% contingency		£96,936	£101,715		
Total		£420,057	£440,765		
Fees (Council)		£20,000	£20,000		
		£440,057	£460,765		£900,822

The estimated build costs include supplier costs, professional fees (e.g. architects and building control), materials, security, and management fees. However, they exclude:

- Café fit-out costs (these will be funded by the operator)
- Specific infrastructure required by the SANG Manager and Café Operator
- The cost of ancillary retail kiosk units

3.1.1 Project Development Cost

	2021/22		2022/23		2023/24		2024/25	
Item	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue
Feasibility	60,000							
Total	60,000							

3.1.2 Project Implementation Cost

Capital Elements

	21/22	22/23	23/24	24/25	Total (cumulative)
Visitor Centre	161,000	300,000			461,000
Cafe	140,000	300,000			440,000
Total	301,000	600,000			901,000

Total (Capital and Revenue)

	21/22	22/23	23/24	24/25	Total (cumulative)
Total	361,000	600,000			961,000

3.2 Spend Profile and Funding Sources

3.2.1 Project Development Cost

	21/22	22/23	23/24	24/25	Total
Feasibility approved budget	60,000				60,000
Total	60,000				60,000

3.2.2 Project Implementation Cost

	21/22	22/23	23/24	24/25	Total
SANG	161,000	300,000			461,000
Council Borrowing	140,000	300,000			440,000

<i>Total</i>	<i>301,000</i>	<i>600,000</i>			<i>901,000</i>

3.2.3 Capital Spend

	<i>21/22</i>	<i>22/23</i>	<i>23/24</i>	<i>24/25</i>	<i>Total</i>
<i>SANG</i>	<i>161,000</i>	<i>300,000</i>			<i>461,000</i>
<i>Council Borrowing</i>	<i>140,000</i>	<i>300,000</i>			<i>440,000</i>
<i>Feasibility</i>	<i>60,000</i>				
<i>Total</i>	<i>361,000</i>	<i>600,000</i>			<i>961,000</i>

3.2.4 Revenue Spend

	<i>21/22</i>	<i>22/23</i>	<i>23/24</i>	<i>24/25</i>	<i>Total</i>
<i>Total</i>					

3.2.5 Total Spend (Capital and Revenue)

	<i>21/22</i>	<i>22/23</i>	<i>23/24</i>	<i>24/25</i>	<i>Total</i>
<i>SANG (inc. 50% of Feasibility costs)</i>	<i>191,000</i>	<i>300,000</i>			<i>491,000</i>
<i>Council Borrowing</i>	<i>140,000</i>	<i>300,000</i>			<i>440,000</i>
<i>Feasibility – Council funded (50%)</i>	<i>30,000</i>				<i>30,000</i>
<i>Total</i>	<i>361,000</i>	<i>600,000</i>			<i>961,000</i>

Note: Of the £961,000 total costs a sum of £126,000 is already approved within the Capital Programme so an additional £835,000 would be required to be approved. Of this £491,000 would be funded by the SANG contribution leaving an additional £344,000 to be funded from the Council borrowing requirement.

The total Capital costs and funding implications are shown below:

		CAFE	Visitors Centre		TOTAL
Feasibility (SANG)			£ 30,000		£30,000
Feasibility (Council)		£30,000			£30,000
Estimated Build Costs		£323,121	£339,050		
30% contingency		£96,936	£101,715		

Total		£450,057	£470,765		
Fees Council		£20,000	£20,000		
		£470,057	£490,765		£960,822
SANG Contribution			-£490,765		-£490,765
Net Cost to the Council					£470,000*
Interest @ 2% per annum					£9,400
MRP - 30 Years					£15,700*

*Rounded

- Borrowing Costs for the £470,000 equate to the following annual charges based on a 30 Year payback model. (MRP)
- Annual Cost from year after build completion = £15,700
- Interest charges @2% per annum = £9,400
- Total annual financing charges amount to £25,100 per annum

3.2.6 SANG Funding and Timing Implications

The SANG Visitor Centre elements are funded via developer contributions up to a maximum of £600,000.00. This money has not been received by the Council due to delays in development. It was originally anticipated that a substantial proportion of this funding would be received in 2022/23. However, the Union St development that will contribute £962,525.80 of the SANG funding is now due to be occupied in 2024 prior to which the SANG payment must be made.

The Council will need to forward fund this element as SANG contributions are profiled to be received over the next 18 months. The internal borrowing cost associated with this forward funding will be re-charged to the SANG.

Currently £59,701 from another development has been received with a further £84,499 expected in the current financial year. Further allocations and receipts are expected between now and 2024 on smaller developments, totalling £266,440. The total of all these receipts is £410,640. These SANG payments must fund not only SANG accommodation but also the environmental improvement, management, and maintenance of the park. Therefore, the funding of the SANG visitor centre elements are likely to require a significant element of forward funding until 2024.

4 Commercial Case

4.1 Operation and Financial Viability

The property team marketed the availability of the cafe and invited rental offers through several channels.

Twenty-one parties responded to the marketing campaign and eight bids were received from potential operators indicating the rent they would offer, and, in some cases, the likely turnover expected from operations.

The Council will receive the full rental income and a 5% contribution of total annual turnover, after allowing for any rent-free period requested by the operators.

The following analysis is based on the preferred bidder's offer.

	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Yr9	Yr10
Total	-48000	-53000	-54750	-56600	-58500	-61800	-63300	-64800	-64800	-64800

Based on annual rental and 5% contribution from total turnover the estimated income would amount to approximately £48,000 in the first full year rising to £65,000 by year 9 after allowing for a CPI rent increase on review in Year 6.

	Yr 0	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Yr9
	Part Year *									
Financing Charges – 30 years	6300	25100	25100	25100	25100	25100	25100	25100	25100	25100
Total Income	-23500	-48000	-53000	-54750	-56600	-58500	-61800	-63300	-64800	-64800
Net surplus / deficit after financing	-17200	-22900	-27900	-29650	-31500	-33400	-36700	-38200	-39700	-39700

(*Part year has been assumed to be 66%)

The full financial effects of funding the building costs of the café and the income from the operator result in a revenue contribution of £22,900 in the first full year rising to £39,700 by year 10.

On a total Capital funding cost of £753,000 (£25,100 * 30 yrs.) the payback period would equate to approximately 13 years with income estimated at an average of £60,000 per year.

In addition, other potential sources of income have yet to be explored which could include the following and further increase the commercial opportunity for the Southwood SANG:

- Seasonal kiosk retail units close to the visitor centre
- Hiring of the visitor centre space with catering options
- Hiring of the penned area for dog users/ dog training
- Alternative uses of the Bungalow / storage area.

4.1.1 Ongoing Maintenance Costs

The café lease will incorporate a service charge mechanism through which the café operator will be charged a due proportion of cleaning, maintenance, and external decorations.

The balance of the remaining costs will be shared by the SANG operator and potentially, a small element to be met by the council, as Landlord.

The potential running costs of the Visitor Centre and Café have been assessed and are approximately £38,000 p.a. The exact allocation of costs will form part of finalising the lease negotiation and needs to be balanced with ensuring the assumed rent is achieved.

The breakdown of the costs and assumptions is included in the table below. However, the modelling of the SANG has been reviewed and can accommodate an annual cost of up to the full c.£38,000 p.a.

	<u>SUB TOTAL</u>
Business Rates *	£10,000
Cleaning	£20,000
WiFi	£1,200
Utilities **	£350
CCTV, Fire Alarm, Legionella etc	£355
Insurance	£4,000
Maintenance	£2,000
TOTAL	£37,885

*This is based on discussion with Revenues and allows for an increased value considered likely

**The design includes PV and Ground Source Heat Pumps so the utility costs assume service charge and a contingency in case the occasional draw on mains exceeds the feed in tariff

4.2 Procurement and Legal Considerations

Delivery of the project will be led by Principal Engineer, John Trusler, with client-side oversight and the Council acting as lead contractor, appointing the relevant design and delivery team as required. Procurement of the various works packages will be carried out in accordance with council procurement rules and is likely to involve use of frameworks as well as traditional tendering and evaluation.

A detailed construction procurement strategy and programme will be developed as part of the next stage of delivery. This will mainly be through existing frameworks however specialist suppliers will be required for certain elements, and these may require more detailed procurement processes to be adopted.

4.3 Social Value

The creation of Southwood Country Park is a significant amenity for residents across the Borough and has already attracted considerable visitor numbers without any facilities. There is an aspiration to maximise visitor numbers and enhance the visitor experience by offering a high-quality café on the site subject to business case.

There are several SANG/SPA facilities which have a similar offer who have seen a significant uptake in visitor numbers following investment in an on-site café and an overall enhancement to the value of the local amenity.

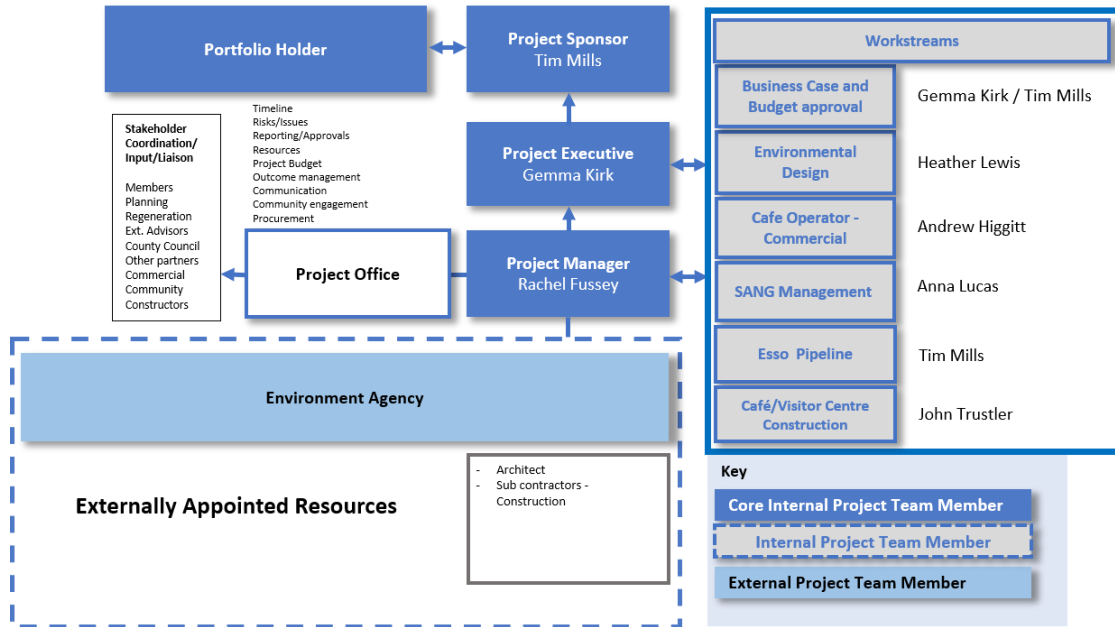
The project will deliver significant community benefit for users across the Borough. The site is already widely used by dog-walkers and other users, once permanent facilities are in place, we are confident, based upon the success of similar facilities elsewhere, that user numbers will increase, and that the facility will attract a range of users.

The addition of a Café offers additional benefits to users of the facility enhancing the offer. These include:

- Increasing the length of time people spend at the SANG
- Attracting more visitors and different types of users/ age groups
- Enhancing visitor experience
- Creates a community meeting space and enables other activities to take place in the park
- Likely to attract users other than those visiting the park e.g., informal meetings, morning coffee stop etc.

5 Management Case

5.1 Project Governance and Delivery



5.2 Resources

Role	Name
Sponsor	<i>Tim Mills</i>
Project Executive	<i>Gemma Kirk</i>
Project Manager	<i>Rachel Fussey</i>
Project office support	<i>Charlie Heavens</i>
Internal Technical (Surveyor)	<i>John Trusler</i>
Finance Lead	<i>Steve Ward</i>
Legal Lead	<i>Julia Hutley-Savage</i>
Property Lead	<i>Paul Brooks</i>
Commercial Lead	<i>Andrew Higgitt</i>
Procurement Lead	<i>John Trusler with support from Procurement Department (Portsmouth Council)</i>

5.3 Programme/ Project Plan

<i>Deliverable/ Milestone</i>	<i>Date</i>
ELT approval to progress scheme delivery and capital budget allocation subject to Cabinet approval	<i>27th October 2021</i>
Cabinet Approval to progress scheme delivery and capital budget allocation	<i>16th November 2021</i>
Council Approval	<i>2nd December 2021</i>
Full Planning Submission	<i>26th November 2021</i>
Planning approval	<i>19th The January 2022</i>
Sub-Contractors Appointment	<i>21st January 2022</i>
Café operator (Agreement for Lease)	<i>31st January 2022</i>
Construction Completes	<i>25th July 2022</i>
Café Operational (12 week fit out)	<i>1st October 2022</i>

5.4 Land acquisition, Planning, and other Consents

Planning for the café and visitor centre will be submitted end November following public consultation which is taking place from 18th October to 12th November.

The planning submission will include the designs for the new café/visitor, design and access statement and a summary of the consultation and responses provided. The architects will be responsible for undertaking the full submission with all appropriate documents.

An Agreement for Lease will be entered into with the café operator, through which the operator will contract to lease the café on completion of construction and handover. Based on a full commercial lease, the café operator would be fully responsible for the running and maintenance costs associated with that part of the building. VAT will be included in the lease agreement with the café operator.

5.5 Stakeholder Engagement and Consultation

Status meetings are held with Counsellor Martin Tennant every 3 weeks in his role as Major Project and Property Portfolio Holder.

Discussions have been undertaken with the Member Steering Group, plans have been shared and feedback incorporated.

Southwood Ward councillors have also seen and agreed the scheme proposals.

5.6 Project Assurance

Regular project updates are provided to the Property Programme Board in the form of a monthly status highlight report. When necessary and on an exception basis, issues are escalated through this route.

Fortnightly project meetings are undertaken with the full project team.

5.7 Monitoring and Evaluation

Project spend will be monitored and reported via Monthly Highlight Report to Property Programme Board.

The technical team responsible for delivery of the proposed scheme will be subject to quality assurance and delivery sign off. All invoices will be reviewed prior to approval.

The café operator procurement process will be managed by the Property Team and normal governance procedures will apply.

6 Risks, Constraints, Issues and Dependencies

A detailed Risk and Issues register is maintained within the full project documentation. A summary of the key Risks is provided below:

6.1 Risks and Project Constraints

Risk	Probability	Impact	Mitigation
The projected income is based on a % of turnover so cannot be guaranteed as there is a risk that the Café will not achieve the turnover projected in the business case.	L	H	Based upon the soft market testing this risk is low due to the visitor numbers already using the Park as well as Southwood Woodland who would also access the Café.
At the moment there is no pedestrian crossing between at Ively Road between the two park areas, which may deter the public as potential café customers.	M	M	Options are being explored and any potential crossing is subject to approval by Hampshire County Council as the highway authority.
The government granted a Development Consent Order in October 2020 for the Southampton to London Pipeline Project ('Esso pipeline') that will replace 90km of aviation fuel pipeline. Part of the new pipeline crosses the western and eastern sections of the park. Work affecting the park is expected to take place between May and October 2022. If this work is delayed, it may impact footfall around the SANG and the café.	M	M	The project team are working with Esso to continuously review and understand timescales so that any mitigating actions can be implemented
Following Covid, there is a shortage of key materials and consequently costs are rising.	H	M	Contingency has been allocated within the proposed costs.
The substantial developer contributions which will fund the development of the SANG Visitor Centre have been delayed until 2024 and there remains the risk that there could be further delay	M	H	The Council will need to forward-fund this element if the project proceeds.

6.2 Issues

- No known issues at the time of writing this report

6.3 Dependencies

- Appointment of preferred café operator and legal position with respect to the lease agreed between both parties
- Fit out of the café is to be undertaken by the café operator who will cover all associated costs, this will form part of the letting terms negotiation.
- Approval of café/visitor designs by Rushmoor Borough Council planning office (Due Jan 2022)

7 Recommendations and Next Steps

7.1 Summary

Delivery of a Café and Visitor Centre at Southwood Country Park is identified as a priority in the Council Business Plan.

The total project costs to complete the scheme are £901,000. Of which £460,000.00 is forward funding for SANG contribution which will be repaid by 2024 and £440,000.00 (excl. £30,000 feasibility funding) which will be repaid through rental and revenue contributions from the Café Operator.

This business case has demonstrated a 13-year payback on borrowing based on an initial capital investment of £470,000.00 (*£440,000.00 + £30,000 feasibility*) and projected income of £60,000 p.a.

7.2 Recommendations

Approve release of a further £374,000 to be funded from the Council's Capital Programme, in financial year 2021/22 for the detailed design and delivery of the Café and Visitor Centre. Of the £126,000 which has previously been approved as part of the Feasibility Study, only £60,000 is expected to be spent, leaving £66,000 available to fund the remaining scheme.

7.3 Conclusion

Work has been undertaken to understand and establish the return-on-investment model for the development of a Café facility as part of Southwood Visitor Centre. Based purely on income generation, this business case outlines a 13-year payback period for an investment based on a total Capital funding cost of £727,900 ($£25,100 * 30 \text{ yrs.}$) with income estimated at an average of £60,000 per year.

The scheme is identified as a deliverable within the Council Business Plan and will add significant amenity value to the facility for the Borough.

Subject to full business case approval, the project team will proceed to detailed design, delivery and implementation of the refurbished café and visitor centre.

<i>Project Approval (Board Decision)</i>	<i>Programme Board</i>
<i>Date</i>	<i>27th October 2021</i>