

TO: THE EXECUTIVE
12 FEBRUARY 2019

BUSINESS CASE FOR THE CREATION OF A COUNTRY PARK AT HORSESHOE LAKE
DIRECTOR: PLACE, PLANNING & REGENERATION

1. PURPOSE OF REPORT

1.1. To introduce the business case and financial modelling following feasibility work completed for a new country park to be sited at Horseshoe Lake, Mill Lane, Sandhurst.

2. RECOMMENDATIONS

2.1. That the Executive agree to the implementation of enhancements at Horseshoe Lake, Sandhurst to create a country park.

2.2. That the Executive agree to the capital funding of £2.6m for Horseshoe Lake Country Park as set out in table 2 of this report.

3. REASONS FOR RECOMMENDATION

3.1. The Parks and Countryside review forms part of the Council's Transformation Programme and over the last nine months it has been exploring ways in which the savings target of £400,000 could be achieved whilst transforming the way in which the service is delivered. The outcome of the Gateway review demonstrated that a saving in the region of £476,000 could be delivered over 3 years and a Country Park was included as a potential £85,000 per annum.

3.2. This proposal for a new country park is aligned with the strategic direction agreed at both the Analyse and Plan Phase Gateways Reviews. This focuses on enhancing and maintaining existing services and exploring income generation as an alternative to making savings through cuts to the funding of popular open spaces.

3.3. Bracknell Forest is well recognised by residents for both the quantity and quality of open space that is provided, but currently has no country park. Investment in open spaces to improve opportunities for residents to access and enjoy nature is entirely consistent with the boroughs approach to ensure the borough is a desirable place to live and work, with opportunities to learn and be active for independent and healthy lives.

3.4. The Plan Phase Gateway review held on 21st March 2018 saw councillors support the direction of travel to enhance and maintain the service and to move ahead with the five recommendations presented to them, including the recommendation for the investigation of a Country Park.

3.5. In May 2018 the Executive supported the recommendation for planning the development of Horseshoe Lake as a Country Park using a modular approach following further feasibility work.

3.6. As part of the feasibility work there were steps required to refine and verify the recommended proposal;

- Design and validation of investment and income projections at the start of the do phase.
- Ring fencing of capital receipt from the sale of two service properties.
- Decision on the use of S106 funds.
- A viable invest to save application.
- Negotiation and agreement of lease renewal for water sports provider, including their capital investment and profit sharing terms.
- Planning application approval.
- Natural England assessment and support for the proposal.

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3.7. This Executive report is supported with a business case and robust financial modelling, evidence and assumptions which address the verification required. **(Please see Business Case in appendix A).**

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. Continue current operation and make no BFC investment - Venue currently runs at a loss of c. £26k per annum. This option is not feasible in the current economic climate as the potential of this lakeside location should exceed a cost neutral position.
- 4.2. Renegotiate with current leaseholder with the aim of achieving a minimum cost neutral position with option for a profit-sharing model upon good performance. The current leaseholder produced a business case that saw a 5 year plan to eventually share profit with BFC to the amount of £10,000. This was based on significant new services being added on the site. The net result of a third party introducing new services would risk losing SANG status unless it is very carefully designed and controlled to maintain a natural theme. This option is positive in offsetting the costs of providing the site but at the expense of retaining less control of an important resource which is already mitigating new housing and generating income of £200K per hectare through the planning process. There would be almost the same or greater BFC staff input required to ensure a third party scheme complied with planning regulations and protected SANG status as there would be for delivering BFCs own scheme. The option has not been pursued as it misses the opportunity for a separate long term income to be received direct to the council and protects the councils strategic interest in a SANG.
- 4.3. Find an alternative site within the borough to develop as a Country Park. All the available sites have been reviewed and considered for income generating potential. There were no other sites where a water based country park could be located and no other sites which could otherwise offer greater advantage than Horseshoe Lake.
- 4.4. Capital cost elements proposed include using £599k of capital receipt from the sale of two properties as well as £120k from S106 built sports and open space S106 contributions. Having assessed the viability of the project if invest to save was the only source of capital the project would become unviable and capital repayments would be too high against income projections.

5. SUPPORTING INFORMATION

- 5.1. Through transformation Bracknell Forest Council (BFC) has stated a clear ambition to deliver a country park at the site of Horseshoe Lake, subject to a viable business being demonstrated. The country park proposes to focus on generating new income by providing high quality recreation facilities on land and water, which will serve local customers and will draw people from neighbouring counties.
- 5.2. The recreational offering will be designed and delivered to attract a range of users and would be represented by the following customer profiles: a family on an activity outing, a solitary dog walker, an adult open water swimmer, a school educational group, and a corporate activity group.
- 5.3. Key proposals for the scheme include a newly built and re-located pavilion with an integrated café, function room and ancillary spaces such as toilets, kitchen and storage. Existing car parking will be expanded to provide 140+ spaces including disabled parking close to the pavilion. There will be a bespoke natural play area, water sports, changing and shower areas and a storage yard with biomass boiler.
- 5.4. The site is currently classified as a Suitable Alternative Natural Greenspace (SANG), for its provision of high quality natural circular walks which mitigate new development by drawing residents away from the protected Thames Basin Heaths Special Protection Area in the south of the borough. The retention of SANG status is a key and over-riding consideration in decision making regarding the development of the new country park.
- 5.5. The design has been informed by business planning and feasibility testing and indicates (in priority order) that the primary services will be:

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- easy access to circular walking routes with a strong natural character (to comply with obligations under SANG status);
- a Café with indoor and outdoor (part covered) seating;
- a large natural play area for a wide age range;
- a new formal car park to cater for Autumn, Winter, Spring demand; supported by a new overflow parking area for peak weekend and school holiday demand);
- a biomass burner feeding the building with hot water;
- green waste storage / drying / handling space;;
- Provision for simple water sports activities (including storage and launch points for kayaks, paddle boards, dinghies and open water swimming).

5.6. The site will include ancillary facilities as required to provide an excellent customer experience including toilets, changing rooms, showers, drying areas, lockers, community rooms; and other facilities required for smooth operation including minimal staff space, vehicle access and equipment storage.

5.7. A contractor has been commissioned to complete third party surveys for the site and have produced an in depth feasibility report with design proposals and cost plans. **(Please see report in appendix B).**

5.8. There are three major capital cost elements to the project finance. The total investment required is £2.6 million.

- The first element comes as part of the recommendation to sell two properties (currently used as staff housing) the gateway review supported the proposal to the ring fence the capital receipt from these sales, estimated at £599k for investment into the Country Park project.
- The second element was identified as part of research and identified some funds available from built sports and open space S106 contributions. This channel of funding has been explored further to ensure it can be used for this purpose and has not been earmarked for other projects.
- And finally, the third element is an 'invest to save' application for the remainder of the investment required. Financial detail provided as part of the application will need to evidence a viable capital investment opportunity.

6. Financial appraisal

6.1. Financial modelling has been completed over the past 3-4 months and has considered and measured capital available, investment required, return on investment, financial profiling for the first 3 years, fixed labour costs, and direct and indirect overheads.

6.2. The future usage level of the new facilities and services cannot be guaranteed and can only be estimated which creates a level of risk as to what the financial performance of the new facility will be over time. The business case has made estimates using assumptions about existing data and comparable facilities wherever possible. However, the actual performance of new facilities will be higher or lower than the projections and will change and evolve over time in response to site management, marketing decisions and other factors.

6.3. In light of the inherent risk in a scheme of this size the potential benefits of the proposed facilities are to be considered for their value as place enhancements in addition to any financial benefits and risk that will be incurred by the scheme. The financial model includes sensitivity analysis to enable the impact of performance above or below the projections to be considered. The analysis indicates break-even operation will be achieved with a 25% reduction in projected usage. Similarly if usage were achieved at 30% over projections the income would approximately double to £181,000 per annum.

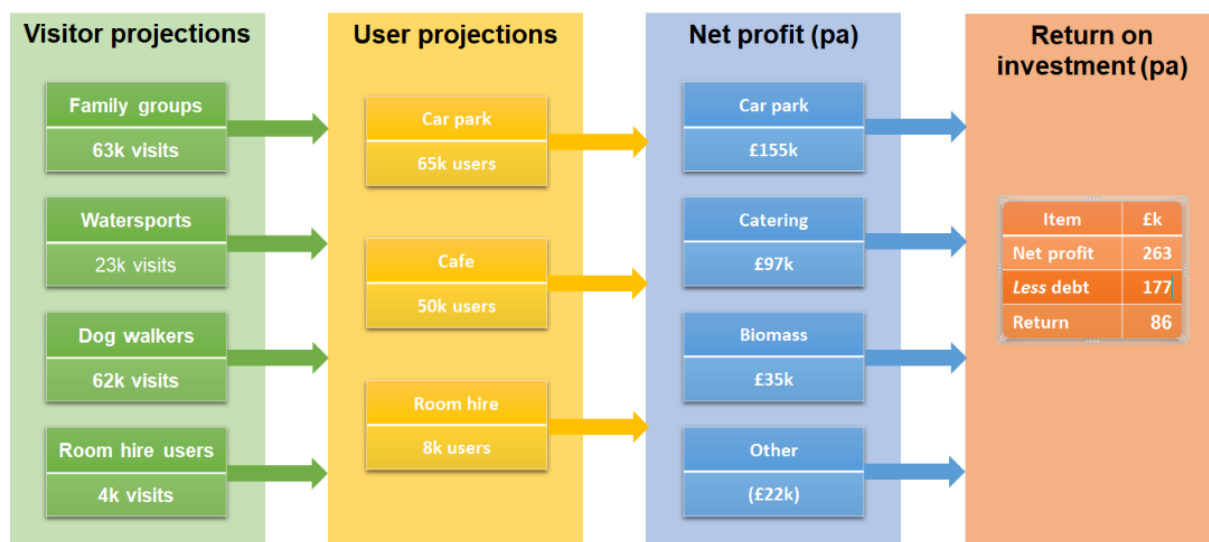
6.4. For income the model has sought to project estimates of visitor's numbers, to predict proportions of visitors by the major target market groups, to predict volumes of cars, to make assumptions about conversion rates to café use, to predict average spend in the cafe, to identify profit margins on catering offers and to combine all these variables to predict revenue income.

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- 6.5. For expenditure predictions of operational costs have been made, using where possible existing and comparable costs within the council or from other market research. Revenue income and expenditure has been used in conjunction with the capital costs of finance to achieve estimates of net income.
- 6.6. The relationship between the various site users and the income generating services are represented visually in Table 1 below. The detail of the assumptions and data sets driving the financial model are within section 12 of the Business Case (Annexe A)
- 6.7. In summary, visits for dog walking are based on actual recorded use of Horseshoe Lake car park with assumptions made to derive likely use of chargeable car park versus the free SANG spaces. Café and play area (family) use are derived from California Country Park recorded visits. A total of 149,000 annual visitors are projected by the business case, with 33% conversion to café use and an average spend of £6.60 per café customer.
- 6.8. The main income generators for the site are the café, car parking provision, biomass and event space hire, with Table 2 below showing summary information and expected net income.
- 6.9. Capital funding which is existing and available for investment is at £719,000. This is based on the assumption that capital receipt from the sale of 2 properties will achieve £599,000. It also assumes that there is at least £120,000 funding available from S106 contributions that can be obtained and that this development is eligible for.

Table 1 – Overview of financial model by year 5

Overview of financial model by year 5



- 6.10. The three main income generators for the site are the café, car parking provision and Bio Mass. The summary table below shows expected net income.

6.11.

Table 2 - Summary information and expected net income

Capital Expenditure	
Bio Mass	200,000
Modular Country Park	2,100,000
Play Area	300,000
Total Capital Expenditure	2,600,000
Capital receipt (sale of 2 properties)	-(599,000)
S106 Funding	-(120,000)
Total Capital Available	-(719,000)
Total Capital Cost	1,881,000
Revenue Income	
Catering	-(367,495)
Other Income (Incl. Bio Mass, Car Parking, event space hire.)	-(276,631)
Total Revenue Income	-(644,126)
Revenue Expenditure	381,331
Net Income	-(262,795)
Capital repayment(for £2m)	177,128
Total Profit	-(85,668)

7. IMPLEMENTATION SCHEDULE

7.1. Opening is proposed from April 2021, this is later than anticipated and reflects the further work undertaken at the feasibility stage and recognises the winter months would not be appropriate for a formal launch.

	Stage	Date
1.	RIBA Stage C&D – Concept and design	25.02.19 - 18.11.19
2.	Planning – Pre Application and planning process	12.03.19 – 18.11.19
3.	Procurement process	12.03.20 – 23.03.21
4.	RIBA Stage E&F – Technical design	24.03.20 – 01.06.20
5.	RIBA Stage J&K – Construction to practical completion	26.05.20 – 12.04.21
6.	Handover – Business mobilisation / soft launch	29.03.21
7.	Setup period - Official opening	30.03.21 – 12.04.21

8. ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Director of Finance Comments

8.1. As the report highlights, there is inevitably uncertainty and risk associated with any proposal that is based on future estimates and assumptions. The financial case for a country park is marginal in the early years, with no expectation initially of additional income in the early period of operation. In addition to the figures in the business case, the proposal offers the opportunity to negate the current cost of Horseshoe Lake, which is £26k per year. On this basis, it is likely to offer a positive financial contribution, although only time will tell if the scale indicated in the business case can be realised.

Borough Solicitor Comments

8.2. There are no immediate legal implications arising from the recommendations in this report. If Capital funding is approved the procurement of design and construction contractors will need to comply with the requirements of legislation and the Council's Contract Standing Orders.

Equalities Impact Screening

8.3. Appendix C.

Strategic Risk Management Issues

8.4. Failure to implement proposals will result in alternative savings needing to be found in the Council's budget to deliver P&C Transformation targets.

8.5. If savings are not delivered through generating additional income from enhanced Parks and Countryside services then alternative savings are likely to require reduced expenditure and reduced quality of open spaces in the borough.

9. CONSULTATION

Principal Groups Consulted

9.1. Focussed country park meetings

Regular meetings have been held to enable key stakeholders to input into proposals and challenge assumptions. These meeting included; Assistant Director of Contract Services; Head of Property Services; Head of Parks and Countryside; Transformation Project Manager; Head of Recreation; Finance Business Partner; Senior Ranger and the current water sports provider Freetime Leisure.

9.2. Financial validation consultation

The project team have worked closely with external consultants, Activist, and our Finance Business Partner to verify financial assumptions and income projections.

Contact for further information

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Appendix A – Business Case

Appendix B – Atkins feasibility report

Appendix C – Equalities screening