



Inquiry into Local Authority Library and Leisure Services | Evidence from Community Leisure Wales | 13 March 2023

About us

Community Leisure Wales is a membership association representing leisure and culture trusts, which are registered charities, societies or community interest companies (with a public benefit asset lock) managing public leisure and/or culture services in partnership with their Local Authority for communities across Wales¹.

The current state of local authority leisure and library service provision

Not all leisure and library service provision is managed by local authorities themselves. In most cases, the service is managed by charities and social enterprises, known as leisure and culture trusts, who are all non-profit distributing organisations. They have a contractual partnership with the local authority to manage the library and leisure services.

For local authority library service provision, in four out of 22 local authorities, this is managed by culture trusts.

For local authority leisure service provision, in eleven out of 22 local authorities, this is managed by leisure trusts. In the remaining local authorities, there is a mixture of models for public leisure – two local authorities have set up their own Local Authority Trading Company (LATC), one local authority works with an operator that is part of a complex trading structure, and the remaining local authorities manage the service in-house.

Three Trusts manage both the library and leisure provision.

Further, in all local authorities there are independent leisure and culture facilities that may be managed through a registered charity or other social enterprise model, such as the Canolfan Carwyn Sports Centre who now manage the venue after a community asset transfer from the local authority. These 'single site' operators provide a vital resource and opportunity for people to be active in their community.

The below table gives an overview of the public leisure and library services delivery models for Wales.

¹ Community Leisure Wales member trusts are: Aneurin Leisure (Blaenau Gwent), Aura Leisure & Libraries (Flintshire), Awen Cultural Trust (Bridgend), Canolfan Carwyn Sports Centre (Carmarthenshire), Celtic Leisure (Neath Port Talbot), Freedom Leisure (Powys, Wrexham, Swansea), GLL (Cardiff), Halo Leisure (Bridgend), Newport Live (Newport), Torfaen Leisure Trust (Torfaen), Wales National Pool Swansea (Swansea), and Wellbeing@Merthyr (Merthyr Tydfil).

Local Authority	Leisure Provision	Library Provision
Blaenau Gwent	Aneurin Leisure (Trust)	Aneurin Leisure (Trust)
Bridgend	Halo Leisure (Trust)	Awen Cultural Trust (Trust)
Caerphilly	In-house	In-house
Cardiff	GLL (Trust)	In-house
Carmarthenshire	In-house	In-house
Ceredigion	In-house	In-house
Conwy	In-house	In-house
Denbighshire	Denbighshire Leisure (LATC)	In-house
Flintshire	Aura Leisure & Libraries (Trust)	Aura Leisure & Libraries (Trust)
Gwynedd	Byw'n Lach (LATC)	In-house
Isle of Anglesey	In-house	In-house
Merthyr Tydfil	Wellbeing@Merthyr (Trust)	Wellbeing@Merthyr (Trust)
Monmouthshire	In-house	In-house
Neath Port Talbot	Celtic Leisure (Trust) ²	In-house
Newport	Newport Live (Trust)	In-house
Pembrokeshire	In-house	In-house
Powys	Freedom Leisure (Trust)	In-house
Rhondda Cynon Taff	In-house	In-house
Swansea	Freedom Leisure (Trust)	In-house
Torfaen	Torfaen Leisure Trust (Trust)	In-house
Vale of Glamorgan	Legacy Leisure (complex trading structure)	In-house
Wrexham	Freedom Leisure (Trust)	In-house

Financial and operational challenges

Public leisure and library services had not yet fully recovered from the impact of the Covid-19 pandemic when the cost-of-living crisis hit last year. For the current financial year, ending March 2023, 80% of our members project a deficit outturn at year end³ with an anticipated combined deficit of over £5.4 million for only leisure trusts. The impact of inflation on leisure and culture was recognised by the Culture, Communications, Welsh Language, Sport, and International Relations Committee, which concluded that Welsh sports and cultural venues need urgent help⁴.

² The Council made the decision in 2022 to insource the public leisure service following a two-year tendering process. Due to the cost-of-living crisis and costs associated with the transfer, the Council has now postponed the transfer for another year.

³ We identified four underlying challenges: changed income levels from customers; local government budgets; increased costs in utilities; and increasing investment in pay awards. The full report is available on our website:

<https://communityleisureuk.org/work/latest-sector-landscape-reports/#wales-crisis>

⁴ Welsh Parliament Culture, Communications, Welsh Language, Sport, and International Relations Committee. Increasing costs Impact on culture and sport November 2022. Available at: <https://business.senedd.wales/mglIssueHistoryHome.aspx?lId=39879>

There are four key pressure points that are particularly challenging for public leisure and library services.

1) Public return to public leisure and library services

For leisure, while usage of facilities is recovering, with an average of 86% usage of public leisure (excluding swimming) when compared to pre-Covid visitor numbers, this does not correspond to a full return of income. Not only has the return level of customers stabilised, and therefore income has stagnated, but the number of people on concessionary or pay-as-you-go membership has increased. This reflects the impact of cost of living and the reduction in disposable income of the public.

To illustrate, one member stated that their visitor numbers are 102% compared to pre-Covid, but their general income is still 10% lower than pre-Covid as 80% of their current gym and fitness membership is on a concessionary rate. The exceptions are swimming lessons, where there is a strong return with some still working on waiting lists and backlogs from the pool closures during the pandemic.

For library services, footfall is slowly recovering but not yet back to pre-Covid levels. As many libraries share their facilities with other community services, such as the Council support office, it is difficult to count how many people come in for library services only, as the footfall is measured by the total number of people who come through the doors. However, while the footfall in libraries may be slower, the number of virtual issues of books and home delivery is seeing a higher demand.

2) Management fees and Council budgets

Leisure and culture trusts receive a management fee from their local authorities to manage the services on their behalf. However, the majority of these contributions have remained flat, a real terms reduction, or they have decreased in the past few years⁵. This trend forced operators to be more reliant on income from trading which is also reduced, making them now victims of their own success, and therefore leaving little to invest back into the service or to manage the increased expenditure. While the 7.9% increase in funding from the Welsh Government, which is around £400m, is welcomed, tough decisions will remain, given Welsh local government is facing a £784m budget black hole next year⁶.

3) Pay awards

Leisure and culture trusts have increased wages over the past 12 months beyond normal pay awards in order to recruit and retain staff. While 45% of Trusts receive financial support from their local authority partner to manage pay differentials and

⁵ Changes in the value of management fees froze during the pandemic in recognition of the financial challenges to operators, but have now continued in line with earlier targets from Councils.

⁶ Welsh Local Government Association. "Hopeful of continuation of Welsh Government's commitment to local services". Available at: <https://www.wlga.wales/hopeful-of-continuation-of-welsh-government%e2%80%99s-commitment-to-local-services>

inflation (either through management fees linked to the Consumer Price Index or additional funding support from the Council to cover pay rises), there are significant pressures regarding affordability, especially for the majority that receive no support.

To illustrate, our members in Wales work closely with trade unions and work to ensure pay is in line with increases in National Living Wage and ensure pay differentials. In the case of one Trust, this will add over £500k to the expenditure bill for 2023/24. Another Trust informed us that their end of year deficit budget of £300k is mostly caused by realigning pay scales to ensure there is no erosion of pay differentials between staff.

Due to the significant increase in the National Minimum/Living Wage (9.7% from April 2023), many Trusts will struggle to match this across the organisation. They will therefore prioritise those on NMW/NLW with a tiered pay award across the rest of the organisation. Unfortunately, this will result in further erosion of the differentials between salary grades.

4) Investment in decarbonisation

Leisure and culture trusts continue to review opportunities for decarbonisation as a key priority. While it will not solve the current, immediate pressures, they are working closely with local authorities to access the Welsh Government's Free Energy Service and are actively using the capital investment opportunities from Sport Wales to future proof the service.

However, while leisure facilities are consistently in the top 5 most carbon intensive buildings in a local authority area⁷, and up to two thirds of the building stock is past its replacement date, leisure trusts are unable to make further investments without sustainable financial support into their services due to the large costs involved and their current financial position.

Local authority arrangements and exit strategies

If a local authority with inhouse leisure or library services wants to move to a leisure or culture trust model, they can do so without the need to go through a competitive procurement process as leisure and culture trusts are core, or "anchor", local and regional public benefit community institutions, with no other competitors delivering the same services. They are purpose-aligned with commissioning public authorities and may, on that basis, in reality, be properly recognised as distinct from commercial market suppliers. The formal procurement requirement is the "Negotiated Procedure", meaning agreeing a contract which is objectively fair and reasonable from the public sector perspective⁸.

⁷ As identified through the 'opportunity identification' of the Welsh Government Energy Service.

⁸ Stone King. Leisure and Culture Trusts and Progressive Public Sector Commissioning: a Paper Commissioned by Community Leisure UK. Available at:

Strong partnership and an agreed joint focus on local outcomes between a local authority and their delivery partner i.e. leisure or culture trust will inform a Service Plan with mutually agreed targets and expectations.

For local authorities that work with a leisure and/or culture trust, there are direct and indirect financial risks and consequences to consider if they are contemplating an alternative model.

There are two main parts of this process:

1. The costs and timeline of the service transfer to a different delivery model;
2. A robust options appraisal outlining the advantages and disadvantages of different models.

Undertaking a full procurement exercise including transfer would take at least 18 months and incur significant costs and management resources. There are two options without the need to undertake a competitive procurement process; either bringing the service in-house or establishing a Local Authority Trading Company (LATC). However, in both cases, the insourcing process has significant set up costs, as well as ongoing increased delivery costs as compared with an outsourced model.

Advice from the Local Government Association in England and the lessons learned from local authorities who have gone through changing their delivery model highlight that exhausting all options to maintain the existing operator should be the first step⁹. This includes exploring terms that could make the existing contractual relationship more viable.

Moreover, section 16 of the Social Services and Well-being (Wales) Act 2014 places a duty on local authorities to 'promote development of Social Enterprises to provide care and support and preventative services'. In light of this, the Auditor General for Wales has evaluated how local authorities work with social enterprises, in which it concluded that "Social Enterprises can provide important services, but most local authorities lack a coherent strategy and are not working collaboratively to help support their growth and development"¹⁰.

If, after careful consideration, the local authority decides to go ahead with an exit strategy and change delivery models, there is a long checklist available to assist with the transfer process¹¹.

<https://communityleisureuk.org/wp-content/uploads/2022/07/Leisure-Trusts-and-Progressive-Commissioning.pdf>

⁹ Local Government Association. A guide to the emergency insourcing of leisure services. Available at: <https://www.local.gov.uk/publications/guide-emergency-insourcing-leisure-services#>

¹⁰ Audit Wales. 'A missed opportunity' – Social Enterprises. Available at: <https://www.audit.wales/publication/missed-opportunity-social-enterprises>

¹¹ See footnote 9, Appendix B: Transfer checklist.

As part of the transfer of service from an outsourced provider to an in-house delivery model i.e. insourcing, below are some of the key considerations, though this is not an exhaustive list:

- Set up and mobilisation costs and resources including human resources and TUPE transfer management, IT systems and licenses, operational systems and policies, health and safety policies and procedures, maintenance and utilities management systems, sales, marketing and communications development, finance and administration systems and project management.
- Allocation of risk, specifically operational and commercial.
- Service disruption.

In the case of a new LATC, there would be additional resources required to establish governance policies and additional legal costs¹².

Once the transfer is complete, it is important to consider that moving away from a leisure or culture trust model to an in-house delivery, will come with a significant change in the ability of the service to access efficiencies. While there has been a recent change in legislation to VAT treatment of local authority leisure services¹³ which allows local authorities to apply the non-business treatment to their supplies of leisure services, there are still significant cost benefits to the leisure and culture trust model that will be lost. What makes leisure and culture trusts a more favourable model from a tax perspective, is the 80% NNDR charitable relief. This will no longer be accessible if the Local Authority decides to run the public leisure and/or library services in-house.

In addition, the following needs to be considered when changing from a charitable trust model to in-house delivery of public leisure and library services:

- Future operational costs including lower levels of income generation, and higher procurement costs.
- Increased employee costs, including alignment with local authority pay scales and terms and conditions, and the absorption of pension liabilities.
- Loss of access to charitable relief, including Gift Aid and other benefits.

We caution local authorities to not make decisions based solely on cost management but instead focus on the delivery of leisure and culture as public services. Changing contracts from a leisure or culture trust to an alternative model is unlikely to support Councils with their budget pressures nor will it increase the investment going to public leisure and culture services.

¹² See "Phase two - Transfer preparation" of the emergency insourcing of leisure services guidance linked in footnote 9.

¹³ UK Government. Policy paper. Changes to VAT treatment of local authority leisure services. Available at:

<https://www.gov.uk/government/publications/revenue-and-customs-brief-3-2023-changes-to-vat-treatment-of-local-authority-leisure-services/changes-to-vat-treatment-of-local-authority-leisure-services>

This is especially relevant in Wales with the Welsh Government's recent publication *A toolkit for insourcing in Wales*¹⁴. As highlighted in the guidance, insourcing should not undermine foundational economy objectives and the value of social enterprise and cooperative models should be recognised. The guidance states:

"Nurturing the third sector, including social businesses, not-for-profit enterprises, and democratic businesses such as worker-owned co-operatives, is key to maximising the benefits of a foundational economy approach. These organisations, provided they sit within a generative business structure, are hardwired to redistribute surplus and benefits locally, so increasing their prominence in the economy, locks more wealth and benefits into local communities. " (p. 18)

Therefore, a blanket approach to insourcing as an "exit strategy" would neglect to consider the charitable purpose of leisure and culture trusts as the Trust model is a charitable third sector approach to service delivery.

Integration with other services provided by local authorities

Most leisure and culture trusts have strong partnerships with local educational institutions and schools. They provide adult education schemes in libraries and other community venues, early years provision, and school holiday programming of various arts, sports and physical activities including adaptations of Streetgames' Fit and Fed programme.

To illustrate, Aura Leisure & Libraries delivered the Fit Fed and Read programme in summer 2022. The aim of Fit and Fed is to create opportunities for physical activity, and promote a healthy diet by providing healthy snacks at the end of each session. Back in 2021, Aura colleagues decided to add an additional library element to the sessions which focuses upon reading and creativity. The feedback from communities for this project has been really positive. The headline figures showing 5,480 attendances with 2,875 meals served over 110 Volunteering hours, engaging with 10 different partners and 100+ meals to homeless shelters¹⁵.

As leisure and culture trusts operate a wide portfolio of facilities and programmes beyond traditional leisure centres and libraries, including theatres, visitor attractions, country parks and community centres, they integrate more physical activity and cultural elements of their work, integrating this with wider economic development plans of their local authorities. For example, Wellbeing@Merthyr are working with local partners and are represented on local active travel and tourism boards.

¹⁴ Welsh Government. A toolkit for insourcing in Wales. Available at: <https://www.gov.wales/a-toolkit-for-insourcing-in-wales-html>

¹⁵ For more information, please visit Aura Leisure & Libraries website: <https://aura.wales/looking-back-on-a-summer-of-fit-fed-and-read-sessions-with-aura-wales/>

Further, public leisure and library services integrate care into communities. Their portfolio not only provides reliable infrastructure across Wales to keep people well nearer to home, away from clinical settings, but also considers people's personal preferences, needs and ability to engage. Their programmes and activities:

- i. *reduce inequalities in ill health* by providing access to tailored and supervised physical activity and cultural activity that improves people's physical and mental health.
- ii. *reduce the time patients spend in hospitals & in NHS care* through prehabilitation, rehabilitation, and preventative services.

We set out how this integrated and collaborative approach is supported by leisure and culture trusts in our joint report with the Welsh NHS Confederation¹⁶.

In addition, Wales is fortunate to have a National Exercise Referral Scheme (NERS), funded by Welsh Government, which standardises exercise referral opportunities across all local authorities and local Health Boards¹⁷. NERS is managed locally by leisure trusts and their workforce, providing an opportunity to the health sector to offer a person-centred approach to healthy living considering personal preferences, needs and ability to engage. The scheme is an evidenced based health intervention that incorporates physical activity and behavioural change. The aim of NERS is to reduce the inequalities in ill health by providing access to tailored and supervised physical activity.

In addition, as part of their preventative and person-centred approach to health, leisure and culture trusts manage social prescribing programmes. Social prescribing enables health professionals to refer people to a range of local, non-clinical services, offering a holistic way to health and enabling people to take greater ownership of their own health. Examples include exercise referral, arts and culture activities, books on prescription, gardening, health walks, and a range of sport activity.

Finally, leisure and culture trusts are a key partner for local government and contribute significantly to local authorities' statutory duties under the Wellbeing of Future Generations Act¹⁸. The application of the Act warrants the inclusion of leisure and culture trusts, not least because of the recognition it gives to arts, culture, sport and leisure as the wider determinants of health, but because the trust model is founded on cross-subsidy to ensure those communities who are in most need of inclusive activities and services, can access them. Trusts:

¹⁶ Welsh NHS Confederation. Leisure and culture trusts health and wellbeing support to the NHS in Wales. Available at:

<https://www.nhsconfed.org/publications/leisure-and-culture-trusts-health-and-wellbeing-support-nhs-wales>

¹⁷ Public Health Wales. Wales National Exercise Referral Scheme. Further information at:

<https://phw.nhs.wales/services-and-teams/wales-national-exercise-referral-scheme/>

¹⁸ For more information, please see our 2019 response to the consultation on *Our Future Wales*. Available at: <https://communityleisureuk.org/work/policy-strategy/#future-wales>

- i. cross-subsidise services i.e. more profitable activities will subsidise other health and community outreach work, and;
- ii. cross-subsidise access i.e. using income from those who can afford to pay is used to support reduced cost or free activities for those with less disposable income.

Perceived benefits of alternative models of service delivery in Wales

As evidenced earlier, half of all public leisure delivery and local library services in four local authorities in Wales is managed by leisure and culture trusts. Working through the Trust model allows the local authority to focus on other services while being assured that the public leisure and culture services are being managed with the community and quality of the service at its forefront.

Research from Social Business Wales shows that 26% of all social businesses in Wales operate in the community-based arts, leisure and recreation sectors. Their analysis further suggests that most social businesses' core purpose leads them to work towards five of the seven well-being goals, including a more resilient, prosperous, equal, healthy Wales and a Wales of cohesive communities¹⁹. They highlight that:

“Social businesses are different from both classic private sector companies and traditional charities because they strike a balance between the two, looking to trade as any other business but also primarily existing to deliver on their social mission.”

Leisure and culture trusts are an example of such social business; they are non-profit distributing organisations that operate on small margins. Any profit that is generated is reinvested into providing accessible and inclusive services for communities. These organisations do not have shareholders and are not private businesses. They are governed by Trustees from the local community, are transparent and share a fundamental commitment to supporting their community.

It is important to recognise the inherent public and social value and the distinct operating environment and additional benefits offered through social enterprise and charitable trust delivery models.

As organisations dedicated to: maximisation of public benefit, within available resources; deep community integration, knowledge and engagement; promoting community employment; and concerned with service sustainability and development, rather than, exclusively, shareholder investment returns, they offer potentially greater interest and focus on and long-term commitment to community benefit, development and wealth-building. They form an integral part of the foundational economy.

¹⁹ Social Business Wales. Mapping the Social Business Sector in Wales / 2020 Census. Available at: <https://cwmpas.coop/wp-content/uploads/2022/06/3.2.7.-SBW-MAPPING-SOCIAL-BUSINESS-full-20-ENG.pdf>

Stone King, legal experts in public benefit, social enterprise and charity, produced a briefing on progressive commissioning and stated: “Leisure and Culture Trusts, as charitable and/or public benefit companies, dedicated to such inherent Social Value, are purpose-aligned with commissioning public authorities and may, on that basis, in reality, be properly recognised as distinct from commercial market suppliers.”²⁰

Good practice to ensure sustainability of local leisure and library services

It is good practice where public leisure and library services are outsourced, for local authorities to see their relationship with the leisure and culture trust as a partnership rather than a client-supplier relationship. This includes the collaborative co-design and co-development of services to address common aims, rather than simply purchasing services at the lowest cost. Effective engagement should include leisure and culture trusts in local strategic planning.

The strategic specification for public leisure and culture should include a focus on “Public Value Imperatives”, which may include: being demonstrably purpose-driven; demonstrably community engaged; and demonstrably serving social needs, for example, in relation to well-being, health, education, social inclusion.

To ensure sustainable service delivery, local authorities need to have an ongoing commitment to sustainable funding for the service. In the case of leisure and culture trusts, this is most commonly done through management fees with an uplift linked to CPI.

Further, to future proof the service and to support the move to net zero, there will need to be separate investment into environmental efficiency. Local authorities need to actively include local leisure and library facilities in any decarbonisation efforts, and work closely with leisure and culture trusts to improve energy efficiency of existing buildings.

For example, the collaboration between Newport Live and Newport City Council saw over 2,000 solar panels installed on the rooftop at the Geraint Thomas National Velodrome in Newport after they were able to access the Welsh Government’s Free Energy Service for a full environmental audit and interest free loans²¹.

Finally, to support local authorities in their collaboration with social enterprises, there is a checklist available from the Auditor General for Wales that enables them to review their current approach and ensure alignment across departments and with the wider voluntary and community sector²².

²⁰ See footnote 8.

²¹ Egni Coop. New film launched featuring Geraint Thomas National Velodrome of Wales. Available at: <https://egni.coop/new-film-launched-featuring-geraint-thomas-national-velodrome-of-wales/>

²² See footnote 10, Appendix 2: Checklist for local authorities for effectively engaging and working with Social Enterprises