

Fusion Lifestyle – Leisure Contract Performance 2013/14

From : Leisure and Performance Manager

Councillor Mike Rowley Executive member for Leisure

Date : 29 July 2014

At Scrutiny Committee on 23 June, Members made requests and comment which this note responds to.

1. Facility running costs

Revenue and capital are shown separately as by including capital we create a skew in the figures (for example we are investing £9.23 million for a new pool at Blackbird Leys and trend data is difficult to capture by comparing this year to the following year).

Comparison only becomes meaningful when we compare running costs and include usage. This is why the leisure industry as a whole uses the subsidy per user for benchmarking purposes.

By adding in capital on the same line a misleading picture is created showing leisure facilities that are due to close (and therefore not invested in) as being lower cost than the facilities being retained and invested in.

The total depreciation and capital charges for all our Leisure Centres came to £817k in 2013/14.

Capital expenditure can be shown as a separate line if required; additionally Officers would be available to meet with the Scrutiny Committee chair to discuss further if desired.

Appendix one gives a position statement on whether there is a commercial loan between the Council and its leisure partner Fusion. There is no commercial loan between the council and Fusion. In accordance with the contract and the councils approved capital programme the council invests in the centres, which it remains the freeholder of. In return for the investment the grant paid to Fusion to run the centres to our specification, including a generous concessions policy is reduced.

2. Performance outside of expectations

Service specifications to be met by Fusion Lifestyle (Fusion) in respect of its provision of leisure services are captured in a payments, performance and default regime. The specification is largely output based to ensure that outcomes from the services are met and that continuous improvement is achieved.

A performance monitoring system has been adopted that is both effective in helping achieve the desired outcomes and easy and efficient to operate. Under this system certain financial deductions apply in the event that Fusion fails to achieve the required performance standards.

Defaults applied in 2013/14 included (examples of actions taken are shown):

- deviation from advertised opening hours (employee performance management, recruitment to vacant posts)
- failure to timely and accurately report or respond (review of reporting programme and improvement to reporting format)
- non-availability of equipment and/ or ICT and telephony systems (review of existing systems, improving efficiency, replacing/ repairing equipment)
- variance to annual participation targets (sport and community outreach work, promotional offers and increased marketing).

Performance defaults in 2013/14 equated to an overall total of 135 penalty points, a financial management fee deduction of £6,750.

3. Publicity Campaign

Active Women is a national campaign and funding received from Sport England is to target women and girls from 16 years and above; therefore publicity has to be gender biased as a funding term and condition. There are no recorded complaints or suggestions from the public regarding this.

We are permitted in law to positively promote activities to a group possessing a protected characteristic if we are responding to a demonstrable lower take up. Funding is targeted at women to try and address the drop off in participation in sport for women and girls and the images are linked to achieving this aim and the project exceeded target.

Sport England have various pots of funding that target other specific target areas which the Sports Development team have been successful in (these are not linked to the Fusion contract).

4. Views of non-card users at facilities

A non-user satisfaction survey and the Sport England National Benchmarking survey (completed in November 2013) are completed by Fusion every two years.

The last non-user survey was completed by Leisure-Net Solutions Ltd in October 2011. This research was designed to investigate attitudes and behaviour around physical activity and exercise in general and more specifically to find out what the residents of the area think about the facilities and performance provided by Fusion at Oxford and what would encourage them to use leisure facilities in the future. The next survey is due to be completed by October 2014.

Key Findings

- The majority of the sample thought that regular exercise/activity was important with 68% stating very important (national benchmark 61%).
- 52% strongly agree that physical activity is good for your health even if moderate, 32% strongly agree it's good for your health even if only for 10 minutes at a time. 43% strongly agree physical activity is better for you if you keep it up for at least 30 minutes and 16% strongly agree it's better if you get out of breath. 38% either agree or strongly agree you can get enough in your daily life without doing sport or exercise.
- 42% thought that they were regularly undertaking at least 5 x 30 minutes of moderate exercise (national benchmark 39%). 12% said they had done no sessions, (national benchmark 15%).
- Of those that did exercise regularly, 18% used a leisure centre/health club Esporta and College/University facilities seem to be the main competitor at 25% each, followed by LA Fitness at 11%. The most popular form of independent activity was walking/jogging in the street/parks at 74%.
- 62% of respondents are wanting to do more activity, slightly lower than the national benchmark of 67%), the main reason for this being "wanting to improve their health" at 62%. Slightly under half (47%) thought that not enough time due to work was the major factor in preventing them doing more, (national average 50%), followed by not enough time due to home at 11%.
- Of those who do not want to do more the main reason is "no need" at 56% (higher than the national average at 44%), followed by not enough time due to work at 13%.
- The key factors to be addressed according to non-users are lack of time, which has the highest importance factor at 49% stating very important. Direct costs (17%); lack of personal motivation (11%); indirect costs (9%).
- The main reasons they don't currently use were 'No time' (31%), 'Cost' (17%), and 'No need' (12%).
- The main thing, according to our respondents, that the facility could do to encourage usage amongst these non-users, would be to 'Lower costs' at 28% (lower than the national benchmark at 44%), followed by 'more information' (8%).

5. Failing attendance amongst young people

The report advised that membership usage analysis presented a skewed picture, as not all visits are by Oxford residents. In addition, whilst Fusion has demographic characteristics about visitors who are members, they do not have this information for all members or non-members so the detail could not tell the whole story.

Working in partnership with Oxford City Council, Fusion continue to increase sports and community outreach working with local partners to deliver more activity, review programmes and make changes to encourage target groups, improve promotion and marketing campaigns, introduced a swim school direct debit membership to support uptake by this age category. The new soft play activity zone at Blackbird Leys has further extended the leisure offer for younger people.

As an effect of this work overall participation by this category in the first quarter of 2014/15 is demonstrating a 32% increase in visits. Furthermore, Fusion are increasing awareness of the (free) Oxford Sport & Leisure Rewards Card (rewards for using the wide choice of facilities in the City), which has the objectives to:

- ensure usage data is accurately captured
- influence loyalty
- effectively monitor usage and monitoring of target groups
- effectively monitor demographic data
- enable improved communication
- facilitate targeted marketing.

For these reasons we do not believe this year's recorded decline in participation among young people is part of a trend; however, we are keeping a close eye on young people's participation through our regular monitoring of the partnership with Fusion.

6. Information excluded from the public

The request has been made to Fusion who wish to reasonably support. Officers will be in a position to update Scrutiny Committee following the Performance meeting with Fusion in August.

Appendix One.

Leisure Improvement Works

From: Head of Finance

: Executive Director Community Services

Date : 10th July 2014

Leisure Contract: Improvement Works

At Scrutiny Committee on 23rd June, Members requested a position statement on whether there is a Commercial loan between the Council and its Leisure partner Fusion. This note outlines the current position. The Leisure Market testing Evaluation report went to CEB on 28th January 2009. When Leisure was market tested, all bidders were asked to develop a schedule of improvements for the Leisure centres. As part of the evaluation of the bids, it was concluded that due to the Council's ability to access cheaper capital financing it would be advantageous for the Council to Finance the expenditure. Negotiations were then had with the successful bidder as to the amount of financial recompense which would be achieved through reductions in the management fee. Under the Contract there were two phases of Leisure Improvement works. It was part of the agreement that with the implementation of these works there would be a reduction in the management fee in two respects;

- 1) 3% of the value of the Leisure improvement works undertaken, as negotiated with Fusion in accordance with the above; and
- 2) An amount of £63k per annum, based on the full completion of the works, which represents the increase in revenue that was estimated to accrue annually as a result of the works, shared equally between Fusion and Oxford City Council. During the period the works are being undertaken, the £63k reduction will be applied pro-rata to the value of works completed.

The amount by which the management fee has been reduced by in respect of these reductions is as follows: -

	2012/13 £000s	2013/14 £000s
1. 3% of works undertaken	8	8
2. Proportion of £63k applied	32	32
Total Adjustment	<u>40</u>	<u>40</u>

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