

**ACTIVE COMMUNITIES: UPDATE ON TRANSITION TO NEW ARRANGEMENTS  
FOR OPERATION OF COUNCIL-OWNED LEISURE CENTRES AND DELIVERY  
OF ACTIVE COMMUNITIES PROGRAMMES**

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

**1. INTRODUCTION AND PURPOSE OF REPORT**

- 1.1 This report provides an update on the transition to new arrangements for the operation of Council-owned leisure centres and delivery of programmes to improve physical activity amongst the least active in the Borough from Stockport Sports Trust (trading as Life Leisure) to Stockport Active CIC, who will retain the trading name Life Leisure.
- 1.2 The report provides updates on how the different areas of Life Leisure's work will be monitored by the Council in future, how they will be scrutinised by Members and the governance structures which will be in place between Life Leisure and the Council.
- 1.3 The report provides an indication of the level of management fee which is likely to be required to support Life Leisure in 2022/23 and in the following two years (2023/24 and 2024/25), subject to their trading performance.

**2. BACKGROUND**

- 2.1 Under contractual arrangements due to expire on 31<sup>st</sup> March 2022, Life Leisure (trading name of Stockport Sports Trust) operate 10 Council-owned leisure centres and deliver active communities programmes designed to improve levels of physical activity amongst the least active in the Borough. They also operate Houldsworth Village leisure centre in Reddish, which is leased via the Council from a private landlord, and own and operate Stockport Sports Village in Woodley. They were also contracted to operate leisure services by Barrow Borough Council.
- 2.2 The financial impact of the COVID-19 pandemic on the UK leisure sector and the requirement to provide additional financial support from the Council to Life Leisure, which was agreed by Cabinet in October 2020, highlighted that the previously agreed approach to procuring a new leisure operator post April 2022 could expose the Council to significant financial risk in a turbulent trading environment. 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 approve the move to an alternative delivery model following further options appraisal and due diligence to investigate and evaluate alternative models which would enable improved control of costs following the financial impact of the COVID-19 pandemic.

- 2.3 In December 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 take all action necessary to establish a new Community Interest Company (CIC) to deliver active communities programmes on behalf of Stockport Council and to operate Council-owned leisure centres to replace current arrangements with Life Leisure, subject to the business case and benefit rationalisation illustrating that this was the most cost effective option in the leisure market at that time.
- 2.4 In February 2021, 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:
- a) Sign off the final business case for the establishment of the Community Interest Company (CIC) and give final authorisation for its enactment
  - b) Sign off the final business case for the acquisition of Stockport Sports Village from Woodley Sports Centre Limited and give final authority for the purchase
  - c) Take all action necessary to proceed to full implementation of the Community Interest Company (CIC)
  - d) Undertake further final due diligence in relation to the acquisition of Stockport Sports Village (SSV) prior to establishment of the CIC and final service specification
  - e) To provide any assistance necessary to Barrow Borough Council in connection with Life Leisure's withdrawal from the contract to operate Life Leisure Barrow Park
  - f) To provide any assistance necessary to Life Leisure in a potential orderly wind down of Stockport Sports Trust.
- 2.5 Stockport Active CIC was established as a Community Interest Company, wholly owned by the Council and limited by guarantee on 18<sup>th</sup> May 2021. Previous Cabinet Reports and the full business case recommended that the trading name Life Leisure should be maintained by Stockport Active CIC to

provide continuity to customers and avoid the need for re-branding.

- 2.6 In June 2021, Cabinet approved new strategic objectives for Life Leisure, initial proposals on performance reporting, the proposed Objects and Business of Stockport Active CIC, the composition of the initial Board and proposed future approach to the role and recruitment of non-Council Board Members. Cabinet approved the proposed roles of the Cabinet Members for Sustainable Stockport and Scrutiny Committees in relation to the new organisation.
- 2.7 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 and Governance to make decisions on matters over which the Council will retain decision making authority in relation to Life Leisure and to make further appointments to the Board.

### **3. TRANSITION UPDATE**

- 3.1 Current arrangements with Stockport Sports Trust (Life Leisure) expire on 31<sup>st</sup> March 2022. The Council's ambition has been to transfer Life Leisure's Stockport operations into the new organisational entity as soon as is operationally feasible, whilst minimising overall cost to Stockport Sports Trust and the Council.
- 3.2 A project team of officers from the Council and Life Leisure have been progressing a series of workstreams to fully transfer the current Life Leisure operations in Stockport into the new organisation.
- 3.3 The full business cases for the creation of the new organisation and the acquisition of Stockport Sports Village in Woodley have been finalised and signed off in consultation with the Cabinet Members for Sustainable Stockport and Resources, Commissioning and Governance. These follow the completion of appropriate due diligence.
- 3.4 The Board of the new organisation have undertaken a programme of training to equip them for their roles, which has included directors' duties training, health and safety responsibilities from a specific leisure perspective and obligations in relation to the transfer of staff and their pensions from Stockport Sports Trust to the new organisation.
- 3.5 Appropriate legal documentation has been drafted and finalised ready for signing and sealing covering the transfer of Life Leisure business and assets between Stockport Sports Trust and Stockport Active CIC.
- 3.6 A suite of legal documentation has been drafted and is now finalised ready for signing and sealing to govern the new relationship between the Council and Life Leisure, and Life Leisure and third parties, including schools where

dual/community use agreements need to be in place. These documents include:

- Members Agreement
- Services Contract
- Leases
- Dual/Community Use Agreements for school sites

3.7 The specification which outlines the services which the Council requires Life Leisure to deliver, the detailed performance expectations and data collection and reporting arrangements has been finalised. This is grouped into five discrete areas which will aid monitoring and reporting.

- Active Communities
- Customer Experience & Reach
- Facilities Management
- Financial Management & Commercial
- Organisational Governance

3.8 Life Leisure have developed an outline business plan and budget for the financial year 2022/3. This also includes an outline budget for the following 2 financial years.

3.9 The establishment of new banking facilities has taken significantly longer than anticipated due to factors outside the Council's control. However, the new bank account is now set up and will be fully operational by the planned transition date. Member data will need to be transferred to the new banking arrangements following appropriate communication. A condition of opening the banking facilities for the new organisation has been that the Council enters into a deed of guarantee and indemnity in favour of the bank (Lloyds) to secure the new organisation's liabilities to the bank.

3.10 The process of statutory consultation under the TUPE regulations in respect transferring employees to the new organisation will commence in January 2022.

3.11 Arrangements have been put in place for determining the contract between Stockport Sports Trust and Barrow Borough Council to operate Life Leisure Barrow Park and staff and operations will transfer to a new organisation, Barrow Forward, from 1<sup>st</sup> February 2022.

3.12 Given the delays incurred by putting into place a fully operational bank account and the time taken to finalise the transfer of Barrow operations to the successor organisation, it is now proposed that the date for full and final transfer of business from Stockport Sports Trust to the new organisation is the 1<sup>st</sup> April 2022. This has the advantage of aligning with the end of the current arrangements between the Council and Stockport Sports Trust, the termination date of current arrangements between Stockport Sports Trust and

its suppliers and will ensure that there is no duplication of expenditure between the old and new organisations. Coinciding with the end of Life Leisure's financial year, this also provides a clear cutover between the existing and new arrangements.

#### **4. GOVERNANCE, MONITORING AND REPORTING UPDATE**

- 4.1 Since the report to Cabinet in June 2021, further work has been undertaken on governance and reporting arrangements and these are now in a position to be finalised.

##### *Strategic Alignment and Direction*

- 4.2 The new Life Leisure arrangements have been put in place by Stockport Council to drive forward implementation of key aspects of its Active Communities Strategy and to operate Council-owned leisure centres. The Active Communities Strategy is currently undergoing a refresh to reflect the new Sport England strategy, *Uniting the Movement*, the updated Greater Manchester strategy for physical activity, *Greater Manchester Moving* and more local developments, including the *One Stockport Neighbourhood Plan*.

- 4.3 The current 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

It is not anticipated that the aims and emphasis of the refreshed strategy will be significantly different.

- 4.4 An outcomes framework has been developed which uses nationally collected data to track the progress Stockport is making towards achieving a range of health and wellbeing outcomes linked to the Active Communities Strategy. The wide range of partners in Stockport, including Life Leisure, who are involved in the delivery of the

strategy, contribute to the delivery of these outcomes which are reported into the Health and Wellbeing Board.

- 4.5 To enable Life Leisure to make a key contribution to the delivery of the Active Communities Strategy and the outcomes framework, three strategic objectives have been agreed for the organisation going forward:
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

#### *Specification and Service Requirements*

- 4.6 The Council provides clear guidance on how it expects Life Leisure to achieve these strategic objectives in a detailed service specification which forms part of a suite of contractual documentation between the two organisations. The specification comprises five dimensions:

Active Communities  
Customer Experience & Reach  
Facilities Management  
Financial Management & Commercial  
Organisational Governance

The Members Agreement, services contract and leases underpin the legal relationship between the Council and Life Leisure. These will all run initially for a period of five years from 1<sup>st</sup> April 2022.

- 4.7 The table below summarises the key service requirements of Life Leisure from the Council under the five dimensions:

## **Active Communities**

- A. An Active Communities Programme is delivered in line with the One Stockport Active Communities Strategy which provides increased opportunities for inactive and under-represented groups to be engaged in regular physical activity:
- Older people (over 75's)
  - Women & Girls
  - Children & Young People
  - People with disabilities
  - People on low incomes
  - Priority areas
  - BAME
  - Long Term Conditions
  - Unemployed
  - Children with SEND
- B. A specialist physical activity service is delivered in line with the agreed bespoke specification, promoted and continually developed to meet local needs.
- C. The implementation of local, regional and national sports development policies is supported and representation is provided on relevant groups.
- D. External funding is sourced for the delivery of existing and new programmes.

## **Customer Experience & Reach**

- A. Consistently high level of customer care is provided that ensures all customers receive a high quality and enjoyable experience.
- B. Facilities and services are fully accessible to all members of the community and provide a holistic and inclusive approach to equality of access.
- C. Inclusive by design, a dynamic, innovative and responsive programme of activities is provided at facilities and through the Active Communities programme that meets the needs of all sections of the community and promotes behaviour change.
- D. Pricing and concession schemes are consistent and aligned to local market rates ensuring that all sections of the community are able to access facilities and the Active Communities programme.
- E. Marketing, research and communication promotes the facilities, services and programmes effectively and reaches target audiences.

## Facilities Management

- A. Facilities are maintained to a high level of cleanliness to provide a healthy, high quality and safe environment for all customers, allowing for efficient and effective operational use of the facilities and promoting a positive image of the facilities at all times.
- B. Facilities and services comply with all relevant Health & Safety legislation, guidance and recognised industry practice and there is a culture of continuous improvement which keeps people acceptably safe. Major incidents and near misses are reported.
- C. The Council, and if appropriate, all other relevant authorities (e.g. Police, Fire, HSE, etc.) are made aware of all major incidents and near misses as soon as possible.
- D. All buildings, plant and equipment utilised by Life Leisure are maintained to a high standard to ensure a high-quality customer experience, to conform with Legislation and statutory requirements and to maximise the lifecycle of the Council's assets. All building fabric, fittings, assets and equipment are replaced in accordance with the Facilities Management Responsibility Matrix. All statutory and other mandatory requirements are met in relation to maintenance services and inspections.
- E. Equipment is available, well maintained, safe and fit for purpose for the activity it is designed for, taking into account the standard of sport or activity being undertaken and is able to meet the programming requirements of the services.
- F. External grounds within the site boundaries of the facilities are maintained in such a way as to provide a well presented and safe environment for all customers, allowing for efficient and effective use of the facilities and promoting a positive image of the facilities at all times.
- G. Facilities are operated in an environmentally sensitive and sustainable manner, to reduce energy, water and wastewater consumption, minimise chemical usage, recycle appropriate non-hazardous wastes and contribute to the delivery of the Stockport's Climate Action Now policies for safeguarding the environment and promoting sustainability.
- H. Relevant operational and technical requirements are met to ensure that facilities comply with relevant legislation, are energy efficient, meet the appropriate standard for the operation of the facilities, are conducive to the activities being carried out and are comfortable for users.



### **Financial Management & Commercial**

- A. Revenues are maximised from all commercial activities
- B. Value for money is demonstrated in comparison to other local providers and Local Authority nearest neighbours
- C. Appropriate provision is made for replacement of equipment and infrastructure.
- D. Deficit funding required from the Council is reduced year on year.
- E. Life Leisure works towards being financially self-sustainable within an agreed period.

### **Organisation Governance & Management**

- A. Organisational policy and strategy are aligned to relevant national, regional and local policies
- B. All activities and programmes involving young people and vulnerable persons are carried out adhering to legal and best practice safeguarding standards
- C. Services provided adopt a holistic and inclusive approach to equality of access and participation for all users regardless of age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.
- D. Sufficient and suitably qualified staff are in place to provide the services required, to comply with legislation and industry guidance and to best meet the Council's Strategic Priorities and contribute towards its wider local Strategic Outcomes
- E. Provision of robust and innovative ICT systems that enable a high quality of customer service and can comprehensively record, track and report on customer profiles and visit behaviour
- F. Delivery of Services in accordance with the aims of the Public Services (Social Value) Act 2012 through the delivery of wider social, economic and environmental benefits.
- G. A robust quality management system is in place that covers all aspects of the Services and is focused on customer experience.

H. Services comply fully with all Legislation relating to the management of the facilities and provision of Services.
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4.8 Life Leisure are required to produce an annual business plan indicating how they plan to deliver the specification in the forthcoming year and outline a budget for delivering the business plan and an indication of any funding likely to be required from the Council to achieve this. They are also expected to provide an estimation of budget for the subsequent two years to aid the Council's Medium Term Financial Planning.

*Monitoring and Reporting*

4.9 The Council has worked with Life Leisure to develop a monitoring and reporting framework, based on the five dimensions of the specification, to ensure that the Council has assurance that the organisation is delivering the specification effectively and using resources in pursuit of the organisation's strategic objectives and the delivery of the outcomes of the Active Communities Strategy, as outlined in the outcomes framework.

4.10 A framework of Key Performance Indicators (KPIs) has been agreed relating the five dimensions of the specification which will be central to monitoring the work of Life Leisure and reporting the organisation's performance back into Elected Members through Scrutiny Committees.

Active Communities	
AC1	Delivery of outcomes in Active Communities Outcomes Framework
AC2	Throughput of Leisure Key users
AC3	Value of investment secured by Sports Clubs supported by Life Leisure
AC4	Number of people accessing Life Leisure swimming lessons
AC5	Throughput of people engaged on community outreach programmes
AC6	Number and % of people completing the Specialist Physical Activity Programme

Customer Experience & Reach	
CE1	Centre throughout and year on year % change
CE2	Level of membership / target groups
CE3	QUEST score
CE4	Net Promoter Score
CE5	Retention of all membership groups

Facilities Management	
FM1	Satisfaction with cleanliness
FM2	Number of Key Facility/Equipment (Pitch, Pool, Gym, Studio, Sports Hall) days lost due to maintenance or compliance issues
FM3	%of jobs on FM system completed
FM4	Annual overall energy consumption
FM5	Proportion of energy generated through green energy

Financial Management & Commercial	
FC1	Income less expenditure forecast for year as per Business Plan
FC2	Subsidy per visit
FC3	Value of external grants secured
FC4	% cost recovery
FC5	Overheads as a % of total cost

Organisational Governance & Management	
OG1	Total Social Value
OG2	Number/value of Apprentices, work experience placements & educational alternative curriculum placements
OG3	% workforce completed equality and diversity training
OG4	% of workforce completed GM Active workforce development programmes
OG5	Retention of workforce

- 4.11 Performance against these KPIs will be compared to prior year statistics, baselines or targets agreed as part of Life Leisure's annual business plan to demonstrate direction of travel. Where baseline information does not already exist, the first year of the new arrangements (2022/23) will be a baselining exercise. All subsequent years will involve setting targets through the collaborative annual business planning process with the Council. Life Leisure will draw from national data sources to assist in establishing targets. The KPIs will be used alongside Life Leisure's annual business plan (with associated financial reports) and the Active Communities outcomes framework to monitor and report on the performance of the organisation.
- 4.12 As time progresses, the Council through discussion with Life Leisure may consider the use of alternative performance indicators that measure performance in a more effective or efficient way, taking advantage of any advances in technology or innovation in data collection methods.
- 4.13 Monthly monitoring of Life Leisure's performance will take place between relevant Council Officers and the organisation in relation to the 5 dimensions of the specification. This process will provide an opportunity for the Council and Life Leisure to work jointly to resolve issues which are likely to affect Life Leisure's ability to meet performance or financial targets. The commissioning officers from the Council will meet quarterly with the Executive of Life Leisure to take an overview of performance across the 5 specification dimensions and to address any outstanding issues not resolved by the monthly monitoring process.
- 4.14 The Cabinet Member for Sustainable Stockport has overall responsibility for the oversight of Life Leisure and will receive a quarterly progress report from the commissioning officers/directors. It is recognised that the work of Life Leisure has a significant impact on other Cabinet Portfolios, in particular Adult Care & Health and Resources, Commissioning & Governance and Cabinet Members will be kept appropriately updated quarterly on the work on the organisation relating specifically

to their own portfolios by commissioning officers/directors.

4.15 The following Scrutiny Committees have direct interest in specific dimensions of Life Leisure's work,

Communities & Housing	Customer Experience & Reach Active Communities
Corporate Resource Management & Governance	Facilities Management Financial & Commercial Organisational Governance
Adult Social Care & Health	Active Communities – with a particular focus on the adult population
Children & Families	Active Communities – with a particular focus on children & young people

4.16 An annual report, jointly presented by commissioning officers and representatives from Life Leisure, will be produced for these Scrutiny Committees in June each year on the performance of the organisation in the previous year. The report will cover:

- (a) Performance during the previous year against the KPIs. Performance will be compared against prior year statistics, baseline or agreed targets to demonstrate direction of travel.
- (b) Life Leisure's contribution to specific outcomes in the Active Communities outcomes framework. This will highlight data in comparison to prior year on participation in programmes and memberships by groups who have been agreed as targets in annual business planning process.
- (c) Case studies of projects or work with individuals or groups which illustrate the impact that Life Leisure is having in improving health, wellbeing and social outcomes against all ages.
- (d) Life Leisure's performance against their business plan and budget, with associated financial reports showing overall income and expenditure and the level of management fee required/surplus generated in comparison with budget and prior year.

4.17 Although all four Scrutiny Committees will receive the same report covering all the above areas, they will be requested to focus their scrutiny of the organisation's work on the dimensions relevant to the work of their Committee.

4.18 The flow of funds from the Council to Life Leisure, particularly in the initial years of the new arrangements, and its resultant impact on the Medium-Term Financial Plan will require enhanced scrutiny by the Corporate Resource Management & Governance Scrutiny Committee. To facilitate this, the Committee will receive an outline of Life Leisure’s business plan and budget for the following financial year in December or January each year.

4.19 The monitoring and reporting arrangements for Life Leisure are summarised in the table below:

	What	By
Monthly	<ul style="list-style-type: none"> <li>• Ongoing performance monitoring against KPIs, Active Communities outcomes framework and Life Leisure business plan targets</li> <li>• Early identification and resolution of issues potentially impacting on achievement of financial and performance targets</li> </ul>	Commissioning Officers
Quarterly	<ul style="list-style-type: none"> <li>• Retrospective performance in previous quarter against KPIs, Active Communities outcomes framework and Life Leisure business plan targets.</li> <li>• Forecast performance for remainder of year against KPIs, Active Communities outcomes framework and Life Leisure business plan targets</li> <li>• Early warning of issues that will impact on achievement of financial and performance targets</li> </ul>	Commissioning Officers/Directors  Cabinet Member – Sustainable Stockport  Cabinet Member – Adult Care & Health (as relevant)  Cabinet Member – Commissioning, Resources & Governance
Annual  (December/ January)	<ul style="list-style-type: none"> <li>• Scrutiny of following year’s outline business plan and budget</li> </ul>	CRMG Scrutiny

Annual (June)	<ul style="list-style-type: none"> <li>• Scrutiny of Life Leisure annual report: <ul style="list-style-type: none"> <li>– Performance against previous year’s KPIs</li> <li>– Contribution to Active Communities outcomes framework</li> <li>– Impact case studies</li> <li>– Performance against previous year’s business plan and budget</li> </ul> </li> </ul>	Communities & Housing Scrutiny  CRMG Scrutiny  Adult Social Care & Health Scrutiny
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4.20 With the implementation of the new arrangements, Funding Committee which previously provided Elected Member oversight of Life Leisure will cease to exist.

## 5. LIFE LEISURE OUTLINE BUSINESS PLAN AND BUDGET 2022/23

### *Business Plan*

5.1 Life Leisure have developed an outline business plan for 2022/23 which demonstrates how they propose to deliver the new specification and sets out their priorities for the year. The priorities are summarised as:

1. Delivery of new specification
2. Recovery and retention
3. Active communities focus
4. Staff training and retention
5. Reducing utility costs and consumption
6. Longer-term sustainability

5.2 The specification which the Council expects Life Leisure to deliver is outlined above (paragraph 4.7). The specification is a significant development on previous arrangements, agreed in 2002, which did not detail the Council’s service expectations from Life Leisure.

5.3 A key priority for Life Leisure is increasing income and recovering this back to pre-pandemic levels in their three largest income areas:

- Health & Fitness Memberships
- Swimming Lessons & Casual Swimming
- Sport & Recreation Bookings (indoor sports halls and outdoor football pitches)

- 5.4 Health & fitness memberships are Life Leisure's biggest income line and almost 50% of members were lost as a result of the pandemic. At current growth and retention rates, they are expecting pre-pandemic levels of membership (15,750 members) to be achieved by Year 3 (2024/25). Upon reopening in April 2021, health & fitness member numbers had reduced to around 8,500 (56% of pre-pandemic levels). This has since recovered to 10,400 members and continues to grow monthly and is now generating £0.333m income per month.
- 5.5 Swimming is Life Leisure's second biggest income stream and also key to recovery. Despite dropping to just 2,795 children enrolled on swimming lessons (55% of pre-pandemic levels) and a 30% reduction in casual swimming in April 2021, swimming income is expected to reach pre-pandemic levels as soon as April 2022. Retention of swimming lesson participants and swimming teaching staff is key to this recovery. School swimming has returned at almost 100% of pre-pandemic levels.
- 5.6 Sport & recreation has recovered faster than anticipated, mainly due to outdoor income being back to pre-pandemic levels almost immediately. Indoor sports had a later return but are currently at 90% of pre-pandemic levels and increasing. It is anticipated that they will be back to 100% by April 2022.
- 5.7 Life Leisure have been instrumental in the delivery of a range of innovative programmes to target the least active groups in Stockport for a number of years. The move to new arrangements and the requirement to deliver a specification which has a much clear focus on active communities means that the organisation has to transform itself from a traditional leisure provider into a community health and wellbeing organisation. This will involve all Life Leisure's staff being responsible for helping to create an active Stockport and creating environments where residents can start or be signposted to services which will allow them to lead longer, healthier lives. Addressing inequalities will be key to developing this active communities focus.
- 5.8 The pandemic has had a huge impact on staff turnover at Life Leisure with 35% of staff across the organisation leaving the business for alternative employment. The sheer number of new starters required to keep facilities and programmes operational mean investment in training is a high priority, along with an increased focus on staff retention to deliver organisational stability and reduce costs.
- 5.9 Life Leisure are a significant consumer of utilities and recent increases in prices will have a major impact on the organisation's finances. Life Leisure are working closely with the Council to minimise these costs in the short term, both by finding the most cost-effective supply arrangements and taking action to reduce consumption, with a 5% reduction target set for 2022/23. Work is also being initiated to ensure that our leisure estate is part of a wider decarbonisation programme and is generating and using energy from renewable sources.
- 5.10 Life Leisure will work closely with the Council during 2022/23 to make sure that leisure centres and active communities programmes are operationally and

financially sustainable for the future. This will involve working together on investment plans that help achieve the outcomes of the Active Communities Strategy as well as maximising income wherever possible and continually reviewing their cost base.

- 5.11 Alongside these priorities, Life Leisure will continue to deliver on their areas of core business – health & fitness, swimming and sport & recreation – seeking to maximise participation and income whilst continually reviewing expenditure.

#### *Budget*

- 5.12 A key aim in putting the new arrangements in place with Life Leisure has been to stabilise the cost of leisure and active communities provision, secure demonstrable value for money and to enable the Council to have more control over the funding demands placed by these services and how these deliver the Council's prioritised outcomes for residents.
- 5.13 The outline business case approved by Cabinet in February 2021 provided an initial estimate of the financial support that would be required by Life Leisure from the Council in the form of a management fee for the first three years of the new arrangements.

#### **Outline Business Case - Management Fee Estimates**

	<b>£,000</b>
2022/23	789
2023/24	475
2024/25	375

- 5.14 Development of the full business case provided the opportunity to undertake a fuller costing exercise, more detailed income analysis, taking into account updated leisure industry forecasts on the level and pace of recovery in the sector. More detailed consideration of financial risks was undertaken and the management fee estimates were updated accordingly, building in a greater degree of contingency for leisure market volatility and cost inflation. The full business case was approved under delegated authority from Cabinet by the Deputy Chief Executives for Place and Corporate Support Services in consultation with the Cabinet Members for Sustainable Stockport and Resources, Commissioning & Governance in April 2021.



### Full Business Case - Management Fee Estimates

	£,000
2022/23	1,029
2023/24	480
2024/25	380

- 5.15 Life Leisure's 2022/23 business plan and budget has built upon the work in the outline and full business cases, taking into account trading information since reopening of sites in April 2021 and updated cost information. General inflation across all cost areas has placed pressures on aligning the budget to the estimates in the full business case, but particularly in the following areas:
- Cost of utilities provision due to wholesale price increases across domestic and commercial supply;
  - Staffing costs due to National Minimum Wage and National Insurance increases; and
  - Cleaning costs as a result of ongoing COVID-19 measures.
- 5.16 A summary of Life Leisure's budget showing comparison of the current business plan to the full business case is shown at Appendix A (Confidential).
- 5.17 The Council has worked closely with Life Leisure to mitigate the impact of these expenditure pressures on the 2022/23 budget and will continue to identify options for increasing income and delivering efficiencies and cost savings to bring the 2023/24 and 2024/25 budgets closer to the estimates in the full business case. Nevertheless, significant risks remain particularly in relation to utilities costs, general inflation, and the continued impact of the pandemic on customer confidence and income levels.
- 5.18 The budget provides an updated estimate of the management fee which is forecast to be required from the Council by Life Leisure over the next three years. The Council's MTFP Covid-19 financial scarring impact contingency budgets for each financial year have been updated to reflect the Life Leisure Budget presented in the table below.

## Life Leisure Budget and Comparison to Full Business Case Estimates

	<b>Life Leisure Budget</b>	<b>Full Business Case Estimate</b>	<b>Variance</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
2022/23	1,008	1,029	21
2023/24	682	480	(202)
2024/25	600	380	(220)

5.19 The actual level of management fee will be determined by trading performance and actual costs but cannot exceed the budget without separate authorisation through an agreed process outlined in the Services Contract.

## 6. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

### 6.1 Revenue and Capital consequences of report recommendations

6.1.1 Section 5 of the report and the confidential appendix outline the revenue consequences of the new arrangements with Life Leisure for the operation of Council-owned leisure centres and the delivery of active communities programmes. The proposed approach is consistent with the revenue requirements outlined in the Medium-Term Financial Plan for 2022/23. It is noted that a number of potential pressures have been identified in Life Leisure's indicative budget for 2023/24 and 2024/25. Work will take place to resolve these with Life Leisure.

6.1.2 The Council deals with its capital investment obligations in the leisure estate through the annual Asset Management Plan based on condition surveys and identified operational issues which fall its scope of responsibility. A number of projects have already been identified which would need to proceed, whatever arrangements were in place with Life Leisure.

### 6.2 The effect of the decision

6.2.1 The decision to implement new arrangements with Life Leisure has been identified as the best option for sustaining Council-owned leisure provision in the Borough and for the continuation and development of active communities programmes and interventions which aim to get the least active people and groups in Stockport engaged in physical activity in order to improve their health and wellbeing.

### 6.3 Risks

- 6.3.1 The risks in transitioning to new arrangements with Life Leisure have been tracked throughout the project. The key risks that remain as the transition date approaches relate to trading performance of Life Leisure and the organisation's ability to manage cost inflation, particularly in regard to utilities and staffing costs and the continued impact of the pandemic on income levels. Another risk relates to grant income: It is assumed in the business case that Life Leisure will be awarded grant income of circa £0.500m each year. Whilst these risks are difficult to mitigate, the Council's new arrangements with Life Leisure put it in a much stronger position to be able to control the financial impact that this has on the Council.

### 6.4 Options

- 6.4.1 A detailed external appraisal of options was carried out as part of the outline business case for moving to new arrangements which was approved by Cabinet in February 2021

### 6.5 Future savings/ efficiencies

- 6.5.1 Life Leisure faces financial challenges over the next 3 years in a leisure market which is extremely competitive and recovering from the impact of the COVID-19 pandemic. The Medium-Term Financial Plan has assumed that efficiencies can be made by more closely aligning functions within Life Leisure with the Council over time.

## **7. LEGAL CONSIDERATIONS**

- 7.1 The transition to new arrangements has required the Council to enter into a transaction with Stockport Sports Trust to acquire the assets of Life Leisure to enable them to be used by the new organisation. Appropriate legal documentation has been drafted to cover the transaction.

- 7.2 The new arrangements will put a new legal structure into place between the Council and Life Leisure to replace the current arrangements with expire on 31<sup>st</sup> March 2022. These will comprise:

Members Agreement  
Services Contract  
Leases

- 7.3 New legal arrangements will need to be put in place between Life Leisure and a number of third parties, including schools where Life Leisure will operate leisure facilities for community use.

- 7.4 The Council has received external legal advice on all this documentation and will ensure that this is appropriately signed and sealed to coincide with the transition date.
- 7.5 The transition to new arrangements will not require a procurement process and the performance monitoring framework and benchmarking with other leisure providers will be employed to ensure that the Council is continuing to get value for public money.

## **8. HUMAN RESOURCES IMPACT**

- 8.1 All current contracted Life Leisure employees who are involved in delivery of its Stockport operations will transfer to the new organisation with effect from 1<sup>st</sup> April 2022 under TUPE regulations. Current pension entitlements will transfer to the new arrangements. No measures will be applied as part of the transfer.
- 8.2 There will be no human resources impact on the Council.

## **9. EQUALITIES IMPACT**

- 9.1 The Equality Duty is explicitly embedded in the specification to which Life Leisure are required to operate. Performance will be tracked through demographic data which the organisation is required to collect and report on through the Active Communities programme and outcomes framework.

## **10. ENVIRONMENTAL IMPACT**

- 10.1 The proposed arrangements will not have any negative environmental impact.
- 10.2 The specification to which Life Leisure are required to operate carries an explicit requirement to work with the Council on delivering the outcomes of Stockport Climate Action Now through all its operations and facilities.

## **11. CONCLUSIONS AND RECOMMENDATIONS**

- 11.1 The Scrutiny Committee are requested to comment on the approach proposed above and are asked:
- a) To note the transition to new arrangements for the operation of Council-owned leisure and delivery of programmes to improve physical activity amongst the least active in the Borough from Stockport Sports Trust (trading as Life Leisure) to Stockport Active CIC, who will retain the trading name Life Leisure.
  - b) To note the arrangements for how the different areas of Life Leisure's work will be monitored by the Council in future, how their will be scrutinised by Members and the governance structures which will in

place between Life Leisure and the Council.

- c) To note the indicative level of management fee which is likely to be required to support Life Leisure in 2022/23 and in the following two years (2023/24 and 2024/25), subject to their trading performance.

### BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Peter Ashworth on 0161 474 2392 or by email on [peter.ashworth@stockport.gov.uk](mailto:peter.ashworth@stockport.gov.uk)