

Division(s):

CABINET – 19 JULY 2016

Proposal for Oxfordshire County Council and Oxford University to establish a new charitable entity for Hill End

Report by Director of Children's Services

Introduction

1. Approval is sought to:
 - a) Obtain agreement to approve the business case for the proposal and provide a mandate to jointly implement and progress the preferred option of establishing a new charitable company/entity for the governance and management of Hill End.
 - b) Confirm that Oxfordshire County Council will support one-off set-up and transition costs and provide project management input which will be resourced from Hill End's ring-fenced business reserve.
2. Senior Councillors previously provided a mandate:
 - a) To engage in development work and undertake a joint public consultation.
 - b) Appoint a council sponsor to join the Joint Project Board to represent the council and support the process.
 - c) Endorse the council's preferred option subject to a more detailed and considered business case.
3. Oxford University has agreed to the business case in principle and wishes to pursue the option of establishing a charitable company/entity, subject to ratification by its Council on 11 July 2016. This commitment has been confirmed in a letter to the Director of Children's Services on 19 May 2016.

Consultation

4. The Joint Project Board undertook a public consultation which was open from 7 January to 5 February 2016. The consultation asked stakeholders for their views about the proposal to set up a charitable company, or similar entity, to secure the future of Hill End.
5. More than 130 responses were received via an online questionnaire which was available on the council's consultation portal.
6. The responses from the consultation overwhelmingly supported the proposal to secure a sustainable model for the future of Hill End by investigating setting up a charitable entity.

Background

7. The Hill End site is owned by Oxford University and has been leased and managed by the county council since 1974. The council is responsible for making repairs to buildings, managing the land and running the outdoor education service.
8. The council continues to need to make savings as a result of reduced Government funding. It is unlikely that the council will be able to continue to provide the future investment needed to improve the service provision at Hill End and meet on-going site maintenance and investment costs.
9. Hill End forms part of the original Wytham estate purchased in the 1920s by Raymond ffennell, a philanthropist. When he died the Wytham estate passed to the university with a 67-acre site set aside for 'delicate young people' based on the principles of outdoor learning being beneficial for health.
10. The ffennell Trust was established upon his death and was set up to support the provision and maintenance of the facilities at Hill End. The council acts as corporate trustee of the fund.
11. Hill End has 160-bed spaces spread over four dormitories with areas for camping and yurts. In 2015/16 more than 15,000 young people and residents from Oxfordshire visited Hill End.
12. The university, as the freeholder of the site, requires a sustainable and economically acceptable arrangement that enables it to manage and discharge its landlord responsibilities in accordance to the various enshrinements and requirements, and in line with the university's Estates Strategy.

Business readiness

13. Over the last three years Hill End has demonstrated that it is a viable service that meets its direct operational costs (excluding repairs and maintenance) and has the potential to operate independently of the council.
14. There is a consistent net surplus from Hill End which demonstrates there is potential to cover all costs under a different operating model, as these would be smaller and more proportionate for a small charitable entity.
15. The service is underpinned by Hill End's business reserve which is currently c£120k and the council could use this to support the cost of setting up a new charitable company/entity, if this option is agreed.
16. The total capital reserves held by the ffennell Trust in 2014/15 was £433,009. This would still be available to the new charitable company/entity, subject to its format.

17. The ffennell Trust's policy is to maintain the capital sum and continue to build up reserves to achieve interest of £30k per annum. Any sum in excess of this has been spent to improve resources and/or facilities at Hill End in line with the centre's development plan. Recently new shower blocks have been installed at the cost of £40k
18. There is a view that the reserve could be built up and used to lever or match significant future investment in Hill End.
19. As a charitable entity Hill End would be in a position to apply for a range of grants and social investment which are not currently available to the council. Such funding would support future investment, but is not critical to the establishment of the new entity or the transition stage.
20. Hill End has secured and sustained business growth through increased bookings by offering services that meet the needs of Oxfordshire schools and other groups. The service is supported by improved business models and practices which are commercially orientated while still focused on educational outcomes and impact.
21. The current pricing strategy is approved each year by the council's Cabinet, with an emphasis on full cost recovery as well as affordability for schools. Price increases have been introduced for non-educational customers.
22. The income reflects a seasonal model with full occupancy from spring to early autumn. Further capacity exists during the autumn and winter months and the current business plan prioritises further investment in facilities and programmes to support this growth.
23. There is a market for corporate and other commercial activities and this is successfully being addressed through a range of business development activities and now generates a sustainable revenue stream.

New Proposed Charitable entity

24. The council and university have explored a number of options and have agreed a preference to establish a new independent charitable entity for the future management and governance of Hill End.
25. The business model proposal is supported by a three year projection of income and expenditure to demonstrate that Hill End can operate as an independent charitable entity.
26. A summary of the proposal and business model is set out below:

- a) The proposal represents realistic growth in line with previous and future planned performance, in conjunction with the opportunities available through the proposed new delivery model.
 - b) The proposal is subject to agreement by the council and university.
 - c) The points below summarise what the Joint Project Board could advocate and recommend to trustees who will be appointed to establish the new charitable entity. The new trustees will need to consider and ratify a number of these areas:
 - i. The council provides a start-up grant of c£75k in year one (subject to affordability).
 - ii. The university issues a lease for a minimum of 21 years.
 - iii. The university provides a minimum two year rent-free period and then reverts to a similar lease model to that currently in place for the council.
 - iv. Existing staff transfer via TUPE, and the new charitable company/entity becomes responsible for staffing costs including Local Government Pension Scheme (LGPS).
 - v. Pre-existing bookings transfer from the council to the new entity
 - vi. Staffing costs could decrease through greater use of approved contractors and through new terms and conditions for new staff.
 - vii. The council addresses dilapidation issues when it exits the university lease which are c£150k.
 - viii. The council will consider transfer of education based assets which supports the operational provision
 - ix. The existing approach will continue in order to secure ffennell Trust investment. Additional, modest levels of grant income and donations in the initial three years of the new company/entity will provide investment in the Hill End service and site.
 - x. Increased occupancy and growth are expected.
 - xi. Increased prices for commercial and non-educational activities.
 - xii. Property and maintenance costs would be more affordable. The volunteer scheme will continue to support site maintenance and management.
 - xiii. The rental income from the cottage on site will continue.
27. The business model is supported by a three year projection of income and expenditure to demonstrate that Hill End can operate as an independent charitable entity. See Appendix 1 for details.

Summary

28. In summary, establishing a new charitable company/entity for the future management and governance of Hill End provides:
- a) Long-term sustainability and financial independence
 - b) Affordable access to local, quality outdoor learning opportunities providing educational and well-being outcomes for Oxfordshire's children and young people

- c) Acceptance by local stakeholders for a model that is solely for the benefit and in the interest of Hill End
- d) Reduction of risk, cost and liability to the council and Oxford University
- e) Appropriate governance and management of the site
- f) Social value particularly for the most vulnerable young people, including looked after children
- g) Alignment to the council and Oxford University's wider priorities
- h) Investment through alternative funding streams that are not currently available to the council
- i) Compliance with the ffennell Trust deed and other enshrinements
- j) Valuable in-kind input from Hill End volunteers and supporters.

Financial and Staff Implications

29. The financial implication to the council of establishing a new charitable company/entity would be an on-going annual saving to property of c£56k. Other organisational costs relating to back office and corporate landlord activities will reduce over time.
30. The difference between ceasing the service entirely and securing the service are negligible.
31. There will need to be consideration of the cost of potential pension liability and strain as it is likely that a 'fair deal' on pensions for staff transferring would apply.
32. The cost of the work to establish the new model and support the transition stage can be afforded from the Hill End reserve. However the funding of the property dilapidation costs is yet to be determined. One-off set-up and transition costs are estimated as follows:

| Estimated costs | 2016/17 | 2017/18 | Total |
|---|--------------------------|-----------------|-----------------|
| Project Management | £12,000 | £12,000 | £24,000 |
| Business Lead | Covered in existing post | | |
| Independent legal/consultancy support for new entity set up | £5,000 | £10,000 | £15,000 |
| Initial start-up grant | | £75,000 | £75,000 |
| Dilapidation costs | | £150,000 | £150,000 |
| Total estimated costs | £17,000 | £247,000 | £264,000 |

33. The business model is supported by a three year projection of income and expenditure to demonstrate that Hill End can operate as an independent charitable entity.
34. It is quite feasible that affordable property repairs and maintenance and back office services can be provided competitively by local suppliers (this has been verified through soft market testing).

35. Further investment in the site would be identified through a stock condition survey and activities planned over a 10 year period. This investment could be achieved through a fundraising strategy/social investment capital.
36. The detailed income and expenditure projections includes all of the known types of expenditure and costs that would need to be paid by the new charitable entity. The income shows realistic levels of growth and takes into account the increased investment needed to support this growth.
37. The proposal makes the assumption that staff would transfer across to a new organisation as TUPE regulations are applicable.
38. There are eight staff, (seven FTE) employed by the council at Hill End.
39. The site manager is a tenant of the council and occupies the cottage onsite. This is reflected in the overall leaseholder tenancy arrangement. It is anticipated that this arrangement would continue.
40. Staff would need to be consulted and unions engaged with.

Equalities Implications

41. As a traded education service, Hill End provides an exciting and diverse outdoor learning programme to schools and the wider Oxfordshire community. There is a focus on supporting Oxfordshire's most vulnerable young people including looked after children.
42. Hill End supports wider priorities such as health, wellbeing, skills and employability. It also supports Oxfordshire's National Citizenship Service programme.
43. The council and Oxford University recognise the value and heritage of Hill End and the benefits it provides to Oxfordshire's young people and wider communities. In line with the charitable objects of the ffennell Trust, Oxford University and the council are seeking to ensure Hill End continues to provide opportunities and access to Oxfordshire's children and young people, supporting their educational, social and emotional health and well-being.

RECOMMENDATION

44. **The Cabinet is RECOMMENDED to:**
 - (a) **Approve the business case for the proposal to establish a new charitable entity;**
 - (b) **Provide a mandate to work jointly with Oxford University to implement and progress the establishment of a new charitable company/entity for the governance and management of the Hill End; and**

- (c) Confirm that the council will support one-off set-up and transition costs and provide project management input which will be resourced from Hill End's ring-fenced business reserve.**

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