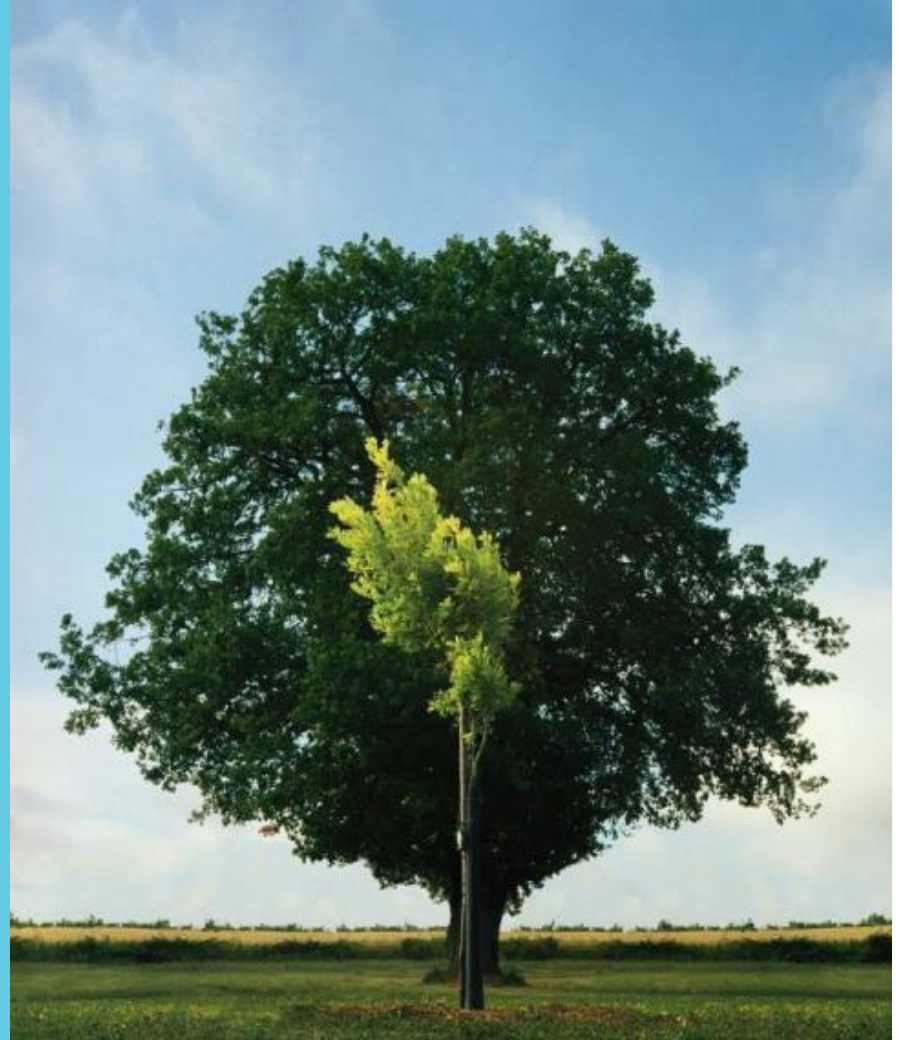


# Oxford City Council

## Audit 20. Westhill Farm - Business Plan Review

May 2016

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**FINAL**



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REPORT STATUS	
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### Restrictions of use

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# EXECUTIVE SUMMARY

## OVERVIEW

### Background

Westhill Farm (the Farm) is located within Shotover Country Park (the Park) in Oxfordshire, which was given to Oxford City Council (the Council) in 1952 by the Oxfordshire Preservation Society (the Society). The covenant between the Council and the Society for the Park requires that the Council maintain the Park in its natural state and for it to be open to the public without restriction. The site of the Farm borders an area that has been designated a Site of Special Scientific Interest (SSSI), which restricts the activities that can be performed within the Park.

The Farm was previously occupied by Council Rangers, however following their relocation the site was seriously damaged by an arson attack. A study commissioned by the Council and the Society in 2014 as to the potential uses for the site found that, out of three options, the demolition of the site and the building of an interpretation centre was the course of action most likely to be accepted by both parties (we have recorded the three options in Appendix II of this report).

The Westhill Farm Group (the Group), which is a locally based organisation, has put forward a Business Plan to restore the site, re-establish a working farm based on the principles of permaculture and offer educational services to the local community and local charities. The Farm will be established as a Community Interest Company (CIC) and all revenue generated will be invested into the site.

### Purpose and objective of the review

The purpose of our review is to provide independent advice as to the sustainability and robustness of the Westhill Farm Shotover Park Community Project Business Plan (the Plan) so that a decision can be made as to whether to grant the lease to Shotover Permaculture Farm Ltd. In order to assess the sustainability and robustness of the Plan, we have sought to answer eleven questions based on the information contained within it:

- Are the objectives of the project clear and achievable?
- Is the capital programme accurate and fundable?
- Are the income and revenue forecasts robust, deliverable and include appropriate reserves?
- Are the cost forecasts accurate and comprehensive, including staffing, operational costs, tax, rates and other liabilities?
- Is there clear evidence and analysis, including market and competitor analysis, to underpin income and revenue forecasts?
- Has an assessment of sensitivity and stress testing been performed in order to understand the robustness of the business plan?
- Does the Plan include evidence of relevant skills and experience of the group?
- What are the implications for the Council as landlord for a CIC tenant?
- Are there potential requirements for guarantees, financial or otherwise, or bonds?
- In a case of insolvency can the Council recover the lease?
- Are recovery options available if the project fails to meet either its financial or social objectives?

In addition to these questions, we have identified any claims made within the Plan that we have been unable to substantiate based on the information provided to the Council (we have recorded these findings in Appendix I of this report). Please note that this was a review and not a full audit or due diligence exercise.

# EXECUTIVE SUMMARY

## OVERVIEW (cont.)

### From our review we have identified the following weaknesses with regards to the Plan submitted to the Council:

- Whilst the Group has, at a high level, defined the objectives of the Project, it has not defined measurable targets and the respective key performance indicators for each objective (*Question 1*)
- The Group does not have a defined governance structure in place, nor have roles and responsibilities been defined (*Question 1*)
- The Group has not provided sufficient evidence as part of its Plan with regards to how it has determined the cost and accuracy of the capital programme (*Question 2*)
- The Group has not provided sufficient evidence as part of its Plan to determine how its revenues and costs have been calculated (*Question 3 and 4*)
- Market analysis indicates that the Project has local support, but does not indicate whether the demand would be sufficient to support the Project as a financially viable organisation (*Question 5*)
- The Group has not subjected its financial calculations to either a sensitivity assessment or stress test in order to determine if it is robust (*Question 6*)
- The Plan does not provide evidence that the Group have the relevant skills and experience necessary to make the Project a success (*Question 7*)
- The Plan does not adequately assess the impact and potential consequences for the Group, the Council and the Society of the proposed transfer of ownership of the farmhouse and the barns to the CIC (*Questions 8, 9, 10 and 11*).

### Conclusion

The Group have presented the Council with a Plan that proposes to use the Farm in a manner that would serve the local community. However, from our review of the Plan we have identified eight critical issues that serve to undermine the information that has been included within the Plan. Consequently, we conclude that the Plan is not fit for purpose.

# Business Plan Review

## Q1 Are the objectives of the project clear and achievable?

The Business Plan presented to the Council by the Group sets out its core values, the vision for the site and the objectives for the Project. The three primary objectives of the Project are:

- Learn - The provision of an environment where local people can learn both practical and personal skills through participation. This objective will be achieved through engagement with the local community and local charities.
- Heal - The second objective of the project is to create a *place of sanctuary and peace*, which will help people to be *healthier in mind and in body*.
- Grow - The third objective of the Project is to restore the farm as a *going concern* operating on the principles of permaculture. By 2019, based on the Group's cashflow projections, the produce on the farm will account for 9.7% of income.

The Group have further identified six critical success factors that will be managed in order to deliver the Project:

- Recruiting and keeping the management team
- Structuring and managing fundraising as well as ensuring the financial management is effective and sustained
- Working effectively with key stakeholders and partners
- Securing enough volunteers and gifts in kind to support
- Ensuring the land is well managed to enable growth of produce
- Securing an onsite guardian to provide 24 hour security.

Whilst the Group has, at a high level, defined the objectives of the Project, it has not defined measurable targets and the respective key performance indicators for each objective. Without clear, realistic and measurable metrics it will be difficult to assess the success of the Project, which may result in disagreements between Stakeholders at a later date.

Furthermore, the Plan does not include a clearly defined governance structure for the CIC following its incorporation. Whilst a Steering Committee is in place, the Plan does not define:

- The governance and management structure of the CIC
- The roles and responsibilities of individuals, present and future, involved in the CIC
- The process for identifying and engaging with project stakeholders e.g. the Council and the Society
- The procedure for reporting on the status of the Project to all key stakeholders.

We also observed that the Group has not identified or appointed a Director(s) with responsibility for: Finance, Volunteering, Project Planning, or Lobbying/Campaigning. The absence of a defined governance structure increases the risk of the Project being unable to achieve its objectives as a result of ineffective management.

Without addressing these issues we are unable to provide assurance that the objectives of the Project are achievable.

# Business Plan Review

## Q2 | Is the capital programme accurate and fundable?

The success of the Project is predicated on the rebuilding and/or renovation of the onsite Farmhouse and Barn, which have estimated costs of £64,000 and £56,250 respectively (these estimates have been taken from the Cashflow Forecast submitted by the Group as part of the Plan). The Group are proposing to absorb the costs of the capital programme on the basis that the Council transfers ownership of the buildings to the newly incorporated CIC (see question 8).

### The Farmhouse

At this time the Farmhouse is in a state of disrepair and a survey commissioned by the Council and the Society in 2014 included a recommendation to demolish the building at a cost of £22,000. Please note that we are aware that the Council will not be providing the Group insurance monies expected to be received for the site in relation to the project. Furthermore, the amount of the insurance money has not been settled and continues to be negotiated between the Council and its insurers. In the original Plan the cost of this demolition was stated as being in-part recovered from the insurance monies received by the Council.

142 The Group has obtained a quote from a local building group, Sylva Group, to rebuild the Farmhouse at a cost of £35,000. Fittings and cladding for the Farmhouse would cost an additional £23,000 and a further allowance of £6,000 has been allocated to additional costs. This quote is substantially less than the £100,000 - £150,000 initial estimate for rebuilding that was provided by the Group and the reasons for the savings have not been clearly articulated as part of the Plan. Furthermore, the Group has not provided the Council with a copy of the quote obtained by the Group. Our research indicated that the Sylva Group has a charge registered against it from HSBC regarding an outstanding debt.

The Group must provide the Council assurance that the quote provided by Sylva Group is valid until 2018, when the building is scheduled to take place, and that adequate contingencies are in place in the event of a change in cost. Furthermore, given that the rebuilding of the Farmhouse is fundamental to the success of the Project, the Group must provide assurance that funding for the rebuild will be appropriately ring-fenced so that building works can be completed.

### Barn Conversion

The Plan estimates the cost of the barn renovation and conversion at £50,000. However, our review of the Cashflow Forecast indicated that the cost is expected to be £56,000. A breakdown of the costs was provided in a previous proposal submitted to the Council, but does not include the relevant evidence to demonstrate how the costs have been determined or whether they have been reassessed following the initial proposal.

### Site Access

The Plan commits £2,500 to maintaining the upkeep of the main access link to the site, to be spread out over the next three years. The Plan sets out the Group's intention to minimise traffic going to and from the site, however it is unlikely that there would be anything other than an increase in traffic to both the Farm and the car park on Old Street. The Group has not included a professional assessment of the road in order to determine whether, in its current state, it would be able to withstand an increase in its use. Therefore, we are unable to provide assurance as to whether the £2,500 earmarked for road improvements is sufficient.

The staggering of the costs of the Farmhouse and the Barn allows for the Group to raise the necessary £100,000 of funding through donations, fundraising activities and grants as well as income generated from the site as it starts to come on-line. The Plan, however, does not provide a detailed strategy for how the £100,000 target will be achieved or the contingencies required in the event that grants are not obtained or fundraising targets are missed.

# Business Plan Review

## Q2 | Is the capital programme accurate and fundable? (cont.)

There has been a marked contraction in the grant funding that is available, whilst competition between organisations for the funding has continued to increase. Achieving the £100,000 target is fundamental to the success of the Project as, based on the Group's Cashflow Forecast, it is expected to operate at a loss of £6757 in 2017 and £6594 in 2018. We would therefore expect to see how the Group intends to respond to a decrease in grant funding.

All estimates for the capital expenditure are predicated on the assumption that volunteers will be available to assist with the delivery of the farmhouse build and the barn conversion. We would expect, and have not been provided with, costings in the event that anticipated volunteer levels cannot be achieved.

The Plan does not include information as to how the costs of the Project have been determined or the contingency arrangements that are in place, which is necessary to be able to provide assurance that the capital programme is accurate and fundable.

# Business Plan Review

## Q3 Are the income and revenue forecasts robust, deliverable and include appropriate reserves?

The Farm will generate income and revenue from a number of sources, which have been defined within the Plan and the associated Cashflow Forecast.

### Grants and Fundraising

The Plan forecasts that from Q3 2017 the Farm will be generating income of £10,500 per quarter, rising to £28,000 per quarter by Q4 2019 (excluding grants and fundraising). The Business Plan makes the assertion that by 2019 the Farm will be less reliant on grants and will be generating a surplus.

Based on our review of the Cashflow Forecast submitted by the Group, we identified that:

- Grants will account for 12% of overall income generated by the Farm in 2019, which is up from 11% in 2018
- Excluding grants, the Farm projects a loss of £2457 in 2019.

The Plan does not include evidence of the award or promise of grants for the Project nor has consideration been given as to the conditions that may be attached to grant monies.

### Trading Income

The Plan sets out an ambitious programme to generate income at the site, which will mean that there are a high number of events taking place at the Farm including the sale of farm produce, regular festivals and corporate events. However, from our review of the forecast it is not clear as to whether the following issues have been taken into account:

- How produce generated by the site will be sold?
- Seasonal variations in the demand for produce and/or services, particularly the potential impact on the Group's cashflow?
- The logistics involved in arranging festivals on a quarterly basis?
- The impact of building works taking place on the Farmhouse and Barns on the sites ability to generate revenue?

The Plan does not include evidence of market research or testing in order to determine potential trading income, nor does it include an assessment of the farmland in order to determine potential crop yields in order to support the projected produce revenues. Furthermore, whilst the Plan raises the possibility of opening an onsite shop and café a letter dated 27 October 2014 from South Oxfordshire District Council regarding planning permission states that it would be unlikely for permission to be granted for either of these ventures, or under any other uses outside the established residential use. Our review of the Plan identified that the Group has not include contingency plans for events that could impact on the Project's ability to generate income such as adverse weather conditions or natural disasters. Given the location of the Farm in the middle of the Park it is expected that it would be sensitive to fluctuations in a number of variables such as the weather and this has not been reflected within the Plan.

### Rental Income

Rental income is initially forecast to generate £1500 per quarter, rising to £5000 per quarter by 2019. From our review of the Plan, we have two concerns regarding how these figures have been calculated:

- There is an assumption that the onsite managers/guardians will pay rent for their accommodation. Live-in arrangements are typically provided for free as a payment in kind
- Of the five social partners that have been identified within the Plan and could act as tenants at the site, four are led by members of the Project's Steering Group. The Plan does not set out how the rent valuations have been calculated or demonstrate that they are at or close to market rate.



# Business Plan Review

Q3 | Are the income and revenue forecasts robust, deliverable and include appropriate reserves? (cont.)

Rental income is predicated on the terms and conditions of the lease from the Council allowing for the Group to sublet the properties.

## Reserves

The Cashflow Forecast establishes that the Group will maintain a reserve of funds following the initial fundraising activity, which will be supplemented through fundraising and donations, grants and membership fees. We observed that the Cashflow Forecast includes an interest free loan of £5,000 that has not been recorded within the Plan. We are unable to determine who has provided the loan, the purpose of the loan and the associated terms and conditions of the loan. This must be documented and the terms and conditions of the loan must be presented to the Council.

The Plan does not include the information necessary to support the Group's assertions regarding the income and revenue that would be generated by the site. The forecasts included within the Plan only allow for a small profit of £17,543 to be generated by the site and do not clearly set out how the monies raised would be reinvested into the site. Further information is required in order to provide assurance that the income and revenue forecasts are robust and deliverable.

# Business Plan Review

Q4 Are the cost forecasts accurate and comprehensive, including staffing, operational costs, tax, rates and other liabilities?

The Plan sets out the anticipated costs that are expected to be incurred by the Project.

## Staff Costs

As previously stated, the Plan is predicated on the number of volunteer hours that will be provided. The Plan allows for the hiring of three permanent members of staff, as well as the funding for three contractors by 2019. The three permanent positions are:

- A Farm Manager, who would be paid £10,000 in 2017 rising to £20,000 per annum by 2019. Based on the National Careers Service guidance, this would be £3,000 beneath the national average for a new Farm Manager, whilst an experienced Farm Manager would expect £25,000 - £30,000
- A Course Manager, who would be paid £10,000 in 2017 rising to £20,000 per annum by 2019. Based on a survey of agency websites, we estimate that the salary offered for this role would be beneath the market rate
- A Communications Officer, who would be paid £7,000 in 2017 rising to £12,000 per annum by 2019. We have assumed that this figure is pro-rata based on part-time hours. There is a risk that the figure quoted for this role could breach the law regarding the national minimum wage.

146 The salaries paid to the Farm Manager and the Course Manager do not include the potential cost of rent that would be charged if they were to live onsite.

The Plan includes the opening of an on-site café by 2018, however the costs of staffing a café have not been included within the Plan. In the event that the café is staffed fully by volunteers, there would be associated costs for training the volunteers and meeting all relevant Health and Safety requirements.

Operating a residential training site may also result in additional costs being incurred i.e. cleaning or laundry, however these have not been included within the Plan. Furthermore, the Plan does not set out how corporate events, venue hires or festivals would be staffed. The Plan places a significant burden on volunteers without demonstrating how volunteers would be found for specific roles such as catering, events and/or festivals. It is unlikely that the Project would be financially viable if temporary staff were required to be hired. Also we assess that none of the propose commercial activities are consistent with the local planning plans for the site.

At this time we are not able to provide assurance that the Group has accurately or comprehensively forecast its staffing costs.

## Rents, Rates, and Utilities

The Plan assumes that the Farm will only be required to pay the Council a peppercorn rent in order to secure a long term lease. If the Council were not to agree to this then it is unlikely that the Project would be viable. The Plan further assumes that the Farm would not be liable for Council Tax or Business Rates until 2019, which would also need to be agreed with the Council. The Cashflow Forecasts does not include adequate reserves in the event that the forecast Council Tax and Business Rates liability has been miscalculated.

As a CIC, the Project would still be liable for corporation tax, although it may be able to apply for business rate relief owing to its status and agricultural land and buildings.

# Business Plan Review

Q4 | Are the cost forecasts accurate and comprehensive, including staffing, operational costs, tax, rates and other liabilities? (cont.)

## Access and Transportation

As previously observed, the Plan allocates £2,500 for access improvements between 2017 and 2019. The Group has not included a professional assessment of the road in order to determine whether, in its current state, it would be able to withstand an increase in its use.

## Marketing

The marketing efforts for the Project will primarily utilise volunteers and social media to raise awareness of the Project. Fewer than 500 people have engaged with the Project's Facebook page at the time of this review. The Cashflow Forecast sets out a marketing budget of, on average, £250 per quarter and the Group has prepared a marketing strategy within the Plan.

Based on the evidence submitted and our analysis of the costs we are unable to provide assurance that the costs forecasts are accurate and comprehensive.

# Business Plan Review

Q5 Is there clear evidence and analysis, including market and competitor analysis, to underpin income and revenue forecasts?

The Plan submitted by the Group includes a defined outline of the existing projects within the local community and how the Group's offering is distinct from these. It is anticipated that these organisations would work together rather than be in competition, however there is a risk that an over-saturated market place could result in a lack of public engagement with the project. The competitor analysis does not include businesses in the area that offer similar services to those proposed by the Project i.e. training courses or venue hire.

A pilot training course offered by the Group was fully subscribed, however the Plan does not include a full breakdown of how the Group would charge for courses offered at the Farm and the costs involved. Demand for all of the services has been implied throughout the Plan, however it has not been substantiated.

The Group have identified a number of potential social partners and organisations that expressed an interest in utilising the services offered at the Farm, however the letters of interest that have been provided are not firm commitments. The potential partnerships that have been identified are themselves charitable or not-for-profit organisations and will operate under the same funding constraints as the Farm.

From the Plan submitted by the Group it is apparent that there is a local interest in the Project and that local organisations would be interested in using the services provided. It is not possible, however, to identify that this level of demand supports the income and revenue forecasts that have been included within the Plan.

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Q6 Has an assessment of sensitivity and stress testing been performed in order to understand the robustness of the business plan?

The Plan submitted to the Council by the Group, including the Cashflow Forecast, does not include an assessment of the sensitivity of the Plan or a stress test in order to understand its robustness. The Plan does not include an assessment of the project's variable costs and the potential impact of a change in these to the Project, nor does the Plan include the cost of inflation. We assessed that a 10% reduction in income from 2016 to the end of 2019 would result in a reduction of the Project's cash reserves to £2,743 from £47,943.

Our review identified that the Plan does not include contingency arrangements in the event that a revenue source cannot be exploited or the cost of business rises. Of particular concern is the analysis that has been performed regarding the sales of the produce generated by the Farm. The Plan does not take into account seasonal variations and South Oxfordshire District Council have expressed their concerns regarding the use of the site as a farm shop. It is not clear from the Plan as to where the produce generated at the site would be sold in the event that a farm shop cannot be built.

At this time, the absence of either a stress test or a sensitivity analysis of the Group's Plan means that we are unable to provide assurance regarding the viability of the Plan.

# Business Plan Review

Q7 Does the Plan include evidence of relevant skills and experience of the group?

Our review of the Plan indicated that the members of the Project's Steering Committee are committed to the Project and have a desire to improve the Farm in accordance with the stated permaculture ethos. From our research it was identified that a member of the Board is the director of a company that has an *active proposal to strike off*, which is procedure for liquidating a limited company, recorded against it by Companies House. In addition to being a member of the Steering Group, the company in question is recorded within the Plan as being one of the Group's Social Partners.

Furthermore, we identified that the Steering Committee does not include representatives from the Council, the Society or South Oxford District Council.

The Group currently has two Directors, Nicholas Lunch and Matthew Morton, and is in the process of appointing a Director with responsibility for the following areas:

- Finance
- Volunteering
- Project Planning
- Lobbying/Campaigning.

149 Each of these areas are critical to the success of the Project and we would expect to see a recruitment strategy that sets out how the Group intends to fill this vacancy in a timely manner. As previously stated, the Group must take action to ensure that the roles and responsibilities of its Directors and governance team are defined.

At this time, due to the existing knowledge and skills gap, we are unable to give assurance that the Plan includes evidence of relevant skills and experience of the Group.

# Business Plan Review

Q8 What are the implications for the Council as landlord for a Community Interest Company tenant?

The primary implication of the Council becoming the landlord for the newly incorporated CIC is that the Group is proposing that ownership of the buildings at the Farm be transferred to the CIC. Both buildings would be considered assets of the CIC and would be protected under law by an asset lock. There are specific restrictions on how CIC assets are controlled, however the Group would not be prevented from using the assets as collateral for future financing. Whilst the Plan does not set out the need for financing within the first three years of the Project, there is no guarantee that this situation would not change. Furthermore, given the complex nature of the ownership of the Property, the Council would need to liaise with the Society in order to determine whether ownership of the farmhouse and barns could be transferred to the CIC.

The Plan implies that the structure of the Group may change in the future, which could have implications for the Council both as a landlord and with regards to the use of the farmhouse and barns. This would need to be considered in any tenancy agreement that was put in place between the two parties.

Whilst not directly linked to the Group becoming a CIC, the Plan assumes that the Council would only charge the Group a peppercorn rate for the tenancy. This, combined with the transfer of ownership of the properties, would restrict the income that the Council would be able to generate from the site. However, given the restrictions that currently exist governing the use of the site, it is unlikely that any use of the site would generate significant rental income for the Council.

Further discussions must be held between the Council, the Group and the Society in order to determine the implications of the transfer of ownership of the existing properties on the site. It is expected that the Council and/or the Society would require specific guarantees regarding the use of the properties and how they can be used with regards to obtaining funding.

Q9 Are there potential requirement for guarantees, financial or otherwise, or bonds?

The Plan does not include the requirement for guarantees or bonds to be provided or obtained in order to deliver the Project. As a CIC, the Group would be eligible to apply for funding and financing from the same sources as any other organisation.

As with the previous question, we recommend that all parties agree how the existing properties on-site can be used in the future to obtain funding and/or financing.

# Business Plan Review

Q10 In a case of insolvency can the Council recover the lease?

This would be dependent on the terms of the lease between the Council and the Group. We would recommend that the tenancy agreement between the two parties includes a provision for the recovery of the lease in the event of the insolvency of the CIC.

With regards to the proposed asset lock, the Council must obtain assurance as to how it would recover the farmhouse, the barns or both in the event of an insolvency. The Plan proposes that, in the event of the failure of the Project, the assets are transferred to a *not for profit organisation with similar charitable aims*. Any such transfer would be subject to approval from the Office of the Regulator of Community Interest Companies. Again, in the event that financing is secured against the on-site properties, the transfer of assets to the CIC may impede the Council's ability to recover the farmhouse and the barns.

As with questions 8 and 9, we recommend that all parties agree how the onsite properties can be used with regards to obtaining future funding and how they would be returned to the Council in the event of the Project failing. Based on the information contained within the Plan, we are unable to provide assurance that the Council would be able to recover the lease in the event of insolvency.

Q11 Are recovery options available if the project fails to meet either its financial or social objectives?

The Plan proposes that a break clause after five years be included within the lease agreement, which would allow the Council to reclaim the site in the event of the Group being unable to obtain funding to renovate the barn and rebuild the farmhouse. The Plan does not include any other recovery options that would be utilised in the event that the project fails to meet either its financial or social objectives. As indicated in question 1, the criteria for success or failure for the Project have not been clearly defined and this could result in future disagreements between the Council and the Group.

We are unable to provide assurance that there are adequate recovery options available if the project fails to meet either its financial or social objectives.

# Appendix I - Analysis of Claims Made

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Ref.	Plan page no.	Area	Outline of Internal Audit Observation	Priority
1	7 - 12	Project Objectives	The objectives do not have associated targets that can be measured and reported on in order to determine the success of the Project.	Medium
2	7 - 12	Stakeholder Engagement	The Plan refers to the Project having support from a number of key stakeholders, which includes but is not limited to local residents and local charitable organisations, however there is no evidence of this support included within the Plan.	Medium
3	8	Users of Westhill Farm	The use of the farm will inevitably result in increased traffic on both the Ridings and the Old Road. The Group have not provide evidence to demonstrate that: the local residents are agreeable to this; or that the Group has the finances available to support the maintenance of the roads. The site itself is not sign posted within the Park and the Plan does not include details as to how they would improve access to the site for all visitors.	High
4	9	Courses offered	The Plan does not include a fully costed break-down of the sites that it proposes to offer. Furthermore, the Plan does not include how it intends to charge for the courses offered.	Medium
5	9	Produce generated	The Plan references the production of crops that have a <i>known profitability</i> . However, the Plan does not include what these crops are nor whether an analysis has been performed to determine whether they could be grown on the Farm in the quantity required to generate a regular income.	Medium
6	10	Activities and support services close to deprived areas	The Plan does not include an assessment of the number of visitors that would be required in order to make the Farm a viable concern.	High
7	11	National England priorities	The Plan states that it fulfils all eight of National England's priorities. However, from our review of the Plan and the eight priorities we are unable to see how this has been achieved.	Low
8	13	Known demand for services	The Plan does not include market analysis to substantiate the known demand for any of the services proposed as part of the Plan.	High



# Appendix I - Analysis of Claims Made

Ref.	Plan page no.	Area	Outline of Internal Audit Observation	Priority
9	14	Phases of site development	Whilst building works have been staggered across five phases, the Plan does not include proposed project plans or quotations from builders that demonstrate that the work can be completed in the desired timescale. Further, given the reliance on volunteers we would expect to see contingencies in place in the event that labour is unavailable.	High
10	15	Letters of Support	The Plan indicates a number of organisations that it lists as being supportive of the Project. However, the Plan does not include letters of support to substantiate this claim. Previous letters of support should be attached to the current Plan.	Low
11	17	Social Enterprise Partnerships	Of the five social enterprise partnerships proposed by the Group, four are run by members of the Group's Steering Committee. We also found that one, Archetype Design, is subject to an active proposal to strike off by Companies House.	Medium
12	18	Business Rates	The Group has not provided the basis upon which the Council should be offering zero business rates and council taxes, nor for how long the zero rates would be required. Based on the Cashflow Forecast zero rates would apply until at least 2019.	Medium
13	18	Cost of farmhouse renovation	The Plan does not include a copy of the quote from Sylva Group, nor how long the quote would be valid for. Furthermore, the £35,000 cost recorded in the Plan excludes the additional £28,000 to cover fittings, cladding and project management. The additional costs are included in the Cashflow Forecast.	High
14	18	Cost of the barn renovation	The Plan quotes the cost of the barn conversion as being £50,000. However, based on the Cashflow Forecast, the cost is £56,000. The Plan does not include a quotation for the works necessary to renovate the barn.	High
15	19	Interest Free Loan	The Cashflow Forecast includes an interest free loan for £5,000 in Quarter 4 of 2016. The reason for this loan has not been recorded, nor have the terms and conditions or the provider of the loan.	High

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# Appendix I - Analysis of Claims Made

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Ref.	Plan page no.	Area	Outline of Internal Audit Observation	Priority
16	19	Phase Five Revenue Projections	<p>The revenue projection of £30,000 per quarter by 2019 is predicated on:</p> <ul style="list-style-type: none"> <li>• A 100% increase in revenue from courses offered</li> <li>• A 200% increase in revenue from eco-therapy</li> <li>• A 333% increase in rental income, which includes £2,000 per quarter from the rental of the Managers accommodation.</li> </ul> <p>Any surplus generated during 2019 is based on the provision of £20,000 in grants. Without this, the Project would be operating at a loss.</p> <p>The salaries proposed for the Farm Manager and the Course Manager are up to £3,000 beneath the average salaries for these roles. The cost of additional staff, i.e. temporary staff for festivals, events or venue hire, have not been included in the Business Plan or the Cashflow Forecast. The Group has not provided a strategy that demonstrates how volunteer hours would be secured and utilised to avoid the need for paid staff.</p>	High
17	19	Volunteer Hours	<p>The Group has not demonstrated how they have calculated the value of volunteer time to be £50,000. Furthermore, there is not a strategy that demonstrates how this level would be maintained and, where necessary, increased, to meet the level of demand expected for the site.</p>	Medium
18	20	Project Breaking Even	<p>The Plan asserts that the Project would be breaking even by Phase Four. As previously noted, this is predicated on the site obtaining a number of substantial grants. The Plan does not include the Trust's strategy for targeting and winning grants. In this environment, funds available from grants have significantly declined, whilst there is increased competition amongst organisations in trying to obtain them.</p>	High
19	20	Phase Five Running Costs	<p>The Plan sets out that, by Phase Five (2019), the Project's running costs will be £130,000. Based on our analysis of the Cashflow Forecast, the Project's running costs would be £147,957. Furthermore, as a CIC, the surplus generated in 2019 (which includes grants) would be liable to corporation tax. This has not been recorded on the Cashflow Forecast or Business Plan.</p>	High

# Appendix I - Analysis of Claims Made

Ref.	Plan page no.	Area	Outline of Internal Audit Observation	Priority
20	27	Membership Scheme	<p>The tiered membership scheme has not been sufficiently costed to be included within the Plan. The benefits of membership, as either a 'Partner' or a 'Friend' have not been defined, nor has the impact of these benefits on the Project's revenues been determined. As a comparison, membership of the National Trust is £63 and grants:</p> <ul style="list-style-type: none"> <li>• Unlimited access to 500 nationwide parks (access to Shotover is already free)</li> <li>• Unlimited parking at National Trust carparks (parking at Shotover is already free)</li> <li>• A National Trust Handbook</li> <li>• A National Trust magazine printed three times a year</li> <li>• Regular email newsletters.</li> </ul>	Medium
21	27	Potential Sources of Funding	<p>The Plan identifies 12 organisations and business as being potential sources of funding. However, the Plan does not include letters of support or expressions of interest from these companies. Furthermore, there is not a strategy for approaching/targeting these organisations and business in order to obtain support.</p>	Low
22	28	Rental Income	<p>The Plan does not include market analysis to support the assertion that the site could generate £10,000 in rental income per annum.</p>	High
23	28	Marketing Budget	<p>The Plan does not include a detailed marketing strategy that demonstrates how interest in the Project will be generated. Social media should be seen as a tool for engaging with persons that have already expressed an interest in the Project rather than a means of generating new interest in the Project.</p>	Medium
24	29	24/7 Security	<p>The Plan asserts that an on-site guardian has been identified and is ready to occupy the site. The on-site guardian would be paying rent to the site. It is not clear whether the responsibilities of the on-site guardian have been formally defined and agreed to by both parties. Furthermore, it is not clear how absences and holidays would be covered.</p>	Medium

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# Appendix I - Analysis of Claims Made

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Ref.	Plan page no.	Area	Outline of Internal Audit Observation	Priority
25	29	Improve Site Access	The Plan includes £2,500 towards the cost of improving access, to be spent in instalments between 2017 and 2019. The Plan does not include an assessment of the existing access routes in order to determine whether this would be sufficient. Further, there is not a written agreement in place between the Project and the local residents as to whether both parties are satisfied with this arrangement.	High
26	30	Café and Farm shop	The Plan includes the opening of a café and farm shop on site. However, it does not include: <ul style="list-style-type: none"> <li>• How the Project would overcome the objection of South Oxfordshire District Council</li> <li>• The licensing and health and safety requirements that would need to be arranged</li> <li>• Where the experience of running either of these operations would come from</li> <li>• The potential staffing costs for running either a full time or part time café and farm shop.</li> </ul>	High
27	30	Specialist Produce	The Plan includes the production and sale of specialist produce, such as shitake mushrooms and elderflower cordial. From the Plan it is not clear who has the experience with regards to commercial production or the increased costs that would be incurred.	Medium
28	31	Transition to a CIC	The Plan sets out the intention to incorporate as a CIC following approval of the Plan by the Council. However, this decision was taken by a minority of the Group's Steering Group and the Plan does not demonstrate that this decision is approved by all members.	High
29	31	Future Structure of the Group	The Plan implies that the Group being a CIC is a temporary measure. A change in structure is likely to have significant impact on the relationship with the Council and Society, particularly with regards to ownership of the Farmhouse and Barns, and this must be fully documented.	High
30	33	Director Recruitment	The Plan identifies the need to appoint a Director with responsibility for: finance; volunteer management; project planning; and lobby/campaigning. However, the Plan does not include the Group's recruitment strategy or contingency arrangements for filling this critical vacancy.	High

# Appendix I - Analysis of Claims Made

Ref.	Plan page no.	Area	Outline of Internal Audit Observation	Priority
31	N/A	Natural Disasters / Vandalism / Acts of God	<p>The Plan, including the Cashflow Forecast, does not take into account the effects of events or incidents that would be outside of the Group's immediate control. The Group has not included any contingency planning as to how it would operate in the event of:</p> <ul style="list-style-type: none"> <li>• Adverse weather disrupts crop production and/or visitors to the site</li> <li>• Seasonal variations result in reduced cashflow</li> <li>• Funding targets cannot be achieved now or in the future</li> <li>• The withdrawal of support for one or multiple social partners</li> </ul> <p>Given the narrow operating margins that have been forecast, any disruption to the Group's ability to trade would likely have a significant impact on the success of the Project.</p>	High

## APPENDIX II - Summary of Options Presented in 2014

In 2014, the Council and the Society commissioned a report to determine the potential options for the Farm following the arson attack. We have included them here for reference (the options have been taken verbatim from the report and do not reflect the opinion of BDO):

There are three options with quite different outcomes, depending on which one is seen as having the most appropriate link with the public benefit.

1. The insurance money could be used to rebuild the farm house, which could then be sold on the open market and the receipt used for improvements in the park, which might include an interpretation centre. However, this will be unacceptable to Oxford Preservation Trust.
2. Alternatively, the farm house could be demolished and the insurance money used directly for improvements in the park which might include an interpretation centre. This option might be acceptable to Oxford Preservation Trust.
3. Finally, the farm house could be rebuilt with the insurance money in conjunction with a charity set up to develop Westhill farm house as an environmental/permaculture smallholding, with educational facilities. It is anticipated that this could take some time and input to come to fruition, even if all of the fundamental technical problems could be overcome, which might not be possible. Even if they were, the long term viability might not be as robust as other options, due to the dependency on volunteering input, which might not always be dependable. This option is unlikely to be acceptable to Oxford Preservation Trust.

# APPENDIX III - Photos from BDO site visit May 2016

In May 2016, BDO visited the site to better understand the proposal and any potential challenges that may be faced.

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To the left of the picture are the Barns, which have an estimated renovation cost (per the Plan) of £56,000.



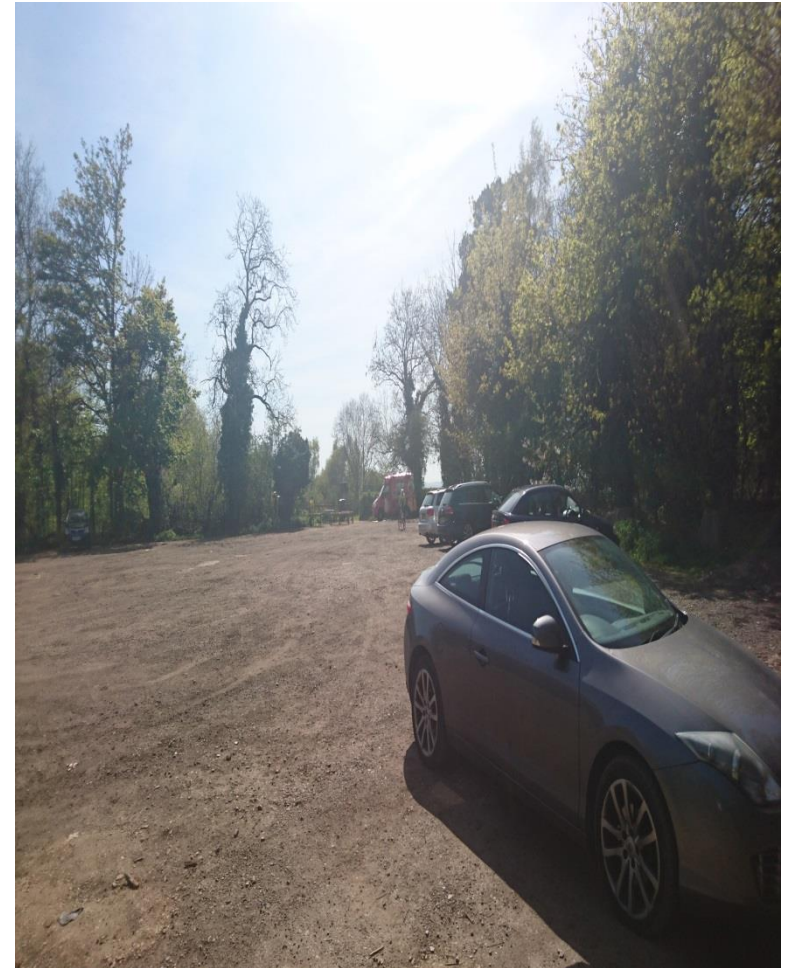
This picture shows the current state of the Farmhouse, which has an estimated restoration cost (per the Plan) of £63,000.

# APPENDIX III - Photos from BDO site visit May 2016

In May 2016, BDO visited the site so as to better understand the proposal and any potential challenges that may be faced.



The Old Street Car Park.





## APPENDIX III - Photos from BDO site visit May 2016


In May 2016, BDO visited the site so as to better understand the proposal and any potential challenges that may be faced.



This picture shows an example of the current condition of the access road to the site. To make this road functional, lay-bys would need to be created. Maintenance costs for the access road are estimated in the Plan to be £1,000 per year.



This picture shows an example of the potholes that are found on the access road to the site. Maintenance costs for the access road are estimated in the Plan to be £1,000 per year.



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