

BABERGH DISTRICT COUNCIL

COMMITTEE: Cabinet	REPORT NUMBER: BCa/18/11
FROM: Margaret Maybury, Cabinet Member for Communities	DATE OF MEETING: 12 JULY 2018
OFFICER: Chris Fry, Assistant Director Environment and Commercial Partnerships	KEY DECISION REF NO. CAB53

MERGER PROPOSAL SOUTH SUFFOLK LEISURE AND ABBEYCROFT LEISURE

1. PURPOSE OF REPORT

- 1.1 To seek Cabinet approval for the novation of the current agreement for the funding and management of the Council's leisure facilities at the Kingfisher Leisure Centre and Hadleigh Pool & Leisure to Abbeycroft Leisure as part of a merger with South Suffolk Leisure.

2. OPTIONS CONSIDERED

- 2.1 South Suffolk Leisure to continue operating as a small local Trust for Babergh District Council.
- 2.2 South Suffolk Leisure to merge with Abbeycroft Leisure to create a larger more resilient and sustainable Trust that works across Suffolk. This change will not affect the local delivery and relationship that Babergh have with South Suffolk Leisure and will continue to honour existing arrangements.

3. RECOMMENDATIONS

- 3.1 That the Cabinet approve the merger of South Suffolk Leisure with Abbeycroft Leisure. This can be completed through a novation of the current lease allowing South Suffolk Leisure to assign the management agreement to Abbeycroft Leisure, the merged partner.
- 3.2 That delegation be given to the Assistant Director for Environment and Commercial Partnerships in consultation with the Cabinet Member for Communities to make the necessary changes to any legal documentation and any appropriate revisions to existing legal agreements as part of the novation process.

REASON FOR DECISION

To strengthen the resilience of the partner operator of our leisure facilities. Taking into account the proposed £3.4million capital investment for the refurbishment of the Kingfisher Leisure Centre and replacement of Hadleigh Swimming Pool. If approved this would allow the formal merger to be completed on 1st October 2018.

4. KEY INFORMATION

- 4.1 SSL is a company limited by guarantee and a registered charity. Set up to provide or assist in the provision of facilities and services for recreational, sporting or other leisure time occupation in the interests of social welfare, such facilities being provided to the public at large save that special facilities may be provided for persons who by reason of their youth, age, infirmity or disability, poverty or social or economic circumstances may have need of special facilities and services; and/or promote community participation in healthy recreation; and/or advance the education of the public of the benefit of active lifestyle and in particular the value of physical activity for young people as part of the school curriculum; and/or such other charitable purposes beneficial to the community consistent with the objects above as the Trustees shall in their absolute discretion determine (the 'objects').
- 4.2 SSL currently manages and operates the key assets owned by Babergh District Councils, these are the Kingfisher Leisure Centre and Hadleigh Pool & Leisure, the Trust also operates four dual use facilities in the district. The financial turnover of the Trust is circa £2.9 million per year.
- 4.3 Abbeycroft Leisure is a company limited by guarantee and a registered charity. Its primary charitable purpose is to provide or assist in the provision of facilities in the interests of social welfare for recreation or other leisure time occupation of individuals available to the public at large, save for special facilities being provided for those who have need of such by reason of their youth, age, infirmity or disability, poverty, or social circumstances with the object of improving their conditions of life.
- 4.4 Abbeycroft Leisure currently manages and operates the St Edmundsbury and Forest Heath leisure portfolio, operating 13 facilities across the county. The financial turnover of the Trust is circa £8.4million.
- 4.5 On the 15th and 16th May 2018 respectively, the South Suffolk Leisure and Abbeycroft Leisure Boards approved the merger between SSL and ACL with a target date of 1st October 2018 by the transfer of the assets and liabilities from SSL to ACL being, in the view of the Trustees, the most effective means of fulfilling the objects of both SSL and ACL in the future.
- 4.6 The benefits of merger have been explored by both trusts through a comprehensive due diligence exercise that was set out in line with the Charities Commission 'Checklist for Mergers between Charities'. Boards have reported that this process has been clear and transparent. In addition to this the early phases of this process was also informed by an independent feasibility study, which included views from Babergh District Council officers.
- 4.7 It is important to note that it is South Suffolk Leisure's intention to merge with Abbeycroft Leisure, this is not a takeover, but the new Trust will adopt the Abbeycroft Leisure name as it is the larger organisation.
- 4.8 Based on this work Trustees have identified the following as benefits of merging Abbeycroft Leisure with South Suffolk Leisure.
- 4.9 Creating a leisure Trust that is large enough to ensure quality and efficiency in the delivery of leisure contracts within the county, but 'local' enough to be genuinely responsive and proactive in terms of community need. It is believed that this would

be a unique, effective and sustainable model ideal for Suffolk, a county that is recognized nationally for effective collaborative working that delivers innovative and effective outcomes for its communities.

- 4.10 The ability, with greater scale and geography, to engage more effectively with commissioners in the health sector as well as other stakeholders, which in turn opens up the opportunity to create innovative partnerships that have a positive impact on local communities due to the ability to deliver these at scale.
- 4.11 Creation of some economies of scale, around greater purchasing power, size of outsourced contracts and internal processes.
- 4.12 Staff benefits in terms of increasing the ability to employ high calibre staff across a broad and interesting portfolio, which would not be effective or affordable in smaller organisations, backed up by enhanced career progression opportunities, greater flexibility, higher value and satisfying job roles and so, potentially, improved staff recruitment, productivity and retention.
- 4.13 This work has considered the most significant potential risks and challenges to the merger. There were no potential risks found around the issues of HR, finance or operations.
- 4.14 Operationally the customer facing elements of the day-to-day operation will continue within the community. South Suffolk Leisure's Chief Executive will continue to operate the Babergh contract. This means that all of the relationships that have been developed will remain along with the continuation of the initiatives and programmes that are already in place. There are no planned redundancy requirements as part of this merger.
- 4.15 Performance reporting would continue under the current arrangements and continue to be flexible and reactive to the authorities developing and changing agenda for leisure. The trust welcomes the opportunity to develop both formal and informal opportunities to engage in the council's leisure, community and broader agenda.

5. LINKS TO JOINT STRATEGIC PLAN

- 5.1 Strategically the organisation will work to ensure that physical activity in Babergh is seen as a priority at a county level and work to bring initiatives to the area. Supporting the Council's strategic plan to build active, healthy, safe, self-sufficient and strong communities.
- 5.2 The new trust aims to expand and develop their work to offer an even greater impact on the authorities' top six priorities. It will reach across the county working in 13 communities including; Brandon, Bury St Edmunds, Hadleigh, Haverhill, Mildenhall, Newmarket, Sudbury, East Bergholt, Holbrook, Trumpington, Felixstowe and Ipswich. There will be far greater opportunity to expand work with the CCGs and Public Health.
- 5.3 Increase the number and frequency of children, young people (1-18 years) and families across the district taking part in physical activity.
- 5.4 Increase the number and frequency of older people regularly taking part in traditional and non-traditional sport and physical activity to reduce social isolation and to improve health and wellbeing.

- 5.5 Increase the volunteer base of sport and physical activity clubs and groups to build capacity and resilience and support growth in participation levels.
- 5.6 Increase active participation and benefits to participants with mental health issues through sport and physical activity.
- 5.7 Improve the engagement and uptake of those with physical and learning disabilities into community and leisure facilities, ensuring facilities are accessible and activities are available to all.
- 5.8 Support the provision of sustainable community sport and leisure facilities and the spaces and infrastructure that individuals, clubs, schools and groups use to take part.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no financial implications for the council in relation to the merger as the existing financial commitments will continue to be honoured. The merged entity will create an organisation that is financially resilient better placed to deal with financial challenges which in turn provides a stronger platform to achieve the council's future plans.
- 6.2 The changes to the funding and management agreement will include reassurances that the investment benefits will be guaranteed for the council and the management fee reduction plan.

7. LEGAL IMPLICATIONS

- 7.1 The current funding and management agreement is under review as part of the capital investment plan for the Kingfisher Leisure Centre redevelopment and replacement of Hadleigh Swimming Pool. Finance officers are currently working with South Suffolk Leisure relating to this point which will allow the Trust to merge by 1st October 2018.
- 7.2 Changes to the legal framework will need to be addressed; this includes allowing South Suffolk Leisure to novate their contract to Abbeycroft Leisure.
- 7.3 Abbeycroft Leisure's Memorandum and Articles of Association do not allow for appointed councillor representation on the board. This does not preclude a councillor being appointed to the board in a personal capacity and subject to the normal recruitment process and a vacancy existing. This would mean that the two existing Councillor Representatives would not have a seat on the Abbeycroft Leisure board, but a regular meeting and communication schedule would be introduced with the Cabinet Member for Communities. This would be accompanied by the formal reporting arrangements already provided within this paper.
- 7.4 The proposal may require consent from organisations such as Sport England especially when they have provided funding/grant. Significant work on the legal arrangements will be required including entering into new arrangements for the provision of services, new leases and license agreements as well as specialist legal support in respect of Employment/TUPE and Pension.

8. RISK MANAGEMENT

8.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Financial resilience.	Unlikely (2)	Bad (3)	South Suffolk Leisure are a relatively small Leisure Trust and could face financial pressures in the competitive market place. By merging with another leisure trust they gain economies of scale and financial resilience.
Loss of key staff	Unlikely (2)	Bad (3)	Through merger with another organisation greater opportunities for staff development, the recruitment and employment of specialist staff and therefore retention are enhanced.
Operational risks	Unlikely (2)	Notice-able (2)	Operating a relatively small leisure trust resources can be stretched when dealing with unexpected operational issues. The economies of scale achieved by operating within a larger organisation reduce this risk.

9. CONSULTATIONS

9.1 South Suffolk Leisure and Abbeycroft Leisure appointed Eastside Primetimers to complete the primary scoping work for this due diligence exercise.

9.2 Eastside Primetimers is a management consultancy with a difference. Working exclusively on behalf of not-for-profits, they provide professional support for Chief Executives and Boards who are seeking to transform their organisations to be fit for the future. Dedicated to supporting the growth of a strong social sector that has the capacity and resources to play an even greater role in delivering services in communities. They promote a business-like approach because they believe not-for-profit organisations can achieve greater sustainability and impact by combining their knowledge of the needs of their beneficiaries with business thinking.

10. EQUALITY ANALYSIS

10.1 There is no equality analysis required for this decision as the service will continue as before and the proposal is largely a governance issue.

11. ENVIRONMENTAL IMPLICATIONS

11.1 There are no environmental implications to this decision.