

Report of	Meeting	Date
Director of Governance	Scrutiny Committee	Thursday, 24 November 2022

## South Ribble Leisure Company

Is this report confidential?	No
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Is this decision key?	Not applicable
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### Purpose of the Report

- To inform members of the Scrutiny Committee of the progress of the implementation and performance of the wholly owned Leisure Company.

### Recommendations

- That members note the report.

### Reasons for recommendations

- South Ribble Leisure Company, whilst wholly owned by the Council, is an independent legal entity. It is a key partner of the Council and it is appropriate for the Council to scrutinise how the performance of the Company contributes to the priorities of the Council.

### Corporate priorities

- The report relates to the following corporate priorities:

An exemplary council	Thriving communities
A fair local economy that works for everyone	<b>Good homes, green spaces, healthy places</b>

### Background to the report

- On 27 January 2021, Council resolved to insource the Leisure Service provision and deliver in house. Subsequently, on 19 May that year Council then resolved to establish a wholly owned company to deliver the service on behalf of the council.
- Pursuant to that decision, South Ribble Leisure Limited was established and commenced operation on 1 September 2021.

## **Governance and Reporting Arrangements - Roles**

7. The governance arrangements were developed to mirror those of the Council. The Company has a Board of Directors drawn from Directors of the Council being
  - a. Director of Commercial Services – Managing Director
  - b. Director of Finance
  - c. Director of Governance.
8. The sole shareholder of the company is the Council and this role is fulfilled by the Executive Cabinet.
9. The company standing orders document Appendix 1 confirms the split in responsibilities and delegated authority. Members of the committee will note these broadly follow an executive/ council split with the board fulfilling the executive role and the shareholders the council.
10. The Director of Communities fulfils the client role supporting the Cabinet Member for Health and Wellbeing.

## **Governance and Reporting Arrangements – Meetings**

11. The day to day management of the Leisure Service sits with the Managing Director and the delegated authority from the Company reflects that held with other services within council directorates.
12. Matters without delegation are presented by the MD to the board for decision, with the board scheduled to meet every 2 months. A template agenda is attached Appendix 2, which is modified to reflect the business to be considered.
13. Accounts for the first trading year will be produced and will be presented for the Shareholder AGM this year for approval.
14. The Client meetings are organised by the Director of Communities and take place monthly. These are effectively a contract monitoring meeting where company performance against council priorities is measured and reported and serves as an information exchange mechanism. Contact here is a 2 way process with the company having the opportunity to raise issues which are the responsibility of the Council. A copy of a typical monitoring report is attached at Appendix 3.

## **Delivery of Council Objectives**

15. Based upon instructions received from the client Council, the company adopted a single year business plan Appendix 4 which reflected the imminent priorities of the Council for the Company. There were 2 significant projects for delivery
  - a. Establishing an appropriate staffing structure and moving staff on to terms and conditions of employment that aligned with council staff; and
  - b. Improvement works to the centres to include decarbonisation work and improvements to the facilities to make them more attractive propositions for users and better support the council's health and wellbeing priorities.

To be clear whilst b. above is a council project (the assets themselves being retained by the council) it is clearly a project in which the company are a stakeholder and future delivery of outcomes is dependent on the improvement works.

16. The remaining priorities of the business plan were to ensure continued delivery and re-establish the leisure centre use after the covid pandemic and associated lock-downs.

## **Performance**

17. The performance monitoring report for October this year is attached at Appendix 3 previously referenced. Members will note the reporting undertaken addresses the following:-
  - Recommendations for Leisure Strategic Partnership Board approval
  - Progress on Annual Service Plan
  - Progress against the Leisure Facility Strategic Priorities and contribution towards wider local Strategic Outcomes
  - Financial performance
  - Communications, Branding and Marketing
  - Service improvement opportunities
  - Capital Project update
  - Variations to contract and commissioning opportunities
  - Other matters of a strategic nature considered appropriate for discussion by the Board.
18. The report provides the current position (circa September this year) and addresses specifically the performance indicators sought by Council, and the activities undertaken to support the councils priorities and objectives as well as providing detail on future opportunities to contribute to the council delivery.
19. These reports are prepared quarterly and delivered to the Leisure Strategic Partnership Board.

## **Staffing**

20. The restructure and changes to the staff terms and conditions was supported by the Council's HR service and undertaken within council's policies and procedures so members can take comfort in relation to company compliance in this process.
21. The structure is due to be presented to Cabinet for consideration and agreement which will enable the company to proceed with implementation.
22. It has been a challenging process however, there will be no compulsory redundancies, no member of staff is being left worse off than before and all staff will be on SRBC staff terms and conditions moving forward (although employed by the Company).
23. This delivers the council objectives here in relation to fair wages and consistency of approach for terms and conditions. There are also now clear pathways for progression for staff, improvements to health and wellbeing both of which will assist with staff retention moving forward, ensuring the company benefit from staff development.

## **Financial Position**

24. The company budget was established based on information provided from the previous contract and estimates made by the Council. It was intended that the company will not require financial support from the Council by the commencement of financial year 2024/25.

25. This forecast will need revision however, whilst the company would have operated within the proposed budget matters outside company control will have a significant financial impact. Firstly, the cost of utilities has increased significantly; secondly, staffing cost increased (budgeted at 2%) have come in significant higher; finally the cost of living crisis is likely to hit public spending and there is a significant risk of a reduced income.
26. The Council's finance team provide budget monitoring support to the Company, this ensures that the Council remains informed at an early stage of any unexpected changes to the company's budget position.

## **Business Planning**

27. Moving forward, the Company are going to produce a rolling 5 year Business Development Strategy. This will be prepared by reference to the council objective to make the company financially self-sustaining, and the priorities within the Council Corporate Strategy. The Strategy will identify to larger schemes proposed by the company and confirm the benefits that will arise and how the relate to council priorities.
28. Each year the company will review the Strategy and produce an annual delivery plan, phasing the delivery of the bigger scheme proposals, but also introducing new projects which will deliver improvements tied to the council priorities.
29. The annual plan will outline the benefits of the actions and activities, indicators which will measure improvements and timetables for delivery. Where appropriate activities and or projects will be supported by the necessary project initiation and management documentation.
30. The process for development will be supported by the Council's Policy and Performance Team and will involve the Director of Communities to ensure the council priorities are met. This will ensure consistency in form and presentation which will assist both the directors of the company who monitor the company on a day to day basis and the council.
31. There will be before the end of November this year an initiation meeting between the Managing Director of the Company and Director of Communities and the Policy and Performance team. This will properly identify at the outset the priorities the Council are looking for the Company to support.
32. The Company will then work with the Policy and Performance Team to prepare the strategy and plan documents, consulting regularly with the Council.
33. The adoption of the documents will be done by the Board recommending the adoption to the Shareholders (the Executive Cabinet) this recommendation will be supported by a statement from both the Client Liaison and Policy and Performance confirming the suitability of the documents.
34. Members will be aware that it is intended by the Council to undertake investment in the Leisure Centres both in terms of works to reduce their carbon footprint and improve the user experience. These works are due to be delivered in the next financial year, although the actual programme has not yet been confirmed. This has a significant implication for the operation of the centres and the company have worked with property services to ensure there is an understanding of how the works will be delivered to ensure continuity of service provision for leisure centre users.

### **Climate change and air quality**

35. There are no direct implications for the council's green agenda within this report.

### **Equality and diversity**

36. This is an update report and there are no equality and diversity implications.

### **Risk**

37. This is an update report and advises members of governance structures and performance monitoring arrangements.

### **Comments of the Statutory Finance Officer**

38. No comments

### **Comments of the Monitoring Officer**

39. No comments.

### **Background documents**

There are no background papers to this report

### **Appendices**

Appendix 1 – Company Standing Orders Document

Appendix 2 – Template Board Agenda

Appendix 3 – Performance Monitoring Report – Quarter 2 2022

Appendix 4 – Business Plan 2022/23

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