

**PROPOSED TRANSFER OF CATERING, CLEANING AND FACILITIES
MANAGEMENT SERVICES FROM THE HIGHLAND COUNCIL - Report by Chief
Executive**

Summary

The purpose of this report is to advise Directors of an approach by The Highland Council to consider the transfer of Catering, Cleaning and Facilities Management Services to High Life Highland.

It is recommended that Directors agree to the approach in principle, subject to the preparation of a full business case and confirmation of a balanced budget being provided by the Council in support of the transfer of services.

1. Business Plan Contribution

1.1 This report supports the highlighted Business Outcomes from the High Life Highland (HLH) Business Plan:

- 1. To advance sustainable growth and financial sustainability**
- 2. Deliver the Service Delivery Contract with THC**
3. Improving staff satisfaction
- 4. Improving customer satisfaction**
- 5. A positive company image**
- 6. Services designed around customers and through market opportunities**
7. Sustain a good health and safety performance
- 8. A trusted partner**

2. Background

2.1 In 2014 HLH had a staff presence in 13 of the 29 secondary schools, managing the community lets of each facility on behalf of The Highland Council (THC). Following a report to the Education, Children and Adult Services Committee on 28 August of that year, HLH was asked to review the processes for managing the community lets across the region and to consider adopting responsibility for this function in all 29 secondary schools.

2.2 To complete this review, HLH staff met with all Head Teachers in schools where there was no existing HLH staff presence. At the same time, THC had created the role of Change Project Manager to undertake a review of janitorial and facilities management provision in all schools. Through liaison with this officer, Head Teachers and staff within Care and Learning, it became apparent

that the two reviews were linked and that greater efficiencies could be achieved through a co-ordinated approach to both. As an outcome of the first phase of this review process, the community lets of a further 5 secondary schools will now be managed by HLH, giving a current presence in 18 out of 29 secondary schools.

- 2.3 Following a series of meetings with Head Teachers, Care and Learning staff, the Change Project Manager and the Head of Catering, Cleaning and Facilities Management, in October 2015 HLH developed the outline of a proposed Facility Support Service for schools. This outline is contained in **Appendix A**. The rationale behind the proposal was to maximise on the effectiveness and efficiency of the services being delivered to schools and to their pupils, staff and customers, thus assisting THC to achieve best value and to further establish HLH as its trusted partner.
- 2.4 In response, the Chief Executive of THC has asked the Board of HLH to consider the transfer of the Catering, Cleaning and Facilities Management Service from the Council to HLH to support the implementation of this proposal.

3 Due Diligence

- 3.1 Given the scale of the proposal, due diligence falls into two categories and stages. The first is at a high level covering the legal, charity, tax and VAT implications of the proposal. It will also include an analysis of the high level risks and opportunities. The work on this will be completed by June in order to enable the Board to take a decision about proceeding to the next stage. The second due diligence category will be completed during this second stage and cover the issues the Board are familiar with in terms of TUPE transfer, appropriate budget and resource transfer from the Council.

4. Discussion

- 4.1 Whilst the potential adoption of these services could be regarded as a natural expansion of the services provided by HLH for THC, because of the nature and volume of services involved, the proposal could also have a very significant effect on the make-up and “feel” of HLH. The overall annual turnover of HLH from April 2016 will be circa £25M, with an FTE staffing complement of 600. The transfer of CCFM would add an additional £21M annual turnover and a further 652 FTE in staffing.

There are a number of advantages and risks for HLH in agreeing to progress with the proposal. If accepted in principle, the following issues, and others as they emerge, would be analysed as part of the development of a business case.

The potential advantages for HLH in accepting this proposal include:

- i) achieving a significant step forward in the aspiration to be a trusted partner of THC;
- ii) the expansion of synergies already in place in a number of community

- facilities in schools;
- iii) the placement of HLH deeper within and into more communities particularly in relation to becoming the provider of school meals;
- iv) contact on a practical basis with all Head Teachers, with the potential to improve existing relationships and services offered and to open up new avenues of collaboration;
- v) the acquisition of catering expertise which could service existing long term aims for income generation as well as general facilities management expertise, different to that already available in leisure facilities; and
- vi) financial efficiencies in the long term.

The potential risks for HLH in relation to this proposal include:

- i) managing the expectations of Members and Head Teachers for speedy improvements to service;
- ii) initial and sustained resistance from some Head Teachers or janitorial staff, absorbing HLH Management time;
- iii) challenges in ensuring that services transfer with a balanced budget and with enough management capacity to protect existing business from stagnation;
- iv) a dilution of the HLH brand in public perception; and
- v) reputational damage in response to resistance to change.

5. Process and Timeline

5.1 If Directors agree to the approach in principle, the following timeline and process would be initiated:

- i) Directors consider the approach by THC at their Board meeting of 15 March and the recommendation to agree to the transfer in principle, subject to the preparation of a full business case and the provision of a balanced budget by the Council in support of the transfer of services;
- ii) THC report to the Education, Children's and Adult Services Committee on 17 March recommending the scoping of a transfer of CCFM services to HLH;
- iii) liaison with key Councillors commences in March;
- iv) liaison with Head Teachers commences in March;
- v) liaison with CCFM staff commences in March;
- vi) voluntary redundancy requests and vacancy management within CCFM is managed jointly by THC and HLH within the scope of the transfer proposal;
- vii) a business case to review the options of status quo versus the transfer of CCFM to HLH is prepared in April;
- viii) a full budget for CCFM is outlined and agreed between THC and HLH in April;
- ix) the outline business case and budget is considered by HLH at the

Finance and Audit Committee on 27 May;

- x) THC present the findings of the business case to a June 2016 Committee meeting;
- xi) the business case and budget is presented to the HLH Board on 16 June; and
- xii) if approved, CCFM would transfer from THC to HLH on 1 October 2016.

6. Implications

- 6.1 Resource Implications – the transfer of Catering, Cleaning and Facilities Management Services from the Council would add £21M to the HLH budget. On the basis that a balanced budget is transferred there should be no negative financial implications for the company. The transfer would also add 652 FTE staff to the HLH payroll. However, the CCFM service would also transfer with its existing back office staff which would minimise any new pressure on the company's support services. Ernst and Young have been retained to advise on potential VAT and tax implications and their findings will form part of the business case analysis.
- 6.2 Legal Implications – the company's solicitors, Anderson and Strathearn have been engaged to provide advice on the options to re-structure the company to ensure ongoing compliance with OSCR and Companies House. Their recommendations will form part of the business case.
- 6.3 Equality Implications – there are no equality issues associated with the transfer.
- 6.4 Risk Implications – due to the scale of the potential transfer, a new risk has been added to the HLH Risk Register and profiled "above the line". A breakdown of risks and mitigations will also form part of the business case analysis.

Recommendation

It is recommended that Directors agree to the approach in principle, subject to the preparation of a full business case and confirmation of a balanced budget being provided by the Council in support of the transfer of services.

Signature:

Designation: Chief Executive

Date: 2 March 2016

Appendix A - Provision of Facility Support Services

1. Introduction

The purpose of this paper is to summarise a proposal for the provision of facility support services for Care and Learning that frees Head Teachers and teaching staff from the role of RPO and from the tasks associated with managing buildings to enable them to focus on teaching, academic performance and development.

Within this proposal, Head Teachers would retain control of the management of their school and of its use during the school day and up until 6pm on weekdays during term time. In addition, school use would continue to hold priority over community use, with school events in the evening and at weekends being fully accommodated without charge.

The proposal supports the Council's commitment to supporting Head Teachers and Care and Learning's strategic approach to protecting front line services through identifying and increasing back office efficiencies.

2. Current situation

2.1 The Council's Catering, Cleaning and Facilities Management service (CCFM) and High Life Highland (HLH) collectively provide the following services for Care and Learning in respect of schools and community buildings.

- i) Act as Responsible Premises Officer;
- ii) Opening, closing and security of buildings;
- iii) Janitorial services for schools;
- iv) Cleaning;
- v) School meals and ad hoc catering;
- vi) Administration of community bookings;
- vii) Collection of fees from community lets;
- viii) Staffing of community lets;
- ix) Development of activity programmes for community participation;
- x) Catering in community facilities;
- xi) Health and safety;
- xii) Management of contractors.

2.2 CCFM and HLH work independently of each other in the provision of these services. In addition, some Head Teachers retain direct line responsibility for janitors. The FM and secondary school let reviews have indicated opportunities to avoid duplication of provision, reduce costs and increase community use of the Care and Learning estate if the line management of

janitors was to transfer to CCFM and if HLH and CCFM were able to act as one organisation in the planning and delivery of facility support services, especially at local level.

2.3 The democratic process governing CCFM does not support the flexibility and speed of change required to introduce the incremental changes which would deliver the anticipated efficiencies and service user improvements, with policy tending to require a one size fits all approach. If THC were to transfer the management of CCFM to its arm's length company, HLH, then Care and Learning could remit HLH to deliver all of the facility support services it requires for both its school and community facilities. In doing so, the following costs, risks and benefits are anticipated.

3. Costs, Benefits and Risks

3.1 In addition to achieving the annual savings targets set by the Council, further savings could be realised by 2018/19.

3.2 The following benefits would be possible:

- i) Head Teachers would retain control over the use of their schools during the day and up to 6pm on weekdays during term time;
- ii) School use would continue to have priority over community use;
- iii) Head Teachers would be free from the role of RPO and from the tasks associated with managing buildings to enable them to focus on teaching, academic performance and development.
- iv) The planning and delivery of facility support services for buildings would be co-ordinated by one organisation;
- v) The organisation remains in the ownership of the Council;
- vi) Duplication in the provision of services can be stopped, for example both HLH and FM staff being in the same building after school hours;
- vii) Community bookings can be clustered to maximise on community access while minimising on staff costs, for example avoiding single lets by accommodating them within another facility;
- viii) Costs may be reduced in the provision of staffing cover for community lets through the use of HLH staff (single time) as opposed to janitors on overtime.
- ix) The charges for all school and community facilities can be rationalised and standardised for all user groups;
- x) Additional programming of facilities can be developed to increase income while controlling costs;
- xi) The provision of the RPO system can be standardised and managed by the HLH Principal Estates Manager;

- xii) Additional commercial opportunities can be sought for the provision of catering services;
- xiii) Additional commercial opportunities can be sought for the provision of cleaning services;
- xiv) Additional commercial opportunities can be sought for the provision of facilities management services;
- xv) Some additional rates relief savings might be achievable;
- xvi) Care and Learning would have one point of contact for all issues connected with all facility support services.

3.3 The following risks may exist:

- i) The Council would lose direct day to day control of the CCFM service;
- ii) Head Teachers would lose direct control of their janitors;
- iii) Not all Head Teachers may wish to relinquish their RPO role;
- iv) The additional efficiencies might not be achieved;
- v) New commercial opportunities might not be available;
- vi) The central support costs for CCFM would require to be identified and transferred to HLH potentially causing disruption within Care and Learning and other Council services.