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Local Government and Housing Committee inquiry on local authority leisure and library services

- 1 The Auditor General for Wales welcomes the opportunity to respond to the Senedd Local Government and Housing Committee's consultation on Local Authority Library and Leisure Services. While the Auditor General for Wales has not undertaken any detailed national work on either leisure or library services in recent years, we have drawn on some of our wider work in specific local authorities and at an all-Wales level which are of relevance to some of the specific areas you have set for this inquiry.

The current state of local authority leisure and library service provision.

- 2 Through our programme of annual audit risk assessments across all twenty-two local authorities we know that both leisure and library services have operated in particularly challenging circumstances in recent years. The effects of the pandemic, ongoing recruitment and retention problems in public services, inflationary pressures and limited protection from budget cuts are all having an adverse impact.
- 3 Using the most recent data published by StatsWales it is clear that local authorities have found it challenging to maintain investment in library and leisure services in the last 12 years. Between 2009-10 and 2021-22, spending by local authorities on libraries has fallen in real terms by 39%, from £67.2 million in 2009-10 to £40.9 million in 2021-22¹; and spend on recreation and sport by 43% from £214.2 million to £122.1 million in the same period.

The financial and operational challenges facing local authorities to maintain these vital community services.

- 4 The Auditor General for Wales has completed eight local audit reviews in the last five years looking at leisure services. Of these reviews, four focussed on the provision of in-house services directly managed and provided by local authorities

¹ LGFS0023, Revenue Outturn Expenditure, Welsh Government, reported by [StatsWales](#).

(Denbighshire, Isle of Anglesey, Monmouthshire and Caerphilly) and four looked at the establishment and/or contract management and oversight of outsourced leisure services in Blaenau Gwent, Merthyr Tydfil, Cardiff and the Vale of Glamorgan. While each report looks at the specific risks in each local authority, there are some common messages that can be drawn.

- Most authorities noted ongoing financial challenges in maintaining leisure services, either in house or by outsourcing. In some cases, the difficult fiscal environment was the catalyst for electing to work with a leisure trust and remove direct management and control of leisure services from local authorities. We found that in a small number of authorities reductions in funding had resulted in the deterioration of physical quality and service offer in leisure centres and this was a risk to the continuation of services.
- In some authorities there were weaknesses in the quality, range and depth of information used to complete options appraisals when deciding on outsourcing. For example, poor financial information underpinning the different options that resulted in a skewed consideration of which option to pursue, and Members not being provided with sufficient and timely financial information to aid decision-making.
- Several of the contracts between local authorities and the receiving leisure trusts were insufficiently detailed and not robust enough. This resulted in operational difficulties and a need to revisit them early on in the new relationship to rectify arrangements to ensure they were workable.
- Overall, the quality of local authority governance and performance management arrangements for leisure – in-house and outsourced – were generally poor. In several reviews we concluded that because of these weaknesses, authorities could not assure themselves that services were sustainable and delivering value for money.

5 Our report on local authority Discretionary Services² published in April 2021 provides a commentary on the financial challenges facing local authorities and where cuts have mostly been made. The report notes that recreation and cultural services – leisure centres, swimming pools, museums, arts venues, and theatres for instance – are well used and highly valued by citizens.

6 Despite having a high social value, helping to maintain personal wellbeing and playing an important preventative role, these are often discretionary services and have seen the largest cuts in funding across all local authority activities. Exhibit three in our report shows that of all local authority services, recreation and sport have seen the largest reduction in expenditure and library services the third largest cut. Yet these were also the services with high citizen value and were regularly

² Report of the Auditor General for Wales, [At Your Discretion](#), April 2021.

used by people – 85% of citizens we surveyed regularly used local authority recreation and sport services and 76% library services.

- 7 We also found that the approaches adopted by local authorities to determine where to make savings and which services to prioritise and protect usually follows a two-stage process. A detailed stage one review that draws together key data and information which concludes with recommendations and a stage two approval process with formal ratification by cabinet or full council.
- 8 While these approaches appear sound, we found that the quality and depth of information that is presented to members to inform discussions and support decision making is not always comprehensive and lacked detail in key areas. For instance, the legal basis for a service is not always included, how services contribute to the delivery of wider priorities such as prevention can be brushed over and the impact on wider responsibilities such as equalities and socio-economic challenges not captured.
- 9 Overall, local authorities give greater priority to those services that directly contribute to the delivery of corporate priorities and wellbeing objectives, are important for the local economy and/or are considered high risk if they were not provided. However, less consideration and priority are given to wider equality issues – Welsh language and the needs of people who share protected characteristics – and services which can help manage, reduce and/or prevent demand such as leisure and library services. We concluded that there is more for local authorities to do to ensure they draw on as wide a range of evidence as possible when determining which services to prioritise and protect when setting budgets.

How local authorities use alternative models of service delivery in Wales, and the perceived benefits associated with them.

- 10 In November 2018 the Auditor General for Wales published his report on Community Asset Transfers (CAT)³. The review provided a snapshot on how well local authorities were using CAT and identified opportunities for improvement.
- 11 We found that the Welsh Government had adopted effective policies to help authorities transfer assets and all but one local authority had a publicly available CAT policy. Most authorities had also adopted appropriate principles on the importance of using CAT to help deliver corporate objectives, strategic priorities and to protect important services at risk.
- 12 However, we also found there was scope to provide better and more visible help and support before, during, and after the ‘community asset transfer’ process. For

³ Report of the Auditor General for Wales, [Provision of Local Government Services to Rural Communities: Community Asset Transfer](#), November 2018.

instance, we found that CAT policies often lacked detail on the criteria used to decide on transfers, in particular demonstrating financial health and proven record of accomplishment. Only five authorities signposted expert guidance on CAT and too often authorities did not differentiate between the size of asset to be transferred and operated a 'one size fits all' policy.

- 13 We also found that local authorities were finding it difficult to monitor and measure the impact of CAT, in particular determining the wellbeing and social impact of a transfer. Actively performance managing these processes is important because it helps demonstrate what works well and identify where improvement is needed. The scale of transfers and their value was also not captured or formally recorded locally or nationally.
- 14 In December 2022 the Auditor General for Wales also published his report 'A missed opportunity' – Social Enterprises⁴ which looks at how local authorities are working to grow and make the most of Social Enterprises ensuring social value and social capital stay in communities. While Social Enterprises cut across a wide range of different services and sectors, their strongest presence is in community-based arts, leisure, and recreation where 26% of all Social Enterprises in Wales currently operate.
- 15 We found that:
- While local authorities claim they value Social Enterprises, few have mapped their activity and most authorities do not know the scale of provision within their area.
 - Less than a third of local authorities consider themselves to have a proactive and supportive relationship with Social Enterprises and none have a dedicated strategy or policy that charts how they intend to promote and grow the sector.
 - Local authorities are mostly not encouraging social enterprises and are not seeking to grow and widen their role and Social Enterprises are often at the fringes of local authority business. As a result, local authorities are missing out on the potential for Social Enterprises to help deliver services that can improve people's quality of life.
 - Most local authorities provide grants for businesses and the third sector but are not using them to specifically support Social Enterprises. In addition, current procurement and commissioning arrangements often unintentionally discourage Social Enterprises to engage because they are overly bureaucratic.
 - A lack of capacity and resources within local government also limits the potential to grow the role of Social Enterprises in delivering services. Social

⁴ Report of the Auditor General for Wales, 'A missed opportunity' – Social Enterprises, December 2022.

value – the added value that commissioning processes can deliver – does not feature as a key driver for many local authorities. Social Value aligns well with the work of leisure and library services.

- 16 We also found that despite Social Enterprises providing services that help public bodies deliver their wellbeing objectives and other statutory responsibilities, local authorities are mostly not monitoring or evaluating their activities nor their impact. Five local authorities responding to our survey noted that they have agreed measures to judge the impact of Social Enterprises in their local area and report against these. Over half (13) have no arrangements to evaluate activity, and the remainder responding did not know.

Local authority arrangements and exit strategies where alternative delivery models utilised are unsuccessful.

- 17 Our work on CAT highlighted that the successful transfer of assets and the securing of a sustainable future was often dependent on an authority having good quality guidance and responsive approval processes. Put simply, the more information, advice and support provided by the authority generally resulted in a smoother and more effective transfer and helped position the CAT well for the future. Overall, we concluded that there was more that local authorities could do here.
- 18 For instance, our review of policies and guidance found that only:
- Seven authorities provided specific and active capacity building to community groups and potential transferees such as mentoring, financial support, training, and workshops to promote good practice and learning from successful CAT.
 - Six authorities outlined how they would manage and mitigate risks associated with individual CAT and only three identified the importance of providing crucial information on running costs and asset condition to transferring bodies. This suggests that authorities were not doing all they could to ensure a smooth handover and create a sustainable legacy.
 - Only three authorities had policies that specifically identified and sought to manage post transfer risks, and only Cardiff Council gave adequate consideration of post transfer assistance, support, and learning.