

# CABINET

Agenda Item: 7

**Ward:** All

**Portfolio:** Property and Transformation

**Report Author(s):** Cllrs Tom Killen and Philip Ham

**Meeting Date:** 8 January 2018

**SUBJECT: Leisure Transformation Programme – Fusion Lifestyle**

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Report Sign off	Seen by:	Name	Date
	Chief Executive/ Deputy Chief Executive(s)	Donna Nolan	1 December 2017
	Legal	Lesley Dolan	1 December 2017
	Finance	Paul Deal	1 December 2017
	Group Manager	N/A	
	Portfolio Holder	Tom Killen and Philip Ham	1 December 2017
	Ward Member(s)	N/A	
Summary:	<p>The district's leisure facilities are extremely popular with people of all ages and play a key role in the Council's commitment to promoting health and wellbeing in Mendip.</p> <p>In 2013 outsourced leisure provision was costing the Council £850,000 per annum. With the leisure contract coming to an end on 31 May 2015 the Council recognised that only a truly innovative solution could realise the ambition to safeguard the future of publicly accessible leisure facilities in the district. A radical and ambitious programme was launched to develop and deliver a completely new and sustainable operating model.</p> <p>The programme culminated with the granting of a 50 year full repairing lease for each of the five leisure facilities owned by the Council to Fusion Lifestyle, an experienced sport and leisure management organisation and a registered charity.</p> <p>The granting of the lease was the culmination of an innovative and robust competitive process.</p> <p>Two and a half years into the lease, financial benefits to the Council are being realised, participation levels are continuing to increase and the long term sustainability of the facilities is now secure. The partnership between Fusion Lifestyle and the Council is continuing to successfully deliver the wider objectives of the programme.</p>		

	This report provides a summary review of the achievements. Representatives from Fusion Lifestyle will attend the Cabinet meeting on 8 January to present an update of achievements and future plans and investments, and respond to questions.
<b>Recommendation:</b>	Cabinet is asked: <ol style="list-style-type: none"> <li>1. To endorse the success of the programme and outcomes achieved</li> <li>2. To endorse the work Fusion Lifestyle has undertaken to improve leisure facilities in Mendip.</li> </ol>
<b>Direct and/or indirect impact on service delivery to our customers and communities:</b>	Recreational activities, such as those available in the leisure facilities estate, can significantly improve the health and wellbeing of the Council's customers and communities.
<b>Contribution to Corporate Priorities:</b>	Through the partnership with Fusion Lifestyle, the Council is contributing to the physical and mental health and wellbeing of its communities on a sustainable and long term basis, supporting the objectives of Inclusive Growth.
<b>Legal Implications:</b>	Comprehensive consideration and management of the many legal implications of the programme was undertaken ahead of the Cabinet decision on 24 November 2015 to grant the lease to the preferred bidder. This encompassed Best Consideration, Key Lease and Concession Contract Terms, Permitted Use, Termination of Lease, Voluntary Ex Ante Transparency Notices (VEAT), Disposal, TUPE and mitigation of potential legal challenge.
<b>Financial Implications:</b>	In 2013/14 the Council subsidised the leisure services to the value of approximately £850,000. At that point it was clear that only marginal reductions in subsidy would be likely to be achieved under a traditional leisure contract in the medium term.  The backlog maintenance figure was assessed at approximately £4,400,000 for the following five years; and £6,500,000 over the following 15 years. The Council had no capital budget to address either maintenance nor to fund any improvements to the facilities.  Projecting over 15 years the Programme is on track to deliver the savings in the region of £20,000,000; whilst retaining leisure provision across the District.
<b>Impact on Service Plans:</b>	Day to day management of the partnership with Fusion Lifestyle now rests with Corporate Services Group.
<b>Value for Money:</b>	The programme is on target to achieve savings in the region of £20,000,000 projecting over fifteen years, while retaining leisure provision in the district.
<b>Equalities Implications:</b>	An Equality Impact Assessment was prepared at the time of the decision to let the facilities, to comply with the Equalities Act 2010, (and subsequent guidance), thus ensuring the Council had met its

	<p>public sector equalities duty. The Council continues to monitor Fusion Lifestyle's compliance with the concession contract, which provides for reduced fees and charges for certain demographic groups.</p>
<p><b>Risk Assessment and Adverse Impact on Corporate Actions:</b></p>	<p>A programme risk register was established as part of the Leisure Transformation Programme and its management was overseen by the Member Leisure Transformation Board. Ongoing risks are identified and managed through the Strategic Leisure Board.</p> <p>South West Audit Partnership (SWAP) have recently undertaken an audit of the benefits of the lease arrangement with Fusion Lifestyle and the level of assurance given was reasonable. The few recommendations made are all being addressed.</p>
<p><b>Scrutiny Recommendation (if any)</b></p>	<p>N/A</p>

## INTRODUCTION AND BACKGROUND

The district's leisure facilities are extremely popular with people of all ages and play a key role in the Council's commitment to promoting health and wellbeing in Mendip.

In 2013 outsourced leisure provision was costing the Council circa £850,000 per annum. An estimated £4,400,000 investment was required to address outstanding repairs and maintenance liabilities. This figure was likely to rise in the short to medium term and did not include upgrading of facilities.

The cost of leisure provision was therefore financially unsustainable, which was coupled with an increasing and evolving demand for up to date provision to meet the needs of an ageing population and to provide relevant services to the youth across the Council's rural communities.

With the existing leisure contract coming to an end on 31 May 2015, the requirement to find significant revenue savings, plus the absence of a capital budget for leisure, the Council was faced with challenging decisions about the future of leisure provision.

It was recognised that only a truly innovative solution could realise the Council's ambition to safeguard the future of publicly accessible leisure facilities in the district. A radical and ambitious programme was launched to develop and deliver a completely new and sustainable operating model that would:

- Future-proof the provision of a discretionary service and deliver a modern and valued service.
- Transform the Council's leisure facilities estate and prevent the controversial closure of centres.
- Increase participation in sport
- Achieve substantial revenue and capital savings.
- Minimise the requirement for investment from the Council and risk to the Council.
- Focus on opportunity and community benefit, rather than risk and a traditional leisure ethos.
- Put in place new arrangements for future operations.

Specific objectives included:

- To reduce/release the Council of the ongoing liability for funding the annual revenue subsidy which was more than £850,000 per annum.
- To reduce/release the Council of the ongoing liability for funding utility costs of the facilities.
- To address the maintenance liabilities backlog estimated at around £4,400,000.
- To seek a tenant who could undertake the investment required to update the leisure estate facilities.

The leisure facilities encompassed were:

- Wells Leisure Centre
- Tor Sports and Leisure

- Strode Swimming Pool
- Shepton Mallet Lido
- Frome Leisure Centre

In 2014, the Council invited expressions of interest from commercial and not-for-profit organisations to take over the operation of the Council's Leisure Centres and facilities on medium to long leases. A Member Leisure Transformation Board was established to ensure effective governance of the programme. There was strong cross-political support from the start, both for the ambition and the approach.

Tender applications were received from a range of operators including developers, and both commercial and not for profit organisations. Following a comprehensive evaluation process, overseen by the Leisure Transformation Board, Fusion Lifestyle, a registered charity, were chosen as the successful bidder in November 2014.

The lease commenced in June 2015, at which point all maintenance liabilities passed to Fusion Lifestyle. The basis of the lease meant that the annually subsidy requirement was reduced significantly in the first year and is on target to be zero across the estate by 2018/19. From that point onwards, the Council will receive a small rental income from Fusion for the five leisure facilities.

### **Partnership Success Measures**

Two years plus into the lease, project benefits are being realised and the facilities are improving. A strong working relationship has been established between Fusion Lifestyle and Mendip District Council. Crucial to this has been the positive engagement and support of councillors, with regular strategic management board meetings taking place between Fusion Lifestyle, Members and senior officers. These meetings underpin the Council's ongoing role as a local leader in improving the health and wellbeing of residents, as well as fostering a service of community.

There were four key objectives at the heart of the partnership, all of which by the two year reporting period at July 2017 were delivering to and in many cases exceeding target:

1. *Capital investment:* the first two years focused on Fusion's planned capital investments – principally to address the maintenance liabilities and make improvements. To date there has been £3.2 million of capital investment in the facilities, with significant improvement projects at Frome and Wells leisure centres.
2. *Participation:* Almost 800,000 visits were recorded in 2016/17, up from about 490,000 in 2015/16.
3. *Customer satisfaction:* each of the nine customer satisfaction areas has shown significant increases since the start of the partnership, up on average 33.9% by June 2017.
4. *Target-group participation:* whilst total participation is up by 87% year on year, there is a specific focus on increasing participation among six demographic groups, aligned with the council's priorities and Fusion's charitable objectives:
  - under 16s (participation increased by 158 per cent in two years)
  - 16-19 year olds (increased 112 per cent)
  - older adults aged 60-plus (increased 34 per cent)

- black and minority ethnic communities (increased 225 per cent)
- disabled people (increased 225 per cent)
- women (increased 78 per cent).

For the period July - October 2017, Fusion Lifestyle report that customer satisfaction remains high at 90%. There was a slight but temporary dip in participation during that period, due to the closure of the Frome ATP for the replacement of the carpet and the closure of Strode pool for the installation of the new boilers and filters.

Aside from offering an agreed range of concessions to specific demographic groups, and ensuring the provision of covered swimming, under the terms of the lease Fusion Lifestyle now has full freedom to decide on the range and programming of activities. In determining its leisure programmes, the company actively engages with local communities and as a result has introduced new activities and safeguarded others. Examples include 'Parkour' at Wells Leisure Centre, which targets 12-19 year olds in engaging sessions of high-intensity activity on Saturday afternoons. For older adults, their timed swimming sessions are now protected during the school holidays.

From the Council's perspective, the programme has realised three key benefits:

- The financial outcome, in terms of supporting long-term sustainable leisure services while reducing subsidies, has been achieved.
- Significant risks and liabilities have been transferred to Fusion Lifestyle, both in terms of operational and capital investment.
- The leisure offer to local communities, particularly those from the target groups, has been materially improved.

Furthermore, the Council has attracted national interest and recognition for its innovative approach to securing ongoing leisure provision in the district in the face of significant financial pressures and a time when other councils have made the difficult decision to close facilities. The Local Government Association has selected the programme as a case study to be published imminently.

The programme and partnership represents significant organisational and political maturity in opportunity and risk management. It exemplifies the Council's confidence and track record of transformational and collaborative approaches to achieving savings, creating revenue schemes and delivering cost effective solutions to sustain the delivery of priority public services.

## **OPTIONS CONSIDERED**

Prior to the letting of the lease for the leisure facilities to Fusion Lifestyle, the Council explored in detail a number of alternative options including withdrawing from leisure, procurement of a new contract and bringing the service in house. None of these options satisfied the criteria of sustaining affordable and publically accessible leisure facilities in the district.

## **RECOMMENDATIONS**

Cabinet is asked:

3. To endorse the success of the programme and outcomes achieved
4. To endorse the work Fusion Lifestyle has undertaken to improve leisure facilities in Mendip.

## **REASONS FOR RECOMMENDATIONS**

Endorsing the success of the programme and the achievements to date will help strengthen the ongoing partnership with Fusion Lifestyle and underpin the future development and investment plans.

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### **Background Papers**

Cabinet report of 24 November 2015: 'Leisure Transformation Programme'