

Appendix 3

Meeting:	Cabinet/Commissioner Decision Making Meeting
Date:	13 th November 2017
Item No. & Title:	Proposed Rother Valley Country Park Caravan Site
Ward	Wales

Summary of Recommendations in Independent Business Case Review by Smith Craven Chartered Accountants

Recommendation.	Response
1. The Council must confirm that Gulliver's will not be including a caravan site of its own on the purchased land, if this project is to go ahead.	Discussed and agreed with Gullivers prior to final decision.
2. Financial projections should be adjusted to reflect the impact of the timing of Gulliver's opening with respect to occupancy levels and pricing structure.	Current aim is to open by 2019 to co-incide with Gullivers opening. Impact of 5%, 10% and 15% reduction in occupancy has been included in projections.
3. The opening of Gulliver's, the type of accommodation their site will offer and the prices levied for that accommodation, will have a significant effect on the viability of this project. As such, it also needs to be accounted for within the financial forecasts.	Already agreed in principle with Gulliver's to discuss issues such as joint/reciprocal pricing and marketing arrangements.
4. The Council needs to understand with certainty what (if any) involvement will be required from the Environmental Agency? What time frames are realistic if intervention is required? Will specific licences need to be obtained? It is appropriate that these aspects are understood now, to ensure nothing is encountered at a later date that will significantly impact on the costs already accounted for.	Discussed the issue with Environment Agency advisor and they confirm a permit would not be required if we are discharging clean rainwater from roofs, public roads, small parking areas etc. Currently preparing to submit application for local authority caravan site licence. This will not impact on overall delivery timetable.
5. Whilst it appears that much of the	Request submitted to Planning

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investigation work has been carried out and indeed an agreement in principle obtained. The Council should establish how long it will take to obtain planning permission, so that this can be built into overall programming. Any significant delay could have implications on a proposed opening date and the future budgets of RVCP.	to use their formal pre-application service to ensure all timescales and requirements are understood and factored into implementation programme.
6. The timing of the proposed site at RVCP is critical to its success. If it opens to coincide with Gulliver's Theme Park opening, then RVCP would benefit from the marketing activity Gulliver's carries out. This will considerably reduce the initial pre-launch marketing spend necessary to raise awareness that the caravan site exists.	Implementation programme assumes opening by 2019 to coincide with Gullivers opening. Marketing plan will factor in shared communications opportunities.
7. Before any site plan and costings are finalised, further exploration should be undertaken as to the likelihood of any change in legislation in respect of this standard. An increase in the spacing regulations could obviously have a significant impact on the proposed site, as the current business case has been drafted on the basis of a caravan site with a 3 metre spacing between pitches. Any increase would necessitate a reduction in the proposed number of pitches, which would ultimately impact on cost and income projections.	Confirmation received from Licensing department that proposed specification exceeds requirements.
8. Pre-launch marketing of the site will be key, in order to stand any chance of meeting the assumed occupancy rates and therefore serious consideration should be given to marketing/advertising/promotional activity and the associated costs prior to the commencement of trade on the site.	Initial marketing budget has been increased by a factor of 5. Subsequent years' budgets doubled .
9. Whilst the capabilities of the Council running the proposed site can be demonstrated, given that Thrybergh is also a caravan site under the Councils control, lessons should be learnt to ensure the positives are replicated and the negatives eradicated.	RVCP would have competitive advantages compared to TCP: <ul style="list-style-type: none"> • 5 pennant site offering new and better facilities. • Wide range of activities e.g. cycling, watersports, train, play areas, golf and cable ski. • High profile events • 2 miles from junction 31 of

Recommendation.	Response
	<p>the M1 motorway.</p> <ul style="list-style-type: none"> • 20 mins drive from Sheffield Arena, Ponds Forge, Ice Sheffield, Meadowhall and Magna • 24 hour coverage by staff or security. • Larger size of proposed site appeals to many. • Existing estate management capability • Existing management and admin capability <p>Recent improvements at Thrybergh include better site security and amended booking procedures.</p>
10. The Business Case Review should include details of the main people who will run and manage the caravan site. Supporting Curriculum Vitae's and examples of how they will be trained and the budget allocated to this, should be included.	<p>Person specifications will be produced for each of the proposed new job roles. Some current casual staff already have the necessary capabilities, so it is expected that it will be possible to recruit people of the required calibre. Performance would be monitored through existing PDR arrangements, and training provided as required. Costs for this are not expected to have a significant impact on the business case.</p>
11. As it is already in excess of two years since the capital costs were estimated, it would be advisable to confirm with the Architect etc. what variance there is likely to be (if any) at today's cost and what future increases could be if, for example, work commenced on the project in 2019.	<p>Up to date capital cost estimates have been provided in September 2017 by a commercial contractor.</p>
12. Smith Craven would recommend that clarification is sought from the professionals in relation to the percentages that have been applied for preliminary, design cost risk and internal Council costs. This will establish if the figures are realistic or if they should be revised upwards.	<p>Up to date capital cost estimates have been provided in September 2017 by a commercial contractor.</p> <p>Fee estimates have been confirmed by Asset</p>

Recommendation.	Response
	Management.
13. Staff recruitment and pre-launch marketing, promotion and website costs should be included in any updated financial forecasts.	Increased marketing allowance now included (see Rec.8). Recruitment costs factored in to estimates.
14. A detailed forecast should be prepared to substantiate the decision not to proceed with the reduced scheme.	Detailed economic appraisals of three options, including two reduced schemes, have been included in the Outline Business Case. Consequently, it is recommended that tenders be obtained for the full scheme, and the reduced scheme.
15. Review the ratio of super and standard pitches with clear rationale. Revise cost projections and financial forecasts accordingly.	Application of higher rates for super-pitches (see Rec. 16) suggests these will significantly enhance income. However, can be reviewed again as part of any value engineering exercise.
16. The income projections need to split site fees between standard pitches and super pitches of which there are 96 proposed at RVCP. Section 2.4.1 of Appendix 1 suggests that a super pitch will typically levy an additional charge.	Financial projections have now been amended to include higher rates for super pitches.
17. Research into the demand for super pitches should also be obtained as justification for additional cost of super pitch over a standard pitch. (It is interesting to note that from the information supplied in Appendix 1.2.6, only one of the six sites listed (Chatsworth) actually offers the option of a super pitch, which is quoted at a higher rate than a standard pitch.) Research into the demand for the different types of pitches will also enable occupancy levels on the assumptions to be more realistic.	There is limited evidence from other sites due the relatively low number currently offering super-pitches. However, published market analysis states "Camping and caravanning is gradually repositioning itself. Rather than just being the default option for those looking for an affordable way of holidaying, it is starting to be seen as an activity which offers people a high standard and wide choice of accommodation" (Michael Oliver, Senior Leisure and Media Analyst).
18. A revision of the peak and off peak projections is needed. At present, peak is	Financial projections have now been amended to include peak

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quoted as school holidays only. No provision has been made to include weekends outside of school holidays but within the summer months, within RVCP's peak occupancy rates.	rates over summer week-ends.
19. A broader review of site tariffs should be taken, as it would appear that many of the assumptions made by RVCP have been against Caravan Club sites. Care should be taken when benchmarking fees against the Caravan Club alone, as their brand attracts a guaranteed standard of site with consistent facilities and a perception that they can demand a higher price.	2017 benchmarking with 7 other local authority-run sites suggests proposed rates above average, but within range of charges elsewhere. This would reflect high standard of modern facilities at RVCP.
20. The case for an on-site café needs to be reviewed, including a clear indication of the capital costs of providing one. It would also be advisable to provide assumptions that show direct income in line with demand for pitches as evidence that the café will 'pay for itself'.	Architect and QS advise it depends on the scale of works anticipated (ie. a simple coffee machine or fully equipped barista coffee bar), but suggest there would not be a significant impact on the overall capital cost assuming the building is fit for retro fitting. This can be reviewed as part of any value engineering.
21. A detailed Marketing Plan is required to incorporate activities both pre and post launch. A significant allowance should be made for marketing pre-launch once activity has been carefully researched and planned.	Marketing plan would be prepared if project is to be developed further (i.e. as part of detailed pre-launch business plan), and the budget allowance for marketing has been increased.
22. The occupancy rates / financial forecasts need to be adjusted once the timeframe of opening has been determined.	See response to recommendation 2.
23. The financial forecasts need to provide for the following: <ul style="list-style-type: none"> • Wages costs to bring them in line with the minimum wage legislation and appropriate wage inflation rates for the jobs envisaged. • Marketing costs as per the recommendation in section 3.4 above. • Associated costs for the removal of commercial waste. • Ongoing costs for the septic tank licence if required. 	<p>Amended to include living wage</p> <p>Now included Continuing to develop reliable estimates for commercial waste and septic tank licence.</p>

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<ul style="list-style-type: none"> • Repairs (maintenance and sundries) should be reviewed in the financial forecasts. 	Done.
24. The Designer/Architects' opinion should be sought as to whether they feel that the caravan site proposed, along with the specifications intended and the repairs envisaged, would have an economic life of 40 years and beyond.	Adjusted loan repayment period to 20 years, as agreed by Strategic Director, Regeneration and Environment.
25. Confirmation is needed that the interest rate of 4.6% quoted is still realistic and that the Council's lending policy has not changed, specifically given the fall in the Bank of England's Base Rate during 2016.	Finance advises interest rate is now 4.09% - projections amended accordingly.
26. It is evident that revenue is being lost by virtue of the fact that several facilities which attract visitors to the park are leased out to private companies. RVCP are only therefore able to benefit from the secondary spend that occurs from elsewhere in the park in areas they control outright such as those documented within Appendix ii. A review of all lease arrangement is recommended before they are renewed.	This does not affect business case for caravan site. A timetable for review of lease arrangements is in development.