



**Belfast City Council**

**RESTRICTED**

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	<b>Leisure Transformation Programme – Implementation update</b>
<b>Date:</b>	22 August 2014
<b>Reporting Officers:</b>	Andrew Hassard, Director of Parks and Leisure Ronan Cregan, Director of Finance and Resources Jill Minne, Director of Organisation Development
<b>Contact Officer:</b>	Caroline Wilson, Neighbourhood and Development Manager

<b>1.0</b>	<b>Relevant background information</b>
<b>1.1</b>	<p>At its meeting in February, the Committee agreed that its preferred business model was the Non Profit Distributing Organisation (constituted as a leisure trust called Active Belfast Limited).</p> <p>In April, Committee agreed the strategic principles for the Leisure Transformation Programme and, on this basis, authorised officers to take preparatory steps to transfer the service, as set out in the legal advice, including authority to enter into a contractual relationship with the Active Belfast Limited to ensure the effective delivery of the leisure services by developing a draft business plan and the necessary agreements with Active Belfast Limited.</p>

<b>2.</b>	<b>Key issues</b>
<b>2.1</b>	<p><b>General progress update</b></p> <p>There is an intensive programme of work now underway to draft the contractual documents as well as undertake detailed due diligence of the assets, condition of buildings and existing contracts that are to transfer to Active Belfast Limited. The contractual arrangements between the Council, Active Belfast Trust and its Strategic Operating Partner will be multi-tiered and will include a Funding and Management Agreement, Services Agreement, leases, Admission Agreement and parent company guarantees. These contracts will capture (amongst others) the funding arrangements, maintenance obligations and an agreed risk profile on pensions – all of which are being agreed and progressed in appropriate work streams.</p> <p>All of this is in line with the strategic principles and work plan agreed by Committee in April 2014.</p>

	<p>There continues to be ongoing positive engagement and consultation with staff and trade unions on the transfer arrangements for employees, in accordance with the appropriate legislative requirements, notably the Transfer of Undertakings (Protection of Employment) Regulations 2006.</p> <p>Recent Party Group briefings have also highlighted the importance of preparation work for capital investment planning and delivery for Phases II and III. The agreement with Active Belfast Limited and the Strategic Operating Partner will guarantee the £2m efficiency which will fund the next phase of developments.</p> <p>As part of the ‘check and challenge’ review, Deloitte has been re-engaged to give an expert view that the operation of leisure services through a leisure trust and its Strategic Operating Partner, is in the interests of the public and value for money.</p> <p>The ‘check and challenge’ review and any final pieces of legal/financial due diligence, including pension arrangements, will be presented to Committee in September.</p>
<p><b>2.2</b></p>	<p><b>Scope of contract</b></p> <p>Committee agreed in April 2014, that the services for inclusion in the transfer would include the operations of 10 leisure centres and facilities within their immediate curtilage e.g. adjacent 3G pitches.</p> <p>Following discussions, it is now proposed that the following are also included in the scope:</p> <ul style="list-style-type: none"> <li>– 3 centres transferring as part of Local Government Reform, namely, Robinson Leisure Centre, Belvoir Activity Centre and Brook Activity Centre + changing block;</li> <li>– Customer booking functions of playing pitches including 3-G pitches</li> </ul> <p>The inclusion of the customer booking functions of outdoor pitches will improve the customer experience, providing a single point of contact for all Council pitches. The income derived from pitch bookings will return to the Council and the Strategic Operating Partner will charge a standard fee for administering bookings.</p> <p>The liaison with the Belfast leagues will remain with the Council. This arrangement will have no impact on the Council’s role in grounds maintenance for pitches, with the exception of the three 3-G pitches which will transfer as part of the leasing arrangements.</p>
<p><b>2.3</b></p>	<p><b>Girdwood Park</b></p> <p>In April 2014, Committee also agreed that the leisure facilities at Girdwood Park would be included in the contract, with the Council retaining management of the Hub itself as well as the overall site. This includes the leisure facilities within the Hub building and the 3-G pitch – both currently under construction – and the future development of the indoor sports facility in the lower part of the site.</p> <p>Following discussions regarding the day-to-day operational difficulties of a ‘red line’ within the Hub building for the purposes of the leisure contract, it is proposed that the leisure contract scope is extended to include overall management of the Hub multi-functional building.</p>

	<p>This would include the SEUPB conditions regarding the peace and reconciliation nature of this project to be integrated into the performance management framework for the leisure contract. Work is underway to ensure that discrete facilities management and performance management arrangements are put in place to assure the Council's commitments as laid out in the letter of offer. Engagement with the Girdwood Community Forum is ongoing in relation to this matter.</p> <p>This is also in line with Committee's intention that the Council's 'leisure' assets serve a much broader neighbourhood development and social regeneration agenda.</p>
<b>2.4</b>	<p><b>Contracting arrangements</b></p> <p>Consequent to Committee's April meeting, it has been agreed with the Council's legal advisors, Trowers and Hamlins that the period of agreement between BCC and Active Belfast Limited should be 25 years and is to be effective from mid-October 2014, with services commencing 1 January 2015. The length of contract between Active Belfast Limited and the Strategic Operating Partner will be 15 years with a break option at 10 years.</p> <p>The legal recommendation is also that the Council should enter into a tri-partite contract between the Council, Active Leisure Limited and any Strategic Operating Partner to address complexities arising on property and employment matters. Further, the Council may require certain step-in rights that can be enshrined in this contract without further direct agreements being required.</p>
<b>2.5</b>	<p><b>Resources for Active Belfast Limited</b></p> <p>Until such times as the Board is fully populated, Active Belfast Limited has agreed that it should be minimally resourced. However, it is required to have independent legal and accounting advisors, in line with good governance and charitable law requirements.</p> <p>Pinsent Masons will therefore be appointed to act on behalf of Active Belfast Limited in relation to settling the terms of the Funding and Management Agreement with the Council, and anything further that may arise with agreement from the Council/the Trust.</p> <p>Notwithstanding this requirement, it is acknowledged that the establishment of Active Belfast Limited should not be at any additional burden to the rate-payer. In this context, it is proposed to make available a loan, at a commercially comparable to Active Belfast Limited. It is possible to re-pay this loan through the gain-share received by Active Belfast Limited through the savings accrued as part of the leisure contract. They would also be able to procure secretarial services from the Council, on a full-cost recovery basis.</p>
<b>2.6</b>	<p><b>Governance of Active Belfast Limited</b></p> <p>In terms of the population of the Board of Active Belfast Limited, discussions are in progress to ensure that it is representative of a range of stakeholders. Minor amendments to the articles of association will be required to facilitate this and this is now in process.</p> <p>The Council is also seeking advice from the Department of Environment regarding the appointment of elected Members to the board and Committee will be aware that this is an</p>

	<p>ongoing discussion for the shadow Council. A recommendation on this will be brought to Committee in September, to ensure various levels of democratic accountability in the scrutiny of the implementation of the contract, whilst at the same time ensuring that Active Belfast Limited is compliant with charitable law.</p> <p>It is anticipated that the Board will be fully populated within 12 months and through a mix of nominations, invitations to strategic partners and public appointments. At the appropriate point, the interim Directors will step down from the Board.</p>
<p><b>2.7</b></p>	<p><b>Appointment of Strategic Operating Partner</b></p> <p>In April, Committee noted that a newly established trust and its commissioning council will require competent and professional support through an established operating partner if risk transfer and sustainable transformation is to be realised. Committee noted a set of criteria for any Strategic Operating Partner which included:</p> <ul style="list-style-type: none"> <li>– ability to deliver social value in accord with Belfast priorities;</li> <li>– accreditation in customer excellence;</li> <li>– operation as a social enterprise;</li> <li>– ability and willingness to become a ‘good employer’; and</li> <li>– guarantees delivery of £2m efficiencies in funding agreement.</li> </ul> <p>Having considered the agreed criteria Active Belfast Limited intends to formally appoint Greenwich Leisure Limited to act as the Strategic Operating Partner in the implementation of the Belfast City Council contract.</p>
<p><b>2.8</b></p>	<p><b>Financial arrangements</b></p> <p>It is now suggested that SP&amp;R Committee commends to the shadow SP&amp;R Committee, as part of its expenditure controls, the contractual agreement for Active Belfast Limited that will guarantee the £2m efficiencies by April 2016, as required for capital investment.</p>

<p><b>3.0</b></p>	<p><b>Decisions required</b></p>
	<p>Committee is asked to:</p> <ol style="list-style-type: none"> <li>1. Agree that the scope is extended to include: the 3 centres transferring as part of LGR; and the customer booking functions of playing pitches including 3-G pitches; and the overall management of the Hub building at Girdwood Park</li> <li>2. Note the contractual arrangements being put in place, as recommended by legal advisors</li> <li>3. Authorise the Director of Finance and Resources to determine an appropriate loan for Active Belfast Limited so that it is able to meet its legislative requirements and negotiate the terms in the interests of the Council</li> <li>4. Note that Greenwich Leisure Limited has been appointed as SOP for Active Belfast Limited, in accordance with the criteria agreed by SP&amp;R Committee in April and to commend to shadow SP&amp;R the contractual agreement for Active Belfast Limited</li> </ol>

that will guarantee the £2m efficiencies by April 2016, as required for capital investment

5. Agree as per legal advice to have a tri-partite agreement between the Council, Active Belfast Limited and Greenwich Leisure Limited.

#### **4.0 Resource Implications**

This is a major physical and service transformation process and the implications for resources (staff, assets and financial) will be fully scoped and assessed as part of the business planning process, with continuous engagement with staff and trade union reps.

#### **5.0 Equality Implications**

In line with Council policy the programme has been screened and an EQIA has been issued for consultation. A report from this will be brought back to Committee in September.

#### **6.0 Abbreviations**

None

#### **7.0 Appendices**

None