Future Parks

Future Parks
Financial tool user guide

This document is meant to guide a user through the Financial tool. It will explain in detail how to:
- Enter data in order to generate projections; and
- Interpret the projections based on how information flows through the Tool.

1. Overview

Objective of the Tool

- The Financial Tool ("the Tool") has been created by Social Finance in collaboration with the National Trust.
- The objective of the Tool is to provide Local authorities with an indication of what their Parks portfolio could look like if they transitioned to a People's Parks Trust.

Specifically, the Tool aims to do three main things:

- **Firstly**, the Tool will give an indication of the potential to increase revenues from parks and optimise the cost of running parks.
- **Secondly**, the Tool will provide an indication of the size of the gap between revenues and costs over time (if any) and how this could be funded, specifically the implied size of any potential endowment to cover this 'gap'.
- **Thirdly**, it will provide an indication of how much it would cost to transition to this People's Parks Trust, and what size of working capital facility would be required to cover this cost.

Description of the Tool

The Tool is made up of an Excel document which is structured as follows:

1. Welcome
2. Cover
3. Your Data
4. Your Data Checks
5. Dashboard
6. Scenario Analysis
7. Base Case Financial Statements
8. Med Case Financial Statements
9. High Case Financial Statements

Local authorities should input their current operating and financial information into the **"Your Data" tab**.

This will then generate projections under base, medium and high case "scenarios" for what can be achieved in terms of cost savings and revenue growth over a ten-year period. The outputs of these three scenarios can be seen in the **Financial Statement sheets** and are summarised on the **Dashboard** and **Scenario Analysis** tabs.
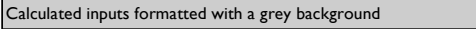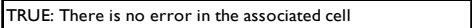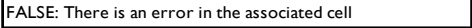
2. Tool keys

Sheet key

Sheet Colour	Sheet Purpose	Sheet Name	Sheet Description	User Engagement
Grey Sheets	Provide background information for the user	Cover	Contains general information on the Tool including reiteration of keys	Reference only
		Your Data Checks	Contains checks to ensure Tool information is flowing correctly	Reference only
Light Yellow sheet	Enables user inputs	Your Data	Enables a local authority to enter all current parks information required to make the Tool work, such as revenue, costs, staff numbers, to be inputted	Input Data - *Data inputs are not required on any other sheet.*
Light Green Sheets	Summarise Tool outputs	Dashboard	Provides indicative revenue and costs over a ten-year period, the implied endowment needed to address any revenue gap and the required financing facility needed to fund a transition to a People's Parks Trust	Review and Print – *Note: these sheets have been formatted to print on a single A4*
		Scenario Analysis	Provides a more granular summary of the revenue, cost and operational implications of the base, medium and high case scenarios.	Review and Print – *Note: these sheets have been formatted to print on a single A4*
Light Orange sheets	Generate Financial Statements for scenarios	Base Case Financial Statements	Provide summary financial projections under the Base Case	Review and Print – *Note: these sheets have been formatted to print on a single A4*
		Med Case Financial Statements	Provide summary financial projections under the Medium Case	Review and Print – *Note: these sheets have been formatted to print on a single A4*
		High Case Financial Statements	Provide summary financial projections under the High Case	Review and Print – *Note: these sheets have been formatted to print on a single A4*

Please note that with the exception of the Input Sheets, *no other sheet should be changed by users.*

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Cell key

Type	Description
Inputs formatted with pale yellow background	These input cells are expected to be manually edited by users. All of these cells appear on the Your Data sheet.
Calculated inputs formatted with a grey background	Active formulae appear in these light grey cells. These are primarily intermediate calculations that have been included to simplify the structure of the Tool workings. Changing these cells will result in significant loss of Tool output fidelity, so they have been protected to avoid accidental changes.
Dropdown menu to toggle	These cells include a dropdown menu. Two of these cells appear on the Dashboard with the remainder of them appearing on the Your Data sheet.
TRUE: There is no error in the associated cell	A cell in which "TRUE" appears indicates either that a required input cell has been correctly completed or that particular information is flowing correctly through the Tool.
FALSE: There is an error in the associated cell	A cell in which "FALSE" appears indicates either that a required input cell has not been completed or that there is an error in the Tool's calculations.
	This cell only appears in the Your Data sheet and signals where an input cell has been switched to inactive following a particular dropdown menu selection made by the user.

3. Your data

This is the sheet where current park revenue, cost and staff information is to be entered.

For the purposes of the Tool, an attempt was made to group park sites, revenue streams and costs into high-level categories. It is acknowledged that these categories may not align with each local authority portfolio. Where helpful, notes have been included to help guide the completion of each input category. For those categories which do not apply—for instance if no income is generated from car parks—**the user is asked to input 0, rather than leaving the cell blank**.

Checks

It is critical that the user ensure that every yellow cell has been populated with data in order for the outputs of the Tool to be accurate.

The user can check this by referencing cell G6.

Site Categorisation

For each 'category' of park, please input the total number of sites and the corresponding total number of hectares (e.g., 12 formal parks totalling 10 hectares).

- There may be some categories which are not applicable (i.e. you may not have any allotments in your parks portfolio); in these cases, please enter 0
- For clarification of what is meant by each category definition, please reference the examples in column H.

These values should be inputted into cells D11 to E15.

Example:			
Site categories	**Number**	**Total Hectares**	
Formal parks	10	20	*TRUE*
Informal parks	20	50	*TRUE*
Cemeteries	-	-	*TRUE*
Allotments	-	-	*TRUE*
Other	-	-	*TRUE*
Total	**30**	**70**	

Note: Please ensure that the number of hectares is the *total* number for that category, not the *average* number per park.

Existing Revenue Streams

Please input the total revenue in thousands per annum (£thousands/annum) for each category of revenue.

- There may be some categories which are not applicable (i.e., you may not have any service contracts or agriculture/forestry income); in these cases, please enter 0.
- For clarification of what is meant by each category definition, please reference the examples in column H.
- For any revenue items which are not explicitly defined, please input them into the row labelled "other streams."

These values should be inputted into cells D23 to D32.

Example:		
Existing revenue streams		
	£k/annum	
Service Contracts		
Large Contracts	100	*TRUE*
Small Contracts	100	*TRUE*
External Revenue		
Car parking	100	*TRUE*
Cafes, catering and concessions	100	*TRUE*
Commercial Leases	100	*TRUE*
Events	100	*TRUE*
Grants/donations	100	*TRUE*
Agriculture/forestry	100	*TRUE*
Other streams	100	*TRUE*

New Revenue Streams

We have identified a number of potential income streams which are currently not part of most park services' core operations but could be implemented over the next ten years if the park sites were transferred into a Parks Trust. Please select from the drop down list which of these streams could definitely not be implemented in your portfolio.

- In column E, users can enter the percentage of a local authority's portfolio that is appropriate for each of the new revenue stream items.
- In column F, users can then see how many park sites this percentage implies, which will enable the user to sense check whether the percentage is reasonable.

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These selections and entries should be made in cells D37 to E43.

Example:

New revenue streams

Does your portfolio have the potential for:		% eligible portfolio	# of sites	
Hosting major events?	Yes	25.0%	8	*TRUE*
Adding a destination park?	No	3.0%	-	*TRUE*
A renewable energy installation?	No	3.0%	-	*TRUE*
Provision of Health or Flooding Benefits?	No	10.0%	-	*TRUE*
Corporate / Business Sponsorship ?	No	10.0%	-	*TRUE*
Education and Training Provision?	No	20.0%	-	*TRUE*
Urban Farming?	Yes	25.0%	8	*TRUE*

Note: These categories should be considered as possible opportunities that a Parks Trust could implement over the next 10 years, rather than realistic opportunities that the parks service could implement today.

Staff Costs

For each category of staff, please enter the total headcount and the total full time employee (FTE) equivalent staff numbers. For example, if someone works 50% of the time, their headcount is 1 and their FTE equivalent is 0.5.

- For clarification of what is meant by each category definition, please reference the examples in column H.
- For each category, please input the average annual base salary per employee, excluding National insurance (NI) and pension contribution.

These values should be inputted into cells D51 to F53.

Example:

Staff categories	Headcount	FTE	Avg. base salary	
On-the-ground staff	10	20	20,000	*TRUE*
Management staff	5	10	30,000	*TRUE*
Back office staff	2	10	20,000	*TRUE*
Total	17	40		

Note: For pension contributions, please input the average % pension contribution for all employees i.e. not split by staff category into cell D48.

Non-Staff Costs

For each category of non-staff costs, please enter the total cost in thousands per annum (£thousands/annum).

- For clarification of what is meant by each category definition, please reference the examples in column H.

- We recognize that for some of these cost categories, some of the costs incurred will be for services provided *to* other council departments *by* the parks service, in proportion to the amount used. In order to ensure these expenses are recognized, please select "centrally recharged" from the drop down list for any category of cost where this applies, even if it is only for a small proportion of the costs. For categories where you have indicated that there is an element of recharge, please also input the rough proportion of expenses which are recharged e.g. if 20% of premises costs relate to parks buildings that are used by the other council departments, then input 20% and this will be deducted from the premises costs incurred by the parks trust.
- We also recognize that there will be costs incurred *by* the council which are recharged *to* the parks services, in proportion to the amount used e.g. a percentage for general overhead costs. Please input the absolute amount of these costs (£thousands/annum) in the "other" category and select "direct cost" i.e. the percentage recharged button should only be used for services provided *to* the council rather than services received *from* the council.

These values should be inputted into cells D57 to F60.

Example:

Non-staff costs	£k/annum	Treatment	Percentage recharged	
Premises	500	Direct cost		TRUE
Transport	500	Direct cost		TRUE
Supplies	500	Direct cost		TRUE
Other	500	Direct cost		TRUE

Additional Costs

We have identified a number of costs which a Parks Trust would incur, which may not be fully reflected in the park service budget, i.e. reflected in the cost items above.

Please indicate which, if any, of the identified cost items are not already included in the staff and non-staff costs above by selecting "no" from the drop down list. This ensures that an amount is included in the budget for the Parks Trust going forwards, based on our estimate of what typical costs for e.g. insurance would be.

This selection should be made from cells D63 to D71.

Example:

Are the following costs captured in the lines above?

IT	No	TRUE
Human Resources	No	TRUE
Procurement	No	TRUE
Utilities	No	TRUE
Rent	No	TRUE
Business rates	Yes	TRUE
Printing, marketing and communications	No	TRUE
Audit, accounting and legal	Yes	TRUE
Insurance	No	TRUE

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Volunteers

Please input your estimated contribution from volunteers (hours), measured in terms of total hours volunteered per annum.

This value should be inputted into cell D74.

Example:		
Volunteers	**Hrs/annum**	
Volunteer time	25,000	*TRUE*

Capital Expenditure

Please input the estimated level of annual capital expenditure in thousands (£thousands/annum), split according to maintenance and investment spending.

- Maintenance spending is the annual amount of spend required to maintain the park assets at their current standard, or preserve the 'status quo'; and
- Investment, or growth, spending is the annual amount of spend required to improve the park assets.

These values should be inputted into cells D77 to D78.

Example:		
Capital expenditure	**£k/annum**	
Maintenance	10	*TRUE*
Investment	10	*TRUE*

Note: To count as capital expenditure, spending must benefit the asset for more than one year.

Maintenance Backlog

Please input the total amount in thousands of maintenance spending (£thousands) which has accrued from prior years, i.e., spending which was planned but not been spent, but which reflects necessary works which would be need completing in the near term.

- This amount is a cumulative number which reflects legacy obligations, unlike the annual maintenance spending figure above which reflects estimated future annual requirement.

We recognize that some elements of this 'backlog' are likely to be more critical than others; please estimate the portion of the above total backlog which is critical, i.e., must be addressed in the near-term in cell D83.

These values should be inputted into cells E81 and D83.

Maintenance backlog £k

Total backlog | 10 | *TRUE*

%

Critical backlog (as % of total) | 20.0% | 2 | *TRUE*

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4. Going from Inputs to Output

Social Finance, together with the National Trust and other industry experts, have developed a range of assumptions that are used to generate projections for park income and costs under a new Parks Trust model, based on the local authority input data.

These projections have been done for three different scenarios (base, medium and high), which in turn reflect different assumptions around expected revenues and costs.

The assumptions are outlined below and presented in further detail in an Appendix.

General

This includes general assumptions around timing, inflation and tax.

Endowment

This includes assumptions around expected returns on any Endowment raised.

Revenue

This includes assumptions around:

- *New Revenue Streams:* Expected timing, income contribution, costs and capital expenditure associated with developing the new revenue streams identified in "Your Data".
- *Incremental Revenue Streams:* Expected % increase in income contribution from existing revenue streams.

Staffing

This includes assumptions around NI and Pension contributions for staff in the new Parks Trust, the target staffing ratios to be able to deliver under this new operating model and the expected annual churn of staff over time.

Non-Staff Costs

This includes assumptions around:

- *Premises Transport and Supplies:* Target operating ratios and the forecast realised cost savings.
- *Other costs:* Allowance for overhead, including an estimated contribution for any costs not currently included as part of the budget

Capital Expenditure

This includes assumptions around estimated time to catch up on critical maintenance backlog, future capital expenditure on park improvements and estimated depreciation expense.

Volunteering

This includes assumptions around the likely growth in volunteer numbers, volunteer contribution (measured in terms of the number of volunteers to 1 FTE equivalent) and cost to the trust of managing this volunteer base.

Transition Costs

This includes assumptions around the expected costs to transition from the situation today to this new model, including the expected costs for legal, tax, HR and consultancy support, and the time this transition will take.

Trust Costs

This includes assumptions around the expected costs incurred by the new Parks Trust, primarily the staff required to run the Trust and the expected back office support.

5. Interpreting the Outputs

Dashboard

The Dashboard provides a high level summary of the Tool's outputs based on the inputs made by the user. It is split into 5 panes:

- *Pane 1 - Key Performance Indicators:*

  This pane provides a snap shot of the starting financial position in Year 0 and pulls directly from the inputs entered on the Your Data tab.

- *Pane 2 - Case Analysis:*

  This pane provides a high-level view of the revenue, cost and resulting earnings profile for the base, medium and high case scenarios and provides the user the ability to adjust the estimated time to Target Operating Model (TOM) achievement (E18).

  It also provides a view of when each scenario breaks even - if at all - and how that gap was closed through a combination of increased revenues ("revenue change") and reduced costs ("cost change").

- *Pane 3 –Endowment Needed to Break Even*

  This pane indicates the estimated size of endowment needed if operations were to break even in the year of TOM achievement for each of the three scenarios under a range of different assumptions for annual endowment return.

  You can then select a scenario and annual endowment return rate for which the Tool will generate a chart showing how the endowment is built up over time.

- *Pane 4 –Transition Funding Required To Reach Target Operating Model With Endowment:*

  This pane shows the transition funding that is required to break even in the year of TOM achievement, based on the scenario and annual endowment selected in the previous pane.

  The accompanying chart provides a view of the annual capital drawdown that will be required before breakeven and an indicative view as to how quickly that cumulative deficit can be repaid.

  Note: there will be a large outlay in Year 4 if you have switched on any of the new funding streams.

- *Pane 5 –Summary Report*

  The last pane is a summary report, which consolidates five key outputs from the Tool that can be used in the decision making process.

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Scenario Analysis

This sheet provides a more granular view of the revenue and cost curves that are summarised in the Dashboard.

You will be able to see the composition of both revenues and costs and see their relative importance in each year. You will also be able to see the effects of the scenarios on staffing numbers, which are a primary cost driver within the Tool.

KPI Benchmarks

You will be able to see whether, based on the inputs supplied, the local authority is under- or out-performing best-in-class financial and operational key performance indicators.