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| MCRG Outline Financial Sustainability Plans and Funding Strategy |
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| Supporting Information for MCRG’s CAT Transfer Application to Angus Council |

Contents

[Assumptions for Income Projections 2](#_Toc493491709)

[Sports Hall 2](#_Toc493491710)

[Fitness Suite 2](#_Toc493491711)

[Activity Hall 1 3](#_Toc493491712)

[Meeting Room 3](#_Toc493491713)

[Multifunctional Workshop and Exercise Space 3](#_Toc493491714)

[Centre Café and Children’s Soft Play Area 3](#_Toc493491715)

[External Buildings 4](#_Toc493491716)

[Projected Centre Expenditure 5](#_Toc493491717)

[Staffing Structure 5](#_Toc493491718)

[Financial Projections 2017-2020 7](#_Toc493491719)

[A Review of the Centre’s Financial Sustainability 8](#_Toc493491720)

[MCRG Funding Strategy and Funding Opportunities 9](#_Toc493491721)

[Funding the Capital Refurbishment Programme 9](#_Toc493491722)

[Ongoing Revenue Funding 10](#_Toc493491723)

**MCRG Outline Financial Sustainability Plans and Funding Strategy**

The following is an outline of MCRG’s plans for financial sustainability and the associated funding strategy as it relates to Invertay House; this includes:

* Assumptions for income projections
* Income projections from the letting programme
* An outline of Centre expenditure
* 3 Year outline financial projections
* A review of the Centre’s financial sustainability
* Funding opportunities and funding strategy

## Assumptions for Income Projections

The Centre’s income generation strategy will focus on:

* The short, medium and long term rental and letting of the Centre’s facilities
* The income generated through the Centre’s café
* Membership income derived through the Centre’s gym facility

The facilities that will generate income for the Centre include the following:

### Sports Hall

There will be a sports hall which will be large enough to accommodate five a side football and will be suitable for a range of indoor sports including basketball, netball, badminton and short tennis. The hall will also be used as a multi-functional space for group hire and community events. Initial projections have been based on a pricing structure of £37.50 per hour for the full hire of the sports hall and £8.33 for the hire of a single badminton court for one hour. Projections have been based on 25 one hour hires per week for the full sports hall and 30 one hour hires for a single court.

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| **Sports Hall Hires** | hourly hires per week | Fee | Income per year |
| Full Hall Hire | 25 | £37.50 | £48,750 |
| Per Court Hire | 30 | £8.33 | £13,000 |

(All income and expenditure projections are excluding applicable VAT.)

### Fitness Suite

One the first floor of the Centre will be a medium sized fitness suite that will include a range of cardiovascular machines including treadmills, cross trainers, exercise bikes, rowing machines and strength training machines. Initial projections have been based on a monthly membership fee of £12.50 a month and 150 members.

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| **Fitness Suite** | Members | Fee per month | Income per year |
| Members | 150 | £12.50 | £22,500 |

### Activity Hall 1

There will be a multi-functional activity hall will be available for a range of short term hires of up to a day in length. The facility will be 85 meters squared and will house the majority of users of the current cabin facility. Initial projections have been based on a hire fee of £12.50 an hour and 40 hourly hires per week.

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| **Activity Hall 1** | hourly hires per week | Fee | Income per year |
| Hall Hire | 40 | £12.50 | £26,000 |

### Meeting Room

There will be a small meeting room that will be able to accommodate approximately 10 people, it is likely that this room will be used for community meetings, elected representatives surgeries and training sessions. Initial projections have been based on a hire fee of £8.33 an hour and 5 hourly hires per week.

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| **Meeting Room 1** | hourly hires per week | Fee | Income per year |
| Room Hire | 5 | £8.33 | £2,167 |

### Multifunctional Workshop and Exercise Space

On the first floor of the Centre there will be a multifunctional workshop and exercise space that will be available for a range of uses including exercise classes. It is envisaged that this space will host the majority of the Centre’s exercise classes including dance, yoga, and pilates. Initial projections have been based on a hire fee of £12.50 an hour and 15 hourly hires per week.

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| **Workshop 1** | hourly hires per week | Fee | Income per year |
| Workshop Hire | 15 | £12.50 | £9,750 |

### Centre Café and Children’s Soft Play Area

On the ground floor of the Centre there will be a café and a small children’s soft play space. It is envisaged that the café will be open approximately 6 hours a day. The menu will include soup, sandwiches, snacks, hot drinks, soft drinks and home baking. At this stage, it is not envisaged that there will be a separate charge for the soft play. The soft play will act to draw customers to the café.

**Key Assumptions for the Cafe**

The financial assessment of the café has been based on some key operational and financial assumptions.

* The café will be open for 6 hours a day, 7 days a week.
* An average spend on food of £2.20 per customer (exc VAT).
* An average spend on drink of £1.60 per customer (exc VAT).
* An average combined spend per customer of £3.80 (exc VAT).
* A target gross profit on food of 65%.
* A target gross profit on drink of 80%.
* A combined target gross profit of 71%
* A staffing profile consisting of two café members of staff working approximately 28 hours per week each with two part time café assistants working approximately 11 hours a week each.
* An average of 50 covers per day.
* An average of £150 a week of catering for internal events including children’s parties, catering for events and catering for meetings etc.

Income from the café in year 1 is projected at £74,300 on the basis of the assumptions outlined above.

### External Buildings

In addition there are a number of external buildings to the main building; these facilities have been assessed as being in a reasonable condition and have been well maintained by Angus Council. At this stage these external buildings have been primarily ear-marked for long term rental. These external buildings include:

* A three bedroom house which has potentially been earmarked as a facility delivering healthcare services, initially projected to raise £8,400 in rental income per year.
* One large external building which is 200 metres squared and currently split into three rooms. This has been potentially earmarked as a nursery and initially projected to raise £7,000 in rental income per year.
* A medium size external building which is 103 metres squared and includes a kitchen facility, initially projected to raise £5,000 in rental income a year.
* 4 small units which could be used for storage or potentially light industrial business units. These units are 22, 29, 34 and 37.5 metres squared respectively. Initially the units have been projected to collectively raise £4,800 in rental income per year.

## Projected Centre Expenditure

|  |  |  |  |
| --- | --- | --- | --- |
| **Expenditure** | **Year 1** | **Year 2** | **Year 3** |
| Centre Staffing Costs | £92,813 | £94,669 | £96,562 |
| Café Staffing Costs | £42,000 | £42,840 | £43,697 |
| Café Raw Materials | £20,635 | £21,048 | £21,469 |
| Café Other Costs | £6,600 | £6,732 | £6,867 |
| Staff Training Costs | £1,000 | £1,020 | £1,040 |
| Staff Travel Costs | £500 | £510 | £520 |
| Volunteer Expenses | £2,000 | £2,040 | £2,081 |
| Telephone/Internet | £1,500 | £1,530 | £1,561 |
| Licences | £1,200 | £1,224 | £1,248 |
| Maintenance sinking fund | £2,000 | £5,000 | £5,000 |
| Electric/Gas | £31,000 | £31,620 | £32,252 |
| Professional Fees | £2,000 | £2,040 | £2,081 |
| Marketing/Online bookings | £2,000 | £2,040 | £2,081 |
| Insurance | £5,000 | £5,100 | £5,202 |
| Stationery and supplies | £2,000 | £2,040 | £2,081 |
| Equipment Replacement | £1,000 | £2,000 | £4,000 |
| Grounds Maintenance | £1,000 | £1,020 | £1,040 |
| Miscellaneous | £5,000 | £5,100 | £5,202 |
| **Total** | **£219,248** | **£227,572** | **£233,984** |

## Staffing Structure

|  |  |  |
| --- | --- | --- |
| **Position** | **Salary costs** | **Hours Per Week** |
| Centre Manager | £27,500 | 37.5 |
| Assistant Manager | £20,000 | 37.5 |
| Assistant Manager | £20,000 | 37.5 |
| Janitorial Staff | £8,000 | 21 |
| Admin Assistant | £7,000 | 21 |
| Temporary Staff | £10,313 | As required |
| Café Staff Member | £15,000 | 28 |
| Café Staff Member | £15,000 | 28 |
| Café Assistant | £6,000 | 16 |
| Café Assistant | £6,000 | 16 |
| **Total** | **£134,813** | **242.5** |

* Staffing costs will be the highest outlay for the Centre and are projected to account for around 63% of all organisational expenditure. Staffing costs have been estimated at £134,813 in the first year. The staffing structure highlighted above has been designed to enable the Centre to function adequately. The proposed staffing structure will be augmented by volunteer support and trainees where appropriate.
* Café raw materials have been based on projected income figures and a target gross profit margin of 71% in the café.
* Gas and electric costs have been estimated at £31,000 per year on the advice of the M&E consultants.
* Insurance costs have been estimated at £5,000 per year on the basis of similar facilities.
* All other expenditure items have been estimated at this stage.
* A 2% annual increase in costs has been assumed. The maintenance sinking fund and equipment replacement costs are considerably higher in years 2 and 3.

## Financial Projections 2017-2020

The following outlines three year financial projections for the Centre:

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|  |  |  |  |
| **Income Projections** | **Year 1** | **Year 2** | **Year 3** |
| Sports Hall | £61,750 | £62,985 | £64,245 |
| Fitness Suite | £22,500 | £22,950 | £23,409 |
| Activity Hall 1 | £26,000 | £26,520 | £27,050 |
| Meeting Room 1 | £2,167 | £2,210 | £2,254 |
| Workshop 1 | £9,750 | £9,945 | £10,144 |
| Workshop Hire | £5,854 | £5,971 | £6,091 |
| Centre Café | £74,300 | £75,786 | £77,302 |
| Outbuilding 1 (House) | £8,400 | £8,568 | £8,739 |
| Outbuilding 2 (workshop 2) | £7,000 | £7,140 | £7,283 |
| Outbuilding 3 (side hall) | £5,000 | £5,100 | £5,202 |
| 4 storage units | £4,800 | £4,896 | £4,994 |
| **Total** | **£227,521** | **£232,071** | **£236,713** |
|  |  |  |  |
| **Expenditure** | **Year 1** | **Year 2** | **Year 3** |
| Centre Staffing Costs | £92,813 | £94,669 | £96,562 |
| Café Staffing Costs | £42,000 | £42,840 | £43,697 |
| Café Raw Materials | £20,635 | £21,048 | £21,469 |
| Café Other Costs | £6,600 | £6,732 | £6,867 |
| Staff Training Costs | £1,000 | £1,020 | £1,040 |
| Staff Travel Costs | £500 | £510 | £520 |
| Volunteer Expenses | £2,000 | £2,040 | £2,081 |
| Telephone/Internet | £1,500 | £1,530 | £1,561 |
| Licences | £1,200 | £1,224 | £1,248 |
| Maintenance sinking fund | £2,000 | £5,000 | £5,000 |
| Electric/Gas | £31,000 | £31,620 | £32,252 |
| Professional Fees | £2,000 | £2,040 | £2,081 |
| Marketing/Online bookings | £2,000 | £2,040 | £2,081 |
| Insurance | £5,000 | £5,100 | £5,202 |
| Stationery and supplies | £2,000 | £2,040 | £2,081 |
| Equipment Replacement | £1,000 | £2,000 | £4,000 |
| Grounds Maintenance | £1,000 | £1,020 | £1,040 |
| Miscellaneous | £5,000 | £5,100 | £5,202 |
| **Total** | **£219,248** | **£227,572** | **£233,984** |
|  |  |  |  |
| **Income** | **£227,521** | **£232,071** | **£236,713** |
| **Expenditure** | **£219,248** | **£227,572** | **£233,984** |
| **Profit and Loss** | **£8,273** | **£4,499** | **£2,729** |

## A Review of the Centre’s Financial Sustainability

**Balancing the Use of the Centre’s Facilities –** The current model is based on retaining the facilities in the main building for short-term lets to individuals and organisations whilst offering up the external buildings to organisations for long term lease. Balancing the use of Centre’s facilities in this way presents the opportunity for a sustainable business model. Demand for the Centre’s facilities will dictate whether more space is made available for short-term lets in the external buildings.

**Assumptions for Letting Programme –** The basis for the assumptions of the letting programme and therefore the financial projections have been developed conservatively. There are a number areas where-by the demand for the proposed facilities is in excess of what has been projected. For example, the usage of the multifunctional workshop and exercise space has been projected at 15 hourly hires a week; however expressions of interest in this space for dance classes alone are already well in excess of 15 hours a week. Despite the conservative projections for the letting programme the current financial projections indicate that the Centre can operate sustainably through its self-generated income.

**Grant Funding –** No contribution has been shown at this point for on ongoing revenue funding as it is important that Centre can run without relying on grant funding to cover core costs. However grant funding will applied for that focusses on project funding.

**Contingency Plans -** More than 60% of MCRG’s projected expenditure is on the staff wage costs. Although MCRG believe that the proposed staffing structure will enable the organisation to operate as effectively as possible, there is the flexibility within the staffing structure to reduce the number of hours input from the various roles. Under this scenario, volunteer support would have to be increased. Many community centres rely heavily on volunteer support and have a small number of employees to coordinate the activities of the building, so there are a number of examples of such a model operating successfully. This would not be the preferred model of delivery but it would enable the organisation to operate sustainably in light of any significant reduction in income and/or increase in costs.

**MCRG Funding Strategy and Funding Opportunities**

**Funding the Capital Refurbishment Programme**

The cost of the capital refurbishment of the facility has been projected £2.3 million; in order to raise these funds MCRG will be targeting funding from a number of sources including the public sector, trusts and third sector funders. The range of social outcomes MCRG will be delivering against will make the project eligible for a number of funders. These social outcomes will include:

* Development of community facilities
* Health and well-being initiatives
* The creation of facilities for sport
* Employability initiatives for those with barriers to employment
* Volunteer development
* Intergenerational working
* Increasing community cohesion and decreasing social isolation

The following outlines an example of how the £2.3 million may be raised; the funders have been broken down into two categories: primary and secondary funding sources.

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| **Priority Funding Targets** |  |
|  |  |
| **Source** | **Funding Target** |
|  |  |
| Big Lottery - Community Assets | £1,000,000 |
| Robertson Trust | £150,000 |
| Sports Scotland | £200,000 |
| Contribution from Angus Council | £300,000 |
| Planning gain contribution from Developers | £332,000 |
| Community Fundraising | £58,000 |
|  |  |
| **Total** | **£2,040,000** |
|  |  |
| **Secondary Funding Targets** |  |
|  |  |
| NHS Tayside Community Innovation Fund | £10,000 |
| People's Postcode Trust | £20,000 |
| Garfield Weston Foundation | £90,000 |
| Foundation Scotland - Comic Relief Local Communities | £10,000 |
| Weir Trust | £50,000 |
| Scottish Government's Empowering Communities Fund | £80,000 |
|  |  |
| **Total** | **£260,000** |
|  |  |
| **Total Funding** | **£2,300,000** |

**Primary Funding Sources –** The most critical of these funding sources is the Big Lottery’s Community Assets Programme, MCRG have passed stage 1 of this process and have been awarded development funding from this source to support the development of the stage 2 application. Securing capital funding from the Big Lottery will be vital to the success of the project. Many of the other named funders will not commit to funding the project without Big Lottery commitment. In addition, securing the contribution from Angus Council of £300,000 and the planning gain contribution from local housing developers of £400,000 would result in MCRG securing around 75% of the overall capital funding requirement. Furthermore, if the £700,000 from these two sources was confirmed prior to the stage 2 submission to the Big Lottery; then this would significantly strengthen this bid. Contact with the Robertson Trust and Sportscotland will be made prior to the submission of the bid to the Big Lottery to discuss the funding potential of the project.

**Secondary Funding Sources** – This is a list of funding targets that are smaller in the contribution they would be able to make to the project but will be important in terms of completing the funding picture. An extensive list of additional funders has been created that may be in a position to fund the project if there was a shortfall in funding from secondary funding sources.

**The Purchase Price of the Community Asset Transfer –** The impact of receiving the asset for £1 will be critical to the overall success of the project. As is highlighted above, the majority of funding can potentially be secured from a small number of primary funders. However, it will become increasingly challenging to secure funding for the project if the budget rises above £2.3million as funders, and the contribution they are prepared to make will begin to exhaust itself. The Big Lottery will look favourably on an asset transfer of £1 as this will keep the overall budget manageable and indicate Angus Council’s support for the project and this will be an important factor in the Big Lottery’s decision making process. This will be one of the primary contributing factors in determining the success or failure of the project and will support MCRG to leverage in over £2 million of external funding to Monifieth and ultimately provide vital community facilities and deliver a wide range of social outcomes for the town and surrounding area.

## Ongoing Revenue Funding

Ongoing revenue funding requirements will be determined by identified initiatives, opportunities and the development needs of the organisation. Current financial projections are not reliant upon securing additional revenue funding. However, there are a considerable number of local and national funding bodies that would potentially fund elements of the work that MCRG is undertaking. MCRG will target this funding in three specific categories - project funding, organisational development funding and capital funding.

**Project Funding** – Project funding will support the organisation to undertake time limited initiatives aimed at enhancing organisational impact in the community based on identified priorities and local need. This could include funding for initiatives such as:

* Funding for a community development role that will focus on community outreach and community initiatives.
* Funding for a health and well-being role that will focus on supporting those in the community who wish to live healthier lifestyles i.e. the elderly and those who are overweight.
* Funding to support employability programmes which will enable the Centre to work with those who have barriers to entering the job market.
* Funding focussing on volunteer development initiatives.

**Organisational Development Funding** - Development funding will support the organisation to develop and maximise income opportunities and improve organisational capacity and capabilities. This could include funding for initiatives such as:

* Business development staff such as a marketing officer.
* Business development activities such as the development of marketing material or the development of a website.
* Staff and volunteer training and development.
* Organisational monitoring and evaluation.

**Capital Funding** – Capital funding will support the upgrading of buildings, equipment or refurbishment costs. This could include funding for initiatives such as:

* Replacement or upgrading of gym or sporting equipment.
* New I.T equipment.
* Building development or extensions.

All of the above initiatives are only indicative of the types of funding related activities that the organisation will undertake. MCRG’s approach to ongoing funding opportunities will be to:

* Identify initiatives and opportunities that could be externally funded.
* Match these initiatives and opportunities to available funding.
* Develop funding bids and fundraising to support specific initiatives.
* Undertake monitoring and evaluating of successfully funded initiatives and prepare reports for funders and trustees.