



# Resilience Planning Outline Business Case for Restructuring

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## 1. Introduction

Crumbs is a small charity that has, along with the wider charity sector, been impacted by the pandemic over a prolonged period of time. The need to rethink, refocus and re-engineer the work of the charity is essential to ensure both its long term resilience and that it can meet its charitable objectives in the post Covid economic and social environment. This document is the result of significant resilience planning undertaken by the trustees.

That planning has considered the range of activities the charity undertakes and the current and projected financial resilience. The trustees have the duty to ensure that;

- Any money spent is on the charities purpose
- The financial policies and reserves are complied with
- The charity avoids undue risk
- They make objective decisions in the best interests of the charity
- The charity is financially sound and can deliver a continuing service to its beneficiaries.

The guidance from the Charity Commission<sup>(1)</sup> to trustees in considering any decision that impacts on the operation of the charity is to ensure that the focus must be on the purpose of the charity as described in its objects. It is clear that care must be taken not to 'drift' into activities that the charity is not set up to do and be very clear on the core activities and the needs of the beneficiaries.

## 2. The Need to Restructure

The trustees have undertaken a comprehensive review of all of the activities of the charity and have recognised that there is a financial imperative to take action to secure a more resilient financial position and that the core training objectives must be the central focus in any restructuring. Therefore long term resilience and restructuring must focus on:

- Education and training as the core public benefit
- Financial security and resilience to be able to meet the charities objects.

In view of this, the planned restructuring is based on the following principles:

- Training must be refocused as the core objective of the charities activities.
- Food production should be based on the training programme requirements
- Food sales should be as a result of training not a service in itself.
- Food sales as a revenue stream will be a limited contribution to income.
- Donations and grants may be more difficult to secure
- The National Lottery funding, if granted, is for a specific project and outcomes and is not a contribution to general costs.

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<sup>1</sup> <https://www.gov.uk/guidance/charity-purposes-and-rules>

- The cost base must be realigned to reflect the charities priorities and income.
- The cash reserves provide a short - medium term window within which to implement the restructuring and resilience plan.
- The wider community and social relationships should be maintained.

### 3. The Financial Position

#### 3.1. Operating Costs

The budgets and overall finances of the charity have been adversely affected with an overall reduction of income of -£80,535 against budget for the financial year ending on 31<sup>st</sup> December 2020. Without the one off Covid grants and furlough scheme the net operating loss was -£37,327.

As with all trading activities, the 'lockdowns' resulted in significant reduction in trading income with a variance against budget of -£77,331. Training fees saw a small reduction from the £99,175 budgeted to £92,266 actual, while voluntary donations were up on budget from £180,177 to £183,878. It should be noted, of that income, £102,177 was the last annual grant from the National Lottery.

Costs were down on budget with a reduction in overheads as a result of lockdown, from a budgeted £103,200 to £91,279. However there was a small increase in salary costs of £2118.

The actual operating costs of the charity for the last financial year were £348,844 or £29,070 a month, of which salaries account for over 75% of total costs.

A review of overheads has indicated that any reduction in those costs is not possible assuming that the premises are maintained as currently. In considering cost reductions staffing is the only area where meaningful cost reductions will have an impact.

In order to achieve a balanced budget, it is projected that the food sales income would have to be in excess of £114K. This is considered to be unrealistic given the wider circumstances and the trustees are not prepared for the charity to make an investment in the food and catering services to generate sales at that level of income. The resources required would significantly detract from the objective and not be considered as essential nor align with the stated aim of refocusing on the training.

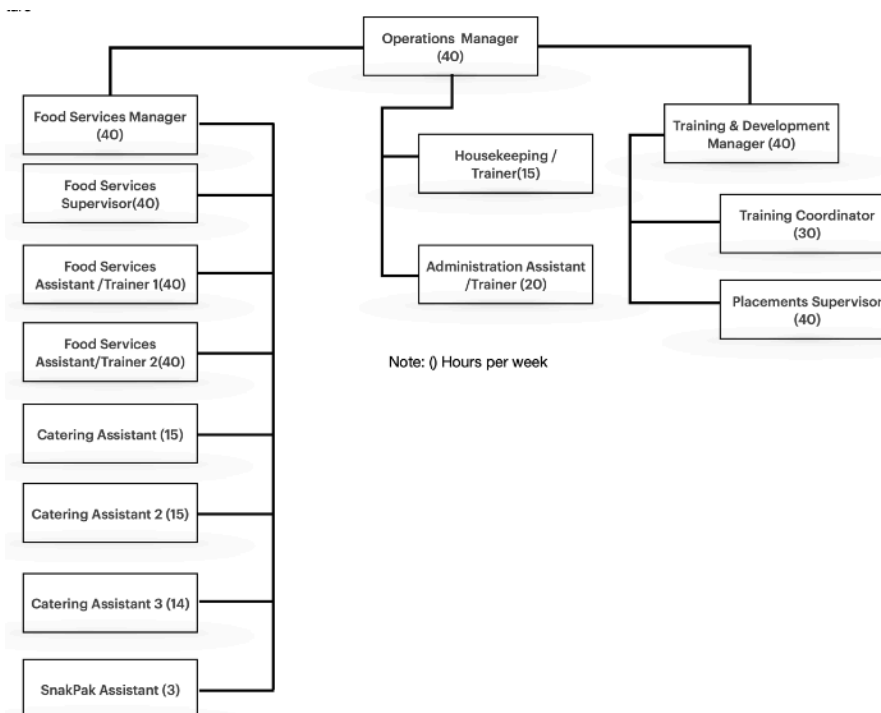
Whilst the charity has a level of reserves, these are to be used in meeting the charities primary purpose, be in the best interest of the beneficiaries while avoiding undue risk.

#### The Current Structure

In reviewing the current structure and activities of the charity, the key consideration must be to test if:

- The structure is appropriate in meeting the objective
- The activities and outcomes are essential to the objective
- The allocation of responsibilities, and lines of reporting are consistent with the objective

The current organisation structure is shown in Diagram 1.



The focus of the food service activities is on the production and sales of a range of food products and catering services to external clients, with the trainees contributing to these activities as a part of their experiential training. The trustees in reviewing this activity recognise that whilst it makes a contribution to the finances and training outcomes it is not essential to meeting the charities objectives. The split in focus and responsibilities between food service and training is considered to be unnecessary and potential inhibit the achievement of the training outcomes.

#### 4. National Lottery Funding

The Reaching Communities Fund bid has now been accepted and will be considered by the Lottery funding panels in March. Should this be granted it is for a specific project 'My Future My Life' to facilitate the development of a greater voice for the trainees and provide them with the skills to be able to express that voice in all settings. This supports the charities objective of education and social inclusion and using vocational training as a route to employment and independent living. The budget for this project is £350,892 over five years, of which £313,892 is contribution for salaries. These contributions are specific to the objectives of the project and are not for general salary costs. The summary budget is shown in Table 3.

The grant reduces over the five years of the project and it should be noted that this would be the last opportunity to be able to bid for National Lottery funding given that this, if successful, would be the fourth funding allocation. The implications of this are that there will be a need to replace this level of funding or a commensurate reduction in costs by the end of the five years.

Table 3 - Summary National Lottery Budget

Budget Strand	Year 1	Year 2	Year 3	Year 4	Year 5	Totals
Contribution to Salaries	£66,136	£67,459	£63,893	£60,158	£56,247	£313,892
Training Costs	£ 4,000	£ 3,500	£ 2,000	£ 1,750	£ 1,250	£ 12,500
Travel Costs	£ 500	£ 250	£ 250	£ 250	£ 250	£ 1,500
Development Costs	£12,000	£ 1,500	£ 1,500	£ 1,000	£ 500	£ 16,500
Administrative Costs	£ 1,500	£ 1,500	£ 1,500	£ 1,000	£ 1,000	£ 6,500
<b>Totals</b>	<b>£84,136</b>	<b>£74,209</b>	<b>£69,143</b>	<b>£64,158</b>	<b>£59,247</b>	<b>£350,892</b>

The level of funding in the first year of the new grant would be £84,136 as against the £102,177 for the last year of the previous grant, a net reduction in that funding stream of £18,041.

## 5. A 'Do Nothing Scenario'

If no action is taken to restructure the operation, refocus on the core objectives and reduce costs in order to achieve a balanced budget, it is projected that the food sales income would have to be in excess of £114K. This is considered to be unrealistic given the wider circumstances and the following observations:

- Consistency and quality in food production has been highlighted as a concern.
- No consistent link between trainees training programme and the food production
- The trading rather than training focus is clear when reviewing the product ranges and the public presence through the previous website. Over 80% of the content was focussed on selling Crumbs Catering Services. This was also commented on by the National Lottery assessment panel who in the feedback, asked if Crumbs was a social enterprise or a charity?

The trustees consider that a 'do nothing' scenario is not an option and that the core focus must be on securing the training activity.

## 6. The Training Focus

The training focussed structure would need to be able to deliver:

- Hybrid delivery Model - 50% online and 50% professional practical training in the centre. When all restrictions are lifted some of the online activities can be timetabled to take place in the Centre rather than all online. This would not affect the basic model.
- Professional practical training is based on and directly related to the Crumbs Training Programme. This means that food production would be based on the skills development needs of the trainees and would be related to dish/menu production relevant to those needs.
- Each trainee has a minimum of 4 hrs professional practical training per week (1 shift)

- 2 x shifts per day ( 8-12 & 13-17) = 10 shifts per week
- 2 main training areas - Bakery/Kitchen
- 2 x trainees per area per shift = 4 trainees per shift or 8 trainees per day
- Staff - 1 - 2 training with trainees. Trainees get more attention and support during each session. Training sessions planned for specific trainee need against the training programme
- Training in housekeeping and administration would provide additional trainees opportunities.
- This model provides for a maximum of 40 trainees on practical professional training at any one time.
- One Crumbs specified online learning unit has already been created using Education Training Foundation funding and it is anticipated that 12 Crumbs online units will follow based on the training programme. This will enhance the knowledge and understanding of the trainees and provide assessment and certification opportunities. Additional learning materials will be provided through the Crumbs Campus of eHotelier and Westminster Kingsway College Free online courses.
- Limited food sales: Hibberd Court + supporting sheltered & local community agencies. Food sales would be based on the production outputs from the training programme.

## 7. The New Structure

Diagram 3 shows the proposed changes in the organisational structure, the existing roles, the roles with minor changes to emphasise the training focus, a new administrative post, and the three posts at risk of redundancy.

The net financial effect of these changes would be a reduction in annual staff costs of £50K.

The posts at risk are; Operations Manager, Food Services Manager and the Administrative Assistant. A new post of Centre/Projects Administrator will be a full time post with key responsibilities for the effective and efficient administration of the facilities of the Centre and any funded projects.

Table below projects three budget scenarios on the assumption that the restructuring is completed and that the level of savings are achieved.

These scenarios indicate the levels of deficit on the basis that;

1. The National Lottery funding is in full
2. Reduced grant of 50K in year 1
3. No Lottery funding

ALTERNATIVE BUDGET SCENARIOS			
	1	2	3
<b>Income</b>			
Trading	£24,000	£24,000	£24,000
Training	£91,175	£91,175	£91,175
Donations	£15,000	£15,000	£15,000
Lottery	£84,136	£50,000	
Other Grants	£60,000	£60,000	£60,000
<b>Total</b>	<b>£274,311</b>	<b>£240,175</b>	<b>£190,175</b>
<b>Expenditure</b>			
Salaries	£200,000	£200,000	£180,000
Other	£83,130	£83,130	£83,130
<b>Total</b>	<b>£283,130</b>	<b>£283,130</b>	<b>£263,130</b>
<b>Surplus(+)/Deficit(-)</b>	<b>-£8,819</b>	<b>-£42,955</b>	<b>-£72,955</b>
<b>Notes</b>			
	1. Assumed a consistent level of donations and other grants.		
	2. Assumed an extra £20K in salaries to fulfil obligations of Lottery grant		
	3. It should be possible to increase Training Income to reduce the deficit in Scenario 1,		

## 8. Conclusions

The trustees have concluded that the current operational structure of Crumbs is not financially sustainable and that a restructuring to ensure that the objectives of the charity can continue to be met is necessary.

The trustees consider that this restructuring will be a medium - long term basis for the charity to meet its objectives and support its beneficiaries. However as future funding remains uncertain and it cannot be guaranteed that further restructuring or other actions will not be necessary in order to protect the integrity of the charity.

The trustees also recognise the very difficult decisions that have to be made and the emotional loyalty to the charity of the staff involved. In reaching these decisions the overriding considerations are; what is in the best interests of the charity, and that the decisions are objective and rational.



CRUMBS - Revised Operational Structure  
From Current to New V1

