

CAMBRIDGESHIRE OUTDOORS

To: Commercial and Investment Committee

Meeting Date: 12 July 2019

From: Steve Cox; Executive Director: Place & Economy

Electoral division(s): All

Forward Plan ref: N/a **Key decision: No**

Purpose: To provide the Committee with the conclusions and recommendations following completion of the Outcome Focused Review (OFR) process of the Cambridgeshire Outdoors service

Recommendation: The Committee is asked to note the research, options appraisal and conclusion of the OFR process and approve the officers recommendation to:

- 1) retain the three Outdoor Centres recognising that short term subsidies will be required in order to continue to deliver the positive outcomes for our young people;**
- 2) Approve the next phase of work and set up governance arrangements as described in paragraph 4.1, to be overseen by Children and Young People Committee (CYP); and**
- 3) Agree that officers should develop a business improvement plan in line with the governance arrangements above and to deliver the efficiency savings as part of the on-going improvements to the Centres (described in paragraph 2.8 and Appendices 3 & 4).**

<i>Officer contact:</i>	<i>Member contacts:</i>
Name: Emma Fitch	Name: Councillor Joshua Schumann Councillor Anne Hay
Post: Joint Interim Assistant Director, Environment & Commercial Services	Post: Committee Chair and Vice Chair
Email: Emma.fitch@cambridgeshire.gov.uk	Email: joshua.schumann@cambridgeshire.gov.uk anne.hay@cambridgeshire.gov.uk
Tel: 01223 715531	Tel: 01223 706398

1. Background

- 1.1. Cambridgeshire County Council (CCC) has three outdoor learning centres; Grafham Water, Cambridgeshire Environmental Education Centre (Stibbington), and Burwell House; which offer day and residential visits, adventurous and curriculum-based activity courses, outreach services and conference facilities.
- 1.2. CCC has no statutory duty to provide these activities. However, the centres currently achieve a clear contribution to CCC outcomes including supporting the Public Health agenda with the direct physical activity benefits (as described in section 5). The core delivery of the Service is focused on children and young people and enables those users to learn necessary life skills whilst developing personal resilience and appreciation of the wider community. In 2017/2018 financial year, the Service directly delivered to 709 schools, 464 of which were Cambridgeshire schools. 23,727 participants visited the sites, 13,464 of which were Cambridgeshire school children.
- 1.3. Each of the three centres have unique selling points and all have a large number of dedicated customers that continuously book year-on-year as they value the high quality adventurous activities, outdoor education and sole-use residential products offered. Both Burwell and Stibbington offer exclusive use of a residential centre that has a 'homely' feel suitable for smaller groups of younger children and a 'first' residential experience plus Stibbington has a period classroom to enhance learning. Grafham Water day and residential offers access to sailing and water activities with accompanying instructors and equipment.
- 1.4. Cambridgeshire Outdoors became the subject of the Council's Outcome Focused Review (OFR) process in 2017, because it was recognised that the service's future financial viability was at risk if it did not look for more sustainable ways to deliver the service. It was identified that there were five options available for the service as follows:
 - **Option 1:** Do nothing (which would require the Council to continue to subsidise the Service);
 - **Option 2:** Keep the service, but close one or two of the outdoor centres and transfer the provision to the remainder creating a centre of excellence;
 - **Option 3:** Go into partnership or lease the centres to the private or another public sector organisation;
 - **Option 4:** Keep all three sites and develop a better in-house aligned running model; and
 - **Option 5:** Close the Service.
- 1.5. This paper outlines the conclusions of this OFR process.

2. Findings

- 2.1. In order to assess the financial stability of the three centres to enable a decision to be made on their future, two sets of financial forecasts have been produced; a 'Base Case' which reflects a continuation of the current operation of the centres and a 'Realistic Improved Case' which reflects improvements that could be made to marketing, utilisation and efficiencies. These have been derived from discussions with the Heads of Centres' and an analysis of how competing organisations work.

- 2.2. As part of this analysis, an important element to understand is the market place within which the Service operates; understanding the factors that influence demand and supply, as well as an assessment of our prices compared with the competition. These findings are summarised in **Appendix 1**.
- 2.3. As part of our findings, it is important to highlight that it is expected the centres will never generate a significant amount of income for the Council. However, there are opportunities to reduce the subsidies with a potential for creating a surplus position. For both of the scenarios modelled, the financial analysis assumes that the current demand levels do not reduce and, through reviewing the product offering and increasing marketing, additional income and savings can be achieved. However, the threat of schools offering similar services, and the competitive market providing adventurous activities, does mean that a reduction in demand remains a risk. With this in mind, improvements to governance and financial monitoring/management will need to be implemented to identify and swiftly respond to such changes to control the level of exposure for CCC (see paragraph 4.1).
- 2.4. The two modelled scenarios are shown in Table 1, and a full breakdown per centre is detailed in **Appendix 2**.

Table 1 showing two estimated financial forecasts

All Centres	2019/20	2020/21	2021/22	2022/23	2023/24
Scenario 1 (Base Case)	DEFICIT £35,183	DEFICIT £31,270	DEFICIT £22,947	DEFICIT £19,372	DEFICIT £15,772
Scenario 2 (Realistic Improved Case)	DEFICIT £30,183	SURPLUS £47,349	SURPLUS £94,881	SURPLUS £139,259	SURPLUS £146,032

- 2.5. From the analysis, Table 1 shows that if the current position with regards overheads is retained (which recognises the benefits of the Service being part of the wider organisation), loan obligations continue to be met and property maintenance is funded through capital budgets, then it is expected that subsidies of £125k would be required over 5 years (Scenario 1). This assumes income/demand remains static and there are no unexpected increases in expenditure.
- 2.6. The figures in Table 1 exclude any rental income for the sites on the open market if they were not used as Outdoor Centres or any one-off capital receipts if they were disposed of. Rental income was assessed in 2018 at around £260k/year (£70k Burwell, £155k Grafham Water, and £40k Stibbington).
- 2.7. As outlined in paragraph 2.5 above, Scenario 1 (Base Case) effectively uses the current forecasts for the Service taking no identified efficiencies and including the costs of the existing staffing structure, loans, and current overheads. The Service currently has a budget of £77k surplus for 2019/20, so a deficit of £35k in 2019/20 represents a negative variance of £112k from that budget.
- 2.8. In addition officers have then modelled a 'Realistic Improved Case' which uses the same baseline information from Scenario 1 and adds in the efficiencies outlined in **Appendix 3**. The majority of the efficiencies aren't modelled in until 20/21 which allows time for the proposed changes to be implemented.
- 2.9. The OFR process has identified opportunities for the Service to reduce costs and increase income. It is estimated that through operating more efficiently, the need for subsidies would

reduce and could result in a surplus of up to £146k by 2023/24 (Scenario 2). As noted above, full details of these additional savings/income are included in Appendix 3.

- 2.10 The growth of residentials modelled in Scenario 2 will see an increase in participant numbers to approximately 203 school participants per year for Stibbington as of 2020 and Grafham Water school participants will grow by 740 school participants by 2023, which will show an overall growth of 943 school participants per year as of 2023. As part of the business improvement plan; a full product review will be undertaken, so the service can continue to meet the changing demands of the education sector especially with a focus on products that can't be replicated at schools, maintaining pricing and affordability. Product development will be supported by the appropriate sales and marketing strategy with a focus of growing participant numbers beyond the target of 943 by 2023.
- 2.11 Scenario 2 will improve the financial position of all 3 centres. However, the council will need to maintain the buildings across the 3 sites to retain the value of its asset and as with any council building there will be the necessary maintenance work to maintain the asset. Over the longer term (5-10 years), all 3 centres will require some additional investment for the buildings owing to the age of the properties.
- 2.12 Stibbington residential is currently delivered from a terrapin building, which is subject to a temporary planning permission currently live until 31st August 2023, however there could be a possibility of extending this further. The last council survey conducted at Stibbington for the OFR process highlighted the building was in a good state of repair and will not need replacing in the immediate future. However this is a temporary building and a review of residential accommodation at Stibbington will need to be undertaken. Full replacement of the temporary accommodation with permanent accommodation has been quoted at £600k. For this reason the Business Improvement Plan (see paragraph 3.2) will need to look at both the short and long term strategy of the service to meet the future needs of customers. As part of this, the strategy will continually review what products will be offered and where they will be delivered from. Also investigating opportunities around funding and partnership opportunities.

3 CREATING A LONG-TERM SOLUTION

- 3.1 Based on the analysis of the financial data and taking into account the contribution to the Council's outcomes that the Service provides, Officers recommend that the Council should retain the three centres but that in doing so, there needs to be a fundamental change to the operation and performance of those centres so they can quickly reduce the subsidies required and move to a position of financial surplus and long term financial stability. To achieve this, key areas that will need to be considered are:
- Aligning the centres' products and sales strategy with CCC's corporate priorities and challenges such as targeted work with Looked After Children, utilising off-peak periods to engage with schools in deprived areas, maximise funding opportunities including sports premium, and developing our products to meet future demands from schools.
 - Explore partnership working (such as county farms, universities and other potential partners).
 - Upskilling existing service staff, supported by central teams, with the skills to drive the business forward, embracing opportunities and accountability.
 - Creating a management board that sets a clear vision with a plan for delivery, ensuring targets are achieved and objectives are being met.
- 3.2 The above elements are proposed to be delivered through a Business Improvement Plan, which will need to be approved and finalised by the relevant Committee. This will need to

set out the review periods to assess progress against the following key deliverables as recommended in **Appendix 4**:

- Strategic Leadership;
- Vision and service delivery;
- Social Value;
- Business Process Improvements;
- Efficiency Savings;
- Funding Opportunities;
- HR review; and
- Property.

- 3.3 Implementation of the above key deliverables will require resources in order to further develop the centres, project manage the change, upskill existing centre resource (in sales and marketing for instance) and support from internal expertise to help drive through the improvements. The OFR process has largely been delivered by a dedicated Project Manager and expertise from the Transformation Team and, whilst this work will need to continue, a review will be undertaken to identify resource required and the cost implications. Additional to this, some external expertise may be required to deliver the depth of change needed, and in this event any requirement for funding will be supported by a robust business case that will need Commercial and Investment approval.
- 3.4 Alongside the Business Improvement Plan, the longer term strategic vision for the service will also need to be investigated to create a sustainable, commercially viable outcome-focused service including exploring partnership opportunities. Officers propose that such opportunities should be reviewed jointly with Councillors, which is discussed in the governance arrangements below.
- 3.5 The service has the opportunity to reach more children to support CCC corporate priorities. Through further efficiencies and alignment of products, this could realise further capacity to undertake more day, evenings and weekend bookings. The service currently makes a contribution to the CCC outcomes, including offering opportunities to the more vulnerable groups. However, there is an opportunity to maximise this further with more targeted work including a more targeted focus on Looked After Children and the Disabilities team, which would enable the cash flow to be kept within CCC.

4. Governance arrangements

- 4.1 There will need to be clear governance arrangements agreed to oversee the implementation plan, scrutinise and monitor performance of the Service and to ensure suitable interventions are in place in the event targets are at risk of not being met. Having concluded the OFR process and identified the commercial opportunities / efficiencies that can be delivered to help reduce the subsidies required for this Service, officers would recommend that the next phase should be driven by the Children and Young People (CYP) Committee, who are best placed to focus on the educational outcomes of the work and the assessment and measurement of social value undertaken across the three centres. The reason why officers are recommending that the next phase is driven by CYP is to ensure that the service will be developed with a 'service' focus and be centred around the positive outcomes for the children and young people of Cambridgeshire and maximising those opportunities with the most vulnerable groups including our Looked After Children. The proposed governance arrangement would allow CYP to set up a steering group made up of both officers and Councillors to ensure these opportunities are driven forward. The officer leadership group would then be clearly linked to a Service Director to ensure that there is a key accountability for these proposals. It will require CYP to agree a high level forward plan and the

deliverables, as outlined in draft in the Business Improvement Plan Key Deliverables in Appendix 4.

5. ALIGNMENT WITH CORPORATE PRIORITIES

5.1 A good quality of life for everyone

5.2 The Cambridgeshire Outdoors Service would continue to operate across the three sites, and would therefore continue to benefit the local economy and the good quality of life for the residents of Cambridgeshire. The core delivery is children and young people focussed and enables those users to learn necessary life skills whilst developing personal resilience and appreciation of the wider community. The services clearly make a significant contribution to the CCC outcomes, including supporting the Public Health agenda with direct physical activity benefits and offering opportunities to the more vulnerable groups, which is fully chargeable. There is also an opportunity to maximise some targeted work with these groups and this will be developed as part of the action plan in the next phase with a focus on Looked After Children and the Disabilities team.

5.3 The development of environmental products will also support the Council's pledge regarding climate change and commitment to phasing out single use plastics.

5.4 Thriving places for people to live

See wording under section 5.1.

5.5 The best start for Cambridgeshire's children

See wording under section 5.1.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

6.2 To retain the Service across the three sites, it is expected that subsidies of £125k would be required over 5 years, providing that income/demand remains static and there are no unexpected increases in expenditure. A number of efficiency and income measures (detailed in paragraph 2.8 and Appendix 3) can be implemented to reduce the subsidy needed and, if successful, could reach a position where a surplus is achieved.

6.3 Table 2 below shows the revenue impact on the Council's Business Plan of keeping all three centres open between 2020/21 – 2023/24, on the basis that the Business Plan has already been set for 19/20. Nonetheless in reaching a decision Councillors also need to take account of a pressure of £112,000 for 19/20 (which is made up of £77,000 income generation for Traded Services that won't be achieved and an under achievement of income currently estimated at £35,000).

Table 2 showing the revenue impact on the Business Plan of keeping all three centres open.

All Centres	2020/21	2021/22	2022/23	2023/24
Scenario 1 (Base Case)	£108k Pressure	£8k Saving	£4k Saving	£4k Saving
Scenario 2 (Best Case)	£30k Pressure	£48k Saving	£44k Saving	£7k Saving

- 6.4 The day to day operation of the Service across the three sites should not require additional resources. However, staffing at Grafham Water may need to be reviewed from a model relying on temporary staff in the peak season, to permanent staff employed all year round, but supported as required through the increases in uptake in residential products during the off-peak season.
- 6.5 Implementation of efficiency measures will require resources in order to further develop Centre specific business improvement plans, project manage the change, upskill existing Centre resource (in sales and marketing for instance) and support from internal expertise to help drive through the improvements (as described in paragraph 3.3). The OFR process has largely been delivered by a dedicated Project Manager and expertise from the Transformation Team and, whilst this work will need to continue a review will be undertaken to identify resource required and the cost implications.
- 6.6 It is possible that external expertise may be required to deliver the depth of change needed, and in this event any requirement for funding will be supported by a robust business case that will need Commercial and Investment approval.

6.7 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant procurement implications.

6.8 Statutory, Legal and Risk Implications

The provision of outdoor education is not a statutory duty for Local Education Authorities. The statutory responsibility places the provision of providing outdoor education to the school's governing body. Therefore schools have the ability to procure provision from third party providers.

6.9 Equality and Diversity Implications

There are no significant implications. The efficiency savings around no longer offering a free place to schools that book in advance at Burwell House will not have a negative impact on a specific child, as schools currently apply this to the whole class, enabling the school to lower the price slightly for all parents.

6.10 Engagement and Communications Implications

As part of the Member led OFR process, services including schools, public health and members have been included in the discussion. A robust communications plan is in place to communicate the outcome of this OFR to staff at the Centres.

6.11 Localism and Local Member Involvement

Since the commencement of this OFR process, Members have been informed of its progress, including updates to C&I Committee and CYP, along with more regular updates with the Chair of each of these committees. As there will continue to be further improvements made to the Service, a steering group will be created to govern this process (see paragraph 4.1 for further details), which will ensure continued Member involvement.

6.12 Public Health Implications

The school setting is vital in supporting children's health and wellbeing. The Public Health Directorate works to promote healthy lifestyles in schools and therefore it's important to include Public Health as we develop the second phase.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of financial officer: Tom Kelly
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of officer: Gus De Silva
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes Name of officer: Fiona McMillan
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of officer: Elsa Evans
Have any engagement and communication implications been cleared by Communications?	Yes Name of officer: Jo Dickson