



Report for:	Cabinet (17 March)	Item Number:	
Title:	Options appraisal for the future of the Council's Outdoor Education Centre, Pendarren House in Powys, Wales		
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Ward(s) affected: All	Briefing Report		

1. Describe the issue under consideration

To inform Members about options under consideration for future trading activity affecting the Pendarren House outdoor education centre and recommend a course of action to secure the required elimination of the council revenue subsidy of £220k by 2016-2017, as part of the Medium Term Financial Strategy. The preferred option should also eradicate the annual capital maintenance funding allocation of £49,000.

2. Cabinet Member Introduction

This paper informs Cabinet about the initial feasibility study on Pendarren House and sets out a recommended approach to examining options for future trading and hosted activities undertaken at the Council's Outdoor Education Centre. The paper outlines:

- Our overall response to the four alternative options in the feasibility study to eliminate the high cost of subsidy currently required to maintain and operate the Centre.
- The need for a programme of robust analysis, a further assessment of trading performance and the lifetime liabilities associated with the site following the findings of the initial feasibility study, attached to this report.

3. Recommendations



The Cabinet is recommended to consider the feasibility study and:

- implement Option 1 immediately in partnership with the Friends of Pendarren to reduce the subsidy in 2015/16;
- implement Option 3, to agree that the Council goes 'out to market' to procure an external partner organisation through a leasing arrangement for the provision of Outdoor Education at Pendarren House to eradicate the subsidy from 2016 and this matter be brought back to Cabinet for a final decision once the marketing exercise has been completed.

4. Alternative Options considered

4.1 The feasibility report draws out four options for the Council to consider: retaining the status quo, establishing Pendarren as an independent trust, procuring an external partner organisation to manage Pendarren and consideration of closure with sale of the site.

4.2 These are detailed below with a response to mitigate risk and inform the Cabinet recommendations:

1. Retain status quo and remain as part of Haringey Council. There is the option to transfer the management responsibility to Environmental Services who have the responsibility of client managing the Council's leisure contract with Fusion Lifestyle.

This option will require robust leadership and management of the service, market testing of the current and future service and a review of fees and transport. The Friends have provided a strategy in their helpful response which could reduce the subsidy by an estimated £140,000, over a few years, subject to the risks associated with price increases. Their proposed strategy does not account for the ongoing and lifetime maintenance costs of the premises. However, in meeting with the Friends group, we were able to generate a variety of ideas to support their strategy. These are already being implemented to explore opportunities and measure impact in 2015-16. The proposals within the feasibility study and the letter from the Friends show that this option could be part of the future solution, but will certainly not stand alone to eradicate the subsidy by 2016/2017.

2. Establish Pendarren as an independent trust. This would mean that Pendarren would become its own legal entity and with its own governance structure and management responsibilities.

This option has been explored but provides no guarantee for the long term future of Pendarren. The process also incurs expenditure of between £50,000 and £100,000 to establish an independent trust. An effective independent trust arrangement may possibly cover the revenue costs but makes no provision for the lifetime maintenance costs and asset management.

3. Allow a separate management body to take-over the running of Pendarren. There are a range of bodies which could be approached. These include other large



outdoor centre operators, from Outwards Bounds Trust, Kingswood, PGL or leisure organisations such as Fusion Lifestyle.

This option could enable a robust organisation to enter into a lease arrangement for 25 or more years with the Council, operating under a Service Level Agreement that would be kept under review. The partner would continue to prioritise Haringey children and their families and retain the strong ethos that makes Pendarren House provision so special for many Haringey schools. The partner would also be required to report on outcomes and social impact. The Council would expect the fees to be affordable, exploring subsidies or bursaries for our most vulnerable pupils. The partner would also accept liability for the condition of the premises, ensuring it is repaired and maintained during the lifetime of the lease arrangement. At the end of the lease, the property would return to the Council. Soft marketing of this option has already drawn interest from possible partners.

4. Consideration of closure if all else fails.

This option would only be considered as a last resort, if all other options failed and the Council had no choice. However, it is important to recognise that this must be given serious consideration if the other options do not eradicate the subsidy required in the Council's MTFS for 2016-2017. This option would include sale of the site.

5 Background Information

5.1 Pendarren House has operated with Haringey Council since 1975. July 2015 will see the 40th Anniversary of the Centre working with children from Haringey in an outdoor setting in Powys, Wales. The Centre provides a high quality service which is well regarded by schools and Members and is particularly well used by primary schools. However, the Centre has not been robustly managed to secure a reduction in subsidy over the last five years, since the Council identified this as a key issue in 2010. Pendarren has no proper governance arrangement and lacks a proper marketing strategy to ensure the centre is effectively focused on providing a high quality value for money service.

5.2 The Centre currently trades with a substantial trading deficit and an ongoing annual subsidy of approximately £220,000, plus annual capital costs of £49,000 is required to keep the Centre open. The financial position is becoming increasingly unsustainable for the Council in the current economic climate and alternative options are now under consideration to meet the revenue savings of £220,000 for 2016-2017 required in the Medium Term Financial Strategy.

5.3 An initial report has been commissioned by the Council to examine the feasibility of alternative trading options. An executive summary of this feasibility study is attached as Appendix A. A copy of the full report can be obtained from the Committee Clerk.

5.4 It is clear that the feasibility report does not assess the expected lifetime maintenance costs nor the financial viability of the options under consideration. For example, there has been limited discussion with schools 'to market test' the possible increased charging implications. It is clear that existing operations are not sustainable in the longer term and the financial position cannot continue



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be maintained within the council's 'Outstanding for All' Priority One budget savings of £220,000 for Pendarren.

5.5. Some elements of further work are already under way to provide robust information to inform the options appraisal and define the viability of the preferred course of action for future operations at Pendarren House. These include:

- The commissioning of an audit review of the current trading and budget position. This work is currently underway to ensure financial probity.
- A need for more detailed knowledge and assessment of the site and premises condition and ongoing estate maintenance issues which can be expected to arise in the future. An up-to-date premises review is planned and this work will inform any lease arrangement and service level agreement for the future operation of the site.
- A robust review of the operation and leadership of the Centre to make changes which can be introduced to start to reduce the subsidy in 2015 -2016.
- Whilst the Centre is currently operated as part of the Schools and Learning service, its operation is closely aligned with services provided by the Council's Environmental Services. Their management expertise and commercial acumen could support a more robust review and analysis of future trading options.

Future Direction of Travel

5.6 The Council will work closely with the Head of Centre and the Friends of Pendarren to actively explore further options to increase demand for the site and its facilities and thereby increase occupancy and income, together with reviewing operational management to increase efficiency and reduce costs.

5.7 The Children and Young People's Scrutiny Panel requested an update on the Options affecting future trading activity at the council's Outdoor Education Centre. At their meeting on Thursday 22 January the panel favoured any option that would maintain the status quo, which is not feasible without considering a partnership option.

6 Comments of the Chief Finance Officer and financial implications

In the Medium Term Financial Strategy proposals presented to Cabinet, a proposed saving of £220k from Pendarren in 2016-17 was included in the draft priority one. This report sets out the options considered and recommends the adoption of options one and three. Based on the evidence presented in this report these options appear to offer the most secure path to achieving the saving. A further assessment of the financial implications must be undertaken once the market exercise has been completed.

7. Comments of the Assistant Director of Corporate Governance and legal implications

7.1 The Assistant Director of Corporate Governance has been consulted on the content of this report and comments as follows.



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7.2 In the Medium Term Financial Strategy proposals presented to Cabinet, a proposed saving of £220k from Pendarren in 2016-17 was included in the draft priority one. This report sets out the options considered and recommends the adoption of options one and three

7.3 The recommendation in paragraph 5 above is to implement options one and three which are aimed to achieve a proposed saving of £220k from Pendarren in 2016-17 that was included in the draft priority one in the Medium Term Financial Strategy proposals presented to Cabinet.

7.4 If Cabinet approves the recommendations then any arrangements under option one for example with the Friends of Pendarren should be captured in a formal agreement. The implications flowing from the adoption of option three would require compliance with the Contract Standing Order, EU Competition requirements on procurement and the new Public Contracts Regulations 2015 which are effective from 28 February 2015. Consideration would also need to be had given to employment implications and possible TUPE transfer.

7.5 Implementation of option three involving any lease arrangements will require best consideration and this matter should be brought back to Cabinet once the marketing exercise has been completed.

7.6 An Equalities Impact Assessment will also have to be carried out and the result provided to Cabinet the next time this matter is brought back to be considered.

8. Equalities and Community Cohesion Comments

The provision at Pendarren provides places for all children and young people, with places subsidised through the differentiated fees and charges as well as the use of the Pupil Premium held at school level. The proposed options seek to embed this strategy as part of the requirements within a proposed lease and service level agreement.

9. Head of Procurement Comments

Pendarren House in Wales has been perceived as a benefit to Children in Haringey for many years. There are a range of options that should be considered to avoid the last resort mentioned in 3.5 para 4 and the Corporate Procurement Unit will provide support to test the market and seek a new sustainable solution that will meet Priority 1 of the Council's Corporate Plan. The support provided will be in compliance with the new Public Contracts Regulations 2015 that become effective on 28 February 2015.

The solutions to be reviewed will also meet the Council's Medium Term Financial Strategy.

10. Policy Implication

Changes in the policy for funding Councils, moving funding from Local Authorities to schools, through delegation and the Pupil Premium, provide a rationale for reviewing the current arrangements for the subsidy currently provided for Pendarren. This option seeks to achieve value for money for the Council.

11. Reasons for Decision



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The Cabinet has agreed a proposed saving of £220k from Pendarren House in 2016-17 as part of the Medium Term Financial Strategy linked to Priority 1 of the Corporate Plan.

12. Use of Appendices

Feasibility Report on Pendarren. Executive summary report attached.

13. Local Government (Access to Information) Act 1985

Pendarren House Outdoor Education Centre

Feasibility Study Summary

9th January 2015





Executive Summary

1. Introduction and Background

Haringey Council has requested a feasibility study of Pendarren House Outdoor Education Centre (Pendarren).

Pendarren House is located in the Brecon Beacons in Wales and has been owned by Haringey Council since 1972 to provide outdoor education courses to its schools. It comprises a large country house, a range of outbuildings and 16 acres of land.

Haringey Council currently provides a subsidy of approximately £250,000 pa to support the annual running costs of Pendarren. As public sector funding levels are reduced, and budgets are redirected from Councils to schools through core funding and a Pupil Premium for vulnerable children, Haringey needs to consider ways to eliminate this subsidy and for Pendarren to be self-funding.

Haringey Council has therefore commissioned Max Associates to produce a feasibility study to examine the existing performance of the Centre and how it might be improved, as well as investigating options for future management including the existing approach. Specifically the study should consider the following aspects:

- How current performance could be improved
- The financial benefit this would produce
- Alternative management options available to operate the existing facility and the key characteristics of these options.
- Alternative service delivery models together with commentary on the associated financial and service performance levels that these could provide
- Key Conclusions and recommendations.

2. Methodology

The production of this feasibility study has incorporated the following stages:

Stage 1: Background research. A range of documents were provided by the council on historical financial performance of the centre, staffing levels and building works recently undertaken. These have been thoroughly reviewed.



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Stage 2: Visit to Pendarren House. Our Consultant visited Pendarren House on 13th -14th November 2014.

Stage 3: Benchmarking against other Centres. A range of indicators from Pendarren were benchmarked against other Outdoor Centre to compare its performance.

Stage 4: Service review. An analysis of all areas of income and expenditure has been completed, to include; pricing structure, occupancy levels, budget control and analysis of expenditure.

Stage 5: Development opportunities. Utilising the results of the service review, there has been an assessment of the different development opportunities available to Pendarren.

Stage 6: Governance. The report presents the management options for the centre and their ability to best deliver the development opportunities.

3. Activities

Pendarren offers a diverse activity programme to schools and youth groups, with a good mix of both on and off-site activities.

Its activity sessions are of very high quality, with excellent equipment in use and they are well received by the young people. The centre employs a long standing and highly experienced staff team and this allows them to fully adapt the activities according to the young people's precise needs and abilities and relate sessions to the national primary curriculum..

The centre is able to offer activities all year round and this is evidenced by the unusually high volume of winter bookings.

Over the course of the visit, there was lots of anecdotal evidence about the quality of the centre and the high regard it is held in by visiting teachers. Teachers talked of the children experiencing a overwhelming confidence boost over the course of the week; strong links are made with academic learning and are experienced first- hand. For some children, the opportunity to take part in a residential visit was priceless.

4. Accommodation

The centre can accommodate a total of 85 people in 3 different accommodation blocks; the main house accommodating 40 children and 7 leaders, the Annex accommodating 20 children and 2 leaders and The Firs self- catering block for 14 children and 2 leaders.



The accommodation size amply provides for 2 classes to attend at any one time, given a standard class size of 30 children. The Firs is also superbly adapted to allow it to take different styles of groups, including families and community groups, providing the centre with a weekend offer.

The Centre can accommodate a small number of tents, usually 6-8 tents, suited to Duke of Edinburgh groups and they are based in a small piece of land to the side of the site.

Whilst there is a vast amount of land owned by the centre on the fringes of the site, most of this is heavily sloped and this hinders the development of further camping areas.

5. Quality of accommodation

Overall, the accommodation is of sufficient quality to cater for children and young people's groups, but does not easily lend itself to adult and corporate groups. The centre holds a large number of classroom spaces. There is a large and separate field studies centre, and within the main house there are 2 common rooms and 2 classrooms. In addition, there is also a Victorian greenhouse which whilst currently dilapidated, does provide opportunities for development.

These classrooms allow the centre to consider a diversity of opportunities including adult courses and environmental studies, particularly on a non-residential basis.

6. Catering and Cleaning

The centre provides 3 meals each day to visiting groups and all visitors share a dining room, which operates at full capacity.

Recently a new Domestic Bursar has been recruited, following a 2 year vacancy. Whilst this post brings long awaited management capacity, it does mean that there are now more domestic hours in place than required and a restructure should be implemented to realise the potential cost savings included in the report.

7. Analysis of Current Bookings

The centre enjoys high occupancy mid-week during the term time, with the main house almost full to capacity. In 2014/2015, there is remaining capacity in the Annex and The Firs of 16 and 30 weeks respectively.



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There is limited use of the site at both weekends and during school holidays, which provides the greatest opportunity for growth in non – schools income.

Pendarren predominately caters for Haringey Schools and particularly primary schools, and 87% of its income is from this source. This demonstrates the scale of the task reaching into new markets.

8. Summary Budgets

The forecast for the end of year 2014/15, based upon the financial information available, which was not comprehensive, is presented with a reasonable level of accuracy. The 2014/2015 forecast shows total expenditure of £672,163, with a projected deficit of around £250,000, taking into account the annual replacement of equipment.

To date there are no strong financial controls and management in place. The consequence is that producing a financial forecast was very difficult and expenditure cannot be easily managed.

9. Eliminating the Subsidy

The brief from Haringey Council was to consider methods by which the subsidy of around £250,000 could be eliminated.

A number of options were considered:

1. Altering the pricing structure
2. Increasing the occupancy levels
3. Generating more fundraised income through the “Friends of Pendarren” Group.
4. Reducing costs
5. Growing the capacity of the site

Altering the pricing structure

The current summarised pricing structure, detailed below, was analysed to inform the recommendations.

- Haringey Schools £204 per week, with a concessionary rate of £122 for children on Free School Meals.
- Other Schools £244 per week
- Weekend Booking for Haringey Schools £87
- Weekend Booking for others £102

The analysis highlights the anomalies in the Pendarren price structure and the use of subsidy, which is not part of the pricing structure for any of the competitors considered in this study. The prices charged for all other Outdoor Education Centres are significantly higher. The transport costs operated by Pendarren also make a loss.

However, proposals to implement a price rise for Haringey Schools from £204 to £220 in Year1 and £230 in Year 2 and to eliminate the subsidy for children on Free School Meals could deter existing customers. This would need to be implemented in parallel with increased charges for transport to secure financial viability.

Assuming booking levels remain equal and all 3 amendments to the price were introduced, the impact on income would reduce the subsidy by a projected £114,000 by 2016/2017. This demonstrates the significant challenge that remains to eliminate the subsidy of £250,000.

10. Property costs

Over the last few years, substantial improvements to the fabric of the centre have been made and these have been primarily paid for separately to the annual subsidy. Projects have included replacing the heating and some roofing repairs. Lottery funding has also enabled the conversion of a Bungalow into the Firs self-catering accommodation and the installation of the high ropes courses. Now the property is in a reasonable condition but the significant issues it faces are merely those associated with managing an old building.

It is beyond the scope of this report to budget for lifetime maintenance costs, but it is possible that there could be large property costs in the future. Some of these projects, such as the Greenhouse, could be achieved using income from fundraising grants. To fully understand the potential costs, a full stock condition survey will need to be undertaken.

11. Recommendations

This report reviews the governance, financial performance of the centre, its client base and price structure, explores options for eliminating the subsidy and uses these to support the following recommendations.

- Amend the price structure by taking the following actions:



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- Removing the concessionary rate offered to children on Free School meals.
 - Increasing the transport costs
 - Uplifting the core price charged on both school visits and private community bookings
- Increase marketing to school groups
- Broaden the range of private community bookings and implement a marketing plan to generate these
- Manage costs
- Restructure the domestic team

In total, these actions, if implemented effectively, could substantially reduce the subsidy required, with a subsidy of only £120K required in 2015/16. By 2018/19, the subsidy could be almost eliminated with only a £9k subsidy required.

Whilst the building appears in reasonable condition for a property of its age, further exploration of the building structure should be undertaken. A full stock condition survey would better inform this process and ascertain whether alternative property funding arrangements need to be put into place.

The virtual elimination of the subsidy can be achieved whilst retaining Pendarren Centre within the control of Haringey Council. However, the plan is dependent on schools accepting the proposals and significant price increases. Whilst other options have been explored, it is felt that the benefits of remaining within the council particularly around sustaining its educational focus, cashflow management and accessing marketing contacts currently outweigh the alternative options.

There are 3 alternative management options for the Council to consider going forward:

- 8 Retain status quo and remain as part of Haringey Council. There is the option to transfer the management responsibility to Environmental Services who have the responsibility of client managing the Council's leisure contract with Fusion Lifestyle.
- 9 Establish Pendarren as an independent trust. This would mean that Pendarren would become its own legal entity and with its own governance structure and management responsibilities.



10 Allow a separate management body to take-over the running of Pendarren. There are a range of bodies which could be approached. These include other large outdoor centre operators, from Outwards Bounds Trust, Kingswood, PGL or leisure organisations such as Fusion Lifestyle.

A detailed assessment of each option is detailed in the report. The preferred option is for the Council to enter into negotiations with Fusion Lifestyle, the Council's leisure partner. Fusion Lifestyle have shown an initial interest from consultation undertaken as part of this study, to provide support either through marketing the centre or potentially managing and operating it on behalf of the Council.

Should these discussions not lead to a viable partnership going forward, the Council has a fall-back position to tender the management arrangements on the "open market". However, this study has shown that the core market for the centre is from local Haringey schools and any future management arrangement must not put this at risk. Furthermore the intrinsic links with local people in Haringey must also not be compromised. If all else fails, the Council could consider as the last resort a complete disposal of the site, pending the asset management assessment and market testing of the proposals.