

CATTLE MARKET MAKERS PROJECT RISK ASSESSMENT MARCH 2022

RISK	COMMENTS/MITIGATION
<p>Risk of insufficient funds to deliver the project due to either rising costs since the project was costed or additional costs which had not been foreseen and included.</p>	<p>The CLLD programme manager previously advised that post grant offer letter "supplementary" top ups do not usually occur. Consequently, cost estimates have been on the generous side to take account of that advice.</p> <p>The material orders will be expected to be placed as soon as contracts are confirmed. Geopolitical destabilization would not be expected to affect material costs in this timeframe.</p>
<p>Financial cashflow – need to settle invoices before reclaiming the grant element from CLLD – LTC may have insufficient funds.</p>	<p>Forecast cashflow indicates incidents in 2022/23 but these should be covered by the current levels of general and nominated reserves</p> <p>The capital delivery is now commencing at the start of the new financial year, when the Council will be in receipt of its first half year instalment of the precept, in addition to its general and nominated reserves, making it 'cash rich' with sufficient funds to cover short term payments to the contractor and maintain other project expenditure, before these are reimbursed by drawdown of funds from the ERDF & ESF grants, in addition to usual Council expenditure. On appointment of the contractor, we will also be able to immediately drawdown 90% off the CC ERDF match funding totalling £279,368.</p> <p>An interest free loan of up to £150,000 is also available from CC via CLLD in case of need.</p>
<p>Financial sustainability beyond the project funding – income may be insufficient to cover the costs of continuing to operate the workspace after expiry of project funding and require subsidy from LTC</p>	<p>Forecast cashflow to 2025/26 indicates the facility should be sustainable. Projections have been done for the State Aid calculations, which must not show a profit in order for the project to comply. Taking all costs into account, including the cost of our own staff management time, these show a small shortfall over ten years.</p>
<p>Demand on existing LTC staff time – increased</p>	<p>Staff time at different stages has been estimated and is contained in a separate paper. Project</p>

<p>workload for existing staff, especially senior staff, preventing working on other projects/opportunity cost and/or increased costs</p>	<p>funding includes extra time for the accounts clerk, forecast cashflow beyond the grant funding includes necessary staff time for management, cleaning and maintenance. Existing experience of the Guildhall units indicates time demands are small and manageable, and have been foreseen in the budgeting for the project.</p> <p>Liskeard Council's assumption of responsibilities for procurement and oversight of the construction of the MakerSpace facility might appear to impose potential additional burdens and costs in relation to existing staff time. This has however been anticipated, and funds within budgets agreed with CLLD will be allocated to outsource these additional responsibilities that can be included as eligible costs within the project.</p>
<p>Tenants - no tenants once the units are completed.</p>	<p>The demand study produced by an independent body specialising in the creative industries sector in November 2019 showed 30 existing businesses were either 'interested' or 'possibly interested' in renting such units in Liskeard. This reinforces the findings of our own study in 2018 and the Cornwall Council study in 2017 that there is good interest in small scale units in the town. Demand is shown by the consistently high rates of occupancy (usually 100%) of a range of units including our own, Cornwall Council and the Liskerrett Centre. We currently have a list of 9 people who have expressed an interest in the units.</p>
<p>Ongoing Liabilities After the Project – the Town Council could be left with liabilities once the project funding has finished.</p>	<p>The two posts will be time limited to the availability of grant to fund them. Cornwall Council own the containers. Should the Town Council exercise the break in the lease, the Town Council would not have any ongoing liabilities with regards the project. Cornwall Council would be left with the management of the units that they own. However, the cashflow projections suggest that the project would be sustainable. The Town Council is currently managing the 6 Guildhall business tenants. The addition of the 8 units in cattle market makers project should not prove difficult.</p>
<p>Long-term liability of site decommissioning</p>	<p>Following the agreement that, within the budgets of the extant funding arrangement, Liskeard</p>

following the cessation of activities in the cattle market facility (earliest date 2027)

Council will procure and oversee the construction of, and own (as well as, as previously intended, manage), the physical structure of the facility while Cornwall Council will continue to own the freehold, Liskeard Council will take responsibility for the decommissioning of the site. It is envisaged that, in order to ensure the defrayal of this potential liability, the value of the decommissioned asset will be significantly greater than the cost of decommissioning; this will be taken into account in the procurement process.

The ERDF funding requires that this facility remains in place, functioning for its original purpose, for a minimum period of five years. It is further hoped that the use of this facility may in practice thereafter be extended, possibly indefinitely, and may be modified for evolving needs and alternative uses, and continue to serve as an asset for Liskeard Council beyond the period originally intended.

It is estimated that the scrap value of the modular units would stand at approximately £5,000 (in today's money); given the uncertainties over international steel markets, this might increase significantly. It is estimated that the resale value of these units would stand somewhere between £30,000 and £50,000. It is estimated that the resale value of the workshop equipment would stand somewhere between £9,000 and £14,000. It therefore seems reasonable to place a conservative estimate on the total sale value of these assets at between £25,000 and £30,000. This should be sufficient to cover the costs of clearing the site (removal of modular units, closure of utilities and levelling over with concrete). It should be noted however that it would seem highly unlikely that Cornwall Council would seek to terminate the lease after the initial 10-year period unless they had plans for the redevelopment of the site; and that under such circumstances the only costs to LTC would most like comprise the removal of the modular units.

Insurance Cover – Potential gaps in insurance

This has been flagged up as an issue. Revised terms of agreement with Cornwall Council

<p>cover caused by two different organisations with a significant role.</p>	<p>(whereby Liskeard Council will own the physical structure of the facility while Cornwall Council will continue to own the freehold) will take this relationship into account.</p>
<p>Medium-term liability of insurance of the makers' facility following the cessation of external funding (earliest date 2023)</p>	<p>It is expected that ERDF funds may subsidize or defray this expense up until 2023; it is hoped that alternative funding sources (such as Arts Council England) may subsidize or defray this expense thereafter. However, it should be noted that tenancy agreements will include notice that rental costs may be reasonably increased to take into account the cost of site insurance following the possible cessation of external funding. (A projection of potential increased costs, based on current insurance costs, will be provided to prospective tenants.)</p>
<p>Risk of high costs related to professional advice etc</p>	<p>The actual costs to date are Legal fees £2,526, VAT £1,800, State Aid £500, TOTAL £4,726. There will also be standard charges from Cornwall Council for legal advice on the offer letters.</p> <p>The project includes £7,200 for legal fees and due to timing of invoices it has been possible to recover £2,044.80 of costs incurred so far, plus future costs up to this limit from the project reducing the amount LTC was expecting to incur.</p>
<p>Delivery targets – the project doesn't meet the delivery targets set in the application leading to grant not being paid or clawed back.</p>	<p>The output targets have deliberately been kept low, with significantly more capacity e.g. for places on programmes than the minimum outputs. The minimum number of businesses we need to support is 10, the minimum number of potential entrepreneurs for which we need to provide a programme is 12 and the minimum number of people in deprivation we need to involve is 20. We have especially looked carefully at how to recruit people in deprivation to the ESF part of the project and have developed plans for parent/ grandparent craft clubs at primary schools, referrals from Liskeard Together and involvement with the Lighthouse Centre and Community Treasure Chest. The Liskeard Together project reports that they have been able to achieve the ESF outputs which were considered to be potentially difficult to achieve including participation from people with</p>

	<p>disabilities and even more so ethnic minorities. If it looks like it will be difficult to meet any targets the CLLD will work with us to help do so.</p>
<p>Money will be clawed back from the project for other reasons</p>	<p>The process for commissioning the containers is robust and, despite initial delays, is again well underway, taking into account access to key procurement framework information previously developed on behalf of Cornwall Council. The application process included detailed information on equipment etc. The RFO will oversee the process of claiming money which will be a significant part of the admin assistant job.</p>
<p>Delays in starting mean the project will not be worthwhile</p>	<p>Staff will still be in place for 15 months and the containers will be there for a minimum of 5 years. Work can be done to set up the project before the staff are formally in place, for example liaising with partner organisations to programme in activities and publicise the opportunities available.</p> <p>The appointment of staff in early November 2021 has put the project's training and mentoring elements on track for their completion to coincide with expected dates for the completion of the construction of the MakerSpace facility.</p>
<p>Covid 19 impacts on project demand - it may be more daunting to consider setting up a business in a difficult economic climate and some people's mental health has worsened during lockdown making it less likely then can participate.</p>	<p>There are also reasons to believe demand may rise in the wake of the pandemic. Existing craft businesses will have lost outlets to sell their works due to lack of markets and lower non-essential retail sales. There is more need for help in online retail and marketing.</p> <p>Changes in working arrangements and higher unemployment is likely to lead to more people exploring setting up their own businesses and seeing if they can turn a hobby into a source of income. If more family members are spending more time at home, this may increase demand for workshop spaces.</p> <p>For people not in employment there is greater need for help and some will be part of the overall trend of increased crafting during lockdown. It is intended that the project will also provide wider business support and networking opportunities and these are likely to be needed more than ever in the much more difficult economic climate.</p>

	<p>There has also been comment in the regional press from the specialist business advice teams' that in Cornwall, that there has been an increase in the number of people wanting to start up businesses.</p>
<p>Covid 19 impacts on project delivery – continuing restrictions on social mixing may have an impact on the way in which we have planned to deliver business support/events and ESF training.</p>	<p>We may need to consider innovative delivery mechanisms. The Town Council has gained considerable experience of operating virtually and in a Covid-safe way and we can also learn and gain advice from the Liskeard Together project who have faced and overcome these challenges over the last 12 months, for example delivering practical sessions virtually. This could include delivering a pack of materials to the participant's home address, and possibly supplying them with a device to connect to sessions. We will need to carefully consider the courses that can be delivered in this way and ensure the tutors engaged have suitable lesson plans for delivery. The learning experience for the Liskeard Together and ECCABI team is that they have been able to work effectively using virtual means even when dealing with clients with initially no IT equipment and limited IT skills and literacy and numeracy issues.</p> <p>We anticipate that the business support/events will more easily adapt to virtual delivery, or facilitation using a larger venue.</p> <p>As noted above, the output targets for the project were kept low, this means that if the programme has to start more slowly there will still be time to catch up.</p> <p>The Project Manager, who joined the project full-time in November 2021, has extensive professional experience of the management of educational delivery during the peak of the Covid-19 crisis (both in terms of virtual delivery and socially distanced face-to-face delivery), as well as extensive experience of remote digital working during this situation.</p>
<p>Recruitment of staff – if we don't receive good applications for the project posts, this could delay the start of the project. Covid-19 precautions could affect induction and working arrangements.</p>	<p>We will advertise the positions widely, using our experience of previous recruitment and our contacts with Cornwall Council and CLLD. The current move out of cities and into areas like Cornwall with better quality of life may increase the recruitment pool. We have already had some</p>

	<p>informal contacts from people interested in the positions.</p> <p>Careful thought will need to be given to induction so that it is safe and effective and some meetings will probably need to be via videoconference. As an office base is needed for the staff before the Cattle Market units are available, the Members Room has been allocated for the use of the Project Manager and Project Administrator.</p>
<p>The Town Council defaults on the agreement with CLLD in one of the ways set out in 8.1 of the Terms and Conditions of the grant offer letter</p>	<p>Key points are: we need to sign and return a copy of the agreement within 30 days of it being sent. The project must be started within 3 months so recruitment of staff should begin straight away. We need to comply with the conditions set out in the agreement. As Proper Officer and RFO the Town Clerk and Deputy Town Clerk will monitor and ensure compliance. We need to comply with State Aid rules, which is why we and Cornwall Council have sought detailed professional advice on this. We need to make sure all the required information is submitted with claims. One of the main reasons for the project admin assistant role is to ensure there is the capacity for the detailed work this requires. It will also need extra work from the RFO and accounts assistant, as set out in the paper on staff time.</p>

RISK ASSESSMENT (including roles and responsibilities)

The two organisations providing significant funding, CLLD and Cornwall Council, are both fully committed to seeing this project succeed to help meet their own objectives. They have a track record of working constructively with us to help develop the project and have been very generous with their time and expertise.

Cornwall Council

- Cornwall Council are providing the site on a lease for a nominal amount or peppercorn rather than as a commercial lease.
- Cornwall Council have approved the match funding (all but £2,000) to draw down the ERDF/ESF.
- Cornwall Council will own the container-based workspace should it all go wrong they will be left with the containers.

Liskeard Town Council

- Liskeard Town Council will provide £2,000 – into a **£933,898** project. That is **0.21%** of the total project .
- Liskeard Town Council will employ the two people on a short-term contract that ends when the grant finishes.
- Liskeard Town Council will be inputting staff and councillor time until the lease is terminated or on an ongoing basis.
- Liskeard Town Council – the income should just cover the costs.

RISKS / IMPACT OF NOT PROCEEDING

The businesses and individuals which could have benefited from workshop space, business support and greater confidence and skills will not do so. The **£609,818** of European funding will be lost. The CLLD programme has advised of the withdrawal by the applicant to the other Liskeard project. The RIO work desking facility in part of the first floor of the library building. There will not be time to put together an alternative bid for CLLD funding and of course there will be no more EU funding for projects in Cornwall.

The £322,081 of Cornwall Council funding will be lost as this is from a pot put aside for CLLD match funding and has been specifically agreed for this project.

The Town Council has worked with many other organisations to put this application together and risks not being seen as a reliable partner if it withdraws at this late stage. In particular this could impact future economic development collaboration with Cornwall Council. On the other hand, successful collaboration on this project could pave the way for future projects, for example around employment land.

All the staff and councillor time spent on developing the application will have been wasted.

The project is intended to link with the Cornwall Council-led Creative and Digital Workspace scheme which will provide larger workspaces. The idea is that makers who start out in the small workshops can grow into the larger studios and businesses in the Creative and Digital workspaces can benefit from business support and facilities in the Cattle Market Makers project. These benefits to the larger project would not take place.