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| **HIGH LIFE HIGHLAND** **REPORT TO BOARD OF DIRECTORS****18 June 2020** | AGENDA ITEM REPORT No HLH/ /20 |

**JOB RETENTION SCHEME AND WORKFORCE PAYMENT – Report by Chief Executive**

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| **Summary**Following a request from The Highland Council (THC) Executive Chief Officer Finance and Resources a briefing note (**Appendix A**) was prepared on High Life Highland’s Job Retention Scheme (JRS) application and decision to pay its furloughed workforce 100% of their pay to allow this to be presented to the THC Administration meeting on Monday 27 April 2020. It is recommended that Directors:1. agree their continued support to maintain the current position paying 100%, subject to further review as the furlough scheme and financial planning process evolves.
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| **1.**1.1 | **Business Plan Contribution**This report supports the highlighted Business Outcomes from the High Life Highland (HLH) Business Plan:1. Sustain a high standard of health and safety, and environmental performance
2. **Implement the Service Delivery Contract with THC**
3. Improving customer engagement and satisfaction
4. Improving staff engagement and satisfaction
5. Enhance the positive charity image
6. **Be a trusted and effective partner**
7. **Achieve sustainable growth across the organisation**
8. Develop health and wellbeing across Highland communities
9. Develop and promote the High Life brand
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| **2.** | **Background** |
| 2.12.2 | At a meeting of the HLH Board held electronically on 2 April 2020 Board members **AGREED** that an application be made to HMRC seeking funding under the UK Government Employee Retention Scheme for High Life Highland employees. At this meeting clarification was sought, and provided, that staff would receive 100% of their monthly wage, with HLH choosing to top up the employees salaries to 100%. |
| **3.** | **Engagement with THC and update to Administration** |
| 3.13.23.3 | As a company limited by guarantee, with THC as its sole member, the Chief Executive has formally engaged with THC throughout this crisis.A request was received from THC’s ECO Finance and Resources on Friday 24 April for a paper on HLH’s JRS application and decision to pay 100% to allow this to be presented to the THC Administration meeting on Monday 27 April 2020. The briefing note submitted to the Council **(attached at Appendix A)** and detailed below provided context on HLH’s application to the UK Government Job Retention Scheme (JRS) including the moral, financial, benchmarking, employee relations, risk and policy rationale of this decision as follows: |
| 3.3.1 | Introduction:1. the Scheme presented a rapidly changing scenario where Government policy and legal advice changed daily;
2. HLH formally informed THC on 27 March of the intention to apply to the scheme and that a high level of lobbying was being conducted by Community Leisure UK and sportscotland to ensure that Leisure Trusts were eligible for the Scheme; and
3. concentrated on the moral, benchmarking, financial, employee relations and risk assessment components behind the decision to continue to pay HLH employees their full salary.
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| 3.3.2 | Policy:1. every effort has been made to communicate regularly with council officers, given the unprecedented pace of change and availability of key people;
2. in what has been a busy, hectic environment, there has been no intent whatsoever to bypass long-standing communication channels with THC and honour the agreement between parties. Although decisions have been made rapidly, every effort has been expended to ensure that council colleagues have been aware of HLH intentions. However, we are very willing to share lessons in order to ensure that good governance is always assiduously followed;
3. recognised a shared acceptance of responsibility for any missed communication and for this to be accepted in the spirit intended;
4. presented clarification on the data-driven, evidence based approach that has been taken in respect of the JRS application to maintain status quo and pay HLH employees at 100% salary with no change to the current payroll position; and
5. at the time of writing the briefing note HLH was the only trust in Scotland that had made an application to the JRS that had been accepted into the HMRC portal, due in no small part to the dedicated approach of the HLH team.
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| 3.3.3 | Moral:1. not paying the top-up would place 51% (c.700) of HLH employees below the level of the Scottish Living Wage. Paying 80% would also have a disproportionate impact on lower paid employees, potentially inadvertently placing many individuals and families in poverty across the Highlands; and
2. another consideration was the hundreds of HLH employees volunteering across the Highlands, many working alongside Highland Council and NHS(H) colleagues. The reputational impact of reducing their salaries by 20% whilst they are involved in this type of work would be difficult to contain.
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| 3.3.4 | National position:1. at the time of writing, as far as we have been able to ascertain from the Community Leisure Scotland cohort, all but two trusts in the country have elected to pay their employees at their full salary.
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| 3.3.5 | Financial:1. the financial position is complex, with a variety of variable factors to consider. On initial estimates of membership and income attrition, it seemed likely that, if eligible for the scheme and with use of reserves and rapid business recovery, the financial year end position was secure. As the situation has developed, the financial implications have shifted as it does not consider the UK Government announcement that the JRS will be extended. The extension of the scheme will improve the financial position significantly although the exact implications have yet to be worked out in detail;
2. the cost of the 20% top up per month is c. £200k, this number will vary as more staff are placed on furlough leave, these staff are peer-reviewed by senior management on a weekly basis; and
3. cost of redundancy was a factor on financial calculations, the JRS requires consultation at individual level offering employees either to join the scheme, unpaid leave or redundancy. In accord with a number of other trusts HLH have agreed with Trade Unions, that redundancy would only be offered on statutory terms, this was contingent upon payment of the top up. Given that 15% of HLH employees have in excess of 20 years service, the risks were significant. Based on an estimated take up of 2% of our workforce electing to take this option, the redundancy costs in year would have been c. £900K, outweighing the risks of top up. This does not take account of the business risk of key workers electing to leave the organisation.
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| 3.3.6 | Employee Relations:1. HLH has entered into a collective agreement with GMB, Unison and Unite with respect to the application of the JRS and how it is being applied to the workforce. The agreement is being used as an exemplar template and is currently in the process of being adopted by a number of other trusts. The strength of a collective agreement with unions will also help with any uncertainty over eligibility with HMRC and protects our hard earned reputation as a responsible, fair minded employer. The collective agreement also includes a commitment to pay staff 100%.
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| 3.3.7 | Business Risks:1. The briefing note to THC Administration was relatively rapidly constructed and more detail was offered to be made available as required. The business risks associated with JRS will be mitigated by constant re-evaluation of the approach taken, including top up. However, the first major risk was eligibility to the scheme – this has now been confirmed with the first two payments received.
2. HLH has set up a Recovery Action Group with a focus on the most likely scenario for re-introduction of services and restoration of income. Part of the process will be how best to leverage the innovation and technology solutions that have been put in place to deliver services more efficiently during lockdown; early collaboration with Council members and colleagues to share opportunities for the joint realisation of benefits would be hugely welcomed.
3. Finally, in addition to the routine engagements at officer level, the Chair of the High Life Highland Board, Ian Ross, having expressed his willingness to speak with THC elected members to seek to gain a shared understanding of the challenges both organisations face, with an aim of supporting officers with clear strategic guidance between the HLH Board and elected members has already participated in the first meeting with THC senior administration members on 5 May 2020.
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| **4.** | **Review** |
| 4.1 | The approach taken will be subject to continuous review as the furlough scheme and the financial planning process evolves with any proposed changes coming to the HLH Board for approval.  |
| **5.** | **Implications** |
| 5.1 | Resource Implications – there are no new resource implications associated with the recommendations of this report.  |
| 5.2 | Legal Implications – there are no new legal implications associated with the recommendations of this report. |
| 5.3 | Risk Implications – there are no new risk implications associated with the recommendations of this report. |
| 5.4 | Equality Implications – there are no new equality implications associated with the recommendations of this report. |
| **Recommendation**It is recommended that Directors:It is recommended that Directors:1. agree their continued support to maintain the current position paying 100%, subject to further review as the furlough scheme and financial planning process evolves.
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Designation: Chief Executive

Date: 4 June 2020

**Appendix A**

**24 April 2020**

Reference: Highlife Highland Confidential Report to Board of Directors –

**COVID 19 – SITUATION REPORT AT 16TH APRIL - Report by Chief Executive dated 16th April 2020**

**Briefing Note to Highland Council Senior Administration Members**

**Introduction**

This note provides context on High Life Highland’s application to the UK Government Job Retention Scheme (JRS). The Scheme has presented a rapidly changing scenario where Government policy and legal advice has changed daily. HLH formally informed HC on 27th March of the intention to apply to the scheme and that a high level of lobbying was being conducted by Community leisure UK and Sport Scotland to ensure that Leisure Trusts were eligible for the scheme. This briefing note concentrates on the moral, benchmarking, financial, employee relations and risk assessment components behind the decision to continue to pay High Life Highland employees their full salary.

**Policy**

I apologise personally as Chief Executive if I have inadvertently not been clear enough regarding board decisions or on our intent. I have made every effort to communicate regularly with council officers, given the unprecedented pace of change and availability of key people, I hope that a shared acceptance of responsibility for any missed communication can be accepted in the spirit intended.

In what has been a busy, hectic environment, there has been no intent whatsoever to bypass our long-standing communication channels with HC and honour the agreement between parties. Although decisions have been made rapidly, every effort has been expended to ensure that council colleagues have been aware of HLH intentions. However, we are very willing to share lessons in order to ensure that good governance is always assiduously followed.

This briefing note presents clarification on the data-driven, evidence-based approach that has been taken in respect of the JRS application to maintain status quo and pay our employees at 100% salary with no change to the current payroll position.

As of yesterday, HLH was the only trust in Scotland that had made an application to the JRS that has been accepted into the HMRC portal, due in no small part to the dedicated approach of our team. This initial application covers 23 to 31 March, with 1,325 staff furloughed in the first batch.

**Moral**

Not paying the top-up would place 51% (c700) of our employees below the level of the Scottish Living Wage. Paying 80% would also have a disproportionate impact on our lower-paid employees, potentially inadvertently placing many individuals and families in poverty across the Highlands.

Another consideration was the hundreds of HLH employees volunteering across the Highlands, many working alongside Highland Council and NHS(H) colleagues. The reputational impact of reducing their salaries by 20% whilst they are involved in this type of work would be difficult to contain.

**National position**

As far as we have been able to ascertain from the Community Leisure Scotland cohort, all but 2 trusts in the country have elected to pay their employees at their full salary.

**Financial**

The financial position is complex, with a variety of variable factors to consider. On initial estimates of membership and income attrition, it seemed likely that, if eligible for the scheme and with use of reserves and rapid business recovery, the financial year-end position was secure. As the situation has developed, the financial implications have shifted as detailed in our paper at the reference. However, the paper attached does not consider the UK Government announcement that the JRS will be extended by a further month. The extension will improve the financial position significantly although the exact implications have yet to be worked out in detail.

The cost of the 20% top-up per month is c£200k, this number will vary as more staff are placed on Furlough, this number is peer-reviewed by senior management on a weekly basis.

Costs of redundancy was a factor on our financial calculations, the JRS requires consultation at individual level offering employees either to join the scheme, unpaid leave or redundancy. In accord with a number of other trusts, we have agreed with Trade Unions that redundancy would only be offered on statutory terms, this was contingent upon payment of the top-up. Given that 15% of our employees have in excess of 20 years-service, the risks were significant. Based on an estimated take up of 2% of our workforce electing to take this option, the redundancy costs in-year would have been c£900k, outweighing the risk of top-up. This does not take account of the business risk of key workers electing to leave the organisation.

**Employee Relations**

HLH has entered into a collective agreement with GMB, UNISON and UNITE with respect to the application of the JRS and how it is being applied to the workforce. The agreement is being used as an exemplar template and is currently in the process of being adopted by a number of other trusts. The strength of a collective agreement with unions will also help with any uncertainty over eligibility with HMRC and protects our hard-earned reputation as a responsible, fair-minded employer.

**Business Risks**

This paper has been relatively rapidly constructed and more detail can be made available on request. The business risks associated with the JRS will be mitigated by constant re-evaluation of the approach we have taken, including top-up. However, the first major risk is eligibility to the scheme which should be clear over the next few days.

HLH has set up a Recovery Action Group with a focus on the most likely scenario for re-introduction of services and restoration of income. Part of the process will how we leverage the innovation and technology solutions that have been put in place to deliver services more efficiently during lockdown; early collaboration with council members and colleagues to share opportunities for the joint realisation of benefits would be hugely welcome.

Finally, in addition to the routine engagements at officer level, the Chair of HLH, Ian Ross, would welcome and value the opportunity to speak with elected members to seek to gain a shared understanding of the challenges both organisations face, with an aim of supporting officers with clear strategic guidance between the HLH board and elected members.

Steve Walsh OBE

Chief Executive

High Life Highland