

**ACTIVE COMMUNITIES: UPDATE ON ESTABLISHMENT OF STOCKPORT
ACTIVE COMMUNITY INTEREST COMPANY (CIC) AND PROPOSED
GOVERNANCE AND REPORTING ARRANGEMENTS**

Report of the Deputy Chief Executive (Place)

1. Introduction

- 1.1 This report provides an interim update to Scrutiny on the establishment of Stockport Active Community Interest Company (CIC) and progress towards transitioning leisure and active communities services into the new organisation.
- 1.2 The report outlines the initial proposed arrangements for governance of the new organisation.
- 1.3 The report makes initial recommendations about how Members will provide oversight and scrutiny of the CIC.

2. Background

- 2.1 Previous reports to Scrutiny have highlighted that the current arrangements with Life Leisure (trading name of Stockport Sports Trust), which are due to expire in March 2022, are no longer sustainable following the impact of the COVID-19 pandemic.
- 2.2 As a result, an independent options appraisal was carried out which suggested that the creation of a Community Interest Company (CIC) was the best approach for delivering active communities programmes and the operation of Council-owned leisure centres in the short and medium term. This option would give the Council more financial and governance control, whilst retaining the best aspects of the current arrangements.
- 2.3 In February 2021, Cabinet supported a further review of governance, service specification and performance reporting to be undertaken with a report back in June 2021. This paper provides an interim update on Governance following a request from Members.

3. Progress on Establishment and Implementation of CIC

- 3.1 Following the approval of the outline business case by Cabinet in February 2021, negotiations are taking place with Life Leisure to agree a transaction. In parallel with these negotiations work has been taking place to formally constitute the CIC.
- 3.2 The current aim is to have a transaction with Life Leisure agreed in April 2021. As part of the terms of the transaction, the Council proposes to fund Life Leisure to continue operations on the same basis as Quarters 3 & 4 2020/21 for the period between agreement of and final completion on the transaction. Subject to the transaction being agreed in April, it is estimated that the CIC will assume full responsibility for Life Leisure's Stockport operations from 1st July 2021.

4. CIC Governance

- 4.1 The CIC will be established with an initial Board of four Directors. These will be Council officers at Director/Strategic Head level with representation across a range of functions relevant to the work of the CIC, including Public Health, Finance and Services to Place.

Director of Development & Regeneration
Director of Public Health
Director of Place Management
Strategic Head of Finance

- 4.2 Discussions are also ongoing with regards to one Independent Interim Board Member to provide additional external expertise.
- 4.3 The Board would look to commission any additional specific leisure, physical activity or sport expertise needed for the effective operation of the CIC. Care will be taken to ensure that there is no conflict of interest between commissioning officers and the CIC.
- 4.4 The facility will be in place to expand the Board to include private sector Non-Executive Directors as the organisation becomes properly established and develops. Detailed role specifications will be developed to select potential candidates and address any skills gaps on the Board in the future. The Council will be responsible for interviewing and selecting Non-Executive Directors onto the CIC Board and the maximum tenure of office would be 5 years. It is proposed that the number of private sector Directors should be fewer than the Council Directors and no meeting would be quorate if the Council Directors did not exceed the private sector Directors. This will ensure that the Council maintains strategic financial and governance control.
- 4.5 Elected Members will have a key role to play in monitoring the performance of the CIC. However, advice from PWC has suggested that Elected Members having a role on the Board of the CIC could create a conflict of interest.

4.6 A further review of governance will be undertaken once the Company is up and running with a report back to Cabinet in June 2021.

5. Performance and Funding Arrangements

5.1 A draft proposed specification has been drawn up for the CIC and remains unchanged from the version circulated with previous reports. The specification is closely linked to the outputs of the Active Communities Strategy and contains 6 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 Pilot to get the least active to move more and other initiatives that might attract GM funding or link to other Council priorities
- v. High quality services that meet minimum service standards set and exceed customer expectations.
- vi. Ensuring facilities are sustainably managed to a high standard throughout the life of the contract.

5.2 The services specification will incorporate an outcomes framework to demonstrate the impact of interventions with target groups and to address health inequalities. A mechanism will be put in place for an annual review of the service specification and outcomes framework to ensure it remains relevant to local priorities and needs.

5.3 The outline business case assumes that at least for its initial 3 years of operation, the CIC will require additional funding from the Council. It is anticipated that the amount of money paid for services delivered will be variable based on trading position but with an agreed upper cap in any financial year. It is expected that funding will be paid quarterly in advance via a management fee and adjusted in-year in line with need. The upper cap will reduce over the first three years of the contract in line with financial modelling.

6. Member Oversight of CIC

6.1 Under current arrangements, Member oversight of Council funding of Life Leisure and the outcomes delivered for the investment has been through Funding Committee which comprises 8 Members. Key aspects of the current Terms of Reference of the Committee are:

- 1) To understand Life Leisure's Board's use of the Council's support, and to propose to the Board outcomes that could be delivered with the Council support. (Life Leisure are obliged to provide such information as the Council may reasonably require to demonstrate how the funding has assisted in maintaining or improving community recreation services. They are also obliged to submit unaudited accounts within 6 months of the end of LL's financial year (audited within 10 months) identifying the expenditure for which the funding was provided).
- 2) To receive Life Leisure's Partnership Delivery Plan (The Plan requires Council approval, not to be unreasonably withheld or delayed. This is submitted three yearly in October for the next 3 years commencing on 1st April in the following year. If the Plan is approved funding is to be made available for the next 3 years).
- 3) To consider and approve as necessary the Partnership Delivery Plan. (The Plan is a detailed service delivery plan setting out Life Leisure's proposals for the 3-year period. Life Leisure's pricing policy must be included in the Plan, and it should clearly identify how it will ensure facilities remain accessible to all sections of the community and safeguard concessionary rates for identified target groups).
- 4) To comment upon matters proposed by Board concerning the use of, activities within, or occupation by any third party, of any of the Company's leased from the Council.
- 5) To receive the unaudited and audited Company accounts annually and to make representations as to the activities of the Company which the Council would like to see implemented.
- 6) To receive on a quarterly basis performance and trading information of the Company.
- 7) To receive any Company proposals to cease existing business areas and/or enter new areas of business and to comment as appropriate.
- 8) To receive any proposals to change the Company's corporate status, its memorandum or articles of association, its means of delivering its services or matters concerning its charitable status and to comment as appropriate.

- 9) To receive advance notice of any Company matters which may be of potential risk and which may affect the economic, social or environmental well-being of the Borough to offer views prior to the Company entering any commitment.
 - 10) To understand how Life Leisure contributes to improving the social, community and personal outcomes for the Borough and its people.
- 6.2 The formation of the CIC provides an opportunity to review whether Funding Committee in its current form is the best means for providing this oversight in the longer term. Funding Committee Members have previously queried the Committee's relationship to the Scrutiny process, especially given that Life Leisure's and subsequently the CIC's remit will cover the remit of several Scrutiny Committees, notably Communities & Housing, Corporate Resource Management & Governance, Adult Social Care & Health, Children & Families.
- 6.3 Detailed arrangements for monitoring the CIC, including a review of the role of Funding Committee, will be brought back in June 2021. Until new arrangements have been agreed and implemented, it is proposed that reports relating to the CIC's finances and performance are received by Communities & Housing Scrutiny and Corporate Resource Management & Governance Scrutiny Committees as well as Funding Committee. This will ease the transition to new arrangements, ensure maximum Member oversight and enable Scrutiny Committees to consider in detail arrangements for monitoring the CIC.
- 6.4 In the longer term, the CIC will require member oversight and scrutiny in two discrete areas:
- (a) Financial performance and flow of funds from the Council to the CIC
 - (b) Delivery of outcomes for Stockport residents and in relation to the Community Interest Statement
- 6.5 It is proposed that overall Cabinet Member oversight of the CIC sits within the Sustainable Stockport portfolio in line with the current Cabinet responsibility.
- 6.6 It is proposed that scrutiny of the financial performance of the CIC and the flow of funding between the Council and CIC rests with the Corporate Resource Management & Governance Scrutiny Committee (CRMG). Initially, the CIC will bring a report on a 6-monthly basis reviewing the previous 6 month's financial performance and confirming anticipated funding requirements for the next 6 months. This could move to annual financial monitoring once the CIC becomes more established. Proposals on the exact timing and format of the reporting will be developed as part of the detailed proposals.
- 6.7 It is proposed that the CIC brings an annual report on performance against the outcomes framework to Communities & Housing, Adult Social Care & Health and Children & Families Scrutiny Committees and setting its business plan for the next 12 months. It is proposed that this annual reporting process provides the mechanism for

Scrutiny Committees to review the outcomes to be included within the framework in the light of emergent health and community priorities. More detailed proposals on the initial outcomes framework and reporting process will be brought back to Scrutiny Committees later in 2021.

7. Recommendations

7.1 The Scrutiny Committee are asked to:

- a) Note the update on the establishment of Stockport Active Community Interest Company (CIC) and progress towards transitioning leisure and active communities services into the new organisation
- b) Comment on the proposed governance arrangements for the Community Interest Company (CIC)
- c) Comment on the proposed arrangements for member oversight of the Community Interest Company (CIC)

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