

Communities & Housing Scrutiny Committee
Corporate Resource Management &
Governance Scrutiny Committee

Meeting: 7th December 2020
Meeting: 8th December 2020

Cabinet

Meeting: 22nd December 2020

**ACTIVE COMMUNITIES: ESTABLISHMENT OF A COMMUNITY INTEREST
COMPANY TO DELIVER ACTIVE COMMUNITIES PROGRAMMES AND
OPERATE COUNCIL-OWNED LEISURE CENTRES**

Report of the Deputy Chief Executive (Place)

1. Introduction

- 1.1 This report seeks Cabinet approval for further work to progress on the establishment of a new wholly-owned Community Interest Company (CIC) to deliver active communities programmes on behalf of the Council and to operate Council-owned leisure centres. These new arrangements will be a different structure to that currently operated with the leisure trust, Life Leisure, who have provided a well-regarded leisure service within the Borough for the last 18 years but have faced huge operational challenges as a result of the COVID 19 pandemic.
- 1.2 Cabinet are asked to authorise the establishment of a Community Interest Company to deliver active communities programmes on behalf of the Council and to operate Council owned leisure centres, subject to:
- (i) the development of a detailed business case and benefit rationalisation for moving to a Community Interest Company with advice on the optimum timescale and scope of services to minimise overall Council spend on active communities/leisure whilst maximising the impact of interventions to improve levels of physical activity in the Borough.
 - (ii) the development of a detailed implementation and transition plan to move from current arrangements to a Community Interest Company at an appropriate time which minimises overall Council spend on active communities/leisure whilst maximising the impact of interventions to improve levels of physical activity in the Borough.
- 1.3 Cabinet are asked to delegate authority to the Deputy Chief Executive (Place) and Deputy Chief Executive (Corporate & Support Services), in consultation with the Cabinet Members for Sustainable Stockport and Resources, Commissioning & Governance to take all action necessary to establish the Community Interest Company and transfer services to the new organisation.

2. Background

- 2.1 The Stockport Active Communities Strategy provides a comprehensive framework for action in improving physical activity for all ages of residents in the Borough. The strategy focuses particularly on the inactive and the opportunity to support those residents to connect to the community and physical assets of the Borough and become more active. The Strategy is explicitly linked to *Greater Manchester Moving*, the plan to reduce inactivity and increase participation in physical activity and sport across the Combined Authority.
- 2.2 Delivery of the Active Communities Strategy and related programmes relies on a wide range of partners across the Borough, including the voluntary and community sector (and particularly the wealth of grass roots sports opportunities), the NHS and others. Life Leisure are an important delivery partner for a number of key elements of the Active Communities Strategy and have consistently made significant achievements in this area over a number of years. These are encapsulated in a Partnership Delivery Plan which has four strategic priorities:
- i. Maintaining physical access to a comprehensive range of facilities – particularly in areas where there is no alternative offer.
 - ii. Reducing cost barriers to residents who particularly need facilities to improve their health or cannot afford the cost of memberships.
 - iii. Sports development/club support - providing capacity to work with local organisations to help them to achieve their objectives, improve their facilities and secure external funding where relevant.
 - iv. Targeted physical activity/community cohesion initiatives: Carrying out projects related to Active Communities Strategy/Local Delivery Pilot to get the least active to move more and other initiatives that might attract GM funding or link to other Council priorities

The activities which Life Leisure carry out as a delivery partner are governed by a range of agreements, including leases, funding agreements and service delivery contracts which are due to expire on 31st March 2022. As part of the arrangements, Life Leisure operate 10 Council-owned leisure centres. In the 3 years prior to the COVID-19 pandemic the following funding was provided to Life Leisure.

	Management Fees/Grants £000	Contracts £000	Total £000
2017/18	889	288	1,177
2018/19	724	244	968
2019/20	559	287	846

- 2.3 In response to the COVID-19 pandemic, in March 2020 the UK Government introduced legislation requiring all indoor leisure centres to remain closed until 25th July 2020. This has been extremely difficult to manage under the current trust arrangement and Life Leisure immediately lost almost all their trading income and, under the terms of the Partnership Funding Agreement, they requested additional funding to keep them afloat as an organisation and which allowed them to re-open a number of Council-owned leisure centres. This highlighted the fragility of the current model
- 2.4 Cabinet agreed a potential envelope for additional funding on top of existing arrangements for the financial year 2020/21. Detail of this is provided at Appendix A (Restricted).
- 2.5 In October 2020, Cabinet delegated authority to the Deputy Chief Executive (Place) and Deputy Chief Executive (Corporate & Support Services), in consultation with the Cabinet Members for Sustainable Stockport and Resources, Commissioning & Governance, to move to an alternative delivery model for Council-owned leisure centres following further options appraisal and due diligence to investigate and evaluate alternative models which will enable improved control of costs following the financial impact of the COVID-19 pandemic.

3. Options Appraisal

- 3.1 In 2018, anticipating the expiry of existing arrangements with Life Leisure, the Council carried out its own options appraisal for the future delivery of active communities programmes, including the operation of Council-owned leisure centres. Any outsourced arrangement, including new arrangements with Life Leisure, would require a procurement exercise to take place. Consequently, the Council began to develop specifications with a view to the procurement process starting in Autumn 2020. This approach was endorsed by Cabinet in March 2020.
- 3.2 Although a market engagement exercise carried out prior to March 2020 indicated that there would be strong interest amongst both commercial and charitable operators in bidding for the Stockport contract, we are aware that the leisure operator market has been severely impacted by the COVID-19 pandemic, in particular the lockdown between March and July 2020 and reduced confidence amongst the public about using leisure facilities. This has been confirmed by subsequent market engagement which indicates that those service providers who would be prepared to bid are likely to negotiate terms to protect themselves from significant loss. This will inevitably inflate the cost of an outsourced model.
- 3.3 In order to inform a way forward which would minimise the Council's overall future spend on active communities/leisure programmes whilst maximising the impact of interventions to improve levels of physical activity in the Borough, the Council commissioned PWC to undertake an independent options appraisal review for future delivery of Active Communities and Leisure Services.

3.4 A summary of the independent options appraisal and consideration of some of issues to be considered in moving to a new delivery model is provided at Appendix B (Restricted). A full copy of the independent options appraisal is provided at Appendix C (Restricted)

4. Proposed Approach

4.1 It is proposed to proceed with the necessary steps to establish a new Community Interest Company (CIC) as this option will give the Council a better degree of governance and financial control in the short term and puts the Council in a better position to control the amount spent on active communities programmes, including the operation of Council-owned leisure centres, whilst still maximising the impact of programmes in improving levels of physical activity in the Borough.

4.2 It is proposed that a detailed business case with benefits realisation is prepared. This will contain detailed forecasts of potential transition and set up costs and estimated trading performance over 3 years, indicating likely revenue support required from the Council in comparison to the existing delivery model. The business case will also contain:

- Proposed services specification
- Proposed governance model
- Proposed monitoring arrangements
- Proposed staffing structure
- Proposed approach to asset management
- Proposed approach to Life Leisure's residual business in Stockport

Appropriate legal, taxation and other professional advice will be sought to ensure that the business case is robust and valid.

4.3 In parallel with the development of the business case, it is proposed that a detailed implementation plan is developed for moving to a Community Interest Company. This will outline all the steps necessary for a smooth transition from current arrangements. It will consider the most appropriate timing for transfer of assets and services from Life Leisure to a new model, which minimises the overall cost to the Council and impact on service users and to Life Leisure as an organisation.

4.4 It is acknowledged, that in different leisure market conditions, an outsourced model could have scored more highly in the options appraisal and it is proposed that this is retained as an option for the medium term, pending recovery of the leisure operator market.

4.5 Life Leisure Funders Committee, who have a remit to monitor the use of the funding provided by the Council to Life Leisure and receive quarterly reports on performance in relation to the Partnership Delivery Plan, have been briefed on

all the circumstances leading the proposed changes in arrangements and the options appraisal process. Feedback from the Committee will inform the move to an alternative delivery model and regular updates will be provided to members on progress to establish the CIC.

5. Recommendations

5.1 The Scrutiny Committee are requested to comment on the approach proposed above and the recommendations below.

5.2 Cabinet are asked to authorise the establishment of a Community Interest Company to deliver active communities programmes on behalf of the Council and to operate Council owned leisure centres, subject to:

(i) the development of a detailed business case and benefit rationalisation for moving to a Community Interest Company with advice on the optimum timescale and scope of services to minimise overall Council spend on active communities/leisure whilst maximising the impact of interventions to improve levels of physical activity in the Borough.

(ii) the development of a detailed implementation and transition plan to move from current arrangements to a Community Interest Company at an appropriate time which minimises overall Council spend on active communities/leisure whilst maximising the impact of interventions to improve levels of physical activity in the Borough.

5.3 Cabinet are asked to delegate authority to the Deputy Chief Executive (Place) and Deputy Chief Executive (Corporate & Support Services), in consultation with the Cabinet Members for Sustainable Stockport and Resources, Commissioning & Governance to take all action necessary to establish the Community Interest Company and transfer services to the new organisation.

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Paul Richards on Tel: 0161-474-2940 or by email on paul.richards@stockport.gov.uk