

December 2015

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Delivering with less – Leisure Services



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU





I have prepared and published this report in accordance with the Public Audit Wales Act 2004.

The Wales Audit Office study team was project managed by Nick Selwyn and comprised Huw Rees, Gareth Jones, Duncan Mackenzie and staff of PwC and KPMG under the direction of Jane Holownia.

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**Wales Audit Office**  
**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

The Auditor General is independent of the National Assembly and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the National Assembly on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General, together with appointed auditors, also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

For further information please write to the Auditor General at the address above, telephone 029 2032 0500, email: [info@audit.wales](mailto:info@audit.wales), or see website [www.audit.wales](http://www.audit.wales).

© Auditor General for Wales 2015

You may re-use this publication (not including logos) free of charge in any format or medium. You must re-use it accurately and not in a misleading context. The material must be acknowledged as Auditor General for Wales copyright and you must give the title of this publication. Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned before re-use.

If you require any of our publications in an alternative format and/or language please contact us using the following details: Telephone 029 2032 0500, or email [info@audit.wales](mailto:info@audit.wales)



# Contents

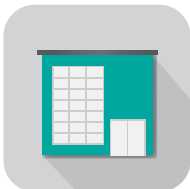
	Councils' approaches to delivering leisure services focus on addressing immediate financial challenges rather than taking a longer-term strategic approach to future provision	6
	Recommendations	10
1	Public sector ownership and management of leisure provision is changing with the transfer of services and assets to other models of operation, however, decisions have not always been based on robust information	12
	Councils are exploring different ways to provide leisure services but decisions are not always set within a clear strategic framework	13
	Not all of the options open to councils have been reviewed when councils have considered changing their leisure services operating model	17
	There are weaknesses in how effective councils are at engaging with citizens when planning changes in leisure provision	22
2	Despite a reduction in facilities, budgets, staff numbers and council subsidy for leisure services, the continued impact of austerity presents a risk to the continued provision of services	25
	The amount councils spend on sports and recreation services is falling	26
	Since 2011-12 the number of council staff delivering leisure services has fallen by 14.2 per cent, although some of them have transferred with services to other providers	33
	Although councils' income from facilities is being sustained and the level of subsidy required to provide leisure services has fallen significantly, the continued impact of austerity presents a risk to the sustainability of these services	35

3	<b>Councils are meeting rising demand for leisure services, but scrutiny and oversight of performance is not always effective</b>	41
	The number of people using council leisure services increased by 3.4 per cent between 2009-10 and 2014-15, although there is a mixed picture between authorities as to how well leisure services are performing	42
	Councils do not always have the right data available to support effective decision-making and are not well placed to monitor and evaluate their approaches to leisure provision to target improvement and ensure that services are sustainable	44
	There is a wide variation in citizens' views on the quality, cost and availability of leisure services	49
	<b>Appendices</b>	
	Appendix 1 – Study Methodology	53
	Appendix 2 – Council improvement objectives 2015-16 relating to leisure and health improvement	54
	Appendix 3 – End-to-End Options Appraisal Flow Chart	55
	Appendix 4 – Income, expenditure and net cost (subsidy) by council in 2009-10 and 2014-15	56

Councils' approaches to delivering leisure services focus on addressing immediate financial challenges rather than taking a longer-term strategic approach to future provision



- 1 Leisure and recreation are crucial components of a balanced and healthy lifestyle. Leisure can encourage personal growth and self-expression and provide increased learning opportunities. For many people, participation in leisure and recreation also improves their physical and mental health. The Chief Medical Officer for Wales, in her most recent Annual Report, notes the importance of physical activity in dealing with public health concerns. Her Report highlights that the benefits of physical activity include: lower risk of cardiovascular disease, some types of cancers and diabetes; improvements in musculoskeletal health and body weight control; and positive effects on mental health development and cognitive processes<sup>1</sup>.
- 2 The Welsh Government is committed to tackling public health issues and addressing inequalities in health and recognises the contribution of leisure services to increasing physical activity. The Welsh Government's 20-year vision for sport and physical activity, **Climbing Higher**<sup>2</sup> sets out how the Government plans to increase participation in sport and leisure activities to improve the quality of life and improve the health of the nation. The long-term aims of the Welsh Government in **Climbing Higher** is to make Wales a more physically and mentally healthier nation and recognises the importance of leisure services in supporting delivery of this ambition. In **Climbing Higher**, councils are in particular identified as playing a crucial role in providing, supporting and developing leisure and recreation services in Wales.
- 3 Councils provide a wide range of leisure facilities and services for their communities including:



Indoor and outdoor leisure facilities



Sports pitches, playing fields and playgrounds



Cycle ways and cycle routes



Public parks and open spaces



Sports development schemes

- 4 Councils also have an important community leadership and a key strategic role in developing leisure services to meet the needs and aspirations of the local population, and they work closely in partnership with Sports Wales to do so. Although all councils operate differently, with their own structures, policies, grant-in-aid criteria and schemes, the major emphasis within councils' vision for leisure services is the development of opportunities for all. Consequently, many councils have concessionary rates to encourage access to facilities and venues and work closely with the third sector to develop provision.

<sup>1</sup> **Healthier, Happier, Fairer**, Chief Medical Officer for Wales Annual Report 2013-14.

<sup>2</sup> Welsh Government: **Sport and active recreation webpage**

- 5 However, at a time of increasing demand on Welsh public services, discretionary<sup>3</sup> services such as leisure are not being protected from cuts. In setting the budget for 2015-16<sup>4</sup>, the Finance Minister announced that the Welsh Government is prioritising investment to improve health and well-being, promoting growth and jobs, breaking the link between poverty and educational attainment, and supporting children, families and deprived communities. These are areas of work the Welsh Government has prioritised over others in setting budgets and deciding where reductions in public expenditure, especially grants, will be made. By highlighting these areas, other services get less priority and consequently less protection from the cuts that the Welsh Government has to make.
- 6 Local government receives the bulk of its funding through what is known as Aggregate External Finance (AEF). Our analysis shows that between 2010-11 and 2014-15, there was a real-terms reduction of £464 million (10 per cent) in the AEF<sup>5</sup>. The scale of cost reduction required means that councils will have to look beyond immediate short-term savings and think more radically about how to reduce costs, and how to sustain this in the longer term whilst still maintaining or improving services. Cutting spending requires councils to take a strategic overview to avoid an erosion of service quality in priority areas.
- 7 During 2015, staff of the Wales Audit Office, on behalf of the Auditor General, examined council leisure services under our series of 'delivering with less' thematic reviews. Our study methods are set out in [Appendix 1](#). These included an online survey for citizens to tell us about their experience of council leisure services, and audit fieldwork at four councils in Wales. Our methodology also included a budget and service performance assessment tool, and surveys with senior council officials and elected members.
- 8 Based on the findings of this study, the Auditor General has concluded that councils' approaches to leisure services focus on addressing immediate financial challenges rather than taking a strategic approach to future provision.
- 9 We found that although public sector ownership and management of leisure provision is starting to change with the transfer of some services and assets to other models of operation such as private sector trusts, strategic decisions on whether to transfer or continue with in-house provision of leisure services have not always been based on robust information or a consideration of all of the options open to councils. Whilst there has been an increase in the number of councils transferring their major leisure facilities to other models of delivery, the vast majority of leisure provision remains in council ownership. Strategies for leisure services do not always provide the clear direction needed to safeguard services at a time of reducing public expenditure.

3 Discretionary services are not statutory and a council has a choice about how, or if, it provides these services.

4 Written Statement of the Finance Minister, **Final Budget 2015-16**, 2 December 2014.

5 Comparing AEF across the period 2010-11 to 2014-15 is complicated for two main reasons. Firstly, the Welsh Government has incorporated into AEF grants that were previously provided separately. While this 'de-hypothecation' of grants results in an increase in AEF, it is not necessarily a net increase in funding. The net value of grants incorporated into AEF since 2010-11 is around £137 million in real terms (adjusted for inflation). In addition, the picture is complicated by the devolution of council tax benefit, which has been incorporated into the AEF. In addition, the picture is complicated by the devolution of Council Tax Benefit, which has been incorporated into the AEF.



- 10 Overall, council revenue budgets have fallen by around 10 per cent in the last four years and the reduction in spending on sports and recreation services has been marginally higher with a 10.5 per cent cut. Notwithstanding budget reductions, councils' income from sports and recreation services has been maintained and the level of subsidy required to provide leisure services has fallen by 15.2 per cent. However, the continued impact of austerity and slow progress in formally considering options for future delivery present a risk to the sustainability of these services.
- 11 Eighteen of the 22 councils have reduced how much they spend on sports and recreation services in the last five years, with the greatest savings being achieved where councils have transferred their major leisure facilities to trusts. Our analysis shows that on average councils who transferred all of their major leisure centres reduced their sports and recreation gross revenue expenditure by £2.4 million (approximately 40 per cent). The number of council staff delivering leisure services has fallen by 14.2 per cent, although some of these have transferred with services to other providers. The number of people using council leisure services also increased by 3.4 per cent between 2009-10 and 2014-15.
- 12 Because of the reduction in the level of subsidy for leisure services, these services are unlikely to be sustainable in the medium to long term and councils need to carefully consider what they are providing, how they provide it, what they charge for it and what they are ultimately seeking to achieve through their leisure provision. In considering their options, councils need to have a clear understanding of the financial, social, economic, equality and sustainability issues they, their citizens and communities face both at this time and also into the future.
- 13 The findings of our review, however, suggest that councils seldom focus on demonstrating the beneficial impact of leisure services on public health and well-being and some councils are still not well placed to monitor and evaluate their approaches to leisure provision to target improvement and ensure that services are sustainable in the longer term. This is consistent with the findings of our most recent reviews<sup>6</sup> and highlights the continuing difficulty councils face in collating and evaluating data, and they need to address this if they are to make the right choices on how and what services they provide in the future.

# Recommendations

14 The key recommendations arising from the work we carried out are listed below:

Recommendation	Responsible partners
<p>R1 Improve strategic planning in leisure services by:</p> <ul style="list-style-type: none"> <li>• setting an agreed council vision for leisure services;</li> <li>• agreeing priorities for leisure services;</li> <li>• focussing on the council's position within the wider community sport and leisure provision within the area; and</li> <li>• considering the potential to deliver services on a regional basis.</li> </ul>	Councils
<p>R2 Undertake an options appraisal to identify the most appropriate delivery model based on the council's agreed vision and priorities for leisure services which considers:</p> <ul style="list-style-type: none"> <li>• the availability of capital and revenue financing in the next three-to-five years;</li> <li>• options to improve the commercial focus of leisure services;</li> <li>• opportunities to improve income generation and reduce council 'subsidy';</li> <li>• a cost-benefit analysis of all the options available to deliver leisure services in the future;</li> <li>• the contribution of leisure services to the council's wider public health role;</li> <li>• better engagement with the public to ensure the views and needs of users and potential users are clearly identified;</li> <li>• the impact of different options on groups with protected characteristics under the public sector equality duty; and</li> <li>• the sustainability of service provision in the future.</li> </ul>	Councils

Recommendation	Responsible partners
<p>R3 Ensure effective management of performance of leisure services by establishing a suite of measures to allow officers, members and citizens to judge inputs, outputs and impact. This should cover council-wide and facility specific performance and include:</p> <ul style="list-style-type: none"> <li>• capital and revenue expenditure;</li> <li>• income;</li> <li>• council 'subsidy';</li> <li>• quality of facilities and the service provided;</li> <li>• customer satisfaction;</li> <li>• success of 'new commercial' initiatives;</li> <li>• usage data – numbers using services/facilities, time of usage, etc; and</li> <li>• impact of leisure in addressing public health priorities.</li> </ul>	Councils
<p>R4 Improve governance, accountability and corporate leadership on leisure services by:</p> <ul style="list-style-type: none"> <li>• regularly reporting performance to scrutiny committee(s);</li> <li>• providing elected members with comprehensive information to facilitate robust decision-making;</li> <li>• benchmarking and comparing performance with others; and</li> <li>• using the findings of internal and external audit/inspection reviews to identify opportunities to improve services.</li> </ul>	Councils

## Part 1

Public sector ownership and management of leisure provision are changing with the transfer of services and assets to other models of operation, however, decisions have not always been based on robust information





- 1.1 The origins of council sport and recreation provision are rooted in a concern for public health and physical training. In the absence of any other organisations, local authorities became the main provider. However, with major cuts to public sector expenditure in Wales, councils face increasingly difficult decisions around what services to provide in future. In this part of the report, we consider the different options pursued by councils when deciding on future provision. We also outline the changes in management and ownership of major leisure facilities in recent years and set out the challenges these bring for authorities. Finally, we consider the findings of our survey of leisure service users and how effective councils have been in consulting on changes to service provision.

## Councils are exploring different ways to provide leisure services but decisions are not always set within a clear strategic framework

- 1.2 Whilst councils continue to be key players in the provision and management of leisure services, many are changing the way in which these services are managed and provided. With the increasing pressure on local government finances, councils are questioning whether it is still appropriate or affordable to position themselves as the main leisure provider. Given the current diversity of provision, authorities need to ensure that what they provide is valued by local people, contributes to corporate objectives, and is cost effective. Austerity will remain a primary driver of change as the level of public expenditure continues to reduce, and leisure services will continue to be challenged on efficiency and effectiveness grounds.
- 1.3 The Well-being of Future Generations (Wales) Act 2015 will introduce, from April 2016, a statutory requirement for named public bodies, including local authorities, to make decisions in a sustainable way, by thinking about the long-term implications of their decisions and actions. That requirement will mean that councils will need to take account of the longer-term implications of decisions around the provision of leisure services, for instance on the health and well-being of their local populations; not just the immediate financial pressures. Councils will also need to consider the contribution of all of their services to delivering these strategic priorities, not just their leisure service. For example, the role of highways in delivering road improvements and investing in safe cycling routes which can support a growth in cycling and have a positive impact on the health of citizens.
- 1.4 We found that a growing focus for some councils is increasingly on achieving subsidy-free provision wherever possible mainly through: improving efficiency; having a more commercial focus; and rationalising facilities including, in some cases, facility closures. Councils should have a clear rationale for the investment of public money, and set a clear strategic direction for the provision of their major leisure services. The priorities for provision need to be articulated and the areas for improvement clearly set out for the service, its staff, local residents and the people who use leisure facilities. The strategy should also focus on the council's position within the context of the wider community sport and leisure provision.

- 1.5 Our fieldwork identified a wide variety of strategic priorities and approaches for the provision of council leisure services. These range from promoting direct in-house provision to focussing on reviewing options for externalising leisure facilities.
- 1.6 For example Denbighshire County Council has a strategic aim that 'by 2020 Denbighshire will be renowned for high quality, accessible leisure opportunities attracting high levels of participation and improving the well-being of its residents and visitors'. The Council continues to focus on in-house provision, recognising the important contribution leisure services can make to delivery of Council priorities and the benefit they bring for local residents. In developing its initial vision for leisure services in Denbighshire the Council consulted with all its elected members, town and community councils, the public, and sports clubs. The Council also held 14 stakeholder workshops, completed a detailed cost benefit analysis, including local market comparisons. This has provided the Council with detailed information about performance and customer satisfaction about each of its facilities and has allowed it to develop detailed operational plans for individual facilities to deliver its aim of making services both self-funding and central in improving the health of residents living in Denbighshire.
- 1.7 The Leisure Plan for the Isle of Anglesey Council, which was adopted in February 2015, is focussed on making the best use of resources. Within the plan, the Council clearly sets out the options that are available in taking forward leisure services. These range from the status quo to rationalising leisure centres to reflect the budgets that are available to maintain and operate facilities as well as adopting a more commercial approach which can include closing uneconomic facilities. Likewise, Powys County Council has a five-year leisure strategy focussed on enhancing facilities to the public. However, due to the changing financial position and the need to reduce expenditure, the level of capital investment needed to upgrade and improve leisure facilities has not been available and the Council is now considering alternatives to provide leisure services within Powys. Decisions for both the Isle of Anglesey and Powys councils is driven in part by the financial situation each faces, but also reflects the desire to improve current performance.
- 1.8 Finally, the Vale of Glamorgan Council leisure centre service is delivered by a private provider, and the priorities for leisure provision are set out in the 10-year contract specification signed between the Council and Parkwood Leisure<sup>7</sup>. The specification sets out the Council's aims and expectations for its leisure service for the duration of the contract. The Council's primary aim is to reduce the Council's leisure subsidy (contract fee) over the life of the contract, but also to generate savings of over £1 million over the life of the 10-year contract. The Council does not, as a consequence, have a leisure strategy as such and is simply focussing on both improving its financial position but also increasing customer satisfaction with the range and quality of services provided at leisure centres.

<sup>7</sup> Parkwood Leisure are providers of Leisure Management provision in the UK, specialising in the development and operation of 84 leisure facilities working in partnership with 25 local authorities throughout England and Wales. The Vale of Glamorgan Council transferred management of its six leisure centres to Parkwood Leisure in August 2012.

- 1.9 The different strategic approaches adopted by councils is a balance of competing demands and aspirations. Some, such as Denbighshire are clear that the Council's leisure services are important and contribute to a range of corporate and wider public sector priorities in respect of health and wellbeing, although the Council has set no improvement objective for leisure services and has therefore not prioritised leisure services as a strategic priority for improvement at this time. Others, as in the case of the Isle of Anglesey and Powys, are constrained by the financial challenges they face and are consequently focussed on improving their financial and operating environment. Where councils have transferred assets and staffing to the private sector or trusts, their strategy direction has a more commercially oriented focus.
- 1.10 The Local Government Measure (Wales) 2009 places a general duty on councils to make arrangements to secure continuous improvement in the services they provide. In considering its general duty, a council must set improvement objectives based on a thorough evidence-based understanding of the communities they serve, local needs and their capacity to address them. Improvement objectives should also correspond directly with the council's priorities for improvement<sup>8</sup>. We found that only seven of the 22 councils have adopted improvement objectives that relate to health improvement and/or leisure services, and this includes the Isle of Anglesey, Powys and Vale of Glamorgan councils. The full list by council is set out in [Appendix 2](#) and highlights that many councils are not prioritising leisure services as a key priority at this time.
- 1.11 Through our surveys we found that 19 of the 22 senior leisure officers (Directors or Heads of Leisure Services in Welsh councils) felt that their council had a clear strategy for leisure services that provided a direction of travel for the council. However, only 66 per cent of elected members stated that their council had a strategy; 15 per cent stated that their council did not have a strategy; and 20 per cent that they did not know.

<sup>8</sup> Welsh Government, Local Government Measure 2009. The Measure identifies a range of criteria to be used in selecting improvement objectives. These include: local priorities as set out in the council's community strategy; national and international priorities as expressed by the Welsh Government, UK Government and the European Union; or the global context, for example, threats to health, climate change and sustainability.

The value of leisure and physical activity to the general wellbeing of the public is not generally recognised, so we spend more and more on reactive Health measures rather than using some of that money for preventative work.

I am concerned for the future of leisure services as we are having to make a number of very difficult decisions due to the efficiency savings we are having to make. We are currently reducing our costs mainly by increasing income, to date this has achieved our goals. I am concerned that if prices keep rising customers will decide to attend less often or not at all. I feel this will start to have a detrimental effect on health, socialisation and sport. I feel that Leisure facilities are real community Hubs which are highly valued by the community and any erosion of the service will be strongly resisted.



**Senior council officers' comments on the future of council leisure services**

Source: Wales Audit Office, Senior Officer Survey, April 2015



## Not all of the options open to councils have been reviewed when councils have considered changing their leisure services operating model

- 1.12 Given the difficult financial climate councils now operate in, many authorities are undertaking options appraisals to identify the most appropriate future delivery models based on capital and revenue considerations, cost/benefit analyses, and the needs of users and potential users. There is a variety of options that authorities have been, or are, exploring in providing leisure services. These include:
- a continuation of in-house provision;
  - b partnership with a private sector provider;
  - c setting up or transferring management to a new trust;
  - d transferring management to an existing trust;
  - e public private partnership;
  - f voluntary sector management; and
  - g some services being withdrawn and/or facilities closed.
- 1.13 Trust options are very much being promoted by the Welsh Government and are increasingly seen as offering a range of financial benefits in terms of the potential for attracting additional grant funding and possible tax and VAT savings, particularly in terms of National Non Domestic Rates (NNDR) relief. A trust with a charitable status is entitled to relief from rates on any non-domestic property which is wholly or mainly used for charitable purposes.
- 1.14 Where councils have chosen to follow a trust model of delivery, the leisure services are outsourced to a separate organisation/company that has a charitable status. In the main the council retains ownership of the facilities, which are then leased to the trust. There are a number of different models of operation for trusts but most involve some form of 'not for profit' organisation – such as a company limited by guarantee or an industrial and provident society – with any surpluses being reinvested.
- 1.15 However, there are some risks in pursuing a trust model, many of which fall on the council. For example, anticipated savings may not be realised leaving the trust requiring increased subsidy from the council, or having to make job and wage cuts as the trust struggles with the challenge of stand-alone management, company governance, and changes in the leisure market.

- 1.16 Transfer to a trust could also see a weakening in direct democratic control of the service by the council's elected members. Elected member representation on a trust is limited to less than 20 per cent of the Board. Company law requires that Board members must put the interests of the leisure trust before those of the council.
- 1.17 There are examples of financial and organisational failure resulting in insolvency of trusts, as has happened in England – for example Enfield Leisure Trust which went into liquidation in September 2006. Indeed, Denbighshire County Council had previously transferred leisure services to a Trust (Clwyd Leisure) which did not provide the standard of service expected and proved unsustainable. The Council subsequently opted to improve the service taking direct provision back in house with the aim of making leisure services self-funding and to re-focus its health improvement agenda.
- 1.18 From our fieldwork<sup>9</sup> we found that nine councils had leisure services provided via trusts with the number of facilities managed by trusts increasing from 27 to 35 between 2012-13 and 2014-15 and five of these nine councils now have their major leisure facilities delivered via trusts. We also found that seven councils delivered leisure services through voluntary-sector and community-based organisations, with the number of facilities transferred by councils to voluntary-sector and community-based organisations increasing from 35 to 38.
- 1.19 However, the number of directly owned and managed council facilities remains high, only falling by 2.6 per cent from 600 to 584 in the last three years, and councils continue to be directly responsible for almost 90 per cent of leisure facilities, although the majority of these – roughly 70 per cent – are outdoor facilities such as pitches and bowling greens. Councils also closed seven leisure facilities in this period.
- 1.20 Due to the complexities of delivering budget cuts and understanding the impact of choices in deciding their future models of delivery, councils need good-quality information and a thorough analysis of evidence to support decisions. This is especially the case when opting to outsource services, transfer assets or close facilities. The evidence to support the favoured options needs to be fully understood and the potential impact identified at the time decisions are made and scrutinised. Without good quality information, councils are not well placed to respond to the immediate challenge of cuts to funding and longer-term challenges of providing sustainable leisure services.

<sup>9</sup> This information is based on returns received from all 22 councils.

- 1.21 Key to supporting good decision-making in determining future choices for provision is having a robust options appraisal process in place. Option appraisal is a technique for setting objectives, creating and reviewing options and analysing their relative costs and benefits. Option appraisal should help develop a value-for-money solution that meets the objectives of the council by identifying the right options to pursue in respect of individual projects, facilities or service. Fundamentally, options appraisal should be based on good quality information and an informed council will routinely collect data on cost, activities and results; analyse it to expose issues or opportunities; and present informed options to decision-makers. [Appendix 3](#) sets out the key stages of options appraisal.
- 1.22 Our fieldwork identified a well-thought-out and detailed approach to options appraisal that was undertaken by the Vale of Glamorgan Council – [Exhibit 1](#) – which is consistent with the principles for effective options appraisal set out in [Appendix 3](#).

#### **Exhibit 1 – Good Practice Example – Vale of Glamorgan Council**

The Vale of Glamorgan Council presented an options appraisal to members initially in November 2009 and then an updated summary report in March 2010 on the future delivery of its leisure centre services. This followed advice from a number of leisure service and legal consultants as far back as 2006. The Council spoke to providers of a number of different delivery models including an existing leisure trust, private providers and where community asset transfer had occurred.

Elected members recognised that change was required as leisure centres required modernisation and were not financially viable without continued subsidy from the Council. An all-party Working Group, chaired by the Leisure Portfolio holder, was convened to consider the various options available and to seek advice from consultants. Following review the Council chose the option they considered presented the least financial risk going forward and also offered the best opportunity for savings.

The Council set criteria based on a 50 per cent score for quality and 50 per cent for price. The evaluation of bids was conducted against pre-determined criteria relating to the potential partners:

- Revenue and capital proposals
- Facility and Service development proposals
- Synergy with the Council's policy and strategy
- Performance against the Council's operational requirements (Method Statements)
- Proposed management model and legal issues

New facilities – fitness suites and catering have been provided by Parkwood Leisure and the Council has funded a number of repairs/physical improvements to several of the centres – for example, new reception areas at Barry and Penarth. The financial benefits are starting to be realised with the provider level of subsidy reducing and Parkwood now providing a fee to the Council.

1.23 Our review also identified a number of weaknesses in options appraisal processes in some councils.

- a Formal business cases presented to cabinet and/or scrutiny committees only consider a narrow range of choices. For example, our surveys found that as part of the options appraisal process all senior officers and 77 per cent of elected members confirmed that they had considered alternative models of delivery, such as the transfer of facilities to community trusts. However:
  - only 38 per cent of elected members and 47 per cent of senior officers confirmed that their council's options appraisal had considered collaborating with neighbouring councils;
  - only 46 per cent of elected members and 58 per cent of senior officers felt that the review considered the provision of leisure services by private providers and the impact of private provision on council services now and in the future; and
  - whilst 95 per cent of senior officers stated that options appraisals considered closing facilities or ceasing to provide some services, only 54 per cent of elected members stated that they had formally considered this option as part of their review.
- b Key financial information and data that are needed to develop some promising options is often not collected or not readily available resulting in these options often being dismissed too early, discarded or not presented to Members to consider because key information is not present. Whilst 52 per cent of elected members felt that they had received clear and robust business cases, just over a third (36 per cent) did not feel they had been presented with this information and the need to change how their council provides leisure services.
- c External consultation with service users is often not carried out or, where it is undertaken, not used to fully understand the needs of service users and provide legitimacy when deciding on options, particularly how best to meet their long-term needs. Our citizen survey found that only 18 per cent agreed or strongly agreed that their council had consulted effectively about changes to leisure services since April 2013 and only 24 per cent felt that their council had informed them of changes to leisure services in that time.
- d Many of the options considered rightly focus on financial matters but do not always consider other important issues, such as the impact of decisions in respect of the public sector equality duty, socio-economic circumstances of the community or regulatory requirements. For example, we found that only 58 per cent of elected members confirmed that, when deciding on changes to leisure services, officers presented them with an equality impact assessment to consider as part of the decision-making process. Thirty-two per cent stated that they did not receive this information and 10 per cent could not recall if this information had been provided.



Only that I fear that given the bleak economic outlook for Local Authorities it will become increasingly difficult to sustain the level of provision of our leisure services.

Difficult to maintain the current standard of provision due to the cuts to the Council budget.

There are plenty of very nice reports about the importance of leisure services to people's health and wellbeing, but due to the forecast of large budget cuts to council budgets, most leisure facilities will face closure or part closure. But I am sure that there will be more reports about the importance of leisure facilities.

The financial savings that have been forced on local authorities will ultimately affect the leisure service as we know it, what do we cut, education, social services? No, what it will be, and it's already started, is leisure. They are not sustainable in their present form, with the cuts that have been forced upon us, leisure centres promote health and wellbeing and good community participation, what will the youth have today, our youth clubs have already gone, leisure centres are under threat as well as libraries. The question is what legacy are we leaving our children?

Due to lack of maintenance and investment council leisure services are under pressure and with further cuts may be lost for ever.

The end is nigh.



Elected Members' comments on councils' changing leisure services  
Source: Wales Audit Office, Elected Member Survey, April 2015

- e In terms of the actual decision-making process when councils consider options, only 62 per cent of elected members believe that officers presented them with clear information summarising the options available to the council in terms of future leisure service provision compared to 86 per cent of senior officers. However, with regard to elected members robustly scrutinising proposed changes to leisure services before final decisions are taken, we found that 65 per cent of elected members felt this occurred, but a greater proportion of senior council leisure officers – 91 per cent – agreed, highlighting a concern that challenge and scrutiny of decisions are not as robust as they could be.

## There are weaknesses in how effective councils are at engaging with citizens when planning changes in leisure provision

- 1.24 With regard to members of the public, we found a mixed picture of how informed they feel about the changes taking place to the provision of leisure services. Whilst 93 per cent of citizens who responded to our survey are aware that councils have to cut how much they spend on the services they provide, only 29 per cent believe that they have been informed about where their council plans to make savings and reduce expenditure. Indeed, a large proportion – 62 per cent – stated that their council had not told them how these cuts will impact upon the services they use.
- 1.25 We also found that there is a wide variation in the views of citizens, elected members and senior officers as to how effective councils have been in consulting on planned changes to leisure services. Whilst 82 per cent of senior officers felt that their council has consulted effectively on changes to leisure services, this compared to only 55 per cent of elected members and only 18 per cent of citizens. Only 24 per cent of the citizens who responded felt that their council had effectively told them about changes to leisure services since April 2013.
- 1.26 Most respondents have yet to see a significant change in how their council provides services to them. For example, only 12 per cent stated that their Council no longer provides the service they requested and 13 per cent stated that they are now paying for services that were provided free in the past. In addition, only 17 per cent of respondents believe that their council keeps them informed of how well the services they receive are performing, which is lower than the proportion who responded to the same question in our first **Delivering with Less** report on Environmental Health services. These survey responses highlight that councils need to do more to improve how they communicate with, inform and involve citizens in the services they provide and their plans for the future.

I was only recently told about some changes coming to classes in early 2015 following a discussion with staff regarding a class being cancelled. It was very much information shared 'in passing conversation', rather than officially being told.

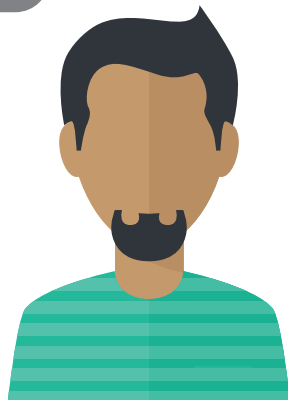
Although the Council has neither consulted nor told me of changes the information is available to me via the Internet, by asking at reception and I feel able to phone up either the centre or main office to get information or express concerns. The Council cannot do everything and I wouldn't want it to.

They were and remain very coy about facilities, and the facilities are ever decreasing. The consultation period and the sneaky tactics employed by the council, leading up to the closure of Plas Madoc were thoroughly shameful.

I believe Wrexham Council failed to factor in the cost benefit of improving residents health and welfare by encouraging them to exercise regularly. They have also recently forced a closed road sportive cycle event to close down so have a totally negative attitude to encouraging people to exercise which is extremely short sighted and out of touch with current research and thinking.

The Council has closed facilities down and increased fees without consulting with sporting groups and I forecast of a drop in numbers taking part in sport because of their policies.

As a user weekly 3/4 times a week I do not think that the council has consulted on and what the consumers want as a service.



Citizens' comments about councils' changing leisure services  
Source: Wales Audit Office, Citizen Survey, April 2015

I honestly can't believe the proposed increase in pitch fees in the coming months. By doing this you are effectively killing local sport and betraying the loyal customers that have been paying to use your pitches for years. You should be ashamed of yourselves. How do you tell a child that they can no longer play the sport they love because the team can't afford the pitch fees. ABSOLUTELY DISGUSTED!

Were very underhand in how they handled the leisure centre take overs. Not trustworthy and lied about what would happen to staff.

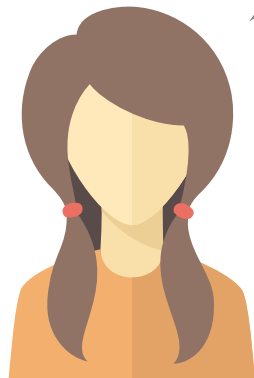
Their response to customer led suggestions for improvements is ambivalent.

I am aware of the changes to leisure facilities due to the amount of time I spend at my local centres and given to me through staff rather than official RCT Council announcements through social media etc. I don't know what, if any consultations went on to make the changes that have happened. They don't directly affect me as I only use the centre in the evenings straight from work and weekend mornings. However, friends I have that used the early morning facility and Sunday evening classes are very unhappy with the change in hours. Personally, if these changes that have been made are what it takes to keep it open and not affected further then we'll work around it.

Yes I feel the closure of Cymmer swimming pool is very unfair and people like me who use it to keep fit are over 65 are being penalised because we live in an already impoverished area where there is nothing left to do for the residents there as most of the leisure facilities have already been stopped and cut back on by the Council!!

Reduced opening times have a negative impact on usage.

They don't consult or inform people about anything, they just do.



Citizens' comments about councils' changing leisure services  
Source: Wales Audit Office, Citizen Survey, April 2015



## Part 2

Despite a reduction in facilities, budgets, staff numbers and council subsidy for leisure services, the continued impact of austerity presents a risk to the continued provision of services



- 2.1 Facilities are central to the delivery of council leisure services: they are the single largest leisure investment made by councils. However, as a non-statutory service the provision of leisure facilities is often not prioritised for investment. Many facilities were built in the last 50 years and have increasingly become run-down requiring significant investment to improve and upgrade them<sup>10</sup>. In addition, there are also other concerns that are having an increasingly negative impact on facility provision and council leisure management arrangements, particularly managing costs, increasing income, competing with private sector providers and needing to become more commercially driven. This is especially challenging in the current climate as councils have traditionally subsidised the cost of leisure provision, and charging for services has not always been driven by the need to cover all costs and operate commercially.
- 2.2 Given this context, in this part of the report, we review the change in council provision of leisure facilities. We examine how council leisure-service budgets, both income and expenditure, are changing and the impact of variations on staff numbers. We also consider the implication of these changes on councils in the future and the sustainability of leisure services.

## The amount councils spend on sports and recreation services is falling

### Recreation and sport revenue spending accounts for less than two per cent of all local government expenditure and has fallen by 10.5 per cent in the last six years

- 2.3 The amount of money that councils spend on leisure services is very small, relative to total local government spending. In 2014-15, total gross revenue expenditure by councils in Wales was approximately £8 billion on the services they provide, of which £153 million (some 1.9 per cent) was spent on leisure services. **Exhibit 2** shows that revenue expenditure on leisure services by councils is also reducing, falling by 10.5 per cent from £171.1 million in 2009-10 to £153 million in 2014-15. The reduction in funding for sports and recreation services of 10.5 per cent is marginally higher than the 10 per cent cut in the AEF for all council services noted above (**Paragraph 6**).
- 2.4 In 2014-15 the range of expenditure on these services also varies widely, from £2.4 million in the Vale of Glamorgan to £17.5 million in Cardiff. From our analysis of councils' budget and staff resources, we found that 18 of the 22 councils have seen reductions in their recreation and sports services' gross revenue budgets between 2008-09, 2009-10 and 2014-15. **Exhibit 3** illustrates that the largest reductions have been in Torfaen (-57.1 per cent), the Vale of Glamorgan (-53.3 per cent) and Bridgend (-38.6 per cent). Four councils increased expenditure in this period with the largest rises in Caerphilly (21.4 per cent) and Flintshire (12.5 per cent).

<sup>10</sup> Sport Wales, **The Future provision of Sports Facilities in Wales**, August 2011.

## Exhibit 2 – Recreation and sport revenue spending by Welsh councils 2009-10 to 2014-15

Expenditure on sports and recreation services has been fairly consistent but there has been a large drop in the last two years.

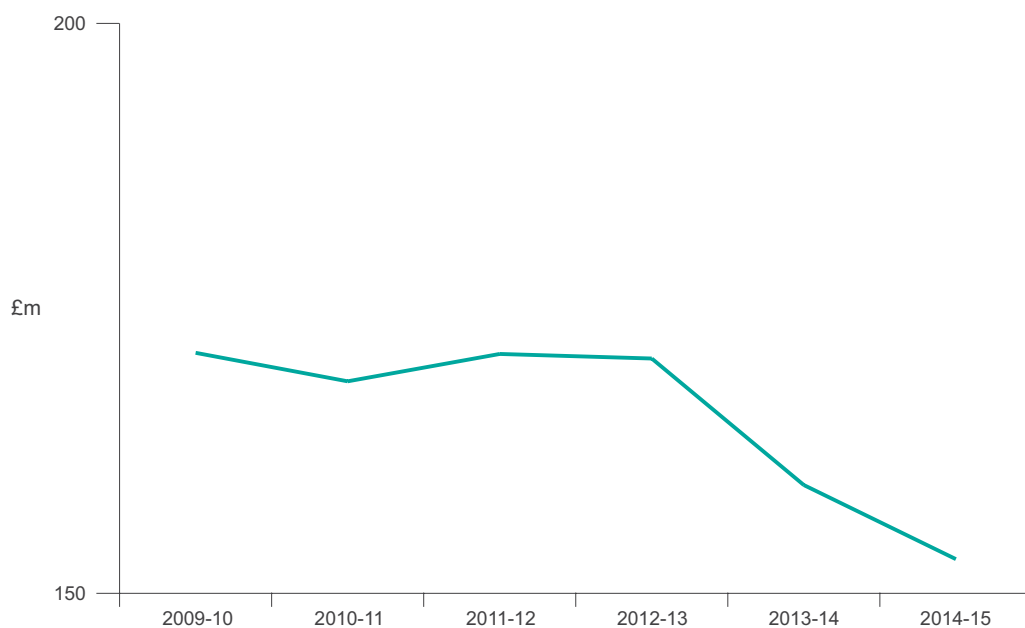


Exhibit source: Revenue outturn expenditure 2009-10 to 2014-15, StatsWales

- 2.5 Those councils that have changed their leisure services operating model also tend to have lower levels of expenditure for leisure services. For example, Torfaen, the Vale of Glamorgan, Bridgend, Blaenau Gwent and Neath Port Talbot have transferred their major facilities to leisure Trusts in recent years. Our analysis shows that following these five councils' decision to transfer these amenities to other providers the amount spent on recreation and sports services fell by £12.2 million between 2009-10 and 2014-15, an average reduction of £2.4 million per council. Proportionally, this equates to on average a 40 per cent reduction in expenditure.
- 2.6 In 2014-15 the range of expenditure on these services also varies widely, from £19.45 per head of population in the Vale of Glamorgan to £79.53 per head of population in Gwynedd ([Exhibit 4](#)). Again, those councils that have changed their operating model for their major and most expensive leisure facilities and now have less direct council-managed provision, are generally spending less per head of population on leisure services – Torfaen, Vale of Glamorgan, Bridgend, Blaenau Gwent and Neath Port Talbot.

**Exhibit 3 – Difference in councils' gross spending on recreation and sports services in 2009-10 and 2014-15**

Eighteen councils have reduced gross expenditure on recreation and sports services since 2009-10

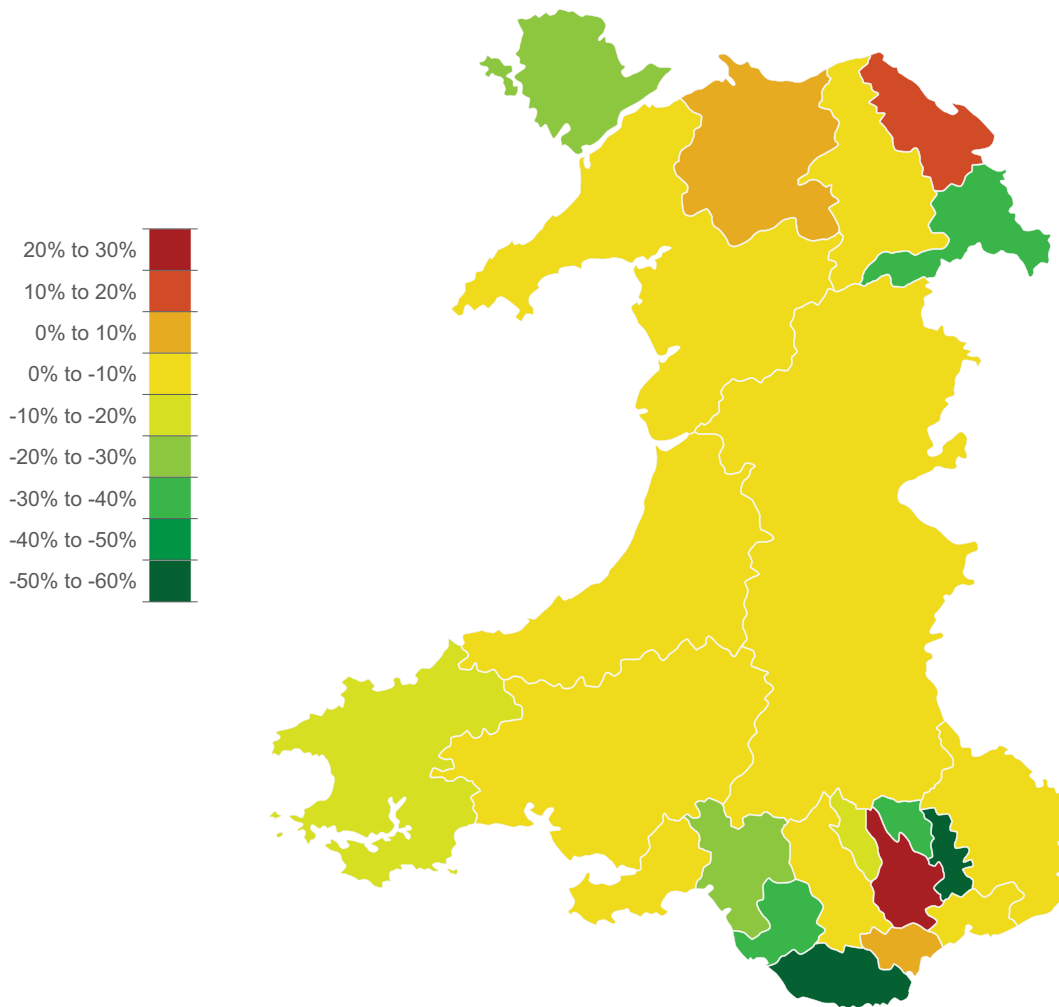


Exhibit source: Revenue outturn expenditure 2009-10 to 2014-15, StatsWales.

**Exhibit 4 – Expenditure per head of population on sports and recreation services by councils 2014-15**

Council expenditure on sports and recreation services per head of population ranges from £19.45 in the Vale of Glamorgan to £79.53 in Gwynedd.

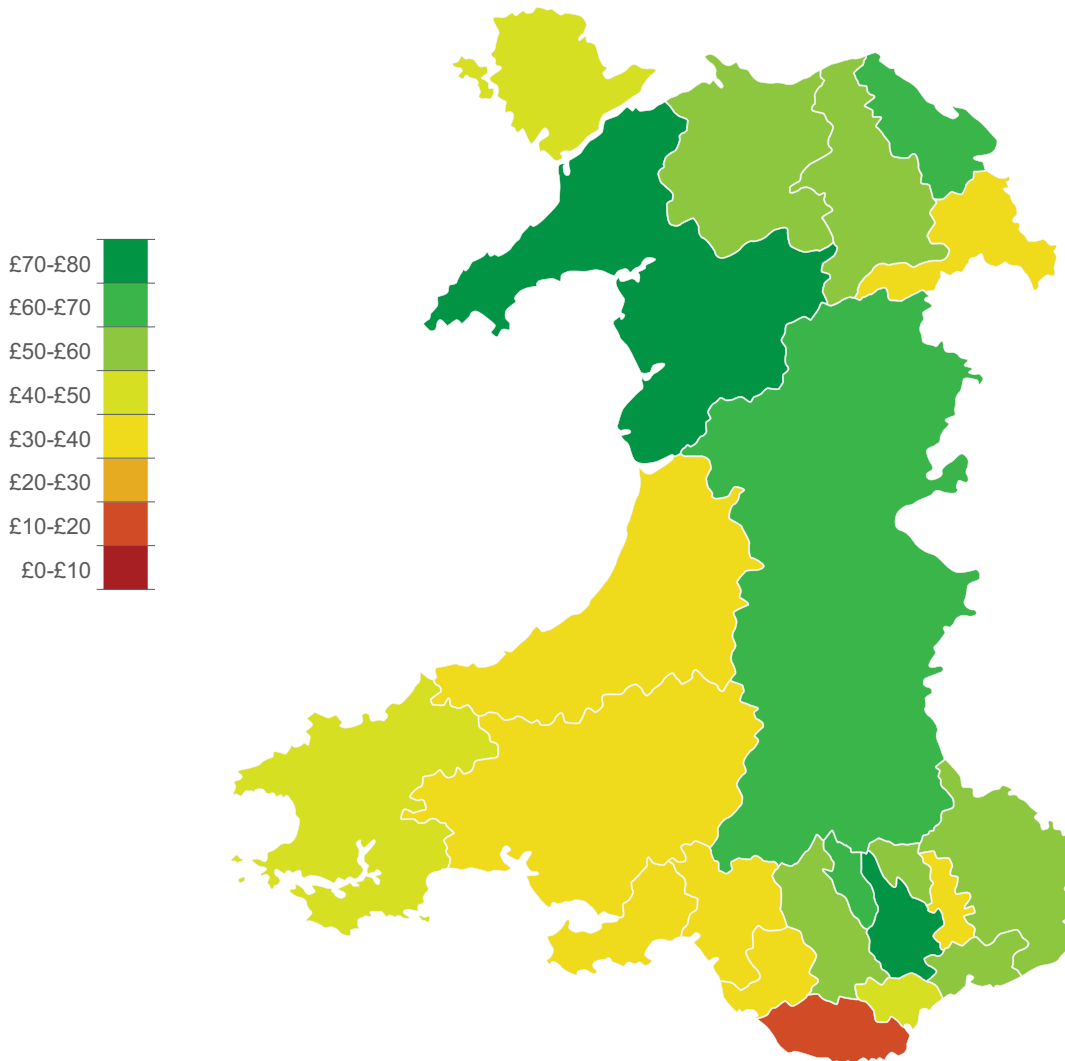


Exhibit source: Revenue outturn expenditure 2014-15 and Mid-Year Population estimates 2014, StatsWales.



## Councils are reducing how much they spend on servicing, maintaining and improving their leisure facilities

2.7 Within the leisure service environment it is important to identify and address those factors which improve the safety of the customers, maintain high levels of services, quality of facilities and promote a healthy and safe working environment. Capital investment in asset maintenance and improvement, as well as considering when to build new modern facilities, is therefore extremely important. Exhibit 5 shows that expenditure by councils on maintaining their facilities has varied widely in recent years. Between 2012-13 investment rose from £13.2 million to £15.2 million, an increase in expenditure of 15 per cent. However, between 2013-14 and 2014-15 maintenance expenditure fell to £10.9 million, a fall of 28.2 per cent<sup>11</sup>.

### Exhibit 5 – Maintenance expenditure on leisure facilities 2012-13 to 2014-15

Overall, expenditure on maintaining and improving leisure facilities is reducing.

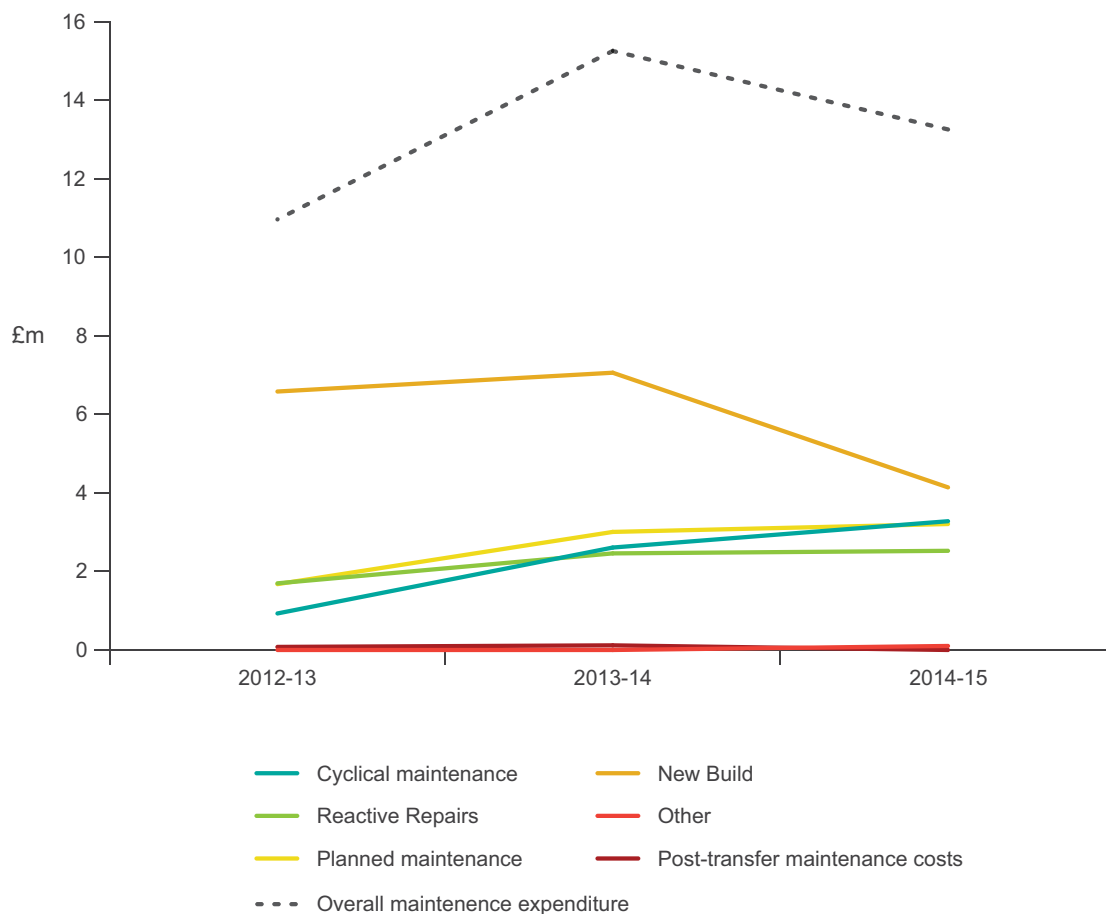


Exhibit source: Wales Audit Office Data Tool, April 2015.

<sup>11</sup> This information is based on returns received from 16 councils. This does not include data for Cardiff, Merthyr Tydfil, Monmouthshire, Neath Port Talbot, Newport or Swansea councils which did not provide the information we requested. A number of councils noted that their finance systems do not always code their maintenance spending and some were unable to provide detailed breakdowns by reactive, cyclical or planned expenditure.

- 2.8 The biggest changes in maintenance expenditure have been in planned and cyclical activity. Planned Cyclical Maintenance Programmes are used to carry out regular improvement works, which maintain facilities in sound condition, enhancing visual appearance, preventing costly rectification work while ultimately maintaining the value of capital investments and the life of the property. Our fieldwork found that councils do not always have up-to-date asset management plans or good quality property condition data for leisure facilities to identify and guide investment decisions. Cutting budgets without a detailed understanding of property conditions and future investment needs raises a risk that the condition of leisure facilities will deteriorate further and may cause higher unanticipated reactive repair costs in the future. We found that cyclical maintenance has fallen by 72 per cent from £3.3 million in 2012-13 to £0.9 million in 2014-15, and planned maintenance by 46.8 per cent, from £3.2 million to £1.7 million in the same period. However, investment in new facilities increased by 58.9 per cent, rising from £4.1 million to £6.6 million.
- 2.9 Responsive maintenance – those repairs that are identified on a day-to-day basis and undertaken to maintain a component within the leisure facility or asset – has also fallen by 36 per cent. Our fieldwork at Powys County Council for example identified that the net budget for maintenance of leisure services has reduced consistently year on year, to the extent that budgets only cover responsive maintenance.
- 2.10 A change in management arrangements can result in councils investing less in maintaining facilities. For example, capital expenditure at the Vale of Glamorgan Council has reduced, from £1.25 million in 2012-13 to £0.138 million in 2014-15. The decrease in maintenance expenditure can also be influenced by an absolute reduction in the number of directly owned council facilities, particularly where councils have closed facilities, as well as councils having to make savings by reducing capital and revenue funding to balance their leisure budgets.
- 2.11 Managing energy and water expenditure is also important, not just to ensure that councils are getting the best value from their supplier purchases but to also ensure that services and facilities are operating efficiently and optimising their usage. Our fieldwork found a variety of approaches from councils, with some leisure services no longer having access to the necessary management information in terms of energy use and costs.
- 2.12 However, we found that other councils had access to good quality information and a better understanding of energy use and costs. In some cases councils have engaged external experts, such as the Carbon Trust, to help them understand what actions could be taken to reduce energy use and costs, for example installing automatic lighting sensors. It was noted that some of these actions require capital investment with savings being accrued over a number of future years. One council was conducting energy surveys of all leisure buildings as well as increasing staff awareness of what actions they can take to reduce energy use. The returns we received showed very limited evidence of the use of recycled water within leisure facilities or solar energy generated on site, but two councils reported the use of biomass energy. Those councils reported that they anticipate reductions in overall costs through the use of such energy.

2.13 **Exhibit 6** summarises councils' expenditure on energy and water usage and shows that overall, spending has remained constant. In 2012-13, councils spent £11.6 million on energy and water supplies for their leisure facilities<sup>12</sup>. This marginally increased to £11.8m in 2013-14.

**Exhibit 6 – Councils' spending on energy and water supplies for leisure facilities 2012-13 and 2013-14**

Councils' overheads for running leisure facilities are not increasing.

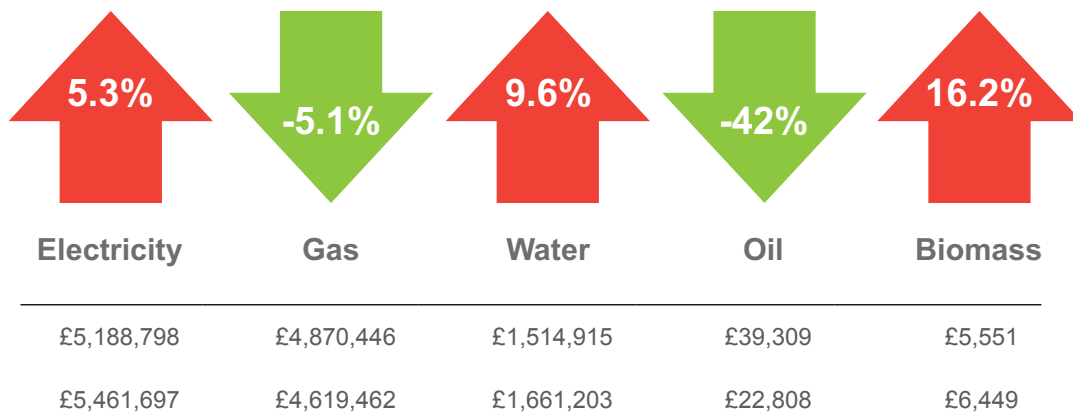


Exhibit source: Wales Audit Office Data Tool, April 2015.

<sup>12</sup> This information is based on returns received from 20 councils and does not include data for Merthyr Tydfil or Torfaen councils.

## Since 2011-12 the number of council staff delivering leisure services has fallen by 14.2 per cent, although some of these have transferred with services to other providers

2.14 A council's workforce is one of its greatest assets and a significant proportion of council expenditure is on staffing. At a time of financial pressures, savings can often be achieved by reducing staff numbers through voluntary early release and vacancy management, where staff that leave are not replaced. This trend is set to continue as councils look to further reduce staff costs as part of their strategies for achieving balanced budgets.

2.15 **Exhibit 7** shows that the total number of full-time equivalent (FTE) staff working in council leisure services has fallen from 2,783 in 2011-12 to 2,387 in 2014-15, a fall of 14.2 per cent<sup>13</sup>. Whilst all staff roles have been subject to reductions, operational staff have proportionally experienced the greatest hit, falling by 19.8 per cent. Catering staff have reduced by 11.8 per cent and managers 8.9 per cent. Our review found that the only staff group to have increased in recent years are unpaid relief staff where the numbers working in council leisure facilities rose by 4.6 per cent.

### Exhibit 7 - Number of full-time equivalent staff working in council leisure facilities 2011-12 to 2014-15

The number of council staff working in leisure services fell by 14.2 per cent between 2011-12 and 2014-15.

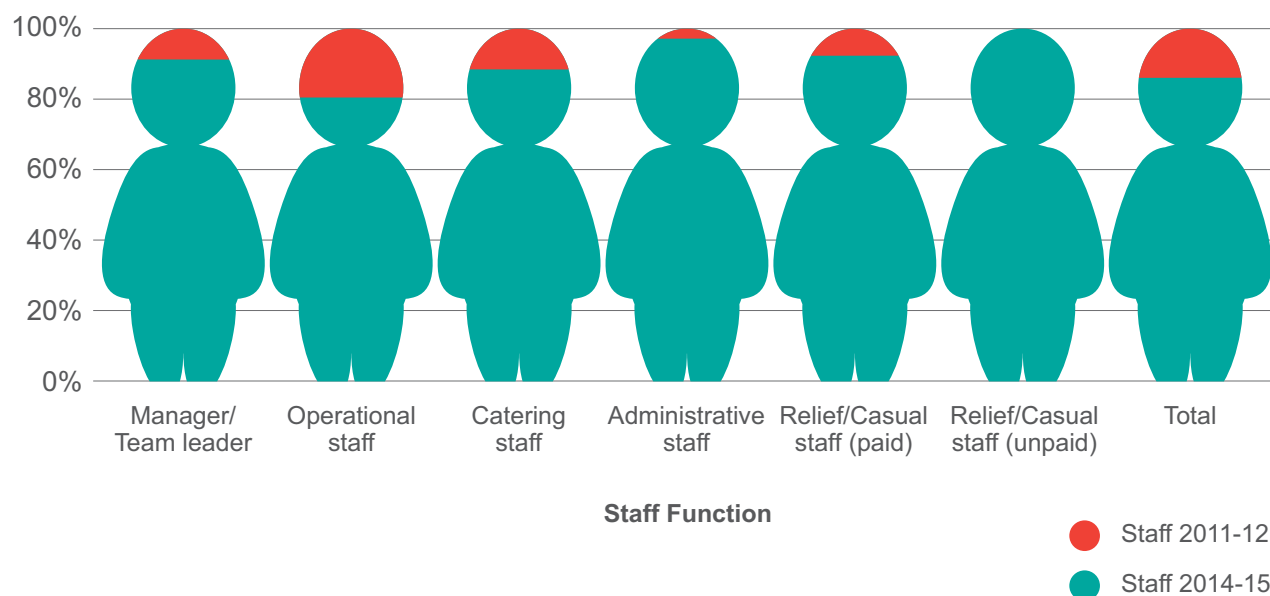


Exhibit source: Wales Audit Office Data Tool, April 2015.

<sup>13</sup> This information is based on returns received from 18 councils. This does not include data for Cardiff, Carmarthenshire, Flintshire or Powys councils. The return from Rhondda Cynon Taf also included information on 'leisure' staff working in Community Parks and Open Spaces.

- 2.16 The reasons for reductions in staff numbers have a number of influences including cuts to balance budgets, out sourcing activity and transferring staff to the private sector or a leisure Trust. For example, the Vale of Glamorgan Council transferred management of its six leisure centres to a private provider (Parkwood Leisure) in August 2012. The Council still retains ownership of the centres and is responsible for major repairs and ongoing maintenance. The number of staff employed by the Council, however, reduced from 113 FTEs in 2011 to 28 in 2014 with the TUPE<sup>14</sup> of staff from the Council to the new leisure provider in 2012.
- 2.17 However, many of the people responding to our survey are concerned that as councils cut staff they will find it increasingly difficult to respond to the challenges they face. Without adequate capacity and capability the council leisure sector is likely to struggle to manage change, which may undermine its performance and could well lead to a cycle of decline.
- 2.18 Over the last four years capacity has undoubtedly diminished at all levels but it is at the senior level where the impact is being felt the most. The loss of senior council personnel reduces the professional's ability to influence strategic decisions when councils consider the future of their public sector leisure provision. There is a fear amongst leisure professionals that in many parts of the leisure sector a leadership vacuum is developing. With limited capacity the current fragmented nature of the sector exaggerates the problem further. The available leadership is fully stretched and often over-focused on operational management so limiting their ability to influence the wider strategic agenda.
- 2.19 As well as an absolute reduction in staff numbers at some councils, the terms and conditions of employment for staff can also be amended. In some authorities, such as Powys County Council, the terms and conditions for employees have been affected by changes in how the service is provided such as hours of operation and opening and closing times of facilities. The Council has also recently completed a harmonisation process of staff terms and conditions which resulted in an increase in the hourly rate of pay. In other councils, such as the Vale of Glamorgan, staff have transferred under TUPE to a private company and there have been significant changes to pay, holiday entitlement and sickness absence arrangements. Whilst others, the Isle of Anglesey Council for example, have not seen any changes in employment terms, although the number of staff employed has fallen.

<sup>14</sup> The Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246), known colloquially as TUPE, are the United Kingdom's implementation of the European Union Business Transfers Directive. It is an important part of UK labour law, protecting employees whose business is being transferred to another business.



Although councils' income from facilities is being sustained and the level of subsidy required to provide leisure services has fallen significantly, the continued impact of austerity presents a risk to the sustainability of these services

Despite a reduction in facilities and changes in management arrangements income for leisure services has only slightly reduced

2.20 Profits and surpluses generated through trading activities can be used to help hold down council tax and/or directed into frontline services. Income generated from charging for the costs of supplying discretionary services can also help the overall council's financial position. However, customer take-up of any leisure activity is voluntary; it relies on the customer's perception that participation will improve his or her quality of life, and inevitably competes with other calls on leisure time. Setting and achieving income targets will, therefore, never be an exact science and always remain vulnerable to market changes.

2.21 Information collated as part of this study in Exhibit 8 shows that despite a reduction in the number of leisure facilities councils directly provide, and changes in management arrangements, income is being maintained. In the last three years despite the changes in ownership, management and closures that have taken place, overall income for leisure services has only fallen by 1.7 per cent.

#### Exhibit 8 – Income for leisure facilities 2012-13 to 2014-15

Council's income for leisure services has marginally fallen by 1.7 per cent in the last three years.

Area of operation	2011-12	2012-13	2013-14	+/- %
Community centres and public halls	£1,654,470	£1,706,433	£1,787,118	8
Indoor sports and recreation facilities	£57,367,950	£57,161,285	£56,756,606	-1
Golf courses <sup>15</sup>	£353,849	£202,163	£214,046	-39
Sports development and community recreation	£13,063,085	£13,038,876	£12,303,816	-5.8
Outdoor sports and recreation facilities	£2,568,506	£2,765,223	£3,022,175	17.6
Other	£2,094,625	£1,804,603	£1,677,256	-20
Total	£77,102,488	£76,678,585	£75,761,017	-1.7

Exhibit source: Wales Audit Office Data Tool, April 2015.

<sup>15</sup> Merthyr Tydfil and Rhondda Cynon Taf reported that they had golf courses but recorded no income for these facilities for all three years we analysed.

2.22 Exhibit 9 shows that the overall level of council income for leisure services ranged from £0.1 million in Torfaen to just over £8 million in Cardiff.

**Exhibit 9 – Income from sports and recreation services by council 2014-15**

Council income from leisure services ranges from £0.1 million to £8 million.

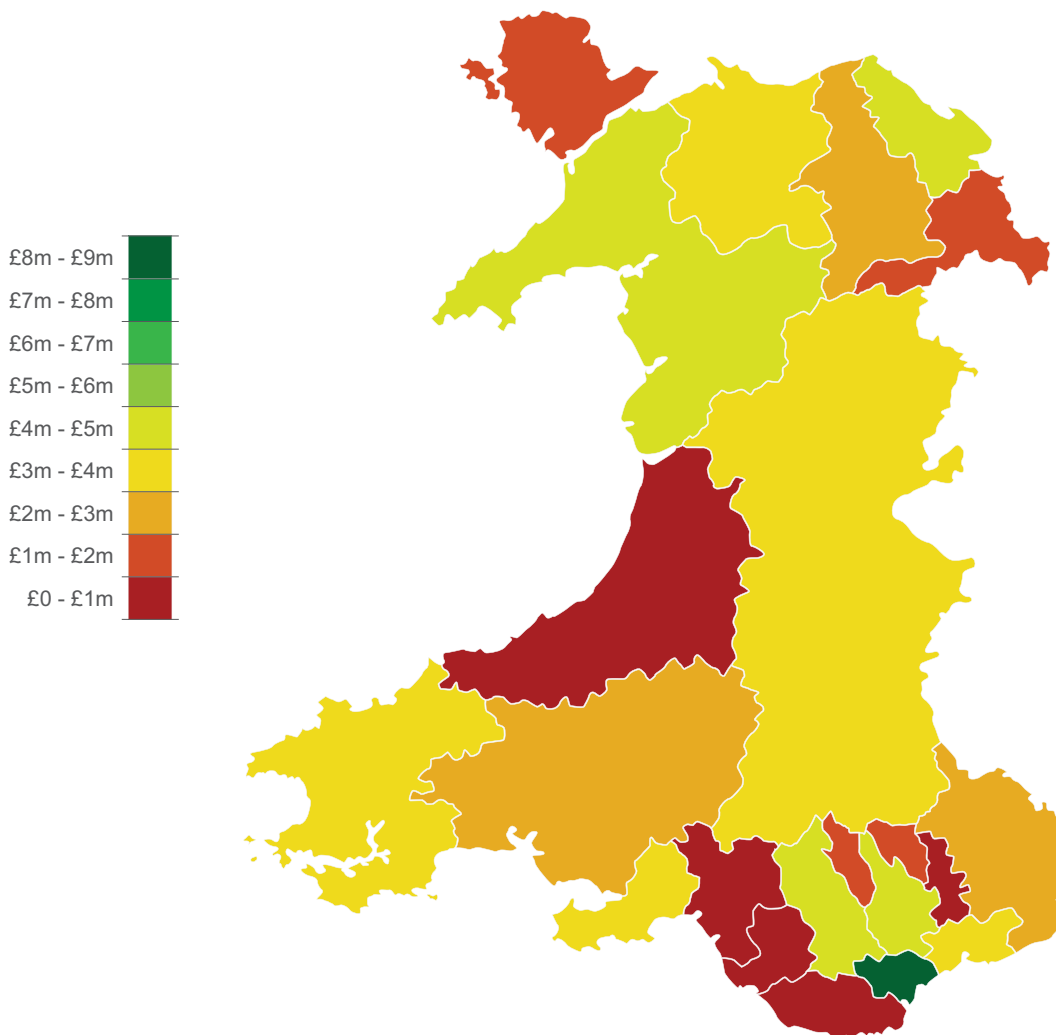


Exhibit source: Revenue outturn expenditure 2014-15, StatsWales.

2.23 **Exhibit 10** (below) shows that overall, 13 councils increased income in this period with the largest rises in Flintshire (26 per cent) and Newport (21 per cent). The sharpest reductions in council income from leisure services between 2012-13 and 2014-15 have been seen in the Vale of Glamorgan (-84 per cent), Torfaen (-63 per cent) and Neath Port Talbot (-47 per cent). These are three councils which have seen significant changes in their leisure provision and/or management arrangements. For example, the Vale of Glamorgan has six leisure facilities provided by a Trust and has seen its income from the leisure services reduce as a result of transferring its leisure centres from £3.6 million in 2011-12 to £0.6 million in 2014-15. Torfaen has transferred five leisure facilities to a Trust and Blaenau Gwent has closed one leisure facility and has recently transferred a further five to a Trust.

**Exhibit 10 – Change in income for council leisure facilities 2012-13 to 2014-15**

Thirteen councils have seen an increase in income from leisure services.

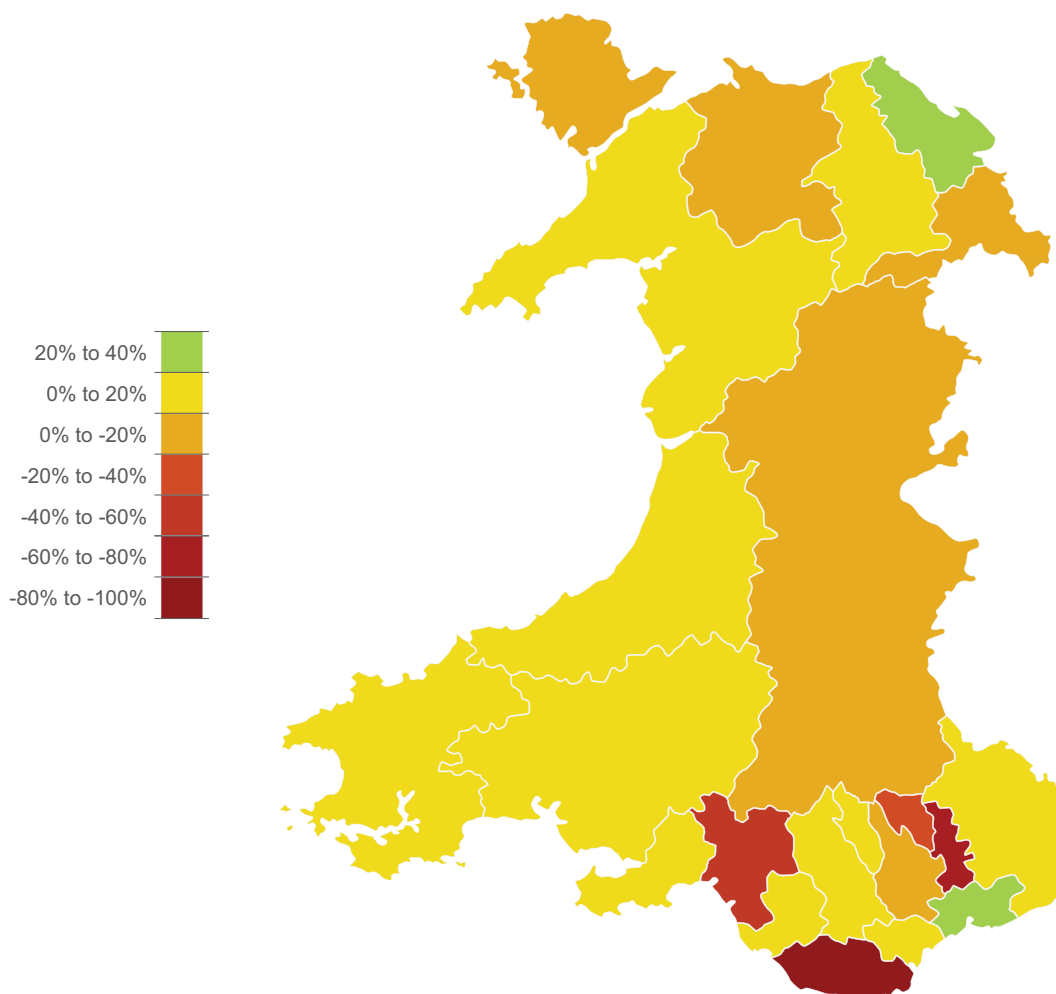


Exhibit source: Wales Audit Office Data Tool, April 2015.

The majority of councils have an improving financial position and the level of 'subsidy' required to fund leisure services has fallen by 15.2 per cent but with reductions in public funding set to continue, councils need to consider more efficient and effective ways of working if leisure services are to remain sustainable

- 2.24 There are big differences between how the private and public sectors operate. One of local governments' main objectives is the welfare of people whereas the bottom-line of a private company is more likely to be profit. With the current financial challenges facing the public sector, fiscal responsibility is ever more important and councils recognise that they need become even more financially disciplined when it comes to delivery of services.
- 2.25 Councils have a good track record in balancing budgets and managing within their means and since budget cuts began to hit hard, councils have found savings through everything from joint working to turning over management of services to volunteers. The other side of the equation is acting more commercially and generating money – what can councils do to increase their income from trading, commercial partnerships with the private sector or writing better commissioning contracts.
- 2.26 However, in doing this councils must also balance disparate agendas, and attempt to provide equal, accessible services for all residents, something private businesses do not have to consider. And, because councils' income is derived from a range of sources – the Revenue Support Grant from the Welsh Government; Council Tax; Non-Domestic (business) Rates; income for provision of services; and other specific grants – they are not operating in a purely commercial environment. By the very nature of their funding therefore councils are subsidising the cost of their services.
- 2.27 Subsidising leisure services is also driven by a desire to maximise take-up and usage for the good of local residents and to support delivery of the wider strategic public health role by encouraging healthy lifestyles and tackling health inequalities. Thinking of services in business terms nevertheless allows councils to consider their operating environment in a different way and subsequently allow for more informed decisions on the choices facing council leisure services as to how and what they provide.
- 2.28 Between 2009-10 and 2014-15 there has been a significant 15.2 per cent decrease in the absolute net cost<sup>16</sup> for the 22 Welsh councils' leisure services with the amount councils fund services after income decreasing from £110 million in 2009-10 to £93.3 million in 2014-15. The smallest absolute levels of subsidy in 2014-15 are in the Isle of Anglesey and the Vale of Glamorgan at £1.8 million. The largest subsidies in 2014-15 are in Cardiff and Caerphilly with £9.5 million and £9.2 million respectively (the detailed information is set out in [Appendix 4](#)).
- 2.29 Our analysis also shows that 19 councils have an improving position where the level of subsidy is decreasing. For example, Pembrokeshire reduced its position from -£4.8 million in 2009-10 to -£2.5 million in 2014-15. Similarly, Torfaen reduced

<sup>16</sup> Net cost is the bottom line of the income statement when revenues and gains are less than the aggregate operating expenses.

its operating position from -£4.3 million to -£2.6 million in the same period. We also found that three councils have seen the level of subsidy provided to fund recreation and sports services increasing. The largest increase was in Powys which rose from -£3.2 million in 2009-10 to -£5 million in 2014-15.

2.30 **Exhibit 11** highlights that 19 of the 22 councils have proportionally reduced the level of subsidy provided to leisure services and three have seen an increase in subsidy between 2009-10 and 2014-15. The proportional change in subsidy ranges from an improving position in Pembrokeshire where subsidy reduced by 47.9 per cent in this period to Powys where the level of subsidy required to deliver services rose by 57.3 per cent.

**Exhibit 11 – Changing subsidy for recreation and sports services between 2008-09 and 2014-15 by council**

All councils subsidise recreation and sports services but the level of subsidy varies widely and is improving in 19 of the 22 councils.

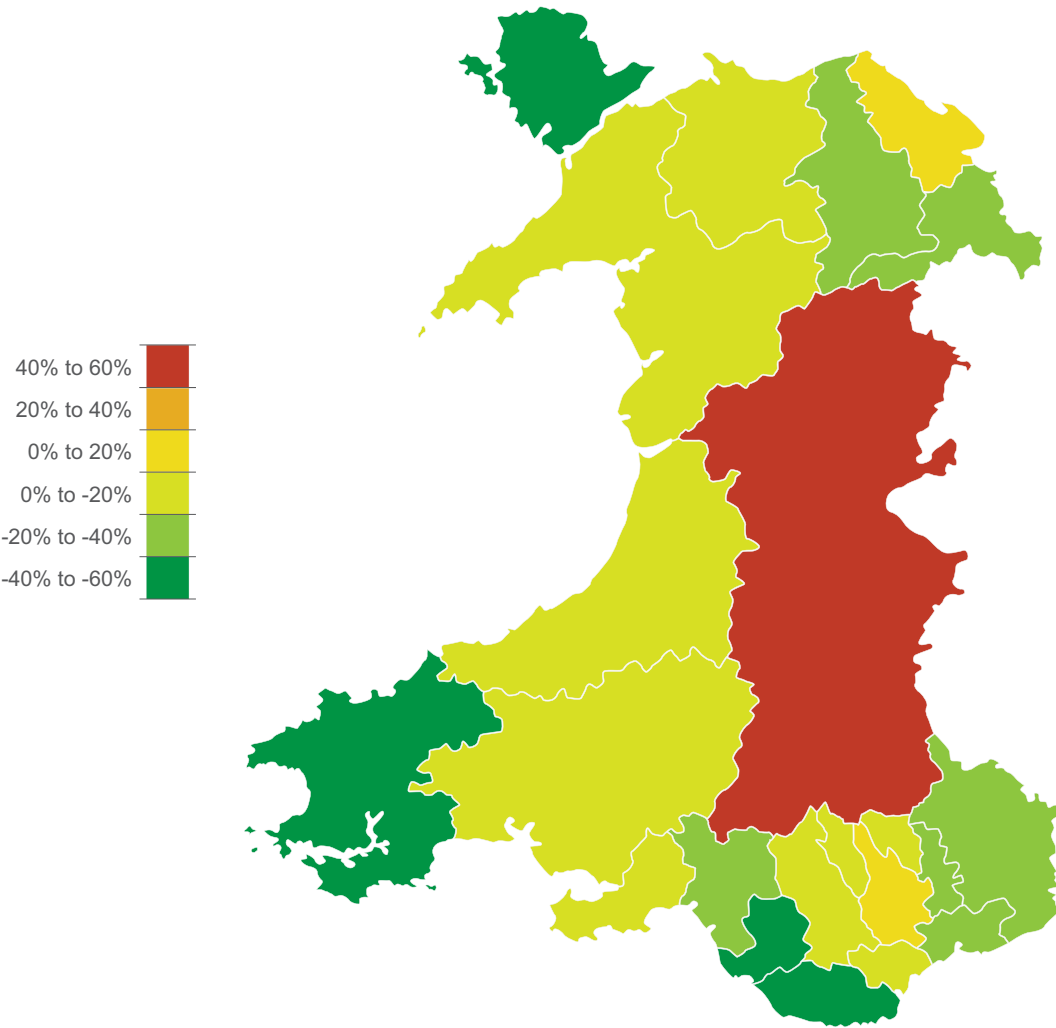


Exhibit source: Analysis of revenue outturn income and expenditure for council recreation and sports services in 2008-09 and 2014-15, StatsWales.



- 2.31 With reducing public monies and a challenging operating environment with often poor quality facilities, council leisure services face an uncertain future. As noted above a number of councils have transferred assets to Trusts to run, whilst others have closed uneconomic and/or poor quality facilities that are beyond repair. Given that the continued subsidising of services is unlikely to be sustainable in the medium to long term, councils need to carefully consider what they are providing, how they provide it, what they charge for it and what they are ultimately seeking to achieve through their leisure provision. As the provision of leisure facilities is a discretionary function, it is also a matter for councils to determine the nature and level of service that they can and want to provide in their current financial situation.
- 2.32 However, whilst it is reasonable for councils to conclude that the current levels of provision are no longer sustainable given the subsidy required to maintain these facilities, the implementation of closures or transfers needs to be carefully considered and handled sensitively to mitigate the impact on communities and citizens. Changing how services are managed or closing facilities is not simply about finances and needs to be balanced carefully with the needs of local residents and communities. Equally, the positive contribution of leisure services in addressing health inequalities and improving public health also needs to be considered.
- 2.33 In part one of this report we noted the importance of councils undertaking robust options appraisals that considered the broadest range of available options but also the impact of service changes on citizens. Under the Well-being of Future Generations Act 2015 councils will now be required to apply the sustainable development principle to the setting of objectives, and the steps taken to achieve them. This will require applying the five principles of: long term, integration, prevention, collaboration and engagement. This will have a major impact on governance and strategic decision-making within councils when they review their leisure provision and decide on their future strategic direction, as sustainable development will require decision-making to be informed by:
- an understanding of the long-term implications of decisions;
  - by a recognition of environmental limits; and
  - an integrated approach to economic, social, environmental and cultural well-being.
- 2.34 These are the defining features which distinguish sustainable development from business as usual. Consequently, councils will need to consider these implications carefully when balancing their sustainable development responsibilities with the financial pressures they face in deciding on the future of leisure services. And in considering the options for future leisure provision, councils need to have a clear understanding of the financial, social, economic, equality and sustainability issues they, their citizens and communities face both at this time but also into the future. Critical to delivering these expectations will be good quality and informed decision-making, and in the next section of our report we comment on the effectiveness of scrutiny and decision-making by councils.

## Part 3

Councils are meeting rising demand for leisure services, but scrutiny and oversight of performance are not always effective



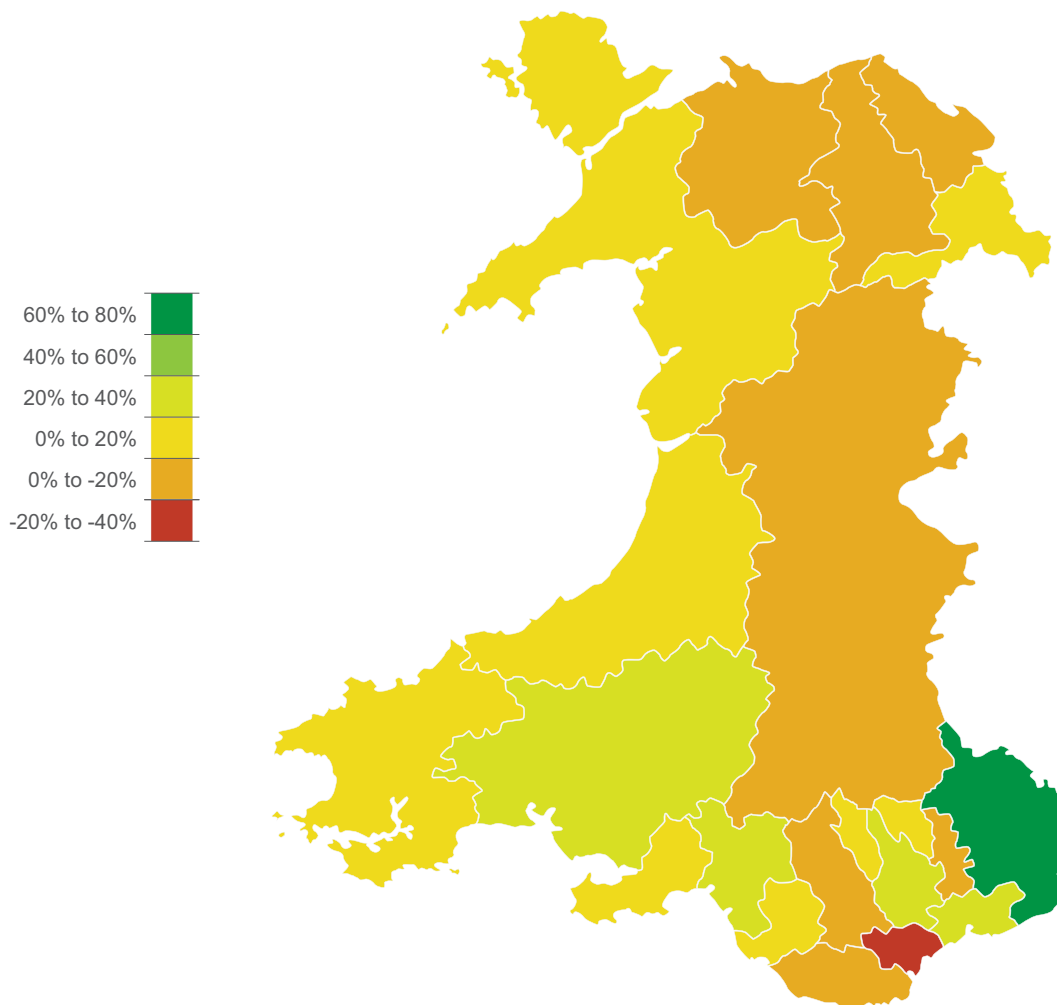
- 3.1 Local government in Wales faces a period of significant change driven by budget cuts, rising demand and a reform of public services led by the Welsh Government. By 2022, councils are likely to look very different than they do today. To navigate this difficult path councils will need to clearly prioritise which services matter most, based on an accurate, realistic assessment of the costs, benefits and risks. Critical to this approach is using data effectively to support decision makers to take informed and evidence-based policy and operational choices. Increasingly, therefore, evidence is going to be required that shows the relationship between inputs, outputs and outcomes.
- 3.2 In this final part of the report, we review how councils are performing in encouraging use of leisure services, how they manage and monitor current performance to identify opportunities for improvement. We also consider findings from our survey of leisure service users, elected members and senior council officers on current performance.

### The number of people using council leisure services increased by 3.4 per cent between 2009-10 and 2014-15, although there is a mixed picture between authorities as to how well leisure services are performing

- 3.3 Councils make use of Key Performance Indicators (KPIs) both as part of their strategic planning activity and to manage operational performance and identify areas of improvement. KPIs can cover both financial and non-financial measures or metrics and allow a council to evaluate how successful it is, typically in terms of making progress towards its long-term goals. However, there is only one national KPI that all councils currently report their performance against. This KPI shows that there has been a 3.4 per cent increase in the number of people using council leisure facilities, rising from 25.8 million visits in 2009-10 to 26.7 million in 2014-15.
- 3.4 Increasing take up of leisure services can make both a positive contribution to improving public health but also positively impact on increasing income for councils. Our analysis of the performance of Welsh councils set out in [Exhibit 12](#) found that between 2009-10 and 2014-15, 14 councils have seen an increase in the number of people visiting council sport and leisure centres during the year where the visitor will be participating in physical activity. The largest increases have been in Monmouthshire (63.3 per cent), Newport (36.5 per cent) and Carmarthenshire (36.2 per cent). Of the eight councils where there has been a reduction over this period the largest was in Cardiff (26.5 per cent), followed by Denbighshire (14.6 per cent) and Flintshire (8.4 per cent).

**Exhibit 12 – Percentage change in number of visits to council sport and leisure centres where the visitor will be participating in physical activity, 2009-10 to 2014-15**

Fourteen of the 22 Welsh councils have seen an increase in the number of people using their services.



Source: Stats Wales, LCS/002a/LCS/002b.

## **Councils do not always have the right data available to support effective decision-making and are not well placed to monitor and evaluate their approaches to leisure provision to target improvement and ensure that services are sustainable**

- 3.5 To effectively manage services and make the right strategic decisions, councils need to be clear about their strategic leisure intentions and focus on making better and smarter choices that prioritise interventions and service decisions based on 'cost: benefit: impact'. This allows councils to both identify the relative effect of decisions such as reducing expenditure or prioritising capital investment but also to be clear what the impact of these decisions will be on strategic and operational outcomes. In essence, this approach supports councils to see which of their decisions gets the best return for the council when considering future priorities.
- 3.6 Critical to this approach is using data effectively to support decision makers to take informed and evidence-based policy and operational choices. Increasingly, therefore, evidence is going to be required that shows the relationship between inputs (how much we spend), outputs (how much did we purchase/how many people used the service) and impact (what are the outcomes we achieved and how did we benefit our citizens). However, too much of the performance data collated measures quantity and sometimes quality (or satisfaction) but seldom focuses on understanding or showing the beneficial impact of leisure services on public health and well-being.
- 3.7 From our review, we found that this is an area of work that councils continue to have difficulties with. Because there is only one statutory leisure KPI, much of the current reporting of leisure activity focuses on operational performance of facilities – for example, participation rates, income generated at specific centres, staff sickness absence rates, percentage of savings realised and income raised by different payment methods. Whilst this provides good information on the operating environment, it does not provide the wider view of what the benefits for the service are on citizens and how leisure services contribute to addressing health inequalities and also what leisure services citizens will want in the future. Such limitations in data coverage, however, make it difficult to evaluate what benefits the leisure services are bringing, and councils need to address this if they are to make the right choices on how and what services they provide in the future.
- 3.8 From our fieldwork we identified a good approach to monitoring the performance of leisure services that is undertaken by Denbighshire County Council.

### Good Practice Example – Denbighshire County Council

The Council has created a Quarterly Management Information ‘dashboard’ for each service area, where all results are reviewed and challenged. A comprehensive suite of measures has been set for each of the service plan outcomes covering areas such as participation rates (including specific demographic groups), income generated at specific centres, sickness absence rates and savings realised.

To monitor the uptake and demand for services, Denbighshire are also utilising their leisure membership system. When members register, they are issued with a membership card which they must present every time they use any facility. This provides ‘livedtime’ information about the level of usage experienced in all eight of its leisure facilities, including identifying peak usage times and which provisions and classes are most popular.

Officers use the data generated by the system to evaluate all services and make decision on which ones to expand or reduce. The system also provided demographic information about service users, which has enabled the Council to target services and campaigns where gaps are identified. This data is used to make decisions about where services need to be expanded or where services can be reduced.

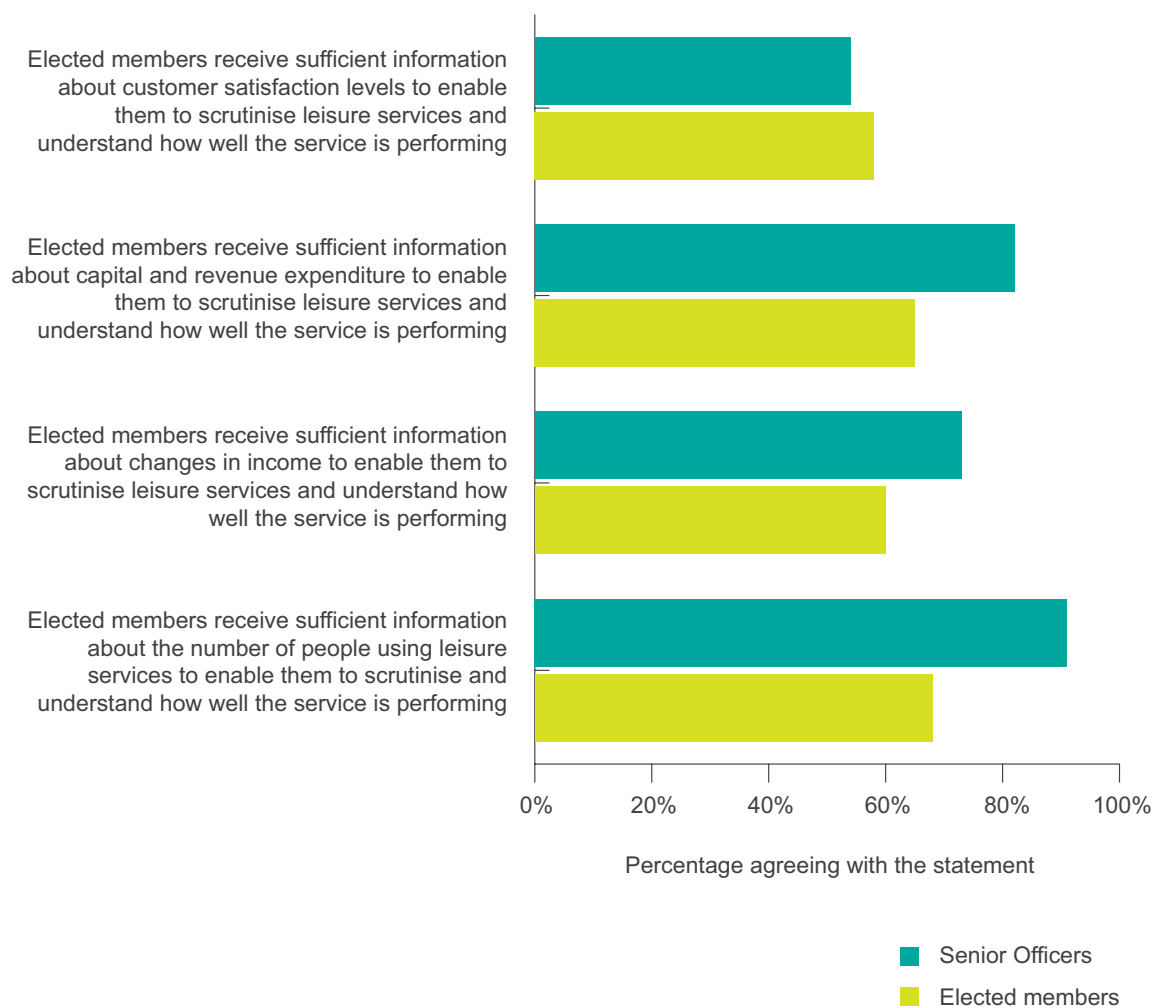
Denbighshire County Council has improved the performance and efficiency of its six leisure centres that are shared with schools by identifying times in the day when school use is not required so allowing increased public access. It has achieved this by making clear to schools the unit cost for their use of the centres, so schools only get ‘charged’ for what they actually use and this is a good example of using data effectively to understand how best to provide services to the public and support good quality decision-making.

- 3.9 Scrutiny committees will continue to have a key role in overseeing performance of services, holding executive members and senior managers to account, reviewing the performance of services to identify opportunities for improvement and to challenge underperformance. We found that this is an area of work that councils have struggled with. The findings of our surveys highlight a difference in opinion between senior officers and elected members on the effectiveness of their council’s scrutiny work in overseeing and challenging the performance of council leisure services.
- 3.10 In **Exhibit 13** we summarise our survey findings with elected members and senior officers on the range information that is formally scrutinised by elected members.
- 3.11 We found that 91 per cent of senior officers agreed that elected members receive sufficient information about the number of people using leisure services to enable them to scrutinise and understand how well the service is performing. However, this is much higher than the responses from elected members where only 68 per cent agreed with this statement. Whilst elected members and senior officers are broadly in agreement that customer satisfaction information is scrutinised – 58 per cent and 54 per cent respectively – these proportions are not high enough.



**Exhibit 13 – Comparison of elected members and senior officers strongly agreeing and agreeing that the scrutiny of leisure services is effective in key areas**

Senior officers and elected members have different views on the effectiveness of scrutiny committees in overseeing the performance of leisure services



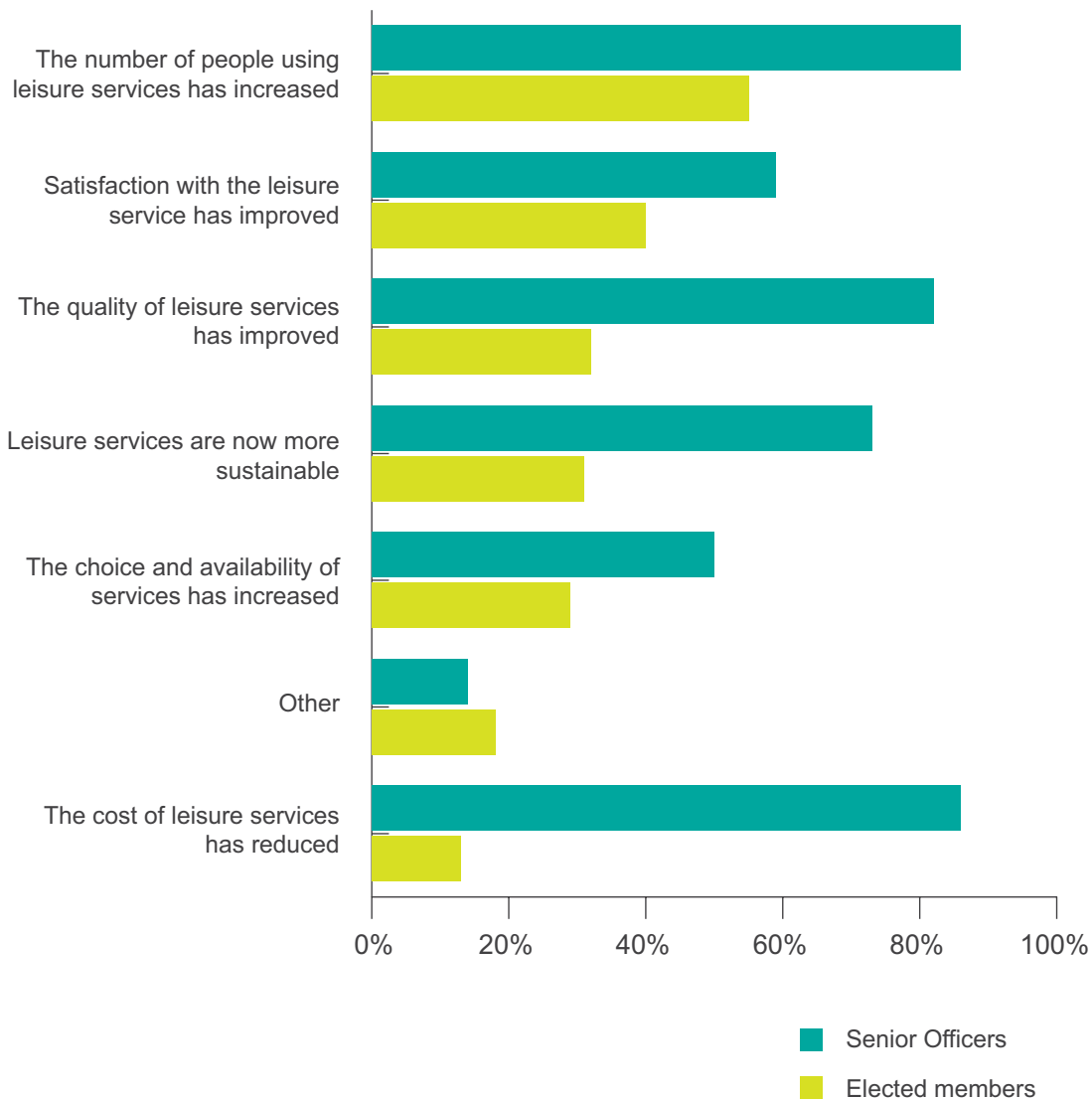
Source: Wales Audit Office, Elected Member and Senior Officer Surveys, April 2015.

3.12 In addition, three-quarters of senior officers and 60 per cent of elected members believe they have sufficient information on income derived from leisure services to effectively scrutinise performance. With regard to scrutinising information about leisure services’ capital and revenue expenditure, we found that 65 per cent of elected member survey respondents agreed that they had sufficient information to undertake this work effectively. This is lower than for senior officers, where 82 per cent agreed.

3.13 In Exhibit 14 we compare survey responses from elected members and senior officers in respect of the impact of changes to their council's leisure services since April 2012. Our analysis shows that senior officers believe there have been greater levels of improvement on six of the seven areas we surveyed.

**Exhibit 14 – Comparison of elected members' and senior officers' views on the impact of changes to their council's leisure services since April 2012**

Senior officers report significant improvements in their council's leisure services but elected members have seen less improvement on six of the seven standards we surveyed against.



Source: Wales Audit Office, Elected Member and Senior Officer Surveys, April 2015.

- 3.14 The difference in opinion between elected members and senior officers also varies widely. For example, 86 per cent of senior officers confirm that the cost of their leisure service has reduced compared to 13 per cent of elected members. Similarly, whilst 82 per cent of senior officers stated that the quality of their council's leisure services has improved, this is much higher than elected members where 32 per cent noted an improvement. Given the significant difference in opinion on these changes, it is clear that oversight and scrutiny of leisure services are not effective and councils need to improve how they monitor and evaluate performance.
- 3.15 Only 39 per cent of elected members believe that the quality of their council's leisure services has improved since April 2012, 26 per cent that the quality has deteriorated, and 34 per cent stated they did not have sufficient information to judge how services were performing. This compares less favourably with the views of senior leisure officers where we found that 72 per cent of senior officers felt the quality of leisure services was improving and 10 per cent that they were declining. However, only 23 per cent of elected members believe that the quality of their council's leisure services will improve in the next two years compared to 63 per cent of senior officers. In addition just under a half of elected members who responded to our survey believe that the quality of their council's leisure services will get worse.
- 3.16 Elected members and senior officers responding to our survey noted some significant challenges that face councils, in particular the reduction in public funding and changes to the model of provision having a potentially negative impact on users. There is also an acknowledgement that leisure services are still undervalued for their wider contribution, particularly the impact of changing and reducing leisure provision on health and social care services where the council has less direct control to influence activity. There is also recognition that councils need to have a better focus on what users want now and in the future, and information to underpin decisions, especially on commercial activity, needs to be improved.
- 3.17 We also found some weaknesses in how councils are monitoring the performance of their leisure services. The Vale of Glamorgan Council receives an annual report to its Scrutiny committee with responsibility for leisure services from Parkwood. This system had some weaknesses in its early operation. For instance, the Annual Report for 2013 was basic and lacked evidence of contract performance. The Annual Report included a range of performance indicators, but some indicator information was left blank and a lack of targets made it difficult for members of the scrutiny committee to challenge the performance of the contractor. The Council recognised that it needed to improve its approach to contract monitoring, and a list of measures and reporting requirements is now in place. The Council has also established a contract monitoring group to strengthen these arrangements.

## There is a wide variation in citizens' views on the quality, cost and availability of leisure services

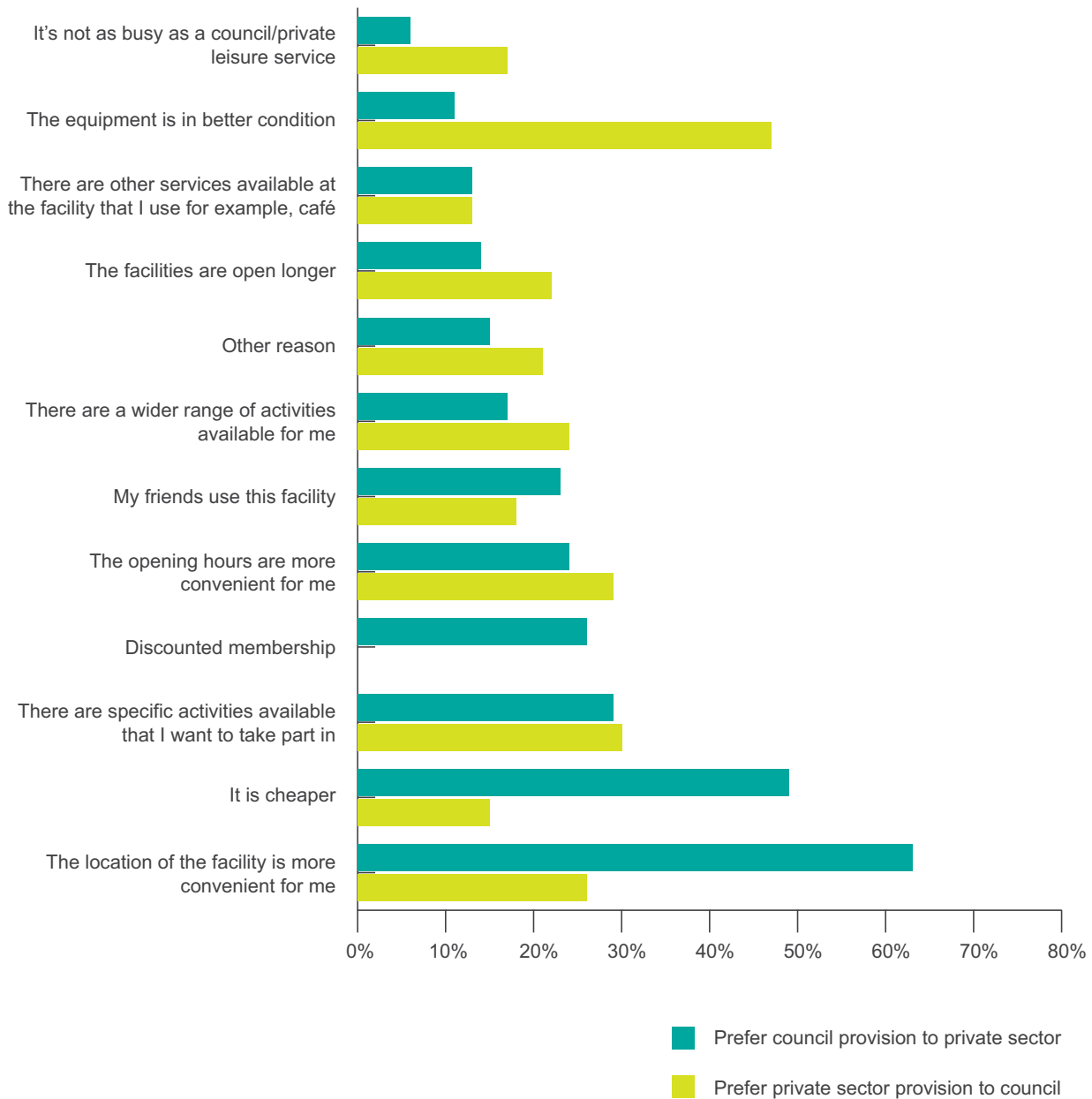
- 3.18 Historically, many councils have prioritised providing leisure facilities that are easily accessible and usable by the whole community, and the prices charged are set to encourage use, rather than designed to recover cost. The possibility of charging commercial prices for certain activities is now growing given the financial challenge councils face in maintaining services with less money. A small number of respondents to our survey noted increasing costs for activities at council leisure facilities. Some recognised that those increases were necessary given other pressures on council budgets but often increases were not well communicated to users.
- 3.19 Sixty-three per cent of our survey respondents felt that council leisure services are good value for money. However, 52 per cent of our survey respondents stated that they are paying more to use the service than a year ago but 27 per cent said they were not and 21 per cent did not know. Some 33 per cent of citizens did not know if the council charges less than private providers and only 37 per cent agreed that the quality of the leisure service has improved since January 2014. The responses from citizens highlight the increasing challenges for council leisure services in communicating service changes and the 'financial' value of the services they provide to their users.
- 3.20 However, we found that the vast majority of citizens responding to our survey – 83 per cent – told us that they did know the full range of leisure services provided by their council, and 77 per cent that they found it easy to obtain information about council leisure services in their local area; for example, opening times, cost of services and frequency of classes.
- 3.21 As part of our on-line survey we asked citizens their preference for using public or private leisure facilities. **Exhibit 15** summarises the responses received and shows that on the 12 preference measures<sup>17</sup> we asked respondents to rate, citizens preferred public as opposed to private leisure facilities on just four of the 12 options which related to cost, location of the facility and whether their friends used the facility. The areas where private facilities were viewed more favourably were in respect of the quality of the equipment, which was seen as both more modern and in a better condition, how busy private facilities are compared to council facilities and the hours of operation.
- 3.22 The level of negative comments – that services have either declined in quality or are not as widely available – is much higher for this review of leisure services than the responses to our first **Delivering with Less**<sup>18</sup> study reviewing Environmental Health services. This suggests that the reductions in public finances are now being felt more acutely in leisure provision, with the range and quality of the services that are available beginning to reduce and the cost of services for the user is starting to increase.

<sup>17</sup> The preference measures we used cover issues such as affordability, opening times, location and range of activities, and taken together allow for a direct comparison of experiences of users of council and private leisure providers.

<sup>18</sup> Wales Audit Office: **Delivering with less – the impact on environmental health services and citizens**, October 2014

### Exhibit 15 – Comparison of citizens' preference for using public or private leisure services

Citizens rated private leisure services more favourably than council sector provision.



Source: Wales Audit Office, Citizen online survey, April 2015.

The hygiene and cleanliness standards were not acceptable.

The cleanliness of one of the swimming pools in my area is dreadful and despite completing customer comments forms, over the course of eight weeks no improvement has been made. Having affordable access to sports facilities is really important to my family and me, but I think that management could be improved to ensure that the facilities are kept in good order.

Quality of children's swimming lessons provided at the Council pool is very poor and badly managed and has been for years – the quality hasn't declined because it probably couldn't get much worse. Don't know anyone who is satisfied with the service. Many staff provide a strong impression that they couldn't care less about their work. Main problem is probably very poor management.

Llanishen Leisure centre is in a bad state of repair. The upper activity area ceiling is falling down, the building leaks, the mats used for circuits have not been changed for nearly 10 years, there is no family changing area, all the council pools are too shallow or unsafe to dive or jump in. The pool at Llanishen Leisure centre is only 20 metres across and is for leisure so unsuitable for proper training. The stamina swim session has been cancelled with no one sure when it is coming back. I also dislike the women only swim session offered at some facilities which only allow certain women to use it.

Changing facilities have been the same ever since I can remember – I learnt to swim there around 8 or possibly younger and am 23 now. It has taken me years (from about age 14) to drag myself back to using the facilities simply because I do not like how outdated they are and how the water is warm, the shower facilities are not good and the changing rooms sadly frequently smell slightly unpleasant. The hours are also slightly limiting and it's unfortunate that the student discount times are not after 4pm as that's usually when I can go.

In some facilities the lack of investment is evident and would appear to be part of a long-term plan to reduce provision.

Showers rubbish, multi sex changing rooms disgusting and expensive for what you get.



Citizens' comments about quality of services  
Source: Wales Audit Office, Citizen Survey, April 2015



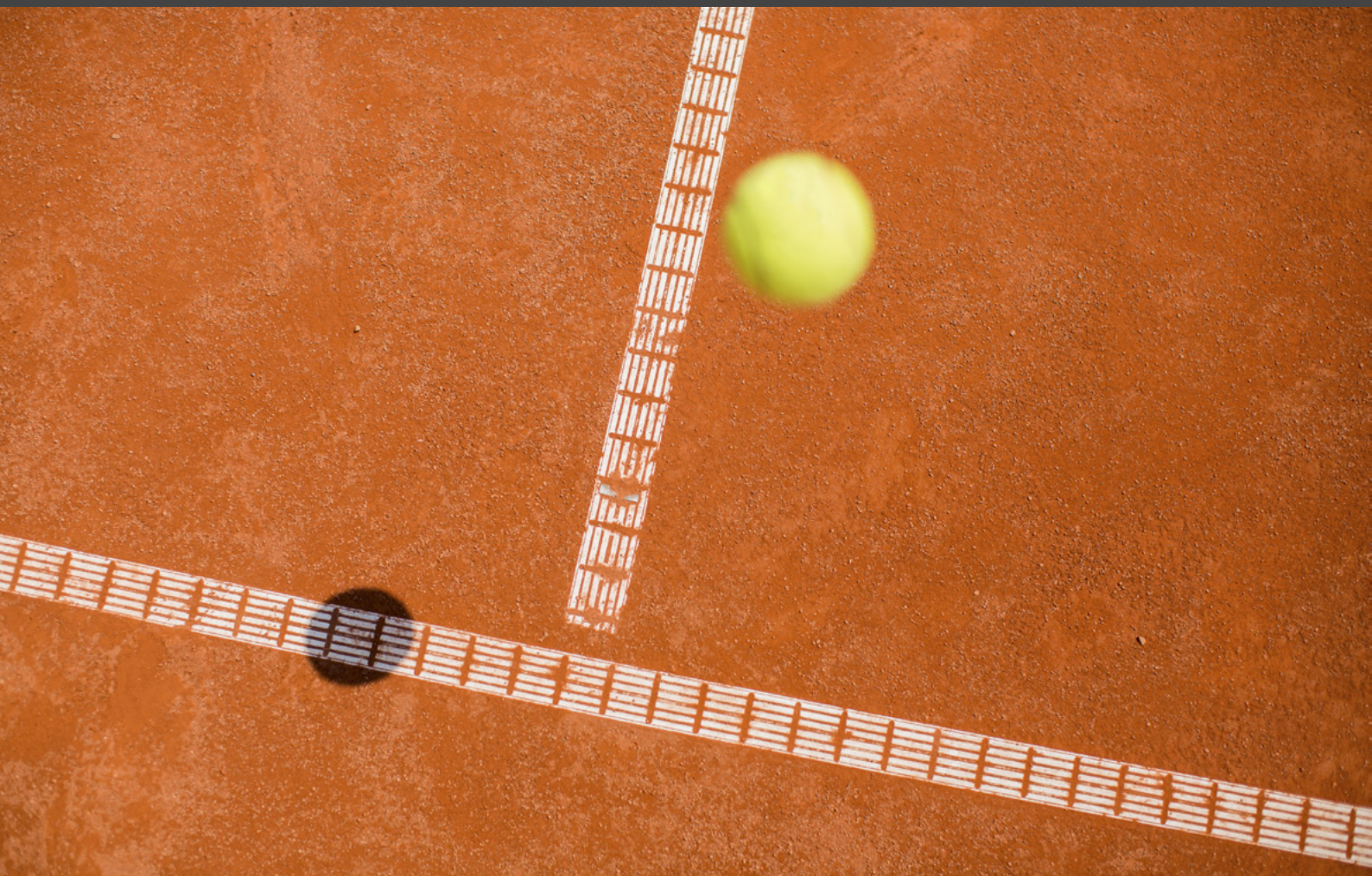
# Appendices

Appendix 1 - Study Methodology

Appendix 2 - Council improvement objectives 2015-16  
relating to leisure and health improvement

Appendix 3 - End-to-End Options Appraisal Flow Chart

Appendix 4 - Income, expenditure and net cost (subsidy)  
by council in 2009-10 and 2014-15





# Appendix 1 - Study Methodology

## Review of literature, data and statistics

We have reviewed a wide range of documents and media, including:

- Welsh Government policy and guidance documents;
- performance indicator returns from local authorities to StatsWales, Sport Wales and the Benchmarking Hub; and
- relevant research and guidance from councils, representative bodies such as the Welsh Local Government Association and research bodies.

## Analysis of council budgets and service usage data

We completed an assessment of councils' budgets for leisure services based on data returns provided by all 22 Welsh councils.

## Fieldwork

We visited four local authorities in Wales, between November 2014 and April 2015. These were:

- Denbighshire County Council
- Isle of Anglesey Council
- Powys County Council
- Vale of Glamorgan Council

During the visits, we interviewed a range of council staff and elected members. We also reviewed council plans and strategies for leisure services. We also undertook fieldwork at a national level with representative bodies including the Welsh Government, Welsh Local Government Association and Sports Wales.

## Surveys

We undertook a range of surveys:

- We made available an on line survey for elected members across Wales and received 169 responses.
- We surveyed heads of Leisure Services in each council and received responses from all 22 councils.
- Finally, we made available, and promoted, an online survey for Welsh citizens. The survey ran from November 2014 to April 2015 and we received 509 responses.

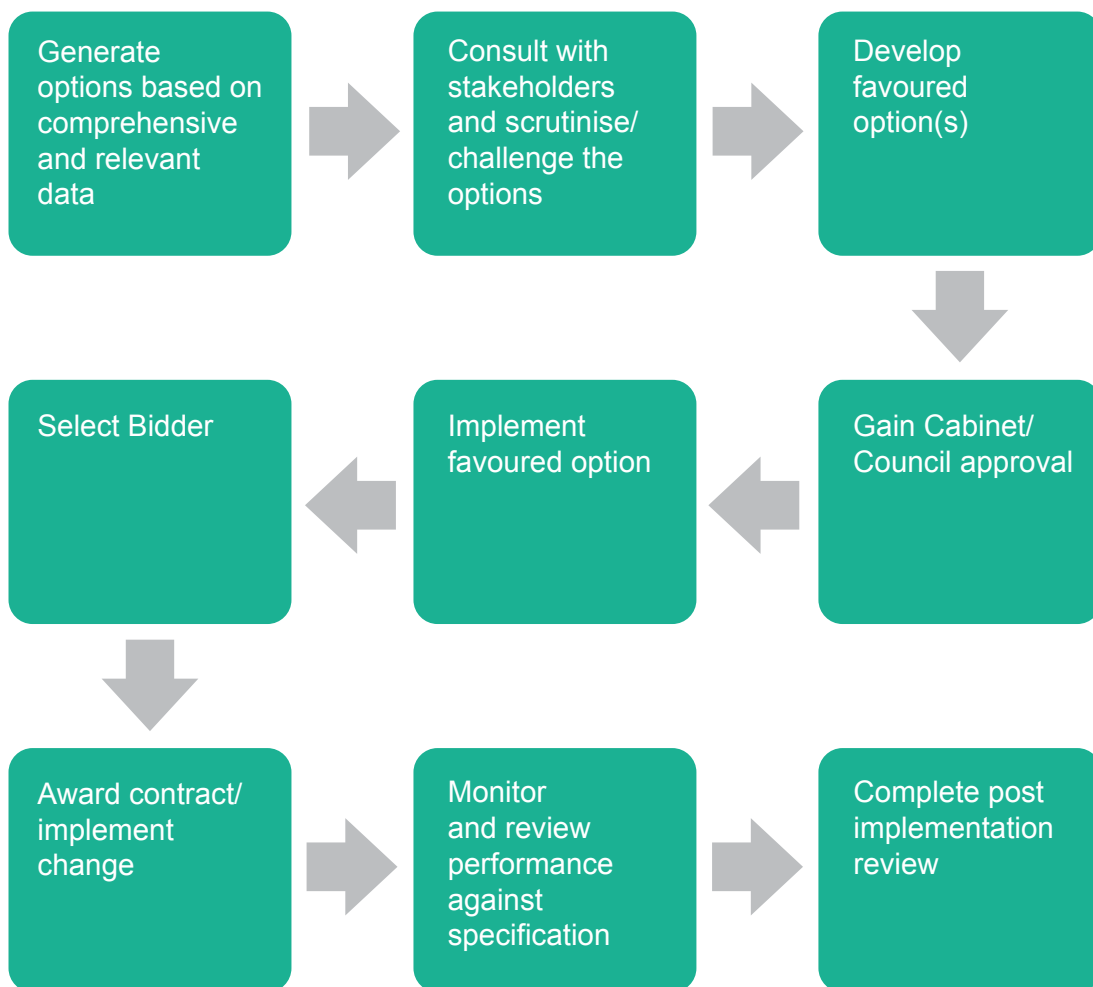
## Appendix 2 - Council improvement objectives 2015-16 relating to leisure and health improvement

Council	Improvement objective
Bridgend	Working together to tackle health issues and encourage health lifestyles.
Conwy	People in Conwy are healthy and independent.
Isle of Anglesey	Transforming our leisure and library provision.
Merthyr Tydfil	People, who live and work in Merthyr Tydfil are supported to enjoy a healthier and better quality of life.
Powys	<p>Powys citizens will lead fuller and longer lives, be resilient, have good health and be more able to participate and contribute to their communities.</p> <p>Powys citizens will be supported and empowered to lead active and healthier lives.</p>
Vale of Glamorgan	Citizens of the Vale of Glamorgan are fit, healthy and have equality of outcomes, and through appropriate support and safeguards, the most vulnerable members of our community maximise their life opportunities.
Wrexham	All people are enabled to make healthy choices.

# Appendix 3 - End-to-End Options Appraisal Flow Chart

The primary purpose of option appraisal is to help develop a value-for-money solution by making fair comparisons of different options. However, options appraisals should go beyond a traditional financial analysis and pick up broader social, environmental and economic effects, as well as how the service or project being appraised contributes to the strategic direction and priorities of the council.

The key stages of an options appraisal are summarised in the following diagram:



## Appendix 4 - Income, expenditure and net cost (subsidy) by council in 2009-10 and 2014-15

Council	2009-10			2014-15		
	Expenditure £'000	Income £'000	Subsidy £'000	Expenditure £'000	Income £'000	Subsidy £'000
Isle of Anglesey	4,363	1,329	3,033	3,435	1,648	1,787
Gwynedd	9,739	4,390	5,349	9,724	4,707	5,017
Conwy	6,221	2,628	3,593	6,301	3,086	3,215
Denbighshire	5,239	2,309	2,930	4,785	2,547	2,238
Flintshire	9,250	3,909	5,341	10,411	4,528	5,883
Wrexham	7,508	3,787	3,721	4,922	1,997	2,924
Powys	8,580	5,391	3,188	8,174	3,158	5,016
Ceredigion	3,123	1,018	2,105	2,915	967	1,948
Pembrokeshire	7,264	2,473	4,791	5,961	3,465	2,496
Carmarthenshire	6,772	2,770	4,002	6,266	2,809	3,457
Swansea	9,603	3,354	6,249	9,224	3,295	5,929
Neath Port Talbot	6,781	668	6,113	4,572	389	4,183
Bridgend	7,827	306	7,522	4,805	495	4,310
Vale of Glamorgan	5,326	2,277	3,049	2,484	665	1,819
Rhondda Cynon Taf	13,688	4,319	9,370	13,195	4,299	8,896
Merthyr Tydfil	4,408	1,364	3,045	3,908	1,379	2,529
Caerphilly	11,398	2,911	8,487	13,836	4,662	9,175
Blaenau Gwent	5,611	2,802	2,809	3,841	1,233	2,608
Torfaen	6,440	2,056	4,384	2,762	116	2,646
Monmouthshire	5,519	2,006	3,513	5,206	2,461	2,745
Newport	9,163	2,905	6,258	8,756	3,746	5,011
Cardiff	17,287	6,115	11,172	17,535	8,056	9,479
<b>Total</b>	<b>171,110</b>	<b>61,087</b>	<b>110,024</b>	<b>153,017</b>	<b>59,708</b>	<b>93,309</b>

Note - **Green** = improving 'subsidy' position; and **Red** = 'deteriorating' 'subsidy' position.

Exhibit source: Analysis of Revenue outturn income and expenditure for council recreation and sports services in 2008-09 and 2014-15, StatsWales.



Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)