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Leisure Services follow-up review – **Monmouthshire County Council**

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This document is also available in Welsh.

The team who delivered the work comprised Charlotte Owen, Allison Rees, programme managed by Non Jenkins under the direction of Huw Rees.

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Summary report

Summary

What we reviewed and why

- 1 This review is a follow-up to the Auditor General for Wales 2015 national report *Delivering with Less – Leisure Services*¹. For the purpose of this review, we use the term council leisure services to mean sports and recreation services provided directly or indirectly (for example, underwritten by a partnership agreement or contract). This only covers the provision and management of sport and leisure centres, including indoor and outdoor facilities and wet and dry centres on school sites. Our definition does not cover or include activities relating to tourism, library services, parks/open spaces, museums/heritage or the arts.
- 2 Monmouthshire County Council (the Council) manages and delivers its leisure services. In 2014, Cabinet approved the commissioning of an external consultant to complete a review of the future options for the Council's cultural services. During the external consultant's review, it was identified that cultural services overlapped many of the wider tourism, leisure and culture services. Rather than view cultural services in isolation, the Council expanded the review to include tourism and leisure.
- 3 Between 2016-2018, Members received an outline strategic business case, a final business case, draft performance management framework and proposed governance arrangements on a proposed new delivery model for tourism, culture, leisure and youth services.
- 4 In April 2019, the Council received a report to approve the future delivery model for leisure services, alongside tourism, culture and youth services. Council approved retaining leisure services in-house with a commitment to a fundamental programme of renewal and transformation.
- 5 We undertook the review during August and September 2019.

What we found

- 6 Our review sought to answer the question: **Can the Council assure itself that the delivery of its leisure services offers value for money?**
- 7 Overall we found that: **The Council is making progress in addressing our 2015 national recommendations and has considered whether the delivery of its leisure service offers value for money.** We reached this conclusion because:
 - The Council has a long-standing vision for its leisure services but is still developing a strategic plan to deliver its vision;

¹ <http://www.audit.wales/publication/delivering-less-leisure-services>

- The Council considered alternative delivery models for its leisure service, however, this process did not always provide members with sufficient and timely financial information to aid decision-making; and
- The Council proactively involved members in appraising different delivery options of its leisure service and is further strengthening its performance framework.

Detailed report

The Council is making progress in addressing our 2015 national recommendations and has considered whether the delivery of its leisure service offers value for money

The Council has a long-standing vision for its leisure services but is still developing a strategic plan to deliver its vision

- 8 In 2014, the Council developed a vision and mission for Leisure prior to exploring alternative delivery models for the service. At that time, there wasn't a leisure strategy supporting delivery of the vision.
- 9 In 2014, the Council's leisure vision was 'Creating an Active and Healthy Monmouthshire' supported by four priorities:
 - Promote health and well-being;
 - Maximise participation levels;
 - Commercial Drive through innovations and enterprise; and
 - Communication and engagement.
- 10 The Council reviewed its leisure vision when it considered alternative delivery models. In May 2017, the Council engaged relevant staff in several workshops to discuss and agree a future mission and vision for the service. The outcome of the consultation was to provide a service that would 'Enrich People's lives and create Vibrant Places'. At the time of our fieldwork, this vision remains.
- 11 In April 2019, the Council decided to retain leisure services in-house with a commitment to renew and transform the service. In September 2019, the Council approved a MonLife² business plan (2020-2025) and a MonLife Commercial and Investment Strategy. Following the Council's decision in April 2019, the Council commissioned an external consultant to produce a draft leisure strategy based on transforming the service. A draft strategy was imminent at the time of our fieldwork.

² MonLife is part of Monmouthshire County Council and delivers leisure, youth and outdoor education, green infrastructure and countryside, tourism, destination development, arts, museums and attractions.

The Council considered alternative delivery models for its leisure service, however, this process did not always provide members with sufficient and timely financial information to aid decision-making

- 12 In 2014, the Council embarked on exploring alternative delivery models for its leisure services. A key driver in considering alternative delivery models was making financial savings. From 2012-13 to 2015-16, the Council implemented a number of changes within the leisure service to help deliver £1.65m of revenue savings however the Council believed it had approached the limit of savings that could be achieved from leisure. In addition, all the assets involved in this alternative delivery model process had a maintenance backlog of £4.78m (not just the leisure centres).
- 13 In 2015, the Council commissioned an external consultant to undertake a due diligence process and considered the following:
 - Service plans and budgets;
 - Latent demand surveys for leisure services;
 - Audience development and business plans for visitor attractions;
 - Staff skills and gaps analysis;
 - HR implications assessment including TUPE and future pension arrangements;
 - VAT and tax implications summary;
 - An assessment of legal structures and associated governance arrangements;
 - State Aid Assessment;
 - Growth and investment and income generation pipeline assessment;
 - Asset/leasehold transfer implications; and
 - a full programme of staff and Service user engagement.
- 14 The external consultant identified and considered four potential Delivery Options for the Service:
 - Do Nothing;
 - Transform the Services 'in house';
 - Move the Services into an Alternative Delivery Model (ADM); and
 - Outsource the services to a third party: a) Outsource the services to a private sector operator or (b) existing Charitable Trust.
- 15 While the strategic outline case to a Joint Select Committee in September 2016 and Cabinet in October 2016 provided narrative on the pros and cons of each potential delivery option against an assessment criteria, there was an absence of any matrix / weighting applied to each criteria or a 'final score' to support justification of the preferred delivery model. There was also a lack of specific financial consequences or financial assessment to support the preferred delivery

model and other models under consideration. The report did not include projected financial modelling including:

- capital and revenue financing for the next three to five years;
- improved income generation;
- reduction in council 'subsidy';
- a cost-benefit analysis of all the options available to deliver leisure services in the future;
- the contribution of leisure services to the council's wider public health role; or
- the impact these different options would have on groups with protected characteristics.

- 16 The external consultant's recommendation, drawing on the work undertaken, was to establish a new alternative model for the Tourism, Leisure, Culture and Youth Services (TLCY) based on the financial savings and income generation potential. A Joint Select Committee in September 2016 received a report on the proposed future delivery options. The Committee raised concerns in relation to the level of detail provided to them, suggesting it did not assist members in reaching a decisive conclusion. The Committee had reservations as to the resources required to progress the work further and the resources required to deliver the model itself.
- 17 In October 2016, Cabinet agreed to move to the next stage of developing a draft outline business case for a proposed new delivery option for Tourism, Leisure, Culture and Youth Services for further consideration by Members and to continue the staff, community and service user consultation process.
- 18 However, the Council proceeded to assess the four delivery options. In November and December 2016, a Council project team appraised the four options against various criteria. The following areas were scored and a weighting attached to each:
- Quality
 - Operational Efficiencies
 - Commerciality
 - Community
 - Accountability and Governance
 - Resources and Investment
 - Reputation & Political Considerations
 - Risk Management
 - Education
 - Protection of vulnerable People
 - Supporting Enterprise
 - Maintaining Locally Accessible Service

- 19 In addition to the qualitative assessment above, the outline business case considered any:
- implementation costs
 - Pensions
 - Management Fee & Profit Margins
 - Support Service costs
 - Capital investment
 - National non-domestic rates (NNDR) relief
 - VAT relief
- 20 In March 2017, the Council reviewed the assessment of each of the four delivery models. The outcome of the scoring resulted in 89.4 for ADM, 66.0 to Transform In-house, 49.4 to outsource to a third party and 35.0 to do nothing. The Council gave approval to progress two options: an alternative delivery model (ADM) and transform in house to full business case.
- 21 A presentation to a Joint Select Committee in January 2018 provided further financial data on pressures, NNDR relief, VAT issues, inflation, new income, extra costs, capital financing and reserves over a five-year period.
- 22 In January 2018, the Cabinet approved the final business case to proceed with an alternative delivery model for its leisure centres. In February 2018, the Council agreed £155,000 be drawn from the priority investment reserve to fund 'start-up' activity for the ADM. In June 2018, the Cabinet received a progress report on the establishment of the ADM. This report also contained the process stages that required completion ahead of the Council's final approval of establishing the ADM.
- 23 In July 2018 following Audit Committee's recommendations, the Council approved the proposed governance arrangements for the ADM and began the shadow recruitment process of Company Directors.
- 24 In December 2018, the Council was due to consider a five-year management and funding agreement and other contract management documentation. There was a delay to this decision as the Council sought external legal advice. In January 2019, the external legal advisors conducted further analysis of the legal implications of leisure services being delivered through an alternative delivery model with consideration of:
- the draft grant agreement;
 - support services required between the Council and an alternative delivery option;
 - risk analysis of the proposed commercial opportunities contained within the business case; and
 - employment and pension implications.
- 25 The external legal advisors concluded that the financial, legal and taxation situation had changed since the assessment of the initial alternative delivery options in March 2017. As such, the financial benefits of an alternative delivery model for leisure services would only achieve marginal benefit, in part, due to the Ealing

ruling in July 2017³. Given the important role leisure plays in contributing towards Monmouthshire's well-being objectives the Council was also concerned it may be less able to influence the well-being agenda under an alternative delivery model.

- 26 In April 2019, the Council decided not to enact an alternative delivery model, rather transform leisure services in-house. In reaching this decision, the members via joint select committee, Cabinet and Council received a number of reports as the alternative delivery model process was developing.
- 27 The Council states that its new in-house model of delivery 'will be more flexible and have a more commercial mind set, whilst continuing to provide the services that people need and want'. For the new in-house model to be more commercially minded compared to the current management and delivery of leisure, new roles will be created: Marketing Manager, Group Manager for Attractions and a Finance Director.

The Council proactively involved members in appraising different delivery options of its leisure service and is further strengthening its performance framework

- 28 Members were kept well informed through the alternative delivery model review process. In addition to formal Council, Cabinet and Select committee meetings, council officers and external consultants updated members via briefing sessions.
- 29 The Council is proactive in ensuring members will appraise and evaluate the decision to transform leisure in-house. The alternative delivery model update report to Council on 11 April 2019 provided criteria for members to conduct a six-month appraisal of the Council's decision to determine, for example, if the desired outcome is being achieved and whether the decision is being successfully implemented.
- 30 In recent years, the majority of leisure related reports to members have focussed on the alternative delivery model process. Now the Council has decided on the future management of leisure, members have requested more performance detail from leisure services. At the time of our fieldwork, officers were determining what level and detail of performance information needs to be included in future performance reports to members.
- 31 Cabinet Members commented positively on the availability of leisure service performance information as well as the availability of senior officers to discuss any concerns with all members. The relevant Cabinet member meets fortnightly with the Head of Leisure to discuss financial and operational performance. They also discuss progress against service improvement plans on a quarterly basis.

³ Following the decision of the Court of Justice for the European Union (CJEU) in London Borough of Ealing, HMRC accepts that certain supplies of sporting services made by local authorities can be treated as exempt from VAT.

- 32 In September 2018, the Audit Committee received the draft Performance and Evaluation Framework that would underpin a business management framework for an alternative delivery model. However, this report was based on the Council's decision to progress with setting up an alternative delivery model.
- 33 Following Council's decision in April 2019 to transform leisure in-house, officers revised the Performance and Evaluation Framework to support the new in-house model. The framework should allow the Council to assess the in-house model's contribution towards delivery of the Council's Corporate Plan priorities and Monmouthshire's Public Services Board's well-being objectives.
- 34 The framework is also intended to enable members and the in-house model management team to assess performance and impact of all of the leisure service activities and to enable public reporting of progress. Additionally, the framework should provide a basis for strategic risk management, drive performance improvement to improve integrated delivery and strategic planning and help refine and develop programmes and activities.
- 35 Officers are also developing an Outcome Measurement Framework. The intention is to build a framework that will incorporate all activities of the in-house model and reflect what it does and what it wants to achieve. Officers state that developing an outcome measurement framework will take time, as it needs to fully reflect the in-house model ambitions; align with the measures established under national and local frameworks for well-being plans; and be sufficiently robust. So far, a project team has identified best practice from the wider sector and completed an initial scoping of the proposed approach. At the time of the fieldwork, this remained a work in progress.

Appendix 1

Wales Audit Office 2015 Delivering with less – leisure services recommendations

Recommendations in the Delivering with Less – Leisure Services report 2015

Recommendation	
R1	<p>Improve strategic planning in leisure services by:</p> <ul style="list-style-type: none">• setting an agreed council vision for leisure services;• agreeing priorities for leisure services;• focussing on the council's position within the wider community sport and leisure provision within the area; and• considering the potential to deliver services on a regional basis.
R2	<p>Undertake an options appraisal to identify the most appropriate delivery model based on the council's agreed vision and priorities for leisure services which considers:</p> <ul style="list-style-type: none">• the availability of capital and revenue financing in the next three to five years;• options to improve the commercial focus of leisure services;• opportunities to improve income generation and reduce council 'subsidy';• a cost-benefit analysis of all the options available to deliver leisure services in the future;• the contribution of leisure services to the council's wider public health role;• better engagement with the public to ensure the views and needs of users and potential users are clearly identified;• the impact of different options on groups with protected characteristics under the public sector equality duty; and• the sustainability of service provision in the future.
R3	<p>Ensure effective management of the performance of leisure services by establishing a suite of measures to allow officers, members and citizens to judge inputs, outputs and impact. This should cover council-wide and facility-specific performance and include:</p> <ul style="list-style-type: none">• capital and revenue expenditure;• income;• council 'subsidy';• quality of facilities and the service provided;• customer satisfaction;• success of 'new commercial' initiatives;• usage data – numbers using services/facilities, time of usage, etc; and• impact of leisure in addressing public health priorities.
R4	<p>Improve governance, accountability and corporate leadership on leisure services by:</p> <ul style="list-style-type: none">• regularly reporting performance to scrutiny committee(s);• providing elected members with comprehensive information to facilitate robust decision-making;• benchmarking and comparing performance with others; and• using the findings of internal and external audit/inspection reviews to identify opportunities to improve services.

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