

**OUTDOOR CENTRES/CASTLE TRUST - CURRENT POSITION**

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**1. SUMMARY**

- 1.1 This report has been prepared to update members on the current position with regard to the three outdoor centres at Achnamara, Ardentinny and Castle Toward. In summary responsibility for managing the centres has been transferred to the Castle Trust which has let a contract for day to day operation of the centres through a Joint Management Committee to Actual Reality Scotland Limited.
- 1.2 The financial risk to the Council is limited to non payment for goods and services supplied to Actual Reality and this should only amount to one month of supplies and a moral obligation to deliver courses already booked/paid.

**2. RECOMMENDATIONS**

- 2.1 This report is simply for information and members are asked to note the current position.

**3. DETAIL**

- 3.1 The most recent meetings of the Castle Trust and the Joint Management Committee took place on 31st March 1998 and 13 May 1998. Arising from these meetings a number of issues should be noted by members.
- 3.2 At the time of the meeting 25 year leases from the Councils to the Castle Trust had not been concluded owing to technical legal complexities. No insurmountable difficulties are envisaged but simply more time to complete the documentation. In the interim period 6 month license agreements have been established between the respective councils and the Castle Trust.
- 3.3 A query was raised by Glasgow City Council on the entitlement of this scheme to discretionary rate relief. This issue has been raised with the Revenues Section of the Finance Department. An opinion has been sought from them on the entitlement to discretionary rates relief and confirmation received that the project qualifies for 100% discretionary rates relief.

- 3.4 A revenue budget was presented to the Joint Management Committee for the financial year 1998/99. The total budget expenditure is to be funded through the management fee payable by Actual Reality Scotland Ltd. There is no net deficit projected for Argyll and Bute Council. The only risk to the Council is if Actual Reality Scotland Ltd should fail to honour the contract and the Council would be left with outstanding commitments on some of the costs, e.g. unpaid catering, cleaning and transport maintenance and a moral obligation to deliver courses already booked/paid.
- 3.5 It was the intention at the meeting to let a 2 year contract to Actual Reality Scotland Ltd. However a number of concerns were raised in relation to the overall contractual arrangements and also in respect of the projected cash flow and business plan of Actual Reality Scotland Ltd. In order to move the project forward an interim arrangement was agreed whereby a 6 month contract would be let to Actual Reality Scotland Ltd. The issues in relation to the contractual arrangements and the business plan were taken to a further meeting of the Joint Management Committee on 13<sup>th</sup> May 1998.
- 3.6 At its meeting on 13 May 1998 the Joint Management Committee considered the business plan of Actual Reality Scotland Ltd and comments thereon by myself. The Joint Management Committee agreed to award a 2 year contract to Actual Reality Scotland Ltd with effect from 1 April 1998.
- 3.7 The overall arrangement proposed leaves Actual Reality Scotland Ltd with the direct risk of a shortfall in the take-up of bookings. They have the major risk on a shortfall in income. The risk to the Joint Management Committee is that Actual Reality Scotland Ltd fail to achieve the required levels of income and are therefore unable to trade through the period of the contract. This has the potential to leave the Joint Management Committee in a situation whereby they have to take interim steps to arrange the ongoing delivery of courses to avoid negative publicity. A further risk may be the failure of Actual Reality Scotland Ltd to make full payment of the management fee to the Joint Management Committee. In the circumstances that the scenario outlined above may arise any loss incurred by the Joint Management Committee may fall on Argyll and Bute Council. There is no indication at this point that such loss will arise.

#### 4. CONCLUSION

This report outlines the current position with regard to the arrangements being put in place to manage the outdoor centres. There are a number of outstanding issues and these were considered at a meeting of the Joint Management Committee on 13<sup>th</sup> May 1998. The Joint Management Committee agreed to award a 2 year contract to Actual Reality Scotland Ltd.

**5. IMPLICATIONS**

Personnel	None
Finance	Risk of costs falling on the Council if Actual Reality Scotland Ltd default on contract.
Policy	None
Legal	None
Equal Opportunities :	None

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