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Business Plan

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Torbay Youth Trust

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16th February 2015

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## 1. Executive Summary

This Business Plan sets out the opportunity to create a charitable Trust to deliver non-statutory Youth Services across Torbay in line with leading successful models within the Youth sector.

Youth Services and the Young Carers Services are currently delivered in-house by Torbay Council with Youth Services delivered at Parkfield. There is considerable expertise within the teams with highly-trained and competent staff however there are also significant financial challenges. In addition Parkfield, whilst an important asset, is not currently realising its potential.

The proposal is to create a Youth Trust, incorporated as a Charity, to deliver the current services back to the Council under a 5 year agreement. In addition the Trust will take on the lease (or a peppercorn rent) of Parkfield. Key to success will be the establishment of an operational and legal and governance structure which is effectively a “funding engine” to drive growth. This will allow the Trust to move to the best practise model of £1m income for the centre with 40% reliance on Council funding. This will both deliver savings to the Council and provide significant room and scope for increasing service provision.

Key to success will be establishing a new operational and legal and governance structure which will drive growth, develop new services, foster collaboration across the bay and raise funds. This will include:-

- A Board of Trustees - responsible for the strategic oversight and development of the Youth Trust. To include the CEO, a Council representative, an elected employee representative, a Treasurer and private sector expertise
- A Development Board solely focused on bringing in the funds and income through opening doors, networks and providing their specialist expertise in their respective fields to support specific functions of the Trust e.g. Marketing, Fundraising, Finance, Public Sector bids etc.
- A Stakeholder Board made up of key delivery partners for the Trust, including the partners supporting the development of MyPlace Centre as the focal point of service delivery for young people. It will also include customer representation including a young people representative and a schools representative.
- A new management team comprising a CEO, to set the strategic vision, a Head of Service Delivery and a dedicated Fundraiser.

This structure will allow the current delivery team to focus on their area of expertise – excellent service delivery to young people locally, whilst also creating a structure to bring in new funds to allow the services to develop and create a more sustainable youth service.

### Financial Summary

From the Council perspective this model will deliver immediate savings i.e. in Years 1 and 2 as laid out in the current financial plans as well as savings in the longer term. Moreover, pulling together partners in the Voluntary and Community Sector it will help **improve the**



**youth offer** for Torbay and deliver **better services and outcomes for young people** in the area.

The summary below shows the target best practise model to create a first class youth service for Torbay which would deliver to the council:

- £50K saving in Years 1-2 with Council funding reducing from £526K to £476K
- 15% saving in Year 3, reducing Council funding to £448K
- 20% saving in Year 4, reducing funding to £421K
- 25% saving in Year 5, reducing funding to £395K
- This equates to a total saving over the **5 year period of £416K or 16%**.
- **This figure is 25% below current funding levels**

<u>Scenario - Target Case</u>	As Is	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Income</b>							
Council	£ 526	£ 476	£ 476	£ 448	£ 421	£ 395	£ 2,217
Transfer of Capital Funding		£ 50					£ 50
Donations		£ 100	£ 150	£ 202	£ 350	£ 505	£ 1,307
Trading/Other	£ 39	£ 76	£ 96	£ 100	£ 100	£ 100	£ 472
<b>Total Income</b>	<b>£ 565</b>	<b>£ 702</b>	<b>£ 722</b>	<b>£ 750</b>	<b>£ 871</b>	<b>£ 1,000</b>	<b>£ 4,046</b>
<b>Costs</b>							
As Is Costs	£ 601	£ 493	£ 508	£ 528	£ 548	£ 570	£ 2,647
Incremental Costs	£ -	£ 209	£ 159	£ 159	£ 159	£ 159	£ 846
<b>Total Costs</b>	<b>£ 601</b>	<b>£ 703</b>	<b>£ 667</b>	<b>£ 687</b>	<b>£ 707</b>	<b>£ 729</b>	<b>£ 3,492</b>
<b>Business growth)</b>	<b>-£ 36</b>	<b>-£ 0</b>	<b>£ 56</b>	<b>£ 63</b>	<b>£ 164</b>	<b>£ 271</b>	<b>£ 553</b>

We have also looked at the Base Case for the minimum service provision under which the trust would be viable. Under this model the financial benefits to the council would be:

- £50K saving in Years 1 with Council funding reducing from £526K to £476K
- 14% savings in Year 2, reducing Council funding to £452K
- 23% saving in Year 3, reducing Council funding to £407K
- 30% saving in Year 4, reducing funding to £366K
- 37% saving in Year 5, reducing funding to £330K
- This equates to a total saving over the **5 year period of £601K or 23%**
- **This figure is 37% below current funding levels**

<u>Scenario - Base Case</u>	As Is	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Income</b>							
Council	£ 526	£ 476	£ 452	£ 407	£ 366	£ 330	£ 2,031
Transfer of Capital Funding		£ 50					£ 50
Donations		£ 50	£ 100	£ 150	£ 200	£ 250	£ 750
Trading/Other	£ 39	£ 50	£ 55	£ 60	£ 65	£ 75	£ 305
<b>Total Income</b>	<b>£ 565</b>	<b>£ 626</b>	<b>£ 607</b>	<b>£ 617</b>	<b>£ 631</b>	<b>£ 655</b>	<b>£ 3,136</b>
<b>Costs</b>							
As Is Costs	£ 601	£ 483	£ 488	£ 499	£ 511	£ 526	£ 2,507
Incremental Costs	£ -	£ 142	£ 116	£ 116	£ 116	£ 116	£ 604
<b>Total Costs</b>	<b>£ 601</b>	<b>£ 625</b>	<b>£ 603</b>	<b>£ 614</b>	<b>£ 626</b>	<b>£ 641</b>	<b>£ 3,110</b>
<b>Business growth)</b>	<b>-£ 36</b>	<b>£ 1</b>	<b>£ 4</b>	<b>£ 3</b>	<b>£ 5</b>	<b>£ 14</b>	<b>£ 26</b>



### Key Benefits of the Youth Trust:

- ✔ Provides a model to continue and significantly improve Youth Services provision whilst simultaneously realising savings for the Council
- ✔ Creates a more sustainable financial model with less reliance on council funding
- ✔ Accesses new funding streams e.g. trusts, foundations, public sector contracts, fundraising from individuals, the local community and businesses
- ✔ Fosters collaboration and brings the whole community together to play their part in Youth Services – young people, partner organisations, employees, the local community, businesses as well as the Council can all play their part
- ✔ Realises value and opportunity of Parkfield site – limited alternative options to use site
- ✔ Opportunity to significantly expand range of services provided to young people and at Parkfield site
- ✔ Opportunity for co-delivery with partner organisations
- ✔ Marries core strength of existing team – service delivery – with expertise around fundraising and income growth



## 2. Approach to Business Plan

Work carried out so far on the Business Plan includes:-

- ④ 2 kick off workshops with all staff, including question and answers.
- ④ As Is workshop to define services, customers, costs and income.
- ④ Stakeholder engagement workshop that included Sanctuary Housing, Sky Blue, Play Torbay, Youth Genesis, Careers South West, Totally Teenagers and ROC. The aim of the workshop was to engage all voluntary sector agencies in the area in developing ideas for the Youth Trust and services for young people in the area.
- ④ Review of property options with John Greaves.
- ④ Engagement with the Local Authority Pensions Lead – Lee Haywood.
- ④ Engagement with the Local Authority Procurement Lead – Tracey Fields.
- ④ Introduction with HR Lead. Workstream will commence following the approval of the business case.
- ④ Market research to understand what does success look like in the Youth Services sector. This has involved interviews with Onside (Charity behind six successful Youth Zones including Bolton Lads & Girls and Wigan Youth Zone among others, visited by over 350,000 young people every year) as well as award-winning Youth Charities such as IntoUniversity and The Clement James Centre.
- ④ Visit to Onside's Wigan Youth Zone and interview with Jerry Glover, founder and recognised sector leader with 40 years' experience and Kathryn Morley, Onside Chief Executive.
- ④ Market research into approaches taken by other youth mutuals including Knowsley and EPIC CIC.



### 3. As Is Review

#### 3.1 Service

Non-statutory youth work from the Local Authority today includes Youth Work and Young Carers services. The Service Definitions in Appendix 1 provide further details of the scope of this work and the customers it serves. Key findings identified during the Service Review

- Good growth potential from MyPlace Centre
- Seen as a high potential, but under-used asset
- Focal point of service delivery
- Need for investment to be fit-for-purpose, realise potential and truly meet the needs of young people

##### 3.1.1 Overview Of Young Carers Service

- Young Carers Assessment – Number of referrals for assessment 1 April – 30 September 2014 were 124 (same period in 2013 = 90)
- **Young Carers Support** – This includes one-to-one support as well as group work; Includes general support around bullying, drug & alcohol use, health as well as advise and signposting as well as creative projects
  - 224 - Current number of cases open to the team (for assessment, review, or ongoing support)
  - 298 - Additional young carers marked as mailing list only (able to access activities, drop-ins, school lunch clubs)
  - Schools support: 1 day per week for 5 secondary schools; School one-to-one average 6 per school/week; Lunch-clubs running fully at 3 schools (30 - 40 young carers reached per week; Lunch-clubs at 2 others are currently being restarted; Lunch-clubs in 2 primary schools (approximately 20 young carers reached per week)
  - Community drop-ins: Torquay fortnightly, average attendance 18 per session. Monthly drop-ins at Paignton and Brixham are currently being started.
  - Community one-to-one: 7 young people linked to volunteer befrienders in last 6 months, a further 18 young carers have received one-to-one support from the team in last 6 months (in addition to general support offered at schools or in groups)
- **Training** - Schools, health and any other agencies to help them understand young carer needs - anything from short slots to full day programs; training for young carers on life skills etc.
- **Whole Family Work** - Advice and signposting; direct work with parents such as adult social caring, support for meetings with social care etc. that has an impact on the child. 25 families have received additional support from team around whole family working in past 6 months
- **School Standards Support** - New scheme being rolled out to 2 x secondary schools and 1 x primary school; 3 further secondary schools are close partners and



are being worked with to 'gold' standard. We have interest from a further 4 primary schools; one grammar school and one special school to develop school standards work.

- **Information and Awareness** - Awareness raising for young people: 1 hour PHSE Awareness lessons x 14; School assemblies per year x 8; Carers week activities including lunch-time stands x 3; involvement in school video x 2; Community events x 6
  
- **Respite Activities** – (Activities from 1<sup>st</sup> April – 30<sup>th</sup> September 2014)
  - YCF Southampton - attended by 14 young carers
  - Easter activities and attendance:
    - 7 - Wellbeing event
    - 13 - Coastal walk
    - 4 – Pop Party
    - 59 – Family bowling
    - 7 – Mirror Mirror
    - 44 - Woodlands
  - May activities and attendance
    - 22 - Family Brixfest Open
    - 12 - Horse riding
    - 12 - Orchestra
    - 10 - Horse riding
    - 12 - Tate London
    - 62 – Family Circus Open
    - 95 – Family Fun Day Open
  - Summer activities and attendance
    - 8 - Hub training M
    - 8 - Moorland walk
    - 54 - Family Picnic Open
    - 40 - Longleat
    - 13 - Surfing
    - 17 - Paignton zoo
    - 8 - Archaeology Dig
    - 8 - Boot Camp
    - 5 - Swim 5
    - 11 - Horse riding
    - 16 - Forest skills
    - 40 - Summer drop ins
    - 35 – Family Art Exhibition
  - 23 - Total activities for young carers
  - 295 -Total places offered 333 Total attendance
  - 6 - Total family activities
  - 327 - Total members of families attendance
  
- **Participation work** - 3 young carers supported in national YC Champion Training; Further YC to start training in Jan 2015; 10 young carers have been involved regularly in Making a Better Future Group; Further 9 young carers trained in use of Makewaves website for participation and in video / media skills.
  
- **Transition work** - 54 young carers in transition from Year 6 - 7 this year (locate and invite to engage in support / liaison with schools / year 7 heads / one-to-one





support offered where appropriate); 71 young carers in transition from Year 11 (locate, check relevance of referral on to YAC; additional support to engage in ongoing education or training as appropriate)

- **Youth Strategy Support** - Development of strategy; quarterly strategy meetings; involvement in sub-groups
- **Safeguarding for Youth** - Of the young carers currently open to us, 78 have been assessed as undertaking high level of caring role (where there could be significant impact to their education, health and well-being). Of these young carers 11 also have a child social worker involved. There are a further 64 young carers on our lists with children's social worker involvement (these children have lower levels of caring but other significant issues in the family). Young Carers staff have completed 9 SHEFs in the last 6 months

### 3.1.2 Overview Of Youth Services

The Youth Service Team is based at Parkfield Youth Hub and offers the following Core Services to Young People, Partner Organisations and the Communities in Torbay:

Open Access and Targeted Youth Work at Parkfield: Key Areas of the Youth Work Curriculum					
Being Healthy e.g. Sexual health, relationships, C-card, sports, resilience, family, managing feelings	Staying Safe e.g. Equality, anti-discrimination, conflict resolution, anger management, drug and alcohol awareness	Enjoying and Achieving e.g. Volunteering, accreditation, youth enterprise, confidence and agency (self)	Making a Positive Contribution e.g. Team work, citizenship, democracy, communication, relationships and leadership	Achieving Economic Well Being e.g. careers, training, skills, budgeting, planning and problem solving	
Other Key Areas of the Youth Offer at Parkfield					
Group, 1:1 and targeted work e.g. LBGTQ young people, single gender work, social action programme etc	Participation and active decision making work e.g. UKYP, young inspectors, youth funding panel, youth volunteering etc	Safeguarding young people, signposting and referrals	Young people's voices in their communities e.g. consultations such as the <i>Big Shout Out</i> and the <i>Youth Offer</i> as well as outreach youth work	Creativity e.g. Radio Project, IT suite, Music Suite	Outdoor and Leisure activities e.g. Skate Park, Climbing Wall, BMX track

**Key Youth Service Outcome Measures:** *Every Child Matters March 2003 and a Framework of Outcomes for Young People July 2012.*

Youth Service Partnership Work with The Community Youth Services				
Funded Neighbourhood Youth Provision and Partnerships with the Youth Hub	Directory of Community Youth Services/ newsletters/ Youth Hub/networking	Policy development/ support of partner groups/ mentoring/advice	Multi-agency Training: Community and Voluntary sector, young people etc.	Youth Strategy Support e.g. Positive for Youth inter-agency anti-bullying forum

Please see Appendix 6 – Youth Service for more detail.



### 3.1.3 Stakeholder Feedback

- High interest in MyPlace Centre
  - Eat that Frog and Play Torbay have put in proposals to the Council already.
  - Sky Blue would like to be based in MyPlace Centre. Proposal already with the Council.
  - Sound Communities operate the radio station out of MyPlace Centre. Don't pay any rent as it's their kit – also available for use by Youth team. Would like to continue and build on their current engagement.
  - Careers SW already make referrals to the youth team and would like to build on this collaborative work especially in creative projects as there is a general increase in interest for media related careers, hence the interest in MyPlace Centre.
  - Play Torbay have a number of ambitious projects in the pipeline. See collaborative working with other partners as critical to funding success (as increasingly being asked for proof of the same). Therefore see MyPlace Centre as a place to bring all that together.
- MyPlace Centre will need investment to make it work
  - The current layout not believed to be conducive / 'cosy enough' for young people – not one person in the room believed the space is workable as it is.
  - Requires some investment to spruce up the areas and the layout.
  - Play Torbay, Eat that Frog and Sky Blue could potentially put in some investment to spruce up the place. Play Torbay have already got some funding to build somewhere on site for an arts/culture related project. Eat that Frog have had discussions with the Council on turning the house into a training academy.
  - Also discussion around how it's got to cater to a range of ages, not just young people.

There is appetite for collaboration and all agencies see the merit in following a more cohesive approach to deliver services to young people.

### 3.2 Income

The services today are predominantly funded by the Council however there are a small number of income streams. However there is a target income budget of £75K and an actual income generated of £46K. This is predominantly made up of space rental that generates £31K annually. However this is impacting on service delivery and reducing ability to generate other income streams. In addition £7K was generated from community activities such as the climbing wall (this is currently shut) and £1K from Enterprise services such as tuck shop and pool table. An overview of As Is Income is provided in the Income Definition (Appendix 2)

### 3.3 Production

Operational delivery is currently organised into two key teams: Youth Services and Young Carers. In addition the service is managed by Gail Rogers (in addition to other services), is provided with infrastructure support by the Council and has two dedicated Business Support roles. Costs which sit outside of the Youth Services budget today are the Business Support roles and council infrastructure. Today the total net budget (after target income) is



£526K and the Council want to see a reduction of £50K in the 2015/16 financial year. A full breakdown of the Production costs is shown in the Production Definition (Appendix 2).

Key costs comprise people costs, building costs for the MyPlace centre (costs for the House have been excluded), external suppliers and a grant pot of £110K for community funding/activities.

Total breakdown of As Is costs in summary net of the income target is as follows:-

	As Is			
	Budget		Actual	
Income Target	£	75	£	46
Cost Base				
People Costs	-£	342	-£	342
Building	-£	108	-£	108
Grant Pot	-£	110	-£	110
Other External	-£	42	-£	42
Internal Infrastructure	£	-	£	-
Total Cost Base	-£	601	-£	601
Net Cost Base	-£	526	-£	555

Total People Costs includes £72K of current vacancies. No apportionment has been included for manager time. In addition there are 2 part time/temporary social work students (costs outstanding and not included in above analysis).

Infrastructure costs currently provided by the council include payroll, HR, training, IT support and infrastructure, insurance, security, stationary, volunteer co-ordination and post room etc. We haven't quantified the cost of As Is Council infrastructure.

### 3.4 SWOT Analysis

#### Strengths

- ✔ Strong delivery expertise
- ✔ Work nationally recognised
- ✔ Long track record
- ✔ Under-utilised asset – MyPlace Centre
- ✔ High interest among agencies to work more collaboratively

#### Weaknesses

- ✔ Absence of an over-riding youth strategy
- ✔ Some fundraising experience in the team, but capacity constraints
- ✔ Under-resourced team - limited capacity to deliver growth and run
- ✔ Small team with limited full time employees
- ✔ Limited management expertise to develop a large youth centre



## Opportunities

- ④ Number of agencies with good fundraising experience and funds
- ④ Improved services for young people through more collaboration among agencies
- ④ Creating capacity e.g. business rates (under certain legal structures), collaborative working could negate need to fill vacant positions and lower support costs

## Threats

- ④ Spiralling costs
- ④ Potential Council funding reduction
- ④ Collaboration vs competition
  - Services
  - Funding



## 4. Delivering Growth – Proposed Way Forward

### 4.1 Best Practice Model

The Onside model has been identified as sector leading model for youth services delivery focused around a youth centre. Their model brings together the whole community – council, local people, businesses, young people – in creating sustainable youth services and significantly reduces the reliance on council funding. Onside typically target £1m total income per centre with only 40% provided by the Council. Set out below is their best practise commercial model:-

#### Best Practice Commercial Model

	Annual Budget			
Income				
Council	£	400	40%	Council funding
Donations	£	500	50%	Principally from business, individuals and grants
Trading/Other	£	100	10%	Commercial income
Total Income	£	1,000	100%	

From Torbay Council’s perspective a reduction in council funding to £400K would equate to an annual savings of £126K or 24% on net budget costs of £526K.

In order to ensure success Onside put in place a delivery and governance model in each centre that prioritises fundraising and growth and has the right skills and network to attract new funding streams.

Operational delivery requires the addition of a senior team consisting of a CEO to drive strategy and vision, a Head of Service Delivery to lead, manage and develop day-to-day delivery and a dedicated Fundraiser to focus full-time on new income streams.

The Governance model includes a Board with a focus on private sector experience and local connections to build relationships with new funders.

### 4.2 Service and Income Growth

The initial contract for the Youth Trust will be a 5 year agreement to run the existing youth and young carers’ services. We recommend that this is awarded on an uncontested basis (as outlined in the Legal and Governance Paper, Appendix 4.) However the council would like to see reductions in the cost of this service from Day 1. Financial implications are explored below.)

During our work with the team and stakeholders and in considering the wider market, there have been no shortage of growth ideas to develop services. However the challenge is to scale up the service, whilst managing further council reductions in funding and with an under-resourced team.

Our recommendation therefore is to put in place a “funding engine” to drive up new income from Day 1. The existing team have a strong track record and passion for service delivery



to young people. Whilst they do have some fundraising experience, to create a self-sustaining and improved service and achieve the required income levels this needs to be a full-time focus, not a part-time effort in addition to day-to-day delivery. We recommend partnering with an organisation that already has this expertise – such as Onside or Play Torbay – and/or recruiting individuals with a successful track record in this area. We see this as the key priority for the new Youth Trust and recommend starting this activity prior to spin-out.

Opportunities to increase and extend service provision in the Young Carers Service include the School Standards Support scheme – this is already being rolled out and further schools are interested in developing school standards work. Also training for schools, health and other agencies to help them understand young carers' needs.

Numerous ideas have been raised around developing services at Parkfield both by the team and potential partners. Sky Blue could potentially run youth work sessions for young people around water-sports and the climbing wall; Sand Communications for the radio amongst others. There is also an opportunity to run activities for young people visiting Torbay during the tourist season.

Our recommendation is that in the first year service development focuses on areas with partners which can be started quickly with no/little investment and/or are fully funded or chargeable activities. This will allow surplus raised through fundraising activities to be put aside for Parkfield development. Having no services quickly after spin-out also generates a positive momentum around the new Trust.

We would also recommend reviewing the contract with South Devon Gymnastics Club which limits the income potential from the building and does not fit with the target age group of the Youth Trust and the young people who currently visit Parkfield.

#### **4.3 MyPlace Centre - Parkfield**

Our recommendation is that the Parkfield lease is either transferred to the new Youth Trust or is provided at a peppercorn rent. Parkfield is of strategic importance to the new Youth Trust as it can be the focal point for developing youth services across Torbay. The advantages of this is that:

- Ⓜ It is of significant interest to local stakeholders and other community and voluntary sector organisations who would like to deliver services from Parkfield. It therefore provides a low cost way to bring in partners to deliver services, thereby fostering collaboration and increasing the range of services provided to young people. Examples include Sky Blue and Sand Communications.
- Ⓜ It is a low-cost option for service delivery with no viable alternative identified. Further it has the potential to drive up income through chargeable services e.g. summer activities for visiting young people.
- Ⓜ It is an under-utilised asset, and whilst it does require investment to make fit for purpose, it has significant potential to expand and improve.
- Ⓜ In terms of fund-raising and “pitch” to potential donors, it is easier to raise funds where there is a tangible asset that potential donors can see and touch, rather than to raise funds purely for services.



#### 4.4 Production Model

The new Youth Trust requires a Production delivery model that can both realise immediate savings and drive growth and increase collaboration across the Torbay area.

##### 4.4.1 Savings

We have identified the following potential savings that can be realised immediately.

	As Is Costs				To Be Costs			
	Budget		Actual		Variance	To Be		
Cost Base								
People Costs	-£	342	-£	342	£	76	-£	266
Building	-£	108	-£	108	£	32	-£	76
Grant Pot	-£	110	-£	110			-£	110
Other External	-£	42	-£	42			-£	42
Internal Infrastructure	£	-	£	-			£	-
Total Cost Base	-£	601	-£	601	£	108	-£	493
Incremental Costs								
Management Team							£	139
Insurance							£	20

**People Costs:** Currently there are £76K worth of vacancies which we have assumed are not recruited. The current service is under-resourced and this has had an impact of delivery. However in the early years’ service delivery will focus on collaboration with partners and fully-funded activities. From Year 2 we have forecast a small increase in staff costs year on year as additional work is delivered (this will be the expectation from donor organisations).

We also recommend developing a compelling offer for Volunteers which will be possible as a charity. Youth services is a popular area for volunteering and as well as a low-cost option affords an opportunity to bring people in the local community into the vision of Parkfield. In this way it can also help drive up fundraising.

**Building:** It is assumed that the Youth Trust benefit from a 100% reduction to business rates. (This is equivalent to an 80% reduction in rates as a charity plus a further 20% reduction granted by the Council.) *[Outstanding to agree with council and include any impact in Council/Trust financial model.]* It is also assumed Parkfield will be provided to the Youth Trust at peppercorn rent with no impact on costs although the Trust continues to pay the costs of maintenance, utilities etc.

**Grant Pot:** Under the Target case the Grant Pot funds continue as today, whilst under the Base Case there is a reduction of approximately 10% a year.

**Internal Infrastructure:** No figures were available on the costs today of internal infrastructure services. It is currently assumed that the Council continue to provide this at





nil cost. It is recommended that this figure is quantified as in most instances of spin-outs there will be a saving to both the Trust and the Council at considering alternatives in the external market.

#### 4.4.2 Incremental Costs

In order to drive growth and run the new Youth Trust there will be some incremental staff costs to recruit the three new roles: CEO, Head of Service Delivery and a Fundraiser. A breakdown of these costs is as follows:-

##### Management Team Analysis

Management Team Roles				
Roles	FTE	Salary	Oncosts	
CEO	1	£ 40,000	£ 52,000	
Head of Fundraising	1	£ 30,000	£ 39,000	
Head of Service	1	£ 37,000	£ 48,100	
<b>Total</b>	<b>3</b>	<b>£ 107,000</b>	<b>£ 139,100</b>	

Oncosts (NI, Pension, Overheads) 30%

The CEO will soon be recruited (included in the set-up costs). It could also be possible to co-deliver some of these roles with a partner to reduce costs e.g. a local organisation taking on fundraising. In the early years there is also potential to double-hat two roles to keep costs low as the Trust grows. Different options are modelled in the financial section below.

Under the Target model it is assumed that all roles are full time and in place from Day 1 to drive the higher growth targets. Under the Base case model it is assumed that the Fundraising and Service roles are 0.5FTE each with a slower ramp up.

£20K incremental costs have also been forecast in the models to allow for directly procured insurance.

#### 4.5 Legal and Governance

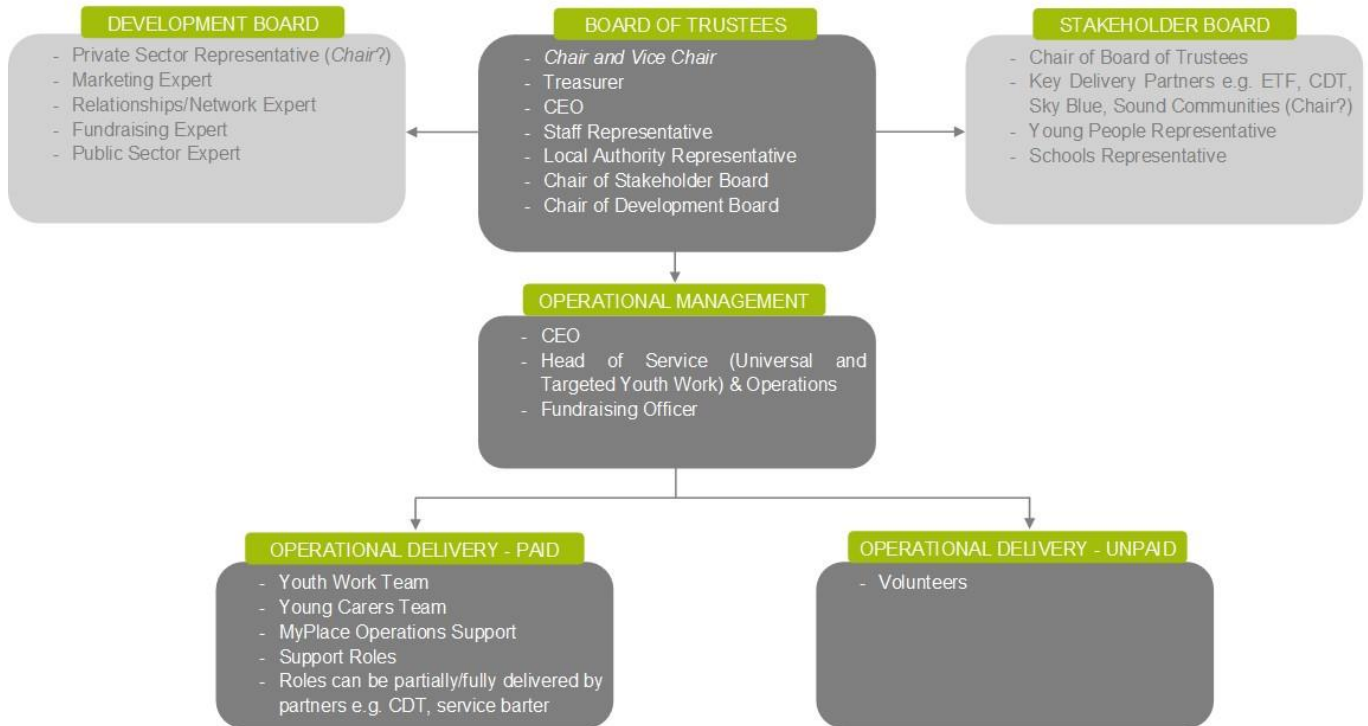
Key to success of the Trust will be the right Legal and Governance Paper. This is explored in detail in Appendix 4 but in summary will include:-

- Ⓜ Board of Trustees – responsible for the strategic oversight and development of the Youth Trust. To include the CEO, a Council representative, an elected employee representative, a Treasurer and private sector expertise
- Ⓜ Development Board – The Development Board is responsible for bringing in the funds and income through opening doors, networks and providing their specialist expertise in their respective fields to support specific functions of the Trust e.g. Marketing, Fundraising, Finance, Public Sector bids etc.
- Ⓜ Stakeholder Board – The Stakeholder Board is made up key delivery partners for Trust, including the partners supporting the development of MyPlace Centre as the focal point of service delivery for young people. The key role of this Board is to ensure that the partners work together to deliver shared objectives and find solutions to common issues. It will also include customer representation including a young people representative and a schools representative.





The Governance model is as set out below:-





## 5. Financial Summary

The Financial Plan outlines the growth potential of the new Youth Trust and the savings opportunity for the Council.

### 5.1 Council Funding and Position

We have set out below four options for council funding of the core Youth and Young Carers Service.

**Option 1** – Minimum funding level required by Council. This model reflects the financial planning of the Council for the 2015-16 financial year and beyond and is used in the **Base Case** scenario. Total savings over the 5 year period equate to £601K or 23%. (NET saving of £526K after one-off set up costs.) This saving model is in line with what is achieved in cost-saving focused outsourcing.

**Option 2** - The Council realise savings of £50K in Years 1 and 2 with further reductions in Years 3 onwards. This option most reflects the current financial planning of the Council for 2015-16 with smaller council funding reductions than are currently planned, and has therefore been used in the **Target scenario** below. Total savings over the 5 year period equate to £416K or 16%. (NET £341K after one-off set-up costs.)

Other financial options were explored as part of the business planning, but the two above represent the closest models to the council's current financial requirements. They are shown for the complete picture under Council Funding Options (following page)

One-off set up costs by the Council just prior to and on set-up are forecast to be in the region of £75K. This will cover the recruitment, prior to spin-out, of both the CEO and Fundraiser roles, in order to ensure a successful spin-out. It will also cover legal costs and potentially the Pension bond of £50K. (The latter may not be required if the Council are able to provide a guarantee.)



## Council Funding Options

### Option 1 - Minimum funding level by council

	As Is	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Council Funding/Trust Income	£ 526	£ 476	£ 452	£ 407	£ 366	£ 330	£ 2,031
<i>Savings target</i>		10%	14%	23%	30%	37%	23%
Savings Realised		£ 50	£ 74	£ 119	£ 160	£ 196	£ 601
Set Up Costs		-£ 75					-£ 75
<b>Total Savings/(Costs)</b>	<b>£ -</b>	<b>-£ 25</b>	<b>£ 74</b>	<b>£ 119</b>	<b>£ 160</b>	<b>£ 196</b>	<b>£ 526</b>

### Option 2 - Council fund based on current budget costs less £50K saving Years 1-2 and additional savings Year 3+

	As Is	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Council Funding/Trust Income	£ 526	£ 476	£ 476	£ 448	£ 421	£ 395	£ 2,217
<i>Savings target</i>		9%	9%	15%	20%	25%	16%
Savings Realised		£ 50	£ 50	£ 79	£ 105	£ 132	£ 416
Set Up Costs		-£ 75					-£ 75
<b>Total Savings/(Costs)</b>	<b>£ -</b>	<b>-£ 25</b>	<b>£ 50</b>	<b>£ 79</b>	<b>£ 105</b>	<b>£ 132</b>	<b>£ 341</b>

### Option 3 - Council fund in line with current budget costs and realise savings from Year 3

	As Is	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Council Funding/Trust Income	£ 526	£ 526	£ 526	£ 448	£ 421	£ 395	£ 2,317
<i>Savings target</i>		0%	0%	15%	20%	25%	12%
Savings Realised		£ -	£ -	£ 79	£ 105	£ 132	£ 316
Set Up Costs		-£ 75					-£ 75
<b>Total Savings/(Costs)</b>	<b>£ -</b>	<b>-£ 75</b>	<b>£ -</b>	<b>£ 79</b>	<b>£ 105</b>	<b>£ 132</b>	<b>£ 241</b>

### Option 4 - Council fund based on current budget costs Years 1-2 and realise savings in line with best practice from Year 3

	As Is	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Council Funding/Trust Income	£ 526	£ 526	£ 476	£ 400	£ 400	£ 400	£ 2,203
<i>Savings target</i>		0%	9%	24%	24%	24%	16%
Savings Realised		£ -	£ 50	£ 126	£ 126	£ 126	£ 429
Set Up Costs		-£ 75					-£ 75
<b>Total Savings/(Costs)</b>	<b>£ -</b>	<b>-£ 75</b>	<b>£ 50</b>	<b>£ 126</b>	<b>£ 126</b>	<b>£ 126</b>	<b>£ 354</b>



## 5.2 Financial Model – Target Case Scenario

Under the Target Case Scenario the Youth Trust will move towards the best practise model with reduced reliance on Council funding and increased income, predominantly from Donations/Funding. It will achieve a total income of £1.0m with 40% from the Council by Year 5.

Scenario - Target Case	As Is	Year 1	Year 2	Year 3	Year 4	Year 5	Total
1 Income							
2 Council	Option 2 £ 526	£ 476	£ 476	£ 448	£ 421	£ 395	£ 2,217
3 Transfer of Capital Funding		£ 50					£ 50
4 Donations/Funding		£ 100	£ 150	£ 202	£ 350	£ 505	£ 1,307
5 Trading/Other	£ 39	£ 76	£ 96	£ 100	£ 100	£ 100	£ 472
6 Total Income	£ 565	£ 702	£ 722	£ 750	£ 871	£ 1,000	£ 4,046
7 Costs							
8 As Is Costs:-							
9 People Costs	£ 342	£ 266	£ 280	£ 300	£ 320	£ 342	£ 1,508
10 Building	£ 108	£ 76	£ 76	£ 76	£ 76	£ 76	£ 378
11 Grant Pot	£ 110	£ 110	£ 110	£ 110	£ 110	£ 110	£ 550
12 Other External	£ 42	£ 42	£ 42	£ 42	£ 42	£ 42	£ 211
13 Internal Infrastructure	£ -	£ -	£ -	£ -	£ -	£ -	£ -
14 Subtotal As Is Costs	£ 601	£ 493	£ 508	£ 528	£ 548	£ 570	£ 2,647
15 Incremental Costs:-							
16 Infrastructure Services Bought In	£ -	£ -	£ -	£ -	£ -	£ -	£ -
17 Building Set Up	£ 50						£ 50
18 Insurance	£ 20	£ 20	£ 20	£ 20	£ 20	£ 20	£ 100
19 Management Team	Option 1 £ 139	£ 139	£ 139	£ 139	£ 139	£ 139	£ 696
20 Subtotal Incremental Costs:-	£ -	£ 209	£ 159	£ 159	£ 159	£ 159	£ 846
21 Total Costs	£ 601	£ 703	£ 667	£ 687	£ 707	£ 729	£ 3,492
22 Service Growth	-£ 36	-£ 0	£ 56	£ 63	£ 164	£ 271	£ 553

Income (1) is made up of (2) Council funding in line with Option 2, whereby the Council receive £50K saving in Years 1-2 and additional savings from Years 3 onwards. In addition there is a one-off £50K Transfer of Capital Funding in the Youth Services budget (3) which is used for some building set-up works (17). In Year 1 there is a £76K Donations/Funding target and a £37K increase in commercial income from current levels.

Costs (7) are as today less savings for not recruiting vacant roles plus some incremental staff costs as the Trust goes (9). The Trust also makes on saving on reduced business rates (10).

Incremental Costs (15) comprise new management team costs (19) and it is assumed under this scenario that the management roles are in place from Day 1 in order to drive the higher target growth. (In practise they will be recruited prior to spin-out to prepare which is funded by the Council.) There is also expenditure of the £50K capital grant on the building (17) and there will be incremental insurance costs (18) estimated at £20K.

(22) is the surplus generated which can then be invested in developing new services and the existing provision for young people. The new entity, as a not-for-profit organisation, will



be driving up new incomes through commissioning or fundraising and will need to show donors and other funders that it is delivering services with the funds raised.

Please note the following assumptions have been made in the Financial Model:-

- Ⓜ No investment required in technology/telephony etc on day one as current assets are transferred to the Youth Trust at no cost
- Ⓜ No inflationary impact. It is assumed that the Council will pay an inflationary index for the services each year which we would recommend is calculated on two indices – one to reflect public sector salaries and one to reflect general economic inflation. In this way risk remains as today.
- Ⓜ Costs provided are all NET of VAT. [Outstanding to confirm VAT impact with council and model any additional implication.]
- Ⓜ Infrastructure services continue to be provided by the council at no cost impact.

### 5.3 Financial Model – Base Case

Under the base case model is the minimum funding levels required for the Youth Trust to continue and reliance on council funding falls to £330K or 50% with the remainder from new and other income streams, with a particular focus on funding/donations. Under the base case scenario, income assumptions (4) (5) are also more conservative.

<u>Scenario - Base Case</u>	<u>As Is</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Total</u>
1 Income							
2 Council	Option 1 £ 526	£ 476	£ 452	£ 407	£ 366	£ 330	£ 2,031
3 Transfer of Capital Funding		£ 50					£ 50
4 Donations/Funding		£ 50	£ 100	£ 150	£ 200	£ 250	£ 750
5 Trading/Other	£ 39	£ 50	£ 55	£ 60	£ 65	£ 75	£ 305
6 Total Income	£ 565	£ 626	£ 607	£ 617	£ 631	£ 655	£ 3,136
7 Costs							
8 As Is Costs:-							
9 People Costs	£ 342	£ 266	£ 280	£ 300	£ 320	£ 342	£ 1,508
10 Building	£ 108	£ 76	£ 76	£ 76	£ 76	£ 76	£ 378
11 Grant Pot	£ 110	£ 100	£ 90	£ 81	£ 73	£ 66	£ 410
12 Other External	£ 42	£ 42	£ 42	£ 42	£ 42	£ 42	£ 211
13 Internal Infrastructure	£ -	£ -	£ -	£ -	£ -	£ -	£ -
14 Subtotal As Is Costs	£ 601	£ 483	£ 488	£ 499	£ 511	£ 526	£ 2,507
15 Incremental Costs:-							
16 Infrastructure Services Bought In		£ -	£ -	£ -	£ -	£ -	£ -
17 Building Set Up		£ 50					£ 50
18 Insurance		£ 20	£ 20	£ 20	£ 20	£ 20	£ 100
19 Management Team	Option 2	£ 72	£ 96	£ 96	£ 96	£ 96	£ 454
20 Subtotal Incremental Costs:-	£ -	£ 142	£ 116	£ 116	£ 116	£ 116	£ 604
21 Total Costs	£ 601	£ 625	£ 603	£ 614	£ 626	£ 641	£ 3,110
22 Surplus/(Funding Gap)	<b>-£ 36</b>	<b>£ 1</b>	<b>£ 4</b>	<b>£ 3</b>	<b>£ 5</b>	<b>£ 14</b>	<b>£ 26</b>

The Grant Pot (11) also reduces by approximately 10% each year and a smaller management team (19) is recruited with the Fundraiser and Service Delivery lead roles being 0.5FTE each with recruitment of the Service lead delayed until Year 2.



## 5.4 CashFlow and Working Capital

The model currently assumes that laptops and computer equipment and other assets and consumables transfer to the new Youth Trust and there is no further investment required.

In addition working capital will be required - particularly as there is a likely to be a lag in the first year in terms of raising new funds and new income streams. Therefore it is proposed that the Council pay two payments in advance in Year 1 at the commencement and 6 month date, with quarterly payments in advance from Year 2 onwards or as the new income streams ramp up.

It is recommended that the council provide some small support with cashflow in the early years where this is required.



## 6. Transition Plan

[Outstanding; Council to advise target date and CEO recruitment]



## 7. Risk Register

Risks	Detail	Mitigating Actions
Financial Viability and risks on all income streams	<ul style="list-style-type: none"> <li>- Council funding – Council looking to realise savings of 10% from Year 1, which may put at risk the Trust's chances of success in its early years</li> <li>- Commercial/trading income - currently achieving below budget</li> <li>- Donations – new income stream and requires senior leaders to push prior to launch who are not yet in place</li> <li>- Not enough time to put in place substantial new income streams for day 1</li> </ul>	<p>Appoint senior leadership team to commence fundraising strategy and activities prior to start-up and to sign off growth targets.</p> <p>Council to provide additional funding prior to set-up/in first year of £75K, part of which will be used to fund CEO and Fundraiser prior to start up.</p>
Leadership	No leader or senior team in place to sign off the strategy, delivery model, foundation contracts and commercial arrangements as well as income and growth targets for the Trust.	<p>Identify and appoint shadow leadership team with the right experience and network.</p> <p>Engage with experts with successful track record such as Onside or Play Torbay who can provide a 'Critical Friend' on the Board, access to their network, funding and IT.</p>
HR and Pension liabilities	<p>Need to agree liabilities - historical pension deficit, pension bond costs, cap-and-collar on future employer's contribution, redundancy liability.</p> <p>Model currently assumes no additional liability/cost is taken on by the Youth Trust and all liabilities remain with Council</p>	<p>Appoint someone to negotiate with Council on behalf of Youth Trust.</p> <p>The Youth Trust will seek for these liabilities to either remain with the Council or to transfer to the Youth Trust with Council funding.</p>
Pension timeline	It is proposed that the Youth Trust applies for admitted body status. There is a timeline risk around both obtaining this status and agreeing the position in relation to HR and Pension liabilities above	<p>Commenced engagement with the Council HR and Pensions team and Actuarial Report requested. Actuarial report now provided.</p> <p>Youth Trust negotiator to agree position with Council.</p>
Transition timeline	<p>To achieve the spin out target date of 31st March, heads of terms need to be drawn up now and a project team from the Council set up to progress transition, led by a Council sponsor to ensure a coordinated approach. This will also require someone to act as a lead negotiator for Council.</p> <p>OJEU process may cause delays to transition timelines.</p>	<p>Setting up the Youth Trust will require input from various teams in the Council e.g. HR, Pensions, Legal, Finance, Procurement. We suggest the Council start some transition activities now to mitigate this risk and confirm preferred target spin-out date.</p>
Council Infrastructure services	The Business Case currently assumes nil cost for Council infrastructure services. These will therefore either need to be provided on an ongoing basis for free or at cost along with funding.	<p>It is anticipated following discussion with Council finance that infrastructure services will be provided in Years 1 and 2.</p> <p>Insurance will have to be paid for by the new entity. Council representative is seeking confirmation of insurance costs - still outstanding to include in financial model.</p>
Inflation	It is anticipated that the Council funding is subject to an inflation rise each year. This will cover the inflation impact of salaries and external costs.	Commence negotiation with the Council.
VAT	There could be potential VAT costs for both the Council and the Youth Trust. (Please see VAT paper for details)	Clarify VAT position with the Council Finance team.
Failure to agree terms	The Youth Trust may not agree terms with the Council, with the result that no transfer takes place.	- Collaborative approach between Council sponsor and the Youth Trust leadership when in place to make this happen





## 8. Appendices

1. **Service Definition**
2. **Income Definition**
3. **Production Definition**
4. **Legal & Governance Paper**
5. **Finance & Tax Paper**
6. **Youth Service Overview**