

To: Scrutiny Committee
Date: 4 July 2016
Report of: Head of Community Services
Title of Report: Leisure management contract performance, April 2015 to March 2016.

Summary and recommendations	
Purpose of report:	To provide a performance update of the city's leisure management contract with Fusion Lifestyle, April 2015 to March 2016.
Key decision:	No
Executive Board Member:	Councillor Linda Smith, Executive Board Member for Leisure, Parks and Sports.
Corporate Priority:	Strong and active communities; An efficient and effective council, A clean and green Oxford.
Policy Framework:	Leisure and Wellbeing Strategy, 2015 to 2020.

Appendices	
Appendix 1	Governance summary.
Appendix 2	Overarching performance dashboard.
Appendix 3	Contract subsidy per user.

Introduction and background

1. In March 2009 the Council entered into a contract with Fusion Lifestyle (Fusion), a social enterprise with charitable status, to manage the Council's Leisure Facilities. The initial contract was for ten years, with a five year extension clause.
2. In February 2014 the City Executive Board agreed to enact the extension clause and extend the contract to for the development, management and operation of the City's leisure centres for a five year period to April 2024.
3. The Council has a contractual relationship under which the leisure facilities are managed by Fusion. The Leisure Management Agreement sets out the range of contractual requirements with which Fusion must comply. Fusion's delivery of their Annual Service Plan is a contractual commitment.

4. Appendix 1 provides a summary map for the contractual governance mechanism.
5. In 2015/16 The Leisure Management Contract incorporated the service delivery of the Council's five leisure facilities;
 - Barton Leisure Centre
 - Leys Pools and Leisure Centre
 - Ferry Leisure Centre
 - Hinksey Outdoor Pool
 - Oxford Ice Rink.
6. This report sets out performance of the leisure facilities and where comparison data is available performance against previous years.
7. A summary of key performance headlines follows and a performance dashboard is provided in Appendix 2.

Financial

8. The contract has greatly improved the user experience, alongside achieving increased cumulative cash savings of around £1.94 million per year.
9. Over this period, facilities have been greatly improved with around £15 million of capital investment, which has in the main been funded by the contract savings.
10. The cost of the core leisure management contract to the Council was fixed according to an agreed payment schedule for the period of the contract. The fee has reduced following investment in improved quality facilities, and is based on charging a market rate for those who can afford it, whilst offering concessions to those on low incomes.
11. From April 2015 and for the remainder of the contract Fusion now pay the council for the management of facilities. This equates to around £3 million pounds savings to the council over the remaining contract period.
12. The five year extension (to April 2024) guarantees a saving to the Council, resulting in the operation of the leisure centres reducing to approximately zero cost by 2017/18 (Appendix 3).
13. Savings from the contract with Fusion are already reflected in the Council's budget and the risk for achieving these is Fusion's.
14. The management agreement contains provisions to share profits that are made above those agreed when the contract was agreed. No overall surplus above contracted performance was achieved in the 2015/16 period, so profit share arrangement does not apply.
15. The Oxford Living Wage continues to be paid to employees and those engaged by Fusion in Council facilities.

16. Competitor benchmarking against neighbouring leisure providers demonstrated that fees and charges in city facilities continue to be at least comparable.
17. The Bonus concessionary membership scheme for those in receipt of one of 15 eligible benefits, and their dependents, gives reduced rates on activities at all our leisure facilities and continues to offer affordable access to Oxford facilities.

Participation

18. The overall number of visits to leisure facilities in 2015/16 was more than 1.44 million, this is an increase of 71 per cent since contract commencement; 598,000 more visits per annum when compared with the period prior to the transfer to Fusion.
19. In 2015/16 the number of visits to leisure facilities by target groups increased 194 per cent from the 2009/10 baseline year. The biggest percentage increase is in target groups; 400,000 more visits per annum to leisure facilities when compared with the first year of the contract.
20. Participation by Women and Girls has increased by 28 per cent, 110,000 more visits year on year.
21. Swimming by older people has decreased year on year by just under 11,000 visits and those aged under 17 years by just more than 3,200 visits. Conversely young people visits through the council funded free swimming sessions has increased by 10%; more than 2,200 more visits and 900 more young people registered for free swim cards.

Quality

22. Fusion continues to maintain International Standards 14001, 14002¹ and 9001² following external assessments.
23. The Council's five leisure facilities continue to be accredited with the UK quality award scheme for sport and leisure, QUEST³.

¹ ISO 14001 and 14002 are a family of standards related to [environmental management](#) that exists to help organizations minimize how their operations negatively affect the environment, to comply with applicable laws, regulations, and other environmentally oriented requirements, and continually improve in the above.

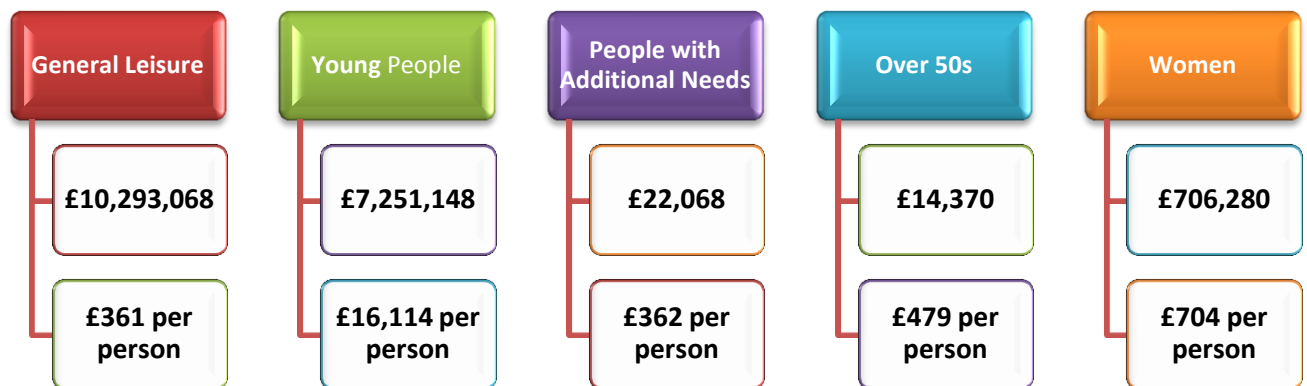
² The ISO 9001 is a standard related to quality management systems and designed to help organizations ensure that they meet the needs of customers and other stakeholders.

³ Quest is designed primarily as a tool for continuous improvement for the management of leisure facilities and leisure development. It defines industry standards and good practice and encourages on-going development within a customer focused management framework.³

24. Ferry Leisure Centre achieved an excellent QUEST rating and gained efficiency recognition from the industry National Benchmarking Service.

Social Return on Investment

25. Evaluation through Social Return on Investment (SROI) methodology, February 2016 found that Fusion generated £18,286,935 of gain from its work in Oxford during 2014.⁴



Carbon management

26. A 5.24 per cent reduction in CO₂ has been achieved against a backdrop of increased participation in 2015/16 compared to the previous year.

2.17 tCO₂ per visit /kg CO₂ in 2015/ 16 compared to 2.29 in 2014/15⁵.

27. The impact of decommissioning two old and inefficient facilities and opening of Leys Pools and Leisure resulted in a reduction of ⁶:

- 1,402,000 kWh in energy consumption
- 5,100m³ water consumption
- 406 tCO₂/year
- £83,000 utility costs
- Avoided energy spend/revenues from Solar and Biomass, CHP (ca. £30k/year).

⁴ Ross, C. Barker, L. and Epsley, S. (2016) Fusion Lifestyle Social impact evaluation of selected projects, London, Fusion Lifestyle and Bates Wells & Braithwaite LLP

⁵ CO₂ per footfall is a metric endorsed by BSi Energy Standards – although not always a total causal link between footfall and consumption it's still a useful metric/benchmarking activity.

⁶ First full years' worth of data (includes commissioning/construction energy consumption).

28. Salix Energy Efficiency projects have avoided an estimated 212tCO₂ per year; approximately £40,501 per year savings in energy spends.

Customer Excellence

29. Overall customer satisfaction in 2015/16 was 95 per cent; overall customer excellence rating was 62 per cent.

30. Fusion also uses Net Promoter Score⁷ methodology to measure the willingness of customers to recommend leisure services to others. In 2015/16 Oxford leisure services averaged 21 per cent, which is the second highest rating in the Fusion business. To further context this Virgin Active's average score in 2015 was 17 per cent across their 105 clubs.

Next steps

31. Key strategic objectives for 2016/17 include:

- Accessible and affordable leisure opportunities through pricing structures at appropriate and inclusive levels.
- Improving health and well-being by positively promoting and delivering the benefits of healthy living and active lifestyles.
- Supporting the Council's Youth Ambition Programme
- Tackling climate change and promote sustainable environmental resource management providing quality through continuous improvement.
- Driving value for money by ensuring that the leisure offering is of a high standard and innovative.

32. There is a robust monitoring process for the leisure contact and contract governance arrangements.

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Background Papers: None

⁷ The Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand.

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