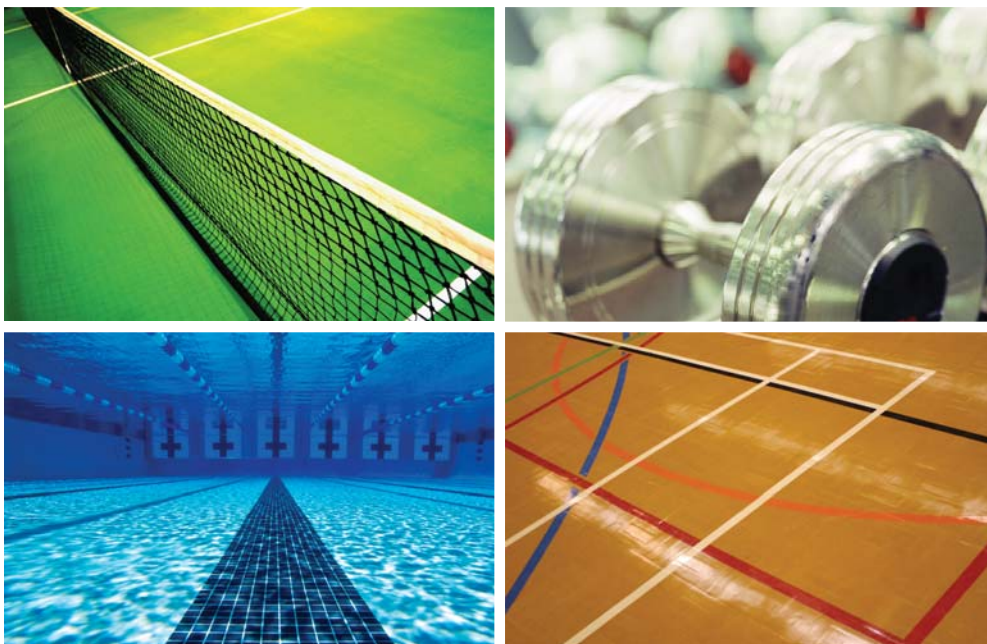


Local government

National report

June 2006



# Public sports and recreation services

Making them fit for the future

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

For further information about the Audit Commission, visit our website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)



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# Preface

The Audit Commission in association with Sport England has undertaken this study to examine how local authorities in England are managing their approach to providing their public sports and recreation<sup>I</sup> facilities and their attempts to improve access and value for money.

This study has involved a survey of all councils in England to which 95 councils responded, detailed fieldwork in 30 councils<sup>II</sup> and interviews and focus groups with consultants, relevant national organisations and government departments<sup>III</sup>. It has looked at the investment challenges and how councils have decided what the future shape of their sports and recreation facilities should be.

The three main delivery options have been examined, which are:

- in-house management;
- leisure trusts<sup>IV</sup> (including hybrid trusts); and
- private sector management contracts.

- 
- I** The study focuses on public indoor sports centres and swimming pools – generally excluding outdoor recreational facilities (parks, playgrounds, pitches and golf courses) community centres, privately managed facilities, voluntary run facilities and school facilities (unless dual use and managed as part of a council's leisure portfolio).
- II** The report will refer to: findings from the survey as the study's survey findings, findings from the study's 30 fieldwork sites as the study's fieldwork findings and if a combination of these (including interviews and focus groups) as the study's findings.
- III** See Appendix 1 for full list.
- IV** A trust is a not-for-profit making distributing organisation (NPDO). This means it retains surplus funds for the purposes of the trust rather than distributes them to shareholders. It may or may not have charitable status. Local authorities can transfer their leisure services to a trust (new or established) which manages the facilities on behalf of the council through a board of trustees. The council generally retains ownership of the facilities which are leased to the trust. The trust receives an annual grant or management fee to make up the difference between its income from user charges and the cost of operating the service.

The councils involved in this study cover all these delivery options and included all types of councils (except county councils) in both urban and rural settings.

This study aims to assist central government and local authorities in the development of policy and the pursuit of increased access, participation and value for money in the management and procurement of sports and recreation assets.

To accompany this study the Audit Commission has produced a web-based guide to help councils challenge their approach to their sports and recreation options appraisals. The guide, which includes more detail of good practice, is available on the Audit Commission's website ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

The Audit Commission is grateful to all those involved in commenting on drafts of the report and the councils that directly contributed as fieldwork sites (**Appendix 1**).

# Summary

## Background

- 1 Councils have a major role in contributing to the promotion and delivery of increased participation in sport and physical activity. The government has set a challenging target to increase participation from current levels by 1 per cent year-on-year for the next 15 years. In parallel it has ambitious plans for elite performance running up to the London Olympics in 2012 and its legacy. However, the quality and accessibility of public sports and recreation facilities are in danger of failing to support and match these aspirations.
- 2 Until the mid-1980s council sports and recreation facilities were almost wholly managed in-house. Since then, there has been a shift towards management by private sector contractors, and more recently to management by trusts. Although in-house management still predominates, the proportion of trust-managed facilities has nearly doubled over the last four years to 21 per cent, with private contractors maintaining a constant 17 per cent share of provision.

## Strategic planning

- 3 Our research has concluded that progress towards ensuring the appropriate management of public sector sports and recreation facilities has been slow and uncertain. Buildings are ageing and they frequently fail to meet changing needs and customer expectations.
- 4 The strategic planning of local sport and recreation services is underdeveloped with little robust assessment of current private and public leisure provision, community needs and future demand. Performance management is weak, and this restricts the ability of councils to assess the impact of services on local and national priorities.
- 5 Strategic partnerships between councils, with the private sector and with other external partners, including the voluntary sector, provide the potential to improve planning and develop facilities. However, such partnerships are rare. Where private partnerships<sup>1</sup> exist they are generally driven by external funding opportunities rather than a planned strategic approach across sectors.

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<sup>1</sup> Excluding private sector contractors who manage public sports and recreation facilities.

- 6 Councils often focus on maintaining and managing their historic pattern of local sports and recreation provision. Cross-boundary planning and rationalisation of sport and recreation facilities is limited. Few councils work in partnership in the procurement of their sports and recreation services.
- 7 Successful strategic engagement between sports and recreation services and the health and education sectors is not common. Engagement is weakest where there are two tiers of local government. Partnership working with education providers has been encouraged through specific funding initiatives. But the large and increasing investment in school sports facilities is not being used as effectively as it could be to provide fit-for-purpose community sports and recreation facilities.
- 8 There are nevertheless some examples of good practice in the management of sports and recreation provision. These are where councils with their community and with prospective partners have reviewed together the balance of local need and provision. These examples of good practice include all types of management arrangements (in-house, trusts and private contractors) and are characterised by clarity of purpose and strong partnership working. Leadership and commitment from the top within the council and partner organisations are strong in successful services.

## Operational management

- 9 No single management option delivers the best overall value for money, or consistently results in more investment or higher levels of participation. However, in-house services tend to be significantly more expensive than the other options. This is becoming more marked over time.
- 10 The transfer of facilities to trusts has assisted councils to avoid the payment of non-domestic rates. This has potentially released funds for much needed local investment. However, our research has found that the re-investment of significant levels of savings in sports and recreation provision is infrequent.
- 11 Where taxation savings are re-invested they have tended to support maintenance budgets rather than assist significant and often needed rationalisation and improvement of provision.

- 12 Investment in sports and recreation facilities is increasing but not at a pace that will address the consequences of years of low spending on stock maintenance. The transfer of the management of the business to trusts and to private sector contractors provides an opportunity to secure necessary investment. There are few examples of new facilities or essential large scale refurbishments.

## Options appraisals

- 13 There has been a marked increase in the number of councils that review the management of their sports and recreation facilities. But these approaches have been inconsistent and limited. In the study's survey of single tier and district councils in England to which 95 responded, of those that have changed their management arrangements, two-fifths had based their management option decision simply on a desktop analysis, and one in ten councils undertook no options appraisal. In a fifth of cases councils had limited the options to be assessed. Where market testing had taken place, it was often poorly managed and focused on financial criteria rather than outcomes for the community.
- 14 Councils are not helped in making secure, long-term decisions by complicated taxation laws and regulations. Additionally they often lack the internal capacity to assess the options they face. As a result, most employ consultants in their appraisal process. But the benefit is lost where councils limit the range of options to be assessed or decide not to respond to the resulting recommendations.
- 15 Nevertheless the inconsistencies in options appraisal and weaknesses in market testing mean that many councils are missing both significant cost savings and efficiency opportunities. As a result they are failing to reconfigure current provision to be able to meet future participation targets and community needs, and are unable to demonstrate value for money for the community assets for which they are responsible.

# Recommendations

## Councils should:

- 16 Improve the strategic planning of sports and recreation provision and increase overall efficiency by:
  - assessing current and future sports and recreation needs locally and their relationship to regional and national needs;
  - collaborating with the private, voluntary, health and education sectors and working across administration boundaries in the planning, procurement and delivery of services;
  - appraising the options for delivering sports and recreation services systematically in an open and transparent way and testing the market to ensure that the best value option is identified; and
  - improving the collection, analysis and use of performance information in order to demonstrate value for money, for example by including financial performance and social outcomes in all contracts.

## Government should:

- 17 Through the Department for Culture, Media and Sport (DCMS), ensure greater coherence of funding streams and initiatives across government departments that directly or indirectly affect investment in sports and recreation facilities.
- 18 Through the Department for Education and Skills, working with partners and councils, ensure that schools seek specialist advice, at an early planning stage, on the design and management of school community sports facilities.
- 19 Develop concise guidance and advocate the use of standard contract documentation for the procurement of contracts, building on the Public Private Partnerships Programme (4ps) Leisure Procurement Pack.
- 20 Promote the opportunities for councils to work together in strategic partnerships to develop capital development proposals which will be eligible for private finance initiative (PFI) credits and provide the basis of better engagement with the private sector.

- 21 Use the Centres of Excellence and their partners as regional advocates of these procurement standards and guidance and for capacity building, advice and training.

### **The Audit Commission will:**

- 22 When reviewing and reporting on councils' value for money arrangements, consider the extent to which councils, where appropriate, have appraised the options for delivering sport and recreation services.
- 23 Develop a planning guide to assist and assess councils' planning and procurement of sports and recreation services.

# 1

## Background

### The national context for sports and recreation

- 24 There is a strong national focus on sport. The objective of both government and Sport England is to make England the most active and successful sporting nation in the world. This is reflected in the DCMS participation targets **(Ref. 1)** and the target set in the government's plan for sport, *Game Plan*, for 70 per cent of the population to be reasonably active by 2020 **(Ref. 2)** from a base of 30 per cent in 1998. The London 2012 Olympics has further highlighted the role of sport in building cohesive communities and is likely to raise the public's expectations for sports provision.
- 25 All councils have the power, under the Local Government Act 2000, to secure the economic, social and environmental well-being of their residents. Sports and recreation have a key role in health improvement, social inclusion, regeneration, community safety and educational achievement. How councils choose the level and range of public sports and recreation provision and how well they work in partnership with others will be significant in determining how effectively councils are exercising this power.
- 26 The contribution of sport to priority areas such as health, the economy and the needs of young people is highlighted in *Sport Playing its Part* **(Ref. 3)**. A number of detailed reviews, most notably the recent report *Review of National Sports Effort and Resources* produced by Lord Carter of Coles, conclude that England lags behind other countries in critical areas in levels of participation, club membership and elite performance.
- 27 The general stock of sports centres has deteriorated in quality. In England 65 per cent of council facilities are over 20 years old **(Ref. 4)**. Public expenditure on sports and recreation has not kept pace with the deteriorating condition of facilities. Over the last ten years council expenditure on sport and recreation has not increased significantly **(Figure 1, overleaf)**; sport and recreation accounts for only 1.4 per cent of net current expenditure<sup>1</sup>. In 2003, £550 million **(Ref. 5)** investment was the assessed level of expenditure needed to keep the stock in working order. This amount was more than double, in real terms, the estimated required investment in 1995.

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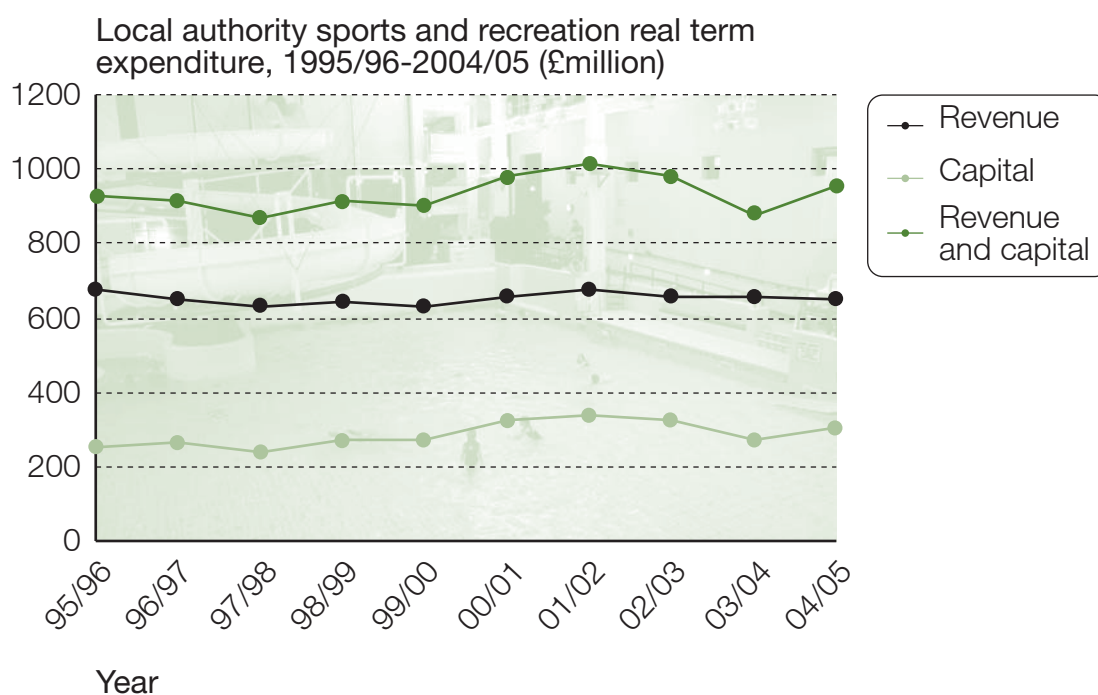
<sup>1</sup> CIPFA returns 2004/05.

28 Moreover, there are now fewer new public facilities being built as local government funds are focused on education, social services and environmental services. Between 2003 and 2005 the number of new stand alone<sup>I</sup> public facilities halved from 39 to 19.

**Figure 1**

**Capital and revenue expenditure on sport and recreation**

Expenditure has remained static over the last five years.



**Source:** ODPM capital and revenue annual returns<sup>II</sup>

29 A substantial growth in private sector new build and adaptation (£10 billion investment over the last 15 years) (Ref. 5) has raised users' expectations of what sports and recreation provision should comprise.

<sup>I</sup> Stand alone centres are centres not linked to other services such as education or health.

<sup>II</sup> Expenditure includes the subsidy/grant given to a trust or private sector contractor and capital charges on assets which are predominately retained by the local authority. Revenue includes: sports development, community recreation and sports and recreation facilities, including golf courses. Capital includes: sports facilities, sports development and children's play.

- 30 Despite this investment, participation in sports and leisure activities in Britain over the last 15 years has declined overall, although participation at public sports and recreation facilities has levelled out over the last 5 years. Differences in participation rates between socio-economic groups are significant: in 2002 those in the highest social group (**Ref. 6**) participated twice as much as those in the lowest. In part this is due to the private sector<sup>l</sup> catering primarily for higher income customers and often focusing on the adult market with less emphasis on young people or sports development.
- 31 The government's investment in new public sports facilities is primarily in the education sector, notably through the New Opportunities Fund for Physical Education and Sport (NOF PE & Sport).
- 32 Sport and recreation services have a developing focus on health promotion and play an important role in meeting the aims of the *Every Child Matters* (**Ref. 7**) national framework. The Children Act 2004 places a duty on single tier and county councils to make arrangements to promote cooperation to improve the well-being of children and young people. District councils are required to cooperate with county councils in the making of those arrangements. The role of sport and recreation in delivering services for young people is likely to be further strengthened by the legislation proposed in the green paper *Youth Matters* (**Ref. 8**). This proposes a duty on single tier and county councils to secure access to sufficient recreation and non-formal education activities and facilities, with a similar requirement on district councils to cooperate. These developments represent an opportunity to provide integrated multi-agency planning and frontline delivery between education, leisure and cultural services.
- 33 Local strategic partnerships (LSPs), local public service agreements (LPSAs) and the introduction of local area agreements (LAAs) are also focusing councils and their partners on the health of their communities and the role that sports and leisure can play. Health issues feature in all 21 LAA pilots (**Ref. 9**) for example.
- 34 Additionally, the Comprehensive Performance Assessment (CPA) from 2005 to 2008, *CPA – The Harder Test* (**Ref. 10**), will assess councils' contribution to improving the health of their communities, meeting the needs of young people and their overall performance in cultural services. Sports and recreation provision contributes to all these elements of CPA. All councils in the study acknowledged that the inclusion of the cultural services assessment in CPA was starting to raise the profile of leisure services.

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<sup>l</sup> Not including the private sector contractors who manage council owned facilities.

# 2

## The management of sports and recreation services

### Background

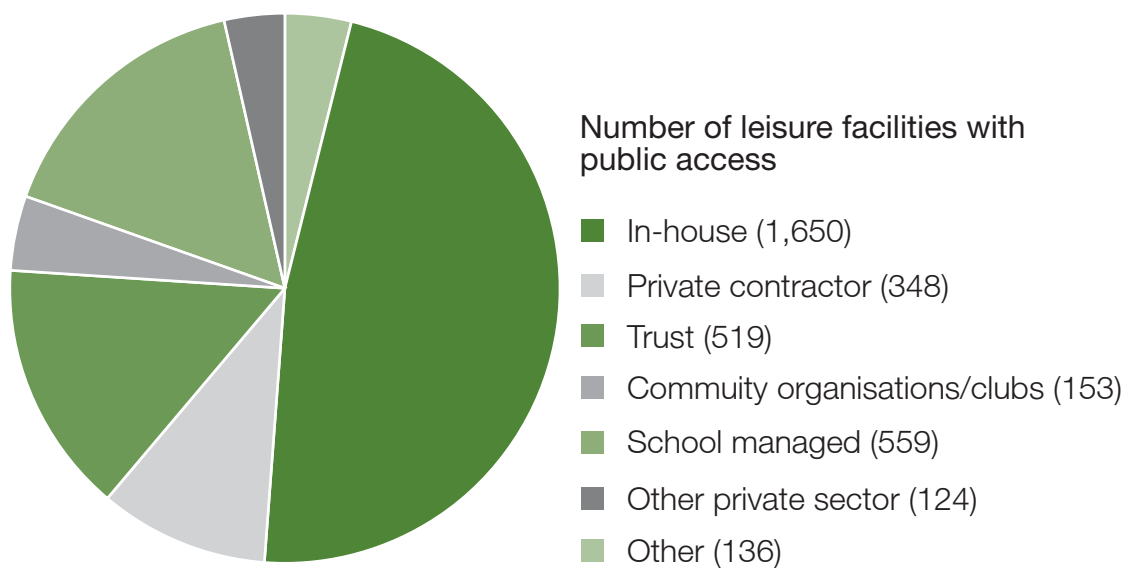
- 35** There is a range of providers involved in managing public sports and recreation facilities (**Figure 2**). Just under half (47 per cent) are managed by councils directly, or by councils that have contracted with a private sector contractor (10 per cent) or trust (15 per cent). But schools (16 per cent) and the voluntary sector (4 per cent) also play important roles in managing provision.
- 36** This study primarily focuses on the arrangements made by councils which cover almost three-quarters of these facilities. Before 1988 almost all council sports and recreation services were managed directly by councils. The introduction of compulsory competitive tendering (CCT) in that year led to an expansion of potential delivery options. There are three main ways in which council sports and recreation services are managed: by the council itself (in-house); through a contract with a private sector leisure company (private contractor); or by an independent non-profit distributing organisation (trust)<sup>1</sup>.
- 37** This section identifies the key characteristics of each option and the change in the pattern of provision over the last five years but will also review some issues relating to the management of school facilities.

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<sup>1</sup> The study, for ease of reading, will refer to all NPDO arrangements as trusts.

**Figure 2****Breakdown of management of facilities with public access**

Just under half of public sports and recreational facilities are managed by councils directly.



**Source:** The Leisure Data Base Company. Base: All public leisure facilities

## In-house management

- 38** In-house management involves councils directly managing sports and recreation facilities either as a frontline service or through a direct service organisation (DSO) which manages the service as an internal business unit. The introduction of CCT legislation in 1988 required DSOs to have contract specifications, monitoring arrangements and specified contract lengths, and to have won the contract in competition. CCT legislation was repealed in 2000 and councils are no longer required to tender their sports and recreation services. However, under the Local Government Act 1999, councils have a duty of continuous improvement. This means they have to demonstrate that the option they have chosen is the most advantageous in terms of economy, efficiency and effectiveness.

- 39 In-house provision still dominates. Sixty-two per cent of council-provided facilities (see **Figure 3**, page 17) remain directly managed by councils. Full responsibility for income, expenditure, pricing and programming lies with the council as does all the risk.

## Partnership with a private contractor

- 40 There is an established private sector market for managing public sports and recreation services where a financial return can be generated by increasing levels of income and reducing costs. A management fee is usually paid to the contractor to underwrite an operational deficit, although in a few highly profitable contracts a fee or profit share is paid to the council.
- 41 A partnership with a private sector leisure company involves a council entering into a fixed term contract, usually of between five and ten years. Staff are transferred initially to the company under transfer of undertakings – protection of employment (TUPE) arrangements. The contractor retains all income and is generally responsible for most expenditure other than the external fabric of the buildings and major operational plant replacement. Private sector contracts are predominantly for the management of facilities rather than for other service areas such as sports development, play or parks and gardens.
- 42 A council has significant control over a private sector contractor through the contract agreement and as owner of the sports and recreation facilities. In almost all cases, councils set core admission charges on an annual basis. Some flexibility is often given to the contractor on membership prices in order to provide opportunities to increase income and participation through marketing initiatives.
- 43 Contracts with private contractors can also be linked to investment in facilities through a public private partnership (PPP), either directly from a leisure management company or indirectly with investment from a third party. PFI provides a further PPP option where the capital investment in facilities is supported by quarterly special grant payments from central government as a form of subsidy. Such payments tend to improve the affordability of PFI projects. However, the longer contract period for PFI contracts can lead to an increase in the complexity of the contractual arrangements.

## Management through a trust

- 44 The establishment of a leisure trust involves the council participating in the formation of an arm's length company, independent of the council, to manage its sports and recreation facilities. Management of sports and recreation facilities through a trust has become a popular choice for councils, with approximately 90 trusts now running sports and recreation facilities. This now represents 21 per cent of all council-provided facilities in England.
- 45 Councils have less control over the operations of a trust than of other management options. However, host councils can exercise significant influence over their objectives and their operations through the subsidy in the form of an annual grant or management fee income that most councils provide. In addition the council's elected members can form up to 20 per cent of the trust's management board (**Ref. 11**) although as trustees, they are obliged to act in the best interests of the trust, not the council.
- 46 Most trusts are companies limited by guarantee (67 per cent) or industrial and provident societies (24 per cent) (**Ref. 12**). They all operate on a not-for-profit basis and nearly all are registered as charities. The council usually leases premises to the trust on a long-term lease, typically between 15 and 25 years, in return for a nominal rent. The trust runs the service, initially with transferred staff under TUPE regulations, retaining all income and incurring all expenditure.
- 47 There are three ways in which leisure services can be delivered through a trust:
- by a new stand alone trust set up by the council;
  - by becoming part of an already established trust; or
  - by a hybrid trust, which is a trust set up by a private sector management company and managed through a contract by that company.
- 48 Councils rely on their powers under Local Government Act 1976 (**Ref. 13**) in the formation and management of trusts. Trusts potentially enable the management of sports and recreation facilities to be more accountable to the community and provide greater opportunities for investment. However in all cases in the study much emphasis has been placed on the ability of trusts to take advantage of national non-domestic rates (NNDR) savings and VAT benefits (paragraph 103).

## Management of school facilities

- 49 The significant expansion of school-based provision has resulted in many school sports facilities opening for community use. In some cases both school and community use will be managed by a school and its governing body. However, where facilities are open for public use (as opposed to block club bookings or adult education classes), schools typically manage the facilities during the school day and then pass over operational responsibility to other managers for twilight, evening and weekend use.
- 50 The most appropriate management option for any facilities jointly used by school and the community will depend on the nature of the facilities and on the commercial skills of the individual school staff and governors. In some cases, in isolated locations and very small-scale developments, management by the school may be the most sensible option. For large-scale developments, which rely on revenue streams for their sustainability, school staff may not have the necessary commercial skills. In these cases managing the facilities may put a strain on schools' capacity and may lead to risks of financial problems and poorer quality outcomes.
- 51 There are inherent internal tensions with any shared-use facilities which tend to become more apparent when developments take place in deprived areas. The government is encouraging these areas to support community regeneration, to promote a preventive health agenda and to provide for young people in the community. Meeting these social objectives can result in lower levels of income from sports and recreation facilities as local authorities find it increasingly difficult to divert revenue subsidy to meet these social objectives.

## The pattern of change

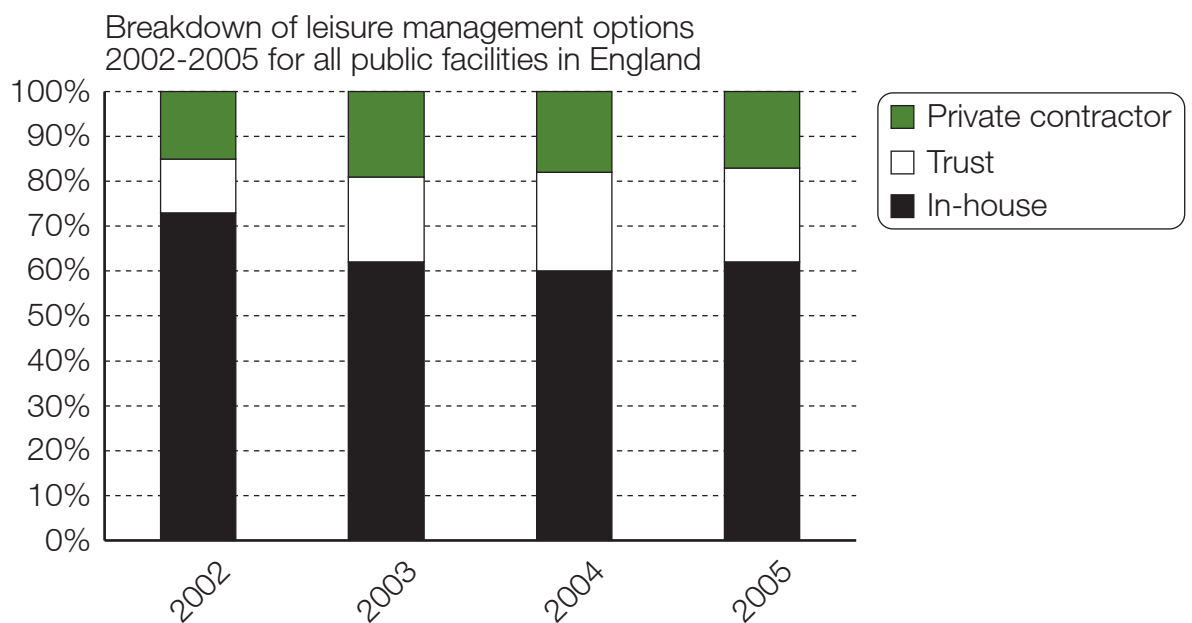
- 52 Over the last four years the proportion of all sports and recreation facilities<sup>I</sup> managed in-house has fallen from 73 per cent to 62 per cent. The proportion of facilities managed by a trust (not including hybrid trusts) has increased significantly from 12 to 21 per cent. The proportion managed by a private sector contractor (17 per cent in 2005) has remained unchanged (**Figure 3**).

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I Includes public facilities that have no public access or club use only (mostly schools) but excludes those managed by schools.

**Figure 3****Breakdown of management arrangements**

The proportion of all facilities managed in-house has decreased and that of trusts has grown.



**Source:** The Leisure Data Base Company. Base: All public leisure facilities in England

- 53 The picture for public sports and recreation facilities with full public access<sup>I</sup> shows a similar pattern. In-house management still dominates. However this sector is being eroded by the establishment of new trusts. Private sector contractors have not increased their market share significantly in recent years.
- 54 The study's survey showed a significant change in arrangements over the past four years. Over two-fifths of the councils within the study's survey (40 councils)<sup>II</sup> have changed their management option. Of these 70 per cent have changed to a trust form of management. The most common change is from in-house management to a trust (**Figure 4, overleaf**).

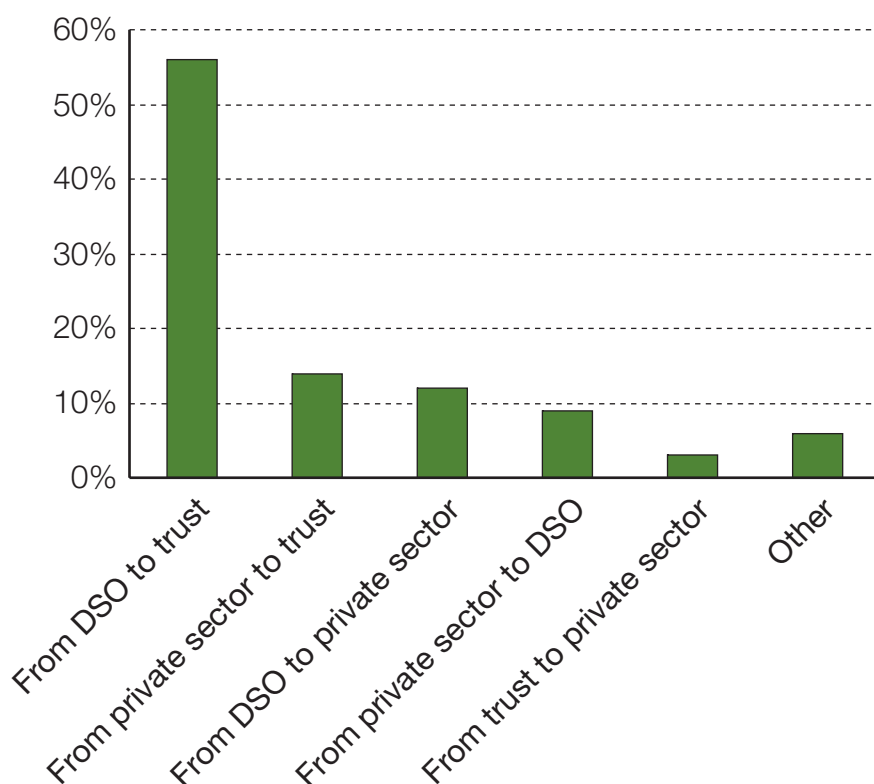
<sup>I</sup> Those with public access to all, or most, facilities, during all opening times.

<sup>II</sup> Audit Commission survey of 95 councils in England, including fieldwork (study) sites, August 2005.

**Figure 4**

**Pattern of management options change over the last five years in 40 surveyed councils**

Of those councils that have changed their management arrangements 70 per cent have chosen a trust option.



**Source:** Audit Commission Survey 2005. Base: 40 councils in England

55 The rate of switching to trusts to manage public leisure facilities has increased overall during the last ten years. The number of trusts that run public leisure services has doubled during this period from approximately 40 in 1997 to over 90 in 2006.<sup>1</sup>

<sup>1</sup> Statistics provided by SPORTA.

# 3

## The characteristics of the main management options

- 56 This Chapter compares the performance of the various options available to councils. It explores the generic issues that affect all forms of management and the potential advantages of particular management options. Information is drawn from the study's fieldwork and a number of national agencies that collect performance information on public sports and recreation services.

### Summary

- 57 Neither this study nor national performance statistics offer conclusive evidence that any particular management option performs more effectively in all situations. No single management option demonstrates consistently better value for money or higher levels of participation. However, in-house services were found to be significantly more expensive and are becoming more expensive over time. Leisure contractors require the lowest subsidies from councils.
- 58 The transfer of sports and recreation facilities management to private sector contractors and trusts provides opportunities for increased investment. In addition larger trusts and private sector companies can generate savings in central costs and can increase councils' management capacity. Some savings have helped improve the quality of services, but much, including taxation savings, is not re-invested. Investment in public sports and recreation facilities is not increasing sufficiently to redress the years of underinvestment.

### Generic factors

- 59 In deciding the most appropriate management for their sports and recreation facilities, councils should assess the relevant benefits of each option, including the short- and long-term implications. The assessment should reflect the priorities and objectives of the council, the current condition of its sports and recreation facilities, any investment required to improve them, and the local geographic, economic and social environment.

- 60 No management model can give councils the large capital investment required to replace ageing facilities except in a small number of large, long-term PPPs. All councils in the study had facilities requiring capital investment but 60 per cent had no strategic plan in place to secure long-term investment.
- 61 The maintenance of public sport and recreation facilities has also been poor. Most councils in the study in the past allocated budgets to sport and recreation based on a programme of reactive maintenance rather than of proactive repair and renewal. This is changing slowly with councils starting to address historic low funding and poor management. Most councils in the study now have planned maintenance programmes, although half did not have adequate resources to address the backlog of maintenance and future requirements.

## Partnership working

- 62 The success of any management option will depend on the quality of the partnership arrangements developed within the council or with a trust or private sector contractor. A commitment to shared priorities and a joint responsibility for investment in the service are critical to success.
- 63 The key characteristics of a successful partnership are:
- clear commitment to the partnership at a high level;
  - an understanding of partners' priorities and the ability to work together to achieve them;
  - flexibility from all partners;
  - good formal and informal communications and the ability to resolve problems together; and
  - an agreed strategy for service improvement with shared and agreed responsibilities and investment.
- 64 Strong partnership working addressing both social and financial outcomes was found in only half of the councils in the study. These partnerships were characterised by explicit shared goals, aligned to corporate priorities with developing performance management systems focused on outcomes for customers and the community. A few of these partnerships were starting to measure how sport and recreation could contribute to

cross-cutting agendas such as social inclusion and health. Community groups had also been involved in the planning and programming of facilities in some areas through the use of customer forums and club development programmes.

- 65 However, half of councils' partnership arrangements concentrate on financial performance, and primarily on reducing costs, with little or no consideration of corporate priorities.

## Performance management

- 66 The collection and use of customer information is also generally poor. Councils in the study rarely used accurate information on the profile of customers using public sports and recreation facilities to inform policy and future planning.
- 67 Investment in information technology (IT) systems, including swipe card technology, is increasing. But the systems themselves are not being used as effectively as they might: some systems are able to provide differentiated data but are rarely used to assess impact against common corporate or shared priorities such as health improvement, social inclusion and diversity.
- 68 This lack of performance information, including the absence of detailed usage levels and knowledge of the local market, restricts the ability of the services to address local and national priorities and to assess potential returns on investment. Subsidies to private sector and trust management bodies have almost always been based on trend information rather than on a detailed assessment of current market factors. This can result in unrealistic income projections risking the sustainability of provision if the projections are too optimistic, or the potential to extend provision if the projections are too low.

## The performance of the three management options

### How the options compare

- 69 The study has looked at information relating to financial performance and participation levels to try to assess the overall value for money of each of the management options. Statistics were drawn from the study's surveys of trusts and private contractors'

performance information and from various national sources. The range of facilities operated by in-house, trust or private operators is not necessarily comparable, so conclusions on the most effective management option cannot be drawn. However, evidence suggests that some options perform better on certain criteria.

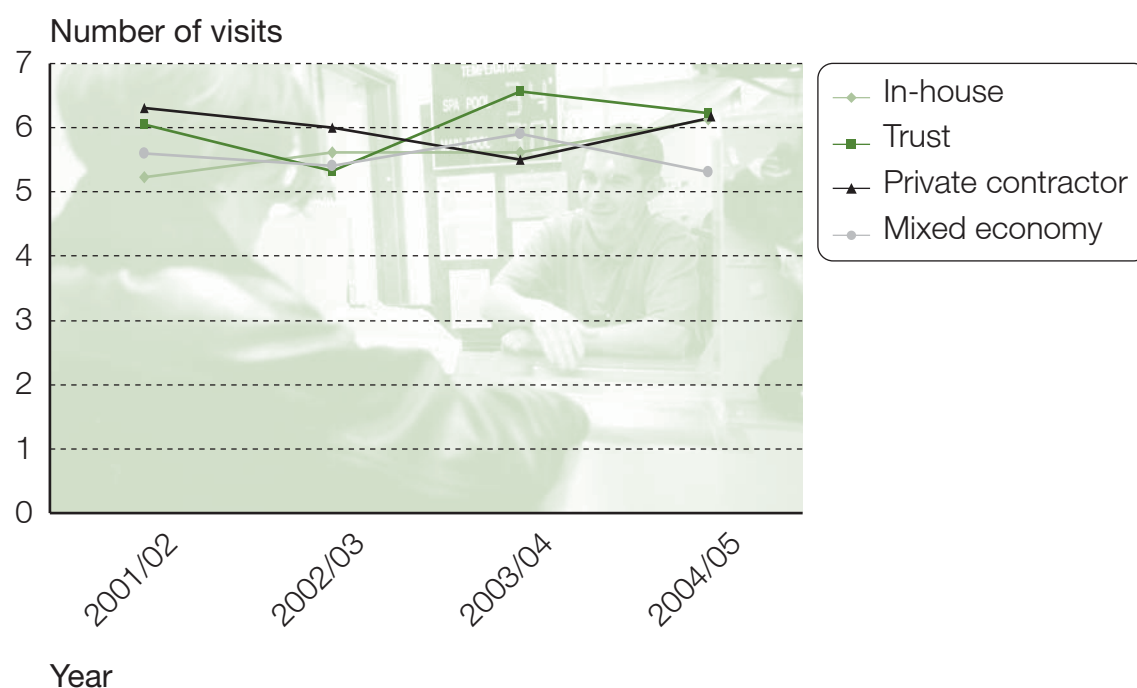
### Participation performance

- 70 Chartered Institute of Public Finance and Accountancy (CIPFA) statistics indicate that on current overall participation rates there is little difference between the management options (Figure 5).

**Figure 5**

#### Participation rates across management options

Current overall participation rates do not differ significantly across the options.



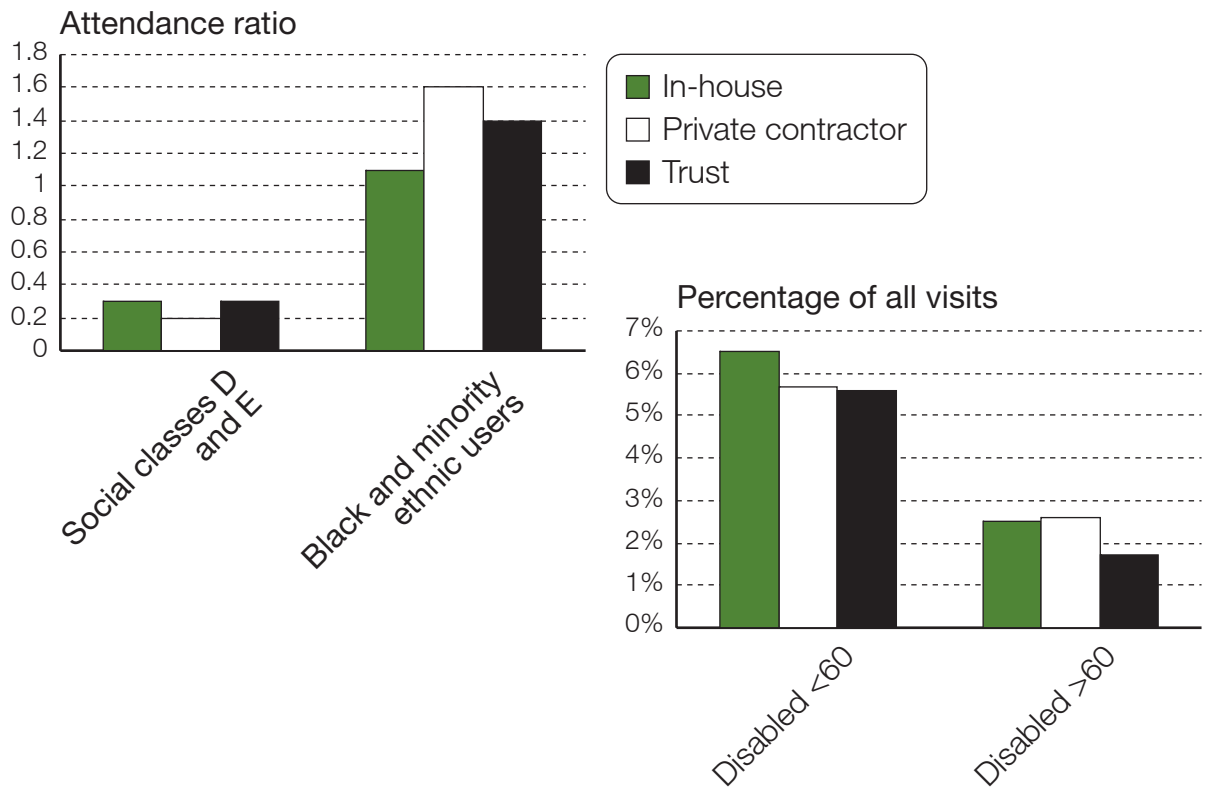
**Source:** CIPFA. Lowest figure in any one year: in-house 109, private contractor 47, trust 15, mixed 41

71 National Benchmarking Service (NBS)<sup>I</sup> data also indicate that participation rates by target groups<sup>II</sup> do not differ greatly between management options (Figure 6).

**Figure 6**

### Participation rates by DCMS priority groups across management options

Differences in participation rates for priority groups across management options are small.



**Note:** Attendance ratio = % of visits by priority group / % of catchment population in priority group.

**Source:** National Benchmarking Service. Base: lowest figure in any one year: In-house 81, private sector 25, trust 36.

<sup>I</sup> National Benchmarking Service for sports halls and swimming pools.

<sup>II</sup> Participation rates across a range of user groups including: young people, Black, Asian and other ethnic groups, older people, social classes D&E (low skilled, low paid manual workers).

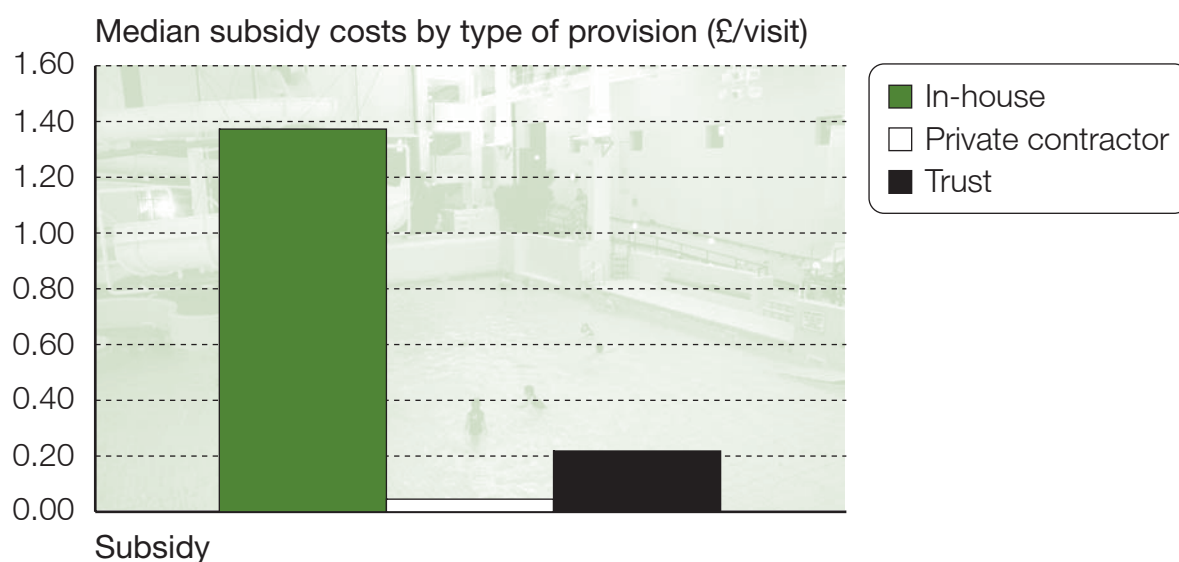
## Financial performance

72 NBS comparisons show that private contractors require lower subsidies than in-house or trusts while in-house providers need significantly higher subsidies per visit (**Figure 7**).

**Figure 7**

### Financial performance across management options

In-house providers have considerably higher subsidies.



**Source:** National Benchmarking Service. Base: in-house 95, trust and private sector 41<sup>1</sup>

73 CIPFA and NBS statistics suggest that the cost of providing sports and recreation facilities and services is significantly lower with privately contracted services than with trusts or in-house management. In-house provision tends to require more subsidy than the other two options. This is becoming more marked over time (**Figure 8**). Direct comparisons are nonetheless difficult because the facilities concerned may not be comparable. Differences may also reflect tax savings from which trusts benefit. Even allowing for these considerations, the potential cost differences emphasise the importance of councils market testing services through competitive tendering to ensure that efficiency savings and improvements are not missed.

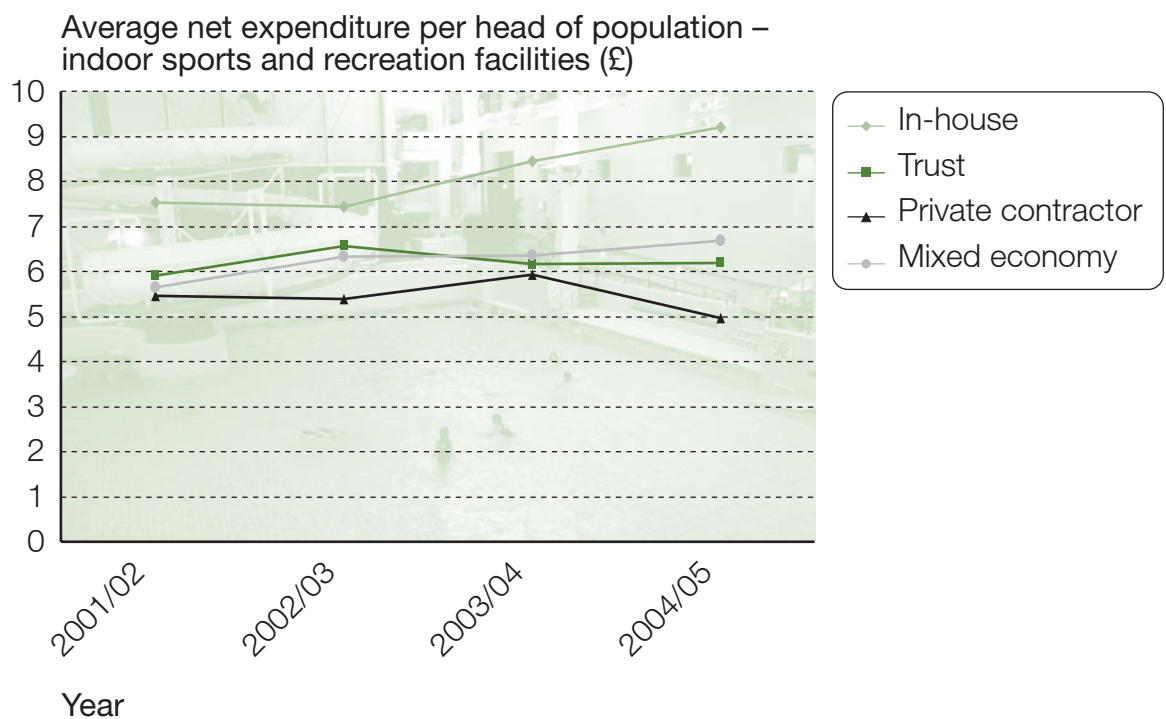
<sup>1</sup> These figures are indicative as sample sizes are small.

74 In addition Association for Public Service Excellence (APSE) benchmarking data show that on average the operational recovery rate<sup>I</sup> is lower overall for in-house managed facilities (57 per cent) than for trusts (73 per cent). In turn private sector staff costs, although broadly in line with trust providers for similar facilities, appear to comprise a lower proportion of revenue generated from attendances<sup>II</sup>, thus representing a higher return on expenditure.

**Figure 8**

### Cost per head of population across management options

In-house provision has a higher cost per head of population.



**Source:** CIPFA; lowest figure in any one year: in-house 109, private contractor 47, trust 15, mixed 41

- <sup>I</sup> Operational recovery rates: income (excluding management fee/grant) as a percentage of expenditure (excluding central charges) 2004/05 – sample sizes 269 in-house / 37 trusts.
- <sup>II</sup> Audit Commission survey: all private sector contracts (staffing costs at 63 per cent of revenue income) and 14 trusts (staffing costs at 73 per cent of revenue income).

75 Average entry prices charged by the different management options in the study did not vary significantly overall. A detailed assessment of all London boroughs' swim prices supports these findings for junior prices (Ref. 14). However adult entry prices were higher in trusts than other management options and in particular more expensive than in-house providers which have the lowest swim prices of all options (Figure 9).

**Figure 9**

**Swimming charges in London boroughs**

Adult entry price of swimming is higher in trusts and lowest in in-house managed centres.



**Source:** The Leisure Data Base Company. Base: all London boroughs

## The potential advantages and disadvantages of the options

- 76 This section highlights the potential advantages and disadvantages of each management option. Some findings relate to the models themselves, while others relate to the way the council has implemented them. The section also outlines the key taxation implications of different management options and specifically the tax advantages of trusts and how these savings are being used.

### In-house provision

Potential advantages	Potential disadvantages
<ul style="list-style-type: none"> <li>• Supportive members (portfolio holders) able to raise the profile of sports and recreation at a corporate level.</li> <li>• Cross-department working resulting in:               <ul style="list-style-type: none"> <li>– efficiencies and savings; and</li> <li>– joined-up services for customers.</li> </ul> </li> <li>• The ability to deliver a more responsive service and initiate changes more easily.</li> <li>• Direct control over budgeting.</li> <li>• Use of prudential borrowing.</li> </ul>	<ul style="list-style-type: none"> <li>• Discretionary service competing with statutory requirements and subject to cuts.</li> <li>• Invest-to-save projects dependent on availability of in-house resources.</li> <li>• Availability of council capital uncertain and often allocated on an annual basis.</li> <li>• No scope for taxation savings.</li> <li>• More difficult to demonstrate it is the best option due to lack of competitive process (if rigorous option appraisal not undertaken).</li> <li>• No requirement for long-term planning.</li> <li>• Potential for other local priorities to displace community sport and recreation needs and value for money considerations.</li> </ul>

- 77 Long-term strategic financial planning is often weak when sports and recreation facilities are managed in-house by the council. Investments depend on annual budget planning cycles with leisure departments needing to bid for capital investment against other council departments, often with higher political priority. With restricted access to capital, councils have been less likely to undertake invest-to-save projects. This may change with councils' new prudential borrowing powers, which provide councils with greater opportunities to borrow at lower cost than private sector funding.
- 78 The use of performance management to measure and increase participation is weakest for in-house management arrangements. Very little time and money is spent on assessing the needs of customers and only half of in-house providers collected outcome-based information such as participation rates for priority groups. Few are considering the needs of those that do not currently use sports and recreation facilities. In 90 per cent of cases in-house providers had the smallest marketing budgets. This often results in ineffective marketing and missed opportunities to increase income, address the needs of priority groups and improve overall participation. However, with sufficient opportunities, flexibilities and freedoms in-house management arrangements have proved effective **(Case study 1)**.

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### Case study 1

#### Guildford Spectrum – innovative in-house provision

The Council combines access to sports and recreation services and commercial priorities well. It encourages access from all sections of the community through its Active card which includes reduced prices for those from disadvantaged backgrounds and discounts to residents. The Active card has 19,000 members that are monitored to measure participation across the borough with targets set to increase participation in deprived wards and among target groups.

The Council has a strong invest-to-save ethos. The Spectrum Leisure Complex has invested in a number of new and profit-making areas and the Council uses private sector providers in areas such as catering, resulting in increased income. Flexibilities and freedoms are also given to the centre manager who can invest up to £40,000 with agreement from a Spectrum Members' Board rather than having to go through full committee. This produces a service that is more responsive to customer needs and market changes.

**Source:** Audit Commission

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## Prudential borrowing

- 79 Prudential borrowing offers councils a new means of channelling much needed investment to improve sports and recreation stock. The Local Government Act 2003 gave councils the power to borrow under a prudential system which removes government imposed limits on councils' borrowing and establishes a flexible system in which local authorities make affordable, prudent and sustainable capital investments. Because of their low-risk status and access to government borrowing, councils can raise capital at a cheaper rate than private sector bodies. This should compare favourably with capital raised through PFI or PPP schemes. Prudential borrowing can support activities that are income generating and could lead to medium-term savings for services such as sports and recreation. Borrowing is available to any council service but the study has found that council sports and recreation services have been afforded a very low priority for this kind of investment.
- 80 The use of prudential borrowing to support a specific project could make an in-house or trust option more feasible, particularly if the council needs to invest in facilities and there is likely to be a strong income stream generated to support the cost of borrowing.
- 81 Only one council in the study fieldwork is using prudential borrowing to provide facilities more cost-effectively. But it has done this by combining this stream of funding with separately sourced private capital (**Case study 2**).

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### Case study 2

#### London Borough of Bexley – using prudential borrowing

The Council has rationalised its provision of sports and recreation facilities involving the development of three new centres using a PPP arrangement. Partway through the process (after the funding for two centres had been agreed), prudential borrowing arrangements were introduced.

The Council assessed the risks and benefits of using its prudential powers to finance the third centre and worked with the consortium involved in the PPP to amend the funding agreement (and payment mechanism). There are still strong penalties in the payment mechanism aimed at increasing participation by target groups and ensuring the quality of service delivery. In addition the Council will incur a lower level of expenditure (£4 million over the 25-year contract) than the original proposed PPP contract.

**Source:** Audit Commission

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## Private contractors

Potential advantages	Potential disadvantages
<ul style="list-style-type: none"> <li>• A commercial approach to management and income maximisation.</li> <li>• Competitive bidding process means a council can demonstrate value for money and potentially reduce its subsidy.</li> <li>• Significant access to development capital.</li> <li>• Transfer of some risk and stable revenue funding (if long-term contract in place).</li> <li>• Savings through economies of scale particularly on support costs such as IT, payroll, human resources and marketing.</li> <li>• A partnership approach to service improvement with a planned programme of investment and development.</li> </ul>	<ul style="list-style-type: none"> <li>• Councils' central services overheads spread over fewer services.</li> <li>• Procurement costs can be significant (particularly with PFI contracts).</li> <li>• No scope for taxation savings.</li> <li>• Restricted investment if contracts are short.</li> <li>• Inflexible contracts.</li> <li>• Contractors focused on income generation at the expense of social objectives (if not emphasised in contracts).</li> </ul>

- 82 As indicated earlier the financial performance of private sector contractors appears on average to be stronger than for the other options and particularly in-house providers.
- 83 Private sector companies which run council facilities invest capital ranging from £100,000 to £5 million per project. In 2002/03, £30.2 million was invested and £27.3 million in 2003/04 (**Ref. 15**). The majority of this investment is in profit-making areas of the business, such as health and fitness and catering.

- 84 Private sector companies are more willing to invest if they can see a potential return on their investment; so, the larger the investment, the longer the contract required to realise a return. Private sector contracts generally last from 5 to 30 years (25 to 30 years for large PFI/PPP contracts). This allows contractors to plan for at least the medium term and to invest in facilities and equipment. Similarly, where trusts have longer-term management agreements and long-term leases, they are better able to access loans as they have guaranteed income and security of representing a lower risk to lenders. However, long-term contracts tend to be inflexible. Flexibility is important to allow for changes in council and national policy and priorities and should be built into contracts. A long-term approach also helps support larger invest-to-save projects.
- 85 Private contractors have better customer information with three-quarters<sup>I</sup> of their fitness centres having an electronic membership system. Private contractors undertake far more customer profiling, primarily in order to increase income. In 80 per cent of cases<sup>II</sup> marketing was focused exclusively on higher income groups. However there are examples of partnership contracts requiring a focus on social inclusion with participation targets for priority groups, such as those on low incomes and people with disabilities. In such cases targets are jointly owned between contractors and councils' sports development teams who work successfully together to achieve the desired outcomes.

## Public private partnerships

- 86 PPPs, including PFIs, are one way for councils to provide private sector funding for new sports and recreation facilities. They do not provide the sole answer to the capital investment gap in leisure, are not suitable for all situations, and may not be the most affordable option, particularly with the introduction of prudential borrowing. However they do provide individual councils with a greater choice of funding and procurement options to remodel and renew their stock.

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I The Leisure database company, 2005 data.

II Audit Commission study survey, 2005.

- 87 PFI programmes can only address a small proportion of the required capital investment required in sports and recreation facilities. Only ten leisure PFI projects have been confirmed or built since 2001, when DCMS introduced the opportunity to bid annually for credit approval. Every year bids have significantly exceeded available credits with 35 cultural sector projects applying for £130 million in the last round in 2005. To date, a total of £188 million of PFI investment has been in sports facilities. It is not clear what the value of future PFI credits will be in this sector, making long-term planning difficult.
- 88 Most sports and recreation PPP/PFI schemes are being developed in partnership with private sector leisure companies with the management skills and expertise to deliver the projects and the financial turnover to access funds from financial institutions. Most trusts do not have the required turnover to enable them to secure this external funding.
- 89 The potential for future PFI projects is also affected by changing regulations. Projects of less than £20 million are no longer eligible for PFI credits. As a result it is estimated that bidding companies will need to have at least a turnover of £60 million<sup>1</sup> to secure the funding needed to finance the smallest of new schemes. With only three private leisure contractors currently delivering PFI schemes, there is a risk that the skills and expertise in this area might be lost and the funding stream with them.
- 90 The £20 million threshold will also mean that only larger councils with very large or multi-facility developments are able to access or afford the funding. More cross-sector or cross-boundary consortia bids would enable councils to exceed this threshold. However, such projects are currently rare.
- 91 Performance management in private contractor arrangements, particularly in PPP/PFI projects, appears to be improving with most new and renewed contracts including outcome-based targets such as participation levels of target groups. However, in the study's fieldwork, 60 per cent of contracts still focus predominately on outputs such as cleanliness and availability. However three out of the four large PPP projects in the study incorporate National Benchmarking Service indicators and Quest<sup>1</sup> accreditation as part of

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<sup>1</sup> Estimates from Private Contract in PFI market, 2005.

the management agreement. Two had included performance targets as part of the payment mechanism, providing incentives for the contractor to improve outcomes such as participation among target groups. Early indications are that the use of these performance management arrangements is resulting in improvements in participation **(Case study 3)**.

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### Case study 3

#### PPP projects – performance management driving participation

The London Borough of Bexley and Penwith District Council have invested in large PPP projects. These have contracts which use performance management information to increase participation, particularly among target groups such as young people and those on low incomes.

A penalty mechanism has been built into the partnership contracts to help drive performance to meet agreed targets. Examples include increasing participation in target groups and the introduction of quality assurance measures, such as achieving Quest registration and improving customer satisfaction. In the Bexley partnership a penalty of up to 10 per cent of the contract value can be applied for not meeting such targets. Early indications are that participation is increasing. There has been a 30 per cent increase in participation across the three new leisure centres in Bexley and an increase of 64 per cent, since its opening in August 2005, in the new facility in Penwith.

**Source:** Audit Commission

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## Trusts

### New trusts

Potential advantages	Potential disadvantages
<ul style="list-style-type: none"> <li>• Single purpose organisation with a focus specifically on sports and recreation services.</li> <li>• Taxation savings (NDR/VAT) can be re-invested in the service where required.</li> <li>• Generally improves a council's overall position in relation to partial exemption threshold for VAT.</li> <li>• Freedom from local government framework and decision making.</li> <li>• A partnership approach to investment.</li> <li>• Engagement with the local community through direct representation.</li> <li>• As a smaller-scale operation staff can be more involved in the development of the service (particularly Industrial and Provident Society trusts where staff are stakeholders in the business).</li> <li>• Trustees with business expertise.</li> <li>• Links to the community through direct representation on board.</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulty in levering in sufficient external capital.</li> <li>• Potential for links to be lost to other council services.</li> <li>• Dependency on attracting and retaining quality trustees/directors.</li> <li>• Set up costs are significant.</li> <li>• Limited additional management capacity as generally same management and staff retained initially.</li> <li>• Risks of trust failure rest with council.</li> <li>• Annual grants restrict long-term planning.</li> <li>• Small trusts have limited ability to make support cost savings.</li> <li>• Overheads of councils' central services, not transferred to trust, spread over fewer services.</li> </ul>

- 92 The most frequent decision taken by councils in changing their management arrangements is to set up a trust. These vary considerably in their service and stakeholder mix. Most are concerned simply with buildings management rather than with a more holistic approach to sports and recreation management. Sports development for example, which has a strong focus on increasing participation, is only transferred from council management in 4 per cent of trusts (Ref. 12).
- 93 The costs of setting up a trust are often not fully assessed. The establishment of a new trust is expensive and can, with small councils, considerably reduce initial taxation savings. Typical set-up costs range from £120,000 to £150,000, much of which is made up of consultants' and legal fees. No council in the study's fieldwork had assessed the true cost of set-up, such as by including officer time. Such costs are considerable in a process which is frequently complicated and time consuming.
- 94 New trusts present councils with higher risks than private sector contractors or established trusts, due to their lack of track record and reliance on strong management boards to set up and drive the business. Many early trust boards largely comprise sports representatives and can sometimes lack commercial expertise. Three leisure trusts in England have failed and had their responsibilities returned to their councils at considerable cost.
- 95 Councils do not assess the impact of externalising facilities management on support costs. Given that sport and recreation facilities employ large numbers of staff, councils are missing opportunities to make efficiency savings in relation to central services.
- 96 Trusts have not yet unlocked significant external funding sources. Neither trusts nor private sector contractors are simple answers to an historic lack of investment in sports and recreation facilities. Both inherit the refurbishment and development issues, and in some cases significant strategic long-term redevelopment challenges, that previously rested with the council.
- 97 With the exception of hybrid trusts, that is a trust set up by a private sector management company and managed through a contract by that company, all trusts within the study had invested in improved services using NNDR and VAT savings, small loans, and capital from their host council or a combination of these resources. In small, stand-alone trusts, these investments have been predominantly small and focused on profit-making areas, most notably new, extended or upgraded fitness centres.

- 98 Most councils that are working through trusts are investing a proportion of NNDR savings to address maintenance backlogs, future investment requirements and service improvements. However, the resulting tax savings are rarely all invested in sports and recreation because of pressures on service and corporate budgets and the need for efficiency savings, although taxation savings cannot be set against Gershon targets.
- 99 In some cases, the transfer of management to a trust has led to better quality facilities, reduced costs and higher levels of participation. These partnerships are more likely to enable a re-focusing on outcomes for customers and the community. Characteristically they have a joint ownership of problems and shared investment priorities and objectives, which are explicitly set out in contractual agreements (**Case study 4**).

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### Case study 4

#### Greenwich Leisure Limited / London Borough of Greenwich – a mature partnership

The Council's relationship with its long established leisure trust, Greenwich Leisure Limited, has matured over the last 12 years into a strong partnership. The Council has invested in partnership with the Trust. There is a ten-year partnership vision with clear outcome targets.

A ten-year programme of investment is in place to address the capital requirements of the service. Increases in income are re-invested and this has resulted in improved facilities for customers and increased participation. The subsidy paid by the Council to run its sports and recreation facilities has reduced from £2.5 million in 1992/93 to £900,000 in 2004/05 while centre membership has increased from 7,000 to 70,000 in the same period.

Staff, customers and community clubs and groups are involved in the planning and development programmes.

**Source:** Audit Commission

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- 100** Most councils in the study appear to have set up trusts primarily to make savings. In a number of cases councils failed to set up strong arrangements to secure service improvements or establish a responsible approach to investment. The reduction of subsidies by host councils has created further pressures for some trusts. As a result trusts, like private sector contractors, have then concentrated on profit-making areas in order to establish financial stability, thus reducing their focus on participation.
- 101** Many trusts rely on annually negotiated revenue grants. This has an impact on the ability to plan sensibly and develop strategies which require longer-term investment. Work with hard-to-reach groups needs to be pursued over the longer term to ensure consistent and sustainable approaches to achieve measurable outcomes.

### National non-domestic rates and VAT

- 102** A major benefit of forming a trust is the resulting ability to save in the payment of NNDR. A charitable trust generally receives 80 per cent NNDR relief from central government, with the host council having the option to grant a further 20 per cent discretionary relief. Of the discretionary relief the council pays 75 per cent with 25 per cent met by government. The maximum possible NNDR savings for the council are therefore 85 per cent (**Ref. 16**). Hybrid trusts have the potential to obtain the same NNDR relief. A trust without charitable status may not be able to claim mandatory rate relief but will be able to claim up to 100 per cent discretionary relief.
- 103** In-house and private sector contractors have to account for VAT on most sporting activity income but charitable trusts do not as it becomes exempt income. The VAT on costs incurred in generating exempt income cannot be fully recovered. As a general rule, therefore, where income is high and expenditure (including most capital expenditure) is low there is a VAT advantage to adopting a trust management arrangement.
- 104** In addition, if a trust runs all the facilities, benefiting from a peppercorn lease from the council, any VAT on capital expenditure on the facilities incurred by the council can be fully recoverable.

- 105** The study shows councils increasingly are externalising their sports and recreation facilities to charitable trusts in order to reduce council expenditure by making significant taxation savings. The average NNDR savings for a centre is £40,000<sup>I</sup>. The overall savings to councils at present are likely to be between £21 million<sup>II</sup> (at 80 per cent NNDR) and £26 million per year (at 100 per cent NNDR). If the current growth of trusts and hybrid trusts continues, the estimated NNDR savings by 2010 could be over £35 million per year. If all public leisure facilities in England were to be managed under a trust arrangement, estimated savings would be a minimum of £80 million per year. Although these are savings to council budgets they do however represent loss of revenue to the Treasury.
- 106** VAT savings vary greatly between trust contracts depending on levels and types of income and expenditure. An assessment of four London boroughs, in centres where income was relatively high, projected annual VAT savings of £49,000<sup>III</sup> per year per leisure centre. Current savings overall are likely to be similar to NNDR at £26 million per year. Business in Sport and Leisure Analysis (BISL) estimates current VAT savings for councils to be in the order of £30 million per annum (**Ref. 15**).

## Partnering and hybrid trusts

- 107** Rather than setting up a new trust to manage facilities, councils can transfer management to an existing trust or develop a hybrid trust with the private sector. Larger trusts, and private contractors that manage facilities on behalf of hybrid trusts, potentially provide councils with savings in support costs such as payroll and human resources, and often have stronger, more established marketing and training programmes. Also the cost of setting up a hybrid trust is substantially lower than a new trust.

### Partnership with existing trusts

- 108** As trusts have been established, they have sought to grow their business. There are now six leisure trusts managing public facilities with more than one local authority partner. Most have only two or three partners but only Greenwich Leisure Limited (GLL), which manages over 40 facilities, currently reaches the size of the larger private contractor companies.

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<sup>I</sup> Audit Commission survey of 39 facilities, based on 80 per cent NNDR, 2005.

<sup>II</sup> Represents all trust facilities plus estimated total number of hybrid trusts in England, 2005.

<sup>III</sup> Audit Commission survey of 4 London boroughs (19 centres).

Potential advantages	Potential disadvantages
<p>In addition to those highlighted with trusts:</p> <ul style="list-style-type: none"> <li>• Additional capacity in areas such as training, marketing and management.</li> <li>• Economies of scale, for example, reduction in support costs.</li> <li>• Comparatively low set-up costs.</li> <li>• With larger trusts, ability to lever greater external funding.</li> <li>• Track record can be assessed in line with council objectives.</li> <li>• Transfer of some risk and stable revenue funding (if long-term contract in place).</li> </ul>	<p>In addition to those highlighted with trusts:</p> <ul style="list-style-type: none"> <li>• Increased capacity of host trust to take on additional partner not adequately assessed.</li> <li>• Established board already would give no or limited representation by council. However, formation of local consultation board would provide council with some influence.</li> <li>• Existing trust could be geographically remote from council.</li> </ul>

- 109** Established trusts provide councils with savings in set-up costs typically ranging from £30,000 to £50,000 (**Ref. 17**), saving councils up to £100,000 compared with setting up new trusts. In addition they provide the opportunity to reduce overall support costs as well as adding to capacity in areas such as management, marketing and staff development.
- 110** The prospect of a more remote relationship appears to act as a deterrent to some councils when considering the established trusts option. In partnership with an established trust, a council's perceived influence is weakened as decisions are made by the existing trustees of the trust rather than locally. A local management group is often formed to influence the trust and reflect local issues. The contract or partnership agreement should therefore provide a clear framework for decision making.

111 Councils entering into a partnership with a large existing trust tend to be investing more in their services, than do stand alone or hybrid trust models. Six contracts managed by GLL and Wycombe Leisure, two of the largest trusts in England, averaged investments of £665,000 a year over contracts dating back over the last five years. This was achieved through re-investment of NNDR, VAT and surpluses by the trust.

### Hybrid trusts

112 The private sector has been quick to respond to the competition from trusts and has formed a range of hybrid or community trusts. In a hybrid trust the council sets up or participates in a trust company that has not-for-profit objectives. The trust company is then granted the lease for the facilities and contracts with the council for their management. In turn it enters into a performance based management contract with a private sector operator, with the NNDR savings being passed back to the council, and the private sector company managing the service as an agent of the trust company.

Potential advantages	Potential disadvantages
<ul style="list-style-type: none"> <li>• Taxation savings (NNDR/VAT) can be re-invested in the service where required.</li> <li>• A partnership approach to investment.</li> <li>• Ability to borrow / secure private capital.</li> <li>• Additional capacity in areas such as training, marketing and management.</li> <li>• Economies of scale, for example, reduction in support costs.</li> <li>• Very low set-up costs.</li> <li>• Private management expertise particularly in income generation.</li> </ul>	<ul style="list-style-type: none"> <li>• Councils' central services overheads spread over fewer services.</li> <li>• Contractors focused on income generation at the expense of social objectives (if not emphasised in contract).</li> </ul>

113 Hybrid trusts have low set-up costs. Private contractor companies typically offer a range of previously developed hybrid trust arrangements which councils can enter into for less than £5,000.

114 Fifty-nine per cent of private sector partnerships are currently hybrid trusts<sup>I</sup> but only a small percentage generate re-investment in leisure provision. Unlike other trust arrangements, only 9<sup>II</sup> per cent of councils adopting a hybrid trust model put NNDR savings directly back into leisure. There are a few notable examples however where savings are maximised (**Case study 5**).

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### Case study 5

#### East Hampshire District Council – an investment partnership

A strong partnership has developed between the Council and its private sector contractor DC Leisure. At an early stage of its current ten-year contract with DC Leisure, the Council transferred the management of its three leisure centres to a hybrid trust, East Hampshire Leisure Community Association, managed by the contractor.

As part of this arrangement the Council has ringfenced a large part of its NNDR savings for the maintenance and improvement of the centres. A ten-year Lifecycle Fund and associated maintenance programme, based on a detailed condition survey, were developed and agreed in partnership with DC Leisure. The contractor manages the programme of work with funding of £135,000 from both parties.

This arrangement ensures that the facilities are well maintained. Clear roles and responsibilities also mean that emergency repairs and replacements happen quickly, avoiding service interruption and loss of income.

**Source:** Audit Commission

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I Audit Commission: survey of all private sector contracts, 2005.

II Audit Commission: survey of 79 per cent of private sector contracts, 2005.

## Summary of options

**115** The table below summarises the potential advantages and disadvantages of the management options. These represent generalisations and differences will occur across the options depending on the approach by the partnership.

**Table 1**  
**Advantages and disadvantages of options**

Potential advantages /Dis-advantages	Taxation savings	Increased access to capital	Savings in central charges	Increased management capacity	Set-up costs	Transfer of risk	Community involvement	Council influence
In-house	No	No	No	No	Low	No	Limited to customer forums	Direct management
Private contractor	No	Yes	Yes	Yes	Low	Yes	Limited to customer forums	Through partnership agreement /contract
New trust	Yes	Limited	Some	No	High	Some	Yes	Through grant agreement and representation on board
Existing trust	Yes	Some	Yes	Yes	Medium	Greater the larger the host	Yes	Through grant / contract agreement
Hybrid trust	Yes	Yes	Yes	Yes	Low	Yes	Some	Through partnership agreement /contract

**Source:** Audit Commission

# 4

## Strategic planning and the appraisal of options

**116** This Chapter looks at councils' approach to the planning and procurement of their sports and recreation facilities. It explores how councils are securing investment through strategic planning and whether opportunities are being missed. It outlines the main stages of the process and the extent to which councils are addressing them. Conclusions are drawn from the study's desk research, online survey, detailed fieldwork in 30 councils and interviews and focus groups.

### Summary

**117** Strategic planning of sports and recreation services is underdeveloped and is weakened by the lack of a robust assessment of current sports and recreation provision, community needs and future demand. Partnerships across councils, with the private sector and other external partners are rare. Councils are focusing on maintaining and managing the historic provision of sports and recreation facilities within their locality. Successful strategic engagement between leisure services and the health and education sectors is not common, and opportunities for better use of resources are being missed. This is most evident where there are two tiers of local government. There are nevertheless some good examples of the management of sports and recreation provision characterised by clarity of purpose and strong partnership working.

**118** Councils' approach to options appraisal is inconsistent and often limited despite a strong private sector and trust market. In the study's survey two-fifths of councils based their management option decision on a desk-top analysis. In a fifth of cases councils initially limited the breadth of options to be assessed and one in ten councils undertook no options appraisal at all. Market testing is limited with only one-third of councils in the survey market testing their services through a competitive tendering process. This process is often poorly managed and focused on financial criteria. In these cases councils cannot demonstrate that they are delivering the best value option.

## Approach to options appraisal

- 119** The way in which councils make decisions about the right management option for their locality is critical to the successful delivery of high-quality, cost-effective sports and recreation facilities. To do this effectively the choice of how services are to be delivered in the future must be made systematically, based on a full assessment of needs and opportunities. There is potential within the sector to generate more growth and investment. This can be achieved through the right choice of provider and by effective partnership working across the public, private and voluntary sectors.

The key stages in the effective planning and procurement of sports and recreation services are shown in **Figure 10**.

## Strategic planning

- 120** Sport and recreation can contribute to many local and central government priorities. Councils need to have a clear understanding of the current and future needs of their communities and be innovative in how they are to be addressed. Strategic planning across departments and sectors should create opportunities for rationalisation of existing public sector stock, the co-location of services and complementary provision of sports and recreation facilities within an area.
- 121** The need to be innovative and to provide genuinely joined-up services is emphasised in Sport England's *Planning Across Boundaries* (**Ref. 18**) which highlights the key principles of strategic planning. These include the need to develop a clear vision of the council's role in delivering sport, review the local and regional context, and develop a prioritised strategy and action plan that is regularly monitored and reviewed.

## Needs assessment

- 122** The study shows, however, that the assessment of local sports and recreation needs by councils is weak. Three-quarters of councils in the study's fieldwork are not using local demographic information, planning tools<sup>1</sup> and current patterns of participation to inform strategic planning effectively. A detailed analysis of community needs, assessing population changes, current and future participation patterns and public and partners' aspirations, is rarely used to inform the future range, location and management of sports and recreation facilities and services.

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<sup>1</sup> Such as Sport England's Active Places, Active Places Power plus and Sports Facilities Calculator.

## Figure 10

### Key stages to the planning and procurement of public sports and recreation services

For further detail see Appendix 2 and report web tool on:  
[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)



**Source:** Audit Commission

- 123** The lack of comprehensive needs assessments weakens leisure services' ability to gain benefits through the planning system. Without detailed assessment of current and future needs, sport and recreation is in a poor position when councils are setting their policies on supplementary planning guidance. This reduces councils' capacity to lever in contributions from developers' Section 106 agreements. A recent Sport England report *The Potential of Planning Obligations for Sport and Recreation in the South West Region* reported that only 12 per cent of the total possible Section 106 contributions for sport and recreation are being achieved (**Ref. 19**).
- 124** Most councils in the study acknowledge the absence of needs assessment as a weakness. Their frequently stated intention to undertake this work is not always matched by subsequent action. However, this is not always the case (**Case study 6**).

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### Case study 6

#### North Tyneside Metropolitan Borough Council (MBC) – Assessing need and strategic planning

North Tyneside MBC has completed a comprehensive Cultural Facilities Development Plan (CFDP) for the area. The plan undertakes a detailed audit and analysis of service provision and location in relation to access, need and assessed demand and appraises the existing cultural and sports facilities against a number of criteria including financial worth, investment requirement and refurbishment/expansion potential.

The plan defines a minimum service standard for sport, leisure and cultural facilities and opportunities that the Council aspires to deliver for the community through use of its own resources and working in partnership with others. Development of the CFDP involved extensive consultation with a range of organisations, ensuring an appropriate and representative geographical and functional spread.

The CFDP provides the Council with the capacity to make recommendations about the best way forward in the context of planning and funding the development of community-based sports and leisure facilities in the borough for the next ten years, including the use of Section 106 agreements. The current review on the future management options for sport and leisure facilities in the borough is being informed by the CFDP.

**Source:** Audit Commission

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- 125** Councils' priority for future leisure provision is frequently focused on maintaining existing provision rather than on seeking a rationalisation of facilities or planning across sectors and boundaries and assessing long-term affordability. Evaluation of current and future needs or service outcomes, including contribution to the wider health and well-being agenda, is generally weak. Where assessments have been undertaken and recommend the closure of uneconomic, old and not fit-for-purpose facilities, action does not often follow because it may be judged to be politically unpalatable. As a consequence the leisure services budgets can become even more distorted. This perpetuates high subsidies and inhibits new initiatives.
- 126** Capture of performance data is very uneven and this weakens the assessment of leisure services' contribution to overarching strategic themes and their current and potential contribution to meeting the needs of the community. There has been limited investment, until very recently, in IT systems to record basic participation and other customer information. Nearly half of sports and recreation facilities with a fitness centre do not have customer management systems<sup>1</sup>. Before a council can make a sensible choice about how a service should be managed in the future, it needs to have a clear view about how it is currently performing.
- 127** A third of the councils in the study had short-term approaches to service delivery. Examples include some very short-term private sector contracts, annual grant payments to trusts and in-house operators who are being constrained by councils' annual budget planning cycles. In many cases, councils are not exploiting the full benefits of their partnership delivery arrangements or longer-term investments in in-house delivery. Longer-term planning provides leisure services with greater stability and allows investment in facility improvement.

## Capital investment and strategic planning

- 128** The pattern of major external funding for sport and recreation in the public sector is changing and this provides a significant challenge for the long-term planning of public sports and recreation facilities. Lottery funding, once seen as the answer to the renewal of

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<sup>1</sup> Statistics provided by The Leisure Data Base Company, 2005.

leisure facilities, has decreased significantly over the past five years and now requires much higher levels of match-funding. Lottery income has fallen from a peak in 1997/98 of £268 million to a forecast for 2005/06 of approximately £170 million<sup>1</sup>. Capital investment in public sports facilities using lottery funding has been further reduced by concentration on revenue programmes and on the London 2012 Olympics and Paralympics.

- 129** The potential for leveraging other sources of public spending, for instance within education and health, is poorly coordinated. Only two councils out of 30 in the study were planning new facilities in partnership with health and five with education. As a result, potential opportunities to provide a higher-quality, more varied, accessible and efficient sports and recreation service are being lost. The absence of planning and the long lead times for reshaping provision mean that public sector provision is likely to get worse before it gets better. In one notable example (**Case study 7**) joint working with the local primary care trust (PCT) has resulted in effective use of council and health authority resources and rationalisation of facilities.

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### Case study 7

#### Torbay Borough Council – integrated health and leisure facilities

The Council, local doctors and the PCT are developing a project that links sport, physical activity and healthcare. The existing leisure centre site will be used to provide a new regional gymnastics facility, obesity gym, specialist sports injury clinic, new changing facilities and integrated care facilities.

This project was born out of a joint Public Service Agreement between the Department of Health, DCMS, Torbay Council and the PCT in 2004 aimed at improving the health of people suffering from obesity and associated conditions.

The development will lead to a new multi-million pound investment by the PCT in a major new Healthy Living Centre and over £1 million for new sporting facilities on the site adjacent to the leisure centre. There is now a long-term commitment by both partners to continue joint developments across Torbay.

**Source:** Audit Commission

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<sup>1</sup> National Lottery figures supplied by Sport England (2005).

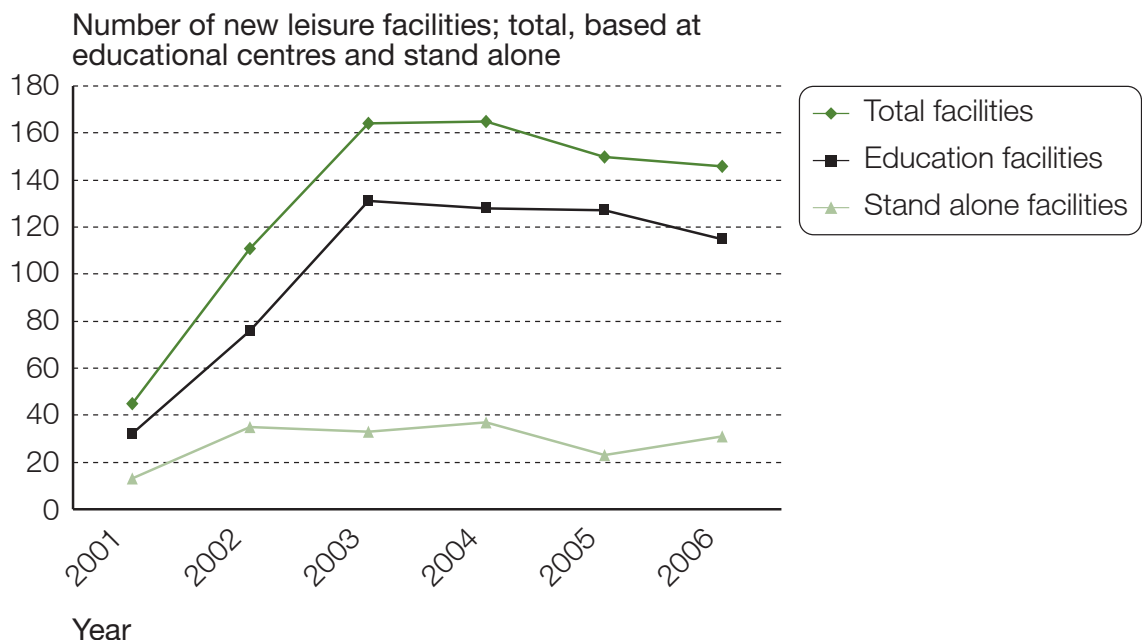
## Education and strategic planning

- 130** Joint strategic planning with the education sector is underdeveloped, despite the large investment in sports facilities on school sites. Engagement between leisure and education departments and individual schools is often limited.
- 131** The number of sports facilities on school sites is growing. The sector accounted for 73 per cent of all new public sector sports facilities opened in 2003 and 78 per cent in 2004 (**Figure 11**). The growth in the education sector will continue with £45 billion capital investment in the development of school facilities over the next 15 years. Half of this is allocated for the Building Schools for the Future (BSF) programme.

**Figure 11**

### New sport and recreation facilities

In 2004, 78 per cent of all new sports facilities were on school sites.



**Source:** The Leisure Data Base Company

- 132** The government has stimulated new capital investment in sports facilities and the joint use by schools and local communities of new and existing provision through a number of initiatives, most notably the New Opportunities Fund (NOF) for PE and Sport Fund, the Extended Schools initiative and the Building Schools for the Future Programme. These are providing substantial opportunities for councils to invest in improved sports facilities in their areas.
- 133** Only five councils in the study were planning future sport and recreation provision more strategically, without external funding triggers, in partnership with the education sector. All of these were single tier councils. Where this is happening strong project management is creating a needs-driven approach to facility development that addresses both education and wider community requirements in a cost-effective way (**Case study 8**).

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### Case study 8

#### London Borough of Lambeth – cross-council planning in action

Lambeth has a strong approach to cross-sector planning. The Council has a joint management board for the development of leisure services for the borough. This board includes project managers and key players from both Leisure and Children & Young People's Services.

This strategic partnership brings together the skills and knowledge to ensure that leisure facilities will meet identified community and curriculum needs.

**Source:** Audit Commission

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- 134** The uncoordinated nature of some government funding initiatives also restricts strategic approaches at a local level, as well as constraining opportunities for national and regional planning. For example, applications for NOF PE and Sport funding closed in March 2004 and the BSF programme was announced in February that year. Investment in most councils is planned over a three-year period in line with capital strategies and medium-term financial plans. This lack of sequential planning of government funding has resulted in authorities having had to cancel plans for lottery sports investment because their later BSF programme would have moved the location of the school.

- 135** The speed of implementation of major initiatives, such as the BSF programme, can also restrict the involvement of other council services and external partners. This is particularly evident where there are two tiers of administration. No district council in the study's fieldwork was strategically planning the development of new, and rationalisation of existing, facilities, as part of the BSF programme.
- 136** Planning is further complicated by the range of differing objectives from individual partners. Schools' primary concern is the provision of facilities for their pupils and the study found that, in some cases, the development of community facilities is a low priority for them. Joint planning is simpler in unitary authorities where sports and leisure management is increasingly run from an integrated education or children's services directorate.
- 137** Despite these difficulties, new school sports facilities will continue to offer considerable opportunities for joint school and community use. Planning of these investments requires effective partnerships between councils, schools and local leisure commissioners and providers to ensure that the pattern of new school-based provision meets the needs of both the schools and the local community. It is important to examine the impact of the new facilities on the client base of existing provision. In some cases, this may offer an opportunity to replace existing poor-quality provision. Where investment in new school facilities is not coordinated with other public, private and voluntary sector developments this will exacerbate a potential mismatch between provision and needs.
- 138** In some cases, good joint strategic planning and project management are helping to develop a needs-based approach that addresses the link between education and wider community issues in an effective way. In more innovative councils it is also being linked to the preventive health agenda (**Case study 9**).

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### Case study 9

#### Liverpool City Council

Capital investment of around £18 million is currently taking place in Liverpool to provide new or improved sports and outdoor education facilities linked to school and wider community use. This has resulted in the most significant investment in provision in recent years in the city. The local authority has a plan and is creating the infrastructure to ensure the new facilities are used to increase participation in physical activity overall in the city, but particularly in the most deprived areas.

A range of revenue sources are being used to provide as much free access as possible to facilities for young people. Associated work is also being carried out in conjunction with local health authorities to tackle childhood obesity, including improvements in the diet of children.

**Source:** Audit Commission

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## Cross-boundary and other cross-sector planning

- 139** Partnership working across boundaries and with the private sector remains very rare. Councils do assess the impact across council boundaries when considering new facilities but no council in the study went so far as pooling resources with neighbouring authorities to plan and build new facilities.
- 140** Partnerships with the voluntary sector are also underdeveloped. A number of councils had entered into service level agreements with voluntary organisations, including sports clubs, but these were mostly focused on outdoor recreation and sports-specific facilities. Voluntary organisations are rarely considered as part of a council's options appraisal assessment. Opportunities are being missed to provide more cost-effective services.
- 141** There was only one council in the study where the leisure management provider was planning the provision of facilities with private sector operators. The few examples of partnerships with the private sector that do exist are generally driven by external funding initiatives from a specific sports governing body. For example partnerships between the Lawn Tennis Association and private tennis clubs and between the Football Association and professional clubs have led to a large number of accessible sports facilities, a few of which are managed as part of a council's community provision.
- 142** The end result of poor strategic planning is that many areas have ad hoc or outdated patterns of sport and recreation provision. There is consequently a risk that facilities:
- do not meet existing or changing community needs;
  - are poorly designed for public access;
  - do not meet local and regional requirements for sports development;
  - duplicate provision;
  - compete with existing public facilities; and
  - are poorly managed due to lack of expertise.

## Appraising the options

- 143** Once a council has established a clear vision and priorities with relevant partners the management and delivery of the vision needs to be considered. The assessment of management options is critical in demonstrating best value in the delivery of public leisure services. Robust objective assessments should be undertaken of all options against clear criteria which are grounded in the council's and its community's priorities. These assessments should focus on providing good value for money and be linked to capital investment.
- 144** Financial pressures are often the underlying reason why councils are looking at more effective and efficient ways of providing their sport and recreation services. Two-thirds of the councils in the study's fieldwork had initiated an appraisal because of financial pressures either to contribute to central savings targets or because services were performing poorly and required capital or revenue support as a result of previous lack of investment. In a separate study, 69 per cent of councils that intended to look at different management options for their sport and recreation services, stated that this was due to financial pressures (**Ref. 12**). Poor performance in areas such as participation or customer satisfaction is rarely a factor that triggers a detailed options appraisal.
- 145** Councils frequently need additional capacity in order to undertake an options appraisal. This is partly due to the complexity of the analysis and to the fact that there are fewer senior managers with extensive experience of leisure services. Ninety-five per cent of councils in the study had employed consultants to advise them. This typically costs £15,000 per report.
- 146** Councils are not helped in making secure long-term decisions by complicated taxation laws and regulations. The complexity adds to the difficulties in presenting options clearly to councils. Committee papers are sometimes overly complicated, have lacked balance and have not reflected the clear recommendations from consultants.

- 147** Although the employment of consultants by councils may appear to bring some objectivity, in one-fifth<sup>I</sup> of cases, the analysis commissioned by councils focused on a specific or limited number of options rather than comparing the full range of options available. In 10 per cent of cases, the views of councillors and senior managers resulted in options being excluded from the brief, or rejected in the analysis, prior to a detailed assessment of the conclusions.
- 148** Opportunities for cross-boundary procurement and delivery involving more than one council are rarely explored. Some innovative councils are developing joint initiatives on membership schemes and sports development programmes with their neighbours. However this has not extended into joint procurement of sport and recreation services. Only one council in the fieldwork sample was considering cross-boundary procurement of its leisure services and none had actually achieved it, even though district councils, in particular, often lack the significant level of provision on their own to attract a number of interested tenderers. As a result councils are duplicating back office services, potentially incurring higher costs, and are missing opportunities for efficiencies.
- 149** Councils are not challenging the way in which they plan to provide and manage sport and recreation services. In the study's survey 31 per cent of councils had not undertaken an options appraisal in the last five years.
- 150** Councils' options appraisals tend to focus on financial performance. Non-financial targets, such as participation levels, are rarely built into the options appraisal process, or carry a low weighting in the assessment. Only 15 per cent of the councils in the study had included outcome-focused targets, such as participation by target groups or customer satisfaction, or given them any significant weight in their appraisal process.
- 151** In addition, performance and knowledge management is poor. Many councils and their partners are not participating in and using benchmarking. The value of national performance information is weakened by this lack of engagement, making it difficult for councils to understand the relative benefits and performance of the various management options.

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<sup>I</sup> Audit Commission analysis of 40 consultants' reports.

**152** Decisions on options are often made in the absence of full information. Councils have either limited the options they have explored or investigated the options with insufficient rigour. This is despite the presence of a well-developed private sector and trust market willing to work with councils to provide leisure services. Although no management arrangement provides the right answer for all councils, this lack of regular challenge may result in failing to achieve necessary improvements in service efficiency. Where councils do get it right real benefits follow (**Case study 10**).

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### Case study 10

#### Harborough District Council – an example of effective options appraisal

Harborough District Council provides an example of an authority that has a clear vision for leisure facilities making use of external funding and a private partner to ensure it is delivered in a cost-effective way. After carrying out a thorough needs analysis in the late 1990s the Council identified a deficiency in facilities in the western side of the district. The Council used this information to secure a successful lottery bid for a new all-purpose leisure centre in Lutterworth.

At the same time the Council employed independent consultants to market test, based on the new portfolio of facilities, and secured a new partnership with their existing leisure management contractor. The new agreement included investment of over £850,000 in new and existing leisure facilities, full responsibility for all aspects of maintenance being handed over to the contractor and a comparatively modest management fee.

The outcome is high-quality leisure facilities, significant transfer of risk, some non-financial outcomes built into the partnership such as Quest accreditation, leisure card and sports development, at a relatively low cost to the council taxpayer. Participation rates have increased more than 30 per cent mainly due to the new centre. The roots of this success lie in the Council's clear ambitious vision, commitment from members and officers and an open approach to procurement.

**Source:** Audit Commission

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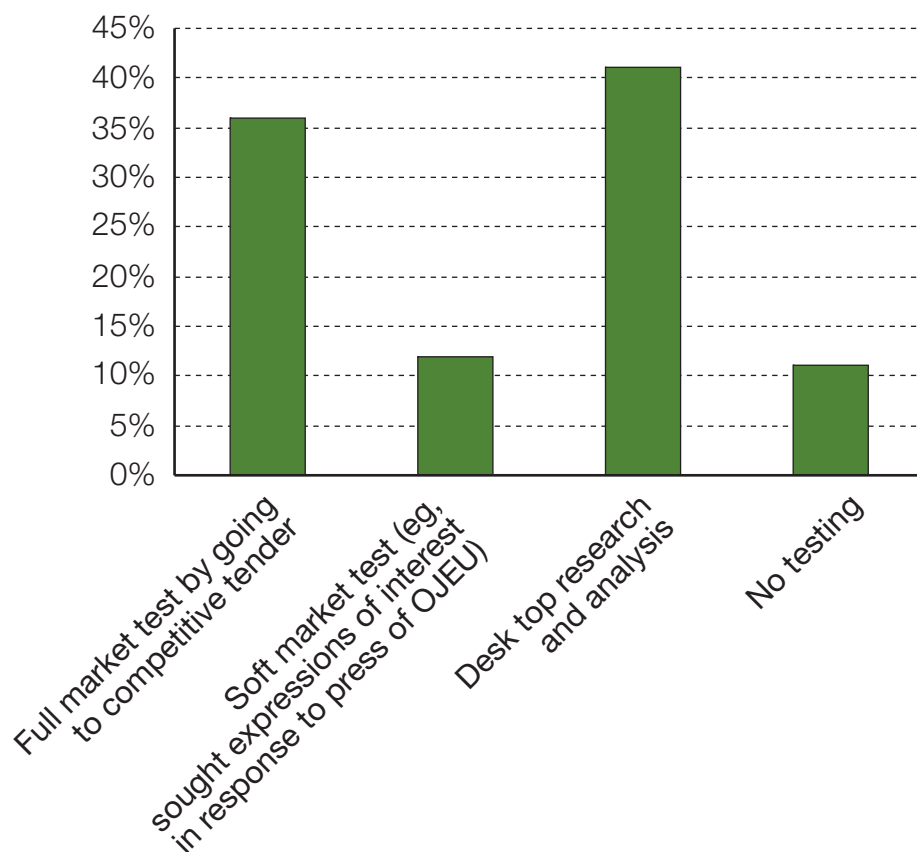
## Market testing

**153** Councils are not market testing their services effectively. Of the councils which have undertaken an options appraisal in the last five years, only a third fully market tested their services through a competitive tendering process and two-fifths had based their management option on a desktop analysis (**Figure 12**).

**Figure 12**

### Level of market testing

Two-thirds of councils undertaking an options appraisal are not fully market testing their services.



**Source:** Audit Commission Survey 2005. Base: 64 councils

- 154 The strength and success of market testing is weakened by a lack of rigour in councils' strategic planning and appraisal process before going to the market. If these early stages of the process are not thorough and transparent, the ability of the market to provide the best delivery mechanism and therefore the best value for money for the council will be restricted.
- 155 Approaches to the market testing or tendering process of public sport and recreation facilities have frequently attracted comment. The CCT arrangement, introduced in 1988, often attracted the challenge that DSOs had an unfair advantage in the process over external private sector companies. The growth of trusts has been accompanied by similar comment. A desktop analysis often based on short-term financial benefits, without assessing the long-term advantage of other options, means those councils which transfer to trusts without market testing cannot provide evidence that their choice is the right one.
- 156 Similar issues have been raised in a recent report by the Confederation of British Industry (CBI), *A Fair Field and no Favours: Competitive Neutrality in UK Public Service Market (Ref. 20)*.
- 157 Project management of the tendering process is often weak, resulting in unrealistic timetables for organisations interested in bidding for the management of sport and recreation services. Four-fifths of tendering deadlines are extended<sup>1</sup> and a common complaint from private sector companies is the lack of time given to submit bids. These factors limit the effectiveness of the market testing process and extensions, and delays are costly and can be unsettling for staff.
- 158 Poor documentation and management information weakens the market testing process. Unclear or incomplete financial and participation information often makes it difficult to assess the true cost and value of the service. Participation information in particular is poor, making it difficult for councils to set realistic targets within contracts and agreements. This reduces councils' ability to achieve value for money, as both trusts and private sector operators are likely to build in an additional element for risk.

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<sup>1</sup> Audit Commission analysis of 22 tender proposals, 2005.

# 5

## Conclusion

- 159** Councils need to be clear about their local needs and their delivery options. With notable exceptions, they are not making decisions with sufficient rigour to provide the right answers for their localities. Too often their focus is on financial and operational performance, rather than on non-financial outcomes as well. They do not link the contribution of sport and recreation services to corporate priorities and community needs.
  
- 160** Inconsistencies in options appraisal, weaknesses in market testing and the high proportion of councils with in-house management mean that significant cost savings and efficiency opportunities are potentially being missed. If councils are unable to adopt clear comprehensive approaches to strategic decisions about the future delivery of their recreation facilities, they will fail to meet participation targets and community needs, and deliver poorer value for money for the community assets for which they are responsible.

# Appendix 1 – Methodology

This report uses research from a variety of sources including:

- 95 responses to an Audit Commission online survey to district and single tier councils.
- Visits to 30 councils to examine their approaches to options appraisals and delivery methods.
- Statistical data from Sport England, The Leisure Database Company, Leisure Management Contractors Association, Business in Sport and Leisure (BISL), SPORTA, The Chartered Institute of Public Finance and Accountancy (CIPFA), The Association of Public Service Excellence (APSE), Peter Mann Partnership (PMP), Strategic Leisure.
- Interviews and focus groups with key stakeholders: Local Government Association (LGA), The Department of Culture, Media and Sport (DCMS), Sport England, 4ps, BISL, SPORTA, Chief Leisure Officers Association (CLOA), Peter Mann Partnership (PMP), Capita Symonds.

Our thanks in particular to the following councils that helped with the study:

Kings Lynn & West Norfolk BC	London Borough of Bexley
Spelthorne BC	Brentwood BC
Guildford BC	Uttlesford DC
Torbay UA	London Borough of Lambeth
Penwith DC	Crewe and Nantwich DC
Mid Sussex DC	East Hampshire DC
Cherwell DC	Richmondshire BC
London Borough of Greenwich	Eden DC
Runnymede BC	Kirklees MBC
Harborough DC	Sandwell MBC
Nuneaton and Bedworth BC	Staffordshire Moorlands DC
Medway UA	Wolverhampton MBC
North Tyneside MBC	Chester CC
London Borough of Southwark	Taunton Deane BC
South Gloucestershire UA	Royal Borough of Windsor and Maidenhead

# Appendix 2 – The stages of planning and procurement of sports and recreation services

## Strategic planning

- Undertake a needs assessment, for example:
  - stock take current provision (public, private, voluntary);
  - projected demand;
  - user and potential user priorities.
- Establish a clear vision and priorities for leisure in partnership with stakeholders.
- Ensure fit between service provision and corporate priorities.
- Clarify council's and other stakeholders roles in providing services.
- Incorporating cross-boundary planning of relevant services.
- Test affordability.

### Key success factors:

- Good quality external information using demographic profiling / planning models / supply and demand analysis.
- Accurate service performance information:
  - financial (income and expenditure / asset management);
  - non-financial (participation breakdown / satisfaction / Quest).
- Strong partnership working from early planning stage strengthening ownership of vision.
- Strong leadership, clarity of vision and partnership working.
- Ability to prioritise and take strategic decisions.



## Appraising the options

- Assess council's capacity and skills to undertake procurement.
- Consider cross-boundary procurement.
- Identify service delivery and investment requirements and develop brief.
- Consult on brief with range of potential operators to help get the best outcomes from a future partner (including in-house).
- Initial independent assessment of management options using clear criteria that consider:
  - service levels and quality;
  - capital and revenue requirements and implications;
  - sustainability;
  - overall value for money.

### Key success factors:

- Procurement requirements assessed and resourced.
- Clarity on desired outcomes for leisure facilities.
- Commitment to pursue the best value for money option.
- An evaluation matrix that is focused on what the council wants to achieve from the service.
- Objective, independent, transparent and open assessment.
- Clear and transparent dialogue with prospective partners.



## Market testing

- Establish project team and produce project plan with realistic timescales.
- Produce partnership specification which includes:
  - non-financial outcome targets;
  - council's capital and revenue commitment and investment requirements;
  - quality, financial and non-financial information about existing service;
  - outline of assessment framework.
- Consult on the specification with stakeholders.
- Formally market test the specification.
- Independently evaluate bids using evaluation model incorporating quality, cost and risk.
- Shortlist and negotiate with two or three potential partners.
- Select preferred partner and fine tune agreement.

### Key success factors:

- Good project management.
- Long-term plan / contract addressing investment in service.
- Explicit financial and non-financial targets in documentation.
- Clear documentation which includes accurate and appropriate performance and operational data.
- Proactive approach to market testing to maximise interest from prospective partners.
- Robust independent and transparent assessment process.
- Strong negotiating skills.

## Appendix 3 – References

- 1 Department for Culture Media and Sport (DCMS), *Public Service Agreement (PSA 3)*, 2004.
- 2 DCMS/Strategy Unit, *Game Plan*, 2004.
- 3 Sport England, *Sport Playing its Part*, 2005.
- 4 DCMS/Lord Carter of Coles, *Review of National Sport Effort and Resources (Carter Report on Sport)*, 2005.
- 5 Sport England, *Condition and Refurbishment of Public Sector Leisure Facilities*, 1995 and 2003.
- 6 Office of National Statistics socio-economic classification, 2001.
- 7 HM Government, *Every Child Matters: Change for Children*, 2004.
- 8 HM Government, *Youth Matters*, 2005.
- 9 Department of Health, *Assessment of LAA pilots*, 2005.
- 10 Audit Commission, *CPA – The Harder Test: The New Framework for Comprehensive Performance Assessment for Single Tier and County Councils from 2005 to 2008*, June 2005.
- 11 The Stationery Office, Section 68(6) (c), Local Government and Housing Act, 1989.
- 12 PMP Consultancy, *Local Authority Leisure Management Survey Summary* (312 councils in England), 2005.
- 13 The Stationery Office, Section 19 of the Local Government (Miscellaneous Provisions) Act 1976 (provision of recreational facilities).
- 14 Leisure Data Base Company, *Annual London Boroughs facility survey*, 2004.
- 15 Business in Sport and Leisure, *The Management of Local Authority Sport and Leisure Facilities*, 2005.
- 16 The Stationery Office, Section 43 (5) of the Local Government Finance Act, 1988.
- 17 Strategic Leisure, *Assessment of Management Options*, 2004.
- 18 Sport England, *Planning Across Boundaries, Guidance of Local Strategies for the Development of Sport*, 1999.
- 19 Sport England, *The Potential of Planning Obligations for Sport and Recreation in the South West Region*, March 2004.
- 20 Confederation of British Industry, *A Fair Field and no Favours: Competitive Neutrality in UK Public Service Market*, 2006.

## Appendix 4 – Glossary

### Active Places

Active Places is a single database that holds information on sports facilities throughout England. It includes local authority leisure facilities, as well as commercial and club sites. Active Places contains information on specific details such as the location of the facility, its size, opening times, contact numbers and activities. Please visit [www.activeplaces.com](http://www.activeplaces.com) for more information.

### Active Places Power Plus

A strategic modeling tool used to estimate the level of demand for sports facilities within the local population, comparing this with the supply of facilities within a given local area. Taking account of the size and location of the facilities, the model highlights any inadequacies in facility provision. The technique can also be used to model ‘what if’ scenarios, for instance, the impact of increases in population, the closure of individual facilities, and the opening of new facilities.

[www.sportengland.org/index/get\\_resources/planning\\_for\\_sport\\_front\\_page/planning\\_for\\_sport\\_practice.htm#assessing](http://www.sportengland.org/index/get_resources/planning_for_sport_front_page/planning_for_sport_practice.htm#assessing)

### Building Schools for the Future (BSF)

The focus of BSF is to improve the quality of facilities in all secondary schools in England. BSF is bringing together significant investment in buildings (and ICT) with significant educational reform. BSF, worth £2.2 billion in its first year, will ensure secondary pupils in every part of England learn in 21st century facilities. It is estimated that the programme will take 10-15 years, subject to future public-spending decisions.

### Comprehensive Performance Assessment (CPA)

CPA provides the framework for measuring local authority performance and the framework for continuous improvement in service delivery and achieving national policy objectives. The CPA is based on a ‘corporate block’ and specific ‘service blocks’, of which culture is one, alongside education, social services, housing, etc. Each service block is built up around a series of performance indicators (PIs), which are intended to provide the framework for measurement against policy objectives (for example,

increasing participation in sport) and service delivery (for example, value for money, efficiency). For further information please visit: [www.audit-commission.gov.uk/cpa/index.asp?page=index.asp&area=hpcpa](http://www.audit-commission.gov.uk/cpa/index.asp?page=index.asp&area=hpcpa)

## Extended Schools

Extended schools provide a range of services and activities, often beyond the school day, to help meet the needs of their pupils, their families and the local community. These can include childcare, healthcare and social services, and cultural, sporting and play activities.

## Every Child Matters

The Every Child Matters – Change for Children Framework is underpinned by the Children Act 2004 (section 10). This includes the creation of duties on local agencies (particularly local authorities who are tasked with leading on the legislation) to improve the well-being of children and young people (up to the age of 19). Well-being is the term used in the act to define the five Every Child Matters outcomes; be healthy, stay safe, enjoy and achieve, make a positive contribution and achieve economic well-being. The formation of children's trusts which will help coordinate agencies involved in providing services for children, are a key element of addressing the duty. [www.everychildmatters.gov.uk/](http://www.everychildmatters.gov.uk/)

## Quest

The UK Quality Scheme for Sport and Leisure is designed to assist facility managers achieve a high-quality service for their customers, and to demonstrate their commitment to continuously improving their operations. For further information visit [www.pmpconsult.com](http://www.pmpconsult.com) or call 0800 013 2766.

## Local Area Agreements

Agreements that assist in the planning of services across administrative boundaries or within specific areas in order to improve efficiency and streamline government funding.

## Local Education Partnership (LEP)

The partners working on implementing Building Schools for the Future (BSF) have developed a model for delivering the scheme called the Local Education Partnership (LEP). The LEP's job is to make sure that local authorities deploy BSF money efficiently and effectively into their secondary school estates.

A working LEP takes the form of a public private partnership between a local authority in charge of a BSF area program, Partnerships for Schools and a private sector partner selected in open competition under EU procurement rules. It will be a joint venture company focused on delivering the BSF investment charge.

## National Benchmarking Service

The National Benchmarking Service for Sports Halls and Swimming Pools (NBS) began in 2000 and through substantial research an authoritative set of performance indicators and national benchmarks have been established. The NBS is a facilitating service, placing performance measurement information in the hands of client authorities so they can plan to improve services. Alongside the knowledge of local authority officers and centre managers the NBS is a powerful improvement tool.

## New Opportunities Fund (NOF) – for PE and Sport

The New Opportunities Fund for PE and Sport has a budget of £581 million for England to invest in modernising existing and building new indoor and outdoor sports facilities for school and community use as well as providing initial revenue funding to support the development and promotion of these sporting facilities for wider community use.

## Shared priorities

DCMS share priorities of local and national government, which include: promoting healthier communities and narrowing health inequalities, improving the quality of life for older people and for children, young people and families at risk, raising standards in schools and creating safer and stronger communities.

## Sports Facilities Calculator

A Sport England interactive tool which estimates the demand for major community sports facilities, showing: current facility needs, future needs, and the impacts of changes in sports participation. The population profile can be chosen from an existing local authority population or built from scratch to allow the impact of major new residential developments to be assessed. The estimator uses the demand parameters established through the Facilities Planning Model.

**[www.sportengland.org/index/get\\_resources/planning\\_for\\_sport\\_front\\_page/planning\\_for\\_sport\\_practice.htm#assessing](http://www.sportengland.org/index/get_resources/planning_for_sport_front_page/planning_for_sport_practice.htm#assessing)**

## Sport Playing its Part

A reference guide that covers the contribution of sport to community priorities and the improvement agenda. Includes sports contribution to Workforce Development, Health, Children & Young People and Sustainable Communities. Copies can be downloaded from [www.sportengland.org/index/news\\_and\\_media/news\\_gs/sport\\_playing\\_its\\_part.htm](http://www.sportengland.org/index/news_and_media/news_gs/sport_playing_its_part.htm)

## Youth Matters

The proposed legislation proposed within the green paper Youth Matters will seek to establish a duty on single tier and county councils to secure access to sufficient recreation and non-formal education activities and facilities, and a duty on district councils to cooperate with the county councils in their fulfillment of this duty. The legislative provisions will be supported by new funding (£115 million) to provide for capital and revenue projects aimed at providing young people with things to do in their leisure time and by the trialing of the Youth Opportunity Card which will test the impact of providing young people with dedicated funds and discounts to encourage their participation in certain accredited activities.

<http://search.msn.co.uk/previewx.aspx?q=Youth+Matters&FORM=CBPW&first=1&noredir=1>

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