Sport for Whom?

Clarifying the Local Authority Role in Sport and Recreation

The Audit Commission for Local Authorities in England and Wales
Sport for Whom?

Clarifying the Local Authority Role in Sport and Recreation

LONDON: Her Majesty's Stationery Office
## Table of Contents

SUMMARY 1

INTRODUCTION 3

1. THE PROBLEMS 7
   — Social and financial objectives 7
   — Provision 8
   — Pricing, subsidy and support for targeted groups 9
   — Monitoring performance 11

2. THE CHALLENGES 13
   — Changes in need 13
   — Ageing stock 15
   — Capital controls 15
   — The community charge 16
   — Compulsory competitive tendering 16
   — Education Reform Act 17

3. WHAT NEEDS TO BE DONE 19
   — Strategy review 19
   — Preparing for compulsory competition 24
   — Improved coordination 24
Local authorities have traditionally been major providers and operators of sports facilities*. Even excluding educational provision, authorities’ net expenditure on revenue support for sport is over £400 million a year in England and Wales. In addition, over £100 million capital expenditure is incurred each year. The last 20 years have seen a major expansion in the number of facilities and the range of activities offered. Local authorities now manage over 1,700 indoor sports facilities as well as many outdoor ones, including over 150 golf courses (Exhibit S1).

Exhibit S1
LOCAL AUTHORITY INDOOR SPORTS FACILITIES
Local authorities provide over 1,700 indoor facilities

Source: Audit Commission analysis of CIPFA 'Leisure and recreation statistics 1988 - 89 estimates'

While the private sector provides leisure facilities principally for financial gain, the public sector is able to pursue broader objectives such as health promotion or the alleviation of social deprivation. The range of leisure opportunities available in an area is seen by many as an important indicator of the quality of life. Investment in sports and leisure provision may attract commercial investment or tourism. But whatever their social aims, local authorities also need financial objectives if they are to manage their facilities properly. Local authorities have found it hard to strike the right balance between social and financial objectives.

* Throughout this report ‘sport’ is used as a shorthand. In many cases it encompasses broader recreational provision and the support activities - such as non-sporting use of multi-purpose halls and bar and catering operations - associated with it. Expenditure figures quoted in this report take account of such activities.
Investment decisions are sometimes poorly thought out:

— authorities do not always consider the full range of options, concentrating on direct provision and overlooking cooperation with the private and voluntary sectors and with other authorities;

— revenue consequences are not always considered in enough detail. Buildings with high running costs may be preferred with little thought for the long-term financial commitment. Revenue predictions are usually based on expected income and cost in the second year of operation; upgrades to meet increased customer expectations and renovation and reinvestment cycles are rarely considered;

— authorities assume that low prices and blanket subsidies encourage use and help ensure social objectives are met. But, sports participation is biased towards people with a professional and managerial background who benefit disproportionately from low prices;

— objectives are rarely quantified and success or failure in meeting objectives rarely measured or monitored. It is easy to 'move the goalposts' and explain away an unexpectedly high deficit by invoking social objectives.

These management deficiencies need to be put right. And it is important to act quickly. The demographic structure of society is changing and personal preferences are increasingly volatile. There is increased competition from the private sector, and the Government has announced its intention of extending compulsory competitive tendering to the management of sports and recreation facilities.

The community charge, and the new capital controls regime, will also affect authorities' ability to fund new developments and their attitudes to continuing subsidies.

Authorities should review their sport and recreation strategy at least once every five years. This involves analysing the local sports market as a whole and setting specific targets to meet identified needs. Financial and social objectives should be defined and mechanisms installed for monitoring achievement. Pricing will also need careful consideration, in particular the use of across the board subsidies.

Authorities will also need to prepare for competitive tendering of the management of sports and recreation facilities. They should generally avoid contracts under which they bear the losses if the contractor's performance is poorer than expected.

In addition, the way in which the costs of dual use centres are allocated to public and educational use need to be reappraised, in response to the local budgeting for schools introduced by the Education Reform Act 1988.

And there is a great need for better coordination between authorities. Far too often councils build facilities intended to attract customers from adjacent areas even though copycat building by neighbours may subsequently reduce catchment populations. Use may then fall and net revenue costs rise. Such competition is also a contributor to low prices and high subsidies.
Introduction

1. Local authorities in England and Wales are major providers and operators of sports facilities open to the general public. Municipal provision of swimming pools, golf courses and outdoor pitches stretches back to the last century. More recently authorities have also provided and run 'dry' indoor facilities - sports halls, squash courts and so on - the number of which has grown from about 20 in 1970 to about 1,200 in 1989 (Exhibit 1).

Exhibit 1
PROVISION BY LOCAL AUTHORITIES
Indoor provision by local authorities has increased dramatically since the early 1970s

![Graph showing increase in the number of facilities from 1971 to 1989](image-url)


2. Capital investment has been running at more than £100 million a year in the 1980s. Net revenue expenditure, primarily in the form of subsidies for facilities, has also risen in real terms throughout that period and is now about £400 million net a year, mostly on support for capital intensive indoor centres. It is on these centres that this report concentrates. This figure excludes expenditure under local education authority duties and powers which is not covered in this report (Exhibit 2, overleaf).

3. Football, hockey and other pitches are often laid out in parks, forming part of the public open space for much of the week, and their cost therefore charged to the parks not the sports account. The Henley Centre for Forecasting has suggested that about 40 per cent of authorities' expenditure and income on urban parks and open spaces is sports related*; if correct this equates to a further net expenditure of £150 million per annum. However, much of this expenditure is on providing and maintaining grassed open spaces and involves issues discussed in the Commission's earlier report *Competitive management of parks and greenspaces†.

---

* The economic impact and importance of sport in the UK, Sports Council, 1986
† Competitive management of parks and greenspaces, HMSO, 1988
Exhibit 2

CHANGES IN REVENUE EXPENDITURE
Net expenditure has risen in real terms in the 1980s

![Graph showing changes in revenue expenditure]

Source: Audit Commission analysis of CIPFA 'Leisure and recreation statistics 1988-89 estimates'.
The analysis excludes support for sport charged to urban parks and open spaces.

4. Provision of sports facilities is a discretionary power, under Section 19 of the Local Government (Miscellaneous Provisions) Act 1976. Most expenditure is incurred by shire districts, London boroughs and metropolitan districts (Exhibit 3). Parish councils are also involved, occasionally providing major facilities. Other public bodies such as the Lee Valley Regional Park Authority also play a part.

Exhibit 3
REVENUE EXPENDITURE ON, AND INCOME FROM, SPORT 1988-89
Shire districts are the highest spending group

![Graph showing revenue expenditure and income]

Source: Audit Commission analysis of CIPFA 'Leisure and recreation statistics 1988-89 estimates'.
The analysis excludes support charged to urban parks and open spaces.

5. The Commission began a review of local authority activity in this area in 1988. During this review it became apparent that many authorities were less than clear about their aims, and that this lack of clarity was causing significant management problems. This report begins with an analysis of those problems, reviews the challenges facing local authority sports provision and concludes by setting out a suggested programme of action.
6. This report has been prepared before the full details of the Order extending compulsory competitive tendering to sport and recreation management are known. However, its recommendations are matters of good management practice which will be unaffected by the detail of the legislation. A companion volume, Local authority sport and recreation facilities: a management handbook, to be published once the details of the Order are known, describes the programme of action in more depth. In particular, it will contain a description of the strategy review, and the organisational changes and contract letting and supervision procedures needed for compulsory competitive tendering (CCT). It will also discuss the changes and improvements that in-house workforces should introduce if they are to make realistic bids for contracts.

7. Both reports are based on work by a team from the Commission's Directorate of Special Studies, which has previously examined management of parks and green spaces. The work has been carried out under the overall direction of Stephen Evans with day-to-day control by John Gaughan. It involved consultants who had previously been chief officers in local authority leisure departments, Wilf Archer and L.S. Whitworth. Most of the fieldwork and visits to authorities were carried out in 1988. The team has received helpful advice from a consultative group containing representatives of the ADC, ACC, AMA, ALA, LBA and the Sports Council. During the study the team has also consulted other local authority bodies, the DOE, the Welsh Office, the Sports Council for Wales, representatives of companies already managing local authority facilities under contract and professional and trades union bodies. The Commission is grateful to all for the help and advice they have given. But, as with all its reports, responsibility for the interpretation of data and for conclusions and recommendations rests with the Commission alone.

8. The Commission's auditors will be following up these reports in individual authorities during 1990 by examining managerial arrangements, preparations for CCT and the efficiency of the recreation DSO.
1. The Problems

9. Many authorities do not have a clear idea of what their role in sport and recreation should be and have not reconciled their social and financial objectives. The problems relate principally to objectives, provision, price setting and subsidy and performance monitoring. Poor marketing lies at the heart of these problems - a poor understanding of local needs and how they are changing, who does and does not participate in sport and use facilities, why this is, who the authority is trying to help, how they should be reached and what charges they can afford.

SOCIAL AND FINANCIAL OBJECTIVES

10. Local authorities are involved in sport for a variety of reasons, including those contained in the Minister of Sport's open letter to the Sports Council in November 1987 - improvements in health, alleviating social deprivation and helping to promote excellence in sport at national and international level. Other reasons include improving the quality of life of the whole community and extending the range of choice of leisure activity; providing golf courses and outdoor pitches to preserve 'green belt' sites from development; helping urban regeneration and attracting tourists and thus helping the local economy.

11. Many councils believe they should provide facilities easily accessible and usable by the whole community; they charge prices which they believe will encourage use, rather than ones designed to recover cost. On average, indoor facilities recover less than half their cost; golf courses in contrast recover most of their costs (95 per cent on average) though other outdoor facilities recover less than a quarter of cost. This broad pattern remains even when capital financing costs - which are outside the control of those managing facilities - are ignored, though, on average, municipal golf courses then show a small operating surplus (Exhibit 4)*.

Exhibit 4
RECOVERY RATES
The average recovery rate (ratio of income to expenditure) varies with type of facility

Source: Audit Commission analysis of CIPFA 'Leisure and recreation statistics 1988-89 estimates'. The analysis excludes support for sport charged to urban parks and open spaces

* Capital charges currently relate to outstanding debt. Facilities without such charges - because, for example, they were financed from capital receipts - appear unrealistically cheap compared with others. This will change if CIPFA's proposals for a new capital accounting system are implemented; revenue accounts should then reflect capital costs in a more realistic way.
12. Some individual indoor activities can also generate a surplus, which can be offset against deficits on other activities to reduce the overall subsidy a centre requires. Examples include health and fitness suites, squash courts and water slides. All have either achieved popularity, or been provided for the first time, in the relatively recent past and are provided by the private as well as public sectors (for example, in the case of water slides at holiday centres). There is no historic expectation that prices will be low, making it easier for authorities to set commercial prices if they wish.

13. The possibility of charging commercial prices for certain activities has confused some authorities. Previously, it had been taken for granted that all sports facilities would require a subsidy. The level of subsidy had often not been consciously addressed, rather it was based on patterns built up over a long period of time. Now there is the possibility of providing certain activities without subsidy. But which activities should be subsidised and which not?

14. All authorities need financial objectives, to help them manage facilities properly, even when facilities are subsidised. They need therefore to balance social and financial objectives; different authorities will have different views about where the balance should lie but they should not duck the question.

**PROVISION**

15. If certain activities do not need a subsidy, why shouldn't the local authority rely on private sector provision? Few people would dispute that local authorities fulfil an essential role in providing swimming pools and pitches for football and other outdoor team games. Many would dispute that they have an essential role to play in providing polo. But what about other activities? How should they decide which activities to support and which to leave to the market? Not all authorities have consciously addressed this issue, but have been drawn into providing for certain activities for a mixture of social and financial reasons, without a clear policy.

16. Furthermore, many authorities have taken a narrow view of provision, focusing their attention almost solely on provision by themselves and not taking sufficient account of facilities provided by the private sector, voluntary bodies or other local authorities. Indeed some authorities try to match, or outdo, rather than complement, their neighbours' provision. The capacity available in educational establishments has also not always been recognised and unlocked.

17. With the decline in the building of council housing, new sports facilities are often a shire district's largest single capital expense. Such expenditure has major implications, quite outside revenue support for the facility's operating account. The authority will have to service a debt or, at the very least, if capital receipts and land already owned by the authority are used, incur an opportunity cost. Such opportunity costs can be considerable and also apply to the land value of many existing town centre facilities. Some authorities will be servicing debts for far longer than the useful life of the building. Unfortunately, these financial consequences are sometimes given scant attention. In one authority visited the feasibility study for a major new complex started with a discussion about which of three possible town centre sites should be used.

18. Leisure provision is risky. Use predictions are difficult to get right and may only be valid for a few years. Private sector leisure operators often attempt to recover capital over a relatively short period in the belief that fashion and expectations may change and reinvestment will be
needed. Alternatively, they try to build facilities which are relatively easy and cheap to convert to other uses.

19. In contrast, many local authorities make initial investment decisions solely on a prediction of use and net cost in the second year of operation (year one being abnormal because start-up costs are incurred and the pattern of use is not established). It is rare to find sensitivity appraisals to identify the extra costs which would be incurred if use predictions prove wrong. There is little forward planning of reinvestment or anticipation of plant replacement or major structural renovation cycles.

20. The difficulty in estimating the revenue implications is sometimes exacerbated by weaknesses in building design and project control. Some private sector operators managing local authority facilities under contract have been critical of their running costs and of the difficulty in modifying buildings. Authorities need input from recreation managers when designing new facilities. This might come from consultants, from the DSO or from a company which manages facilities for authorities. Even where initial designs have been carefully drawn up and annual support costed, members have sometimes required major design changes - in response to requests from the public, clubs etc. - the implications of which have not always been analysed with the same rigour.

PRICING, SUBSIDY AND SUPPORT FOR TARGETED GROUPS

21. Most authorities implicitly assume that low prices encourage use and are essential to meet social objectives but the real relationship between price and use is not often examined.

RANGE OF PRICES AND SUBSIDIES

22. Though there are geographical variations and variations by type of authority, prices for any one activity tend to fall in a relatively narrow band - for example few authorities charge less than 30p or more than 60p for a child’s swim. There is, however, considerable variation in operating costs which causes subsidies per user to vary markedly between authorities, between facilities and between activities within an authority (Exhibit 5). Such differences are not necessarily wrong, but in many authorities they have been arrived at in a haphazard way.

Exhibit 5
SUBSIDIES FOR WET AND DRY FACILITIES
Within each authority, the average subsidy for wet and dry users differs

23. Charges in adjacent authorities can be a major consideration when setting prices. Though most people are unwilling to spend much time travelling to a facility, some are willing, particularly for specialist facilities, and people living fairly close to two or more have a choice. Some authorities are therefore competing with each other for some users. The effect is to reinforce dependence on low prices to attract customers.

WHO RECEIVES SUBSIDIES?

24. Surveys suggest that usage of sports centres is heavily skewed. A few people use them very frequently and make up a large proportion of total usage; they therefore benefit most from subsidised prices. It is also - perhaps unfortunately - true that participation in sport is more common among the better off. The proportion of professional people who participate regularly is about twice as high as that of unskilled manual workers (Exhibit 6).

Exhibit 6
SPORTS PARTICIPATION BY DIFFERENT SOCIAL GROUPS
Participation in sport varies with social background

25. Across the board subsidies may therefore have a perverse effect from a redistributional perspective. Many poorer people are, through their rates, paying to subsidise the pastimes of the rich.

TARGETED SUPPORT

26. Some authorities have recognised this problem and a variety of approaches has been tried to target help on the poorer sections of society - free or reduced admission at any time on production of a UB40; special, free sessions for the unemployed and other targeted groups; special membership cards giving reduced prices to the unemployed, supplementary benefit claimants and
so on. Some schemes have been unsuccessful. In one London borough only 32 people had applied in a year for the special card offering reduced prices. Another authority found that its free swimming sessions for the unemployed were not being taken up even though some unemployed people were paying to attend other sessions. Unemployment for many people is a temporary condition which does not alter existing social relationships. The unemployed may prefer to take part in sport with people they know and at times convenient to those friends.

27. Failures are often the result of poor marketing. Schemes need to be carefully thought out and properly promoted. Successful, well marketed, schemes such as Thamesdown's gold card avoid stigma, and have good take up. They can also offer wider benefits; in some places private sector leisure, and other, businesses offer discounts to card holders.

28. One of the major developments in the late 1970s and early 1980s was the recognition that women, members of some ethnic groups, the disadvantaged and others might not participate for social reasons; there might be no tradition of taking part and, in some cases, involvement might actually be disapproved of by peer groups and others. Sports development and outreach are intended to help such groups; staff employed on the programmes work in the community stimulating initiatives, and helping set up clubs and associations in the hope that they will eventually become self-supporting. They provide free coaching and tuition to beginners, and lend or donate equipment (the cost of which can be an obstacle to participation by the poor), sometimes taking up spare capacity in local authority facilities without any internal recharge.

29. This approach can be labour intensive and expensive; the Sports Council for Wales calculates that the cost of attracting one new participant into sport is about £100. Authorities with limited resources may need to make choices between, for example, outreach work with the young in the post-school years, or work with older people.

MONITORING PERFORMANCE

30. Only a minority of authorities can demonstrate their achievements in terms of numbers of people participating in sport or increases in participation. Even some which place great emphasis on social objectives have only qualitative evidence to demonstrate their achievements in, for example, sports outreach or sports development programmes.

31. There are also widespread deficiencies in the way in which authorities monitor the costs and use of the facilities they provide. Most collect usage data but they do not always provide members with it. This prevents members monitoring the achievement of social objectives, and hence hinders the development of well thought out policies.

32. There are also shortcomings in the usage data that is collected. Ten users, for example, may be ten different people or one person visiting a facility ten times. Few authorities carry out sample surveys and thus have an understanding of how many different people use facilities and how often they use them.

33. Few authorities attempt to examine performance in the ways suggested in the Commission's recent publication on performance review*, or to compare net expenditure with usage as recommended by Pannell Kerr Forster who did work for the Audit Inspectorate in 1983†.
or by the Greater London and South East Region Sports Council (Management Paper No 1, 1988). This reflects the widespread lack of quantified financial objectives (other than net expenditure targets). Overall, many authorities do not therefore know what they are achieving with the money they spend.

It is disappointing that many of the problems described in this Chapter are identical to those found in 1983. These management deficiencies have to be addressed before authorities can adequately respond to the challenges they face. The next Chapter outlines what these challenges are.
2. The Challenges

35. Many people still do not take part regularly in sport, and bodies such as the Sports Council continue to press for increased participation. Changes in the age structure of society, and in where people live, social changes such as increases in car ownership and the growing independence of women and changes in fashion and expectations in leisure and sport alter what is needed and how it should be marketed. Meanwhile, authorities' existing stock is ageing and large numbers of facilities may need to be renovated or upgraded in the 1990s. New capital controls, the introduction of the community charge, CCT and the Education Reform Act 1988 add to the changes taking place (Exhibit 7). These issues are discussed in more detail in the rest of this Chapter.

Exhibit 7
PRESSURES ON LOCAL AUTHORITY SPORTS POLICY
Authorities have many things to keep in mind, quite apart from compulsory competitive tendering

CHANGES IN NEED
36. Though local authority swimming pool provision has a long history, most sports provision in the first half of the century was land rather than capital intensive - most sports used outside facilities and mass participation was concentrated on a small number of sports, for example, soccer and rugby in the winter, and tennis and cricket in the summer. In the second half of the century sports participation has broadened and become more sophisticated. The local authority position as a sports provider is not as unchallenged as it once was; the private sector has, for example, responded to the increased emphasis on fitness and health in the 1980s.

37. Though sports participation among women is still lower than among men, it is increasing more quickly, while indoor participation is increasing in importance relative to outdoor for both
men and women (Exhibit 8). For example, the number of people taking part in keep fit, aerobics and yoga sessions trebled between 1977 and 1986 from about 350,000 to over 1 million.

Exhibit 8
INDOOR AND OUTDOOR PARTICIPATION
Indoor sports participation is rising - faster among women than men

Source: Data in 'Sport in the community - into the 90s', Sports Council, 1988

38. Nevertheless the majority of adults still do not take part in sport regularly. The Sports Council and the Sports Council for Wales have therefore set targets for increased participation, in their policy documents Sport in the community - into the 1990s and Changing times changing needs - sport in Wales 1986-1996. Both recognise that sports participation has depended on the availability of facilities and both suggest that new indoor needs are largely for 'dry' rather than wet facilities.

39. Changes in sports participation have to be seen in a wider social context. The increase in leisure time, and the growth in expenditure on activities to fill this time, which have been important features of the last decade, are expected to continue. In the ten years between 1977 and 1987 personal disposable income rose in real terms by 30 per cent, and expenditure on recreation and entertainment services by almost 50 per cent. Over £23 billion was spent in the recreation and entertainment sector in 1987, representing just over nine per cent of total consumers’ expenditure*. Local authorities’ income from users of their sport and recreation facilities is about one per cent of this sum.

40. Sports facilities are therefore competing not only against each other, but with other leisure pursuits. Mass sports-participation will only grow if it is attractive compared to these

* All figures are from the United Kingdom National Accounts CSO, HMSO 1988. Disposable income is income after taxation. The recreation and entertainment sector includes service groups like TV and video, and newspapers and magazines; as well as sport spending.
alternatives. Many people will expect sports centres to provide similar standards of service, decor and cleanliness to those found in major retail developments. Local authorities need to find ways of providing this quality of service while retaining flexibility of use and meeting financial objectives.

41. The activities provided and supported must also take account of changes in the age structure of society. The proportion of young people - the major users of, for example, conventional swimming pools - is falling. In considering facility provision, however, authorities need to distinguish between the short and long-term effects of demographic change. For example, the increase in the number of children under 10 expected by 1995 means that the numbers of teenagers will rise again by the end of the century.

42. Local government has to decide how to respond to such changes. Is it going simply to respond to trends, with the danger that it always meets yesterday's needs and not today's or tomorrow's? Or should it be innovative in the belief that the voluntary or private sectors will not be interested in unproven sports? If its main aims are social, does a local authority need to be providing at the high-risk 'leading-edge' of the sports range? Is it necessary to provide for 20 sports rather than a dozen? Since resources are inevitably limited, how does an authority set its priorities?

AGEING STOCK

43. The 1970s and 1980s saw dramatic increases in authorities' provision, particularly in dry indoor facilities, where the number of halls rose from about 20 in 1970 to about 1,200 in 1988. Facilities were, however, designed and built to meet the needs and expectations of the time, not those of the 1990s. The design and materials, finish and lighting of some are now viewed as unsuitable and in many cases heating, ventilation and other plant is nearing the end of expected life (Exhibit 9). Positive decisions are needed on whether to reinvest and on what.

CAPITAL CONTROLS

44. Decisions on provision and reinvestment will have to be made in the light of competing demands and the overall constraints on the authority, particularly capital controls. The

Exhibit 9
PROJECTED AGE DISTRIBUTION OF LOCAL AUTHORITY SWIMMING POOLS IN ENGLAND
The average age of local authority swimming pools is rising

Source: Audit Commission estimates based on data in the Sports Council publications 'Swimming in the community - national summary' and 'Sport in the Community - into the 90s'. The estimate assumes no new provision after 1988
Government proposes to alter the capital control system, with effect from 1 April 1990, to a control of borrowing to coincide with the introduction of the community charge. It will take an individual authority's existing capital receipts into account when fixing its borrowing limit; thereafter a major portion of such receipts will also be earmarked to repay debt. In addition where sports facilities are provided by developers, in return for land provided by the authority, the notional value will be treated as a capital receipt and brought within the new system. Authorities will also be able to enhance their capital expenditure by revenue expenditure. It is not easy to predict the precise impact of the new system. However, there may be less development in the 'receipt-rich' areas and there may be greater incentives to cooperate with the private and voluntary sectors. Private sector investors may want to be certain that the authority's policies and management arrangements will allow them to recover, as well as make a return on, their capital. Recovery may take longer than the maximum period for management contracts to be let under CCT. CCT only applies, however, when an authority's own workforce is to be given the opportunity to bid for work. Capital constraints may therefore lead to some authorities depending on the private sector for management of new or upgraded facilities.

THE COMMUNITY CHARGE

45. The community charge may increase pressure to reduce council spending and create demands for better targeting of subsidies for many services, including sport. Some groups in society which do not currently use local authority sports facilities may question why they are subsidising others of the relatively well off, while most community charge payers may query why a facility is subsidised if it is heavily used by non-residents.

COMPULSORY COMPETITIVE TENDERING

46. The compulsory competitive tendering provisions of the Local Government Act 1988 are due to be extended to the management of local authority sports facilities. Meeting the CCT requirements will require effort, the time available is not great and there is little experience on which to draw. Few management contracts for indoor centres currently exist. Those that do are relatively recent. They also tend to be for new, or renovated buildings in holiday resorts or the more wealthy parts of the country. There is even less experience of using contractors to manage outdoor facilities. In addition, some of the existing contracts are flawed and should not be used as models for CCT, while there are few established UK contractors and it is not clear whether the private sector will be able to bid for all the work to be offered. Management buy-outs may therefore be favoured by some authorities but need to be handled carefully*.

47. Though sometimes described as privatisation, CCT is nothing of the sort. Section 19 of the Local Government (Miscellaneous Provisions) Act 1976 remains in force; authorities will still be able to control prices and programming and will decide policy matters such as who is to receive subsidies and what activities facilities are to be used for. They will be able to set quality standards; default point systems and, ultimately, early termination can be used if a contractor fails to meet its obligations.

48. Responsibility for maintaining service quality lies with councils, emphasising the need for clear policies and for contract specifications which accurately reflect those policies. Indeed, clarification of policies should be one of the main benefits to emerge from CCT. Authorities will be transformed from service operators to service enablers. A council will need to regard itself as

* This issue will be discussed in more detail in the ‘Management handbook’. 
a client employing contractors, either from the private sector or its own direct service organisation (DSO). It is vital to define clear client roles for committees and officers.

49. In other services subject to CCT the Commission expects there to be significant efficiency improvements leading to reductions in unit costs of 20 per cent or more. The limited experience of contracted out operations in sport and recreation suggests that improvements in efficiency are again likely, and will probably result in both a decreased cost to the authority and an increased number of users per facility. This is because most contracts will encourage the contractor not only to pay attention to costs but to maximise income within the authority's policy constraints, and hence increase the number of users.

50. Most, but not all, authorities will wish to give their own workforces the chance to tender; and experience with other services suggests that, irrespective of who wins, authorities are likely to receive the best prices when an efficient in-house operation puts in a bid. Most recreation DSOs will, however, need to improve their performance both in terms of cost control and in terms of better marketing and increased use of facilities, if they are to compete realistically for work.

EDUCATION REFORM ACT

51. The Education Reform Act 1988 is introducing local management with delegated budgeting to schools. Each Local Education Authority (LEA) has to draw up a local management scheme within guidelines issued by the Department of Education and Science and Welsh Office. It may delegate the management of all LEA staff at schools to governing bodies, including staff dealing with public use of sports facilities; alternatively these services can be provided under separate management. LEAs can still, however, specify conditions or give guidance to the governing body, for instance on charging and letting policies.

52. Dual use can therefore continue, both in the form in which the LEA or school makes facilities available to the public, without involving a recreation department or a district council, and in the joint provision form where there is inter-departmental or inter-authority cooperation. The role of the governors will however be more important and it is essential that LEAs cover community use of sports facilities in their local management schemes. They also need to ensure that there is no unintended cross subsidy between educational and public use. The costs of public use will need to be much more clearly identified than at present; in many existing arrangements different percentages of costs are simply apportioned to educational and public use. Where the LEA has passed responsibility for community use to governing bodies this may encourage some schools to unlock facilities not now made available to the public. These schools, the quality of their facilities, the users they target and the prices they charge, will be a further factor in the local sports market.

53. Local management may have another effect. The governing bodies of schools which hire public facilities for pupils' use will be much more aware of the cost involved. They may stop using particular facilities if they think charges are too high, either shopping around for alternatives or cutting down on students' involvement with sport.

54. Taken together these changes constitute a major challenge to local authorities in their involvement with sport. The next Chapter describes the steps required to meet those challenges.
Exhibit 10
THE STRATEGY REVIEW
The strategy review involves the following
3. What needs to be done

55. The previous two Chapters described the management problems and challenges facing local authority sports and recreation. In the Commission’s view these can best be handled through two main action programmes:

- a strategy review, to address issues such as the authority’s objectives, the need for facilities and pricing policy;
- a programme to prepare for compulsory competitive tendering.

Both these will be described in detail in the *Management handbook*, but a summary of the approach is given here.

**STRATEGY REVIEW**

56. At least every five years each authority ought to carry out a strategy review to examine participation, current and future needs and ways of meeting them (Exhibit 10 opposite). Authorities which have not recently carried out a review should begin one soon. Though CCT is expected to make contractors responsible for promoting individual facilities, the decisions on what to provide, whom to help and how to help them remain with authorities. Authorities need clear policies before they let contracts. Some may prefer to contract out all or part of the review, perhaps because they lack the in-house expertise, or because it is cheaper to obtain an objective outside assessment. Reviews should be supplemented by briefer annual reappraisals.

57. The first step is to set the policy framework. A good starting point is to decide whether the authority aims to meet unmet demand in the area, or whether it wishes to adopt a proactive approach and to attempt to encourage higher levels of participation across the board, or in particular groups. The decision an authority makes on this point will be a critical influence on expenditure and pricing policy.

58. Obviously it is difficult, and not particularly meaningful, to set objectives without knowledge of the cost implications. So officers should set out for members the broad cost parameters of each option. Strategy options should also be described in terms of desired outcomes. In other words, if higher levels of participation in particular groups are considered desirable how will this be monitored, and what scale of increase will be considered acceptable?

59. Long-term social objectives are difficult to quantify. Improvements in health, for example, take time to become apparent and are virtually impossible to relate to particular sports facilities or activities. In practice, however, surrogate targets based on participation levels can be used.

60. The strategy should also be set in the context of existing and planned provision, in both its own area and adjacent authorities, irrespective of whether it is provided by the public, private or voluntary sectors. So a market survey will be an essential element in the process.
Exhibit 11

PROVISION

There are a number of options for provision:

PRIVATE SECTOR

- Commercial
- Sports facilities as part of larger development on land provided by the authority

LOCAL AUTHORITY

- Direct provision by the local authority
- ‘Unlocking’ existing school facilities & bringing them into public use (LEAs, schools)
- New, purpose built, large, central facilities
- Bringing existing buildings into use
  - church halls
  - community halls etc.
- Upgrading existing facilities

VOLUNTARY SECTOR

- Grant
- Loans
- Peppercorn rents
- Own initiatives

COOPERATION WITH OTHER AUTHORITIES

- Joint provision (dual use)
- Other joint provision (e.g. by cooperation between adjacent authorities)
61. It may well be appropriate to adjust the emphasis away from direct provision (Exhibit 11). Authorities involved with sport for social reasons should be interested primarily in encouraging people to take part. This does not necessarily mean that they must provide everything themselves. It may be better to cooperate with other authorities and with the private and voluntary sectors, paying subsidies directly related to the achievement of participation targets. It certainly makes little sense for the authority to duplicate facilities unless it can demonstrate that it can do so to the benefit both of the sports player and the non-participating rate or community charge payer.

62. Authorities should therefore consider the extent to which support for different activities or types of facility contributes to social objectives and whether the private sector can be depended on to offer them at a price which most people can afford. Other factors to be considered include the investment needed to provide facilities, the investment users have to make in equipment and possible social barriers to participation (Exhibit 12). Much will depend on local circumstances; each authority should carry out its own analysis.

*Exhibit 12*

**FACILITIES TO PROVIDE**

An analysis of this type can help with decisions

<table>
<thead>
<tr>
<th></th>
<th>Football</th>
<th>Swimming</th>
<th>Golf</th>
<th>Weight training</th>
<th>Solo flying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building/equipment to be provided by operator</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Outdoor open space to be provided by operator</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Potentially profitable and attractive to private sector</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Can be used to cross subsidise other activities on the same site</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Users have to invest in hire expensive equipment</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Traditional social barriers to participation</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**ILLUSTRATIVE**

**FINANCIAL OBJECTIVES**

63. Policies aimed solely at maximising profit are as questionable as those which take no account of value for money. Authorities running facilities entirely for profit might just as well leave the activity to the private sector. This does not mean that they should not make a surplus when this is possible without damaging social objectives; they should always aim to maximise income within the constraints imposed by social policies. Providing health and fitness suites and squash courts may, for example, help a centre provide a balanced programme which users prefer, while installing water slides often increases pool usage.
64. Many facilities will continue to need subsidy. This does not absolve authorities from setting financial objectives for their services, even if these are no more than ensuring that expenditure per user does not exceed some agreed maximum.

PRICING

65. Authorities need to be sure that any subsidies are achieving their intended objective. Authorities are quite entitled to include frequent users from among the better off among those they subsidise; frequent participation may indeed be an important social objective. The Commission believes, however, that if done, this should be a conscious decision. Information should be presented to members so that it clearly demonstrates the benefits received by users. For example this might show that an adult swimming session is subsidised by £2 per person (which can be the case) and that an adult using the pool twice a week receives a subsidy of £200 per year.

66. Authorities wishing to protect the disadvantaged should nevertheless experiment with setting prices at higher levels for those who can afford it, although this may often still involve subsidy. Such increases offer an opportunity to authorities, particularly if linked to better marketing designed to hold or increase use. The process needs to be handled sensitively. Increases in price gradually phased in over several years are preferable so that effects on use can be monitored.

67. Different groups in society tend to be interested in different sports. Commuters and business people may, for example, be willing to pay well above the normal price for an early morning swim. Prices might be raised for peak times when the facility is over-subscribed. Price reviews need to take this into account. Special arrangements may be needed for children, particularly if their parents are not wage earners, possibly charging at less than half the adult rate, the ratio commonly used now. Different prices might be charged at different centres, reflecting the different social characteristics of the catchment areas.

68. Any major changes in pricing policy should be implemented before contracts are let so that the authority and not the contractor receives the financial benefits. They should take account of prices charged, or likely to be charged, by local schools letting sports facilities to the public following implementation of the Education Reform Act 1988. Decisions are also needed on prices to charge, and subsidies to offer, schools hiring public facilities.

69. Any special arrangements for targeted and disadvantaged groups should also be identified during the review. Authorities which decide to raise prices may also, for example, decide to have passport to leisure schemes to protect the disadvantaged (just as they can issue bus passes to protect target groups against high bus fares). Marketing expertise and budgets will be needed to devise approaches attractive to targeted groups and to ensure take-up.

70. The arrangements needed to implement this policy - staffing (structure, numbers and skills) and budgets - should be identified. Authorities should also decide how they will measure success in meeting social and financial objectives. Possible performance indicators will appear in the companion volume to this report, *Local authority sport and recreation facilities - a management handbook*. Major questions to be addressed during the review are summarised at Exhibit 13.
**QUESTIONS FOR THE LEISURE STRATEGY REVIEW**

All authorities should ask themselves these questions:

<table>
<thead>
<tr>
<th>Questions</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>What sports related services do we currently provide? Who does and doesn't use them, and why?</td>
<td>• user surveys • contact with clubs, leagues etc. • surveys among people who don't use the services</td>
</tr>
<tr>
<td>Who else is providing services to our community and what are those services?</td>
<td>• provision by adjacent authorities, voluntary and private sectors</td>
</tr>
<tr>
<td>What are we trying to achieve and who are we trying to help?</td>
<td>• accessibility orientation (attention concentrates on location of facilities, no price barriers to use by the poor) or • participation orientation (actively seeking to increase participation)</td>
</tr>
<tr>
<td>What needs are we trying to meet?</td>
<td>• expressed needs • suppressed demand or • needs as determined by the authority (paternalistic approach)</td>
</tr>
<tr>
<td>What constraints are we working under?</td>
<td>• legal (e.g. CCT) • financial (capital, revenue)</td>
</tr>
<tr>
<td>How will needs change?</td>
<td>• demography • fashion</td>
</tr>
<tr>
<td>What will we do as they change?</td>
<td>• respond to trends or be innovative • support a wide range of activities or concentrate on a selected few (a 'core curriculum')</td>
</tr>
<tr>
<td>What should we leave to the private or voluntary sectors?</td>
<td>• activities • facilities</td>
</tr>
<tr>
<td>How can we best meet needs?</td>
<td>• what to provide • which activities to support • pricing and subsidy policy • special arrangements for target groups</td>
</tr>
<tr>
<td>What resources are required?</td>
<td>• budgets (capital and revenue) • staff (numbers, skills, training needs)</td>
</tr>
<tr>
<td>How do we monitor what we are achieving?</td>
<td>• management information needs</td>
</tr>
<tr>
<td>What do we need to do to implement our ideas?</td>
<td>• organisational change • assignment of responsibilities</td>
</tr>
</tbody>
</table>
PREPARING FOR COMPULSORY COMPETITION

71. The general issues of CCT have been discussed in the Commission's Occasional Paper *Preparing for compulsory competition*. However, there are a number of issues specific to the management of local authority sports facilities and detailed advice will be given in the *Management handbook*. In summary, authorities need not only to review policy but to:

- decide their attitude to an in-house bid; if an authority does not intend to allow an in-house bid then it is not obliged to follow the full provisions of the Local Government Act 1988, although its wider fiduciary duty to its ratepayers argues for it to seek competitive tenders;

- reorganise, where necessary, to identify clearly the client and the contractor (DSO) parts of their organisation;

- improve the efficiency of the DSO, if it is decided to make an in-house bid;

- decide on contract strategy; whether to use the voluntary sector to manage some facilities, how many contracts to use and whether to include cleaning, catering and ground maintenance at sports facilities in management contracts or to let separate contracts;

- prepare the contract specification; in particular, decisions are required about payment to the contractor. Authorities should avoid arrangements under which they bear losses if the contractor's performance is poorer than expected. Decisions are also needed about control of programming and pricing;

- draw up short lists and evaluate tenders. Many evaluations will require the authority to assess tenderers' usage and income forecasts as well as cost predictions;

- start up and then manage and supervise the contract.

DUAL USE CENTRES

72. Dual use centres may be exempted from CCT. Even if they are, accounting systems and cost allocations need to be reappraised to ensure that schools' budgets are not unintentionally subsidising public use, or vice versa. Dual use centre management should then have a contractual relationship with the authority or authorities (where joint provision by two or more is involved); social objectives should be clearly set out by the client, with the centre receiving an agreed subsidy from the client budget; centre management is then free to manage, within the client's constraints and can act commercially while still meeting defined social objectives for which it is receiving a subsidy.

IMPROVED COORDINATION

73. Local authority facilities sometimes compete for customers, helping to hold prices down and untargeted subsidies up. Better coordination may be required. County councils could play a role and a few already do so. Nottinghamshire County Council is, for example, heavily involved with sport via joint provision of dual use facilities in cooperation with district councils in the county; the authorities involved have agreed that different sites will be lead providers for different sports, avoiding duplication. The difficulties in cooperation between county and district councils
which have been experienced with other services, such as highways maintenance, suggests that asking counties to coordinate different districts' provision may not be universally successful. An alternative may be to increase the involvement of regional sports councils (in England) and of the Sports Council for Wales in a coordinating role. Sports councils might however need to reappraise the balance they strike between participation and provision, and the on-going revenue costs met by local authorities, if they were to take on an enhanced role.

74. The local authority role in the provision of sports and leisure facilities is an important one. Quite apart from the fulfilment of direct sport-related objectives, the facilities may play an important part in the establishment of a sense of community. The Commission is not questioning local authorities' right to pay for the fulfilment of these aims. But it is concerned that in this area, as elsewhere, authorities should know what they are paying for, and should not enter open-ended commitments whose effectiveness cannot be assessed.

75. A rigorous application of the methodology described in this report could in many cases reveal expenditure higher than it need be to meet the authority's objectives. But this does not necessarily imply that a reduction in spending is called for. The report has also shown that there is considerable scope for increasing participation among groups who could benefit from it. More discriminating use of subsidy could allow the authority to reach them.

76. It is hoped that the advice in this report, and the more detailed discussion to come in Local authority sport and recreation facilities - a management handbook will help authorities improve value for money and respond to the challenge of competition. The Commission's auditors will also be reviewing arrangements in individual authorities in 1990 to assist authorities to prepare for change.
HMSO publications are available from:

**HMSO Publications Centre**
(Mail and telephone orders only)
PO Box 276, London, SW8 5DT
Telephone orders 01-873 9090
General enquiries 01-873 0011
(queuing system in operation for both numbers)

**HMSO Bookshops**
49 High Holborn, London, WC1V 6HB  01-873 0011  (Counter service only)
258 Broad Street, Birmingham, B1 2HE  021-643 3740
Southey House, 33 Wine Street, Bristol, BS1 2BQ  (0272) 264306
9-21 Princess Street, Manchester, M60 8AS  061-834 7201
80 Chichester Street, Belfast, BT1 4JY  (0232) 238451
71 Lothian Road, Edinburgh, EH3 9AZ  031-228 4181

**HMSO’s Accredited Agents**
(see Yellow Pages)

and through good booksellers

£4.50 net