

# Future Parks

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Newcastle story

[www.futureparks.org](http://www.futureparks.org)

# CABINET



**Monday 20 November 2017 at 4.30 pm**

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

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| <b>Membership Councillors:</b>           | N Forbes, J McCarty, A Ainsley, G Bell, N Casey, V Dunn, N Kemp, K Kilgour, K McGuinness, and J Streater |
| <b>Opposition Observers Councillors:</b> | A Lower and W Taylor   |

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**LOTTERY FUNDED**

# NCC Park Trust Model guide

*updated as of 27<sup>th</sup> October 2017*

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**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

## 1 Introduction

Social Finance have been working with Newcastle City Council (NCC) for the past 9 months to investigate whether passing management of Newcastle’s parks and green spaces to a charity / charitable trust can help preserve, protect and improve them in light of pressing budget cuts. The areas in scope of the final study are:

In Scope

- Principal Parks
- Neighbourhood Parks
- Countryside Parks

- Allotments (51 hectares)

At the start of the study, Recreation Grounds were also “in scope” – these are now outside of scope to enable NCC to continue to pursue funding and development opportunities which are solely directed at recreation grounds. The spaces inside and outside the scope of the study are explained in more detail in Section 3 below.

We have worked closely with the National Trust (including their North East team) and drawn on the expertise of the Newcastle Parks and Countryside Service, Parks Project Team, Royal Parks, Milton Keynes Park Trust, Olympic Park Trust and others to understand what could be achieved.

We know that the current “gap” that would enable Newcastle Parks In Scope spaces to breakeven is £1.6m p.a. See **Appendix A** for a breakdown of all the current “Business as Usual” park financial information. This is partly covered by a £1m Public Health subsidy, which is subject to change from April 2020, a base budget of £0.087m and a centralised grounds maintenance budget within Local Services (LS). As the revenue budget for parks has been cut by over 90% in recent years, this means that without change, the parks risk sliding into disrepair or being closed to the public.

Passing management to a charity dedicated to raising funds to improve and protect the parks offers a viable solution. It provides a new structure that encourages and enables innovative management and funding, so that those who benefit from the parks can contribute to their upkeep, that communities have greater sense of ownership of their spaces and that parks can benefit from social investment and other sustainable funding sources. Our research has shown that it will take a decade to transition the new parks model to be self-funding but the new model offers the potential for a reducing need for council support over this period.

Newcastle Council are leading the way in thinking through how to sustainably manage their parks for future generations and we are excited to be helping Newcastle with this project. It is our hope that the Park Trust will improve the quality and usage of the city’s greenspaces, and put the city on the map as a pioneer in community greenspace management.

## 2 Summary of findings

To reach breakeven, the Trust would need a financial contribution of £9.5m (to cover the cash needs of maintaining the parks until they generate positive cash) and capital investment of ~£0.6m (for improvements in the parks which will generate future revenue). The repayments for the capital investment are assumed in the £9.5m. The financial contribution includes funding to complete a backlog of maintenance work valued at ~£3m. If Newcastle Parks are maintained at current levels, the funding “gap” for the next 10 years is ~£17.5m. Even if the council provided the full financial contribution, this suggests a potential saving to the council of ~£8m in the first 10 years (note that these are not necessarily all cashable savings). This is without including the value of preserving hugely important public health and environmental benefits.

We also recommend that the Park Trust is backed by an endowment, formed of assets that are bestowed to the Park Trust. The endowment would ordinarily be capital protected so only the ‘income’ can be spent. Income from these assets would be used for annual funding to maintain or improve the parks. Further, raising an endowment signals that there is a long-term vision for and commitment to the future of Newcastle’s greenspaces, provides flexibility for Trust management to innovate and experiment and embed the Park Trust into the civic fabric of Newcastle.

Our research suggests that an endowment between £15-20m in size should be targeted. Sources for the endowment are beyond the scope of this document. An endowment of this size would provide ~£375k - £500k income p.a. assuming a conservative 2.5% nominal return<sup>1</sup>. This de-risks the new charity and provides lasting income.

The table below shows sensitivities based upon the current model assumptions:

|                                  | Without Endowment | With £15m endowment | Revenues 10% less than forecast without endowment | Revenues 10% less than forecast with £15m endowment |
|----------------------------------|-------------------|---------------------|---|---|
| <b>Revenue Grant (£m)</b>        | 9.5               | 6.9                 | 11.3  | 7.9   |
| <b>Cash flow in year 10 (£m)</b> | -0.05             | 0.50                | -0.30   | 0.20  |
| <b>EBITDA breakeven year</b>     | 8                 | 5                   | 9   | 5   |

Note: cashflow is pre-financing (i.e. pre-grant)

Although the model does include a £100k annual cost contingency, the financial contribution above does not include a detailed analysis of working capital timing differences, nor any additional cash “buffer” that the park trust might require. NCC feels that the prudence built in against initial assumptions is sufficient to not necessitate this at present.

### 3 Scope

Newcastle Parks and Countryside Service manage several different types of greenspace. The park categories that are currently “in scope” for the Park Trust are:

- Principal Parks
- Neighbourhood Parks
- Countryside Parks
- Allotments (51 hectares)

A list of all the sites in scope and their size is shown in **Appendix B**.

We strongly suggest that all of the above park categories are included within the new management. This signals that the council have confidence in their solution and promotes fair and equitable treatment across the city’s greenspaces, which should help to secure support and funding for the Trust. In addition, the Council will need to find resources to upkeep any sites left within its management. We are aware that the following sites are not in scope for the Park Trust:

- Recreation grounds
- Closed graveyards
- Playgrounds outside parks
- Town Moor
- Westerhope Golf Club
- Newcastle United GC
- Other small open spaces (e.g. verges)

The costs and income of the sites to be left with the council, and financial information for the Allotments and Recreation Grounds for reference, are shown in **Appendix C**.

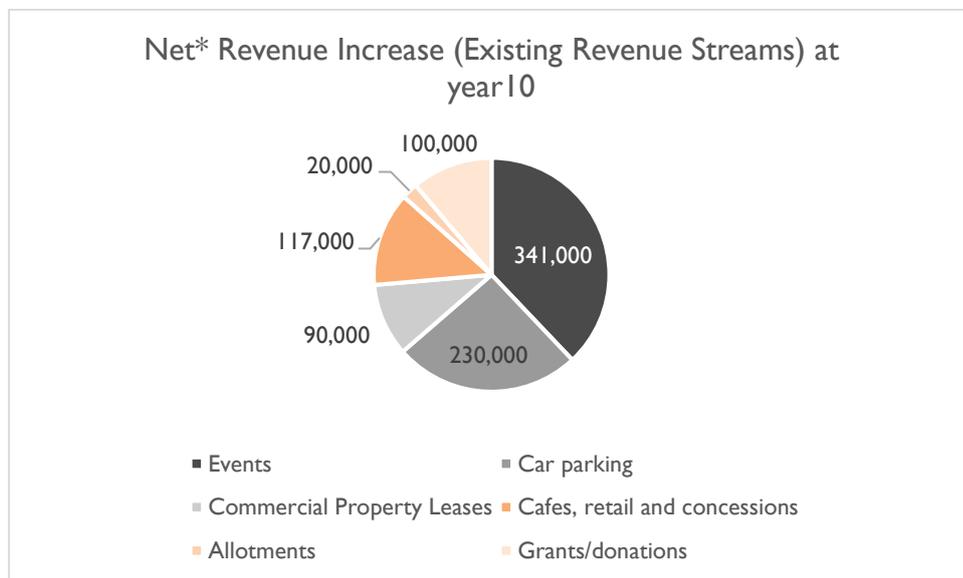
<sup>1</sup> We know that Milton Keynes Park Trust makes an 8% return on its endowment: <http://www.theparkstrust.com/downloads/parkstrustannualreport.pdf> 42

## 4 Income

The Park Trust provides a structure for exciting innovations in how greenspaces are funded. The parks currently generate £c.400k in income each year and our research suggests that this could be **increased by £1.6m gross** (£1.4m net of specific costs associated with this revenue) through the scope for more entrepreneurial management. This revenue is split into additional revenue from existing streams e.g. allotments, commercial leases, cafes (**£1m gross; £0.9m net**), new streams not currently operating within the parks e.g. renewable energy, charged activity options such as mini-golf (**£0.4m gross; £0.3m net**) and further additional income generated once the Trust has been established (**£0.2m gross and net**).

### Breakdown of revenue increases

1. **New net revenue (annual figures by the end of Year 10) potential from existing streams of activity:**



*\*Additional revenue is shown net of specific costs incurred to generate that revenue stream (e.g. staff costs)*

Significant amounts of research with the Newcastle park management teams and other industry experts underpin these assumptions. A breakdown of all the assumptions, evidence and research behind these figures is shown in **Appendix D**. For a verbal description of the increase in each case please see below. In each case, we assume that revenue increases are phased in over 5 years, except for car parking, which is phased in over 8 years.

#### a) Events

Current Revenue: £17,000

Net Revenue Increase: £341,000

Newcastle has an outstanding portfolio of parks which attract visitors from within and outside the area. Around the country, cities are increasingly using parks as venues for events: Manchester hosts the annual Park Life music festival attracting 70,000 daily visitors and the Chase Park festival in Gateshead becomes more popular each year. However, the number and scale of events run within Newcastle parks is very limited. Newcastle has a long-standing tradition of hosting nationally recognised events: Exhibition Park held the Royal Jubilee Exhibition in 1887 attracting around 2m visitors, and the North-East Coast exhibition in 1929, which had over 4m visitors in just six months. The spotlight will be on Newcastle again as it hosts the Great Exhibition of the North in 2018. We also know that councillors have approved



plans to ring fence £900k of funding to help boost Newcastle's international profile with high profile events<sup>2</sup>. This is therefore a strong opportunity to launch a park events strategy that allows small scale community events to thrive alongside ambitious larger events that showcase the city's ambition and vibrancy.

The revenue increase in events will come from small scale events such as weddings, corporate away days, community events, small music performances. These events are about encouraging community cohesion and ownership of greenspaces. We also assume that there will also be a programme of larger events, including music festivals, bonfire displays, "Winter Wonderland" or similar, food festivals and sports events. There will also be associated events income, from activities such as advertising and car parking. To put the revenue into perspective, the Royal Parks generate almost £9m in events income every year, and Milton Keynes Park Trust make almost £500k in events and licensing. We assume the Trust will employ two full time events / marketing managers and will be able to build up an exciting portfolio of events that gain national recognition. The National Trust event managers who reviewed the sites in Newcastle said that these revenue targets were achievable over the 5 year time horizon.

#### **b) Car Parking**

Current Revenue: £15,000

Net Revenue Increase: £230,000

Our assumptions are based on charging £1.20 per hour for the new spaces in Leazes Park or a similar car park, estimated to generate £150k per year, as well as further car parking revenue of £100k per year to be realised from year 8 onwards as activity and demand increases in parks. We appreciate that there may be concerns from a public health perspective around car usage in green spaces: the charges should incentivise users to use alternate means of transport where possible.

#### **c) Commercial Property Leases**

Current Revenue: £180,000

Net Revenue Increase: £90,000

We assume that lease rental values could be increased by 35% based on conversations with NCC and National Trust, noting that some of the leases are at peppercorn rental levels, far below market value. National Trust noted that further revenue increases were possible beyond the assumed levels through including profit shares in renegotiations. We also assume that two properties are renovated and rented out based on an appraisal commissioned by management. Our assumptions do not factor in renovating the Fisherman's Lodge in Jesmond Dene; there is another opportunity here for additional income. We assume that the increase takes place over 10 years to factor in time for leases to expire or be renegotiated.

#### **d) Cafes, retail and concessions**

Current Revenue: £26,000

Net Revenue Increase: £117,000

This revenue line currently includes only one retail outlet. The commercial property lease line above includes property that is rented out to café providers. For clarity, we have split out additional café specific opportunities into a separate revenue line.

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<sup>2</sup> <http://www.chroniclive.co.uk/news/north-east-news/could-newcastle-host-commonwealth-games-12965888>



Our assumptions are based on adding 8 concessions to the portfolio which are rented out for £10k each year. We have also assumed two new café sites are added, and NCC have already identified potential sites that could be rented out for £25k each year.

**e) Allotments**

Current Revenue: £91,000  
Net Revenue Increase: £20,000

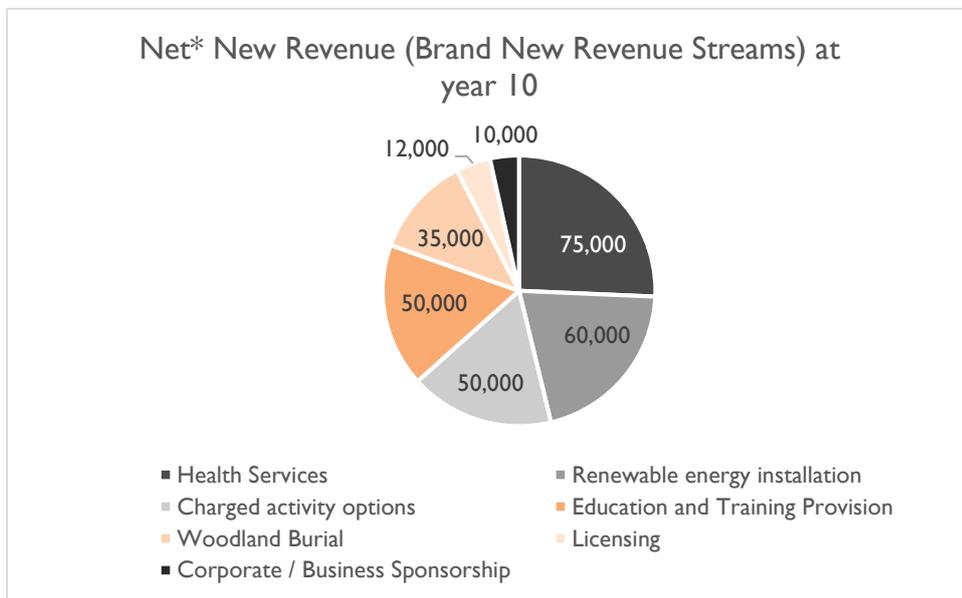
Based on our conversations with the allotment manager, the high waiting lists in the city and the increasing trend in home grown produce, we assume around 100 more plots are built, there is a 10% increase in allotment rents (based on the high demand for sites and up to 20 year waiting lists in parts of the city). The model assumes rental increase from 2020.

**f) Grants / donations**

Current Revenue: £21,000  
Net Revenue Increase: £100,000

This assumes one employee with a gross salary of £50k, generating £150k in grants / donations.

**2. Brand new revenue streams (annual at Year 10)**



*\*Additional revenue is shown net of specific costs incurred to generate that revenue stream (e.g. staff costs)*

**a) Health Services**

Net Revenue Increase: £75,000

This assumption is based on conversations with Newcastle experts in public health which suggested that there was appetite for providers to open park based health hubs

and pay site rental whilst contributing the upfront capital to build the hub and pay for running costs.

**b) Renewable energy**

Net Revenue Increase: £60,000

This is based on other examples in the country where renewable energy sources generate income or where the benefit comes from self-generated energy on parklands.

**c) Charged Activity Options (e.g. mini golf)**

Net Revenue Increase: £50,000

This is based on National Trust knowledge of installations (mini golf courses are a good example). A conservative estimate is used – the revenue could be up to £100k p.a.

**d) Education and training provision**

Net Revenue Increase: £50,000

This is based on the National Trust property Moredon Hall which generates additional revenue from educational activities such as green academies, University Partnerships and National Citizen Service fees.

**e) Woodland burial**

Net Revenue Increase: £35,000

The demand for eco-burials is growing and plots can be sold for around £700 each. This is based on one burial per week; approximately 2% of the total number of deaths in Newcastle upon Tyne each year<sup>3</sup>. We assume that this stream does not start generating revenue until year 5, due to the logistics of establishing this service.

**f) Licensing**

Net Revenue Increase: £12,000

This assumes that 15 fitness licenses are sold each year for £500 each, and 25 dog walking licenses for £200 each.

**g) Corporate sponsorship**

Net Revenue Increase: £10,000

## 5 Costs

**a) Maintenance Costs**

LS currently provide maintenance to the parks (e.g. grass cutting, bed maintenance). Benchmarking against NCC grounds costs, at an overhead rate suggests that greater value for money would be achieved by the Park Trust employing its own gardening / maintenance team consisting of 7 general maintenance staff, 4 grass maintenance and 2 bed maintenance staff

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<sup>3</sup> According to Office of National Statistics for 2015:  
<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/datasets/deathsregisteredbyareaofusualresidenceenglandandwales>



(plus 2 pitch maintenance staff if recreation grounds are included). The calculations behind the staff numbers required are shown in **Appendix D**.

As a precaution, we assume a further £170k/yr to cover either the buying and maintaining or leasing of vehicle costs to perform maintenance tasks, in the case that these vehicles cannot be transferred over from NCC to the Trust. This amount could also be used to cover the cost of outsourcing the maintenance work, if necessary, with the option for the Council to bid for work which they currently receive no income for.

### **b) Staff Costs**

We assume that all existing staff are maintained and the maintenance staff team mentioned above are added. We also assume that any existing pension deficit is not transferred to the new Trust, and that new staff are hired on a pension of 5%. The Trust will consist of the following staff, which are based on benchmarks from NT, Royal Parks and Olympic Parks, especially around the number of marketing and commercial staff required:

- Finance / Admin: 1.5
- Marketing / Commercial: 3.5
- HR: 0.5
- Governance: 0.5
- Chief Exec: 1.0

We also assume that training will need to be purchased and delivered during the transition to a Trust to assist with culture transformation.

### **c) Premises costs**

We assume that the premises costs can be reduced by 30% based on conversations with NCC rangers and park managers, who highlighted examples of maintenance and repair jobs which could have been reduced by 50% in cost through external procurement or additional use of volunteers. 65% of premises costs are from maintenance and reactive repairs, reducing these by 50% will reduce the overall premises cost bill by 30%.

We also presume that transport, supplies and services costs of £122k can be reduced by 15% based on the charity being able to secure more favourable service rates or receive pro bono support.

### **d) Transition costs**

We assume that £170k/year is needed for transitioning existing staff and services to the new charity. The assumptions are based on estimates from similar work conducted by Social Finance. They allow for approximately 60 days of legal advice, 25 days of change management consultancy, 30 days of HR consultancy, and 100 days of other advice including IT and estates consultancy (all based on £750 per day). We also factor in an additional £20k p.a. for the first two years for training staff, and an annual cost of £30k per year for purchasing specialist consulting services on legal and estates matters.

### **e) Volunteering**

We know that NCC receive around 45k hours of volunteer time each year within their parks, and we believe that there will be scope to grow this when management is passed to a charity.

We assume that the number of hours can grow by 3% p.a. (a conservative estimate according to the National Trust) and that a specific volunteer manager will be hired to drive the volunteering strategy and manage the growth in volunteer numbers.

#### f) Taxation

Tax advice from E&Y highlights potential tax risks resulting from the new structure and there is an ongoing need for tax advice prior to establishing the new Trust. At present, the model includes a VAT provision of £270,000 p.a. for irrecoverable VAT based on advice provided by E&Y as of June 2017. E&Y and NCC are currently investigating whether there are any options around mitigating this sum. As the VAT advice is refined as these conversations progress, the VAT assumptions in the model will need to be updated by NCC at the appropriate junctures.

#### g) Insurance

We assume £30k/yr to cover insurance costs for any directly managed buildings, public liability, employee liability, and director and trustee indemnity.

## 6 Capex and Investment

### a) Backlog

Based on condition surveys and NCC quantity surveyors, there is a backlog in building and grounds maintenance work throughout the portfolio totalling approximately £2.8m. However the current premises budget includes an annual charge of £220k for dealing with reactive repairs and maintenance work connected with the current backlog and is reflective of how the Council deals with the backlog at present. The premises charge includes a separate ~£100k p.a. for ongoing maintenance, and £300k within the LS contract, which would be expected to recur even when the maintenance backlog is completed. The profile of the expenditure on backlog maintenance has therefore been brought forward which would lessen ongoing liabilities.

New investment

We believe that approximately £0.6m of capital investment is required for investments in the parks that will generate additional revenue streams. This is split out as below:

Commercial property leases: ~£100k required to renovate properties and bring them up to rental standards.

Events: £100k set aside for installing marquees and other temporary structures that can be rented out and for any site-specific work in order to support large scale events

Charged Activity Options: £300k assumed necessary to pay for installations, based on National Trust knowledge of various activities, of which mini-golf is a good example.

A further ~£50k for other revenue streams and to buy machinery to allow maintenance to be taken in house.

We presume that this investment will be funded by a loan to the Trust, with Newcastle City Council acting as lender. The council would need to determine the required interest rate taking account of the risk and any applicable regulatory requirements (e.g. State Aid). The model currently assumes an interest rate of 8%, although we are aware of precedents for a council charging a lower rate. The loan repayments are assumed in the overall £9.5m contribution. EY's tax advice has also suggested that if appropriate, the Council incurring the capital expenditure

rather than that Trust could be more tax efficient. The exact mechanism is therefore to be determined.

## 7 Benchmarking and Check and Challenge

The model assumptions are based on research with NCC and have been checked by entities running similar models at scale, including the National Trust North East operations team, Milton Keynes Park Trust, Olympic Trust and the Royal Parks Foundation, with consideration given to the specific circumstances of the NE location.

The overall feedback was that the model estimates seemed achievable. The assumptions above have taken the below feedback into account:

- **Revenue:** there were opportunities to generate more revenue from the portfolio. In particular, there was more opportunity in terms of **events** (*Royal Parks, NT and Olympic Parks*), **property income** (*NT and Royal Parks*) and **investing in a “hub” park** (*Olympic Parks*).
- **Costs:** The Trust will **need excellent commercial staff** to make the most of all of its assets (*Royal Parks, National Trust*). **Staff training and culture change exercise** will be key to making this a success (*Royal Parks, National Trust, Milton Keynes*). An **events manager** will be needed (*Olympic Parks, National Trust, Royal Parks*)
- **Timings:** It will take **between 5-10 years** to get all the revenue streams and infrastructure in place, **with some streams ramping up more quickly than others** (*NT, SF, Olympic Parks, Milton Keynes and Royal Parks*)

The following risks were identified and resulted in adjustments to the model which has informed this document:

- The Park Trust may not have the expertise to run cafes in house. Our original model assumed an additional £420k gross revenue from cafes, assuming that one or more of these could be run in house. Our present assumptions are instead for £130k gross revenue from cafes, based on adding more concessions and renting out two additional sites.
- More research required on the local context to assess the opportunities for making a “destination park”. Our original proposal included a “destination park” which would contain a range of activities, cafes and infrastructure to become a hub destination that generated £200k net revenue each year. Check and challenge feedback suggested we should remove this and focus instead on generating revenue from events.
- More research is required on the cost of renovating Fisherman’s Lodge and potential revenue to be earned. Our original proposal included £1m investment to renovate Fisherman’s Lodge in Jesmond Dene and rent this out for £100k gross income each year. Check and challenge feedback suggested more work was needed to assess the cost and opportunities here and therefore we have removed this from our current model.

## 8 Key risks and mitigation

Please note that our model includes a VAT provision of £270,000, which is based on advice provided by E&Y as of June 2017. Discussions to refine and provide assurances on this number are ongoing, and NCC will need to update the Target Operating Model to incorporate any updated advice received.

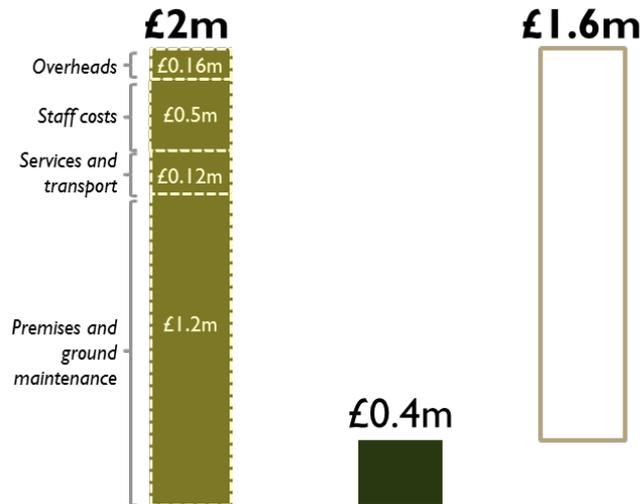


| Key Risk   | Mitigation Approach   |
|--|---|
| Endowment not able to be raised  | <ul style="list-style-type: none"><li>• National Trust providing input and sharing their experience on raising an endowment</li><li>• Roundtable meetings with bodies such as HLF, Sport England and Power to Change are advocating for the Park Trust and need for an endowment</li></ul>  |
| New revenue streams receive push back from the public (e.g. Charged Activity Options and Renewable Energy Installations) | <ul style="list-style-type: none"><li>• We are developing governance structures with bodies including Sports England and HLF to ensure that the Trust is accountable to the public and can earn their support and trust</li><li>• The National Trust is developing a community engagement plan to share the benefits of the model and win public support</li></ul>                        |
| Additional revenue is not implemented at the levels assumed  | <ul style="list-style-type: none"><li>• National Trust park managers have supported a review of the model alongside site visits to verify inputs</li><li>• Inputs have been checked and challenged with internal NCC staff and benchmarked against other bodies running Trusts (e.g. National Trust, Royal Parks, Milton Keynes Park Trust)</li></ul>                                     |
| Target Operating Model (TOM) year is too ambitious in how long it takes to get to full income levels (termed TOM year)   | <ul style="list-style-type: none"><li>• The endowment would de-risk the revenue streams ramping up</li><li>• The TOM year has been increased from Year 3 to Year 5 based on feedback from National Trust, Royal Parks and others</li><li>• We assume that commercial property lease income scales up over 10 years to factor in specific risks associated with this income line</li></ul> |
| The cost of maintaining the parks is more expensive than forecast  | <ul style="list-style-type: none"><li>• The endowment would de-risk the cost savings being implemented</li><li>• The model includes a £100k p.a. cost contingency</li><li>• There are likely to be other income generating opportunities to be explored</li><li>• The Council has pared back initial Social Finance growth estimates in several areas</li></ul>                           |

## Appendix A

### Business as Usual

The current “gap” that would enable the in-scope areas 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 provision for Parks.



Newcastle Parks Service manage several different types of greenspace. The park categories that are currently “in scope” for the Park Trust are:

- Principal Parks
- Neighbourhood Parks
- Countryside Parks
- Allotments (51 hectares)

A list of all the sites in scope and their size is shown in Appendix B.

NCC would like flexibility to assess the impact of taking recreation grounds and allotments in/out of scope of the model. The model enables toggling in and out of recreation grounds and allotments, but for the purposes of this document all assumptions, inputs and outputs are inclusive of allotments and exclusive of recreation grounds.

The current financial position of the parks in scope is shown below. The existing revenue has been taken from the financial ledger (15/16) which shows the revenue for each park type (e.g. Neighbourhood, Countryside). Non-staff costs and overheads are also taken from this ledger. Staff costs are taken from the current staffing document provided by the Council in October 2016. LS costs refer to the separate maintenance contract provided by Local Services for grass cutting, bed maintenance, pitch marking, and health and safety inspections. These costs have been provided separately by the LS department.

| All figures £k             | All Parks in Scope |
|----------------------------|--------------------|
| <b>Income</b>              |                    |
| Commercial Property Leases | 180                |
| Cafes, catering and retail | 26                 |
| Car parking                | 15                 |
| Events                     | 17                 |
| Allotments                 | 91                 |
| Grants/donations           | 21                 |
| Agriculture/forestry       | 7                  |
| Other streams              | 9                  |
| <b>Total Income</b>        | <b>366</b>         |



|                                   |                |
|-----------------------------------|----------------|
| <b>Expenses</b>                   |                |
| Employees                         | (471)          |
| Services, supplies and transport  | (122)          |
| Premises and ground maintenance** | (1,020)        |
| <b>Total Expenses</b>             | <b>(1,614)</b> |
| <b>Overhead*</b>                  |                |
|                                   | <b>(139)</b>   |
| <b>EBITDA</b>                     | <b>(1,387)</b> |

*\*8.6% of expenses*

The premises costs above are taken from the parks financial ledger but exclude £300k of costs which are separately accounted for in the LS Maintenance row to avoid double counting.

\*\*In addition, the following adjustments have been made to the premises costs above:

- 1) Additional premises costs of £44k added based on year on year comparisons completed by NCC Finance. Therefore these are adjusted for a two-year effect rather than only 2015/16.
- 2) Premises costs of £220k each year related to maintenance backlog removed as the maintenance backlog will be completed separately.



## Appendix B

### In Scope

| <b>Park Name</b>  | <b>Hectares</b> | <b>Category</b> |
|---|-----------------|-----------------|
| Armstrong Park  | 7.9             | Principal       |
| Elswick Park  | 5.7             | Principal       |
| Exhibition and Brandling Parks                            | 13.3            | Principal       |
| Heaton Park   | 10.5            | Principal       |
| Hodgkin Park  | 7.4             | Principal       |
| Gosforth Central Park                                     | 3.26            | Principal       |
| Jesmond Dene including Jesmond Vale                       | 31.2            | Principal       |
| Leazes Park (including Hoyles Intake)                     | 12              | Principal       |
| Nuns Moor Park and recreation areas.                      | 3.5             | Principal       |
| Paddy Freemans and Castle Farm                            | 5.36            | Principal       |
| Walker Park   | 10.2            | Principal       |
| 3 Hills Havanna Nature Reserve                            | 41.5            | Countryside     |
| Big Waters Nature Reserve                                 | 42              | Countryside     |
| Denton Dene South   | 8.8             | Countryside     |
| Percy Pit   | 39.95           | Countryside     |
| Sugley Dene   | 7.2             | Countryside     |
| Tyne Riverside Country Park                               | 60              | Countryside     |
| Walbottle/Throckley Dene (including Walbottle Brickworks) | 20.8            | Countryside     |
| Walker Riverside  | 12.4            | Countryside     |
| Ouseburn Park   | 2.6             | Countryside     |
| Allotments  | 51              | Allotments      |
| Benwell Nature Park                                       | 1.3             | Neighbourhood   |
| Christon Road   | 0.7             | Neighbourhood   |
| City Stadium  | 5.4             | Neighbourhood   |
| Harbottle Park  | 4.2             | Neighbourhood   |
| Iris Brickfield   | 6.4             | Neighbourhood   |
| Kingston Park West  | 5.4             | Neighbourhood   |
| North Kenton Park   | 3.2             | Neighbourhood   |
| St. Lawrence Park   | 2.1             | Neighbourhood   |
| Summerhill Square   | 0.7             | Neighbourhood   |
| The Quarry South Gosforth                                 | 0.89            | Neighbourhood   |
| The Spinney   | 1.7             | Neighbourhood   |



|                 |     |               |
|-----------------|-----|---------------|
| Westerhope Park | 1.1 | Neighbourhood |
|-----------------|-----|---------------|

### **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 C

### Implication of leaving sites with council

Currently the following sites will be left in council management:

- Recreation grounds
- Closed graveyards
- Playgrounds outside parks
- Town Moor
- Westerhope Golf Club
- Newcastle United GC
- Other small open spaces (e.g. verges)

For prudence, and to reflect the 16/17 outturn of the Council and corporate overheads, the total running costs for NCC services remaining with the Council are estimated at £0.190m per annum.

The costs and income of the sites to be left with the council are shown below. These figures are taken from the 2015/16 financial ledger and include all sites included in this ledger that are not in scope. This does not include closed graveyards or playgrounds outside parks, nor does it include costs that sit outside the ledger, such as LS maintenance costs. This does not include recreation grounds which are now out of scope, whose costs and income are shown in the table below. Please note these figures are based on 15/16 costs, with an adjustment for 16/17 outturn.

**For prudence, and to reflect the 16/17 outturn of the Council and corporate overheads, the total running costs for NCC services remaining with the Council are estimated at £0.190m per annum.**

The individual income and costs of allotments and recreation grounds in 2015/16 are shown below for NCC's reference.

| All figures £k                   | Recreation Grounds | Allotments |
|----------------------------------|--------------------|------------|
| <b>Income</b>                    |                    |            |
| Commercial Property Leases       | 23                 | -          |
| Cafes, catering and retail       | -                  | -          |
| Car parking                      | 10                 | -          |
| Events                           | -                  | -          |
| Allotments                       | -                  | 91         |
| Grants/donations                 | -                  | -          |
| Agriculture/forestry             | -                  | -          |
| Other streams                    | -                  | -          |
| <b>Total Income</b>              | <b>33</b>          | <b>91</b>  |
| <b>Expenses</b>                  |                    |            |
| Employees                        | -                  | (33)       |
| LS Maintenance                   | (435)              | -          |
| Premises, Supplies and Transport | (123)*             | (113)      |



|                       |              |              |
|-----------------------|--------------|--------------|
| <b>Total Expenses</b> | <b>(558)</b> | <b>(146)</b> |
| <b>Overhead*</b>      | <b>(11)</b>  | <b>(13)</b>  |
| <b>EBITDA</b>         | <b>(536)</b> | <b>(68)</b>  |

*\*8.6% of employee, premises supplies and transport expenses*

*\*it is likely that a proportion of the £300k of premises costs that were removed from the financial ledger to avoid double counting of work that was billed separately by LS relate to allotments and recreation grounds. However as we do not have this level of detail, the model assumes that all £300k is attributable to principal and neighbourhood parks.*



## Appendix D

### Assumptions

The model takes the business as usual data outlined above and applies a series of assumptions to it based on our discussions with NCC, National Trust and external research and benchmarking.

#### 1. General

General assumptions cover the model start date, inflation rates, corporation tax rates and number of working hours in a week.

#### GENERAL ASSUMPTIONS

|                               |      |
|-------------------------------|------|
| Annual revenue inflation rate | 2.0% |
| Annual cost inflation rate    | 2.0% |
| Annual salary inflation rate  | 1.0% |
| Tax rate                      | 0.0% |
| # hours worked per week       | 40   |
| # working weeks in year       | 47   |

**Inflation rates:** estimates taken from CPI website, salary inflation in line with public sector cap.

**Corporation Tax Rate:** as a charity, trading activity carried out for charitable purposes as well as any grants and donations should be exempt from corporation tax.

**Working Hours:** Figures based on 52 weeks in a year, with 5 weeks holiday.

#### 2. Dashboard Assumptions

The dashboard of the model contains some of the main assumptions and allows the user to adjust these assumptions and see the immediate impact on the outputs of the model.

#### KEY ASSUMPTIONS

|                    |        |  |
|--------------------|--------|--|
| <b>Model start</b> | Apr-18 | Assumes that the Park Trust starts 1 year after the model start date. In this case, the Park Trust will start in April 2019. |
|--------------------|--------|--|



**Years to TOM**

|         |  |
|---------|--|
| 5 years | Shows the number of years over which revenue increases and cost savings will be ramped up. Feedback from National Trust suggested that this will be a 5-10-year project, therefore we are assuming all revenue and cost saving measures will be implemented at the end of 5 years. |
|---------|--|

**Cost Sensitivity**

Premises Cost Saving %

Transport, support and supplies cost saving %

H&S Cost Saving %

Revenue growth post TOM reached

|     |   |
|-----|---|
| 30% | 30% saving assumed based on conversations with NCC. Premises costs includes repairs and maintenance, utilities and cleaning. 65% of premises costs are from grounds maintenance and reactive repairs. NCC believe these costs could be reduced ~50% through more effective procurement / use of volunteers. This represents ~30% of the overall premises cost bill. |
| 15% | 15% saving based on conversations with NCC around more efficient procurement of services.   |
| 25% | 25% cost saving on Health and Safety checks assumed based on conversations with NCC   |
| 2%  | Assumption based on feedback from other park managers to reflect the fact that the Trust will continue to look for revenue and efficiency opportunities. Olympic Parks agreed that it is reasonable to assume that revenue would continue to grow, and this is less than the amount of growth targeted by other entities managing parks.                            |

**3. Costs**

**Grounds maintenance costs**

LS currently provide maintenance to the parks (e.g. grass cutting, bed maintenance). Research suggests that the most cost effective way of managing these costs will be for the Park Trust to employ its own gardening / maintenance team consisting of 7 general maintenance staff, 4 grass maintenance, and 2 bed maintenance (with an additional 2 pitch maintenance staff if recreation grounds are in scope). The calculations behind the staff numbers required are shown below.

| LS Maintenance Costs          | Current Cost | Possible to be performed in house? | Cost savings (% of cost) | Capex to realise saving |
|-------------------------------|--------------|------------------------------------|--------------------------|-------------------------|
| Grass Cutting                 | 220,000      | Yes                                | 100%                     | 9,000                   |
| Bed Maintenance               | 244,000      | Yes                                | 100%                     | -                       |
| Hedge Cutting                 | 13,000       | Yes                                | 100%                     | -                       |
| Pitch Marking and maintenance | 196,620      | Yes                                | 100%                     | 4,000                   |
| H&S Checks and maintenance    | 157,380      | N/A                                | 25%                      | -                       |

**Grass Cutting**

Number of sites (with grass)

|    |   |
|----|---|
| 49 | NCC LS breakdown (includes contingency for increased number of sites) |
|----|---|



|  |       |   |
|--|-------|---|
| Cuts p.a.                                      | 10    | Average number of cuts p.a. based on conversations with NCC |
| Hours per cut                                  | 12    | Average hours per cut based on conversations with NCC       |
| % of staff time spent in travel                | 20%   | SF estimate   |
| Number of working hours p.a.                   | 2,000 | SF estimate   |
| Number of working hours for grass cutting p.a. | 1,600 |   |
| Hours required for grass cutting p.a.          | 5,880 |   |
| Staff required to complete grass cutting       | 4     |   |

### CapEx Assumptions

|                             |       |   |
|-----------------------------|-------|---|
| Number of machines required | 6     | Grass cutting takes place mostly in spring and summer, therefore staffing structure likely to be 6-8 part-time seasonal staff.  |
| Cost per machine            | 1,500 | <a href="http://www.mowdirect.co.uk/lawn-garden-tractors/ride-on-mowers-rear-engine/all-deals-4049/rom-filter-type/rear-collect">http://www.mowdirect.co.uk/lawn-garden-tractors/ride-on-mowers-rear-engine/all-deals-4049/rom-filter-type/rear-collect</a> |

In case further machines cannot be transferred from NCC to the Trust, we have assumed a further £170k/yr to cover the cost of buying and maintaining or leasing a full suite of maintenance machinery.

### Bed and Hedge Maintenance

|   |     |   |
|---|-----|---|
| Number of Principal and Neighbourhood Parks         | 24  | Countryside parks have minimal formal beds and hedges |
| Average number of bed / hedge maintenance days p.a. | 12  | As per discussion with NCC rangers                    |
| Number of working days p.a.                         | 250 | SF Input  |
| Travel time   | 25% | SF Input  |
| Working days p.a. adjusted for travel time          | 188 |   |
| Required days for bed / hedge maintenance           | 288 |   |
| FTE Equivalent                                      | 1.5 |   |

### Pitch Marking and Maintenance

|                                |       |                                    |
|--------------------------------|-------|------------------------------------|
| Number of pitches in portfolio | 101   | NCC LS breakdown                   |
| Hours to mark a pitch          | 2     | SF Input                           |
| Number of times per year       | 15    | Per conversations with NCC rangers |
| Travel Time                    | 20%   | SF Input                           |
| Hours required to mark pitches | 3,030 |                                    |
| Staff required                 | 2     |                                    |

### H&S Checks and maintenance



25% of these costs are due to litter picking, path clearance and weeding. It is assumed that all of these tasks can be comfortably completed by the 7 general maintenance staff, or by an increase in volunteers.

### Cost Contingency Buffer

We have added in a £100k cost contingency buffer each year for any unexpected costs.

### Staff Costs

We assume that all existing staff are maintained and the maintenance staff team mentioned above are added. We also assume that any existing pension deficit is not transferred to the new Trust, and that new staff are hired on a pension of 5%.

| Staff Profile                  | Existing FTE | Existing Base | Current Total Cost | Target FTEs | Change in Staff # | New Base Salary | New Staff Cost |
|--------------------------------|--------------|---------------|--------------------|-------------|-------------------|-----------------|----------------|
| Staff 1                        | 1.00         | 26,556        | 33,112             | 1.00        | -                 | 26,556          | 1,178          |
| Staff 2                        | 0.46         | 15,320        | 8,429              | 0.46        | -                 | 15,320          | 202            |
| Staff 3                        | 0.48         | 17,169        | 9,953              | 0.00        | 0.5               | 17,169          | 10,333         |
| Staff 4                        | 0.50         | 16,772        | 10,120             | 0.00        | 0.5               | 16,772          | 10,501         |
| Staff 5                        | 1.00         | 22,434        | 27,787             | 1.00        | -                 | 22,434          | 972            |
| Staff 6                        | 1.00         | 35,093        | 44,142             | 1.00        | -                 | 35,093          | 1,605          |
| Staff 7                        | 1.00         | 26,556        | 33,112             | 1.00        | -                 | 26,556          | 1,178          |
| Staff 8                        | 1.00         | 38,789        | 48,917             | 1.00        | -                 | 38,789          | 1,789          |
| Staff 9                        | 0.50         | 25,050        | 15,468             | 0.50        | -                 | 25,050          | 476            |
| Staff 10                       | 1.00         | 24,677        | 30,685             | 1.00        | -                 | 24,677          | 1,084          |
| Staff 11                       | 4.00         | 28,326        | 142,289            | 4.00        | -                 | 28,326          | 5,515          |
| Staff 12                       | 2.00         | 23,935        | 59,683             | 2.00        | -                 | 23,935          | 2,244          |
| Staff 13                       | 0.33         | 18,337        | 7,268              | 0.33        | -                 | 18,337          | 153            |
| Volunteer Manager <sup>4</sup> |              |               |                    | 0.00        | -                 | 18,337          | 150            |
| Park Keepers                   |              |               |                    | 7.00        | 7.0               | 18,337          | 143,260        |

<sup>4</sup> 1 FTE Volunteer Manager separately accounted for (See Page 23 "Volunteers")



|                   |             |                |             |             |        |                |
|-------------------|-------------|----------------|-------------|-------------|--------|----------------|
| Grass Maintenance |             |                | 4.00        | 4.0         | 18,337 | 81,798         |
| Bed Maintenance   |             |                | 2.00        | 2.0         | 18,337 | 40,824         |
| Pitch Maintenance |             |                | 2.00        | 2.0         | 18,337 | -              |
| <b>Total</b>      | <b>14.3</b> | <b>470,966</b> | <b>28.3</b> | <b>14.0</b> |        | <b>260,993</b> |

### Trust Costs

| Trust Staff            | FTE        | Base salary | Fully-loaded salary |  |
|------------------------|------------|-------------|---------------------|--|
| Finance / Admin        | 1.5        | 35,000      | 59,974              | Benchmarks taken from Charity Job website, based on jobs in North East. Staffing levels based on benchmarks from NT, Royal Parks and Olympic Parks, especially around the number of marketing and commercial staff required. |
| Marketing / Commercial | 3.5        | 25,000      | 98,990              |  |
| HR                     | 0.5        | 35,000      | 19,991              |  |
| Governance             | 0.5        | 30,000      | 17,066              |  |
| Chief Exec             | 1.0        | 75,000      | 86,783              |  |
| <b>Total</b>           | <b>7.0</b> |             | <b>282,805</b>      |  |
| Year staff hired       | Year 1     |             |                     |  |

### Overhead

|                                      |        |   |
|--------------------------------------|--------|---|
| Staff Overhead                       | 5%     | Staff overheads of 5% assumed as premises costs are included separately within the premises cost line |
| Staff Training                       | 20,000 | Based on NT benchmark   |
| Annual consulting / specialist costs | 30,000 | Assumes 60 consultancy days for legal, IT, finance, estate management required                        |

### Transition Costs



The assumptions below are based on estimates from similar work conducted by Social Finance. They allow for approximately 60 days of legal advice, 25 days of change management consultancy, 30 days of HR consultancy, and 100 days of other advice including IT and estates consultancy (all based on £750 per day).

|                               |                |     |
|-------------------------------|----------------|-----|
| ICT Consultancy               | 25,000         |     |
| Estates Consultancy           | 10,000         |     |
| Change Management Consultancy | 20,000         |     |
| HR Consultancy                | 25,000         | -   |
| Legal                         | 50,000         |     |
| Other                         | 25,000         |     |
| Contingency Costs             | 15,500         | 10% |
| <b>Total</b>                  | <b>170,500</b> |     |

### Volunteers

Volunteer time and effectiveness

|  |        |  |
|--|--------|--|
| Growth in volunteer time                     | 3%     | Assumption agreed by Olympic Parks, NT believe it is on the conservative side. |
| Volunteer direct benefits                    |        |  |
| Donated hours                                | 45,598 | NCC Input  |
| Equivalent number of volunteer hours per FTE | 1,880  |  |
| Value of volunteer hour (£)                  | 11     | From NCC report to HLF on Ouseburn park improvements                           |
| Volunteer direct costs                       |        |  |
| Volunteer manager to volunteer ratio         | 15     | Based on NT benchmarks   |
| Volunteer manager gross salary (£)           | 20,000 | SF Input   |
| Fixed £ Costs per Volunteer hour             | 1.0    | Based on NT benchmarks   |

## 4. Income

### Revenue Assumptions

**Existing Revenue Streams;** please see below for a breakdown calculation of each input (please note that the inputs here may be rounded as they are estimates)

| Existing Revenue Streams      | Current Revenue (2015/16) | TOM Additional Revenue | TOM Additional Cost | TOM Additional Capex |
|-------------------------------|---------------------------|------------------------|---------------------|----------------------|
| Commercial Property Leases    | 180,000                   | 100,000                | 10,000              | 84,000               |
| Cafes, retail and concessions | 26,000                    | 130,000                | 13,000              | -                    |
| Car parking                   | 15,000                    | 250,000                | 20,000              |                      |
| Events                        | 17,000                    | 440,000                | 44,000              | 100,000              |
| Allotments                    | 91,000                    | 20,000                 | -                   | 10,000               |



|                      |         |           |         |         |
|----------------------|---------|-----------|---------|---------|
| Grants/donations     | 21,000  | 150,000   | 50,000  | -       |
| Agriculture/forestry | 7,000   | -         | -       | -       |
| Other streams        | 9,000   | -         | -       | -       |
| Total                | 366,000 | 1,090,000 | 137,000 | 194,000 |

### Commercial Property Leases

Assumptions based on adding 35% to current lease amounts and renovating two properties.

#### General Assumptions

|                             |     |  |
|-----------------------------|-----|--|
| % Uplift from renegotiating | 35% | 35% increase based on conversations with NCC and National Trust. NCC already identified specific opportunities from renegotiations worth 15% and management estimated 25% uplift possible. NT noted that a further increase could be possible through including profit shares in renegotiations. |
|-----------------------------|-----|--|

#### Revenue Assumptions

|                         |        |  |
|-------------------------|--------|--|
| Property Annual Revenue | 34,000 | According to Park Management Appraisal received from NCC |
|-------------------------|--------|--|

#### Cost Assumptions

|   |     |             |
|---|-----|-------------|
| Additional property costs as % of revenue | 10% | SF Estimate |
|---|-----|-------------|

#### CapEx Assumptions

|          |        |                           |
|----------|--------|---------------------------|
| Property | 84,000 | Park Management Appraisal |
|----------|--------|---------------------------|

#### Revenue

|  |               |
|--|---------------|
| Additional Revenue from contract renegotiation | 63,000        |
| Property Annual Revenue                        | 34,000        |
| <b>Total Revenue</b>                           | <b>97,000</b> |

#### Costs

|                                |        |
|--------------------------------|--------|
| Costs of running new buildings | -9,700 |
|--------------------------------|--------|

|       |        |
|-------|--------|
| Capex | 84,000 |
|-------|--------|

### Cafes, retail and concessions

Assumptions based on adding 8 concessions to the portfolio, and adding two new café sites.

#### Assumptions

#### General Assumptions

|                           |   |   |
|---------------------------|---|---|
| Number of new concessions | 8 | Benchmark provided by National Trust NE operations team.                                    |
| Number of new café sites  | 2 | NCC identified 2 sites that could be taken over in the meeting on 11 <sup>th</sup> Jan 2017 |

#### Revenue Assumptions



|                           |        |  |
|---------------------------|--------|--|
| Revenue per Concession    | 10,000 | Benchmark provided by National Trust NE operations team. |
| Revenue per new café site | 25,000 | Estimate provided by NCC in meeting on 11th Jan 2017.    |
| Cost Assumptions          |        |  |
| Cost as a % of revenue    | 10%    | Benchmark provided by National Trust NE operations team. |
| Capex Assumptions         |        |  |
| Investment per site       | -      | Buildings are already operational                        |

#### Forecast

##### Revenue

|                         |                |
|-------------------------|----------------|
| Concession revenue      | 80,000         |
| Revenue from new leases | 50,000         |
| <b>Total Revenue</b>    | <b>130,000</b> |

##### Costs

|                    |               |
|--------------------|---------------|
| Overhead costs     | 13,000        |
| <b>Total Costs</b> | <b>13,000</b> |

## Car Parking

Assumptions based on charging for new spaces in Leazes Park or similar alternative plus additional car parking revenue from year 8 onwards.

#### Assumptions

##### General Assumptions

| General Assumptions | Figure | Source   |
|---------------------|--------|--|
| Car park spaces     | 55     | Quoted by park managers  |
| Occupancy           | 75%    | Conservative estimate based on report showing Leazes Park Road car park occupancy currently 93% on weekday term time:<br><a href="https://www.newcastle.gov.uk/sites/default/files/wwwfileroot/parking-roads-and-transport/cycling/newcastle_parking_study_report_with_appencices1.pdf">https://www.newcastle.gov.uk/sites/default/files/wwwfileroot/parking-roads-and-transport/cycling/newcastle_parking_study_report_with_appencices1.pdf</a> |



|   |     |                           |
|---|-----|---------------------------|
| Opening Hours per day                   | 8   | SF estimate               |
| Approximate uncharged car park spaces   | 600 | Figures provided by NCC   |
| Affected sites                          | 20  | Figures provided by NCC   |
| Potential for brand new car park spaces | 0   | No new spaces to be built |
| Occupancy                               | 15% | NT estimate               |

**Revenue Assumptions**

|                              |      |  |
|------------------------------|------|--|
| Price per Hour (Leazes)      | 1.20 | Current price: comparable to city centre and hospital car parking rates; Comparable NCP car park in Newcastle costs £10 for three hours. The hospital car park is exactly £1.2 per hour<br><a href="http://www.newcastle-hospitals.org.uk/hospitals/royal-victoria-infirmery-how-to-find-us_car-parking.aspx">http://www.newcastle-hospitals.org.uk/hospitals/royal-victoria-infirmery-how-to-find-us_car-parking.aspx</a> |
| Price per Hour (Other sites) | 0.50 | SF Estimate  |

**Cost Assumptions**

|                                      |        |             |
|--------------------------------------|--------|-------------|
| Total Number of staff for monitoring | 1      | SF Estimate |
| Staff Average Total Salary           | 20,000 | SF Estimate |

**Capex Assumptions**

|                             |       |  |
|-----------------------------|-------|--|
| Investment per site         | 5,000 | Benchmark taken from Sheffield work for ticket machine installation etc. |
| Cost per new car park space | 2,000 | Benchmark provided by NT   |

**Revenue**

|                                    |                |
|------------------------------------|----------------|
| Revenue Leazes / Similar           | 144,540        |
| Revenue new and uncharged spaces   | 0              |
| Additional Revenue from y8 onwards | 100,000        |
| <b>Total Revenue</b>               | <b>250,000</b> |

**Costs**

|             |        |
|-------------|--------|
| Staff Costs | 20,000 |
|-------------|--------|

**Capex**

|                  |   |   |
|------------------|---|---|
| Site development | - | No capex as no new or unused spaces realised into revenue streams |
|------------------|---|---|



|                       |   |
|-----------------------|---|
| New space development | - |
|-----------------------|---|

## Events

### General Assumptions

|  |        |   |
|--|--------|---|
| Number of small events                                 | 150    | Benchmark taken from Milton Keynes Park Trust who run 200 events p.a. Also noted that Sheffield run >130 small / medium events p.a.   |
| Number of large ticketed events                        | 6      | e.g. music festival, food festival, fireworks display, sports race, markets. 4 large events agreed with NCC, increased to 6 based on Check and Challenge feedback. (Approximately 30% of the number of large events run in Sheffield)                           |
| Average duration of a ticketed event (days)            | 2      | SF Input  |
| Average daily attendees to a ticketed event            | 5,000  | SF Input - conservative input based on comparatives (e.g. 25,000 attendees at 4 day Exhibition Park festival, 70,000 daily attendees at Manchester ParkLife music festival, Great North run 50,000 attendees, Blackheath firework display has 80,000 attendees) |
| Number of weekly visits to one Newcastle park          | 20,000 | Based on HLF Ouseburn Park Report   |
| % of visitors who return weekly                        | 40%    | " p.40  |
| Duration of major event (e.g Winter Wonderland) (days) | 30     | Based on 1 month of festival  |
| Total number of unique regular visitors during period  | 59,429 |   |
| % of regular visitors attending event                  | 75%    | SF Input  |
| % of additional weekly visits due to event             | 50%    | SF Input  |
| Number of specific major event visitors                | 42,857 | Calculated - (number of event specific visitors) seems reasonable given a 4 day Christmas park event attracted 25,000 people  |
| Number of regular visitors attending major event       | 44,571 |   |

### Revenue Assumptions

|   |       |  |
|---|-------|--|
| Revenue per small event                               | 200   | Based on medium size charity / community event in Milton Keynes. Conservative estimate based on NT feedback that £3k for a small event is realistic. |
| Ticket revenue per large / major event attendee       | 1.5   | Conservative input based on £3-5 charge in Royal Parks   |
| Daily site rental for a large event                   | 5,000 | Conservative input based on £1000-£20,000 range for out of town London parks   |
| Daily site rental for a Winter Wonderland style event | 2,500 | Conservative input based on £1000-£20,000 range for out of town London parks   |

### Cost Assumptions

|                        |     |  |
|------------------------|-----|--|
| Cost as a % of revenue | 10% | Benchmark provided by National Trust NE operations team. |
|------------------------|-----|--|



### CapEx Assumptions

|                              |   |                                       |
|------------------------------|---|---------------------------------------|
| Capex Payback period (years) | 1 | Presume all costs borne by event host |
|------------------------------|---|---------------------------------------|

### Revenue

|                                    |                |   |
|------------------------------------|----------------|---|
| Small Events                       | 30,000         |   |
| Large Events                       | 150,000        |   |
| Winter Wonderland type major event | 206,143        |   |
| Associated events income           | 40,000         | Includes advertisements and car parking |
| <b>Total Revenue</b>               | <b>426,143</b> |   |

|              |               |
|--------------|---------------|
| <b>Costs</b> | <b>42,614</b> |
|--------------|---------------|

|              |                |  |
|--------------|----------------|--|
| <b>Capex</b> | <b>100,000</b> | <i>Capex based on NT event manager assessment of the two main potential event parks in the NCC portfolio</i> |
|--------------|----------------|--|

### Allotments

Assumes around 100 more plots built and a 10% increase in allotment rates.

#### General Assumptions

|                                     |     |   |
|-------------------------------------|-----|---|
| % increase in rents                 | 10% | SF estimate - agreed with park management |
| Average allotment size (m2)         | 250 | Park Management estimate                  |
| Number of allotments per hectare    | 40  | Calculated                                |
| % of parks suitable for allotments  | 1%  | SF Estimate                               |
| Number of new allotments            | 93  | Calculated                                |
| % additional sites with advertising | 0%  | NCC estimate                              |
| Number of allotment sites           | 64  | NCC                                       |

#### Revenue Assumptions

|  |       |  |
|--|-------|--|
| Advertising revenue per allotment site | 6,000 | Allotment Manager quote (note no advertising income realised in model) |
| Annual revenue per allotment p.a.      | 80    | Allotment Manager quote (with contingency for mains costs etc)         |

#### Cost Assumptions

|                 |   |                               |
|-----------------|---|-------------------------------|
| Allotment costs | - | Allotments are self financing |
|-----------------|---|-------------------------------|

#### CapEx Assumptions

|                              |     |             |
|------------------------------|-----|-------------|
| Cost to create one allotment | 100 | SF Estimate |
|------------------------------|-----|-------------|

#### Revenue

|                      |               |
|----------------------|---------------|
| Increased fees       | 9,100         |
| New allotments       | 8,202         |
| Advertising          | -             |
| <b>Total Revenue</b> | <b>17,302</b> |



|                            |       |
|----------------------------|-------|
| Costs                      |       |
| Costs of running allotment | -     |
| Capex                      | 9,320 |

### Grants/donations

This assumes one employee with a gross salary of £50k, generating £150k in grants / donations.

### New Revenue Streams

These represent opportunities for revenue lines that are not currently in place in Newcastle. The assumptions for these are all based on external benchmarks and feedback.

| New Revenue Streams              | Eligible portfolio (sites) | TOM Revenue / Site | TOM Cost / Site | TOM Capex / Site |   |
|----------------------------------|----------------------------|--------------------|-----------------|------------------|---|
| Charged Activity Options         | 1                          | 50,000             | -               | 300,000          | Based on NT knowledge of other installations (conservative estimates used – revenue could be up to £100k p.a.)  |
| Renewable energy installation    | 2                          | 30,000             | -               | -                | Based on other examples around the country that generate income (or energy) from renewable sources on parkland.   |
| Corporate / Business Sponsorship | 2                          | 30,000             | 25,000          | -                | Large business sponsors £30k per park; other opportunities through payroll giving; no capex but would need additional fundraising FTE - wage estimated at £25k  |
| Education and Training Provision | 2                          | 50,000             | 25,000          | 5,000            | Estimate: NT Moredon Hall generates £20k from educational activities; £10k from green academies; £9k from University Partnership; estimates of additional National Citizen Service fees; need c.1 FTE to administer   |
| Woodland Burial                  | 50                         | 700                | -               | -                | Woodland burial sites cost £700 (excluding the cost of preparing the plot), each plot requires 6m2 (1,666 per hectare). Presume 1 burial per week, starting from year 5 <a href="http://woodlandburialtrust.com/costofwoodlandburial.htm">http://woodlandburialtrust.com/costofwoodlandburial.htm</a>   |
| Licensing                        | 40                         | 300                | -               | -                | Royal Parks group fitness licenses cost from £680 p.a. Assume £500 in Newcastle, and 15 licenses sold. (500*15). In Royal Parks, dog walking licenses cost £300 p.a, and there are 50 licensed walkers. Assume 25 licenses sold for £200 p.a. <a href="https://www.royalparks.org.uk/park-management/licences-and-permits/fitness-training-licences/licensed-royal-parks-fitness-operators">https://www.royalparks.org.uk/park-management/licences-and-permits/fitness-training-licences/licensed-royal-parks-fitness-operators</a> |
| Health Services                  | 3                          | 25,000             | -               | -                | Based on conversations with Newcastle health experts in public health - assumes providers pay for capex and running costs   |



## 5. Taxation

The model includes a VAT provision of £270,000 p.a. based on advice provided by E&Y as of June. Discussions to refine and provide assurances on this number are ongoing, and NCC will need to update the Target Operating Model to incorporate any updated advice received.

## Disclaimer

This report 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 report does not constitute an investment advertisement.