

NOT FOR PUBLICATION

This report contains exempt information included in the appendices as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (financial affairs relating to the business affairs of the Council or a third party)

Report to: **Hub Committee**

Date: **2 November 2021**

Title: **Fusion Lifestyle –Leisure Contract Support Update**

Portfolio Area: **Health and Wellbeing – Cllr Leech**

Wards Affected: **All**

Urgent Decision: **Y** Approval and clearance obtained: **Y**

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RECOMMENDATIONS

That the Hub Committee:

- 1. NOTE the performance of the Fusion contract to date, wider market trends and the financial information on Fusion’s performance in 2021.**
- 2. RECOMMEND to Council the contract variation and changes to the management fee profile as set out in Appendix A (Table 1).**
- 3. RECOMMEND to Council to fund the £58,639 shortfall in income of the management fee in 2021-22, from the COVID Losses Earmarked Reserve in 2021-22.**

1. Executive summary

- 1.1. The Covid-19 pandemic continues to impact the current use and recovery of leisure centres across the country with challenging conditions still affecting Fusion Lifestyle, the Council’s operator, following the reopening of the facilities in April 2021.
- 1.2. In the recent report published in September 2021 on ‘Securing the future of public sport and leisure services’ by the LGA and APSE, it highlights the devastating impact of Covid-19 on public leisure with the loss of income due to facility closures, higher operational costs and Councils providing additional funding support to keep them open.
- 1.3. Access to leisure services and the health and wellbeing of the community are clearly linked; there is a connection between low levels of physical activity and an increased occurrence of certain health

issues. There are other important reasons why higher levels of physical activity will have a positive effect on the overall health and wellbeing of a community. Sport England reports that increased opportunities for physical activity, and access to leisure and sporting facilities can help to reduce anxiety, stress or depression; improve levels of confidence and self-esteem and can help bring together people from diverse backgrounds.

- 1.4. This report provides an update on current performance levels, the recovery and business impact within the Contract and proposed contract variations so as to mitigate those impacts.
- 1.5. It sets out the financial implications for this Council during the current year and for the future term of the leisure contract. The recommendation to adjust the future management fee profile to reflect the impact of the pandemic, provides the best footing for the leisure centres within the District to spring from in 2021. These changes do not vary the total management fee due over the contract period, which remains the same. So the impact is one of timing and the impact on the overall profile of cashflow and revenue income from the management fee payable.
- 1.6. Investing and supporting public leisure facilities is an investment in ill-health prevention and leisure centres are essential community hubs, significantly contributing to improving people's health and wellbeing.
- 1.7. Appendix A sets out the new proposed management fee. There would be a £58,639 shortfall in income of the management fee in 2021-22. It is recommended to fund this shortfall from the COVID Losses Earmarked Reserve in 2021-22. From 2022-23 onwards, the proposed management fee income would be in excess of the current budgeted income level, as detailed in Appendix A.

2. Background

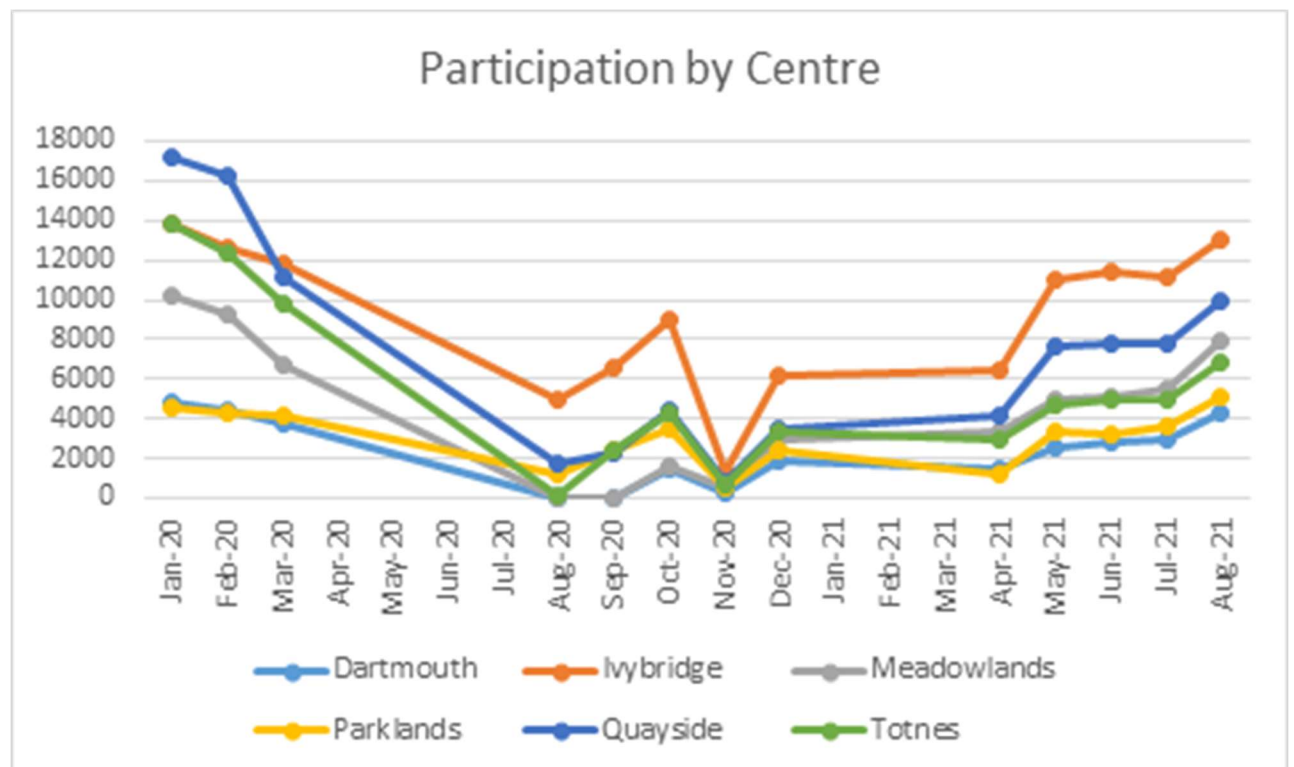
- 2.1. In 2016, the Council signed a Design Build Maintain and Operate (DBOM) contract with Fusion for the two leisure centres in West Devon. The contract is for 25 years and allows the Council to bring in private sector expertise and experience in managing a discretionary service for public leisure centres.
- 2.2. This report follows the extensive update given at Full Council last year on 22nd September 2020 (Minute CM13), where the Council agreed to continue with the Fusion Contract ('Strategic Options Appraisal') as being the most appropriate means of supporting Health and Wellbeing objectives within the West Devon Borough area.
- 2.3. The report also set out how the Council supported the leisure contract with significant funding for £435,000 to allow its centres to remain open through to March 2021. This was approved at Council on 28th April 2020, 29th July 2020 and on 22nd September 2020 (Minute Ref CM13).
- 2.4. A further report on 30th March 2021 (Minute CM43) outlined additional support being made to Fusion through the National Leisure Recovery Fund for £85,493. This enabled Fusion to meet the costs of preparing

and carrying out the re-opening of leisure centres from 12th April 2021 onwards following the last lockdown.

- 2.5. At the March 2021 meeting, it was highlighted that a further report would be brought back after the summer to provide an update on the leisure centres since their re-opening and Fusion's performance.

3. Leisure Centre's reopening and usage update

- 3.1. The key re-opening dates for the leisure centres were recently outlined in Fusion's first Quarterly Review of this year 2021/22.
- 3.2. All Centre's successfully re-opened from 12th April in line with Covid-19 restrictions and from 19th July more activities and usage could take place with the easing of the restrictions.
- 3.3. Centre participation across all 6 leisure centres in West Devon and South Hams has increased since the re-opening in April 2021 from c19,500 to c47,000 in August 2021.
- 3.4. This figure (c47,000) compared to August 2019 of c58, 000 represents over 80%.



3.5. Key points to note in leisure activities, memberships and usage are as follows:

- Overall centre memberships in August '21 are at 67%; 4,558 against 6,764 in March'20 and this being at 72% compared to August'19 memberships.

Total	March 2020	August 2021	%
Meadowlands (Tavistock)	1,075	717	67%
Parklands (Okehampton)	824	522	63%
Dartmouth	560	399	71%
Ivybridge	1,665	1,129	68%
Quayside (Kingsbridge)	1,523	1,067	70%
Totnes	1,117	724	65%
Total	6,764	4,558	67%

- Swim school has been in high demand and overall memberships are at 78% compared to March '20.
- Casual public swims have been very popular, also fitness classes have seen increased usage. The gym usage has been slower to recover.
- The launch of a new tourist membership in May '21 has been popular across the sites.
- Since July with the removal of social distancing, indoor clubs have returned and group exercise classes can move back to their smaller studios.
- Extended opening hours have been introduced where demand and revenue growth has allowed.

4. National Leisure Overview

- 4.1. As part of the National Leisure Recovery Fund, performance and usage data for leisure centres is being tracked through 'Moving Communities.'
- 4.2. This research reveals that while public leisure centres have shown a steady rate of recovery since reopening in March, there are still former participants that have not returned, with recovery rates settling at just above 70%. This current data is being compared to 2019 figures in the same period.
- 4.3. Activities have recovered at different rates as well with Swimming at 78% and Group Exercise at 62%. Also recovery rates in the rural areas were below the national average at around 65%. This may reflect an older age group as more urban areas with a younger population are returning at a faster rate.

- 4.4. In a report published by the LGA and APSE in September regarding the 'Future of Public Sport and Leisure Services', it highlights that the pandemic has hit the leisure sector hard, compounding existing challenges, including ageing leisure centres and a lack of strategic coordination between health and leisure at a national level.
- 4.5. The District Council Network reported in May 2021 that more than 100 leisure centres could be at risk of closing due to the pandemic and additional Government is needed to support the leisure sector.
- 4.6. Recent leisure procurements have indicated that it is challenging for bids to return best value and competitive tenders. Several areas, such as Plymouth and Exeter, have decided to return their leisure service to a local provision. However other Councils (including South Somerset DC) have successfully completed a procurement exercise with significant improvements in the financial proposals and investment in facilities, albeit the improvement is generally coming after the first 18 – 24 months of the contract to allow for Covid recovery.
- 4.7. Councils are still continuing to invest in their local facilities, such as Exeter with a new energy efficient leisure complex opening shortly and in North Devon with the build of its new centre in Barnstaple this summer. Most operators in the market are forecasting a return to pre Covid level during 2022/23 financial year.

5. Financial Considerations

- 5.1. Appendix A sets out a financial overview on various aspects of the Leisure Contract.
- 5.2. Appendix B1 & B2 set out the latest set of accounts and

6. 'A Plan for West Devon' – Thematic Delivery Plan

6.1 Strengthening Community Wellbeing, a high level theme within 'A Plan for West Devon', identifies 'ensuring leisure provision meets the needs of residents' as a focus area. A key action within the Thematic Delivery Plan is to secure the provision of high quality and accessible leisure services.

7. Proposed Way Forward

- 7.1 It is recommended that the Hub Committee :
 - Note the performance of the Fusion contract to date, wider market trends and the financial information on Fusion's performance in 2021.
 - Recommend to Council the contract variation and changes to the management fee profile as set out in Appendix A (Table 1).
 - Recommend to Council to fund the £58,639 shortfall in income of the management fee in 2021-22, from the COVID Losses Earmarked Reserve in 2021-22.

8. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>Officers have taken legal advice during 2020 on the impact the Government's decision has on the contract and therefore the Council.</p> <p>The contract contains a change in law clause which has been triggered by the Government's actions and as such, it is a requirement under the contract for the Council to provide support during the forced closure period. The Council has provided this support.</p> <p>The Appendices to this report are exempt from publication because they contain information about financial and business affairs of the Council and third parties as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972. The public interest test has been applied and it is considered that the public interest lies in not disclosing these Appendices at this time because they contain financial and commercially sensitive information which could prejudice the third party if such information was disclosed at this time.</p>
Financial implications to include reference to value for money		<p>Appendix A sets out the new proposed management fee. There would be a £58,639 shortfall in income of the management fee in 2021-22.</p> <p>It is recommended to fund this shortfall (£58,639) from the COVID Losses Earmarked Reserve in 2021-22, which has a remaining uncommitted balance of £312,000.</p> <p>From 2022-23 onwards, the proposed management fee income would be in excess of the current budgeted income level, as detailed in Appendix A.</p>
Risk		<p>The risks of the Leisure service were set out in Section 4 of the report to Council on 22 September 2020.</p>

Climate Change		Contract targets to reduce energy usage
Consultation and Engagement Strategy		External consultation and engagement has not been undertaken with regard to this report
Comprehensive Impact Assessment Implications		
Supporting Corporate Strategy		Health and Wellbeing – see Section 6
Equality and Diversity		Whilst private sector facilities are available within the area, opportunities for equality and diversity are improved through the re-opening of public sector leisure centres.
Safeguarding		N/A
Community Safety, Crime and Disorder		N/A
Health, Safety and Wellbeing		<p>One of the Council's adopted strategic priorities is Health and Wellbeing and it has a history of providing these services, which is why it has entered into a long term contract to do so.</p> <p>It is not the case that the Council's leisure centres are the only services available in the area.</p> <p>However they are the biggest and most complete in the offer that they provide. This includes, swimming (casual, club and swim school), gym & personal training and group fitness classes.</p>
Other implications		

Appendices

EXEMPT Appendix A – Financial Information relating to the Leisure contract

EXEMPT Appendix B – Fusion Lifestyle Accounts – year ended 31 December 2020

EXEMPT Appendix C – Full Year Outlook

Background Information

None

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Head of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	Yes

