Monday 20 November 2017 at 4.30 pm

Meeting to be held in a Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

<table>
<thead>
<tr>
<th>Membership Councillors:</th>
<th>N Forbes, J McCarty, A Ainsley, G Bell, N Casey, V Dunn, N Kemp, K Kilgour, K McGuinness, and J Streather</th>
</tr>
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<tbody>
<tr>
<td>Opposition Observers Councillors:</td>
<td>A Lower and W Taylor</td>
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SUPPLEMENTAL AGENDA PACK 1

8. Creating a Charitable Trust to Protect Newcastle's Parks and Allotments 1 - 70
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20 November 2017

Creating a Charitable Trust to Protect Newcastle’s Parks and Allotments

Name of Cabinet Member: Councillor Kim McGuinness

Director presenting report: Tony Durcan, Assistant Director Transformation

Report Author: Tony Durcan/Farah Hussain, Senior Specialist/Advisor

Report summary: In July 2017 Cabinet agreed that work should continue to develop and test the feasibility of a new delivery model – a Charitable Trust – for Newcastle’s parks, recreation grounds and allotments. This report presents the results of the continuing work, and recommends the creation of Newcastle Parks Charitable Trust, and the approval of the business model, and approval to implement.

Summary of decision being asked: Cabinet is asked to:

- agree to create a Newcastle Parks Charitable Trust;
- agree the assets in scope for transfer to the Trust;
- agree to guarantee the new Trust’s admission to the Local Government Pension Scheme
- agree a revenue contribution to the Trust of up to £9.500m;
- agree to work with the National Trust and the Parks’ Trust to support an endowment within the £9.500m resources referred to above;
- authorise the Director of Resources, the Assistant Director Transformation and the Assistant Director Legal Services in consultation with relevant cabinet members to negotiate and finalise the terms of the transactions, and authorise the Assistant Director Legal Services to enter into the documents to transfer the relevant assets to the Trust; and
- agree that the Council should try to mitigate irrecoverable VAT liability for the Trust by undertaking capital works for the Trust.
1. **What is this report about?**

1.1 Newcastle has a range of parks and allotments which form a critical part of the City’s infrastructure. Continued government budget reductions mean that the quality of the estate is declining, and a long term positive solution needs to be established. The Council is committed to securing a vibrant future for its parks. The Council’s ambition is for safe and well-maintained green spaces, where people of all ages and backgrounds can enjoy moments of tranquillity or join in activities that are open to all; destination venues, drawing in people from across the city and beyond; and with a delivery structure that involves local people in shaping the future of their green spaces and unlocks new sources of funding that can protect them for future generations.

1.2 Cabinet received a report in July 2017 which explained the financial pressure on the Parks and Countryside Service where the budget has reduced from £2.589m in 2010/11 to £0.087m in 2017/18. Cabinet agreed that the Council should continue to work with the National Trust, Social Finance and Heritage Lottery Fund to develop an alternative delivery model (a newly constituted Charitable Trust) capable of protecting and developing the estate. Cabinet also agreed that parks, recreation grounds and allotments should all be considered as part of the proposal for the time being.

1.3 Since that decision, officers have challenged the assumptions behind the model proposed by the Council’s advisors (Social Finance and the National Trust), and continued to work with external legal and tax advisers.

1.4 This report recommends that Cabinet agree to set up a new charitable trust to which it should transfer (by long lease), the Council’s parks’ and allotments’ estate; asks for confirmation of the revised scope of that estate; and seeks approval for the required financial contribution and governance structure.

1.5 The budget detailed at paragraph 1.2 relates to the assets recommended to be "in scope" for delivery by the proposed Trust (and which equate to approximately 409 hectares of parks/green spaces, 15.5% of the City’s open spaces):

- Principal Parks, Countryside Parks, and Neighbourhood Parks;
- Playgrounds in parks; and
- Allotments.

The specific areas are listed in Appendix 1.

1.6 The Council plans to take recreation grounds out of scope at this stage to facilitate investment opportunities such as the FA and Sport England’s Parklife scheme. The structure of the Trust will enable it to take on other assets in the future as appropriate.

1.7 The budget referred to in 1.2 also covers the following areas which are not in scope:

- Closed graveyards;
- Playgrounds outside parks;
- Recreation grounds (removed from scope since the July
To support development of the proposal, the Council conducted an extensive engagement exercise with residents. The responses have helped shape the structure of the proposed charity, for example the proposed charitable objectives; the importance of environmental conservation, and the proposed governance model.

1.9 The Council has been clear from the outset that any new proposal must adhere to the core principles (below) – these have been echoed throughout the consultation and are now embedded in these proposals:-

1. **Public ownership**: parks should remain in Council ownership - high priority for the Council.
2. **Free access for all**: parks should be free to access and use but charging for some facilities/activities continues and grows.
3. **One City**: equality of resources and enjoyment across all of the City’s parks – no single park or individual solutions.
4. **Health and wellbeing**: access to open space; play and sport; allotments.
5. **Safe and clean**: parks should be clean, and visitors should feel and be safe.
6. **Existing groups**: integral – part and parcel of any new solutions.

2 What decisions are being asked for?

2.1 Cabinet is asked to:

1. Agree to create a new Newcastle Parks Charitable Trust, constituted in accordance with the charitable objects and associated governance proposals detailed in appendix 2.
2. Agree the assets within scope as detailed in section 1.5 and appendix 1, and approve their long lease transfer (125 years) at a peppercorn rent, together with the associated transfer of staff and business operations to the Trust.
3. Agree a revenue contribution to the Trust of £9.500m to support the Trust over its first 10 years of operation to financial independence.
4. Agree to work with the Trust to support an endowment using resources within the revenue contribution, capped at £9.500m.
5. Authorise the Director of Resources and the Assistant Director Transformation, in consultation with the Cabinet Members for Resources, and for Culture and Communities to negotiate and finalise the terms of the transaction.
6. Authorise the Assistant Director Legal Services to enter into the required legal agreements for the proposals. An indicative list of the documents likely to be required is shown in appendix 5.
7. Agree to guarantee the new Trust’s admission to the Local Government Pension Scheme in respect of transferring staff.
8. Agree that the Council should seek to reduce the amount of irrecoverable VAT liability incurred by the Trust by undertaking capital activities on its behalf.
3. Why is the proposal being put forward?

3.1 The proposal is put forward because of the Council’s commitment to the future of the Parks estate, despite it not being a statutory service. Without change, severe ongoing budget pressures on non-statutory services risk leading to long-term decline in the quality and facilities of our parks. A new charitable trust would protect parks, transform their contribution to communities, source new income streams not available to the Council, achieve expenditure efficiencies and ring-fence and recycle income purely for the benefit of the parks.

4. What impact will this proposal have?

4.1 This proposal will protect and develop the City’s parks and allotments, safeguard jobs, and create additional employment and training opportunities. It should also help alleviate capacity pressures in Local Services, and over a 125-year lease arrangement, deliver an estimated long-term saving of over £110m (after the initial 10-year period) as explained in section 8. Supported by both the National Trust and the Heritage Lottery Fund, this is also ground-breaking national learning for other local authorities.

4.2 Despite not being a statutory service, parks are critical to the City’s infrastructure. Finding a solution to financial pressures and safeguarding the parks estate is a priority for the Council, contributing to its four overall priorities. An impact assessment is attached as appendix 3.

5. How will success be measured?

5.1 Success will be measured through the Trust’s financial and operational performance, and through resident satisfaction. The Trust will also report annually to the Charity Commission, and an annual report to the ‘city’ will be recommended for inclusion in the governance documents.

6. What is the timetable for implementation?

6.1 Subject to Cabinet’s approval of the recommendations, next steps will be:
- immediate feedback to residents on the decision and implementation;
- an ongoing communications campaign to ensure that residents and stakeholders are fully aware of the opportunities the change provides;
- creation of the Trust, recruitment of Board of Trustees and Chief Executive; preparation of leases and transfer of staff and assets;
- the scale of the land transactions may mean that transfer is not fully effected until late 2018/early 2019.

The implementation plan, with timetable is shown at appendix 4.

7. What are the legal implications?

7.1 The recommended legal structure is a company limited by guarantee with charitable objectives, and with a trading subsidiary company limited by shares. All profits generated by the trading subsidiary would be donated to the Trust. There would also be a separate Trust within this structure to hold any endowment with all income generated applied for the benefit of the Trust.
7.2 Council staff employed in the Service would transfer their employment from the Council to the Trust under the provisions of the Transfer of Undertakings (Protection of Employment) Regulations “TUPE”. Therefore the staff would transfer on their existing terms and conditions of employment. The Council would facilitate the Trust’s admission to the Tyne & Wear Pension Fund (TWPF) to ensure that the transferring staff can remain in the TWPF. However, any staff appointed to the Trust after transfer would be appointed on terms determined by the Trust and they would not be admitted to the TWPF - alternate provision would need to be made for their pensions.

7.3 The Council would grant long leases of the land and assets in scope to the Trust. The Trust will be an independent charitable body with a body of trustees who will be legally responsible for making decisions regarding the parks and other assets transferred to it in furtherance of the Trust’s charitable objectives, and for its benefit. The Council, as a member of the Trust, and through its appointed directors/trustees, will retain some involvement in the governance structure, but Council appointed trustees will be obliged to act in the best interests of the charitable trust. The Council will retain the freehold of the land but, in keeping with the nature of the long leases being granted, the Council’s controls over the land will be limited to that of a landlord in a long leasehold arrangement. Income generated from tenancy and licence agreements already in place within the parks would transfer to the Trust. The State Aid position is being kept under review, and any structure would be designed to ensure compliance is met.

7.4 Legal Services has worked with external legal advisers in the production of the governance proposal at appendix 2.

7.5 Appendix 5 lists the required legal agreements – the list is comprehensive but may not be exhaustive.

8. What are the resource implications?

8.1 The current budget position for Parks was reported to July Cabinet. Work has continued with stakeholders to refine the resource requirements for the Parks Trust (referred to as the “TOM – Target Operating Model" or business model) and those elements out of scope of the transfer. The revised TOM is included in the background papers, and is summarised in the presentation in appendix 6. The TOM illustrates a potential business model to demonstrate financial feasibility of the proposed Trust – it would be up to the Trust, once constituted, to determine exactly which efficiencies or income streams it wished to explore.

8.2 A Parks Trust is estimated to require a contribution of £9.500m with the profile being:

<table>
<thead>
<tr>
<th>Year of Operation (£m)</th>
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</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2.175</td>
</tr>
</tbody>
</table>

8.3 No further contributions would then be required after this investment. The £9.500m includes a general contingency and a provision for irrecoverable VAT. The operating model also assumes a repayable capital loan at State Aid compliant interest rates. Any front-loaded profiling of investment compared to current investment levels would need to be cashflowed using Council reserves.
8.4 An endowment of £15m would strengthen the Trust’s financial position. Depending on timing and investment returns, modelling illustrates a return of at least £3m could be earned by the end of Year 10 and perpetuate beyond. If an endowment is pursued, the Council’s cashflow to the Trust would need to be accelerated further to accommodate the endowment model so the Trust could match external contributions. This could potentially mean that the Council has invested more than £9.5m during the ten-year period however the Contribution Agreement between the Trust and the Council would ensure that the amount in excess of the £9.5m is repaid before the end of year 10.

8.5 Services within Operations Directorate are provided for the Parks and Allotments which would transfer to the Trust. Some of these are currently charged to the Parks service whilst others are funded by central Operations budgets. There will be an opportunity to contract with the Trust for this work and the estimated potential net income increase to Operations is estimated at £50k per annum. The ongoing net costs of any related activity not in project scope are estimated at £0.190m per annum. The combined funding and current budgets over the first ten years of the Trust are shown in the table below.

**Estimated budgetary implications of movement to a Trust Model, over 10 years**

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
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<tbody>
<tr>
<td><strong>Future model</strong></td>
<td></td>
</tr>
<tr>
<td>Contribution to Trust</td>
<td>9.500</td>
</tr>
<tr>
<td>Cost of retained services</td>
<td>1.900</td>
</tr>
<tr>
<td>Net Operations income increase as result of moving to Trust</td>
<td>-0.500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10.900</td>
</tr>
<tr>
<td><strong>Current model</strong></td>
<td></td>
</tr>
<tr>
<td>Cash Limited Budget</td>
<td>0.870</td>
</tr>
<tr>
<td>Public Health Grant</td>
<td>10.030</td>
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<tr>
<td><strong>Total</strong></td>
<td>10.900</td>
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8.6 The overall proposal would deliver a long term saving (after the initial 10-year period) of over £110m, assuming a 125 year lease arrangement, in comparison to the current budgets continuing.

9. **What are the procurement implications?**

9.1 The recommendation is to establish a Charitable Trust with a long lease asset transfer – it is not the procurement of a service.

10. **What are the key risks and how are they being addressed?**

10.1 If a new delivery model is not established, further budget reductions will result in repairs and maintenance levels reducing, and severely compromising the quality, safety and future of the estate. The City will also lose a significant opportunity to transform the Service, to access other sources of funding, and to develop support
from the community. The key risks around implementation are:

<table>
<thead>
<tr>
<th>Key Risks</th>
<th>Mitigation</th>
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<tr>
<td>Financial Sustainability - inability to make the levels of income projected in the model, and/or higher than expected costs could make the Trust financially unsustainable in the future, and result in the Trust returning to the Council for further funding or failing in the worst case.</td>
<td>The business model is based on the Council’s actual spend in previous years with future assumptions from national benchmarks modelled by Social Finance; and tested and challenged by Council and National Trust. The model has also been independently reviewed by National Trust’s operational experts. Ernst &amp; Young have advised on tax implications. The mechanism for Council cash-flow to Trust will be regulated by a financial contribution agreement between the parties. The Trustees will be responsible for acting in the best interests of the Trust and for transparent reporting to the Charity Commission and Companies House. Should the Trust fall into difficulty, the Council could consider whether further support is needed. The Council intends to include a clause in the lease allowing the Council to terminate the lease if the Trust breaches the lease terms. The Council will also make a case to HMRC and ensure that the Trust is as VAT efficient as possible. Council has the option of carrying out capital works to help manage the Trust’s VAT liability.</td>
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<tr>
<td>Transfer to the Trust results in a negative change to the core purpose of the City’s parks and allotments and reduces the quality of the estate.</td>
<td>Charitable status will protect the purposes for which the land has been transferred. There will also be a variety of controls within charitable objects, lease user restrictions, and policies of the Trust. The Council’s Planning Department is advising on the environmental controls that will be put in place prior to transfer.</td>
</tr>
<tr>
<td>Transfer could impact on ability of Council to meet its legal obligations in existing S106 Planning agreements or other contracts to provide new or enhanced open space/ allotment facilities</td>
<td>Ongoing due diligence will highlight risks and help shape mitigation strategies.</td>
</tr>
<tr>
<td>The implementation plan aims for transfer to the Trust no later than April 2019, however the extent of the due diligence, land transactions, and applications required to Land Registry could</td>
<td>The resourcing of the project team and continued support of National Trust and Heritage Lottery will enable pace to be maintained wherever possible. Legal and Tax expertise has already been procured. If the recommendations are</td>
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If the recommendations are approved, recruitment will start early in January 2018 with adverts for Trustees, followed by Chief Executive. It will therefore be clear relatively early on whether this is an issue.

Report Author: Tony Durcan

Job Title: Assistant Director, Transformation

Contact (tel/email): 0191 2115383 / tony.durcan@newcastle.gov.uk

Appendices

Appendix 1 Revised Project Scope
Appendix 2 Governance Proposal
Appendix 3 Integrated Impact Assessment
Appendix 5 List of Required Legal Agreements
Appendix 6 Summary Business Model

Appendix 1: Revised Project Scope

Parks
1. Armstrong Park
2. Benwell Nature Park
3. Big Waters Nature Reserve
4. Christon Road
5. City Stadium
6. Denton Dene South
7. Elswick Park
8. Exhibition and Brandling Parks
9. Gosforth Central Park
10. Harbottle Park and Allendale Road
11. Havannah and Three Hills Nature Reserve
12. Heaton Park
13. Hodgkin Park
14. Iris Brickfield
15. Jesmond Dene
16. Jesmond Vale
17. Kingston Park West
18. Leazes Park
19. North Kenton Park
20. Nuns Moor Park
21. Ouseburn Park
22. Paddy Freeman’s Park and Castle Farm
23. Percy Pit
24. St. Lawrence Park
25. Sugley Dene
26. Summerhill Square
27. The Quarry (in South Gosforth)
28. The Spinney
29. Tyne Riverside
30. Walbottle and Throckley Dene
31. Walker Park
32. Walker Riverside Park
33. Westerhope Park

Allotments
- Approximately 51 hectares in total.
• 62 Allotment Associations (self-managed with a number of allotment plots) also 42 individual plots, 1 Parish Council Allotment Association, 3 sites managed by the Freemen.

• The Council also manages a number of allotment sites within the 62 above, on the Town Moor, under an agreement with the Freemen.
2 November 2017

Parks Trust

Governance Proposal

Newcastle City Council
1. OVERARCHING APPROACH

1.1 The governance proposal for the Parks Trust has been informed by the consultation and feedback sessions with the public and other key stakeholders, the proposed charitable objectives of the Parks Trust, specialist charity law and governance advice, the requirements of the Sports Governance Code and the aspirations of the Charity Governance Code. The Sports Governance Code is the code which charities are expected to adhere to if they are in receipt of Sports England funding. The Charity Governance Code is a practical tool which helps charities develop high standards of governance.

1.2 The proposal recognises that good governance is key to a charity's success and its accountability to the public, key stakeholders and supporters. In particular it sets the framework for overseeing how the charity furthers its charitable objectives (set out at appendix 1) and how it delivers benefit to the public through its activities.

1.3 In designing the governance for the Parks Trust, the following key principles have been taken into account:

1.3.1 **Principle 1**: the Parks Trust must be independent of the influence or control of any local authority (this is a requirement of charity law);

1.3.2 **Principle 2**: the leadership of the Parks Trust must focus first and foremost on the most effective way of delivering the Parks Trust's charitable objectives\(^1\) for the benefit of the people of Newcastle within the parameters of the available funding in order to preserve the city's open spaces for future generations (this encapsulates some of the fundamental legal duties and responsibilities of charity trustees);

1.3.3 **Principle 3**: stakeholders must have an effective role in the governance of the Parks Trust which is meaningful and appropriate but does not distract from or hinder the achievement of Principle 2 (stakeholder engagement is one of the key themes arising from consultation).

1.4 The legal model for the Parks Trust will be a charitable company limited by guarantee. After considering the options and having taken proper advice, it was felt that this model provided the most advantages bearing in mind the overarching objectives to be achieved. In particular, it provides limited liability protection to trustees and members (not provided by a pure charitable trust model). It is also the legal structure most familiar to third parties and, despite the introduction of the Charitable Incorporated Organisation (CIOs), is still regarded as the corporate model most associated with charitable status by funding bodies. In addition, certain legislation (which is relevant to charities with connections to local authorities) is only applicable to "companies", rather than to CIOs or registered societies (as the community benefit society model was also considered), which was a factor taken into account in designing the legal structure. The company model also facilitates the governance arrangements described in this paper.

2. GOVERNANCE PROPOSAL - SUMMARY

2.1 The governance for the Parks Trust could be as follows:

2.1.1 **Board of Trustees**

\(^1\) The charitable objectives of the Parks Trust are, broadly, preserving, maintaining and improving parks, advancing health and well-being, providing facilities for recreation, and ancillary to these main objectives, advancing education.
Either

(a) A Board of Trustees of up to 12 individuals comprising:

(i) One direct nomination by Newcastle City Council (Principle 1 is not undermined) (NCC trustee); and

(ii) Between 5 and 11 other trustees (appointed trustees).

Or

(b) A Board of Trustees of 13 or more individuals comprising:

(i) Two direct nominations by Newcastle City Council (NCC trustees); and

(ii) A minimum of 11 other trustees (appointed trustees);

2.1.2 In each case, the appointed trustees would be appointed by the Board on the basis of their skills and experience following a public advertisement and a transparent selection process (achieves Principle 2).

2.1.3 To reflect the importance of the Parks Trust to the City; the level of investment placed in the Parks Trust by Newcastle City Council and to ensure greater flexibility in terms of numbers and opportunity to achieve the right mix of skills the Board of Trustees will be constituted in line with (b) above.

2.1.4 Membership

A Membership comprising:

(a) Newcastle City Council (Principle 1 is not undermined);

(b) 5 or more other public or charitable corporations, selected primarily to reflect the key themes arising from the charitable objectives of the Parks Trust (provision of parks, health and wellbeing, amateur sport, provision of facilities for recreation and leisure, conservation of the environment, history, culture and heritage, the arts; and education) (reflective of Principle 3); and

(c) no members of the Board of Trustees (meaning it can truly hold the Board to account).

2.1.5 Community representation

2.1.6 A Communities Group comprising individuals from across the city with interests in particular aspects of the Parks Trust's activities (this meets Principle 3)

2.1.7 Subsidiary Trading Company

A company limited by shares which would be wholly owned by the Parks Trust. Governance arrangements for the trading subsidiary company will be compatible with the charitable objectives of the Parks Trust and all profits from the trading subsidiary company will be donated to the Parks Trust. Detailed governance arrangements will be developed alongside the governance arrangements for the Parks Trust.
2.2 The diagram below sets out the key features of the three tiers of governance and how they interact with one another. Further detail on each layer of governance is set out in paragraphs 3 to 5 below.

**Members**
Each member has one vote
Limited role on day to day basis
Gatekeepers to constitutional change
Must approve any changes to the charitable objectives (as well as the Charity Commission) and all governance arrangements set out in the articles of association
Have the right to remove Trustees if ever required
Appoint the auditors

**Board of Trustees**
Led by Chair
Ultimately responsible for the management and administration of the charity
Have legal duties to act solely in the best interests of the Parks Trust when taking decisions (regardless of their route to appointment)
Focus on strategy, risk, support and challenge for the Chief Executive, financial sustainability, and delivery of charitable objectives for the benefit of the public

**Communities Group**
Committee comprising at least one trustee, the community engagement officer, plus residents of Newcastle representing a broad range of interests and locations
Make recommendations to the Board on topics such as community engagement

**Staff**
Led by Chief Executive
Responsible for delivering the business plan and day to day operations.

**Volunteers**
Augment the activities of the charity and the role of staff
3. **THE BOARD**

3.1 The Board will work towards meeting the recommended practice of the Charity Governance Code which sets the highest standard for charity governance. One of the principles of the Charity Governance Code is that the board works as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions. The requirements of the Sports Governance Code have also been incorporated into the proposed structure.

3.2 **Minimum and maximum numbers**

3.3 As there will be two NCC trustees, there must be a minimum of thirteen trustees at all times (including the NCC trustees) so as to ensure that the rules on charities and independence are not compromised.

3.4 The Charity Governance Code and the Code of Sports Governance recommend a maximum of 12 trustees (but this is not a legal requirement). This recommended maximum will be breached if two NCC trustees are appointed. Any application for funding from Sports England would need to explain why it was necessary (and justified) for there to be more than the recommended maximum number of trustees on the Board. The rationale for having a larger than recommended Board could be clearly explained at the point of applying for funding so as to anticipate any questions that may be asked and to ensure that, notwithstanding the derogation from recommended practice, it is clear that the charity follows good governance principles so as not to jeopardise funding opportunities.

3.5 **Terms of office**

3.6 The NCC trustee(s) will be appointed and removed by Newcastle City Council with no maximum term in office. The lack of a maximum term for NCC trustee(s) would need to be explained on the basis that it secures the representation of the Council as a key stakeholder and funder of the charity (and the landlord of its estate). This should not cause an issue, particularly if in practice the NCC trustee(s) changes more than once every nine years.

3.7 The appointed trustees will be appointed for a term of three years after which they must retire but may stand for re-appointment, subject to a review by the Board of their effectiveness as charity trustees. The maximum period after which an appointed trustee must stand down and cannot be re-appointed is nine years, subject to paragraph 3.8 below.

3.8 The Charity Governance Code (and the Sports Governance Code) recommends a maximum term of office for trustees of nine years. It is recognised that there could be exceptional circumstances in which a particular trustee is making an outstanding contribution to the Board as they are coming to the end of their maximum term and that it would be detrimental to the Charity for them to retire solely on the basis of good governance principles. In such circumstances, any re-appointment or re-election above the maximum term is subject to the approval of the Members who may appoint any trustee for a further term of 1 year (or for a further term of up to 3 years in the case of the Chair) before he or she must retire.

3.9 Any trustee who retires from the Trust (and who is not re-appointed or who must stand down because he or she has served the maximum of nine years) may be appointed again after four years out of office. All previous time on the Board would be ignored in calculating maximum terms of office after this break.

3.10 **Transitional provisions**

3.11 It is proposed that there will be transitional provisions introduced for the first trustees to mitigate the risk of trustees potentially reaching their maximum term at the same time. It is proposed that, save for the NCC trustee(s):

3.11.1 One third of the first trustees will have a first term of one year;

3.11.2 One third of the first trustees will have a first term of two years; and
3.11.3 One third of the first trustees will have a first term of three years.

It is proposed that any trustee whose first term is less than three years will have their first term disregarded in calculating their maximum permitted time in office. This will also ensure some stability during the initial establishment period of the Trust.

3.12 Council nomination

3.13 Newcastle City Council’s nominations will enshrine the Council’s role in the leadership of the Parks Trust whilst meeting the requirements of Principle 1.

3.14 The Council as nominating body may choose to nominate any individuals. Any person nominated by the Council will have all of the legal duties and responsibilities of a charity trustee. This means they will be legally obliged to take all decisions as charity trustee solely in the best interests of the Parks Trust, disregarding the interests and direction of the Council. The exception to this is where the interests of the Council are aligned to the interests of the Parks Trust.

3.15 Note that at any one time no more than 19.9% of the Board can have a connection to a local authority (regardless of the capacity in which they act as trustee or how they were appointed).

3.16 As there will be two NCC trustees, there must at all times be a minimum of 11 appointed trustees, bringing the minimum number on the Board to 13 (including NCC trustees). This will mean the number of Board members exceeds the recommended maximum of 12 at all times. Whilst not ideal, a maximum of 12 is not a legal requirement so is possible. However, it does mean that the Board has little flexibility as must always operate at a minimum number of 13 trustees in total. For as long as there are less than 13 trustees, mechanisms will need to be drafted into the articles to reduce the influence of the two NCC trustees to less than 19.9%. Typically this can be achieved by deeming them to have one vote between them until sufficient appointed trustees have been selected.

3.17 Where there are two NCC trustees, the Board will need to ensure that no appointed trustee has a connection to the Council which would also make them a person who, at law, is regarded as "associated" with the Council.

3.18 The NCC trustees will take part in the selection of the appointed trustees.

3.19 Appointed trustees

3.20 A minimum of 11 trustees will need to be appointed by the Board as there will be two NCC trustees.

3.21 The Board will be required to conduct a regular skills audit looking at what the Park Trust needs at any particular time. This will measure and record the skills and experience of the Board and any gaps in those skills. Any vacancies amongst the appointed trustees will be widely and openly advertised with the aim of attracting a diverse range of candidates.

3.22 Eligibility for appointment will be based upon the skills and experience needs of the Board as identified in the latest skills audit. To the extent that more than one eligible person applies for the vacancy, the Board will conduct a transparent selection process. The selection process could include meeting representatives of the Communities Group (if established) whose observations could be taken into consideration in the appointment process (even if the decision of the Board will be final).

3.23 Consideration was given to whether residency in Newcastle upon Tyne was a requirement to be an appointed trustee and it was concluded that whilst an individual’s location could be one of the factors in the selection process to distinguish between two candidates that had similar skills and experience, that appointment by skills and experience should be prioritised to give the Parks Trust maximum flexibility in achieving its charitable objectives. Indeed, individuals from outside the region may have helpful perspectives to contribute to debate.
3.24 Chair and Vice Chair

3.25 We would recommend that the Chair of the Parks Trust is an appointed trustee.

3.26 To ensure balance of opinion and to represent the Council’s considerable interest in the Parks Trust, the Vice Chair will be an NCC trustee. The Board will need to be alive to any potential conflicts of interest this creates and, where the Vice Chair is unable to take part in a decision because of a conflict of interest, an appointed trustee could be appointed Vice Chair (if necessary) for the purposes of that decision. The Vice Chair would be expected to support the Chair, including chairing meetings in their absence and acting as an advocate for the Parks Trust in public forums.

3.27 Openness and accountability

3.28 One of the principles of the Charity Governance Code is that the Board leads the charity in being open and transparent unless there is good reason for it not to be.

3.29 The Board is obliged to prepare an annual report to accompany its accounts each financial year setting out, amongst other things, how the charity has been governed, how it has furthered its charitable objectives and how it has met its obligation to deliver benefit to its beneficiaries i.e. residents and visitors to Newcastle upon Tyne. This report will be available to the public through the Charity Commission’s website (and the Parks Trust’s own website once established).

3.30 In addition, it is anticipated that minutes of Board meetings will be made available on request and through the charity’s website, subject to the usual redactions for reasons of data protection obligations and commercial sensitivity. There will be an appropriate complaints policy and complaints will be handled constructively, impartially and effectively, as recommended by the Charity Governance Code.

3.31 The Board will be expected to engage effectively with the Members, and if established the Communities Group, in order to achieve Principle 3 and to oversee suitable consultation with Members (and the Communities Group if relevant) about any significant changes to the charity’s services or policies, as well as taking into account the specific recommendations delegated to the Communities Group (see paragraph 5.6 below) if such a group is established.

3.32 As is the requirement for all charities, the Board will maintain a Register of Interests and will have a Conflict of Interest Policy setting out how any interests of trustees will be identified and appropriately managed to ensure transparency and accountability of decision making.

4. THE MEMBERS

4.1 Gatekeepers and Custodians

4.2 The role of the Members is to act as gatekeeper and custodians for the charity. On a day to day basis their role is limited.

4.3 However, any fundamental changes to the Parks Trust, for example a change to the charitable objectives, any decision to wind up the Parks Trust, any change to the governance arrangements as set out in the articles of association, would all require at least 75% of the members voting to vote in favour before such changes could be implemented.

4.4 As noted in paragraph 3.8 above, the members would determine any extension to a maximum number of years in office for any trustee (other than the NCC trustee(s)) to ensure such action is not taken lightly.

4.5 The Members will also have the legal right to remove any trustee (including an NCC trustee). We would not expect this right to be exercised without good cause and the trustee in question would be given an opportunity to respond to any proposed removal. It would require a majority of Members voting to vote in favour for the removal to be effective.
4.6 The proposed governance structure therefore contains safeguards to ensure that the Board of Trustees cannot make fundamental changes to the Parks Trust without the agreement of key stakeholders.

4.7 Composition

4.8 The Members are entirely independent of and separate from the Board and can therefore hold it accountable for its actions in the manner set out above.

4.9 The Members will comprise public and/or charitable corporations and partnerships that have an interest in all, or an aspect of, the Parks Trust's charitable objectives which will be determined at the point of incorporation. Typically any changes to the membership post incorporation would be overseen and authorised by the Board.

4.10 They will include at least one Member with an interest in each of the charitable objectives. Consideration was given to whether exclusively commercial organisations should be Members and it was concluded that on balance the role did not require such organisations, and could lead to concern around the privatisation of parks, which could lead to reputational issues for the charity.

4.11 Newcastle City Council will be one of the members. Potential other members (of which there must be at least 5) include:

4.11.1 A national conservation charity;
4.11.2 A local Health trust, CCG or similar;
4.11.3 Sport England;
4.11.4 Regional historic, cultural and arts organisations;
4.11.5 A land-based education provider;
4.11.6 A local University;
4.11.7 A local Community Foundation;
4.11.8 [local children's charity/organisation, local disability charity/organisation?]
4.11.9 [Environment Agency?].

4.12 Each Member will appoint an authorised representative to attend meetings when required and that representative acts under the direction of the Member. The individual must have sufficient standing to take decisions for and on behalf of the Member organisation.

5. THE COMMUNITIES GROUP

5.1 The Communities Group is not a legal requirement but is being incorporated in the legal structure as a means of engaging with the community.

5.2 The Communities Group will be a properly constituted committee of the Board with Terms of Reference governing its remit and composition. Its establishment will be enshrined in the articles of association of the Parks Trust giving it standing and importance in the governance of the Parks Trust.

5.3 The aim of the Communities Group is to be fully representative and inclusive of all areas of the city and relevant interests. This achieves one of the themes emerging from public consultation, that there be parity across the parks estate. The Terms of Reference for the Communities Group would be overseen by the Board of Trustees and would be amended by them by a majority of
trustees voting in favour of an amendment. It would be possible for the Board to consult with the Communities Group on any such changes if that was desirable.

5.4 The Communities Group will comprise at least one trustee and could also include the Community Engagement Officer (or similarly titled employee of the Parks Trust) for the Parks Trust together with individuals nominated from amongst the local community and appointed by the Board through a transparent selection process.

5.5 The composition of the Communities Group could include, for example:

5.5.1 at least one trustee from the Board;

5.5.2 the Community Engagement Officer for the Parks Trust;

5.5.3 a representative from each ward in which the Parks Trust operates (once new boundaries are determined);

5.5.4 a representative for health, amateur sport, education, conservation, environment, history and culture, and the arts;

5.5.5 if not present through the above two categories:

(a) at least one young person under the age of 21;

(b) at least one person affected by an impairment or disability;

(c) at least one parent or guardian of a child or children or individual working in early years provision.

5.6 The Board could delegate responsibility to the Communities Group to make recommendations on certain areas which were highlighted in the consultation as areas where public involvement and engagement was a concern. By way of example, the Communities Group could make recommendations to the Board on the following areas:

5.6.1 The ethical principles under which the Parks Trust may authorise its wholly owned trading subsidiary to engage with commercial third parties who wish to use the parks;

5.6.2 The principles under which the Parks Trust may authorise its wholly owned trading subsidiary to undertake non-charitable activities within the parks;

5.6.3 The principles under which technology should be used by the Parks Trust to reach a broader range of residents cost effectively;

5.6.4 The principles under which the Parks Trust distributes resources fairly and equitably across its estate;

5.6.5 The most suitable ways of consulting with the public on key decisions using the "plan, do, review" cycle as a starting point;

5.7 It would be for the Board to determine the extent to which it consults with the Communities Group.

5.8 Members of the Communities Group could be eligible to be elected or appointed as trustees provided they meet the relevant selection criteria.

5.9 By way of example, the Communities Group could also act as:

5.9.1 the link between the Parks Trust and pre-existing 'Friends of' groups with interests in any one particular park;
5.9.2 [the co-ordinators of community fundraising].

5.10 Whilst members of the Communities Group would not have legal duties and responsibilities in the same way as the Board of Trustees, the expectation would be that it would make its recommendations and takes action with the bests interests of the entire parks estate in mind and bearing in mind the objects of the Parks Trust as a whole. Each member of the Communities Group would have one vote.

6. SUMMARY

6.1 A summary of the potential governance proposals for the Parks Trust is set out in paragraph 2.1 above.

6.2 Our view is that the proposal achieves the key themes arising from the consultation, to the extent that they effect governance, as well as the principles set out at paragraph 1.3 above.

6.3 In addition it also meets the requirements of the Charity Governance Code, the Sport Governance Code and the regulatory requirements for the independence of a charity from local authority control and influence.

6.4 It should be noted that the governance structure is not set in stone, it could be amended in the future if a better structure emerges as the Parks Trust becomes fully operational. Any change to the governance structure which affects the articles of association would need the approval of at least 75% of the voting members, providing a level of scrutiny and oversight to such a change.

7. USEFUL LINKS

https://www.charitygovernancecode.org/en

http://www.uksport.gov.uk/resources/governance-code
APPENDIX 1 – PROPOSED CHARITABLE OBJECTIVES

The objects for which the Charity is established are for the public benefit and in particular for the benefit of the inhabitants of and visitors to Newcastle upon Tyne and the surrounding areas to maintain and improve:

(a) **the environment**: providing, equipping and protecting as appropriate, parks, gardens, landscaped areas, woodlands, open spaces, playing fields, playgrounds, recreational amenity spaces and air quality (the Parks) for the purposes of;

(b) **health**: advancing health and well-being by promoting participation in healthy outdoor recreation, physical activity and amateur sport, primary and secondary prevention, therapy, rehabilitation and recovery;

(c) **happiness**: providing or assisting in the provision of facilities for recreation or other leisure time occupation in the interests of social welfare and with the object of improving the conditions of life for the inhabitants of Newcastle upon Tyne and the surrounding areas; and

(d) ancillary to the above objects, to advance education in particular in:

   (i) the conservation, protection and improvement of the natural environment including the flora and fauna, wildlife, biodiversity, and natural habitats of the Parks;

   (ii) the history, culture, heritage and traditions of the North East; and

   (iii) the promotion and encouragement of the arts, in particular within the Parks.
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Appendix 3 - Integrated Impact Assessment (IIA)

Informing our approach to fairness

<table>
<thead>
<tr>
<th>Name of proposal</th>
<th>Newcastle Parks Charitable Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of original assessment</td>
<td>23 October 2017</td>
</tr>
<tr>
<td>Lead officer</td>
<td>Tony Durcan</td>
</tr>
<tr>
<td>Assessment team</td>
<td>Narindar Bhabra, Gerardine Fagan, Farah Hussain, Jon Brown, Gary Weatherstone, Donna Alderson</td>
</tr>
<tr>
<td>Review date</td>
<td>April 2018</td>
</tr>
</tbody>
</table>

Version control

<table>
<thead>
<tr>
<th>Version</th>
<th>Date</th>
<th>Replaces version</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>23 October 2017</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Section A: Current service

1. What does the service do?

The Parks and Countryside Service are responsible for the management of parks and open spaces across the City including allotments. The parks and allotments can be categorised as follows:

- Principal Parks x 11
- Neighbourhood Parks x 15
- Countryside Parks x 9
- Recreation Grounds x 19
- Allotments - 62 Allotment Associations, 42 individual allotments, 1 Parish Council Allotment Association, 3 sites managed by the Freemen.

- Green open space classified as ‘leisure land’ across the city.

This is a considerable proportion of the City’s green open space.

The Parks and Countryside service has experienced severe budget cuts in recent years. In 2010/11 the budget was £2.589m. Due to ongoing budget reductions, the budget in 2017/18 will be £0.087m. However, the service has been supported by Public Health Funding with £1m per year which has helped bridge the shortfall. It is important to note that grounds maintenance activities (grass cutting, shrub bed maintenance, litter picking, bin emptying etc) sit outside of the Parks and Countryside service and is paid for by a separate budget.

The reduction to the budget meant a reduction in the number and roles of staff who are responsible for parks, reduced training and skills and removed all Park Keepers.

The current staffing resource within the service is 19 (15.5 FTEs):

- Parks Manager x 1
- Parks Development Specialist x 1
- Parks Development Officer x1
- Allotments Officer x 1
- Rangers x 6 (2 are HLF funded)
- Pets Corner Keepers x 2
- Community Support Worker x 2
- Operational Support Assistant x 1
- Retail Assistant x 2
- Cleaner x 2
This proposal seeks to address any negative impacts which are already being experienced within the service now, as a result of reduced staff and maintenance across the estate.

2. Who do you deliver this service for?
The service is delivered for the benefit of residents and visitors to the City. Parks and open spaces are a valued asset and are enjoyed by a diverse range of people for different reasons.

3. Do you have any statutory requirements?
The Parks and Countryside service is not a statutory requirement. However, it is a statutory requirement for Local Authorities to provide land to be used as allotments.

4. How much do you spend on this service?

<table>
<thead>
<tr>
<th>Gross expenditure</th>
<th>Gross income</th>
<th>Net budget</th>
<th>Capital projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>£1,901,950</td>
<td>£1,814,750</td>
<td>£87,200</td>
<td>£790,512</td>
</tr>
</tbody>
</table>

5. What workforce delivers this service?

<table>
<thead>
<tr>
<th>Posts</th>
<th>FTEs</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>15.5</td>
<td></td>
</tr>
</tbody>
</table>

Section B: Change proposal

1. What is the proposal to change the service?

The proposal and rationale

The proposal is to create a Charitable Trust for Parks and Allotments. The Trust would manage and maintain the majority of parks and allotments across the city (Principal Parks, Neighbourhood Parks, Countryside Parks and 64 allotment associations as well as a number of individual sites with exception of the Freemen owned sites – see appendix 1 for list of parks and allotments in scope).

It was also decided it would be in the Council’s interest to take Recreation Grounds out of scope at this stage to facilitate opportunities such as Parklife investment (seeks to create high quality 3G pitches in partnership with the FA). The structure of the Trust will enable it to take on other assets in the future as appropriate. These will continue to be maintained by the Council.

The proposal is put forward because of the Council’s commitment to the future of the Parks estate, despite it not being a statutory service. A new charitable trust would protect parks, transform their contribution to communities, source new income streams not available to the Council, achieve expenditure efficiencies and ring-fence and recycle income purely for the benefit of the parks.

The Charitable Trust

The Trust would be independent from the Council but the Council would remain the landowner. An independent Trust would benefit from accessing funding the Council is unable to but it would also be more agile to respond to opportunities to generate income and make decisions without going through the protocols and procedures required of a local authority. It is likely that the parks and allotments in scope, transfer to the Trust on a long term lease i.e. 125 years.

The likely legal structure of the Trust is a company limited by guarantee with charitable objectives and with a trading subsidiary company limited by shares. We are currently working with our legal advisors to finalise this as well as the charitable objectives and governance structure.

We have worked with an organisation called Social Finance with the support of the National Trust, to develop a financial model to test whether the Trust approach would be viable. We have recently
challenged the assumptions in this model and are awaiting a final iteration. We do have confidence that the financial model can be delivered.

The work to develop the Trust is seen as a national pathfinder project. There is growing interest from other local authorities as their budgets continue to reduce. We have received significant assistance from the National Trust with this project. We also received HLF Resilience Funding (£237,500) to help with project costs and feasibility. As part of the funding requirements, we will share our learning with interested parties.

Financial model

The latest version of the model suggests a contribution from the Council of £9.5m would help sustain the parks and allotments for a period of 10 years. It is likely that this will be front loaded to enable the Trust to put in place infrastructure and other changes to maximise income generation opportunities. The model also suggests that the Trust would need to generate income in order to become sustainable. This would be achieved by holding paid for events and activities, implementing pay and display car parking where appropriate, seeking advertising and sponsorship opportunities etc. There are also opportunities to make efficiencies such as open procurement for grounds maintenance.

The model also suggests that an endowment of £15m would help the sustainability of the Trust. The National Trust are leading these discussions with potential donors on our behalf. The endowment would provide a source of income which would strengthen the financial position of the Trust. It would be beneficial to have the endowment in place by year 3 of the Trust.

Staffing implication

The core parks staff (listed in section 1) will TUPE transfer to the Trust. This means that they will transfer on the existing terms and conditions of employment. The Council would also facilitate the Trust’s admission to the Tyne and Wear Pension Fund (TWPF) to ensure that the transferring staff can remain with the TWPF. Any staff appointed by the Trust would not be admitted into the TWPF – alternate provision would need to be made for their pensions.

2. What evidence has informed this proposal?

<table>
<thead>
<tr>
<th>Information source</th>
<th>What has this told you?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rethinking Parks Programme (Nesta, Heritage Lottery Fund and Big Lottery Fund initiative)</td>
<td>Newcastle City Council were not part of this initiative but the subsequent report provided invaluable information about the 11 projects across the Country and what worked and what didn’t work in terms of improving parks.</td>
</tr>
<tr>
<td>The National Trust General Managers Newcastle Parks Challenge report (Draft)</td>
<td>4 General Managers from the National Trust were tasked with assessing the risks, liabilities, opportunities and quick wins for the parks estate. They are in the process of preparing a report with a number of recommendations that the Trust may wish to consider if it is created.</td>
</tr>
<tr>
<td>Attendance at workshops, events, seminars, conferences across the Country over the past 3 years.</td>
<td>Attendance at these forums have provided valuable insight into the issues other authorities face in terms of managing their parks estate. In the main, the majority of authorities are facing the same challenges as us. There have also</td>
</tr>
<tr>
<td>Being opportunities to establish excellent partnership relationships e.g. with the National Trust, Heritage Lottery Fund and other Local Authorities.</td>
<td></td>
</tr>
</tbody>
</table>
### 3. Who have you engaged with about this proposal?

<table>
<thead>
<tr>
<th>Date</th>
<th>Who</th>
<th>No. of people</th>
<th>Main issues raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 September 2017</td>
<td>Voluntary Sector Liaison Group (on request)</td>
<td>18</td>
<td>Awareness of project raised. Issues raised included how community involvement would be factored into the governance structure; Clarification why other Core Cities haven’t followed the Charitable Trust route.</td>
</tr>
<tr>
<td>August 2017</td>
<td>Newcastle University (on request)</td>
<td>3</td>
<td>Awareness of the proposal raised.</td>
</tr>
<tr>
<td>9 August 2017</td>
<td>Sport England</td>
<td>1</td>
<td>Raise awareness of the proposal.</td>
</tr>
<tr>
<td>7 August 2017</td>
<td>Leazes Park Anglers Association</td>
<td>3</td>
<td>Concerns were raised about the future of the Anglers Association Post Trust set up.</td>
</tr>
<tr>
<td>July / August 2017</td>
<td>Engagement Feedback Sessions</td>
<td>100+</td>
<td>Sessions to feedback to the public and stakeholders about Cabinet’s decision in July 2017 and how we have used the engagement feedback to inform the development of the proposal.</td>
</tr>
<tr>
<td>April 2017 (Parks)</td>
<td>Freemen of the City</td>
<td>5</td>
<td>Awareness of the proposal raised and the potential implications for Freeman land. Freemen were supportive of the proposal.</td>
</tr>
<tr>
<td>April 2017 (Allotments)</td>
<td>Freemen of the City</td>
<td>5</td>
<td>2nd August meeting was to discuss the future of Freemen allotments post Trust set up.</td>
</tr>
<tr>
<td>10 April 2017</td>
<td>Elders Council</td>
<td>Approx. 15</td>
<td>Awareness of the proposal raised. Discussion around the importance of Parks for older people.</td>
</tr>
<tr>
<td>3 April 2017</td>
<td>Save Newcastle’s Wildlife Group</td>
<td>Approx. 20</td>
<td>Awareness of the proposal and discuss concerns the group had about the potential impacts on wildlife in the parks.</td>
</tr>
<tr>
<td>23 March 2017</td>
<td>Exhibition Parks Croquet Club</td>
<td>3</td>
<td>Awareness of proposal and to address concerns re: potential implications for the Club if the Trust is created.</td>
</tr>
<tr>
<td>13 March 2017</td>
<td>Forestry Commission (on request)</td>
<td>1</td>
<td>Awareness of the proposal raised.</td>
</tr>
</tbody>
</table>
| February 2017 – April 2017 | Member of the public and stakeholders via an extensive engagement programme incorporating face to face engagement, website and workshops delivered by Newcastle University (Open Lab) | 4,300 responses received | 10 main themes emerged from the extensive programme of engagement:

1. Financial sustainability.
2. Privatisation and Commercialisation.
3. The Ethos of parks.
5. Governance and Decision making.
7. Allotments.
10. Education.

Most respondents understood the need to find an alternative service delivery model and the need to generate income in order to sustain the parks in the long term. |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>8 February 2017</td>
<td>Allotments Working Group (on request)</td>
<td>Approx. 20</td>
<td>Awareness of the proposal raised and to address concerns about the allotments being included within the scope.</td>
</tr>
<tr>
<td>Ongoing</td>
<td>Newcastle City Council Stakeholders (internal services)</td>
<td>Varies</td>
<td>This is a regular discussion with Council services to raise awareness of the project and to discuss implications the creation of the Trust may have for these services.</td>
</tr>
<tr>
<td>Ongoing</td>
<td>Parks Service (staff) &amp; Unions</td>
<td>Approx. 21</td>
<td>To discuss progress with the Parks Service and to respond to any questions and concerns they or the Unions may have.</td>
</tr>
<tr>
<td>Ongoing since 2015</td>
<td>Parks Forum</td>
<td>Varies</td>
<td>To discuss progress with the project and to respond to questions and concerns the Forum may have.</td>
</tr>
<tr>
<td>Ongoing since 2014/15</td>
<td>Elected Members</td>
<td>Varies</td>
<td>Discussions have taken place at various political forums such as Cabinet, Labour Group, Liberal Democrat Group, a series of Member drop in sessions. This was to initially raise awareness of the project and more recently, to update on progress,</td>
</tr>
</tbody>
</table>
seek political guidance and to address any Member concerns. Permission to proceed with the project was granted at July Cabinet. We will continue to engage with Members.

4. What are the potential impacts of the proposal?

<table>
<thead>
<tr>
<th>Staff / service users</th>
<th>Specific group / subject</th>
<th>Impact (actual / potential disadvantage, beneficial outcome or none)</th>
<th>Detail of impact</th>
<th>How will you address or mitigate disadvantage?</th>
</tr>
</thead>
<tbody>
<tr>
<td>People with protected characteristics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Users</td>
<td>Younger people and / or older people (age)</td>
<td>Beneficial outcome</td>
<td>The Trust will have the ability to focus on activities and events which will benefit these groups. In addition, the Trust will be able to maintain and manage the parks so that they are safe and accessible.</td>
<td>N/A</td>
</tr>
<tr>
<td>Service Users</td>
<td>Disabled people</td>
<td>Beneficial Outcome</td>
<td>The Trust will have the ability to focus on activities and events which will benefit this group. In addition, the Trust will be able to maintain and manage the parks so that they are safe and accessible. People with a disability will also have the opportunity to take part in volunteering activities which may have therapeutic benefits.</td>
<td>N/A</td>
</tr>
<tr>
<td>Service Users</td>
<td>Carers</td>
<td>Beneficial Outcome</td>
<td>By virtue of the parks being safe and accessible, carers will be able to take whoever they</td>
<td>N/A</td>
</tr>
</tbody>
</table>
People who are married or in civil partnerships | There is no evidence to suggest that this group will be adversely impacted.

Sex or gender (including transgender, pregnancy and maternity) | There is no evidence to suggest that this group will be adversely impacted.

People’s sexual orientation | There is no evidence to suggest that this group will be adversely impacted.

People of different races | There is no evidence to suggest that this group will be adversely impacted.

People who have different religions or beliefs | There is no evidence to suggest that this group will be adversely impacted.

<table>
<thead>
<tr>
<th>People vulnerable to socio-economic disadvantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Users</td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>Service Users</td>
</tr>
<tr>
<td>Service Users</td>
</tr>
</tbody>
</table>
maintenance. This will be achieved by having a structured approach to volunteering including increased capacity to provide support and training.

<table>
<thead>
<tr>
<th>Service Users</th>
<th>Beneficial Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Looked after children</td>
<td>There is no evidence to suggest that this group will be adversely impacted.</td>
</tr>
<tr>
<td>People facing multiple deprivation, through a combination of factors such as poor health or poor housing / homelessness</td>
<td>The vision is for parks to be used for therapeutic activities. This may help those with poor health (mental and physical).</td>
</tr>
<tr>
<td>Businesses providing current or future jobs in the city</td>
<td>There may be opportunities for local people to establish a business within a park(s) or for existing businesses to provide their business from a park.</td>
</tr>
<tr>
<td>Area, wards, neighbourhoods</td>
<td>One of the key objectives of the Trust is to ensure resources are distributed across the parks estate and not concentrated on the ‘flagship’ parks which are primarily located within the more affluent parts of the city. This will mean that parks that have received less investment</td>
</tr>
</tbody>
</table>

N/A
due to their location, will benefit.

| Service Users | Community cohesion | Beneficial Outcome | The Trust will need to deliver a number of events and activities which will generate income but which will also encourage people from all backgrounds to come to the parks. It is recognised that there will be a charge for some activities and events and this may prevent some people from accessing these. However, the trust will seek to deliver other community activities and events which will be accessible for all. There is no change envisaged to current activities delivered by Friends of groups community groups. | N/A |

| Service Users | Community safety | Beneficial Outcome | The Trust will generate income which will be reinvested in the parks infrastructure and maintenance which will help make the parks safer across the City for all. The Trust will also be able to allocate resources equitably across the estate which will re-assure residents in the more deprived | N/A |
areas that parks and allotments in their neighbourhoods, will receive investment when required.

<table>
<thead>
<tr>
<th>Service Users</th>
<th>Environment</th>
<th>Beneficial Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Environment</td>
<td>The Trust will be able to have a clear focus on protecting the parks and allotments across the City. The Trust will be able to generate income that will be re-invested within the estate and will have dedicated resources and expertise to assist with protecting the environment. This is something that is becoming more challenging for NCC due to ongoing budget reductions. The Trust will also have the resource and focus to make sure Park Management Plans are developed and adhered to.</td>
</tr>
</tbody>
</table>
Appendix 1

Parks

1. Armstrong Park
2. Benwell Nature Park
3. Big Waters Nature Reserve
4. Christon Road
5. City Stadium
6. Denton Dene South
7. Elswick Park
8. Exhibition and Brandling Parks
9. Gosforth Central Park
10. Harbottle Park and Allendale Road
11. Havannah and Three Hills Nature Reserve
12. Heaton Park
13. Hodgkin Park
14. Iris Brickfield
15. Jesmond Dene
16. Jesmond Vale
17. Kingston Park West
18. Leazes Park
19. North Kenton Park
20. Nuns Moor Park
21. Ouseburn Park
22. Paddy Freeman’s Park and Castle Farm
23. Percy Pit
24. St. Lawrence Park
25. Sugley Dene
26. Summerhill Square
27. The Quarry (in South Gosforth)
28. The Spinney
29. Tyne Riverside
30. Walbottle and Throckley Dene
31. Walker Park
32. Walker Riverside Park
33. Westerhope Park

Allotments

- Approximately 51 hectares in total.
- 62 Allotment Associations (self-managed with a number of allotment plots) also 42 individual plots, 1 Parish Council Allotment Association, 3 sites managed by the Freemen.

The Council also manages a number of allotment sites within the 62 above, on the Town Moor, under with an agreement with the Freemen.
Appendix 4: Implementation Plan / Indicative Timetable.

<table>
<thead>
<tr>
<th>Task</th>
<th>Timing</th>
<th>Lead Body</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feedback to public</td>
<td>Nov 17 / Dec 17</td>
<td>Council</td>
</tr>
<tr>
<td>Finalise contribution agreement and seek Director of Resources sign off</td>
<td>Nov 17</td>
<td>Council</td>
</tr>
<tr>
<td>Seek tax opinion from HMRC</td>
<td>Nov 17</td>
<td>Council</td>
</tr>
<tr>
<td>Draft Recruitment Adverts for Board of Trustees and Construct Pack of Information for Applicants and NDAs</td>
<td>Dec 17</td>
<td>National Trust</td>
</tr>
<tr>
<td>Issue Adverts for Board of Trustees</td>
<td>4 Jan 18</td>
<td>National Trust / Council</td>
</tr>
<tr>
<td>Draft Full Mobilisation Plan</td>
<td>Jan 18</td>
<td>Council</td>
</tr>
<tr>
<td>Set up Company limited by guarantee and open bank accounts (skeleton form)</td>
<td>Jan 18</td>
<td>Council</td>
</tr>
<tr>
<td>Shortlisting and Interviews</td>
<td>Feb 18</td>
<td>National Trust / Council</td>
</tr>
<tr>
<td>Appointments to Board and press announcements (if before 27th March 18)</td>
<td>March 18</td>
<td>National Trust / Council</td>
</tr>
<tr>
<td>First board meeting and inductions</td>
<td>April 18</td>
<td>National Trust / Council</td>
</tr>
<tr>
<td>Trust reviews existing business model and develop key policies, business, operating plan and communications plan</td>
<td>May 18 – Oct/Dec 18</td>
<td>Parks Charitable Trust / National Trust</td>
</tr>
<tr>
<td>Identify capital opportunities / main options</td>
<td>Jan 18 – May 18</td>
<td>Parks Charitable Trust / National Trust</td>
</tr>
<tr>
<td>Press Announcement</td>
<td>Late May</td>
<td>National Trust / Council</td>
</tr>
<tr>
<td>Trust and partners draft CXO advert and decide interview panel</td>
<td>April 18</td>
<td>Parks Charitable Trust / National Trust</td>
</tr>
<tr>
<td>Issue Advert for CXO/other key staff?</td>
<td>May 18</td>
<td>Parks Charitable Trust / National Trust</td>
</tr>
<tr>
<td>Trustees appoint CXO</td>
<td>Jun 18</td>
<td>Parks Charitable Trust</td>
</tr>
<tr>
<td>Trustees register company limited by guarantee at Charity Commission</td>
<td>Aug 18</td>
<td>Parks Charitable Trust</td>
</tr>
<tr>
<td>Press Announcement for CXO and Trust in place (albeit no land or staff)</td>
<td>July/Sept 18</td>
<td>Parks Charitable Trust / National Trust / Council</td>
</tr>
<tr>
<td>Task</td>
<td>Timing</td>
<td>Lead Body</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>Trust appoints its Legal and Finance / Tax Advisors</td>
<td>Jul 18</td>
<td>Parks Charitable Trust</td>
</tr>
<tr>
<td>CXO Starts</td>
<td>Sept 18</td>
<td>Parks Charitable Trust</td>
</tr>
<tr>
<td>Full Due Diligence and Land Valuations (plus land registry and charity commission applications)</td>
<td>Jan 18 – Oct/Dec 18</td>
<td>Council</td>
</tr>
<tr>
<td>Contact all parties with which the council has existing legal obligations and obtain consent to novate or assign</td>
<td></td>
<td>Council</td>
</tr>
<tr>
<td>Final draft form of legal docs ready for signing</td>
<td>Oct/Dec 2018</td>
<td>Council</td>
</tr>
<tr>
<td>Trust final review of all due diligence and draft legal documents</td>
<td>Oct/Dec 2018</td>
<td>Parks Charitable Trust</td>
</tr>
<tr>
<td>Enter all legal agreements with Trust including admission to Local Government Pension Scheme</td>
<td>Nov/March 2019</td>
<td>Council / Parks Charitable Trust</td>
</tr>
<tr>
<td>Transfer staff and parks</td>
<td>Dec 2018/April 2019</td>
<td>Council</td>
</tr>
<tr>
<td>Newcastle Parks Charitable Trust up and running</td>
<td>Dec 2018/April 2019</td>
<td>Parks Charitable Trust</td>
</tr>
</tbody>
</table>
Appendix 5: List of Required Legal Agreements

(Note that the list is comprehensive but may not be exhaustive)

<table>
<thead>
<tr>
<th>No.</th>
<th>Document</th>
<th>Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Financial Contribution Agreement</td>
<td>(1) NCC, (2) Trust</td>
</tr>
<tr>
<td>2</td>
<td>Loan Agreement for Capital Works</td>
<td>(1) NCC, (2) Trust</td>
</tr>
<tr>
<td>3</td>
<td>Long Lease[s] of the Parks</td>
<td>(1) NCC, (2) Trust</td>
</tr>
<tr>
<td>4</td>
<td>Business Transfer Agreement</td>
<td>(1) NCC, (2) Trust</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) Subsidiary (TBC)</td>
</tr>
<tr>
<td>5</td>
<td>Deed of Trust for Endowment</td>
<td>Parties to be determined</td>
</tr>
<tr>
<td>6</td>
<td>Operating Agreement</td>
<td>(1) Trust, (2) Subsidiary</td>
</tr>
<tr>
<td>7</td>
<td>Code of Conduct for Trustees</td>
<td>Trustees of Trust</td>
</tr>
<tr>
<td>8</td>
<td>Memorandum &amp; Articles of Association of Trust</td>
<td>Trust</td>
</tr>
<tr>
<td>9</td>
<td>Memorandum &amp; Articles of Association of Subsidiary</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>10</td>
<td>Services Agreement for any NCC services to the Trust</td>
<td>(1) NCC, (2) Trust</td>
</tr>
<tr>
<td>11</td>
<td>Admission Agreement to Local Government Pension Scheme (administered by South Tyneside Borough Council)</td>
<td>(1) South Tyneside Borough Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) NCC, (3) Trust</td>
</tr>
<tr>
<td>12</td>
<td>Guarantee Agreement supporting admission to Local Government Pension Scheme</td>
<td>(1) South Tyneside Borough Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) NCC, (3) Trust</td>
</tr>
<tr>
<td>13</td>
<td>Assessment of Risk Required under Local Government Pension Scheme Regulations 2013</td>
<td>(1) South Tyneside Borough Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Trust</td>
</tr>
<tr>
<td>14</td>
<td>Novations or Assignments of funding agreements from NCC to Trust</td>
<td>(1) NCC, (2) Trust</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) Funder</td>
</tr>
<tr>
<td>15</td>
<td>Novations or Assignments of Licences from NCC to Trust</td>
<td>(1) NCC, (2) Trust</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) Licence Holder</td>
</tr>
<tr>
<td>15</td>
<td>Novations or Assignments of Tenancies from NCC to Trust</td>
<td>(1) NCC, (2) Trust</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) Tenant</td>
</tr>
</tbody>
</table>
NEWCASTLE’S PARKS: a new model for safeguarding parks and greenspaces

Summary Business Model

27th October 2017
Contents

- The **benefits** of the parks and allotments ("parks")
- The **need** for a new operating model
- The parks **in scope**
- The **financial situation** under the Trust
- The **research** on the model
- The **vision** and next steps
- Detailed financial **annexes**

Notes

1. References to “Target Operating Model”, “TOM”, business model are interchangeable
2. Local Services (LS) is a department of the Council’s operations section which carries out repair and maintenance activities in the parks and allotments
3. “Capex” means capital expenditure
Parks generate a wide range of social and environmental benefits for Newcastle

- **Health and fitness**
  - Greenspace promotes activity in all ages

- **Community value**
  - 57% of people use their park once a month

- **Wellbeing**
  - 90% say parks have a positive impact on wellbeing

- **Air quality**
  - Reduce air pollution

- **Tourism**
  - 1/3 visitors to Ouseburn parks from outside the city

- **Flood prevention**
  - Parks absorb 5x more water than urban concrete

- **Wellbeing**
  - 90% say parks have a positive impact on wellbeing

---

**Source**

1. Select Committee Enquiry into Public Parks available at: https://www.publications.parliament.uk/pa/cm201617/cmselect/cmcomloc/45/4502.htm
5. NCC publication: The Story of Ouseburn Parks, Evaluating the Impact of Heritage Lottery Funding
6. Select Committee Enquiry into Public Parks available at: https://www.publications.parliament.uk/pa/cm201617/cmselect/cmcomloc/45/4502.htm
Budget constraints highlight the need for a new operating model that can attract external capital

Newcastle Parks & Greenspace – Financial Position in 2017

- The current\(^1\) “gap” that would enable Newcastle Parks to breakeven is £1.6m p.a.

- This is partly covered by a £1m Public Health subsidy, which is subject to change from April 2020, a centralised base budget provision for Grounds Maintenance and a small base budget provisions for parks.

- Because of reduced budgets, continuing high levels of maintenance will be a challenge.

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Notes
\(^1\) Data taken from Newcastle Parks Financial Ledger 2015/16, staffing records and LS maintenance cost schedules. Baseline numbers have been checked against 2016/17.
\(^2\) This excludes recreation grounds, which are out of scope for the Trust.
\(^3\) The £2m is the gross cost and includes services provided outside the direct Parks service, for example grounds maintenance.
An independent Charitable Trust aims to protect social benefits and unlock new funding opportunities

Charitable Parks Trust

Creative Leadership
- Staff are free to think more widely about commercial opportunities
- Able to operate outside the constraints of local government

New Funding
- Able to benefit from new sources of finance\(^1\) including grants and social investment to fund new activities to grow the contribution from parks to the community
- Able to raise an endowment from a range of sources\(^2\) that could secure park upkeep

Community Engagement
- The charity will create more opportunities for public engagement, volunteering and community participation

Notes:
(1) For example, grant makers such as Esmée Fairbairn (annual budget ~£37m), Garfield Weston (~£60m grants awarded in 2015/16) and Paul Hamlyn (~£14m grants awarded in 2015/16) generally only award grants to entities with charitable status, and not to local authorities.
(2) For example, from Businesses, Public Health, NCC, Water companies, Universities
A Charitable Trust is a city-wide solution for all types of park

Potentially 409 hectares – 15.5% of the city’s green/open spaces
Income growth is driven by both existing and new activities…

Newcastle Parks & Greenspace – Income Bridge (Year 0 – Year 10)

**Notes:**
1. Social Finance Target Operating Model as at 27th October 2017. Please note that this is the ex-endowment position.
2. This is income from those assets considered to be ‘in scope’ and excludes recreation grounds. This is based on historic data, mainly 15/16 income forms.
3. This relates to increased revenue and efficiency opportunities once TOM has been reached, assumed at 2%/yr.
Despite costs incurred in establishing and running the trust, overall costs do not rise substantially due to cost savings.

Newcastle Parks & Greenspace – Cost Bridge (Year 0 to Year 10)

We are catering for significant growth in the resources that take care of the parks:

- **Volunteers**
  - 2017: 25 FTE equivalent
  - 2027: 30 FTE equivalent

- **On-the-ground Staff**
  - 2017: 8 staff
  - 2027: 21 staff

- **Commercial management Staff**
  - 2017: 3 staff
  - 2027: 10 staff

- **Back Office Staff**
  - 2017: 2 staff
  - 2027: 4 staff
To reach breakeven, the Trust would need a financial contribution of £9.5m and capital investment of £0.6m.

Charitable Trust 10 Year Financial Projections

- **Financial contribution** required to cover the cash needs of maintaining the parks until it generates positive cash.

- **Capital investment** needed for improvements in the parks which will generate future revenue.

- The repayment of the capital investment is funded from within this contribution, and a prudent interest rate of 8% for this is assumed.
How will revenues and costs change in the Trust?

We have made various assumptions around revenues and costs in the new Trust, building from the current situation within NCC. These assumptions have been developed in conjunction with NCC and the NT and benchmarked against the NT and other parks. We break these down over the next few slides:

1. **Existing revenue streams:** This includes events, car parking and commercial leases. Best practice suggest that better utilisation of the parks and some investment could lead to significantly increased revenue from these areas.

2. **New revenue streams:** Precedent from the NT and other parks suggests there is potential for income from new areas, such as through new charged activity options and corporate sponsorship.

3. **Existing non-staff cost lines:** There is scope for cost savings on existing non-staff cost lines such as premises costs by takings some tasks in-house or better utilising volunteer time to perform these functions.

4. **New non-staff cost lines, capex, maintenance and transition:** Provision is made for new costs, such as vehicles, unforeseen costs, capex and transition to the new trust.

5. **Staff costs and volunteers:** We would take on more resource to deliver the in-house cost savings, plus staffing of the Trust head office.

**Notes:**
(1) Social Finance Target Operating Model as at 27th October 2017. Please note that this is the ex-endowment position.
## Existing revenue streams (1/4)

<table>
<thead>
<tr>
<th></th>
<th>Current revenue</th>
<th>TOM additional revenue</th>
<th>Cost to reach TOM revenue</th>
<th>Capex to reach TOM revenue</th>
<th>Years to reach TOM revenue</th>
<th>Rationale</th>
<th>Changes since July report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial property leases</td>
<td>£180,000</td>
<td>£100,000</td>
<td>£10,000</td>
<td>£84,000</td>
<td>5</td>
<td>35% uplift from existing leases being renegotiated and rental income from renovation of a property at cost of £84k.</td>
<td>Uplift from renegotiations reduced from 50% to 35%</td>
</tr>
<tr>
<td>Cafes, retail and concessions</td>
<td>£26,000</td>
<td>£130,000</td>
<td>£13,000</td>
<td>-</td>
<td>5</td>
<td>8 new concessions earning £10k/yr, 2 new cafes earning £25k/yr. No capex as buildings already operational</td>
<td>-</td>
</tr>
</tbody>
</table>

---

(1) Social Finance Target Operating Model as at 27th October 2017. Please note that this is the ex-endowment position. All numbers are real.

(2) Unless otherwise stated, income ramps up to full level over 5 years.
<table>
<thead>
<tr>
<th></th>
<th>Current revenue</th>
<th>TOM additional revenue</th>
<th>Cost to reach TOM revenue</th>
<th>Capex to reach TOM revenue</th>
<th>Years to reach TOM revenue</th>
<th>Rationale</th>
<th>Changes since July report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car parking</td>
<td>£15,000</td>
<td>£250,000</td>
<td>£20,000</td>
<td>-</td>
<td>8</td>
<td>£150k/yr revenue assumed from new car parking (across 8 years), with the costs of 1 FTE allowed for enforcement. From year 8 onwards a further £100k (in addition to the above £150k per year) is earned per year through increased demand and activity in parks estate. Rationale and income and cost checked against other Council comparables.</td>
<td>Original model assumed £3.2m over 10 years. Final model £2.1m over same period – approach adopted to reflect consultation.</td>
</tr>
<tr>
<td>Events</td>
<td>£17,000</td>
<td>£440,000</td>
<td>£44,000 + £c.55k of staff dedicated to events planning</td>
<td>£100,000</td>
<td>5</td>
<td>£30k/yr from small events, £150k/yr from large events and £200k+/yr from Winter Wonderland or equivalent / very large event. Associated events income of £40k/yr from advertising, car parking etc Capex cost based on NT events manager assessment of two main potential parks</td>
<td>Addition of £40k of associated events income</td>
</tr>
</tbody>
</table>
## Existing revenue streams (3/4)

<table>
<thead>
<tr>
<th></th>
<th>Current revenue</th>
<th>TOM additional revenue</th>
<th>Cost to reach TOM revenue</th>
<th>Capex to reach TOM revenue</th>
<th>Years to reach TOM revenue</th>
<th>Rationale</th>
<th>Changes since July report</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Allotments</strong></td>
<td>£91,000</td>
<td>£20,000</td>
<td>-</td>
<td>£10,000</td>
<td>2</td>
<td>10% increase in allotment rents and around 100 new allotment plots built. New allotments are built in 2019. Renegotiation of rent on existing allotments occurs in 2020.</td>
<td>Removal of c.£100k of advertising income from allotments due to uncertainty of viability</td>
</tr>
<tr>
<td><strong>Grants/donations</strong></td>
<td>£21,000</td>
<td>£150,000</td>
<td>£50,000</td>
<td>-</td>
<td>5</td>
<td>Assumes hiring one donation officer generating £100k over and above their salary</td>
<td>-</td>
</tr>
<tr>
<td><strong>Agriculture/forestry and other streams</strong></td>
<td>£16,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Not material revenue streams</td>
<td>-</td>
</tr>
</tbody>
</table>

---

1. Social Finance Target Operating Model as at 27th October 2017. Please note that this is the ex-endowment position. All numbers are real.
2. Unless otherwise stated, income ramps up to full level over 5 years.

©Social Finance 2015
Existing revenue streams (4/4)

The chart below shows how revenue from existing streams ramps up over the course of the model. For example, there is £17k of existing revenue from events, as seen in year 0, plus a further £440k which is realised over 5 years, by year 5 of the TOM.

![Chart showing revenue from existing streams](chart_image)

---

(1) Social Finance Target Operating Model as at 27th October 2017. Please note that this is the ex-endowment position. All numbers are gross and real.
## New revenue streams* (1/4)

<table>
<thead>
<tr>
<th>Included in TOM?</th>
<th>Eligible sites</th>
<th>TOM revenue/site</th>
<th>TOM cost/site</th>
<th>TOM capex/site</th>
<th>Years to reach TOM revenue</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charged activity options</td>
<td>Yes</td>
<td>1</td>
<td>£50,000</td>
<td>-</td>
<td>£300,000</td>
<td>5</td>
</tr>
<tr>
<td>Renewable energy installation</td>
<td>Yes</td>
<td>2</td>
<td>£30,000</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
</tbody>
</table>

Notes:
* New revenue streams considered but not included in TOM: Ecosystem services, urban farming and WiFi hubs

(1) Social Finance Target Operating Model as at 27th October 2017. Please note that this is the ex-endowment position. All numbers are real.
## New revenue streams* (2/4)

<table>
<thead>
<tr>
<th>Included in TOM?</th>
<th>Eligible sites</th>
<th>TOM revenue/site</th>
<th>TOM cost/site</th>
<th>TOM capex/site</th>
<th>Years to reach TOM revenue</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate/ business sponsorship</td>
<td>Yes</td>
<td>2</td>
<td>£30,000</td>
<td>£25,000</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Education and training provision</td>
<td>Yes</td>
<td>2</td>
<td>£50,000</td>
<td>£25,000</td>
<td>£5,000</td>
<td>5</td>
</tr>
</tbody>
</table>
## New revenue streams* (3/4)

<table>
<thead>
<tr>
<th>Included in TOM?</th>
<th>Eligible sites</th>
<th>TOM revenue/site</th>
<th>TOM cost/site</th>
<th>TOM capex/site</th>
<th>Years to reach TOM revenue</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woodland burial</td>
<td>Yes</td>
<td>50</td>
<td>£700</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Each burial site costs £700, assuming roughly 1 burial per week. Due to logistics in setting this up, no income forecast until year 5 of TOM</td>
</tr>
<tr>
<td>Licensing</td>
<td>Yes</td>
<td>40</td>
<td>£300</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Assumes 25 professional dog walker licenses sold at £200 each and 15 licenses for group fitness businesses sold at £500 each. Voluntary &amp; personal use would remain uncharged.</td>
</tr>
<tr>
<td>Health services</td>
<td>Yes</td>
<td>3</td>
<td>£25,000</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Based on conversations with Public Health experts who confirmed appetite for health hubs. Assumes 3 Hubs. Assumes providers pay for capex and running costs.</td>
</tr>
</tbody>
</table>

Notes:
* New revenue streams considered but not included in TOM: Ecosystem services, urban farming and WiFi hubs

(1) Social Finance Target Operating Model as at 27th October 2017. Please note that this is the ex-endowment position. All numbers are real.
New revenue streams* (4/4)

The chart below shows how revenue from new streams ramps up over the course of the model.
For example, there is £50k of revenue from new charged activities (e.g. minigolf), which is realised over 5 years.

Notes:
* New revenue streams considered but not included in TOM: Ecosystem services, urban farming and WiFi hubs

(1) Social Finance Target Operating Model as at 27th October 2017. Please note that this is the ex-endowment position. All numbers are gross and real.
### Non-staff costs – existing cost lines (1/2)

<table>
<thead>
<tr>
<th></th>
<th>Current cost</th>
<th>Cost savings (as % of baseline cost)</th>
<th>Capex to realise savings</th>
<th>Years to realise savings</th>
<th>Rationale</th>
<th>Recent changes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premises</strong></td>
<td>£189,494</td>
<td>30%</td>
<td>-</td>
<td>5</td>
<td>Costs taken from NCC 15/16 ledger, with adjustments for rec grounds out of scope and reduction to reflect amounts from LS estimates charged direct to parks ledger Additional costs added based on year-on-year comparisons Cost savings based on conversations with relevant rangers and managers, where savings could be found by use of volunteers or taking things in house</td>
<td>Further reductions due to realignment of some costs out of scope</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td>£16,523</td>
<td>15%</td>
<td>-</td>
<td>5</td>
<td>Costs taken from NCC 15/16 ledger, with adjustments for rec grounds out of scope</td>
<td>-</td>
</tr>
<tr>
<td><strong>Supplies and services</strong></td>
<td>£96,181</td>
<td>15%</td>
<td>-</td>
<td>5</td>
<td>Savings from transport, supplies and support based on the charity being able to secure more favourable service rates or pro bono support</td>
<td></td>
</tr>
<tr>
<td><strong>Support costs</strong></td>
<td>£9,523</td>
<td>15%</td>
<td>-</td>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Non-staff costs – existing cost lines (2/2)

<table>
<thead>
<tr>
<th></th>
<th>Current cost</th>
<th>Cost savings (as % of baseline cost)</th>
<th>Capex to realise savings</th>
<th>Years to realise savings</th>
<th>Rationale</th>
<th>Recent changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grass cutting</td>
<td>£220,000</td>
<td>100%</td>
<td>£9,000</td>
<td>5</td>
<td>Costs from LS estimates provided by NCC, with adjustments for rec grounds out of scope 100% cost savings achieved by taking LS costs in house – which means these cost lines decrease to £0, with increased staff costs to cover this work accounted for separately (see next slide)</td>
<td>Capex based on buying lawn mowers and line marking equipment, with the assumption that other equipment could be transferred over to the Trust. This is now in doubt, so instead we have added a cost line to cover the cost of buying/leasing appropriate vehicles or outsourcing the LS work (see next slide)</td>
</tr>
<tr>
<td>Bed maintenance</td>
<td>£244,000</td>
<td>100%</td>
<td>-</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedge cutting</td>
<td>£13,000</td>
<td>100%</td>
<td>-</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pitch marking and maintenance</td>
<td>£196,620</td>
<td>100%</td>
<td>£4,000</td>
<td>5</td>
<td>Costs from LS estimates provided by NCC, with adjustments for rec grounds out of scope</td>
<td></td>
</tr>
<tr>
<td>Checks and maintenance</td>
<td>£157,380</td>
<td>25%</td>
<td>-</td>
<td>5</td>
<td>Costs savings as above (some already in house)</td>
<td>Additional costs added to account for inspections</td>
</tr>
</tbody>
</table>
Non-staff costs – new cost lines, capex, maintenance and transition costs

Three new cost lines were added to ensure we were counting all possible costs for running the trust:

1. An annual insurance cost of £30k
2. An annual cost of £170k to cover either the buying and maintaining or leasing of vehicles for LS, or the cost of outsourcing this work
3. An annual cost contingency buffer of £100k

Capex
- £10k/yr maintenance costs
- £10k/yr investment in new capital goods
- Depreciation of 5%/yr

There is also a backlog in maintenance of capex of £2.85m, all of which is critical.
- We have assumed 5 years to catch up on this backlog
- We have also assumed £220k/yr to deal with a backlog within premises costs

Transition costs
- £170k/yr for 5 years (ramp up time to full TOM), to transition to fully functional Trust, made up of (based at £750/day):
  - ICT consultancy (£25k/yr)
  - Estates consultancy (£10k/yr)
  - Change management consultancy (£20k/yr)
  - HR consultancy (£25k/yr)
  - Legal (£50k/yr)
  - Other (£25k/yr)
  - Contingency costs (10%)
Staff costs & volunteers

**Existing and maintenance staff**

- We assume that all existing staff are maintained at their existing salary. Pension contribution to staff transferred over to the Trust from NCC will be 22.2% (actuarial estimate).
- To cover maintenance, we assume the hiring of 7 park keepers, 4 grass maintenance staff and 2 bed maintenance staff (2 pitch maintenance staff have been removed as rec grounds have moved out of scope).

**Trust staff**

- New staff are hired on a pension of 5% and salary inflation is 1% per year for all staff.
- The trust will consist of the following staff (FTE), based on benchmarks from NT, Royal Parks and Olympic Parks:
  - Chief exec: 1 at £75k (benchmarked against Nene Park CEO)
  - Finance/admin: 1.5
  - Marketing/Commercial: 3.5
  - HR: 0.5
  - Governance: 0.5

**Volunteers**

- We assume that the current 45k hours of volunteer time that NCC receives will grow at 3% a year, with a specific volunteer manager hired to drive this strategy.
- The volunteers reduce maintenance costs, leading to a net positive contribution.
If Newcastle could raise a £15m Endowment, this would accelerate breakeven to Year 6

Charitable Trust 10 Year Financial Projections – with Endowment of £15m

The endowment is formed of assets that are bestowed to the Park Trust. Income from these assets is used to further de-risk the model and maintain or improve the parks. The endowment is protected and you cannot dip into it.

Breakeven = Year 6

Notes:
(1) Social Finance Target Operating Model as at 27th October 2017.
(2) The model assumed the £15m endowment is in place by the end of year 2

Now is the right time to raise an endowment with National Trust support: this de-risks the model and provides lasting income
Detailed Summary of Changes made post “Check and Challenge”

- **General**
  - Assumed it takes 5 years to ramp up new revenue lines (except where you could more easily charge e.g. car parks)
  - Added in specialist overhead costs (legal, audit, finance and property services) at £30k p.a. (based on 60 days at £500 per day)

- **Staffing**
  - Added in training / change management costs (£20k in Year 1, then tapering over 3 years)
  - Included additional back office staff (1 FTE added)
  - Specified that one of the additional park “ranger” staff will be an event manager
  - Removed the HLF funded community support officers, added another commercial staff member

- **Cafes**
  - Assume you don’t run the café in house, but you negotiate a profit share when renegotiating leases
  - Increased the number of concessions from 3 to 8, amended the revenue from each one from £20k to £10k.

- **Car Parks**
  - Amended the CapEx per space to £2,000 rather than £750

- **Events**
  - Taken revenue from £100k to £500k (Royal Parks generate £7m p.a. in events), added in 10% overheads, £500k capex provision, and 1 full time events manager and 0.5 event co-ordinator

- **Destination Park**
  - Remove the destination park, included one charged for installation

- **Commercial Leases**
  - Taken out the Fisherman Lodge renovation as payback does not seem financially viable.
  - Increase overall property income by 50% through a profit share (noting we do not have much visibility into the detail on the leases)
Detailed Summary of Changes made post July cabinet

- **Recreation grounds**
  - Removed from scope

- **Allotments**
  - Incremental advertising income from allotments removed

- **Car Parks**
  - Income from new and unused spaces removed, but £100k/year income added for later years of TOM

- **Events**
  - Increased incremental income by 10%

- **Commercial Leases**
  - Increase overall property income by 35% rather than 50%

- **Premises and LS costs**
  - Reduction in premises costs due to realignment of some costs out of scope
  - Addition of 15k/year in LS costs for inspections

- **General**
  - Salary inflation reduced to 1%
  - Overheads reduced to 5%
  - Capital loan rate increased to 8%
  - Added provision for insurance (£30k/yr) and vehicles/outsourcing of maintenance (£170k/yr)
  - Reduced costs buffer to £100k/yr
  - Pension rate for transferred staff adjusted in line with actuarial estimate
Residual cost estimates for sites remaining with the Council

- The following sites will be left in council care:
  - Closed graveyards
  - Playgrounds outside parks
  - Town Moor
  - Westerhope Golf Club
  - Newcastle United GC
  - Other small open spaces (e.g. verges)
  - Recreation grounds

- The costs and income of the sites to be left with the council are £190K per year.
Disclaimer

This presentation was prepared by Social Finance and contains outputs from the updated Target Operating Model for the Newcastle Parks Trust dated 27th October 2017 prepared by Social Finance (TOM Model). The inputs and assumptions used in the TOM Model comprise financial data provided by NCC with the addition of assumptions made for future income and costs derived from third party discussions with parks stakeholders and experts. The TOM Model is intended to offer an illustrative view of the potential performance of the Parks Trust with these assumptions and does not represent a forecast by Social Finance or any other party. The actual performance of the Parks Trust will be subject to a number of factors including some not currently foreseeable and could be higher or lower than the illustrated outlook presented in this presentation. This presentation does not constitute an investment advertisement.
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