



**Haringey Council**

<b>Report for:</b>	<b>Scrutiny Panel for Children's Services</b>	<b>Item Number:</b>	
<b>Title:</b>	<b>Options affecting future trading activity at the Council's Outdoor Education Centre, Pendarren House in Powys, Wales</b>		
<b>Report Authorised by:</b>	<b>Zina Etheridge, Deputy Chief Executive</b>		
<b>Lead Officer:</b>	<b>Anji Phillips, Interim Assistant Director for Schools and Learning</b>		
<b>Ward(s) affected:</b> <b>All</b>	<b>Briefing Report</b>		

## **1. Describe the issue under consideration**

To inform Members about options under consideration for future trading activity affecting the Pendarren House outdoor activity centre and possible changes to improve its financial performance and meet the required reduction in council subsidy as part of the Medium Term Financial Strategy..

## **2. Introduction**

This paper aims to inform members about our approach to examining options for future trading and hosted activities undertaken at the Council's Outdoor Education Centre situated at Pendarren House, Crickhowell, Powys, Wales. The paper outlines:

- Our overall approach to exploring alternative options to eliminate the high cost of subsidy currently required to maintain and operate the Centre
- Alternative service provision options including an assessment of maintaining operations in-house, using external service providers and other possible solutions including potential closure as a last resort.
- 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.



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### **3 Information**

3.1 Pendarren House has operated with Haringey Council since 1975. July 2015 will see the 40<sup>th</sup> Anniversary of the Centre working with children from Haringey in an outdoor setting in Powys, Wales.

3.2 The Centre currently trades with a substantial trading deficit and an ongoing annual subsidy of approx £250k (2014) 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 savings required in the MediumTerm Financial Strategy.

3.3 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.

3.4 Options include the following:

- 1 Retain the status quo
- 2 Establish Pendarren as an independent Trust
- 3 Allow the operation of Pendarren to be taken over by an external operator

At this stage, the report does not assess the expected lifetime maintenance costs nor the financial viability of the options under consideration. For example, there has been no discussion with schools on the possible charging implications. It is clear that existing operations are not sustainable in the longer term and the financial position cannot continue to be maintained within the council's 'Outstanding for All' Priority One budget savings.

3.5 Some elements of further work are already under way and proposed, in order to define a 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 under way.
- 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 future operation options for the site.
- A review of the operation of the Centre and any changes which can be introduced in the delivery of services on a more efficient basis.
- 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 Leisure Facilities Services. Their management expertise and commercial acumen could support a more robust review and analysis of future trading options.

### **4 Future Direction of Travel**



4.1 The Council will actively explore further options to increase demand for the site and its facilities in the meantime and thereby increase income earnings from the Centre, together with reviewing operational issues to reduce the cost of operation to a more efficient level where this is feasible.

4.2 A report setting out preferred options and recommendations will be submitted to Cabinet in March.

## **5. Recommendations**

To note and comment on the findings of the initial feasibility study and future direction of travel.

## **6. Alternative options considered**

Alternative options are set out within the appended feasibility study.

## **7. Background information**

Detailed report is attached (executive summary).

## **8. Comments of the Chief Finance Officer and financial implications**

There are no financial implications arising at this stage as this is largely an update report on the progress of the options appraisal. 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. The recommendations of the final options appraisal will need to be considered in the context of the Council's MTFS when it is finally approved.

## **9. Comments of the Assistant Director of Corporate Governance and legal implications**

There are no legal implications arising from this report at this stage.

## **10. Equalities and Community Cohesion Comments**

None at this stage

## **11. Head of Procurement Comments**

None at this stage

## **12. Policy Implication**

## **13. Reasons for Decision**



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Note only at this stage

**14. Use of Appendices**

Attached report (executive summary)

**15. Local Government (Access to Information) Act 1985**

Appendix A

# Pendarren House Outdoor Education Centre

## Feasibility Study Summary

9<sup>th</sup> 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.

**Stage 2: Visit to Pendarren House.** Our Consultant visited Pendarren House on 13<sup>th</sup> - 14<sup>th</sup> November 2014.



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**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



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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.

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.



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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



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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:
  - Removing the concessionary rate offered to children on Free School meals.
  - Increasing the transport costs



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- 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:

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.
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.
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



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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.