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Case study on loan finance: POINT

'You need to be aware of the intricacies of loan finance, it's a very different beast to grant funding, you have to have money to pay it back for a start!'

POINT GENERAL MANAGER

Background

In 2001, Fishguard and Goodwick Young Persons Trust Ltd, trading as POINT, was incorporated as a registered charity and a company limited by guarantee.

Its core aims and objectives are:

- To make a positive difference to young people in North Pembrokeshire in their transition from childhood to adulthood, by helping them to develop their confidence, skills and self esteem.
- To create an environment which will assist young people to maximise their potential and build a meaningful role in the community.
- To be regarded as a successful model for young people's development outside the statutory sector.
- To be innovative in its approach in contributing to long-term sustainability.

Young people aged between 11 and 25 in the Fishguard and Goodwick area can access the drop-in centre as a safe environment to meet with their peers. The organisation also provides help and support on a range of issues relevant to young people, such as alcohol abuse, drugs



and sexual health as well as encouraging participation in various OCN courses, eg, IT and healthy living. There are currently around 600 young people (11–25 yrs old) on the members list but about 340 use the services.

In May 2007, POINT relocated to purpose designed premises and now operates from the old Popworks in Fishguard. The freehold is owned by Pembrokeshire County Council (PCC) who have granted the organisation a 50-year lease on a peppercorn rent. The building has an activity room on the ground floor, kitchen and café space, pool table, TV/ video games, sofas, project manager's office and upstairs, various offices and an IT room.

Organisational structure

POINT currently has three full-time members of staff (including a newly appointed general manager), two part-time workers, along with sessional workers.

The organisation is governed by a board of trustees which consists of 11 professionals with a range of skills including a business management consultant, an architect and teachers. All board members are actively involved and social events are held with the young people which have been successful in breaking down barriers and increasing communication between the board and beneficiaries. The manager also relays information between the board and young people as required.

Funding and loan finance

POINT has been funded by the Big Lottery Fund (BLF – see below), Children in Need, Pembrokeshire County Council (PCC), Youth Bank, Gennex, the Community Facilities and Activities Programme, Cymorth¹ and Pembrokeshire Association of Voluntary Services (PAVS). Local funds are raised by the Rotary Club, the Lions Club, local businesses and a fundraising concert is being planned for 2009.

The organisation applied to the Big Lottery Fund in 2007 to cover the costs of a general manager. This bid was successful and covers the manager's post for three years, and 42 per cent of the estimated staff and project costs

Before applying for loan finance, the organisation looked at various grant schemes but then saw information about the Communities Investment Fund (CIF) in the PAVS newsletter.

The Communities Investment Fund provides flexible loans to social enterprises and community and voluntary organisations, based in Objective 1 Communities First areas.



In this case, the loan was applied for as a 'just in case' fund if the BLF bid was not received and was part of the contingency plan. At the moment, the CIF loan is not being used as the financial projections for the next year have already been done and, as well as BLF, the organisation has received funding from Children in Need and small pots for specific projects. The loan was received in January 2008 but a six-month repayment holiday means that a repayment is not due until July 2008. The flexibility of CIF means that if the loan is not needed, it can be repaid without penalty.

The organisation has also received a £5,000 grant to conduct a community survey to consult the entire population of Fishguard and Goodwick on the services they wish to see provided in the area for young people. The aim is to repeat the survey in a year's time to ensure that the organisation is fully aware of the needs and priorities of the community and the community is fully engaged with the project.

¹ For more information on Cymorth, the Children and Youth Support Fund visit: <http://new.wales.gov.uk/topics/childrenyoungpeople/careandprotection/cymorth/>

The Communities Investment Fund process

Before applying for the loan, the organisation already had a business plan that was prepared in March 2007 by a business consultancy firm. In preparation for the loan, the organisation's Memorandum and Articles of Association needed to be amended to contain borrowing powers so the board held a special meeting to approve the amendment.

The decision to apply for loan finance caused some changes in the structure of the organisation as one board member was not happy with the idea of loan finance and resigned, but all other board members supported the idea. Compared to grant applications in the past, the board members had to be more actively involved with the CIF application due to the intricacy of loan arrangements. Normally, discussions about funding, personnel etc are led by certain key board members, but all have needed to be involved in the loan process.

Luckily, POINT already had robust financial systems in place as it has been accessing European funding since 2001. To ensure that repayments are met, the organisation completes yearly cash flows, and has done a great deal of planning and continuous monitoring of their finances.

The whole process of applying to CIF was fairly quick. Discussions began in October 2007 and funds were received in January 2008.

Support

As part of the application process, intensive support was received through phone calls and emails from the CIF manager and three visits to the board. This support clinched whether or not POINT took on loan finance.

Although the organisation is not closely involved with the local Communities First² Partnership, the area of Pembrokeshire has 'Community of Interest – Youth' status which meant the organisation was based in an eligible area.

Local impact

'The loan has given us confidence and enabled us to be consistent – it all helps to carry on six days a week.'

POINT GENERAL MANAGER

The CIF has given POINT more security and means that staff can focus on delivering their services - this consistency of service is important to staff, beneficiaries and the wider community. It has meant that staff no longer have to stop a project, then build up momentum again when more funds have been found. It also means that the organisation is able to be more selective for grants, rather than trying to get projects to fit grants available, it can now concentrate on how to get projects to work. Loan finance does not have targets linked to it in the same way grants do so that also adds flexibility.



² Communities First is a National Assembly initiative, aimed at regenerating Wales' most deprived communities, through a long-term committed programme. More information is available from: www.communitiesfirst.info or <http://new.wales.gov.uk/topics/housingandcommunity/regeneration/communitiesfirst/>

The future

POINT's target is to be 75 per cent sustainable by the end of 2010. It has identified two sustainable sources of income: room hire generates £150 per week during term time, and it hopes to work more with the Pupil Referral Unit providing the alternative curriculum at £35 per pupil per day and provide skills and qualifications. The potential income from these two sources is £11,340 per annum. In addition, staff are able to offer their skills for a fee such as first aid training, counselling etc.

POINT is also looking at developing a multimedia centre for arts, music, photography, film etc possibly in Goodwick, and developing an Entrepreneurship Centre in the future.

The organisation is currently looking into the Russell Commission and Millennium Volunteer grants to apply for funds to provide volunteering opportunities as a long-term aim.

Top tips for loan finance

- The whole board needs to understand the process and be involved in the discussions from the start.
- Need to employ the board's skills in the process.

- Identify the risks from day one – it's not always an easy ride.
- It all has to be well thought out and the planning process made very clear.
- Remember that you need to cover the interest as well as the cost of the loan.
- Be sure to do the ground work and research - be prepared for all eventualities.

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This case study was completed in May 2008.

