

**Cheltenham Borough Council**  
**Audit Committee – 23 September 2015**  
**The Cheltenham Trust – twelve month review of governance arrangements**

<b>Accountable member</b>	<b>Cabinet Member Healthy Lifestyles, Councillor Rowena Hay</b>
<b>Accountable officer</b>	<b>Deputy Chief Executive, Pat Pratley</b>
<b>Executive summary</b>	<p>The Cheltenham Trust is responsible for delivering leisure and culture services and for the operational management of a number of Council buildings. A management agreement and specification set out what the Trust has to do and the expected standards of operation.</p> <p>Audit Committee received a presentation on the proposed governance arrangements for the Trust in June 2014, prior to the formal contract award on 1<sup>st</sup> October 2014. A commitment was made at that time to update the committee on governance arrangements after twelve months of operation. This report therefore:</p> <ul style="list-style-type: none"> <li>• sets out the governance arrangements now in place for the management of the contract;</li> <li>• the internal governance arrangements developed by the Trust, and</li> <li>• provides an assessment of the effectiveness of these governance arrangements</li> </ul>
<b>Recommendations</b>	<b>The Audit Committee considers the report and makes comment on the governance arrangements as necessary</b>

<b>Financial implications</b>	<p>None arising directly from this report.</p> <p><b>Contact officer: Nina Philippidis, Business Partner Accountant</b>  <a href="mailto:nina.philippidis@cheltenham.gov.uk">nina.philippidis@cheltenham.gov.uk</a> , 01242 264121</p>
<b>Legal implications</b>	<p>None specific arising from the report recommendation.</p> <p><b>Contact officer: Peter Lewis, Head of Legal Services, OneLegal,</b>  <a href="mailto:peter.lewis@cheltenham.gcsx.gov.uk">peter.lewis@cheltenham.gcsx.gov.uk</a>, 01684 272012</p>
<b>HR implications (including learning and organisational development)</b>	<p>No direct HR implications arising from this report.</p> <p><b>Contact officer: Julie McCarthy, HR Manager (West),</b>  <a href="mailto:julie.mccarthy@cheltenham.gcsx.gov.uk">julie.mccarthy@cheltenham.gcsx.gov.uk</a>, 01242 264355</p>

<b>Key risks</b>	<p>If the council does not have effective governance arrangements in place for the management of the contract then it will not recognise if the Trust is failing to deliver services to the standards required in the management agreement or to deliver its outcomes.</p> <p>If the Trust does not have effective internal governance arrangements in place then it may fail as an organisation and not be able to deliver the outcomes or the services to the standards required in the management agreement.</p>
<b>Corporate and community plan Implications</b>	The way in which the Trust delivers the outcomes and conducts its operations has the potential to contribute to all the Council's outcomes. Ensuring good governance arrangements are in place will support the effectiveness of this contribution.
<b>Environmental and climate change implications</b>	None arising directly from this report.
<b>Property/Asset Implications</b>	<p>There are no property implications arising from this report.</p> <p><b>Contact officer: David Roberts@cheltenham.gov.uk</b></p>

## 1. Introduction

- 1.1 Audit Committee received a presentation on the proposed governance arrangements for the Trust in June 2014, prior to the formal contract award on 1<sup>st</sup> October 2014.
- 1.2 The Trust has now been operating for almost twelve months and this report provides an update on the governance arrangements in place for the management of the contract and the internal governance arrangements developed by the Trust. It also assesses the effectiveness of the current governance arrangements.

## 2. Background

- 2.1 The Cheltenham Trust is responsible for the operational management and delivery of services of Leisure@, Prince of Wales Stadium, Cheltenham Town Hall, Wilson Art Gallery and Museum, Pittville Pump Room, Tourism and Tourist Information Centre and Sport Play and Healthy Lifestyles.
- 2.2 The Trust is independent from the Council and is set up as a charitable company limited by guarantee, which is regulated by the Charity Commission and Companies House.
- 2.3 The Trust has a management agreement with the Council for the delivery of services, which sets out what the Trust has to do and standards of practice. The agreement includes an outcomes based specification, which was developed in partnership with the Trust. The specification sets out guiding principles for the way in which the Trust and the Council will work, three cross-cutting outcomes areas and standards of operation. Client-side management of the agreement and specification sits within the Commissioning Division. The management agreement and specification have been designed to give the Trust freedom to deliver the outcomes by being innovative and using its skills, knowledge and expertise.
- 2.4 Properties occupied by the Trust are managed through individual leases with the council's

Property Services team.

### **3. Governance arrangements for management of the contract**

- 3.1 The management agreement sets out how the Council and the Trust will collaborate to ensure the contract is delivered successfully through a governance framework. The governance framework has three levels of governance.

#### **Monthly performance meetings**

- 3.2 These meetings are held between the council's client officer and the trust's relationship manager. They are informal meetings to discuss how the Trust is performing, to identify any issues or risks, to resolve these informally or, if required, to agree any matters that need escalation and to identify any changes the Trust may wish to make.

#### **Quarterly liaison group**

- 3.3 The core membership of this group is the council's authorised officer (currently the deputy chief executive) and client officer and the trust's chief executive and relationship manager. This group agrees the annual development plan and monitors effective delivery of this plan through quarterly performance reports and discussing any issues, challenges or potential risks. It also provides an early opportunity to discuss any major changes the Trust may wish to make.

#### **Partnership board**

- 3.4 The core membership of the Board is the council's cabinet lead for healthy lifestyles and authorised officer, the trust's chief executive and a trustee representative. The role of this group is to hold strategic oversight of the contract, to identify and discuss strategic development opportunities and to promote partnership working and collaboration. The Board meets every six months.
- 3.5 Both the liaison group and partnership board can be supported by relevant officers from both partners as appropriate and both can appoint sub-committees and task/finish groups if required.
- 3.6 The governance framework is subject to annual review to ensure that it provides the necessary assurances for both the Council and the Trust that the management agreement is being successfully delivered.

### **4. Council annual review of effectiveness**

- 4.1 In addition to the contract governance framework the Trust participates in the annual review of effectiveness of the council's governance framework. An assurance checklist was completed in April 2015, covering the trust's first six months of operation, and this fed into the council's 2014/15 Annual Governance Statement.
- 4.2 It was noted in the certificate of assurance that the Trust was a new organisation, which had only been in existence for six months and therefore internal controls were still being developed and embedded. A commitment was made by the council's authorised officer to review the assurance checklist with the Trust in six months' time to see what progress has been made. This review will be undertaken in the next few weeks.

### **5. Member engagement**

- 5.1 As set out above, the cabinet lead for healthy lifestyles takes an active part in the governance of

the contract.

- 5.2** A member seminar was held at the end of June for the Trust to brief all members on the first six months' of operation. Whilst Overview & Scrutiny Committee is able to call the Trust to account if required, it was felt that this format provided the opportunity for all members to hear about the work of the Trust.
- 5.3** All councillors are able to access the Trust's annual performance report and to ask questions about the Trust via the cabinet lead or the council's client officer.

## **6. Governance arrangements within the Trust**

- 6.1** As a new organisation the Trust has been developing its internal governance arrangements to comply with the Companies Act and the UK Corporate Governance Code for companies. Good governance is also a key aspect of the Trust's annual submission to the Charity Commission in line with Charity Commission guidance.
- 6.2** A governance audit was completed by AuditCotswolds during the first six months of operation and an internal audit plan developed for 2015/16.
- 6.3** A number of groups play a role in the Trust's internal governance framework:
- Board of Trustees
  - Finance & Audit Committee
  - Chairman's Sub Committee
  - Strategic Interest Groups
  - Health & Safety Committee
  - Trading Company
  - Governance Working Group

### **Board of trustees**

- 6.4** There are eleven trustees on the Board and meetings are held every two months. The role of the Board is to provide strategic direction to the organisation and hold the CEO and Executive Team to account. Trustees appointed to the Board bring a wealth of expertise and experience to the organisation, which is used to guide development of the Trust's work as well as fulfilling a key advocacy role with a wide range of partners and stakeholder organisations.
- 6.5** The Board is engaged in a mentoring programme with GO Shared Services to continue the development of trustees' skills and to clarify understanding of the roles and responsibilities of trustees in the context of the Trust.

### **Finance & audit committee**

- 6.6** This committee meets quarterly, consisting of the CEO, Finance Director and three appointed trustees. The purpose of this committee is to oversee the financial management of the Trust, including the signing off of the annual budget, the statements of accounts and end of year audit reports.

### **Chairman's sub committee**

- 6.7** This brings together the Chairs from the various committees, namely the Chair and Vice Chair of the Board and the Chairs of the Finance Committee and Capital Development Committee (established to oversee the Town Hall redevelopment project). This is a non decision making committee that meets in the intervening months between Board meetings to help progress key

work areas of the Board.

### **Strategic interest groups**

**6.8** A number of strategic interest groups have been established:

- Social
- Cultural
- Economic

**6.9** Membership of these groups is made up of the CEO, a member of the Executive Team and three trustees, and the groups aim to meet at quarterly intervals.

**6.10** The purpose of these groups is to support the strategic direction of the Trust and to help develop the delivery plans for different parts of the organisation, utilising the particular skills and expertise brought to the organisation by individual trustees.

### **Health and safety committee**

**6.11** Health and safety is an area the Trust recognises is of great importance not only to itself, but also to the Council and both facilities and services must comply with national health and safety legislation.

**6.12** Staff working for the Trust operate in a public environment and a wide variety of people engage with their services including children, vulnerable adults and other vulnerable groups such as those with disabilities. The Trust must ensure that service delivery takes place in a safe environment, that staff employed by the Trust have undergone the necessary checks and that they have received all the necessary training.

**6.13** The purpose of the health and safety committee is to have a strategic overview of health and safety across the Trust, to put in place all the necessary policies and to ensure that policies are implemented consistently across all service areas.

**6.14** The Trust works closely with GO Shared Services to ensure health and safety policies and operational practices across the sites are robust and comply with legislation.

### **The trading company**

**6.15** A wholly owned trading company, Cheltenham Leisure & Culture Limited, was created in July 2014 to oversee and take responsibility for a small number of trading activities that are not eligible to be undertaken through the charitable trust and to help drive growth in commercial activity. Three trustees of The Cheltenham Trust also act as directors of the trading company, with additional input looking to be incorporated through a small number of external directors in the coming months.

### **Governance working group**

**6.16** A governance working group comprising the CEO and three trustees has recently been established and is working with GO Shared Services to further develop the governance framework.

**6.17** The group is in the early stages of developing a Governance Handbook. The content of the Handbook is still to be agreed, but is likely to include the governance working structure, roles and responsibilities of trustees, committee chairs and directors, working as a trustee and board recruitment, development and succession planning.

## 7. Effectiveness of governance arrangements

- 7.1 The governance framework for the contract must provide the Council with sufficient assurance that the management agreement and specification are being successfully delivered. The framework provides formal channels through which to develop the partnership approach and the Council and the Trust have worked hard to develop and maintain a positive and open relationship, which ultimately supports the governance process. This formal framework is further enhanced by informal working.
- 7.2 The commissioning team believes that these arrangements deliver the assurances needed and is satisfied with the progress the Trust has made on delivering the outcomes and the services to the standards set in the management agreement and specification.
- 7.3 The Council must also assure itself that the Trust is developing as an organisation and putting the necessary structures in place to ensure good standards of practice. The activities underpinning this development are shared within the formal contract governance framework and are then tested through the council's annual review of effectiveness. Section 6 above also demonstrates that the Trust, with support from AuditCotswolds and GO Shared Services, has been working hard in its first year of operation to develop its governance arrangements and it now has all the building blocks in place to move forward with developing a robust governance framework.

## 8. Performance management – monitoring and review

- 8.1 Governance arrangements for the contract and governance arrangements within the Trust are subject to regular review to ensure services are delivered successfully to a high standard, that outcomes are achieved and that operations comply with legislation.

<b>Report author</b>	<b>Contact officer: Gill Morris, Client Officer,</b> <a href="mailto:gill.morris@cheltenham.gov.uk">gill.morris@cheltenham.gov.uk</a> , 01242 264229
<b>Appendices</b>	1. Risk Assessment

The risk				Original risk score (impact x likelihood)			Managing risk					
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register	
	If the council does not have effective governance arrangements in place for the management of the contract then it will not recognise if the Trust is failing to deliver services to the standards required in the management agreement or to deliver its outcomes.	Pat Pratley		4	3	12	Reduce	Review the contract governance arrangements on an annual basis to ensure they are effective	Ongoing	Gill Morris	Commissioning	
	If the Trust does not have effective internal governance arrangements in place then it may fail as an organisation and not be able to deliver the outcomes or the services to the standards required in the management agreement.	Pat Pratley		4	3	12	Reduce	Monitor through the contract governance arrangements and the council's annual governance statement process	Ongoing	Gill Morris	Commissioning	
<p><b>Explanatory notes</b></p> <p><b>Impact</b> – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p><b>Likelihood</b> – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p><b>Control</b> - Either: Reduce / Accept / Transfer to 3rd party / Close</p>												