

Agenda Item 8

To: City Executive Board
Date: 13 June 2018
Report of: Head of Community Services
Title of Report: Overarching performance report for the City's contract with Fusion Lifestyle (2017/18) and recommendation to endorse Fusion Lifestyle's Annual Service Plan (2018/19)

Summary and recommendations

Purpose of report:	To provide an overarching performance report for the City's contract with Fusion Lifestyle (2017/18). To recommend that the City Executive Board endorse Fusion Lifestyles 2018/19 Annual Service Plan for the continuous development, management and operation of leisure services in Oxford
Key decision:	Yes
Executive Board Member:	Councillor Linda Smith, Deputy Leader (Statutory) - Leisure and Housing
Corporate Priority:	Strong, Active Communities; Vibrant, Sustainable Economy; Cleaner, Greener Oxford City Council.
Policy Framework:	Leisure and Wellbeing Strategy, 2015 to 2020.

Recommendations: That the City Executive Board resolves to:

1. **Note** the national and local context of the leisure market;
2. **Note** the overarching performance dashboard for 2017/18; and
3. **Endorse** the Fusion Lifestyle Annual Service Plan as recommend by the Leisure Partnership Board.

Appendices

Appendix 1	Overarching performance dashboard, 2017/18
Appendix 2	SWOT Matrix
Appendix 3	Fusion Lifestyle's Annual Service Plan, 2018/2019
Appendix 4	Risk Implications
Appendix 5	Initial Equality Impact Assessment

Introduction and background

1. In March 2009 the Council entered into a contract with Fusion Lifestyle (Fusion) for the continuous development, management and operation of leisure services in Oxford. Fusion are a social enterprise with charitable status whose sole focus and extensive expertise is operating leisure facilities.
2. Prior to starting the contract with Fusion in 2009, the leisure centres were costing the Council over £2million per year.
3. The cost to the Council is fixed according to a payment schedule for the contract period. This figure has reduced to just under £100,000 per year, alongside absorbing increases in living wage, utility costs and adding in additional free swimming sessions for young people.
4. In February 2014 the City Executive Board agreed to extend the contract for a five year period to April 2024; following a contract review that led to an improved financial and service offer.
5. The savings made over the contract period have contributed towards a range of improvements to the leisure centres, with around circa £15 million of capital investment funded by the Council.

State of the leisure industry

6. The UK health and fitness industry is continuing to grow, however the last few years has seen significant changes in the market. This growth is being primarily driven from the private sector, which has more clubs, more members and a greater market value than ever before. The low cost (budget) market has continued to be the main driving force behind the private sector growth over the last 12 months¹ with many more clubs planned for the coming year. The outdoor and small group and self-organised offer has also shown growth.
7. With the continuing pressures on value for money leisure providers are expecting increased financial challenges. A recent Association of Public Service Excellence (APSE) state of the market survey showed that some providers are also exploring shorter opening times, closing sites to focus on a smaller number of large sites, and a greater focus on increasing revenue generating opportunities².
8. Areas of decline identified in the survey include sports development and sports halls. Others also suggest financial pressures on users, with people having less disposable income may see a reduction in longer term membership in favour of pay-as-you-go and shorter term options. Local Authority areas that are not well connected with health agendas are more likely to be cut or less subsidised by

¹ 2017 State of the UK Fitness Industry Report: The Leisure Database Company Ltd

² APSE State of the Market Survey 2017: Sport and leisure Briefing 17-43

health partnerships as they are not identifying the broader value that the centres offer³.

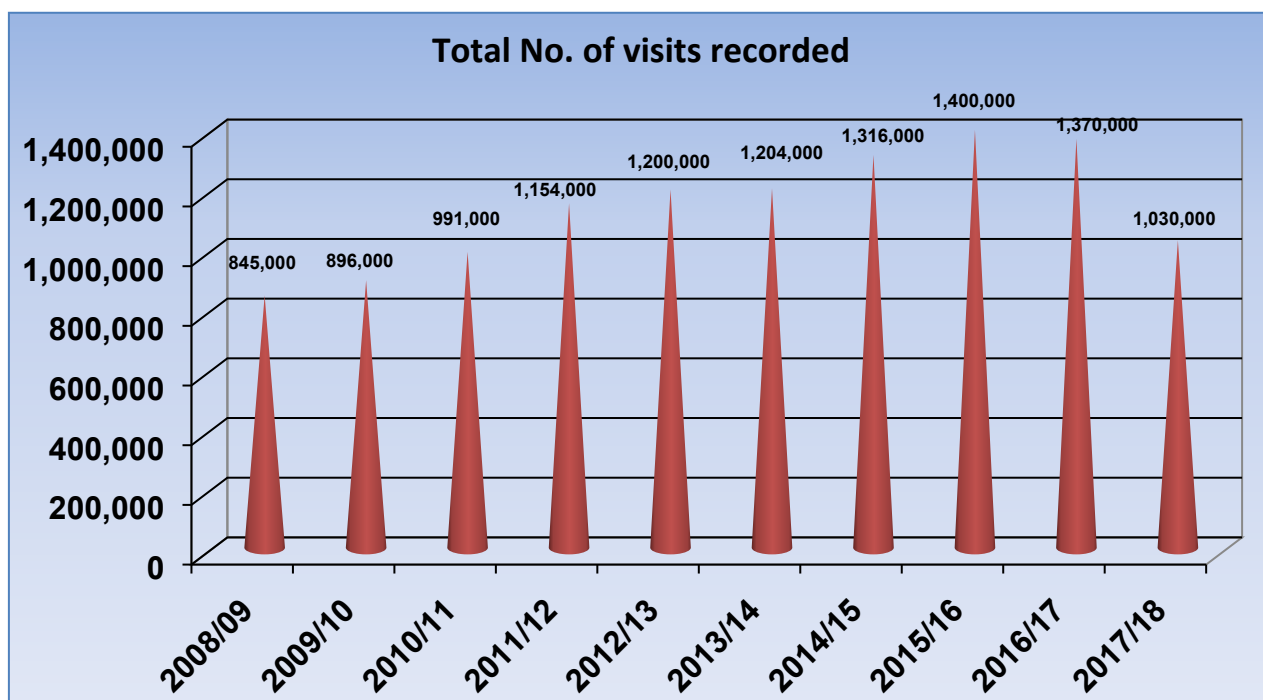
9. Industry resilience and future sustainability will need to include stronger and remodelled delivery options, intelligent commissioning, and increasing levels of participation using targeted approaches, alongside the considerations of cost and social value. The sector needs to become better at utilising off peak times to deliver social benefits.
10. The ability to be flexible and respond to market changes is intrinsic to future delivery. Sport England is now encouraging a collaborative approach with development of hubs and facilities that deliver physical activity and provide other services rather than traditional 'sport' model. Alongside the 'commercialisation' of facilities that deliver on social agendas too.

Oxford context

11. Much of our progress in recent years has been achieved through effective partnership working, taking a place leadership approach to increasing physical activity levels and delivering an offer broader than only focusing on Local Authority leisure centres.
12. The Council has continued to deliver a strategic approach to increasing participation in sport and physical activity and made a number of investments:
 - Community facilities (i.e. new gym and multipurpose activity areas in Community Centres).
 - A new gym at Oxford Spires Sport & Fitness Centre (Oxford Spires Academy).
 - Commitment to broader delivery through sport and physical activity programmes, community outreach and youth ambition.
 - Investment in our green spaces (i.e. play areas, fitness trails, tennis courts and sports pavilions).
13. Our Leisure & Wellbeing Strategy (2015 to 2020) recognised these changing trends with people wanting more variety and easily accessible opportunities to be active and we invested in opportunities to enable people to be active in our parks. The new Sports Park in Horspath will further improve our activity offer and is very much in line with national trends for activity.
14. These trends have seen more people doing a broader range of activities such as mass participation events such as Park Runs, Race for Life and Tough Mudders. Alongside this we now have three budget gyms in Oxford. The quality and experience provided by these gyms has improved significantly in recent years and they are a lower price than council leisure facilities.

³ APSE State of the Market Survey 2017: Sport and leisure Briefing 17-43

15. The Council's strategy has been successful and it has helped Oxford move from having one of the lowest levels of activity in country in 2007 (Sport England⁴), to being the fittest city in 2016⁵. In 2017 our in-house sport and leisure team also won another award as the best performing Active Communities team in the country under the Quest quality assurance framework.
16. Leisure centres are increasingly focusing on getting the inactive active, rather than trying to compete with budget gyms. These trend and market conditions are making it increasingly challenging to achieve our ambitious participation targets.
17. We have also overachieved participation targets by so much in previous years that careful consideration has to be taken for adjusting targets in future years.
18. From contract commencement we have seen a continuous rise in visits however; there has been a marked decrease in visits in the past year.⁶



Graph 1

19. We do not have any investments planned for our leisure centres in 2018/19 so it is highly unlikely that the current trend of reducing visits will change.

⁴ Active Lives Adult Survey November 16/17 Report published March 2018.

⁵ Adapt Nutrition.

⁶ Fusion completed a data cleansing exercise in May 2018. Debtor participation for the last two months of the reporting period may further alter the actual visits.

20. Our leisure provider Fusion Lifestyle is also feeling the squeeze that has resulted in a more competitive market place and they are working hard to try to tighten up their costs, some of this is being seen by customers.

Steps to continuously improve

21. Implement, monitor and report progress of the 2018/19 Fusion Plan for the continuous development, management and operation of leisure services in Oxford.
22. Maintain a positive client and contractor relationship to deliver growth whilst continuing with the depth and governance of service delivery.
23. Continue an approach of co-ordinated objectives and visions from the Council, Fusion, other health and wellbeing stakeholders and engagement with service users.
24. Work with Fusion to understand the constraints of the existing contract specification and financial delivery model for continuous development, management and operation of leisure services in Oxford. Utilising guiding principles:
- Understanding and responding positively and productively to changes in the market
 - Invest or develop, if for public good
 - Understanding impact of the wider local leisure offer
 - Increasing levels of participation by those less active (i.e. targeted groups)
 - Consideration of and ability for agile working for responding to the changing market.

Overarching performance 2017/18

(Appendix One performance dashboard, 2017/18)

25. Accessible and affordable leisure opportunities through pricing structures at appropriate and inclusive levels.

- Fees and charges are based on charging a market rate for those who can afford it, whilst offering concessions to those on low incomes.
- The Bonus concessionary membership scheme for those in receipt of one of 15 eligible benefits, and their dependents, continues to give reduced rates on activities at all our leisure facilities and continues to offer affordable access to Oxford facilities.
- A Three Months Summer Family membership offer was promoted online, on social media, emails and via outreach activities.
- The Great Outdoors campaign continued being promoted across all facilities. Alongside a free outdoor class pass campaign being rolled out and promoted.
- Swim only and individual facility membership offers were enhanced across facilities.

26. Improving health and well-being by positively promoting and delivering the benefits of healthy living and active lifestyles.

- Continued provision of reduced cost facilities to local groups such as Oxford Swans disability swimming group and KEEN (Kids Enjoy Exercise Now).
- Hosting of the Parability Day at Leys Pools and Leisure Centre.
- Delivery of the exercise on referral scheme in partnership with local Health Practitioners.
- Attendance at the Headington World Sports Day delivering activities to groups of 20 children at a time. The event is for Headington Primary schools and there are a range of sports and activities on offer throughout the day.
- Summer community outreach events to promote all Oxford leisure facilities, especially swim school and skate school.
- Facebook boosts to promote Hinksey heated Outdoor Pool and successful implementation of a new on-line session booking system.
- Launching a new website across all leisure facilities.

27. Supporting the Council's Youth Ambition Programme.

- Continued to deliver Council funded free swimming sessions and lessons for those under 17 years of age and living in the city.
- Junior Gym sessions in facilities.
- Affordable leisure memberships offer for those less able to afford to participate.
- Venue provision for Youth Ambition projects
- A School's Out programme for Summer school holidays was promoted by Fusion via, website, app, social media, email and centre dress and the Fusion Mobile app continues to be promoted.

28. Tackling climate change and promote sustainable environmental resource management providing quality through continuous improvement.

- OCC has been working in collaboration with Fusion on a range of Carbon reduction projects, such as:
 - Replacement pool covers
 - LED lighting at Ferry Leisure Centre
 - Solar car port provision at Leys Pools and Leisure Centre
- Fusion continues to commit to engage fully with the Council's priority to tackle climate change and promote sustainable environmental resource management" and to contribute to the Council's delivery of reduction in carbon emissions year-on-year.

29. Driving value for money by ensuring that the leisure offering is of a high standard and innovative.

- Increases in the Oxford Living Wage and energy costs continue to be absorbed (OCC pay living wage increases above Consumer Price Index).
- Quest (the sport and leisure industry quality and customer assurance scheme) has been achieved and maintained at all the centres.

- Fusion continues to maintain International Standards 14001, 14002 and 9001 following external assessments.
- An internal audit (completed by BDO) concluded that the control design and effectiveness of arrangements in place for management, operation and development of our leisure facilities in Oxford are more advanced and developed, when compared to other audited authorities or leisure contracts.
- QUEST is the UK quality scheme for Sport and Leisure; all five Oxford facilities are QUEST accredited

30. Delivering Service Excellence by striving to achieve an excellent customer satisfaction rating.

- Currently high customer satisfaction levels at 87 per cent satisfied and 76 per cent of customers rate the centres as good or excellent.

Comment on Areas of Concern

31. A decline in overall customer satisfaction, including:

- Ease of gaining information, lack of timely response to general enquiries and customer feedback.
- Cleanliness at peak activity time.
- Lack of timely rectification for day to day repairs and maintenance.

32. National indication of decline in recruitment and retention of lifeguards, swimming teachers and exercise instructors. Fusion is similarly experiencing this despite significantly paying employees above the average industry wage (+£1.15 for lifeguards).

There is a wide range of employment opportunities across the city. Fusion has an attractive employment offer – including the Oxford Living Wage element. Training and development of existing and new employees takes place in an organised and methodical manner. However, on occasions during recruitment and induction periods there has been noticeable impact on quality.

33. Appendix Two provides additional details in the format of Strengths, Weaknesses, Opportunities and Threats matrix.

Fusions 2018/19 Plan
(Appendix 3)

34. Fusion's 2018/19 Plan builds on the Council's approach to delivering world class leisure provision to Oxford's residents, recognising the changing market.

35. The 2018/19 Plan was developed and agreed by the Leisure Partnership Board. The Board consists of representatives from the following groups:

- Leisure centre customers
- Older people
- Young people

- Executive member (labour) with the responsibility for leisure
- Liberal democrat with the responsibility for leisure
- Senior Council and Fusion Officers
- Public Health.

36. The function of the Board is to oversee the delivery of the city's corporate objectives through the leisure contract. An effort has been made to broaden input into the Board and over the last year there has been more attendance and contribution from Young People and Users.

37. Preparation of the 2018/19 Plan has incorporated:

- Review of performance from contract commencement.
- Review of achievements in respect of national and industry relevant benchmarks.
- Commitments and intentions set out in Fusion Lifestyles tender submission
- Liaison with stakeholders.
- Understanding the part we have in working to adapt our delivery model in light of the changing world.
- Linkage to the Council's Corporate Plan.

38. A summary document will clearly set out the Plan headlines and be available to customers, staff and other key stakeholders. The document will be printed in a format consistent to previous contract years.

Performance Management

39. There will be an on-going review and monitoring process for the Plan. This will incorporate management scrutiny, monthly client performance reports, monthly meetings between key representatives of the Council and Fusion, quarterly Leisure Partnership Board meetings and a formal review in advance of the 2019/20 planning process.

Environmental

40. The Plan has targets and actions that will have a positive environmental impact. These contribute to the Council's commitment for tackling climate change, promoting sustainable environmental resources, and to the reduction of carbon and water. The partnership between the Council and Fusion will continue to stretch this and where additional investment is required it may be possible to build sound business case.

Financial implications

41. Savings from the contract with Fusion are already reflected in the council's budget.

Legal implications

42. The Council has a contractual relationship under which the council's 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 the Service Plan is a contractual commitment.

Level of risk

43. The changing leisure market is a risk to service provision. The contract has a good track record, strong contract management and member scrutiny. Descriptions and mitigation for this level of risk are demonstrated in the Risk Implications, (Appendix Four).

Equalities impact

44. Targets and actions within the Plan ensure equitable access to improved facilities and encourage increased usage for underrepresented and concessionary groups, in accordance with the equalities impact assessments and action plan, (Appendix Five).

Report author	Lucy Cherry
Job title	Leisure and Performance Manager
Service area or department	Community Services
Telephone	01865 252707
e-mail	lcherry@oxford.gov.uk

Background Papers:

1	Fusion Lifestyle Annual Service Plan summary 2016/17 (proposed design of finished document)
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