

Performance Summary Report

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North Wiltshire Leisure Services

North Wiltshire District Council

Audit 2007/08

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Introduction

- 1 In 2006/07 the Audit Commission reviewed the way that North Wiltshire District Council had established and managed a local leisure trust - North Wilts Leisure Limited (NWLL), which at the time managed all North Wiltshire District Council's (NWDC) leisure facilities. The main conclusions, taken from and confirming findings in a report undertaken by Strategic Leisure Limited in 2006, were:
 - limited evidence existed of a comprehensive financial appraisal prior to the formation of NWLL in 2000;
 - maintenance budgets were not sufficient;
 - management fees to the trust were unrealistically decreased year on year; and:
 - evidence existed of poor management on the part of NWLL and NWDC.
- 2 The impact of these failings was deterioration in the quality of the Council's leisure facilities accompanied by falling usage and income, exacerbated by increased competition from private leisure providers in the area. After a number of injections of funds by the Council totalling £1.18 million (in addition to the allocated budgets) the trust became insolvent and ceased trading in March 2007.

Background

- 3 North Wiltshire District Council owns six leisure centres three of which are dual use¹ located on school sites. North Wiltshire District Council provided an annual grant to the former leisure trust. No funding is provided from Wiltshire County Council. Following the voluntary liquidation of NWLL, the management of four centres have been contracted to a private leisure company, DC Leisure, on a short term contract which expires in March 2008. These include Lime Kiln Leisure Centre in Wotton Bassett (dual use), the Olympiad Leisure Centre in Chippenham, the Springfield Leisure Centre in Corsham (dual use) and The Activity Zone in Malmesbury.

¹ Leisure centres with dedicated use by schools in the day and open for public use at other times.

- 4 The operation of the remaining two centres, Cricklade and Calne, has been transferred to community sector organisations on full management and maintenance agreementsⁱ. The Cricklade Centre is managed by The Cricklade District and Community Association (CDCA) which has a lease expiring in 2016. The Calne Leisure Centre (dual use) is managed by Calne Leisure Centre Limited (CLCL), a non-profit Industrial and Provident Societyⁱⁱ, on a 10 year lease expiring in 2017. Both of these organisations have been provided with £60,000 from the Council in their first year of operation (2007/08) and are on a peppercorn rent arrangementⁱⁱⁱ - the buildings remaining in council ownership. The Calne Leisure Centre has received a further £75,000 from the Council's Area 5 Committee and £25,000 from Calne Town Council (2007/08).
- 5 Financial stability is the main driver in the management of the Council's leisure centres. Following the failure of the NWLL - the recovery and improvement of the services has been primarily about reducing the burden to the local taxpayer.
- 6 The Council is due to be amalgamated into a Wiltshire Unitary Authority on April 1st 2009. All leisure facilities will transfer to this new authority on this date. This therefore precludes the Council from undertaking any options appraisals for the long term management of the service and limits the extension of current arrangements.

Audit approach

- 7 The objective of this performance assessment was to review the Council's current management of their leisure services to assess:
 - how well they provide value for money;
 - the stability of arrangements running up to dissolving North Wiltshire District Council in March 2009; and
 - the steps that are being made to manage the transition of leisure services into a unitary authority for Wiltshire in April 2009.
- 8 Our conclusions are based on a brief review of:
 - a selection of reports provided to us covering the period 2005 -2008;
 - interviews with council officers and councillors;
 - interviews with partner organisations who are currently managing the Council's leisure centres; and
 - statistical information provided by the Council and its contractors.

ⁱ All maintenance and management of the buildings are the leaser's responsibility.

ⁱⁱ A not for profit organisation owned by the membership of the centre and overseen by trustees.

ⁱⁱⁱ Leaser's are charged nominal rent (typically £1 per year).

Main conclusions

Providing value for money?

- 9 The Council is providing strong leadership ensuring that the public get better value from their public leisure services. Lead councillors and senior managers have been closely involved in the outsourcing arrangements for the Council's leisure centres. The transition from the NWLL leisure trust to the contracted and community management arrangements now in place, while rapid, have been well lead by senior managers and councillors ensuring that the project has remained on track with minimum disruption to customers.
- 10 The Council is improving the quality of leisure facilities while reducing its overall expenditure, but in comparison with others performance is mixed. By outsourcing the management of its leisure centres the Council has maintained, and in many areas improved, the service to the public while decreasing its financial commitment. The total cost of leisure services has fallen from £2.5million in 2006/07, when managed by NWLL, to an estimated £1.75million in 2007/08. However, the Council cannot effectively demonstrate that its leisure facilities are providing value for money in comparison with others. The Council's spend per head is well above average compared to its nearest neighbours and average when compared to all district council's nationally¹. Resident satisfaction with leisure is slightly above average but has fallen in comparison with others between 2004/05 and 2006/07¹¹. Year on year comparison information is unreliable and benchmarking with others is not established. The Council cannot therefore demonstrate fully how its ongoing significant investment in leisure is meeting its efficiency priorities. In addition long term maintenance pressures still remain a challenge to maintaining the quality of service delivery. Overall new management arrangements represent better value for money for the citizens' of North Wiltshire.
- 11 The Council cannot show that all its leisure assets are contributing effectively to meeting corporate priorities. The two leisure centres that are run through community organisations are not required to provide any management information to the Council other than end of year accounts. Limited information is being provided by these organisations on participation by minority groups and while concessionary pricing is in place with the DC Leisure contract, information is not reported on participation by target groups such as older, young and disabled customers. This is further limited by a lack of integration with other council services. Sports development services for example have had little contact with the centres to date. This limits the progression of social priorities such as promoting healthy lifestyles and improving access to leisure services by all sections of the community.

¹ Audit Commission - VFM profiles April 2007 based on 2006/07 information.

¹¹ BVPI National Satisfaction Surveys

- 12 Public leisure facilities are improving in North Wiltshire through better management and increased investment. The Cricklade Leisure centre has improved the range and quality of its services. Facilities are now more welcoming and have been expanded through the opening of a cafe and bar and through the provision of new gym equipment. Similar improvements have been made at the Calne Leisure Centre, which has recently reopened following refurbishment. The Council has invested in the centres managed by its external private sector contractor most notably through better maintenance in all centres and investment in health and fitness at the Olympiad. These investments, supported by improved staff morale, are providing a better customer experience resulting in increasing levels of participation and income.
- 13 Environmental sustainability priorities and efficiencies are being addressed through the management of the Council's leisure assets. The Council has allocated £30,000 per leisure centre, including those managed through community organisations, towards green projects to reduce energy costs. Energy audits are being undertaken to ensure this investment has greatest impact. This shows a commitment to wider agendas.

Stability of future management arrangements

- 14 Contractual arrangements have been strengthened to address the needs of the communities of North Wiltshire. The contract with DC Leisure is outcome focused and provides a sound basis on which to maintain and improve public leisure services. Quality of service delivery is being improved through the inclusion of quality standards within the agreement. However, while access issues are included such as concessionary pricing, ensuring a balanced inclusive activity programme and addressing inequalities through sport development programmes; the contractor is not required to provide information on participation by minority groups and no targets for increasing their levels of participation. The Council is not using its contractual arrangements fully to further equality and diversity priorities.
- 15 Capacity to improve leisure services has increased. While only on an annual rolling contract DC Leisure provides the stability and experience of a large established public sector management provider. Knowledge, skills, processes and systems have been brought in strengthening all elements of facility management and further efficiencies are likely within the planned extension of the contract for a further 12 months to March 2009. Similarly the community support for CDCA and CLCL provides a significant resource to manage these leisure centres. While such community support is more fragile, and susceptible to market forces, currently it is giving the residents of these areas an improved leisure service.

- 16 However, the Council's track record of leisure centre maintenance is poor and capital improvements have been slow in progressing. Of the £369,000 of capital and revenue planned preventative maintenance (PPM) budget in 2006/07 only £39,070 (10.6 per cent) was spent. The Council is on target to spend the majority of its PPM budget in the current financial year (2007/08). This lack of investment has impacted on customer experience and reduced levels of income.
- 17 The Council lacks sufficient capacity to effectively manage the procurement of goods and services for improving the quality of its leisure centres. Of the allocated £1.02million capital investment within the 2007/08 budget only £214,969 (21 per cent) has been spent. This lack of capacity has delayed the implementation of a number of improvements, such as refurbishment of changing rooms, and therefore slowed the improvement of services for customers and limited the potential for income generation.
- 18 The Council is learning from its mistakes and has improved arrangements to provide protection against financial liability. A break clause has been introduced to the leases for Cricklade and Calne Leisure Centres to ensure that if either of the community led organisations managing these centres become insolvent then the Council has the right to terminate the lease and retain the centre and the land it stands on. This protects the Council's liability for losses incurred by these associations.
- 19 The Council's leadership is providing good financial oversight. The new Conservative administration, elected in May 2007, is maintaining strong financial monitoring of the performance of their new leisure contractor. Quarterly meetings between senior managers from DC Leisure and the Leisure Portfolio Holder and Leader are both challenging and constructive. A detailed report is provided by the contractor which is reported to the Council's Performance and Audit Committee. However, an annual summary report is not planned to assist in public transparency and limited information has been reported to the Cabinet. Overall arrangements are ensuring that the Council is fully informed about its financial commitments for its leisure centres.
- 20 Financial management by officers is strong and improving. Senior managers meet monthly with the contractor giving clear messages about what they need to achieve for the Council, demonstrating a commitment to maintaining a cost effective leisure service. Capacity to effectively manage the financial detail of the contract is being strengthened. A lead from the Council's finance department has been allocated to provide more detailed monitoring and assessment of the management of the contract. This gives further assurance to the Council and the public of the continued drive for efficiency and effectiveness within the service.
- 21 However, performance management of the community managed leisure centres by the Council is weak. The Council has not requested any management information from the associations running the centres. The lack of health and safety information, in year financial data or any participation information risks not picking up financial failure early and gives little documented reassurance as to the quality and safety of the centres.

- 22 Overall performance management of leisure services is underdeveloped. While performance information is analysed from the Council's private sector contractor by officers on a monthly basis this is largely financial rather than outcome based. Councillors are not provided with regular headline performance information on the service's performance, both contracted and provided by the community sector, against corporate objectives. This weakens the challenge from councillors and transparency to citizens that public money is being used effectively to meet local and council priorities.
- 23 In addition the Council is not effectively protecting its reputation risk with the two community run centres it is supporting. The centres do not have any agreements with the Council other than lease arrangements. While all liability is passed over to these organisations within these leases the Council is supporting the community organisations in the form of annual funding and through a peppercorn rent agreement. As such the Council has a social responsibility for the health and safety of customers and in meeting equality and diversity principles. The lack of service agreements highlighting these responsibilities places a high risk on the Council's reputation should the community organisations not address such duties.
- 24 The Council is working constructively with partners to improve leisure services. The Council has worked successfully with Wiltshire County Council to relax the covenants on the leisure buildings on school sites. As a result the Council, in partnership with CLCL at Calne and with DC Leisure at Lime Kiln, has managed to negotiate new arrangements with the schools to provide more flexibility in opening hours and programming. These arrangements have helped to put the centres on a more secure financial footing and increased access for the public - maintaining valuable community assets.
- 25 A clear plan is in place to continue the improvement of the Council's leisure services. A new contract with DC Leisure has been drafted and is soon to be adopted. The new 12 month contract (2008/09) includes a guarantee to the contractor that any deficit up to £1.3m, including the management fee, will be covered by the Council. Above this level a shared risk arrangement has been introduced of 60/40 council contractor split. Similarly a 60/40 profit share has been included on split of anything below the deficit limit. This is starting to devolve some of the risk from the Council to the contractor and encourages the contractor to drive costs down and improve income.
- 26 The Council has a clear short term strategy running up to the formation on the new Wiltshire County Council on April 1st 2009. The plan to continue to support the community sector organisations managing the Cricklade and Calne Leisure Centres and to extend the contractual arrangements with DC Leisure until this date is a pragmatic one. It is however unclear at this time what the wider county approach is likely to be and as such the district and subsequently the county is unlikely to get the best the value from any contractor until this is developed.

Managing services through the transition to unitary status

- 27 The Council is working well in partnership with the County Council, and other district councils in the county to provide this clear direction for leisure, though negotiations are at an early stage. The Deputy Chief Executive of North Wiltshire District Council is leading the management of the transition of external services, currently provided by the districts, into the new unitary authority. This will help provide continuity of services to the public, including leisure, through the change in administrative structures.
- 28 The Council with its local government partners is preparing well for the challenges of providing leisure services in the new unitary authority from April 2009. A programme board for cultural services has been established with a leisure sub group. Terms of reference have been drafted. However, a detailed project plan has yet to be formulated. It not clear how the individual tasks for each authority are to be progressed, whether capacity is sufficient and how they fit together to ensure service delivery is maintained while providing value for money.
- 29 A clear medium term plan is emerging for leisure services within North Wiltshire. The Council is in early discussions with DC Leisure, with whom they are working well, on extending the contract so that is runs co-terminus with DC Leisure's contract with neighbouring West Wiltshire District Council - which terminates in 2011. This would provide a continuity of service through the transition period into the unitary authority, offers the potential for greater efficiency and effectiveness and provides the opportunity for a county wide approach beyond 2011.



Recommendations (all within 6mths):

- 1 To enhance the customer experience and increase participation and income ensure the Council has the capacity to implement planned capital improvements.
- 2 Improve the performance management arrangements to include:
 - monitoring service performance against Council priorities for example - equality and diversity (participation by all sections of the community), environmental efficiency (energy use) and value for money (cost per visit / population);
 - strengthening reporting mechanisms for the community managed facilities;
 - developing service level agreements with clear outcome targets that address Council priorities; and
 - ensuring clear reporting arrangements internally and to the public.
- 3 Develop a clear project plan for managing public leisure services through the integration to the new Wiltshire Unitary Council, this should include;
 - using a recognised project management technique which is consistently applied by all partners;
 - assessing and putting in place the skills and capacity required to develop and implement the plan;
 - putting in place the necessary risk assessment processes to ensure business continuity;
 - establishing clear roles and responsibilities for each district council and the county council in managing the transition;
 - the development of cross county performance measures that contribute to the headline indicators emerging in the new LAA;
 - a detailed timeline for actions for all partners involved; and
 - clarity on the short and medium term management arrangements, across the county, to ensure continuity of service to the public and best use of resources.