

# The Highland Council

Agenda Item	5.
Report No	EDU/16/24

**Committee:** Education

**Date:** 12 September 2024

**Report Title:** High Life Highland Service Delivery Contract Review Update

**Report By:** Assistant Chief Executive - People

## 1. Purpose/Executive Summary

- 1.1 The Highland Council (THC) established High Life Highland to deliver a range of Council services relating to sport, leisure, and culture, whilst also achieving reductions in the cost of service delivery. THC has a Service Delivery Contract (SDC) with HLH (“the Contract”) to specify the scope and service levels expected in the delivery of these functions. This report provides Members with a progress update on the contract review and situational changes since the review was first initiated.
- 1.2 Arising from the review is a recommendation to Members that Youth Work and Adult Learning are transferred back into the Council from HLH. The rationale for the transfer is set out in detail at 10.4. and includes alignment with the Workforce for the Future Portfolio which has a strong focus on career pathways and lifelong learning. Bringing youth work and adult learning back into the Council will also strengthen and expand the accredited achievement programmes in all of our schools; link in with the work of the Council’s employability service in supporting adults into employment, whilst helping to deliver THC’s objective of streamlining provision.

The change also supports the requirements of the Community Learning and Development (Scotland) Regulations 2013 which came into force after the original SDC was introduced. The legislation places a requirement on Education Authorities to develop CLD plans and CLD provision is inspected by Education Scotland (HMIE). HLH has worked in partnership with THC and other organisations to publish and deliver CLD plans, and a transfer of those teams will allow THC to do this directly.

## 2. Recommendations

- 2.1 Members are asked to **note**:
- i. progress made on the contract review and that there will be a final report for Member consideration at the 21 November 2024 meeting of the Education Committee;
  - ii. the need to adjust the SDC scope following THC’s introduction of the operational Delivery Plan and Highland Investment Plan;

- iii. following the review of Public Service Obligations (PSOs) it is proposed that HLH should continue to deliver all but two of the services currently delivered on behalf of THC;
- iv. it is considered that the transfer of adult learning and youth work services to THC would support the Council's plans for education, employability, poverty reduction and community planning;
- v. no additional THC services have been identified as suitable for transfer to HLH during this contract review;
- vi. the report to the Education Committee on 21 November 2024 will focus on the actions listed in section 7 of this report; and
- vii. the HLH Board was consulted on this report, in draft, at its meeting held on 28 August 2024 and feedback from the Board is reflected in this report.

2.2 It is recommended that Members **agree**:

- i. the revised scope at section 8;
- ii. that matters relating to services delivered from assets owned by THC and operated by HLH be considered as part of the Reconfiguration of Council Assets Portfolio in the Operational Delivery Plan and also the Highland Investment Plan;
- iii. the commencement of the transfer process of adult learning and youth work from HLH to THC; and
- iv. that HLH should continue to deliver the remaining Public Services Obligations that it operates on behalf THC.

### 3. Implications

3.1 Resource – The transfer of Adult Learning and Youth Work services to THC will have short-term resource implications for both organisations' HR, finance and management teams which can be managed within existing capacity. The transfer of services itself will be cost neutral. The officer SDC Review Board will take account of the small number of youth work/adult learning buildings associated with those services on an individual basis to minimise any impact regarding rates.

There has been initial informal Union contact to bring this area of activity to their attention and more formal Union engagement will commence should Members agree to the proposed transfer of CLD functions.

3.2 Legal – The achievement of rates savings requires HLH to be an independent charity and the legal framework is already in place which achieves that. The Barclay Review of Non-Domestic Rates in 2017 allowed for existing rates savings to continue to be applied to council Arm's Length External Organisations (ALEOs).

There is a Change Control Procedure in the SDC which can be used to manage contractual changes between parties out with the review process.

The transfer of staff will be in compliance with Transfer of Undertakings, Protection of Employment (TUPE) Legislation.

HLH and the Council have each appointed external legal advisors to oversee the review of the Service Delivery Contract and ensure all consequential amendments arising from the review are appropriately reflected in the revised document.

- 3.3 Risk – there are no implications requiring changes to the risk register arising from this report.
- 3.4 Health and Safety (risks arising from changes to plant, equipment, process, or people) - there are no health and safety implications arising from this report.
- 3.5 Gaelic – there are no Gaelic implications arising from this report. There is a specific part in the Schedule in the Contract which sets out what is required in support of Gaelic language and culture. The review has not proposed any change to this.

**4. Impacts**

- 4.1 In Highland, all policies, strategies, or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children’s Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

**4.3 Integrated Impact Assessment - Summary**

- 4.3.1 An Integrated Impact Assessment screening has been undertaken on 30 August 2024. The conclusions have been subject to the relevant Manager Review and Approval.
- 4.3.2 The Screening process has concluded that there are no service impacts associated with the in-sourcing of adult learning and youth work services with the rationale being contained in paragraph 10.4 of this report. No immediate service change will occur as a result of the transfer with a business-as-usual approach taken to ensure that the two services are properly embedded into the Council structure.

It has therefore been concluded that a full impact assessment is not required.

**4.3.3 Impact Assessment Area Conclusion of Screening**

Equality	<ul style="list-style-type: none"> <li>• Children and Young People – no impact</li> <li>• Children affected by disability – no impact</li> <li>• Older adults – no impact</li> </ul>
Socio-economic	No impact
Human Rights	No impact
Children’s Rights and Well-being	No impact
Island and Mainland Rural	No impact
Climate Change	No impact
Data Rights	No impact

## 5. Background

- 5.1 The Highland Council (THC) established High Life Highland (HLH) in 2011 to deliver services on its behalf, while making recurring savings mainly through non-domestic rates (NDR) relief. HLH has been both an efficient and effective deliverer of THC Services, as well as being an organisation which has protected and developed them. Its effectiveness in these areas has been confirmed by external audit (Accounts Commission and Audit Scotland joint audit in 2019 which can be seen at this [link](#)). There is further information on HLH's successful operation as an ALEO of the Council in the HLH Progress report which was considered by the Education Committee at its meeting held on 30 May 2024. The report can be viewed at this [link](#).
- 5.2 The Service Delivery Contract that was put in place when the ALEO was first created was last reviewed in 2017. It was therefore considered timely to undertake a review to ensure the contract remained fit for purpose and identify what changes, if any, should be made to it. In future, the intention will be to undertake a review of services and service levels every Council term as a minimum, using the change control procedure in the contract, which would mean that the next review will take place in 2027.

## 6. Situation Post Pandemic

- 6.1 The need for the review has also been driven by the wider economic situation. The financial impacts of the COVID-19 pandemic were mitigated by implementing a range of measures: strict cost control; receiving customer support through donations; government support (drawing down in excess of £7m from the COVID Job Retention (Furlough) Scheme) and additional financial support for the Council. Post pandemic, inflation, and in particular staff pay inflation, has grown rapidly. With most of HLH services not legally permitted to generate income, it has not been possible increase charges from income generating services at a level that could cross-subsidise other services without risking significant customer loss and further undermining the charity's financial viability. With 84% of HLH's budget as staff costs, there were pay award pressures in excess of £2m in FY 22/23 and 23/24. This led to the HLH Board raising concerns that, without changes to the SDC, the charity would become unsustainable as a going concern.
- 6.2 Working in partnership to protect services, THC has provided additional funding from reserves in each of the last 4 years, whilst HLH has increased income and continued to deliver significant efficiencies.
- 6.3 Since the pandemic, HLH's earned income has increased and income for each year along with a forecast for the current year can be seen in the following table:

Category	20/21 (£,000)	21/22 (£,000)	22/23 (£,000)	23/24 (£,000)	24/25 Forecas t (£,000)	Increase since 20/21 (£,000)
Earned Income	13,592	12,217	15,945	18,043	19,700	<b>6,108</b>

- 6.4 Since the pandemic HLH has made the following savings:

Category	20/21 (£,000)	21/22 (£,000)	22/23 (£,000)	23/24 (£,000)	24/25 (£,000)	Total (£,000)
Efficiencies	239	353	424	711	476	2,202
Reductions	150	56	651	154	0	1,012
<b>Total</b>	<b>389</b>	<b>409</b>	<b>1075</b>	<b>865</b>	<b>476</b>	<b>3,214</b>

6.5 Since the pandemic, the additional support from the Council was as follows:

	20/21 (£,000)	21/22 (£,000)	22/23 (£,000)	23/24 (£,000)	24/25 (£,000)	Total (£,000)
<b>THC Support</b>	0	1,500	608	2,422	2,764	<b>7,294</b>

6.6 The Council has recognised the financial challenges being faced by its Arms-Length External Organisation and in the 2023/24 budget agreed in-year deficit support beyond core funding, after allowing for savings measures implemented by HLH. It was also agreed that a joint review of the Service Delivery Contract (SDC) would progress with the aim of developing options and recommendations to put HLH on a sustainable financial basis going forward. The revenue budget report approved by Council in February 2024 explained the approaches being taken to move HLH to a budget surplus position by 2026/27 involving income, efficiencies, reductions, and new revenue streams.

## 7. Current Situation

7.1 There have been changes since the need for the review was identified:

- the wider economic situation has recovered somewhat and while public funding has continued to be challenging, customer confidence has improved;
- THC has developed a new approach to its estates strategy, asset rationalisation and capital development based around service efficiency and co-location, to be implemented through the operational Delivery Plan and supported by the Highland Investment Programme;
- The HLH budget gap in 2024/25 has been reduced to £2.7m and while there are dependencies, it is forecast that this can be transitioned into a balanced position within two years, with savings being achieved through income, efficiencies, property rationalisation and co-location in order to avoid service reductions.

## 8. Revised Actions Required to Complete the Review

8.1 In the light of the above, the actions needed to complete the review as originally envisaged have been listed below along with updated actions.

Action From SDC Review Scope	Updates/Actions
i. Review of Public Service Obligations (PSOs) – Council services delivered by HLH.	This action is still current and has been included. Consideration of the transfer of adult learning and youth work to the Council is recommended in this report.
ii. Asset rationalisation and alteration of service levels.	Remove this action from the review and include all HLH properties in THC’s wider asset/estates and capital investment strategies as articulated in the Operational Delivery Plan (ODP) and Highland Investment Plan (HIP) to avoid repetition and the risk that the review inadvertently precedes or conflicts with the wider strategy.
iii. Review of performance indicators.	Include in the 21 November 2024 Education Committee report.
iv. Service level agreements between the Council and HLH (responsibility for costs for services provided by the Council to HLH)	Include in the 21 November 2024 Education Committee report.
v. Review of funding formula.	Formalise the arrangement agreed at Council in February 2024 and adjust in the light of services transferring back to the Council through the change control procedure in the Contract. Include in a report to Corporate Resources Committee on 5 December 2024.
vi. Review of overall arrangement/legal framework.	Include in the 21 November 2024 Education Committee report (THC Legal Team and HLH legal advisor).

## 9. Review of Council Services Delivered by HLH (Public Services Obligations)

9.1 Public Services Obligations (PSOs) is the legal term used in the Contract to describe the services which THC has transferred to HLH to operate on its behalf. Through the Contract, HLH delivers the following PSOs: adult learning; youth work; archives; countryside rangers; leisure; libraries; museums and galleries; music tuition; and sports development.

9.2 The key driver for delivering services through HLH was, and continues to be, saving public money. There are other considerations such as strategic fit of services in the Council and service delivery advantages. In reviewing the PSOs, the following criteria are considered to be important:

- financial – savings maintained/delivered to THC;
- strategic alignment – synergies/fit within the respective organisations;
- service delivery - customer numbers; community engagement/social capital/ volunteering; health and wellbeing; brand identity and customer confidence/ loyalty;
- Making Life Better - HLH’s stated purpose is ‘Making Life Better’ which aligns with the strategic aims of THC and its Community Planning Partners;

## 10. Adult Learning and Youth Work

- 10.1 The SDC Review Board recommends transferring Adult Learning and Youth Work to THC so that it delivers those services directly. Adult Learning and Youth Work are two components of the service which are known nationally as Community Learning and Development (CLD) under the CLD Scotland Regulations, the third being Community Development. At the time that HLH was established, THC delivered two elements of CLD - adult learning and youth work - with both services transferring to HLH at set up.
- 10.2 HLH has developed and improved adult learning and youth work well, including working with THC and partners to develop CLD plans which meet legislative requirements. This has included recent work on the positive Education Scotland CLD inspection which was considered by the Education Committee at its May 2024 meeting and which can be found at this [link](#).
- 10.3 The Council's operational Delivery Plan Portfolio "Workforce for the Future" has placed a strong emphasis on lifelong learning and the development of enhanced provision for career pathways, skills packages, and partnerships to develop the future workforce for the Highlands. Alongside this, the Council has also recently strengthened its approach to community development through the creation of posts which have a strong community development focus. Bringing these teams into the same organisation will therefore support the Council's strategic priorities; help to simplify service planning and service delivery arrangements; and create a service structure which is more easily understood by Education Scotland's HM Inspectors.
- 10.4 The review has identified the following reasons for transferring adult learning and youth work to THC:
- **Legislation Change** - the Requirements for Community Learning and Development (Scotland) Regulations 2013 came into force after HLH was established (1 September 2013). The legislation places a requirement on Education Authorities to develop CLD plans and CLD provision is inspected by Education Scotland (HMIE). HLH has worked in partnership with THC and other organisations to publish and deliver CLD plans, and a transfer of those teams would allow THC to do this directly.
  - **HM Inspections** – There has been recent work on the CLD plan following inspection by Education Scotland's HM Inspectors and the new Plan has been evaluated and approved by Education Scotland. This includes a new governance structure for CLD. Services streamlined within THC's Communities and Place, Education and Integrated Children's Services would further support this.
  - **Recently Established Highland CLD Governance Structure** – there is a CLD strategic group led by the Assistant Chief Executive – People made up of representatives from Education, Communities and Place, Integrated Children's Services, HLH and the Highland Third Sector Interface (HTSI). The named statutory lead for CLD at Local Authority level is the Director of Education or equivalent who has the statutory duty for the Highland CLD plan.
  - **Council Structural Change** - the Council has recently created a community development work force by restructuring its ward management team. A transfer of adult learning and youth work would mean that all three aspects of

CLD (adult learning, youth work and community development) would be delivered by the Council.

- **Operational Delivery Plan** – the transfer of adult learning and youthwork aligns with the Workforce for the Future Portfolio. The Portfolio workstreams have a strong focus on career pathways and lifelong learning. Bringing youth work and adult learning back into the Council will strengthen the accredited achievement programmes in all of our schools and also link in with the work of the Council’s employability service in supporting adults into employment, whilst helping to deliver THC’s objective of streamlining provision.
- **Community Planning** - One of the key focuses of Community Planning is poverty reduction and these are also key drivers for adult learning and youth work services. The transfer of these teams will support the Council’s community planning work.
- **Youth Democracy** – HLH hosts and supports the Highland Youth Convener and Highland Youth Parliament as part of its youth work role and there are synergies with THC’s corporate and service teams if the service were brought in-house, helping to strengthen the youth voice component in our policy development in line with UNCRC and children’s rights.

10.5 If Members agree the recommendation, HLH will commence immediate discussions with unions and staff to arrange the transfer (under Transfer of Undertakings Protection of Employment (TUPE) Regulations) of adult learning and youth work staff to the Council. They will be joining the People Directorate.

10.6 It will be important to manage the staffing side of the in-sourcing of the services well. As part of this, THC managers will reinforce the importance of maintaining business as usual during transfer, working with staff to build on their recent successes as well as communicating the vision for them as outlined in this report including the developments in line with the recent independent review commissioned by the Scottish Government which can be seen at this [link](#).

## 11. Other Public Service Obligations

11.1 Using the same criteria: financial, strategic alignment, service delivery and making life better; the SDC Board recommends that the remaining seven services remain within HLH.

11.2 THC saves £2m p.a. by HLH continuing with its building-based services. These are: archives; leisure; libraries; museums and galleries. Transfer of some or all of these services could therefore require up £2m additional funding to offset the rates liability. As a charity, HLH is also able to apply for grants and assistance that is not available to a local authority. Furthermore, the success of HLH delivery, with customer numbers having increased from 2.3 million to almost 10 million since its establishment; high customer satisfaction with substantial operational efficiencies delivered over the same period, demonstrate that both the financial and non-financial criteria make the case for retaining delivery through HLH. At the same time, it is unclear that there would be any substantial benefit in transferring these services back to the Council.

11.3 The remaining non-building-based services are: countryside rangers; music tuition and sports development.



- 11.4 Countryside rangers<sup>1</sup> are a more recent transfer to HLH (October 2017). This is a small team that works well on joint projects, linking with natural history and museums, activity programmes with libraries and schools and there is a strong health and wellbeing focus, both physical and mental which fits well with HLH's health and wellbeing programmes. Notably customer engagements grew from 5,556 to 15,044 in the first three years following transfer to HLH.
- 11.5 Music tuition is also a more recent transfer to HLH (April 2018) following a project overseen by THC's Redesign Board. It grew from 2,600 children and young people in the programme to 3,700 within a year and has since achieved over 4,000. There are synergies with the HLH leisure team for concert venues, HLH's health and wellbeing objectives and young volunteer programme.
- 11.6 Sports development focuses on: community sport; volunteer led activity; supporting community sports clubs; and linking with sport's governing bodies. The sports development service also complements and supports the leisure service, providing pathways into facility programmes and helping grow *highlife* memberships. The sports development service has a heavy reliance on volunteers and volunteering fits well into the charitable aims and ethos of HLH (volunteers being more willing to volunteer for a charity). Over 1200 volunteers support the service on an annual basis and these volunteers enable a wide range of community activities to happen. HLH volunteers are supported and developed through the service with a particular focus on developing young people through the highly successful leadership programme. Young people developed through the leadership programme have regularly entered directly into employment within the HLH sports and leisure service.
- 11.7 Given the demonstrable success of services delivered by HLH, coupled with the amount of recent service and structural development which has taken place in THC, no further services are recommended for transfer from THC to HLH.

## 12. HLH Board Consultation

- 12.1 At its meeting held on 28 August 2024, the HLH Board considered this report in draft and agreed that the following to be fed back to THC where the HLH Board:
- i. welcomed the progress made in the SDC review and the support of the Council during and following the financial and operational challenges as HLH recovered from the pandemic;
  - ii. noted the wider situational and strategic changes within THC since the review was initiated and the need to adjust the review to align with these;
  - iii. welcomed the plan for a strategic approach to asset/property management in the Highlands and the inclusion of HLH properties;
  - iv. noted the service improvements and efficiencies which can be achieved through service co-location;
  - v. requested on-going engagement with the THC following the conclusion of the SDC review on the financial implications associated with inclusion of HLH in the wider asset/property management work of the Council; and
  - vi. intimated to THC that while adult learning and youth work services have positively contributed to HLH and its services, that it is content, subject to the rationale outlined in this report, for the transfer of those two services to THC and

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<sup>1</sup> Note, this service is the core countryside ranger team in HLH, not the previous seasonal visitor management focused team in the Council.

would like to work with the Council to continue to foster the links between adult learning and youth work and the wider HLH team.

### **13. Contract Changes**

- 13.1 The last time that the Change Control Procedure was used to make changes to the Contract was in 2017 when opening hours were reviewed and the services which THC had asked HLH to take on since its inception were added. Examples of changes include: the addition of leisure centres which were previously run by community groups and the addition of the countryside ranger service.
- 13.2 The Contract requires to be updated to incorporate changes made since 2017 and this includes the addition of music tuition which was added following consideration of THC and the Redesign Board and the addition of a schedule relating to the Inverness Castle Visitor Experience. Work is underway on this, and the proposed changes will be considered at the Education Committee on 21 November 2024 along with any other changes agreed by Elected Members.

Designation: Kate Lackie, Assistant Chief Executive - People

Date: 30 August 2024

Author: Douglas Wilby, Director of Corporate Performance, HLH

Kate Lackie, Assistant Chief Executive – People;

Background Papers: HLH Progress Report to the Education Committee Meeting held on 30 May 2024