

The Highland Council

17th December 2015

Agenda Item	13
Report No	HC/57/15

Update on Rationalisation of Leisure Management

Report by the Chief Executive

Summary

This paper reports on good progress towards the rationalisation of Leisure Services in the Highlands. The Boards of High Life Highland and Inverness Leisure have confirmed their intention to transfer the IL business to HLH and to work together to design and deliver this result by April 2016. The support of Officers, Directors and Trustees is very much appreciated in reaching this position.

1.	Background
1.1	At the Education, Children and Adult Services meeting on the 27th August 2015 the Committee agreed the Chief Executive write to the Chief Executives of Inverness Leisure (IL) and High Life Highland (HLH) asking them to work together to appraise the options and produce a rationalisation plan resulting in a single organisation to deliver the functions of both existing organisations.
1.2	The letter was sent and the Chief Executives of IL and HLH have since met on regular occasions to develop the plan as requested, conferring with Board Directors as appropriate or required by their respective Boards. Directors of each company have also met as required formally and informally, together and separately. After some time and following these separate and joint discussions, both Boards have now confirmed their agreement to create a single organisation and submitted a Rationalisation Plan. The support of both HLH and IL is very much appreciated and there is every reason to be optimistic about a productive partnership in the future.
2.	Options
2.1	The August 2015 ECAS report identified three potential options:- <ul style="list-style-type: none">• transfer of business• merger• the formation of a new ALEO to replace the existing 2.
2.2	Legal advice, upon which the Council, HLH and IL agree, is that there are several factors which need to be taken into consideration in deciding on the most appropriate option. It :-

	<ul style="list-style-type: none"> • should take into account the charitable objects of IL and HLH • has to be “Teckal” compliant, ie mindful of state aid requirements. • must be delivered in the context of the forthcoming European procurement law changes which require to be in place by April 2016 • must meet charity standards to enable continued rates savings
2.3	In addition, it should be set up to provide a seamless transition for services and staff, whilst meeting the Council’s 2014/15 budget saving of £200k.
2.4	The conclusion of the review is that the safest and most cost effective option is a Council owned company with charitable status. As the Council already has one of these in HLH and as establishing a new company would involve significant additional legal and other costs, costs involving the transfer of external contracts for both organisations and the TUPE transfer of over 1,000 staff from both organisations, all parties are in agreement that the most appropriate option would be a transfer of business from Inverness Leisure into High Life Highland.
3.	Principles of Rationalisation
3.1	<p>Delivery Principles</p> <p>The Chief Executives of IL and HLH have agreed the following principles to be applied during the process of rationalisation, relating to:-</p> <ul style="list-style-type: none"> • <u>The Public/users</u> - business as usual, protection of services – no reduction as a result of amalgamation • <u>The Council</u> – £200k efficiency saving for 2014/15 delivered; recognition of further savings potential • <u>Management/Staff of IL and HLH</u> - one team, minimise disruption, changes by redeployment, do all possible to avoid compulsory redundancies as this would prejudice any savings at least in the first two years, equalisation of terms and conditions [where required] • <u>Governance</u> - one main Board; one trading Company; one Finance and Audit Committee with opportunities for Directors of the current Inverness Leisure Board to be involved in each.
3.2	<p>Delivery Lead</p> <p>It is proposed that we build on the successful joint work of the HLH/IL Boards and Executives and give them the freedom to design and implement the transfer of business in a way which delivers the Council’s objectives within the framework of principles set out at 3.1. Leadership by HLH/IL is most likely to deliver a sustainable way forward and minimise disruption to services.</p>
4.	Plan Detail and Timescale
4.1	Based on the conclusions above, the Governance requirements of each

	organisation and the timescales involved are different. The IL Board has reviewed the options open to it, agreed the way forward and will continue with necessary actions, most but not all of which will be concluded in this financial year. The HLH Board has also begun its Governance actions, some of which as a Council owned company, will involve the Council.
4.2	The detail of the plan for rationalisation produced by the Chief Executives of HLH and IL is appended as Appendix 1 to this report. It is a work in progress and will be updated as the process advances.
4.3	The overall timescale for staff transfer is 1 st April 2016, although there may be legal and financial processes for each organisation to carry out which would go beyond this date.
5.	Opportunities
5.1	<p>Arising from these discussions, there is agreement that the move to rationalisation of the two organisations, as well as affording opportunities for efficiencies, also can be used as a stimulus for potential service improvement. Whilst it is expected that further opportunities will emerge over time, the main opportunities at present are seen to be:</p> <ul style="list-style-type: none"> • further development of the High Life card scheme • a single point of contact for national and local agencies/partners • consistent, Highland wide programmes of activity and marketing • economies of scale through increased critical mass • a clear, single focus in planning for the proposed Regional Sports Facility and other such opportunities • increased collective opportunities for engagement in the Preventative Health agenda • removal of real or perceived competition between the two organisations • career development opportunities for staff • increased scale within the Scottish network of ALEOs.
6.	Delivery of efficiency savings
6.1	In addition to the potential to raise additional income from the opportunities listed above, there is agreement between the two Chief Executives that the rationalisation process allows for efficiencies to be achieved in the short to medium term from headings such as: management posts; processing of finance and payroll services; audit; HR; marketing; programming of courses and classes and staff training.
7	Next Steps
7.1	<p>The next steps will include;-</p> <ul style="list-style-type: none"> • continued refinement of the plan for rationalisation

	<ul style="list-style-type: none"> discussions between 3 organisations relating to the Property Agreement, Payroll and other Service Level Agreements further consideration by the Directors of IL and HLH and the completion of any due diligence reviews required by the respective Boards nomination of Directors of the current IL Board to join the governance Boards and committee of HLH
8	Implications
8.1	<p>Resources</p> <p>Significant efficiencies will be achieved through the reduction of duplication in the organisation of these services, and this can contribute to the Council's budget planning.</p>
8.2	<p>Legal</p> <p>All 3 organisations have taken legal advice regarding the options for restructuring and this has been a key part of the due diligence process. As part of the Rationalisation Plan the Council and the Board will receive specific assurances about continuing charitable status and about compliance with State Aid legislation.</p>
8.3	There are no Rural, Equalities, Gaelic or Climate Change implications, and it is anticipated that the amalgamation will be achieved without material disruption to services.
9	Recommendations
	Members are asked to
	<ol style="list-style-type: none"> I. Note that the Boards of IL and HLH have agreed to work together to form a single organisation II. Note that the best option to achieve this involves the transfer of business from IL to HLH by April 16. III. Agree that this process should be led by HLH and IL in accordance with the Rationalisation Plan at Appendix 1

Signature:

Designation: Chief Executive

Date: 7th December 2015

Rationalisation Plan - IL and HLH

Target Date: 1st April 2016

Project Team:

Section	Work Stream	Progress	Lead	Status
Notification/ consultation with OSCR, Companies House and any other regulatory bodies	Contact made relating to charitable objects, transfer of business, accounting periods etc	<ol style="list-style-type: none"> 1. Chief Executives to make contact with regulatory bodies to check the necessary information to enable the plan for rationalisation 2. Report on and obtain formal Board approval for actions arising 3. Delivery of required information to regulatory bodies. 		
Staff	Initial Contact and Information Gathering	<ol style="list-style-type: none"> 1. Chief Executives to meet to propose plan for rationalisation. 4. HR leads to make contact. 5. Once agreement on way forward is reached, due diligence information to be gathered including: <ol style="list-style-type: none"> a. updated staff lists with names and holiday allowance, (individuals' contracts of employment (not generic blanks), b. details of any changes to the contracts of employment since signing, for example change in hours, and so on, c. details of any shift patterns and payments, d. individuals' job descriptions, e. details of any grievances within the last two years, f. details of any disciplinary cases within the last two years, g. copy of any collective agreements, h. policies and procedures (which are contractual), i. confirm details of the salary scale, how salary reviews operate and what happens when an individual reaches the top of their grade, 		

Section	Work Stream	Progress	Lead	Status
		<p>j. confirm any pending salary increases.</p> <p>6. Write 'Measures letter' to confirm details of any changes to structures being made for 'economic, technical or organisational' reasons. Where the structure does not have posts for all employees, consider whether this will include redundancies and ensure that these costs are included in the budget.</p>		
Staff	Transfer list	<ol style="list-style-type: none"> 1. Compile the list of all posts that will TUPE transfer 2. Create the documentation required to add posts to staff establishment. 3. Recruitment documentation to management for approval. 4. Add TUPE transferred posts to establishment. 5. Match posts to existing staff. 6. Identify any vacancies to be filled. 7. Initiate recruitment process if required. 		
	Transfer arrangements	<ol style="list-style-type: none"> 1. Confirm TUPE arrangements governing the transfer process to staff. 2. Confirm transfer process to staff. 3. Issue letters to employees to explain transfer and arrange a presentation to staff teams to introduce the changes and plans for organisational structure, and so on. 4. Consult with union/staff representatives. 5. Advise Unions of the process. 6. Provide contact points of reference for staff queries in respect of terms and conditions. 7. Arrange one-to-one meetings with staff TUPE transferring. 8. Consider advertising some or all roles (in case staff choose not to transfer or find other employment). Advise staff so they do not see 'their job' being advertised, causing them anxiety. 9. All payroll payments, salaries and allowances, for example first aid, unsocial 		

Section	Work Stream	Progress	Lead	Status
		<p>hours, and so on, and any deductions, such as union check-off, court deductions, student loans and so on to be confirmed.</p> <ol style="list-style-type: none"> 10. Collect employee diversity information. 11. Arrange for letter of welcome from to staff on date of change. 12. Arrange for the issue of contracts to TUPE transferring staff. 13. Identify staff holding more than one post and issue a separate contract for each post. 14. Write to all new employees to advise them of new employer 15. Arrange an induction programme. 16. Consider whether there is an 'economic, technical or organisational' reason for making any changes to the new staff terms and conditions where there is a change in workforce. 		
Staff	Job evaluation (If required)	<ol style="list-style-type: none"> 1. Identify posts that require to be matched to posts and grades. 2. Identify if any posts where grades are not assimilated. 3. Prepare documentation and initiate process for approval. 4. Advise affected staff of the process and outcomes. 5. Advise Finance of any change to budgets. 		
Staff	Adult and Child Protection	<ol style="list-style-type: none"> 1. Identify posts that require to be PVG checked. 2. Arrange for forms to be completed and submitted as required. 		
Staff	Pensions	<ol style="list-style-type: none"> 1. Identify staff who are members of the pension scheme. 2. Advise staff not currently in the scheme of the opportunity to opt in and continued opportunity to opt out. 		
Staff	Overtime	<ol style="list-style-type: none"> 1. Check current arrangements for approving overtime and amend as required. 		
Users	Transitions	<ol style="list-style-type: none"> 1. Check users know about and understand the changeover 2. Check that there will be no change in pricing for users 		

Section	Work Stream	Progress	Lead	Status
		3. If individual prices should be harmonised, plan for how changes will be managed over time.		
Operations	Normal Operating Procedure (NOP) / Emergency Action Plan (EAP)	<ol style="list-style-type: none"> 1. Review NOP /EAP and amend as required. 2. Arrange for staff training on any updates as necessary 		
	Risk Assessments	<ol style="list-style-type: none"> 1. Review Risk Assessments and amend as required. 2. Arrange for staff training on any updates as necessary. 		
	Trigger Matrix	<ol style="list-style-type: none"> 1. Advise staff of the Trigger Matrix system for alerting appropriate Senior Managers/Council Ward Managers and Elected Members 2. Implement system on date of transfer. 		
	Business systems	<ol style="list-style-type: none"> 1. Identify any systems that require to be changed to reflect current operating practices. 2. Initiate process to implement the changes. 		
Facility	Property Agreement	<ol style="list-style-type: none"> 1. Add property to the asset register and update the Property Agreement as required. 		
	Lease	<ol style="list-style-type: none"> 1. Work with THC/other organisation to ensure that any required lease transfers are made. 		
	Assets	<ol style="list-style-type: none"> 1. Devise an asset list to include any assets that will transfer. 		
	Planned and	<ol style="list-style-type: none"> 1. Include arrangements for planned and responsive maintenance in the 		

Section	Work Stream	Progress	Lead	Status
	responsive maintenance	Property Agreement.		
	Capital programme	1. Add planned developments to the capital programme.		
	Insurances	1. Add to the insurance portfolio.		
	Responsible Premises Officers	1. Identify the RPO 2. Arrange any training for the RPO if required. 3. Arrange access to the RPO database		
Finance	Budget	1. Create the budget based on the agreed core staffing establishment and subjective codes to be used in this facility. 2. Work with Care and Learning Finance Manager to adjust the Services Fee paid by THC as required 3. Arrange budget holder and budget support training		
	Invoices/ Ordering	1. Set up arrangements to process orders/pay invoices 2. Ensure any new coding is used on all orders/invoices. 3. Arrange for budget holder details to be set up. 4. Set up new systems including access and training		
	NNDR	1. Determine if a fresh application for Rates Relief is required. 2. If yes, advise the Rates Assessor of the transfer of the facility by: Completing Rates Relief Application form and forwarding to nondomesticrates@highland.gov.uk . 3. Facility to be added to master Rates Relief spreadsheet held on receipt of notification of relief being granted by Rates Assessor.		

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	Payroll	<ol style="list-style-type: none"> 1. Discuss with Payroll the forthcoming transfer and consult on best way to provide information on transferred staff and cost of provision of service. 2. Add establishment posts to Payroll. 3. Arrange SAL1 forms/or spreadsheet submission for multiple posts to be completed and submitted to Payroll for all transferring staff to match their contracted posts. 4. Set up arrangements to process payroll including training. 		
	Banking	<ol style="list-style-type: none"> 1. (If required) Arrange to transfer banking to THC account to coincide with the transfer of any High Life DD payments. 2. Set up cash analysis forms to be used. 3. Set up miscellaneous income cash codes to enable the Facility to record the cash received in the financial systems. 4. (If required) Advise THC Income Section that the facility is coming on stream 5. (If required) Ensure THC Income Section are aware that any direct debit income is VAT exempt. 		
Support Services	ICT	<ol style="list-style-type: none"> 1. Provide early notification to Fujitsu and ICT Services. 2. Assess any change relating to ICT assets and development needs: Computers, Telephony (Land & Mobile), CCTV, Printers and Network(s). 3. OCS & Webcams required? 4. Other software required? eg Plus2, Integra, etc. 5. Set up/change users for computer access and email addresses. 6. Add email addresses to the staff email distribution group and any generic email accounts required. 7. Add access to shared drive(s) and any other systems eg MRM User Group. 8. Arrange basic system training for systems including My Online Learning and Staff Website including 'ICT Guidance & Procedures' document. Ensure that 		

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		<p>any income/receipt systems have been updated to include VAT Reg Number and details.</p> <p>9. Ensure that the agreed rates of VAT are reflected in the income/receipt systems.</p> <p>10. Advise Finance of the Merchant Numbers for the chip & pin machine.</p>		
	Grounds Maintenance	<p>1. Check how grounds maintenance services are delivered.</p> <p>2. Liaise when required with Community services.</p>		
	Vehicles	<p>1. Check if any vehicles owned / leased.</p>		
	Refuse Collection	<p>1. Check the refuse collection arrangements in place for and any transfer needed</p>		
	Catering and Cleaning	<p>1. Ensure current contracts are documented and review dates understood.</p>		
	Marketing and PR	<p>1. Provide with the toolkit for promotional material.</p> <p>2. Oversee the application of the toolkit</p> <p>3. Brief staff on the media protocol.</p> <p>4. Incorporate any requirements in the development of the website.</p> <p>5. Inform staff of the process for updating facility timetables on the website.</p> <p>6. Assess the marketing requirements and add to the M&C plan.</p> <p>7. Identify budget required to implement brand standards.</p> <p>8. Provide access to social media outlets in accordance with the Social Media policy.</p> <p>9. Issue staff with uniforms and/or name badges at a timescale to be decided.</p> <p>10. Add facility information to the website</p>		

Section	Work Stream	Progress	Lead	Status
	High Life Scheme	<ol style="list-style-type: none"> 1. Co-ordinate the processes for DD payments 2. Devise letter to High Life DD holders advising of the transfer process and any other requirements. 3. Devise a promotional pack to issue with the letter. 4. Produce a list of DD members 5. Arrange for the letter and promotional pack to be issued sufficiently in advance of the proposed date of change over. 6. Process the applications currently in train and add names to the list of customers to sign new forms. 7. Check that the facility has all the financial documents in place prior to changeover, that is cash receipt books, bank pay-in slips etc. 		
	Stakeholder engagement	<ol style="list-style-type: none"> 1. Brief local Members on the transfer process. 2. Identify key meetings to attend to brief Council officials. 		
	Licences and leases	<ol style="list-style-type: none"> 1. Identify the requirements for the transfer of the PRS licenses. 2. Identify the requirements for the transfer of the PPL licenses. 3. Identify other licences to be transferred. 4. Identify leases or agreements currently held and the need to transfer them 5. Identify leases or agreements which need to be cancelled. 6. Identify licences which may be required but not currently held. 		
Legal	Service Delivery Contract	<ol style="list-style-type: none"> 1. Update the contract 2. Check with lawyers re any other changes to the legal documentation that may be required. 		
	Transfer of Assets	<ol style="list-style-type: none"> 1. Ensure that a full list of assets to be transferred are formally documented. 		

Risk	Risk profile	1. Devise risk profile for the process with action plan for those above the line and add to the corporate risk register.		
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