

IALA Guideline No.

On

Business Plan Process Guide For alternative use of the Lighthouse Estate

Edition 2

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20ter, rue Schnapper, 78100
Saint Germain en Laye, France
Telephone: +33 1 34 51 70 01 Fax: +33 1 34 51 82 05
e-mail: iala-aism@wanadoo.fr Internet: www.iala-aism.org

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Business Plan Process

1 INTRODUCTION

This guideline is to inform the reader of the process in developing a business plan for an individual lighthouse estate or as part of the development of an organisational estate management plan when contemplating the development for alternative uses.

Prior to a full business plan being developed a project management procedure/strategy is needed; this could be for example for the development of the business plan alone for initial appraisal or the full development of the project.

The business plan would then follow so as to provide the information required to gain approval from within the working/financial/legal constraints of the organisation or for providing detailed information required to gain grant aid for individual/collective projects by the organisation and/or contracted out consultant, for example a working lighthouse with public access, holiday lets, visitor's centre and/or museum.

2 PROJECT MANAGEMENT PROCEDURE/STRATEGY

2.1 Project Management

Prior to developing a business plan a project management procedure/strategy needs to be in place, such as 'Prince 2' (www.prince2.org.uk) which focuses throughout on the business case with a structure that gives a specific start and finish to the project as set out in the 'Mandate', 'Project Brief', and 'Project Initiation Document'.

The procedure advocates the following:

- **Mandate** – the outline description of the project including the need, time frame and estimated budget cost – signed off at Director or senior manager level or by committee in the case of a smaller organisations (for progression to brief).
- **Brief** – more detailed description of project including the need, time frame and budget costs (basic business plan based on estimates) – signed off at Project Initiation Group Meeting (including all interested parties (for progression to Project Initiation Document)).
- **Project Initiation Document** - includes the **business plan** which is developed by the **Project Manager** which includes all within the 'Brief' with costs based on a fully worked-up specification, signed off at the next Project Initiation Group Meeting (which includes all interested parties). Note: The Project Initiation Group could be a group of interested parties or stakeholders.
- **Project Board** - the project then proceeds under the management of the **Project Board** who receives regular reports, say on a monthly basis.

Note: that at each Project Board stage meeting the project can be paused, sent for revision or stopped by the project board either because of project issues or organisational need.

2.2 Project Board makeup:

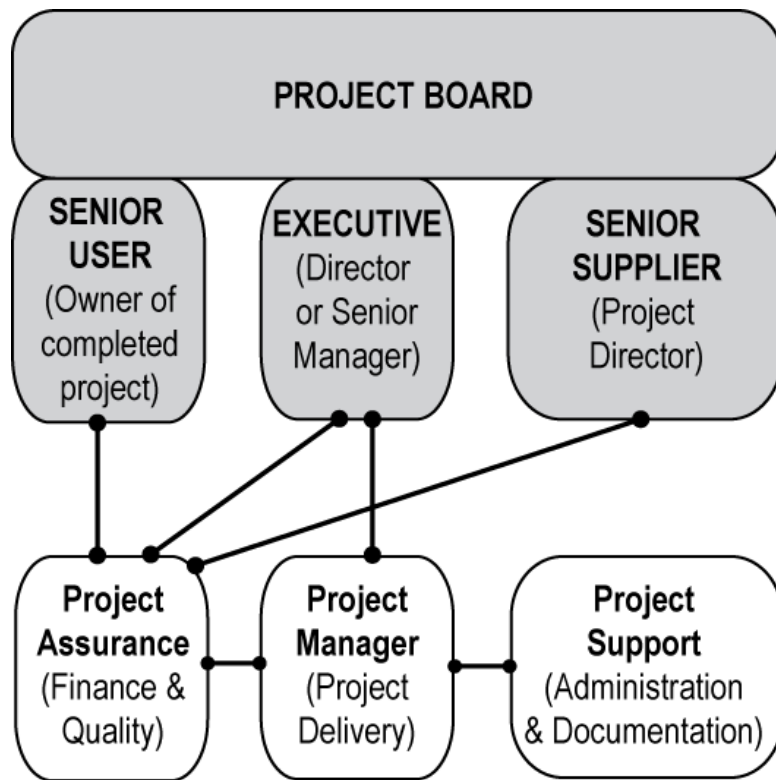


Figure 1 Project Board Makeup

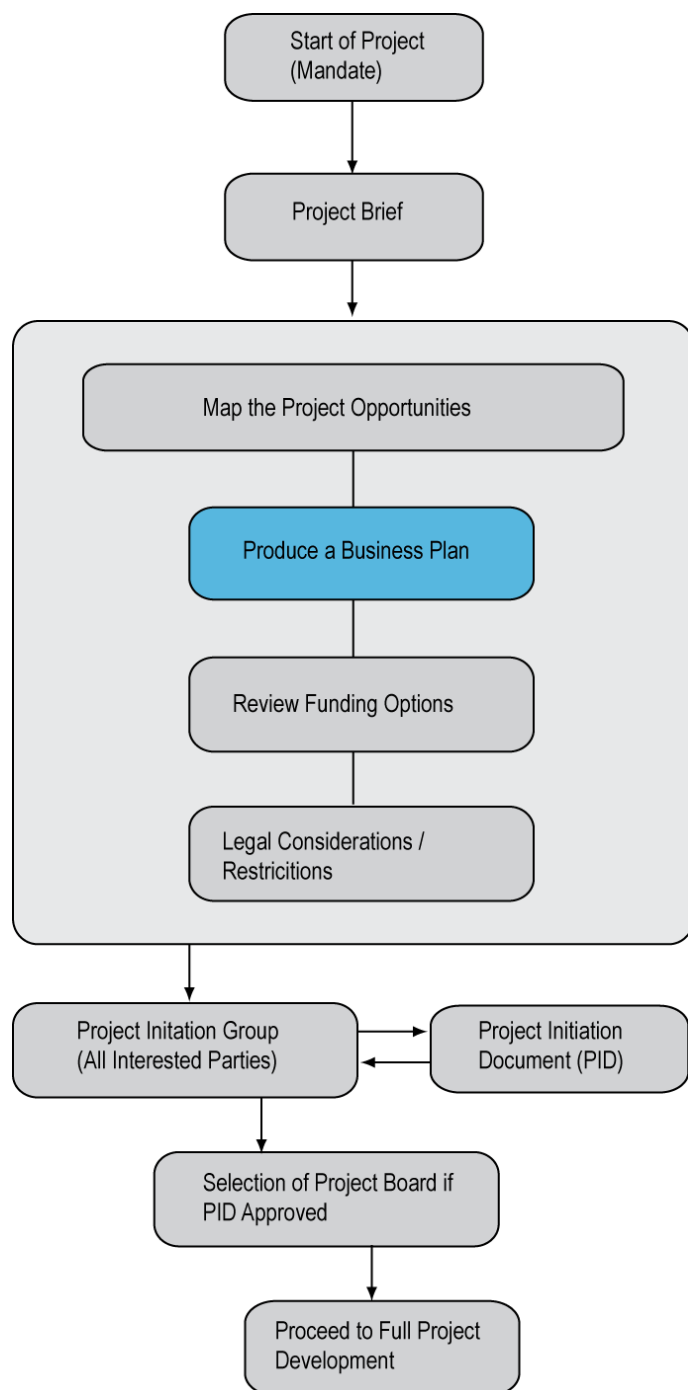
2.3 Example of reporting procedure document

	Frequency	Project Board	Project Manager	Finance	Field Operations	Procurement	Senior User	Stakeholders
Highlight Report	Monthly	I	A/R	I	I	I		I
Checkpoint Report	Weekly		I				A/R	
Finance Report	Monthly	I	R	A				

RACI: R = Responsible, A = Accountable, C = Consulted, I = Inform

Figure 2 Project Board – Example of reporting procedure document

2.4 Project Strategy and Components



Components of the outline mandate for the project process would include the following:

- Brief description, time frame
- Mapping opportunities for the project
- Business Plan (outline)
- Review of funding options
- Legal considerations
- Mandate sign-off for proceeding, further review or cancellation

The business plan component of the outline project process would contain the following:

- Expected life of the project
- The effects of what national legislation may have on the project
- Broad view on what the plan has to offer to the organisation
- Market analysis of what the potential income might be to the organisation (if any)
- Initial grant aid / governmental funding which might be available
- Estimate of initial costs such as consultancy, grant aid application
- Estimate of the capital costs to undertake the project
- Estimate of running costs after completion of the project (operational & maintenance)
- Project justification
- Business plan sign-off for proceeding, further review or cancellation

Figure 3 Business Plan Process Flow Chart

In respect to the above reference should be made to the 'IALA-AISM Lighthouse Conservation Manual – Edition 1 Sec 6 p70-72' as "It sets out, in a workbook format, guidelines for the business plan.

3 THE BUSINESS PLAN

The following guidance is based on a list of headings the inclusion of which will depend upon the audience and the level of detail required. For example, internal board (directors) may just require a Mandate, Brief and Project Initiation Document including the business plan to progress a project with less detail than outside bodies such as grant aid or project partnerships who would require a far greater level of detail including for instance organisation information for example (section 3.2) to justify an organisation's validity and qualification for grant aid..

3.1 Project description

3.1.1 Introduction (executive summary)

Some of the information that could be included within the introduction summary:

- Brief project description
- Expected life of the project
- The effects of what national legislation may have on the project
- Broad view on what the plan has to offer to the organisation
- Market analysis of what the potential income might be to the organisation (if any)
- Initial grant aid and/or governmental funding which might be available
- Estimate of initial costs such as consultancy, grant aid application
- Estimate of the capital costs to undertake the project
- Estimate of running costs after completion of the project (operational & maintenance)
- Project justification

3.1.2 Description of Project

A brief description of what the project is about and what it involves, including a summary of strategy for assuring long-term financial future.

3.1.3 Public Benefits

Provide a summary of public benefit such as, employment, tourism, education etc.

3.1.4 Financial Future

Provide a Summary of the project strategy for assuring the long-term financial future of the project.

3.1.5 Financial Projections and Projected Income

Provide projections based on locality predictions of visitor numbers and fees.

3.1.6 Risk Assessment/Management

Provide a summary of the main risks facing the project while in progress and at its completion.

3.1.7 Business plan sign-off (initial Mandate)

Signed off Mandate provides progression to the project initiation document.

3.2 The Organisation

3.2.1 History of the Organisation

Provide a history of the organisation for Example Corporation, local authority, Government body, Limited Company.

3.2.2 Function of the Organisation

Provide documentary evidence of the organisations purpose and aims, its structure, its mission statement etc.

3.2.3 Legal Status and Funding

Provide documentary evidence of the legal/charitable status of the organisation with names/details of any other groups involved.

Funding disclosure would include all means of funding from core funding, profit or non-profit making to outside grants, etc.

3.2.4 Annual Accounts

Provide summary details of accounts and the status of their availability if seeking grant aid.

3.2.5 Organisational Structure & Staff

Provide diagrammatic organisation/staff structure with reference to the number of fulltime and part time staff.

3.2.6 Examples of similar business (Visitor Centres etc)

Provide examples of similar projects if any undertaken in the past including their successes and failures.

3.2.7 Studies Undertaken

Provide any preliminary studies that have been undertaken to bring the project to this stage, such as projected visitor numbers etc.

3.2.8 Restrictions

Provide any physical, operational, designation, financial restrictions which may impact on the project such as environmental issues, access issues etc.

3.3 Development of the Project

3.3.1 History of Project

Provide information on the concept of the project including detailed summary of the initial documents.

3.3.2 Project Revision

Provide a summary of project revisions prior to arriving at this stage.

3.3.3 Project Development Work (Project Planning for Grant Aid, Project Planning Work)

Provide a development plan in regards to the physical and financial requirements of the project.

3.3.4 Sunk Costs

Provide any costs leading up to this stage of the project i.e. preliminary planning, consultations etc.

3.3.5 Other Sources of Funding (if any)

Provide evidence of secondary funding in place or predicted to be available from outside sources.

3.3.6 Studies and Visibility Research

Provide any studies/research available within the organisation or available from outside sources which will support the project.

3.4 Strategic Background

3.4.1 Management of Non-Operational Lighthouse Property

Provide organisational aims/policy prior to the project and provide evidence on how this project will benefit the aims in regards to future development/policy.

3.4.2 Project Aim

Provide the benefits and possible restrictions on the estate by undertaking this project.

3.5 Project Details

3.5.1 Proposal

Provide a full proposal of the project highlighting the benefits to the organisation by undertaking the project.

3.5.2 Project Outline

Provide a diagrammatic/prescriptive outline.

3.5.3 Timescale

Provide practical timescales for setting up the project, undertaking the project, closing out the project and financial spend.

3.5.4 Involvement of other Groups

Provide information on all third parties with interests in the project.

3.5.5 Project Budget

Provide spreadsheets outlining the budget breakdown and predicted spend.

3.5.6 Capital Funding

Provide detail of capital costs i.e. estate improvement/infrastructure etc.

3.5.7 Revenue Funding

Provide detail of revenue costs i.e. predicted running costs, maintenance etc.

3.5.8 Permissions

For example provide detail of planning and environmental permissions required i.e. Listed Building, Change of use, Building regulations, Environmental impact assessments etc.

3.5.9 Staffing

Expected staffing levels to operate the completed project on a overall basis including seasonal variances, including human resources issues and expected salaries.

3.5.10 Community Involvement – Operational Strategy

The completed project may allow assistance from the community for instance voluntary staffing and/or use of the facilities by the community for meetings/events, a strategy will be required in regard to operational and legal issues.

3.5.11 Recruitment

Provide details of the availability of the local labour force to cover seasonal variances.

3.5.12 Training

Provide detail of initial and future training requirements for permanent and/or seasonal staff/volunteers.

3.5.13 Merchandising

Provide market research on the prospective market expectations for example emphasising the lighthouse brand and/or the educational aspects of lighthouse/navigational aids.

3.5.14 Marketing

Marketing consultants should be engaged to ascertain the project potential with regards to its overall strength of attraction and commerciality.

3.5.15 Visitors (existing and projected numbers)

Marketing consultants and the Local tourist board should be engaged to provide detailed figures year on year for the geographical area for similar types of attraction i.e.

3.5.16 Constraints

The constraints can be vast and varied in a lighthouse location; part of the initial project assessment should be a risk assessment within the curtilage of the estate and an evaluation of any access restrictions to the site.

3.5.17 Target Market

Marketing consultants and the Local tourist board should be engaged to provide details of the target market so as to provide guidance for the project development in relation to project spend/quality against projected income.

3.5.18 Overseas Market

Marketing consultants should be engaged to ascertain the project potential with regards to overseas interest by providing details of geographical interest from internet access and overseas visitor numbers.

3.5.19 Customer Demands

Marketing consultants should be engaged to ascertain the demands of the target market and to ascertain the uniqueness of the project to provide the demand.

3.5.20 Education

Engagement with the educational departments to consider educational experiences for schools based on the National Curriculum taking into account existing and future technology, history and the environment.

3.5.21 Merchandising

Marketing consultants should be engaged to assist or ascertain the market demand so as to provide quality merchandise for the top end of the market and merchandise which would return a profit against the main customer demand.

3.5.22 Advertising

Marketing consultants should be engaged to provide the strategy for project advertising both locally, nationally and world wide. This could be in conjunction with other projects in the locality external of the organisation and/or nationally within the organisation or external such as attraction type say industrial, navigational or linked with the sea i.e to promote the uniqueness.

3.5.23 Market Trends

Marketing consultants should be engaged to provide information on market trends (historic and future) so as to inform the project team to best promote the project to provide the customer demands with the flexibility to adapt.

3.5.24 Competition

Marketing consultants should be engaged to provide information on similar projects within the locality. Competition can be negative as in taking a greater market share or positive as one project can complement another and assist with marketing etc.

3.6 Financial Appraisal

3.6.1 Accounting requirements

- Define categories of potential revenue
- Analyse income and costs for each category within the project
- Prepare cash flow s over say 15 year spread
- Cost benefit analyses of outright sale/leasing/exploitation
- Collect analyses into total cash flow summary
- Consider taxation implications
- Consider loss of general rate relief if any
- Funding considerations

3.6.2 Categories of Potential Revenue

- Holiday Cottages
- Visitor centres at lighthouse sites
- Merchandising units

3.6.3 Property valuation

- Current market value
- Analyses of projected enhancement value against investment
- Projected property value analyses
- Lessor's position (if part or all the property is leased)
- Asset Register implications

3.6.4 Holiday Cottages

- Rental income
- Leasehold sale / Short Term Leasing
- Refurbishment costs
- Maintenance costs
- Running costs
- Overhead costs
- Cost benefit analyses of the above

3.6.5 Visitors Centres

- Licensing arrangements and potential percentage income
- Marketing and potential percentage income
- Refurbishment costs
- Maintenance costs
- Running costs
- Overhead costs
- Cost benefit analyses of the above

3.6.6 Cash Flow

Provide projected cash flows over a given period for the given project.

3.6.7 Taxation

Analyses of potential taxation on all aspects of the project, for example, refurbishment works and completed project profits.

3.6.8 Rate Relief

Effect of the project on the business rates pertaining to the property/s.

3.6.9 Funding Considerations

Provide analyses of availability of internal and viable external funding and its implications in regards to organisational operational restrictions if any.

3.6.10 Financial Review

Provide overall financial review taking into account contingency, inflation and risk.

Note: 'IALA-AISM Lighthouse Conservation Manual – Edition 1 Sec 6 p70-72'

Note: for a guideline on how to provide a **financial appraisal for heritage projects** - Heritage Lottery Fund (uk) www.hlf.org.uk.

3.7 Management and Staff

3.7.1 Project Development and Capital Works Plan

Select project operator to be assigned for the project for example, holiday lets or visitors centre as part of the project development so that they can provide a proposed programme to assist with overall design, staffing levels, financial forecasts and overhead costs. This will allow a more accurate projection of capital works costs and potential running costs.

3.7.2 Organisation Management Structure

Provide provision of the organisational management structure, Project team structure, Operator team structure and organisation maintenance structure.

3.7.3 Strategic Guidance

This could be the provision of a steering group to advise internal and external stakeholders of the project objectives and provide guidance such as administration of the completed project within the organisation and the management of the operator.

3.7.4 Operator's Organisational Structure

This would include anticipated management and staffing levels.

3.8 Assessing Risk

3.8.1 Elimination of Risk

Short list by no means conclusive of items which would eliminate/reduce the risk to the project and it's on going development:

- Provide a sound business plan
- Prevent interference to the organisations duties
- Protect Aids to Navigation (if still operational)
- Provide for future Aids to Navigation
- Consider building conservation and the environment
- Consider historical significance of the lighthouse/property
- Protect corporate brand
- Engender economic growth and sustainability
- Consider public access
- Consider disabled access
- Consider environmental impact
- Consider meteorological impact
- Consider security/fire prevention

3.8.2 Risk Analysis

Provide risk analyses which would cover the risk to the organisation in implementing and managing the completed project for example, planning (listed building consent), financial, environmental, legal, delays etc.

3.8.3 PEST Analysis (Political, Economical, Social, Technological)

This examines the Political, Economic, Social and Technological influences surrounding the project and whether their impact is negative (a threat) or positive (an opportunity).

3.8.4 Operations Risk Assessment

The proposed operators would provide a risk assessment to cover their own business planning process.

The risk to their own business would be reduced by:

- Having a legal document drawn up for partnership or Limited Company
- Providing insurance cover for sickness/death of operators
- Having other managers and developing them to be able to care for the site
- Full standard operating procedures clearly written out for all aspects of the organisation

3.9 Monitoring and Evaluation of the Project

3.9.1 Monitoring

The Project Manager appointed would develop and implement the phases of the project work, and undertakes full monitoring of the project to completion, including supplier assessment, quality supervision; progress and financial tracking (see Project Management Procedure/Strategy - Section 2).

3.9.2 Evaluation

The Project Board will undertake an ongoing evaluation of the progress of the project, based on monthly progress reports and site visits when considered appropriate.

The main contractor responsible for the site works will be subject to a defects liability period from practical completion. All installed purchased equipment will be subject to normal manufacturers or suppliers warranties.

The Project Board and the Project Manager will undertake a snagging examination of the project on practical completion, and a further evaluation on final completion to ensure it meets the high standards set by the projects.

The appointed Operator will be kept informed of progress during the construction programme, will be involved in the assessment of the works during the equipment installation phase, and will be consulted during the snagging and final evaluation.

Appropriate feedback will be provided to the organisations Finance Department so as to provide sufficient information as required by the organisation/ project board and or external funding process.

The external grant aid provider if applicable will be kept informed of progress of the project following post implementation of the plan and the handover to the selected Operator.

4 PROJECT DOCUMENTS

4.1 List of documents

A selection of documents required for internal and/or external grant aid provider management and assessment

- 4.1.1 Mandate
- 4.1.2 Brief
- 4.1.3 Project Initiation Document
- 4.1.4 Project Board Reports
- 4.1.5 Location Plan
- 4.1.6 Proposed Plan (for example Conservation and/or Conversion Work)
- 4.1.7 Programme for the Works
- 4.1.8 Project – Summary of Cost
- 4.1.9 Summary of Building Work Costs
- 4.1.10 Management Organisation (the project)
- 4.1.11 Operator's Proposed Organisational Program
- 4.1.12 Operator's Information – (spreadsheet, Programme, Staffing, Cash Flow)
- 4.1.13 Educational Plan (inc National Curriculum)
- 4.1.14 Forecasts and Profit & Loss Account
- 4.1.15 Audience Development Plan
- 4.1.16 Access Plan
- 4.1.17 Conservation Management Plan
- 4.1.18 Interpretation Plan
- 4.1.19 Heritage Impact Assessment

4.2 Other Documents

- 4.2.1 Report and Accounts
- 4.2.2 Constitution, Powers and Functions (as required)

5 FURTHER INFORMATION

www.hlf.org.uk. Heritage Lottery Fund (UK)

www.prince2.org.uk (Project Management procedures/strategy)

'IALA-AISM Lighthouse Conservation Manual – Edition 1

ANNEX 1 EXAMPLE OF BUSINESS PLAN

6 LIZARD LIGHTHOUSE (UK)