|  |  |
| --- | --- |
| HIGH LIFE HIGHLAND  REPORT TO BOARD OF DIRECTORS  14 December 2016 | AGENDA ITEM 11  REPORT No HLH29/16 |

## **BUSINESS GROWTH PRIORITIES – PROJECT UPDATES - Report by Chief Executive**

|  |
| --- |
| **Summary** The purpose of this report is to provide Directors with an update in relation to three projects that have reached or are rapidly reaching a point where they require consideration by the Board. Views from members of the Finance and Audit Committee will assist in the Board preparation.  It is recommended that Directors comment on the three updates and conclusions provided and:   1. to note the update of the Council’s decision relating to CCFM/JS; 2. to agree the principle, subject to a business case being presented to the March Board, that following completion of the capital works at Poolewe Swimming Pool, HLH assumes responsibility for the management and routine revenue costs of the facility with PDSPA retaining responsibility for the “big ticket” items such as the plant and building structure; and 3. to note that subject to a satisfactory lease agreement with Scottish Historic Buildings Trust and maintenance arrangements being handled by the Council, HLH become responsible for the management and routine revenue costs of Strathpeffer Pavilion. |

|  |  |  |
| --- | --- | --- |
| **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  2.2  2.3  2.4 | With assistance from Highlands and Islands Enterprise “Managed Client” programme, Directors reviewed the longer term aspirations of HLH in terms of opportunities for growth and potential for new business, as part of the Board’s Strategic Review in 2014. The following key areas for business growth were prioritised by the Board:   1. The Preventative Health Agenda; 2. The HLH Tourism Offering; 3. Other Management Portfolios; and 4. Extension of the High Life Membership Scheme.   The Board agreed that the Trading Company should progress the priorities for growth, periodically reporting to the main Company. Within the ‘Other Management Portfolios’ growth area, the following three areas of development now warrant further consideration by Directors.   1. Catering, Cleaning, Facilities Management and Janitorial Services; 2. Strathpeffer Pavilion; and 3. Poolewe Swimming Pool.   It should be noted that Directors have previously agreed that transfers proposed by the Council, which come fully funded, are delegated for the Chief Executive to agree to. CCFM and Strathpeffer Pavilion fall into that category, but are presented here because of the particular circumstances around each. Transfers from outside organisations have been agreed to be considered by the Board, by way of a business case. Poolewe Swimming Pool fits into this category.  The process of discussion around the future management of CCFM/JS has been closely followed and discussed by Directors of both HLH companies. The potential adoption of Poolewe Swimming pool has previously been discussed at the Trading Board and has appeared on the Project Register distributed to all Directors prior to each F&A meeting, since the start of the financial year 2015/16. Discussions around the future of Strathpeffer Pavilion have only emerged over the last two months, with a request for HLH involvement coming from the Council’s Chief Executive. The Finance and Audit Committee on 14 November 2016 considered the following updates. | |
| **3.** | **CCFM/JS** | |
| 3.1 | Following the Directors seminar on the 6 October on CCFM/JS, the view of Directors on the potential transfer was passed to the chair of the Council’s Re-Design Board, the Council Convenor, by way of a letter from the HLH chair. | |
| 3.2 | The Council’s Re-Design Board then met on 18 October and decided to recommend to the Council meeting on 27 October to retain the services in-house transferring all of CCFM/JS to the Property Service, currently housed within the Development and Infrastructure Service. The Council meeting on 27 October confirmed the recommendation. The decision was made based on a discussion around a variety of issues, including;-   * That both options [part to HLH or all to Property Services] were strong and equally matched, therefore why split the services and take a risk in transferring out of the Council, with the safest and most prudent option being to retain the services involved * A feeling that there was income to be made and that any income from lets should be directly available to the Council * The potential effect on the recipient of transfer * Clarity over Responsible Premises Officer responsibilities * A joint Union view not supportive of transferring services out-with the Council, against the will of employees, whose voice had been promised a place on the Re-Design Board * Concern over staff who work have both catering and cleaning posts and one employer, but who would have two employers if part of the services transferred to HLH. | |
| 3.3 | The costs to HLH of specialist tax and legal advice relating to the business case for CCFM/JS is circa £17.5K. Half of that amount is expected to be recouped from the Council. | |
| 3.4 | Conclusion – being asked by the Council to be involved in service reviews which may result in the transfer of further services to HLH should be regarded in a positive light, strengthening the “trusted partner” approach. This process will necessarily involve greater or lesser amounts of senior management time and focus, as well as costs for specialist advice where required. Whilst recouping a fair share of cost for specialists should always be pursued, it is concluded that the investment of management time is a necessary expense in exploring potential new business, from the Council or other bodies, but should be kept under review at the conclusion of each involvement. | |
| **4.** | **Poolewe Swimming Pool** | |
| 4.1 | Poolewe Swimming Pool is a small, 16 metre swimming pool in the Wester Ross village of Poolewe. The nearest alternative pool provision is either Dingwall or Ullapool. Poolewe and District Swimming Pool Association [PDSPA] is the charity which raised the funds required to build the pool which opened in 1988. The charity own the building which is built on land owned by THC and leased to the charity. The committee of the charity is made of a reducing number of mature aged members of the community. | |
| 4.2 | The internals of the pool are nearing 30 years old and beginning to fail. The charity is approaching the end of the process to secure the capital funds required to undertake the work that will address these failings, with support from THC, sportscotland and local fundraising. | |
| 4.3 | The group receive an annual grant from THC which supports the normal operation of the building and HLH provide and fund the post of Facility Manager as part of the Service Delivery Contract with THC. HLH employ the Facility Manager while all other staff are employed by the charity. For the last few financial years, the charity has struggled to cover the operating costs of the facility with its income streams. | |
| 4.4 | At present responsibility for the operation of the building is shared by the charity and HLH. In addition to the financial pressures the Board of the charity are facing, the Directors have indicated increasing concern over the rising level of liabilities they face in light of modern health and safety legislation, together with repeated failed attempts to attract new Directors onto the Board. | |
| 4.5 | Against this backdrop, the charity has approached HLH with a view to adopting the full management and revenue costs of the facility once the remedial works have been undertaken. | |
| 4.6 | Subject to further investigations into the finances of the facility, there are indications that the current annual deficit can be minimised through;-   * The capital works addressing the current inefficient heating, water treatment and building insulation * Support services being adopted into HLH process relating to salary processing, audit, insurance and Health and Safety monitoring * Confirmation by the Council special meeting on 10November that the revenue support to the pool is set to continue at the same level for the next three financial years. | |
| 4.7 | Conclusion – the project and investigations are now reaching the point where a formal recommendation can be made to the HLH Board, through the development of a business case, proposing that following completion of the capital works, a similar model to that adopted with the Highland Football Academy be put in place - namely that HLH become responsible for the management and routine revenue costs of the facility and the PDSPA retain responsibility for the “big ticket” items such as the Plant and building structure. It is suggested that Directors agree to the proposal, subject to a business case relating to this area of work is considered at the March 2017 Board. | |
| **5.** | **Strathpeffer Pavilion** | |
| 5.1 | The Strathpeffer Pavilion is owned by the Scottish Historic Buildings Trust [SHBT] which was gifted the building for £1 approximately 20 years ago by the then Regional Council. The SHBT then put a financial package together for the complete renovation of the facility, understood to be in the region of £3.5M. In an unusual arrangement, it then signed a head lease with THC in which responsibility for various items of maintenance were shared. THC in turn signed a sub-lease with a community group, Strathpeffer Pavilion [SPA] to operate the building, passing on its maintenance responsibilities and providing a [current year] operational grant of £46K. | |
| 5.2 | SPA have operated the building for the period of the 10 year lease, with an additional year being added to March 2017, to allow for the investigation of a community buy-out of the facility, that being the preferred route by SHBT. | |
| 5.3 | Unfortunately over the past few years, SPA have found it increasingly difficult to operate what it describes as a “full service” model, having lost previous support from a local benefactor and having arguably overstretched its resources. This, together with planned reductions in the annual support from the Council has led it to decide to terminate its lease slightly early, in December 2016. | |
| 5.4 | At the request of the Council’s Chief Executive and the Board of SPA, HLH has examined the operation, programme and costs of operation of the building and has concluded that there is an operational model which can “keep the doors open” and potentially develop the facility in the longer term. The model is based on the Council securing a 5 year lease of the Pavilion from SHBT and on it [THC] adopting all of the maintenance implications of the lease conditions.  At the time of writing, discussions on the above are reaching a conclusion. A verbal update will be provided at the meeting.  In essence the HLH approach is based on the following;-  • If a 5 year arrangement is possible, HLH’s operating model would start by facilitating an events only service where bookings taken cover their costs. Over time, other potential uses and income streams would be explored, such as the re-opening of the café  • HLH would bring immediate cost savings through seeking to absorb most of the back office costs of the Pavilion into its existing arrangements, such as bookings, administration/invoice processing and audit and insurance costs. In the immediate term, it would seek to be a “safe pair of hands” keeping the facility’s doors open and honouring the approximately 15 weddings and other existing community bookings  • Being mindful of current activity at the community centre based at the school, the Pavilion programme would then be examined and where costs allow, widened  • In light of the SHBT’s clear aspiration/expectation of a purchase of the building or a commercial lease arrangement being in place at the end of a 5 year term, HLH would work with the Council to explore avenues to acquire the facility long term for the community.  Should these elements be able to be put in place, it is proposed that the new arrangements would begin as soon as possible in the new year. | |
| **6.** | **Implications** | |
| 6.1  6.2  6.3  6.4 | Resource Implications – two of the items above involve potential growth, with the proposals based on new resources being available to cover new costs.  Legal Implications – the legal implications of the projects form part of the assessment reports planned for the HLH Board.  Equalities Implications – the proposed new business seeks to protect and develop services in small communities.  Risk Implications – the risk implications form part of the assessment reports planned for the HLH Board. | |
| **Recommendation**  It is recommended that Directors comment on the three updates and conclusions provided and agree:   1. to note the update of the Council’s decision relating to CCFM/JS; 2. the principle, subject to a business case being presented to the March Board, that following completion of the capital works at Poolewe Swimming Pool, HLH assumes responsibility for the management and routine revenue costs of the facility with PDSPA retaining responsibility for the “big ticket” items such as the plant and building structure; and 3. to note that subject to a satisfactory lease agreement with Scottish Historic Buildings Trust and maintenance arrangements being handled by the Council, HLH become responsible for the management and routine revenue costs of Strathpeffer Pavilion. | |

Designation: Chief Executive

Date: 28 November 2016