Communities & Housing Scrutiny Committee	Meeting: 14th June 2021
Corporate, Resource Management & Governance Scrutiny Committee	Meeting 15th June 2021
Cabinet	Meeting 29th June 2021

GOVERNANCE ARRANGEMENTS FOR STOCKPORT ACTIVE CIC

Report of the Corporate Director (Place) and Deputy Chief Executive

1. INTRODUCTION AND PURPOSE OF REPORT

1.1 This report provides an outline of the specification and contractual arrangements for Stockport Active Community Interest Company (CIC), which has been established to operate Council leisure centres and deliver active communities programmes which help the most inactive people in Stockport to become physically active. Following finalisation of the transfer agreement with Stockport Sports Trust, the CIC will use the Life Leisure trading name.

1.2 The report outlines the strategic priorities which the CIC will pursue and the indicators which will be used initially to monitor performance against these.

1.3 The report summarises the proposed Memorandum and Articles of Stockport Active CIC and the Members Agreement.

1.4 The report outlines the type of matters over which the Council will retain decision making authority in relation to the CIC and arrangements for taking these decisions.

1.5 The report provides information on the initial composition of the CIC Board and outlines a proposed approach to recruiting non-Council Directors, should this be deemed necessary in the future.

1.6 The report proposes arrangements for Cabinet oversight of the work of the CIC and for Member oversight of the work of the CIC through Scrutiny Committees.

1.7 The report proposes that Funding Committee, which provides oversight of the current arrangements with Life Leisure (Stockport Sports Trust) remains in place pending the full transition to the CIC and subject to the wider review of the governance of outside bodies due to be undertaken as per the decision of the Cabinet meeting on 27 April 2021.

AGENDA ITEM

2. BACKGROUND

2.1 Previous reports to Cabinet have highlighted that the arrangements in place with Life Leisure (trading name of Stockport Sports Trust), which were due to expire in March 2022, for the operation of Council-owned leisure centres and delivery of active communities programmes were no longer financially sustainable following the impact of the COVID-19 pandemic.

2.2 In February 2021 Cabinet delegated authority to the Deputy Chief Executives for Place and Corporate & Support Services, in consultation with the Cabinet Members for Sustainable Stockport and Resources, Commissioning & Governance, to sign off the final business case for the establishment of the Community Interest Company (CIC), give final authorisation for its enactment and take all action necessary to proceed to full implementation of the CIC.

2.3 Cabinet also supported a further review of governance, service specification and performance reporting to be undertaken with a report back in June 2021. In April 2021, an interim update was provided to Scrutiny on initial proposed arrangements for governance of the new organisation and initial recommendations were made about how Members would provide oversight and scrutiny of the CIC. These initial proposals were also shared with Funding Committee in April 2021.

2.4 Stockport Active CIC has now been incorporated as a Company Limited by Guarantee at Companies House. Work is progressing to transfer the Stockport operation of Life Leisure fully into the CIC at the earliest opportunity, pending final completion of the transaction with Stockport Sports Trust and the CIC putting into place appropriate banking arrangements and setting up systems to enable member payments to be received by the new organisation.

3. Specification and Contractual Arrangements

3.1 A full service specification has been developed, outlining the core requirements which the Council requires the CIC to perform. The specification places an increased emphasis on tacking inactivity in Stockport in comparison with the previous arrangements with Life Leisure. This reflects the new Sport England strategy *Uniting the Movement*, the Greater Manchester strategy for physical activity, *Greater Manchester Moving,* and Stockport's Active Communities Strategy.

3.2 The Active Communities Strategy has the following themes:

- We want to be bold and aspirational.
- We want to create a culture of active communities in Stockport, where people enjoy being active with their friends and families and enjoy and benefit from the cultural offer in Stockport.
- We want to do this through working with our partners and residents.

- We want to deliver a revitalised and vibrant Stockport – ensuring that suitable and accessible facilities, spaces and services are provided for all across the Borough by a range of providers (including public, private and third sector organisations).
- We want to target our focus on our population whose social and economic wellbeing will benefit the most from increasing their participation and leading active lives in their communities.
- We want our focus to be primarily on our current inactive residents.

3.3 The Active Communities Strategy aims to:

- Decrease the number of our residents who are inactive from 20% to 15% by 2025
- Increase the number of our residents who are fairly and fully active from 80% to 85%
- Reduce sedentary behaviour.

There is a particular emphasis on increasing rates of physical activity in:

- Our deprived communities and those residents not in employment
- People with long term health conditions
- Older adults who are least active, people with a disability, women who are least active
- Children – Children with Special Educational Needs or Disabilities (SEND)
- Young people who are disengaged and at risk of becoming marginalised
- Young people not in education
- Residents from Black and Minority Ethnic (BAME) groups

3.4 The Active Communities Strategy is due for refresh in 2021/22, but it is not anticipated that the aims or emphasis of the strategy will change significantly.

3.5 Taking into account the Active Communities Strategy, the specification outlines three Strategic Priorities for the CIC:

1. Deliver programmes and interventions which help the most inactive people in Stockport to be physically active and achieve the outcomes of the Stockport Active Communities Strategy.

2. Provide access to quality facilities and opportunities which help the most inactive people in Stockport to be physically active

   - Ensuring a comprehensive range of facilities and opportunities are available, particularly in areas where there is no alternative provision
   - Ensuring that cost and physical barriers do not prevent people accessing opportunities to be active

- Ensuring high levels of customer satisfaction with facilities and opportunities

3. Maximise the commercial performance of leisure facilities and programmes

3.6 The specification will require the CIC to operate the following Council-owned or leased facilities.

- Avondale
- Bramhall (shared use with Bramhall High School)
- Brinnington Park Leisure Complex
- Cheadle
- Grand Central
- Hazel Grove
- Houldsworth Village
- Offerton
- Priestnall (shared use with Priestnall School)
- Romiley
- Stockport Sports Village

3.7 Marple Leisure Centre is currently closed and there are no plans to reopen the existing facility. Work is taking place on developing plans for a replacement leisure and community hub for Marple and the CIC would take responsibility for the operation of this facility.

3.8 The specification outlines respective roles in relation to facilities management with the Council via its asset management partner, Robertson, having a strategic overview of compliance, plant and building fabric maintenance and the CIC being responsible for day to day repairs and maintenance and internal decoration.

3.9 Leases will be granted at peppercorn for a term of 7 years. This recognises that the CIC will have exclusive occupation of the leisure centres, and will contribute to the analysis that the CIC is a secure vehicle for external funders to continue to contribute to programmes previously operated by Life Leisure. Break clauses will be included at 3 and 5 years to enable options around future delivery to be kept open. Leases will be agreed and signed by the CIC Board.

3.10 A services contract, using a Sport England template as a base and linked to the services specification, will be put in place between the Council and CIC. It is anticipated that the amount of money paid for services delivered under the agreement will be variable based on trading position but with an agreed cap in any financial year. The services contract will be coterminous with the leases, meaning that a break invoked in one will result in the termination of the other. The services contract will be agreed between the CIC (acting by its Board) and

the Council.

3.11 Separate services contracts will be agreed, as required, in respect of specific health and lifestyles initiatives which the CIC is commissioned to deliver. Existing public health contracts, which are due to expire in March 2022, will be novated from Life Leisure to the CIC for the remainder of their term.

3.12 A Partnership Delivery Board comprising commissioning officers from Place and Public Health in the Council and relevant officers from the CIC's Senior Management Team will meet monthly to monitor day to day performance and to provide the first point of resolution for issues arising. A monthly facilities management meeting will also take place to focus specifically on estates and asset management matters. This will also involve the Council's facilities management partner, Robertson.

3.13 The CIC will be required to collect key specified data sets related to the 3 strategic priorities which will enable wider review of performance by the CIC Board and Elected Members. The initial data to be collected is shown in the table below, though these requirements are likely to change over time. The first year of the CIC's operation will be used to establish baseline data sets against which future performance can be assessed.

Strategic Priority	**Proposed Performance Indicator**
1. Deliver programmes and interventions which help the most inactive people in Stockport to be physically active and achieve the outcomes of the Stockport Active Communities Strategy	a. Percentage of visitors from the top 20% most deprived wards (IMD) b. Percentage of female visitors c. Percentage of visitors with a disability d. Percentage of visitors from a BAME background e. Percentage of eligible visitors accessing concessionary rates f. Percentage of visitors with SEND g. Percentage of visitors with a Long Term Health Condition h. Percentage of visitors over 55 years old i. Percentage of workforce that has completed Autism Awareness training j. Percentage of the workforce that has completed Inclusive by Design training k. Number of sports clubs and community groups supported l. Number of volunteers/coaches supported m. Number of volunteer/coaches supported with SEND n. Number of volunteer/coaches supported with Worklessness/NEET o. Number of volunteers/coaches supported with a Disability or Long Term Condition p. Number of Early Years, Primary and Secondary Swim Sessions q. Number of Early Years, Primary and Secondary participants in community

	outreach interventions. r. Value of external funding secured s. PARiS PI's
2. Provide access to quality facilities and opportunities which help the most inactive people in Stockport to be physically active. • Ensuring a comprehensive range of facilities and opportunities are available, particularly in areas where there is no alternative provision. • Ensuring that cost and physical barriers do not prevent people accessing opportunities to be active. • Ensuring high levels of customer satisfaction with facilities and opportunities.	a. Customer satisfaction indicators captured through an on-going monthly rolling programme e.g. Net Promoter Score (NPS): I. the overall service II. staff/coaches III. access and parking IV. facilities V. catering VI. cleanliness VII. changing rooms VIII. value for money IX. inclusivity X. variety of programmes/classes b. QUEST scores
3. Maximise the commercial performance of leisure facilities and programmes.	a. Customer retention data; fitness, swimming, programmes b. Throughput (individual attendances) c. Reductions in energy consumption d. Delivery of Schedule of Programmed Maintenance and approval by Local Authority of any proposed changes e. Target scores on maintenance / statutory compliance audits f. Asset management QUEST score g. % of Senior Leaders and Managers completing carbon literacy training h. Value of local authority subsidy i. Value of external grant funding secured j. Subsidy per visit per facility

3.14 Alongside this performance data, the Council will agree an annual outcomes framework with the CIC which will be targeted at delivering particular health and wellbeing outcomes which are identified as a priority by the Council and are linked to the delivery of the Active Communities Strategy. The outcomes framework will use qualitative as well as quantitative data to demonstrate the impact that the CIC is having on reducing inactivity and improving health and wellbeing in the Borough.

4. CIC CONSTITUTIONAL DOCUMENTATION

4.1 The Memorandum and Articles of Stockport Active CIC have been drafted. These will be agreed by the CIC Board as part of the implementation of the new organisation. A Members Agreement has been drafted which defines the relationship between the Council and CIC and will be agreed by the Council

and CIC Board as part of the overall governance.

4.2 The proposed objects of the Company, which link to the community interest statement, are as follows:

- To promote, operate and maximise the use of leisure, recreation, sport and community assets in Stockport.
- To promote and deliver programmes and initiatives designed to improve levels of physical activity, health and wellbeing.
- To promote and deliver programmes and initiatives which widen participation in sport, recreation and physical activity in Stockport.
- To promote and deliver programmes and initiatives which support community and neighbourhood plans in Stockport.
- To provide support to sports clubs, educational establishments ad other voluntary and community sector organisations in Stockport to help deliver and improve sport, recreation and physical activity opportunities in the Borough.
- To provide targeted specialist health and physical activity services for individuals who have specific needs.

4.3 The business of the Company is to:

- Provide leisure services in the Borough of Stockport
- To manage the Council-owned leisure centres and swimming pools in the Borough of Stockport
- To undertake programmes of Public Health related activities
- To provide (or procure) services via the Services Agreements and any other agreements which may be agreed from time to time.
- To carry out activities in the best interests of the Company, on sound principles at all times in accordance with the Business Plan.

4.4 The Members Agreement outlines a number of matters which require the prior written consent of the Council. These include:

- Provisions relating to participation in activity which is detrimental to/incompatible with the provision of services and political and charity donations.
- Provisions relating to the status of the Company, its winding up or administration and altering the name of the Company, its registered office or Articles in any respect.
- Provisions relating to the issuing of loan capital, making borrowing or incurring any indebtedness other than Member debt.
- Provisions relating to changing the nature of the Company’s business, commencing any new business which is not ancillary or incidental to the business.

- Provisions relating to forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture or amalgamating with any or company or business undertaking.
- Provisions relating to acquisition or disposal by the Company of any material assets.
- Provisions relating to entering into or terminating arrangements, contracts or transactions which are material in the nature of the Company's Business.
- Provisions relating to remuneration, redundancy and pension policies of its employees.

4.9 It is proposed that following the signing of the Members Agreement on behalf of the Council, authority is delegated to the Deputy Chief Executives for Place and Corporate and Support Services in consultation with the Cabinet Members for Sustainable Stockport and Resources, Commissioning and Governance to take decisions on these matters.

5. CIC BOARD

5.1 The Council will have sole responsibility for nominating and appointing Directors of the CIC. It is proposed that the authority to appoint Directors is delegated to the Deputy Chief Executives for Place and Corporate Support Services in consultation with the Cabinet Members for Sustainable Stockport and Resources, Commissioning and Governance.

5.2 The CIC has been established with an initial Board of four Directors. These are 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	Paul Richards
Director of Public Health	Jennifer Connolly
Director of Place Management	Mark Glynn
Strategic Head of Finance	Jonathan Davies

5.3 Discussions are also ongoing with regards to one Independent Interim Board Member to provide additional external expertise for the initial phase of the CIC's operation.

5.4 The Board will seek to commission any additional specific leisure, physical activity or sport expertise needed for the effective operation of the CIC.

5.5 Care will be taken to ensure that there is no conflict of interest between Director's duties in their employment with the Council and their duties as a Director of the CIC. Provisions have been incorporated within the Members Agreement to enable Directors to step aside on a resolution where they have provided notification of a conflict of interest.

5.6 The facility will be in place for the Council to expand the Board to include additional non-Council Directors as the organisation becomes properly established and develops. This may be necessary to achieve *Sport England's Code for Sports Governance* which can be a qualification criterion for external funding. 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-Council Directors onto the CIC Board. It is proposed that the number of non-Council Directors should be fewer than the Council Directors and no meeting would be quorate if the Council Directors did not exceed the non-Council Directors. This will ensure that the Council maintains strategic financial and governance control.

5.7 The CIC will agree an annual Business Plan with the Council which will include the annual budget, a facilities investment plan and a repairs and internal maintenance plan. The Board will have authority to implement the Business Plan and a duty to review and update this at least every 6 months, but will need to agree any amendments with the Council. The Board will agree a scheme of delegation to the CIC Senior Management Team to enable them to make appropriate operational decisions to implement the Business Plan.

6. MEMBER SCRUTINY & OVERSIGHT OF CIC'S WORK

6.1 The CIC will require member oversight and scrutiny in three discrete areas:

(a) Performance against the annual business plan, general financial performance, flow of funds between the Council and the CIC

(b) Performance against Strategic Priorities and related key performance indicators

(c) Delivery against the agreed outcomes framework in improving the health and wellbeing of Stockport residents.

6.2 It is proposed that overall Cabinet Member oversight of the CIC sits within the Sustainable Stockport portfolio in line with the current Cabinet responsibility.

6.3 It is proposed that oversight and scrutiny of the performance against the annual business plan, general financial performance and flow of funds between the Council and CIC rests with the Corporate Resource Management & Governance Scrutiny Committee (CRMG). It is proposed that the reports are brought on a 6-monthly basis in December and June. The reports would review financial performance over the previous period and give an indication of likely performance over the next period with an indication of potential funding required from the Council. Subject to the financial performance of the CIC, it may be possible to move to annual financial reporting in the future.

6.4 It is proposed that a retrospective review of performance against Strategic Priorities, related key performance indicators and the outcomes framework is brought to Communities & Housing, Adult Social Care & Health and Children's & Families Scrutiny Committees in June annually. Particular emphasis will be placed on performance indicators and outcomes relevant to the work of the Scrutiny Committee, with Communities & Housing being responsible for scrutinising the general performance of the CIC from a customer and service quality perspective. The reports to these Scrutiny Committees will also provide an opportunity for Members to comment on the proposed objectives and priorities for the current year and action to be taken to achieve these.

6.5 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.

6.6 Under the proposed governance and reporting arrangements for the CIC, the oversight currently carried out by Funding Committee in relation to Life Leisure would either be carried out by Scrutiny Committees or, in the case of decisions on matters within the Members Agreement requiring the Council's consent, under authority delegated to the Deputy Chief Executives of Place and Corporate Support Services in consultation with the Cabinet Members for Sustainable Stockport and Resources, Commissioning and Governance. A wider review of oversight of associated bodies is being undertaken and it is proposed that Funding Committee is kept in place pending the full transition to the CIC and the completion of the review.

7. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

7.1 Revenue and Capital consequences of report recommendations

7.1.1 The revenue and capital consequences of establishing the CIC were covered in the Cabinet Reports of 22nd December and 9th February. The implementation of the recommended governance arrangements will not have any additional revenue or capital consequences.

7.2 The effect of the decision

7.2.1 The decision will put into place robust governance arrangements for the CIC and enable the Council to have increased financial and governance control over operation of Council-owned leisure centres and the delivery of active communities programmes.

7.3 Risks

7.3.1 The key risks with the proposed governance arrangements are that there is not sufficient external challenge on the management of the CIC and that the Board may lack some of the specific industry expertise to run a complex leisure operation. These risks will be mitigated by the recruitment of non-Council Directors and the

procurement of appropriate leisure sector expertise to assist with making key decisions. The CIC Senior Management Team also have considerable expertise of running leisure operations and will be able to advise the Board appropriately.

7.4 Options

7.4.1 The governance arrangements have been developed after carrying out a detailed options appraisal and seeking specialist advice on governance arrangements.

7.5 Future savings/ efficiencies

7.5.1 The governance arrangements will not in themselves lead to direct efficiencies, but strong and robust governance directly linked to the Council will enable the CIC to operate as efficiently as possible and potentially reduce the future cost of operating leisure centres and delivering active communities programmes.

8. LEGAL CONSIDERATIONS

8.1 The Council has received external legal advice on the governance arrangements and has been assured that they are compliant with relevant legislation,

9. HUMAN RESOURCES IMPACT

9.1 The proposed governance arrangements do not have any direct impact on Council or Life Leisure staff beyond requiring Council Directors and Strategic Heads of Service to act as Directors as the CIC.

10. EQUALITIES IMPACT

10.1 The proposed governance arrangements will improve the collection of data in respect of the operation of Council-owned leisure centres and active communities programmes and enable the Council to assess the impact on those with Protected Characteristics.

11. ENVIRONMENTAL IMPACT

11.1 The proposed governance arrangements will not have any direct environmental impact.

12. CONCLUSIONS AND RECOMMENDATIONS

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

12.2 Cabinet are asked to approve the strategic priorities outlined in the specification for Stockport Active CIC and the indicators to be used initially to monitor performance against these.

12.3 Cabinet are asked to approve the proposed Objects and Business of Stockport Active CIC.

12.4 Cabinet are asked to delegate authority to the Deputy Chief Executives for Place and Corporate & Support Services in consultation with the Cabinet Members for Sustainable Stockport and Resources, Commissioning and Governance to make decisions on matters over which the Council will retain decision making authority in relation to the CIC.

12.5 Cabinet are asked to approve the composition of the initial Board and the proposed future approach to the role and recruitment of non-Council Board Members and to delegate authority to the Deputy Chief Executives for Place and Corporate & Support Services in consultation with the Cabinet Members for Sustainable Stockport and Resources, Commissioning and Governance to make any such appointments.

12.6 Cabinet are asked to approve the proposed roles of the Cabinet Member for Sustainable Stockport and Scrutiny Committees in relation to oversight and scrutiny of Stockport Active 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