

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy and Resources
DATE	19 April 2016
DIRECTOR	Gayle Gorman
TITLE OF REPORT	Sport Aberdeen – Contract Revision and Governance Arrangements
REPORT NUMBER:	ECS/016/022
CHECKLIST RECEIVED:	YES

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to update Committee on work completed with Sport Aberdeen since the Education and Children's Services Committee meeting of 29 January 2015 and to seek approval to:
- (a) amend the existing contract agreement with Sport Aberdeen to reflect the additional functions of the sports team ; and
 - (b) undertake a broader review of the existing contract agreement with a view to strengthen further the system of governance of Sport Aberdeen.
- 1.2 Further, the report seeks approval to provide Sport Aberdeen with a bank guarantee up to a maximum of £5 million over a 5 year period, subject to the Council receiving a report on the Review of Leisure Assets from Sport Aberdeen.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- (i) Agree to delegate authority to the Head of Legal and Democratic Services to amend the contract between the Council and Sport Aberdeen to include the functions which are set out in paragraph 5.3 of this report;
 - (ii) Delegate authority to the Head of Finance to provide a bank guarantee on behalf of the Council to Sport Aberdeen to a maximum of £5 million over a 5 year period for investment in Council leisure facilities, subject to completion of the Review of Leisure Assets and submission of a report to the 7 June 2016 meeting of this Committee;

- (iii) Approve the recommendation to allow the Board of Sport Aberdeen to assume responsibility for replacing any Board members following their due processes for such appointments, with such appointments then being notified to Council through Bulletin Reports;
- (iv) Note the governance arrangements outlined to review the performance of Sport Aberdeen;
- (v) Note the progress of the Active Aberdeen Partnership;
- (vi) Agree that Sport Aberdeen lead and complete the review of the Access to Leisure Programme and that the Director of Education and Children's Services reports to the meeting of Finance, Policy and Resources on 20 September 2016 to provide an update on the review;
- (vii) Note that a cross service Review of Lettings of Council facilities is underway and the outcomes will be reported to the Education and Children's Services Committee at their September 2016 meeting; and
- (viii) Otherwise note the contents of this report.

3. FINANCIAL IMPLICATIONS

- 3.1 In line with the Education and Children's Services Committee's previous decision on 29 January 2015 to transfer further sports' functions to Sport Aberdeen, the relevant budgets have also been transferred to allow these to be implemented. In financial year 2016/17 the budgeted payment to Sport Aberdeen will be £5.459 million which includes £632,594 relating to the additional functions transferred in 2015/16.
- 3.2 In November 2014, Sport Aberdeen commenced an internal review that focused on assessing the suitability and sustainability of the assets that they manage on behalf of the Council. The review identified a critical need for capital investment, the first phase of which has been established at £5 million over a 5 year period. The proposed investment into the Council's facilities will stimulate the communities' use, resulting in improved turnover which in turn will assist in repayment of any borrowings.
- 3.3 In order to allow Sport Aberdeen to raise the appropriate funding it will be necessary for the Council to provide a bank guarantee to the lender as the contract with Sport Aberdeen is due to expire in June 2020.

- 3.4 In terms of the amount of debt taken on by Sport Aberdeen, there are the safe guards contained within the annual Business Plan which is approved each year by the Education and Children's Services Committee and which is monitored every six months by the ALEO Governance Hub. The Head of Finance is also able to attend board meetings as an observer as necessary.

4. OTHER IMPLICATIONS

4.1 Legal

- 4.1.1 If Sport Aberdeen wish to raise third party finance then they may wish or be required by the lender to grant a Standard Security over the Tenant's Leasehold Interests which would require to be registered in the Land register of Scotland, In Scotland, only leases with a term greater than 20 years are registerable in the Registers of Scotland. As the existing contract with Sport Aberdeen is due to conclude in July 2020 it will be necessary for the Council to provide a bank guarantee to the lender to allow Sport Aberdeen to improve the Council's leisure estate.

4.2 Human Resources

- 4.2.1 Following the decision by the Education and Children's Services Committee on 29 January 2015, to transfer the functions which are outlined in paragraph 5.3 (below), 3.0 Full Time Equivalent posts were transferred to Sport Aberdeen under TUPE regulations, with effect from 3 August 2015.

- 4.2.2 There are no direct Human Resource implications associated with the recommendations of this report

4.3 Risk

- 4.3.1 It is incumbent on the Council to ensure that Sport Aberdeen operations are effectively governed as it has a responsibility to comply with the recommendations contained within Following the Public Pound. The recommendations of this report ensure that effective governance arrangements are strengthened from both a Council and Sport Aberdeen perspective.

- 4.3.2 In terms of Sport Aberdeen's capital borrowing and the Council's bank guarantee, the Council may be liable for up to £5 million should Sport Aberdeen default on its repayments. It is noted that the remaining contract period is less than 5 years which presents a short time period for debt to be fully repaid.

4.4 Property

- 4.4.1 As outlined in paragraph 4.3.3, Sport Aberdeen intends to invest in the Council's facilities to improve the range of sports provision and modernise equipment. Any alterations to premises will be subject to Landlord's Consent procedures.

5. BACKGROUND/MAIN ISSUES

Report to Education and Children's Services Committee – 29 January 2015

- 5.1 As outlined in the report of 29 January 2015, a key driver behind the decision to transfer operational responsibility for the delivery of sport to Sport Aberdeen was:

- The need to embrace more fully a 'Group structure' approach and to ensure that the Council's relationships with its 'arms length' organisations are affected positively by actions and 'behaviours' consistent with a willingness to collaborate

- 5.2 In addition, consultation with both organisations and staff identified the greater need for integration, joined up working and collaboration.

- 5.3 Following the conclusion of negotiations three posts and associated revenue budgets were transferred to Sport Aberdeen on 3 August 2015. With these posts and budgets the following operational elements were transferred to Sport Aberdeen:

- Lead responsibility for Aberdeen City sports and physical activity strategy
- Develop strategic and operational direction on sport and physical activity reflecting national and local policies and best practice
- Support partnership development and relationship management on behalf of ACC
- Lead on sport and leisure within a range of local community fora e.g. community planning partnership
- Lead the City Sports Partnership to become a more mature and strategic organisation
- To ensure internal governance mechanisms are appropriate and draft committee reports.
- Report performance information across the partnership and range of ALEOs
- Monitor detailed business plans and financial models to ensure compliance
- Lead and manage Community Sports Hubs in Aberdeen City (This is dependent on SportScotland investment continuing.)
- Lead and manage grant funding applications and distribution
- Oversee sport and leisure asset base and provide advice on new development proposals

- Manage and secure funding/budgets from external bodies to support sport and leisure in Aberdeen City
- Represent ACC on Sport and Leisure at national, regional and local level
- Manage complaints and enquiries related to Sport and Leisure

Contract Arrangements

- 5.4 Officers from the Council's Legal Services have commenced work with Sport Aberdeen's solicitors to revise the strategic contract to incorporate the above functions. Subject to Committee approval, this work will be concluded at the earliest opportunity.
- 5.5 It is also recommended that the Board of Sport Aberdeen take responsibility for replacing any Board members following their specific and published process for such appointments, with such appointments then being notified to Council through Bulletin Reports. This approach would mirror best practice models from similar organisations across Scotland. This will better reflect the arms length nature of Sport Aberdeen and the Council's relationship with the organisation.

Governance Arrangements

- 5.6 Officers have carried out a review of the governance arrangements for Sport Aberdeen, and looked at the level of surety required by the council, the number and type of reporting arrangements, and level of scrutiny required to provide due diligence to Elected Members.
- 5.7 The level and complexity of reporting and scrutiny was burdensome and provided a disproportionate amount of data, some of which was of little relevance to the Council and contract monitoring or management, some information was requested several times by various areas of the council, while other key performance indicators reflecting current national and local priorities were under represented.
- 5.8 Officers from both organisations have worked to review the monitoring and reporting requirements and have reached collective agreement on key performance indicators, reporting cycles and relevant data to ensure robust governance and compliance.
- 5.9 It is therefore proposed:

To ensure that effective governance arrangements are in place to monitor Sport Aberdeen's performance and to protect the public pound, the Annual Business Plan will be presented to the Education and Children's Services Committee, and will detail the comprehensive list of key performance indicators (KPIs) which will be used as a basis to monitor performance. Sport Aberdeen's financial accounts shall also continue to be published and reported to the Finance, Policy and Performance Committee following the regular Committee cycle.

5.10 The current business plan is closely aligned to the Council's previous Sport and Physical Activity Participation Strategy, Fit for the Future, and the detailed requirements of the existing Services Specification, included as part its Funding and Services Agreement with the Council. The forthcoming Funding & Service Agreement is being prepared to reflect a best-practice approach using the Scottish Government's 'How Good is Our Culture and Sport' and Quest. The former is a quality improvement framework for culture and sport provision and the latter, supported by sportScotland is the sport and leisure industry quality accreditation scheme. The elements of both schemes have been mapped and aligned with outcomes broadly identified in the following areas:

- Strategic Context – Scottish Government, ACC, Community Planning Partnership;
- Governance and Company Management requirements, including measuring outcomes and impacts;
- Policies and Procedures, including health and safety, environmental management, access and equity etc.;
- Human Resources and Organisational Development, including people and team development and skills development;
- Customers and Stakeholders;
- Facilities, including standards, participation and contribution to health and wellbeing and external validation of Quest accreditation;
- Sport and Physical Activity, including partnership working (NGB's, NHS, etc.), contribution to health and wellbeing, working with clubs, volunteers;
- Event Management;

5.11 Key objectives, detailed actions to achieve objectives, KPI's and means of monitoring are included within the business plan. These are monitored on a monthly basis, submitted to ACC and considered by this Committee on a quarterly basis and the ALEO Governance Hub.

5.12 The ALEO Governance Hub will continue to monitor and review governance arrangements regarding Sport Aberdeen. The governance group meets bi-annually and performance from this ALEO governance Hub shall be reported to the Audit and Risk Committee on a regular cycle. This will bring consistency to all governance of ALEOs across the council and ensure transparency of monitoring.

5.13 In addition to formal reports to Committees, officers from Education and Children's Services meet frequently with senior officers from Sport Aberdeen to discuss areas of mutual interest.

Governance at Sport Aberdeen

- 5.14 Sport Aberdeen's governance arrangements have been refined over the last three years ensuring that they are fit for purpose and balance the need for effective scrutiny and decision making processes with the needs of large, diverse and rapidly changing company. It's Board of Directors comprise a maximum of 11 Directors who under company and charitable law are required to act in the best interests of Sport Aberdeen at all times. The Board meets 4 times per year. Committees of the Board include the Corporate Governance Committee [meets bi-monthly], Business Development Committee [meets quarterly] and Human Resources and Organisational Development Committee [meets quarterly]. . Additional meetings are scheduled as required. Each Committee of the Board has specific terms of reference. Membership is made of up Sport Aberdeen Directors and, where additional expertise or experience is required, additional members are appointed as co-optees. Each Committee is chaired by a Director of the Company. Minutes of each meeting are considered at the following Board meeting.
- 5.15 The key governance committee is Corporate Governance Committee which considers all matters pertaining to the financial, governance and performance management arrangements of Sport Aberdeen. At each meeting standard agenda items include financial performance, risk management and performance management including progress against business plan objectives. In addition, this Committee considers reports from Sport Aberdeen's own Internal Auditor and those arising from ACC's Governance Hub.
- 5.16 Sport Aberdeen operates within its own Scheme of Delegation which clearly sets out roles and responsibilities of Directors, including the Managing Director, and staff. The Managing Director attends all Board and Committee meetings in this capacity.

Facility Investment Proposals

- 5.17 One of the key drivers which lead to the Council forming the company in 2010 was to use the Leisure Trust model as a vehicle for enabling investment to assist with modernising of the Councils sports facility stock. This was expected to range from small scale facility refurbishments, up to developing completely new leisure complexes.
- 5.18 At the time of preparing this report, the Sport Aberdeen Board has identified as a key strategic priority the need to invest in four of the Councils key community leisure facilities [focused around health & fitness]. To assist with this investment, the Company has devised an innovative approach and partnered with Pulse Fitness [industry specialist] who will provide equipment and facility redevelopment expertise.
- 5.19 Once underway, this will start the process of bringing the Councils public leisure offer up to modern day standards, meeting residents'

expectations, along with providing attractive fit for purpose facilities that will be financially sustainable.

Active Aberdeen Partnership

- 5.20 The Active Aberdeen Partnership was established in 2015 has as its aim “to provide leadership and a step change in the sporting ambition and aspiration within the City of Aberdeen by harnessing all the key stakeholders in a cohesive strategic partnership”.
- 5.21 Terms of reference for the group have been established and with representation at the Board level from key sports providers, national bodies and the Council it is believed that a more coherent strategic approach to sports delivery and sports development will be achieved.

Review Access to Leisure Programme

- 5.22 The transfer of sport development functions to Sport Aberdeen mean that they are best placed to lead the review of the Access to Leisure programme which will then be reported to this Committee. Discussions on the scope of this review have taken place with senior officers of Sport Aberdeen and they have confirmed that they are willing to complete this work on behalf of the Council, working alongside other sports providers in the City. This review will look at the effectiveness of the current programme and examine ways of increasing sports participation by those disengaged from sport, lining in regeneration areas and those receiving benefits.

Review of Lettings

- 5.23 Officers from across Council Services have engaged on a joint review of lettings procedures, with a short term appointment leading the review. Included in the review will be consideration of the letting of football pitches across Aberdeen, with a view to maximizing use of football pitches by the public. The findings of this review will be reported to the September meeting of the Education and Children’s Services Committee for approval.

6. IMPACT

Improving Customer Experience

- 6.1 The transfer of all operational sports responsibility to Sport Aberdeen means that they are able to better manage sports provision and development throughout Aberdeen which will result in a better experience for the citizens of Aberdeen.
- 6.2 The ability for them to plan strategies and development on a longer term basis will enable a greater coherence across the sport and leisure

offer to be shared with the public and customer experience should benefit. This is further strengthened by the creation of the Active Aberdeen Partnership which brings all key stakeholders together to promote sport and sporting activities for all citizens of Aberdeen.

Improving the Staff Experience

- 6.2 The transfer of the remaining sports development posts and staff to Sport Aberdeen means that they are now working within a greater network of sports professionals. This concentration of professional knowledge will bring about a greater understanding of sports activities within Aberdeen.

Improving our Use of Resources

- 6.3 Sports Aberdeen will lead the development of the sports development within Aberdeen and this will create strategic efficiencies which mean that planning and implementation of sports activities are now seamless within the one organisation.

7. BACKGROUND PAPERS

- 7.1 Education and Children's Services Committee – 29 January 2015 – Agenda Item 5: Organisational Review (Phase 3) (ECS/15/004)

8. REPORT AUTHOR DETAILS

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