

**CABINET – 3<sup>RD</sup> APRIL 2007**

**ABERGLASLYN HALL – FUTURE MANAGEMENT ARRANGEMENTS**

**REPORT OF THE DIRECTOR OF CHILDREN AND YOUNG PEOPLE'S SERVICE**

**PART A**

**Purpose of Report**

1. i) To advise Cabinet of the Youth Hostel Association's (YHA) intention not to enter into a formal partnership agreement for the management of residential and outdoor educational provision at Aberglaslyn Hall.
- ii) To seek approval to alternative proposals for the future management of the Centre.

**Recommendations**

2. The Cabinet is recommended to:
  - (a) note:
    - (i) the YHA's intention not to enter into a formal partnership agreement with the County Council for the management of Aberglaslyn Hall, on the basis previously approved by Cabinet, and for reasons specified in paragraph 20 and 21 to this report.
    - (ii) the YHA's offer to continue to work in collaboration with Aberglaslyn, to support the development of the business under the auspices of their 'Enterprise' scheme.
  - (b) approve an alternative proposal to enable the continued in-house management of all residential and outdoor educational provision at Aberglaslyn as part of the Children and Young People's Service, whilst also re-visiting the option to work with an external partner if this secures Best Value.
  - (c) agree that:
    - (i) the Director of the Children and Young People's Service and the Director of Resources, in consultation with the Cabinet Lead Member for the Children and Young People's Service, be given delegated authority to approve the objectives of a business plan for the Centre to confirm adequate and sustainable business recovery;

- (ii) the financial implications arising from the business plan and reducing subsidy to support the continued provision of services, be met from the Children and Young People's Service budget;
- (iii) the position be reviewed in twelve months to confirm adequate and sustainable recovery of the business, including any proposals to work with an external partner if this secures Best Value.

### **Reasons for Recommendations**

3. In setting previous budgets, Members have expressed a wish for the central subsidy for Aberglaslyn Hall to be progressively withdrawn. The proposals for the continued in-house management of the Centre will allow this to be achieved.
4. Achieving a stable and sustainable financial position for Aberglaslyn, will enable the County Council to continue to operate the Centre for the benefit of Leicestershire schools and their wider communities.
5. The establishment of revised partnership arrangements with the YHA (if taken up in due course) through their Enterprise scheme could assist further recovery of the business, provide an opportunity for wider public access to the Centre, and potential for the Council to access other benefits and facilities within the YHA network.

### **Timetable for Decisions (including Scrutiny)**

6. Cabinet is asked to agree the continued in-house management of the Centre at this meeting. The Spring and Summer is traditionally a busy period for Aberglaslyn. Confirming the recommendations will allow early and positive communication with schools and other potential users, to boost potential bookings.

### **Policy Framework and Previous Decisions**

7. Cabinet agreed at its meeting of 17<sup>th</sup> January 2006 to enter into a formal partnership with the YHA, for the future management of all residential and outdoor educational provision of Aberglaslyn Hall; and gave delegated authority to the Director of Children and Young People's Service in consultation with the Director of Resources and County Solicitor, to agree suitable terms of a Management Agreement, to operate for a period of ten years.
8. The proposals contained in this report are within the Policy Framework and can be contained within the budget recently agreed by the Council.

### **Resource Implications**

9. Aberglaslyn operates as a predominantly traded service. Although the Centre receives a small subsidy, its financial position has improved steadily over the last three years enabling progressive reduction. The original Partnership Agreement with the YHA would have required a further reduction of the subsidy provided by the Council during a transitional period of the first three years. The legal agreement would have capped the subsidy payments to the YHA to a total of £90,000; comprising £40,000 for the first year, £30,000 for the second, and £20,000 for the third year of operation. The subsidy payments would be met from the CYPS revenue budget.
10. The budget projections detailed in Paragraph 23 and Appendix A to this report show that now retaining the business in-house is expected to achieve a further reduction of the anticipated subsidy, to £30,000 in 2007/08, and £20,000 or less in 2008/09. The Centre is expected to break even in 2009/10. The improved financial position will enable notional savings to be achieved, better than those of the previously agreed arrangements with the YHA, and potential for some re-investment to the business.
11. The comments of the Director of Resources have been included in this report.

### **Circulation under Sensitive Issues**

None.

### **Officers to Contact**

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## **PART B**

### **Background**

12. On 17 January 2006 the Cabinet received a report from the Director of Children and Young People's Service setting out proposals to enter into a ten year partnership arrangement with the YHA (and granting of a lease) for the provision of residential and outdoor educational activities at Aberglaslyn Hall.
13. It was proposed that the partnership operate to a number of primary objectives agreed by Cabinet. In brief these were; the retention of the freehold of the property; preferential user status for Leicestershire schools and associated groups, a progressive reduction in the current subsidy to operate the service, and; in the interests of maintaining the skills, expertise and standards of all staff employed at Aberglaslyn, ensuring their employment rights be appropriately safeguarded. The overriding priority would be to preserve the character and ethos of Aberglaslyn, and its fundamental purpose as an outdoor education centre.
14. One of the key aims of the partnership would be to achieve the YHA's expectation that, by attracting use by social or family groups (at times when schools were not present), they could grow the business over time enabling a removal of the current subsidy and any surpluses generated to be targeted to development of the facilities.
15. The partnership had been offered to the YHA on the basis that the Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE) would apply. All seven of the current teaching and support staff would therefore transfer to the YHA with their terms and conditions of employment protected accordingly.
16. An officer group with representation across Children's Services, and corporate legal, finance and property services has met on a monthly basis since September 2005 to progress and monitor the partnership project plan. Good progress to lay the foundations of the partnership had been achieved:
  - A partnership agreement, premises lease and accompanying schedules have been drafted and agreed by the County Solicitor;
  - The YHA had prepared a detailed business plan for the service and also appointed a dedicated manager for the Centre (to commence duties on the date of transfer). There had also been some introductory sessions between the YHA and Aberglaslyn staff prior to formal inductions arranged to follow later;
  - Professional associations have been involved throughout the process;
  - The Friends of Aberglaslyn (a group representing school and youth group interests) has also been involved throughout the process.
17. Under the TUPE transfer arrangements, the YHA has a duty to ensure that the staff transferring to their employment continue to receive comparable pension benefits. This could be done in two ways, by either seeking an admission agreement from the current pension provider for staff to remain

within the scheme (in this case, the Teachers Pension Scheme (TPS) or the Local Government Pension Scheme (LGPS) as appropriate) or finding a suitable alternative pension scheme provider).

18. Throughout most of 2006, officers have been in regular discussion with representatives of the YHA to resolve a number of outstanding pension issues, specifically to achieve an equitable sharing of the partnership risks. In brief these pension issues included;
  - the timescales associated with meeting the admission requirements for the TPS, and;
  - a request for changes to the proposed admission agreement drafted by the Council to enable YHA access to the LGPS, and;
  - a report from the YHA for the Council to indemnify them against any costs arising from premature retirement of employees, relative to their service with the Authority prior to the date of transfer.
19. The ongoing discussions had led to several requests and decisions to delay the date of transfer. A mutually satisfactory solution to these issues was agreed in early December 2006, which subject to the necessary action being taken by the YHA, would enable a revised date of transfer of the business on 1 April 2007.

#### **Current position of YHA**

20. On 25 January 2007 officers met with representatives of the YHA following their request for an urgent meeting. There followed an open and frank discussion regarding the current financial position of Aberglaslyn and the YHA's financial projections set out in their Business Plan. The YHA expressed concerns that having reviewed their business plan (almost a year after its original preparation) they had concerns about their ability to sufficiently increase the current business and income to the projected forecasts, in order not only to keep within the agreed LCC subsidy levels for the first three years, but also to ensure the YHA was not unduly exposed to financial risk of actually making an operating loss over the period of the partnership.
21. It was neither desirable nor professional to enter into a partnership if either party had strong doubt about their ability to meet their commitments. The YHA subsequently confirmed to the Director of Children and Young People's Service, their intention not to proceed with the partnership on 8 February 2007.

#### **Current position of Aberglaslyn Hall**

22. During the last two years of tendering for a partner organisation and subsequent negotiations with the YHA, the financial position of Aberglaslyn has continued to steadily improve. The improved financial position has been achieved by streamlining the staffing structure, taking advantage of the retirement of key employees, taking other opportunities to rationalise operating costs, and increasing prices to users to better reflect the true market rate for this type of provision.

23. Appendix A attached to this report, shows the actual financial position for Aberglaslyn for the last three years, and budgeted forecasts for the next three years. The figures detailed confirm that the net LCC subsidy for Aberglaslyn has reduced from £108,522 in 2004/05 to £42,016 In 2006/07, with an expectation that sustained business recovery will enable a break even position i.e. nil subsidy for the Centre in the 2009/10 financial year.
24. It should be noted that whilst the financial performance of the business has steadily improved during the last three years, the actual number of bookings from schools and others has reduced. This is believed to be as a consequence of the uncertainty of change, arising from the proposed partnership, and possibly a reaction to price increases. However the most recent data for use of the Centre shows that numbers are once again on the increase.

### **The National Context**

25. Nationally there is growth in demand for high quality outdoor education centres, as awareness of child obesity, healthy lifestyles and similar issues are raised. This position is reflected in the manifesto for learning outside the classroom, launched by the Secretary of State for Education and Skills on 28 November 2006. This document recognises the contribution that high quality learning experiences can make to pupils achievement and attainment. When such experiences are well planned, safely managed and geared to each child's personal needs they can:
  - improve academic achievement
  - provide a bridge to higher order learning
  - develop skills and independence in a wide ranging environment
  - nurture creativity
  - provide challenge
  - improve young people's attitude to learning.

Sustaining access to Aberglaslyn will therefore fundamentally assist the Council to achieve its aspirations and obligations for children and young people in Leicestershire (in accordance with the Every Child Matters framework).

### **Proposals and Next Steps**

26. The current financial position and steady business recovery for Aberglaslyn, suggests that it would now be more cost effective and beneficial overall to the Authority, to continue for the foreseeable future to manage the Centre 'in-house' as part of the Children and Young People's Service Residential and Outdoor Service. Informal discussions with schools confirm that such action would be welcomed as a positive step forward. It is therefore proposed that an internal business plan be developed by the Director of Children and Young People's Service, in consultation with the Director of Resources and Cabinet Lead Member for Children and Young People's Service.

27. The business plan to be drawn up will be predicated on a number of key principles including;
- that the Centre and services it offers, be sustained and developed for the benefit of Leicestershire schools and their wider communities.
  - That the services provided enable the Council to meet its aspirations and obligations for improving outcomes for children and young people (in accordance with the Every Child Matters framework).
  - The expectation that the financial position of the Centre continues to improve, with the aim of achieving a full removal of subsidy during the 2009/10 financial year.
28. Specific objectives for inclusion in the business plan will focus on;
- improving business practices
  - development of a marketing strategy
  - development of the services/facilities offered.

Appendix B to this report lists specific action points to underpin these objectives and their expected timescales.

29. It is proposed that performance to the business plan be reviewed at the end of twelve months to enable further decisions by the Cabinet if required. Alongside this process, Officers will continue to explore the potential to work with an external partner should that option secure Best Value for the local authority.

### **The YHA 'Enterprise' Scheme**

30. The YHA has sought to explore opportunities with the Council for the development of partnership working in its broadest sense. With this in mind the YHA has placed 'Do it 4 Real' summer camps into Beaumanor Hall in 2006, and confirmed their intention to do so again in 2007. Discussions have also been held to explore working together to explore the delivery of services to children and young people elsewhere, especially at the new YHA National forest. Although no longer working to enter into a formal partnership arrangement on the basis previously agreed, the YHA has expressed a wish to continue to work with Aberglaslyn under the auspices of their 'Enterprise' scheme.
31. The YHA 'Enterprise' scheme is designed to bring Centres operated by others into the YHA network, in essence to be marketed to the YHA's customer base, through all of its distribution channels. The basis for such arrangements are predicated (although to some degree negotiable) on the percentage of the gross income figure (subject to a fixed charge amount).
32. To achieve the benefits of the YHA offer is likely to require some investment to improvement of the facilities at Aberglaslyn, to broaden its appeal to social and family groups. The current position of the Centre could not support or justify such expenditure at this time. It is therefore recommended that the

YHA offer be declined at this stage, but reviewed if necessary in the future subject to a detailed cost benefit appraisal.

### **Equal Opportunities Implications**

33. The underlying purpose of this report is to ensure sustained access to Aberglaslyn for all children and young people in Leicestershire, to enhance their educational and social development.

### **Conclusions**

34. The withdrawal of the YHA from the proposed partnership at a late stage of its development was both unexpected and unfortunate. Their reasons appear to primarily relate to their concerns regarding projected business growth and inherent risks but may also be attributed to the complexities of employing TUPE transferred staff. In this context their decision is more understandable.
35. There is a steady increase in demand for outdoor educational centres, this is evidenced by the improved position of Aberglaslyn over the last three years, and feedback from current/future users, in particular schools.
36. The concerns previously expressed by Cabinet which gave rise to a decision to seek an external partner appear to have been mitigated by actions taken during the interim. The success of these actions now present a real opportunity to continue the 'in-house' management of Aberglaslyn for the benefit of Leicestershire schools and their wider communities. Nevertheless, the opportunity to work with an external partner should not be abandoned if it can secure Best Value for the local authority.

### **Appendices**

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| Appendix A | Summary of Actual/Projected Financial position 2004-2010 |
| Appendix B | Aberglaslyn Business Plan – key objectives/action points |

## APPENDIX B

### ABERGLASLYN HALL

#### BUSINESS PLAN OBJECTIVES

- **Improve business practices**
  - rationalise operational costs to usage H
  - improve information management H
    - budgets
    - bookings
    - performance data
  - develop leadership skills M
  - improve PDR process M
  
- **Develop marketing strategy**
  - review pricing and charging policy H
  - build upon schools business H
  - improve publicity and marketing material H
  - improve stakeholder links H
  
- **Develop services/facilities offered**
  - evaluate potential for affordable cost v maximum benefit improvements e.g. dining facilities, camping shelter etc H - L
  - assess opportunities to widen activities through collaboration with other local providers e.g. skiing, sailing etc. H
  - examine potential for travel packages M
  - review menu plans/links to health promotion M

H 0 – 3 months  
M 3 – 9 months  
L 9 months onwards