

Agenda Item	14.
Report No	CLH 36/19

HIGHLAND COUNCIL

Committee: Care, Learning and Housing

Date: 29th May 2019

Report Title: Community and Leisure Capital Programme and Related Revenue Implications

Report By: Director of Care and Learning

1. Purpose/Executive Summary

- 1.1 This report sets out recommendations in relation to the 'Community and Leisure' aspects of the Care and Learning capital programme, and related revenue implications. Recommendations in relation to the schools capital programme are subject of a separate report on the agenda.
- 1.2 Specifically, in relation to Caithness Horizons, the report provides an update on progress, and makes recommendation in relation to capital and associated revenue funding to allow the re-opening of the facility and addressing risks and implications for the Council from an extended or permanent closure.

2. Recommendations

- 2.1 Members are asked to:
 - i. Agree to the capital and revenue commitments to support the re-opening of Caithness Horizons, Thurso, all as detailed in Section 5.
 - ii. Agree to the novation of the existing agreement with the National Lottery, currently co-signed by Highland Council and Caithness Horizons, solely to Highland Council.

3. Background and Context

- 3.1 Within the Care and Learning capital programme, there is an approved capital budget for 'Community and Leisure' projects, as summarised below. The purpose of this budget is to provide capital funding for community and leisure assets, being those properties and plant/vehicles operated by High Life Highland (HLH), as well as residual assets still held on the Care and Learning account.

£000

	18/19	19/20	20/21	21/22	22/23
	361	371	382	394	406
Total					1,914

Previous decisions through this Committee have made the following commitments, with their being just over £1m not yet allocated at this time.

	£000
Total Budget per above	1,914
Previously agreed May 2018	
- Library vehicles	-140
- Charleston pitch	-200
Balance remaining	1,574
Agreed October 2018	
- 4 further library vehicles (1 p.a.)	-520
Balance Remaining	1,054

- 3.2 The October CLH Committee considered a report on this budget, and agreed to budget allocations for a programme of mobile library vehicle replacements, prioritisation of other key proposals, and the progressing of external funding applications for a new Indoor Tennis Facility and a new Outdoor Centre.
- 3.3 The March Council and CLH Committee received updates on Caithness Horizons, following the decision of the Caithness Horizons Board to close the facility and wind up the Company.

4. Caithness Horizons, Thurso

- 4.1 Members have previously been made aware, through reports to this Committee, of the circumstances leading to the Caithness Horizons (CH) Board deciding to close the doors of the museum facility and visitor attraction, and take steps to wind up and return the keys to the Council as landlord.
- 4.2 Since the CH decision in February of this year, Council Officers, Ward Members, and other local stakeholders have held a number of discussions to explore options to re-open the doors of the facility. These steps have been taken not only to secure the future of the building and its museum collections, but also in recognition of the importance of the facility in the context of local arts and tourism provision. From a purely financial perspective, the closure of the facility also represents a significant financial risk to the Council, through the potential for part of the £1m lottery funding awarded for the renovation project being clawed back, as well as the additional

property costs and risks that would fall to the Council as landlord.

4.3 From discussions with key stakeholders, and since the last report to members, the following actions have been progressed and outcomes achieved:-

- Handover – regular discussion with CH and agreement of handover protocols for when CH's tenancy of the building is terminated on 31 May.
- High Life Highland (HLH) – ongoing discussion with High Life Highland, and other partners, leading to agreement by the HLH Board to the principle of HLH taking on operations at the facility.
- DSRL – continued discussions with Dounreay Site Restoration Limited, as co-funder of CH for many years, and indications of their willingness to offer continued revenue support of £75k p.a. for the next 3 years, on the basis the Council matches that commitment.
- HC revenue funding – year 1 funding of £75k in 2019/20 confirmed by Committee in March as part agreement for all external funded sports, culture and leisure organisations.
- Other Partners – discussion with other local partners, including HIE and NDA regarding any other support, financial and non-financial, that could support the facility.
- National lottery – discussion with National Lottery regarding the current position, options being explored, and expectations and requirements regarding the existing funding agreement with them.
- Local Stakeholder feedback – a positive meeting of local stakeholders was held in April, with positive support for the re-opening of the facility, and for HLH as the potential operator, and a willingness to engage further to develop further strategies for tourism, arts and culture across the region, and CH's vital part in that.

4.4 Given the imminent handover of keys by CH, as their tenancy concludes, the Council is now in a position where decisions need to be made regarding the future of the facility. With the ongoing revenue funding commitment indicated by DSRL, and the Council already committed to revenue funding CH in 2019/20 as a minimum, the main outstanding issues relate to (1) essential building and maintenance/improvement works and (2) Council revenue funding for 2020/21 and beyond

4.5 A key factor in the CH Board decision to close, was the identification of c£200k of essential building works required, many of which were Health and Safety related. In turn, the decision of the HLH Board was predicated on those works being addressed, and that the Council as landlord would take the responsibility for addressing those issues prior to HLH being willing to take on operations (as is the case for other Council assets that HLH operates from).

4.6 Discussions continue with other stakeholders regarding scope for financial support towards one-off and building related costs to get the building re-opened. The £2.965m funding provided to the Council for Town Centre Regeneration (report to EDI Committee 16th May) also presents a possible funding opportunity, though the timescales would not provide for immediate decisions regarding Caithness Horizons. Pending the outcome of those discussions, it is the case that effective 31 May the building returns to the Council and given the need to maintain and preserve the collections housed therein, action will need taken on the most pressing building

maintenance issues regardless of whether the facility is able to re-open or not.

- 4.7 The proposal to this Committee regarding capital and building works, is therefore to take a phased approach. Phase 1, represents the most pressing works and those which are essential to the re-opening of the facility. The HLH Board has also made clear their expectations around safety and suitability of the building. These works, covering a range of building and health and safety related matters, require a budget of £77k incl fees. Phase 2, represents a further £127k of works (incl fees) to the fabric of the building which are assessed as necessary during the current financial year. It is this phase of costs, that it is hoped the other possible funding sources in paragraph 5.6 may assist with, and reduce the cost implications for the Council. However, given the lead time to plan and tender works, and the commitment sought by the HLH Board, the Committee is being asked to commit to those Phase 2 works, albeit noting the actions that will be taken to secure alternative funding sources.
- 4.8 While the capital and building related works are vital, so is ongoing revenue funding. DSRL funding would be conditional on a match by the Council. The HLH Board in turn require a multi-year funding commitment from both partners, to be able to staff up and operate the facility, and take forward a new vision to refresh the services offered. The proposal before member is therefore to match and confirm revenue funding of £75k for a further 2 years, 2020/21 – 2021/22. There is a consequence of this recommendation, in that it will mean that one aspect of the budget for externally funded organisations is therefore protected from the £200k saving agreed by the Council for 2020/21. This matter has been highlighted to the member working group considering options for implementation of that saving, who are expected to report back on recommendations in August of this year. Confirmation of multi year funding for CH would reduce the budget against which the saving has to be applied, from c£600k to c£525k, therefore increasing the impact of delivering the overall saving value.
- 4.9 The recommendations within this report, if agreed, would allow the Council to implement a re-opening of Caithness Horizons. That in turn would secure the museum collection and the exhibiting thereof, and allow the facility to play a key role in local tourism, arts and culture. HLH would also be working to further develop the facility, services offered, footfall and commercial opportunities.
- 4.10 The risks of not progressing, in financial terms relate in particular to external funding risks, and building and property risks. In relation to external funding, the existing 25 year agreement with the National Lottery requires that *the facility remain open and operational, accessible by the public, and with museum collections continuing to be displayed. With breach of the agreement triggering clawback of funding provided. The agreement would also potentially limit the Council's scope to sell or otherwise change the use of the facility without National Lottery approval, or releasing some of the proceeds to the National Lottery as repayment of grant.* The Council and Caithness Horizons are currently co-signatories to this agreement, the end date of which is in 2030. In relation to building risks, the Council as landlord will have effective 31 May full building obligations and whether the building was to be operational or not, would be faced with similar challenges around ensuring the fabric of the building was suitably maintained etc and it is unlikely the Council would be able to avoid the costs highlighted in paragraph 5.7.

- 4.11 The National Lottery have been kept up to date on progress, and are supportive of the solutions the Council is proposing to put in place. If agreed, there would be a novation of the existing agreement solely to the Council, and in turn the Council's agreement with HLH amended to reflect their role in relation to the facility and collections. That novation would remove CH from the National Lottery agreement, and place the responsibility solely on the Council. The key responsibilities and implications are as summarised above in paragraph 5.10 (italicized text). Given the charitable status of Caithness Horizons, its financial position, and decision to wind up, in practice it is not considered that the novation of the agreement solely to the Council materially increases risk exposure to the Council beyond which it already faces.

5. Other Priorities

- 5.1 As was reported to this Committee in October, from an HLH perspective, capital funding from this budget represents an opportunity for prioritising improvements which can assist with income generation and improvement of services provided. The following section provides an update on HLH's consideration of key investment opportunities.
- 5.2 New Outdoor Activity Accommodation - This Committee previously agreed that a new Outdoor Centre was a key priority for consideration from this budget. The Council holds circa £470K Big Lottery Fund monies, with the Fund's approval, to go towards replacement outdoor activity accommodation, which was lost with the early termination of a lease at Badaguish Outdoor Centre. Since the Council development of the museum education and store facility at the Highland Folk Museum, as well as unmet demand for outdoor activity accommodation for schools and youth services, significant opportunities for university and college courses associated with the nationally important collections held at the Folk Museum have emerged. A live funding application to the Natural Cultural Heritage Fund currently being administered by Scottish Natural Heritage seeks to advance the funding package for this development. A further report will come back to Committee once the outcome of that funding application is received.
- 5.3 Café and retail extension at the Ben Nevis Centre, Lochaber - following recent upgrades to the centre, including new interpretation and the moving of a pedestrian bridge over the adjacent river, footfall to this countryside interpretive centre has increased to the point where there is now clear unmet demand for café and retail space, not possible within the current footprint of the building. HLH along with Council Officers will develop proposals, for consideration at a future Committee meeting regarding funding.

6. Implications

- 6.1 **Resources:** As highlighted above, with capital budget and revenue budget commitments sought from the Council.
- 6.2 **Legal:** Legal advice relating to Caithness Horizons, this report, and the novation of relevant agreements, has been sought from the Council's legal team prior to finalising this report.

- 6.3 **Community (Equality, Poverty and Rural):** Nothing to highlight.
- 6.4 **Climate Change/Carbon Clever:** nothing to highlight
- 6.5 **Risk:** as highlighted within the report, there are financial risks to the Council relating to Caithness Horizons if a solution is not in place to allow the facility to re-open and the Council meet its commitments through the agreement with the National Lottery. There are also risks associated with the delivery of the agreed budget saving from the budget.
- 6.6 **Gaelic:** nothing to highlight.

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Date: 16th May 2019