



OPTIONS APPRAISAL OF PARKFIELD YOUTH CENTRE
TORBAY COUNCIL



A
REPORT
BY
FMG CONSULTING LTD

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TABLE OF CONTENTS

| | |
|--|----|
| 1. Background and Purpose of Report..... | 1 |
| 2. Preferred Options..... | 4 |
| 3. Procurement Options..... | 9 |
| 4. Summary and Recommendations | 11 |

1. Background and Purpose of Report

Background

- 1.1 In August 2017, following the Council's decision not to proceed with the planning application for the relocation of the Torbay School at Parkfield, the Director of Children's Services reported on the need to explore the future management arrangements for the Parkfield Youth Centre facility.
- 1.2 The report recognised the complexities around the different solutions for the facility including:
 - the Council's statutory responsibilities for providing youth offending services;
 - the broader requirements of meeting the grant funding obligations of the successful Place Makers grant (Myplace); and
 - the Council's agreement with the Torbay Youth Trust to grow youth provision without a corresponding reliance on increased Council funding.
- 1.3 The report also recognised the considerable "head of steam" that had been generated from the planning application process which had generated attention from a wide range of local interested groups in the potential for the facility to be placed in community ownership.
- 1.4 Mindful of the Council's need to bring forward a sustainable longer-term solution for the management of the facility, the report recommended that external support would be required to objectively review and subsequently (if required) procure a management contract with an external body to take responsibility for the day to day operating of the facility, including all the income and operating costs.
- 1.5 Concurrently with this review, further work would be undertaken by the Council to explore the day time use of the site by schools to meet the needs of pupils struggling to engage as well as the potential relocation of the Medical Tuition Service (MTS).

Changes since the August 2017 Report

- 1.6 Following the submission of the August 2017 report, the following activities have taken place including:
 - a soft market testing exercise has been undertaken to obtain feedback from the market on interest in the project;
 - 'In principle' agreement on the terms of a new youth service management arrangement with Torbay Youth Trust;
 - discussions with schools about the potential use of the site;
 - discussions on the consolidation of children services within the site; and
 - developments on the relocation of the Medical Tuition Service (MTS).

The Current Service

- 1.7 The wider Parkfield site includes Parkfield House which is a Grade 2 listed building and is the base for the Youth Offending Service and the Parkfield Youth Centre facility which is the base for the Council's Youth Service and Young Carers Service and provides circa 25 hours of service delivery per week (mainly evenings and weekends). These two buildings are set within parkland which is open to the public.
- 1.8 The Youth Centre building also houses the Carers South West Service that supports those young people vulnerable to becoming NEET (Not Engaged in Education, Employment or Training). Young people that use the Parkfield Youth Centre report that they value the facility as a place where they feel safe and able to access valuable support from qualified youth practitioners.

Restriction and Constraints of the Facility and Site

- 1.9 The following restrictions apply:
- The National Trust holds a Restrictive Covenant over land known as Parkfield Nurseries covering built structures, fixtures and land and therefore requires legal consent prior to any future works on the site.
 - In 2009, the Big Lottery Fund provided a 'Myplace' grant to the Council to fund the construction of the Parkfield Youth Centre. The grant conditions that remain in force until 2030 and state that: The facility must be open for activities at times that suit young people including late Friday and Saturday night, unless the Big Lottery Fund has provided its prior written consent'.
 - The Council have drawn up an 'In principle' agreement with Torbay Youth Trust to operate the Youth Service for 25 hours per week (from 4.30pm-9.30pm Tuesday to Friday and 10am - 5pm Saturday). The Council would wish to establish a partnership arrangement between any new operator and the Torbay Youth Trust that would provide guidance and added commercial value to the exiting developments.

Procurement objectives

- 1.10 The Council's aim for the Parkfield Youth Centre is to:
- Improve the range of programmes and understand the opportunities for income generation;
 - Understand the appetite for capital investment and growth of the current business and the scope for development of new markets and revenue streams;
 - Further enhance the current levels of community satisfaction with frontline youth services, service quality and flexibility, delivering best value for the Council;
 - Significantly increase the number of those visiting Parkfield Youth Centre and to promote an eclectic offer for community health and well-being, learning and youth development; and
 - Ensure a positive impact on the local economy in terms of economic, social and physical health and well-being.
- 1.11 The Council consider that a sustainable solution for the facility is likely to comprise of a number of elements that together secure the facility in the short term but with the capacity to grow delivery and activity for young people and other members of the community over time.

- 1.12 Income from young people and other community groups using the facilities are likely to be an element of the solution as will be working in collaboration with the Council, local groups, schools and interested individuals and organisations over the longer term to develop a range of day time and evening activities that optimise the use of the asset and create a vibrant and appealing offer.

2. Preferred Options

Parkfield Youth Centre

- 2.1 Having defined the background and the objectives for the project, the options available to Members to develop the site and / or deliver the services, outcomes and benefits have been identified as follows:
- A. Do Nothing
 - B. Co-location of Children Services
 - C. Community Managed
 - D. Commercial Operator
 - E. Asset Transfer
- 2.2 An overview of each option including the service and financial implications and asset utilisation is provided below together with the opportunities and challenges considered related to each option.

Summary of the Options

- 2.3 The table below highlights some of the key elements of the options.

Table 2.1 - Summary of the Options

| | Option A | Option B | Option C | Option D | Option E |
|-------------------------------------|-------------------|---|---------------------------------------|-------------------------------------|-------------------------------------|
| Protect Torbay Youth Trust 25 Hours | Yes | Yes | Yes | Yes | Possibly |
| Manage Asset | Youth Service/TDA | Youth Service & Education Departments/TDA | Community Organisation | Commercial Organisation | Transferee |
| Additional Use outside 25 hours | None | Schools and other sessional users | More than likely Community activities | Commercial and Community Activities | Commercial and Community Activities |
| Council Control | Direct | Direct | Lease or Contract | Lease or Contract | Lease |

Option A Do Nothing - Status Quo and providing 25 hours to Torbay Youth Trust

Overview

- 2.4 Under this option, the facility will continue to be operated by the Council with technical support from the TDA. The Council will continue to open and close the facility on weekdays and at weekends to allow Torbay Youth Service to provide a range of youth services as part of the proposed agreement with the Council.

Service Implications

- 2.5 The continuation of the services will result in maintaining the current levels of utilisation of the building. Any increase in attendance levels will be as a result of the actions and programmes developed by the Torbay Youth Trust.

Financial implications

- 2.6 This Option assumes the current base as the cost of the service (circa £112,000 per annum) and is used to compare the financial implications of the other options included in this report.

Opportunities and Challenges

- 2.7 Growing the wider use of the facility for use by the community will be dependent on the Council opening the facility outside of the core hours used by the Youth Trust. There is likely to be limited as it will require additional personnel and resource within Children's Services to develop the use of the Centre.

Asset Utilisation

- 2.8 Given the 'In principle' agreement with the Torbay Youth Trust to manage youth services on behalf of the Council, this option on its own is unlikely to lead to an overall increase in the overall use of the asset unless additional revenue funding is allocated to extend opening hours.

Option B - Co-Location of Services- Education/Youth/ Children's Services

Overview

- 2.9 This option involves the co-location of a number of Council service providers with resources transferred or shared internally between providers who would take a more active role in the operation and management and utilisation of the facility. A key consideration will be using the site for Medical Tuition Service (MTS) which is currently looking for sites to use. It is estimated that the cost of a new facility is £7 million but a re-modelling of the Parkfield Youth Centre could be as low at £400,000 of capital expenditure (*Source: MTS Site Options Appraisal, TDA. 14 November 2017*)
- 2.10 The programmed time set aside for the delivery of the youth services by the Torbay Youth Trust would need to be examined and if possible maintained with other Council services using the facility outside these core hours to work with schools and others to deliver curriculum activities, MTS and offer community opportunities. The TDA would continue to oversee the maintenance and upkeep of the asset as in Option A above.

Service Implications

- 2.11 There is some synergy to be gained from co-locating and integrating the work of the Youth Service with Education with existing budgets being transferred or recharged internally to facilitate such a move. The Education Department would gain an additional facility to support their activities during the day time and the Council could save capital and revenue resources from the re-location of the MTS.
- 2.12 Out of hours provision (after 5pm weekdays and at weekends) could accommodate the work of the Youth Trust who will occupy key parts of the building for their activities. Some formal monitoring of the work of the Youth Trust would need to be managed by Children's Services requiring some form of tri-partite agreement to be put in place.

Financial implications

- 2.13 The MTS scheme is likely to save circa £6.6 million on capital resources. Co-locating services at Parkfield would mean a potential saving of circa £30k to £35k on MTS revenue costs which could be offset against the existing £112k operating costs of the Parkfield facility. Given that the Council is looking at a location for MTS, this could provide a financial saving for the Council.

Opportunities and Challenges

- 2.14 Subject to the facility being able to be accommodated within the 1,325m² and allowing the Council to meet its obligations under the grant funding agreements, covenants and agreement with the Torbay Youth Trust, there is a great opportunity for the Council to provide joint working and quality facilities for delivering statutory services for young people. The key challenge will be to ensure that agreements are in place about who is responsible for the cost of the building, timings of use and daily handover arrangements. Another challenge will be how the facilities are made secure during different uses.

Asset Utilisation

- 2.15 The co-location of a number of service providers on to the site at different times of the day will increase the utilisation of the facility. In so doing, the option integrates children's services, provides a base from which to anchor the delivery of the Council's statutory obligations towards children and improves utilisation of the site.

Option C - Community Managed

Overview

- 2.16 The soft market test revealed a wide range of local groups interested in managing the facility under some form of community agreement. This option therefore reflects that solution.

Service Implications

- 2.17 A community organisation would submit proposals to operate and manage the facility on behalf of the Council. The Council could transfer the risk of utilities and maintenance and upkeep to the community stipulating that the agreements in place between the Youth Trust and the terms of the MyPlace grant are honoured.
- 2.18 The Community Management operator would be able to programme and develop the facility in line with existing commitments drawing on support from other local groups and

organisations. This option has been promoted by the Torbay Community Development Trust and Paignton Community Partnership.

Financial implications

- 2.19 The Council is likely to see the transfer of utility and maintenance costs to the new operator as part of the lease/licence agreement. The future costs of developing the service during the day would rest with the operator. Whilst a community organisation would be eligible for grant funding, it is unclear what level of future financial support the organisation may require from the Council and if they can develop sufficient third-party revenues in the form of income, grants and sponsorship to meet the operational costs of the facility.
- 2.20 A community led organisation is likely to seek additional grant funding to support a range of programmes although without sufficient financial trading history, it is unclear to what extent it may attract supporting investment. As a result, balancing the cost and revenue is likely to weigh heavily on the decisions affecting the programming and utilisation of the facility.

Opportunities and Challenges

- 2.21 A community run facility may appeal to the Council as it supports local democracy and reflects local interest. A community organisation may apply for external grants to develop programmes and activities that the Council cannot. A community organisation may not have the commercial expertise to make the business sustainable. A community organisation that has no track record of running a facility or of implementing a sustainable business plan may be a challenge to the Council.
- 2.22 A further challenge may be how to restrict any procurement approach or lease arrangement whilst excluding the private sector. Legal advice may be required on this matter.

Asset Utilisation

- 2.23 The extent to which the asset is utilised under this option will be driven by a mix of programming and pricing. This approach is unlikely to optimise asset utilisation but rather community need.

Option D - Commercial Operator

Overview

- 2.24 The Council could outsource the operation and management of the facility to a commercial operator. In procuring a suitable operator the Council could include provisions for the transfer of risk associated with utilities, maintenance and future revenues to the operator as part of the contractual arrangement. Like all other options it would have a commitment to protect the hours allocated to the Torbay Youth Trust.

Service Implications

- 2.25 The Council would retain oversight of the contract but allow the operator commercial freedom to manage the centre and develop the programme, subject to existing commitments but in line with prevailing market conditions.

Financial implications

- 2.26 The Council would likely see costs savings in its budgets against the other options. A commercial operator would likely bring additional expertise to the development of the

programme with potential increases in the utilisation of the facilities and higher attendances.

Opportunities and Challenges

- 2.27 A commercial operator is likely to have the expertise to develop programmes that appeal to the local market. They are also the most likely of the options, to have practical experience of running buildings and managing assets through lease or contractual arrangement. The Council may need to satisfy itself of the balance to be had between social and commercial programmes of use and the pricing of activities.

Asset Utilisation

- 2.28 The soft market test exercise demonstrated that several established commercial operators can see an opportunity and are interested in entering into a concession agreement with the Council. A commercial operator is likely to want to programme the facility so that it optimises income from the facility.

Option E Asset Transfer

Overview

- 2.29 The Council could decide that it wants to transfer the ownership of the facility to a third-party organisation. This could be a private person or company or a community asset transfer.

Service Implications

- 2.30 The Council could decide to transfer all risks associated with the building to a third-party organisation. The future viability of the building and the services on offer would rest with the third party. The services provided may not cover the 25 hours of Torbay Youth Trust but will likely need to provide some community services to be compliant with the requirements of the funding obligations.

Financial implications

- 2.31 The Council could determine a market rent for the facility and in so doing remove the current costs to the Council, although this will be impacted by the funding obligations that could reduce the cash available for rent payments.

Opportunities and Challenges

- 2.32 Transferring the asset to a third party places the ownership of the facility outside that of the Council for the long term. Concerns with meeting the obligations of the agreement with the Torbay Youth Trust for use of the building; with Myplace in terms of meeting the obligations of grant funding and with the National Trust as landowner may need to be resolved.

Asset Utilisation

- 2.33 The transfer will likely lead to a focus on net profit or surpluses rather than on the utilisation of the asset. Any increase in building use will be as a consequence of profitable programmes and/or rental streams.

3. Procurement Options

03

Introduction

- 3.1 Should Options C, D or E be pursued, we estimate that the facility operator would look to breakeven from an operational perspective or require a smaller level of subsidy than the existing arrangements (subject to further evaluation of the proposals being submitted). Also, it is anticipated that all the risks of the building will transfer to the operator to manage, including income risk, inflation, utility costs and maintenance costs.
- 3.2 There are several options available to the Council in the procurement of an operating contract or lease to a third party to manage and operate the Parkfield Youth Centre facility including, but not limited to, entering into a contract for services, a service concession agreement or a property lease. The key drivers for the selection of a route may include:
 - the value of the contract
 - the level of risk transferred; and
 - the services that are provided.
- 3.3 Under EU and UK Regulations all public supplies and public service contracts must be procured and comply with these Regulations. However, it is dependent upon the financial value attributed to the contract and the type of service being provided.
- 3.4 Normally a contract that has an annual value more than £181,302 must use the Regulations, although some services (set out in Appendix 3 of the Regulations 2015), including sports, recreation, culture, health and social activities do not have to fully comply with the Regulations, but only where the threshold of £615,278 is exceeded (this is referred to as the Light Touch Regime). Any contract under this annual value for these services may simply follow the Council's own standing orders regarding procurement and anything over this threshold can use the Light Touch Regime.
- 3.5 With substantial transfer of risks, and limited or no deficit funding, the contract may fall under the 2016 Concession Contract regulations, which means that the Council can procure an operator under a Service Concession. This process is less formal than that under the 2015 Regulations. The financial threshold for this over the life time of the contract (measured as turnover) is £4,551,413 from 1st January 2018.
- 3.6 Given the options presented, the Council has no additional legal obligations should the Do Nothing or In-House Management options be pursued, other than to comply with its own agreements with the Youth Trust and TDA and the obligations under the grant conditions.
- 3.7 In terms of the Outsourced options presented (Option C and D), the Council has a duty to obtain best value should it decide to outsource the future management of the service or dispose of the asset under a lease. In this scenario, it is likely that, given the value of the contract, the Council will seek to use its own standing orders to procure a contract as it is a service falling within Appendix 3 of the 2015 Regulations and the value falls under the threshold.

- 3.8 Alternately given the potential value of the contract and the risks to be transferred to the operator for the building and services, this transaction may be procured as a Service Concession which again provides a lighter regime in terms of procurement.
- 3.9 In terms of disposing of the asset (Option E), it may use its powers granted to it by the General Disposal Content (England) 2003, where the Council is permitted to transfer Assets of Community interest to a community organisation (such as a Development Trust, a Community Interest Company or a social enterprise) for less than market value (up to a value of £2 million) if it considers it can achieve a local social, economic or environmental benefit.
- 3.10 Under this option interested parties will be required to submit an expression of interest and, if the local authority accepts it, a more detailed business plan will be required to show that the organisation is ready and able to successfully manage the land or building in the long term. The specific form of transfer would depend on the legal structure of the proposed organisation.

04

4. Summary and Recommendations

Summary

- 4.1 The table sets out a summary of each of the options covering opportunities, challenges, service implications, financial implications and risk.

Table 4.1 - Summary of Options

| Option | Opportunities | Challenges | Service Implications | Financial Implications | Summary |
|----------------------|--|--|---|--|---|
| A. Do Nothing | <ul style="list-style-type: none"> Provides unencumbered access for the Youth Trust to operate under the terms of the proposed agreement with the Council | <ul style="list-style-type: none"> Limits use of facility to wider community Limits Council in obtaining betterment from transfer of risks associated with operating income and costs. Ongoing revenue cost Council continues to handle the day to day management of the facility. Use of facility is not optimised | Unlikely to develop further programmes (within current resources) other than that provided by Torbay Youth Trust. | Unlikely to deliver future budget savings with current operating costs remaining static. | Low asset utilisation and unlikely to generate any savings on current revenue budgets |

| Option | Opportunities | Challenges | Service Implications | Financial Implications | Summary |
|------------------------------------|---|--|---|--|--|
| B.- Co-Location of Services | <ul style="list-style-type: none"> Retains asset to provide Council youth services Provides the option to deliver a range of additional children's services including MTS and Education (EBD) | <ul style="list-style-type: none"> Future development plans are likely to be hampered by constraints on Council budgets High degree of focus on statutory services and not on wider development of community engagement services. Need to identify budget provision to operate the facility. Need to ensure that grant funding obligations etc can be met. | Integrates and co-locates collective group of Council partners focused on providing statutory children's services. Likely to improve overall utilisation of the facility. | Will make substantial capital savings if MTS relocates to the building. Additional revenue savings likely through the offset of costs and new income from sessional and school use. Future budgets need to reflect the shared use of the facility with any increase in costs met in full by the Council. | High utilisation throughout the week. Significant potential savings from capital budgets and savings on revenue budgets and predicated on MTS relocating to the site. If the MTS does not relocate, the utilisation may be high but the savings will not be generated at the same level. |
| C. Community Managed | <ul style="list-style-type: none"> Creates community space which is managed by local people for local people Programmes and pricing reflect and responds to community need May be able to attract external funding in the form of grants | <ul style="list-style-type: none"> Lack of trading history Unknown capability and expertise in managing maintenance and upkeep Business sustainability of initiatives and plans Establishing suitable Governance arrangements | Local community focussed services and places direction and sustainability directly in the hands of local group. | Uncertainty as to whether this solution will deliver financial savings or be sustainable | Utilisation is driven by community need which is likely to grow over time. Savings difficult to establish and possible grant funding support may be required. |

| Option | Opportunities | Challenges | Service Implications | Financial Implications | Summary |
|-------------------------------|---|---|--|---|--|
| D. Commercial Operator | <ul style="list-style-type: none"> • Attracts external expertise to manage facility and develop service offer • Longer lease likely to attract capital investment • Arrangements enable risk transfer of utilities and maintenance and repair responsibilities to contractor. • Development of range of programmes and attractive offers to increase revenues and attendances | <ul style="list-style-type: none"> • Need for clarity of roles of Youth Trust and new Operator • Requires Council to monitor the contract • Establishing the balance between commercial and social activities • Requires the Council's to relinquish direct control over activity pricing | Places management of facility fully with commercial partner to “sweat the asset” | May secure competitive market rent in the form of a reduced service fee | Utilisation driven by profit. Profit will be leveraged from a combination of price point and/or usage. Net increases in income likely. |

| Option | Opportunities | Challenges | Service Implications | Financial Implications | Summary |
|--------------------------|---|---|---|--|--|
| E. Asset Transfer | <ul style="list-style-type: none"> • Places Council asset in hands of a third party for the long term • Encourages sustainability and service development • Offers the opportunity for leaseholder to attract external funding | <ul style="list-style-type: none"> • The relationship between the Council, the Youth Trust and new leaseholder • Ensuring the grant conditions are maintained. • Possible legal disputes involving existing covenant with National Trust • Loss of systems for monitoring and reporting on service delivery and business performance. | Full transfer of asset and operation and site | The Council could transfer its assets to a community organisation (such as a Development Trust, a Community Interest Company or a social enterprise) for less than market value - to achieve a local social, economic or environmental benefit under Community Asset Transfer. | Focus on income generation which likely to create a level of savings on Council budgets. Asset utilisation will only occur where increase in usage is required to meet operating costs of asset. |

4.2 **Recommendation**

- 4.3 A variety of options are presented for consideration, but the critical balance is between asset utilisation and the net impact on the Council's budget. These options are below:
- a) Do nothing (Option A); or
 - b) the co-use of the facility as a base for providing a range of children's services with MTS/Education working alongside the current Torbay Youth Trust (Option B); or
 - c) the need to provide an asset from which to increase the community, voluntary and third sector activities (Option C); or
 - d) seeking to optimise and "sweat the asset" and in so doing maximise the financial savings that can be achieved by the Council, whilst meeting the grant and covenant obligations (Option D and E).
- 4.4 In reaching a preferred way forward, Members may wish to consider the need to balance the utilisation of the asset, financial impact on the Council's budgets, overall community benefits and the wider statutory responsibilities the Council has in providing Children's Services.