

Report to: **South Hams Overview and Scrutiny Committee**

Date: **8th February 2024**

Title: **Leisure Contract - Fusion Annual Report 2023**

Portfolio Area: **Community Services; Operations & Leisure – Cllr Victor Abbott**

Wards Affected: **All**

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

Date next steps can be taken: Immediately

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Recommendations:

1 That the Overview and Scrutiny Committee note the contents and progress of Fusion’s Annual Report for 2023 and proposals for 2024.

1 Executive summary

- 1.1 This report and presentation provide a review of Fusion’s performance last year in 2023 and an update on current provision and key proposals for the year ahead.
- 1.2 2023 was Year 7 of the Council’s 25-year contract with Fusion Lifestyle as the joint leisure management operator for both South Hams and West Devon Councils.
- 1.3 The provision of leisure centres is a discretionary service. However, the activities align with the Council’s plan 2024-2028 in providing good quality frontline services and supporting local leisure provision and promote active use of facilities.
- 1.4 Leisure Centres are seen as essential community health hubs, contributing to improving people’s health and wellbeing. Centres are more than a lifestyle choice, providing vital services across health – being active, learning to swim, social and mental wellbeing benefits, stronger and safer communities, and economic opportunities through jobs.

2 Background – National Context

- 2.1 Nationally the leisure market and its operators remain impacted by the Covid-19 pandemic, cost of living and energy crisis. A slow and stagnating recovery, with higher inflation and increased staffing

costs, means a cautious approach for operators. As well consumers continue to adapt to new exercise habits, including online, home, and outdoor fitness regimes.

- 2.2 A recent Sport England Report, January 2024, on the rising cost of living and its impact, highlights;
 - 2.21 Facility providers are grappling with rising fixed costs and reduced income due to increased energy prices and the overall cost of running their businesses, prompting them to cut sessions and raise fees.
 - 2.22 Financial pressure may result in temporary or permanent facility closures of both public and private sector facilities.
 - 2.23 Cost of living has increased sharply for many, and people are substituting paid activities with free alternatives, such as walking or cycling for short trips or home-based activities as well as those who are cancelling gym and sports memberships.
 - 2.24 The rising cost of living is pressuring sports and leisure facilities, impacting both providers and participants. Facility closures, membership cancellations, and affordability concerns are genuine issues, particularly in areas with older, ageing facilities and rural areas.
- 2.3 Moving Communities is a service from Sport England to collect and monitor public leisure facility performance, providing national benchmarking information. Its annual survey April – June 23 and third year of data covering 1,300 leisure facilities found that overall usage of centres had increased from 21-22 but during 2023 it had plateaued.
- 2.4 The Customer Experience Survey from Moving Communities for October 2023 with 36,000 respondents highlighted that;
 - Usage – swimming has decreased the past 3 years but remains the largest participation category, group exercise use has increased.
 - Satisfaction / NPS – nationally at a 22 score which is down from 2021 at 35. Older age groups more satisfied than younger ones.
 - Key areas – staff being helpful and friendly. Also, cleanliness when visiting a centre.
 - Cost of Living – this issue and its impact on usage has increased in 2023 – 40% of respondents had a negative impact.
- 2.5 The recruitment of suitably qualified staff continues to be a challenge within the leisure industry, The roles which have been difficult to recruit to are, Swimming Teachers, Lifeguards Leisure Assistants and Duty Managers.
- 2.6 The leisure sector has been lobbying the Government, led by the LGA and Sport England, in the past few years for financial support due to high energy bills and increased operating costs.

- 2.7 Last summer, leisure centres received positive news on a £60million Sport England Swimming Pool Support Fund. This allowed local authorities to apply for their public leisure facilities with pools, including community outdoor pools, to get help with increased energy costs and investment in energy savings schemes.
- 2.8 In Phase 1 for revenue applications, we were unsuccessful and did not receive any funds. For Phase 2 on capital investments, we will hear shortly, by the end January on our application. The fund will target those pools that are closed or face high risk of closure. It will prioritise those areas of greatest socio-economic need.

3 Outcomes/outputs

- 3.1 The leisure contract sets out specific performance indicators which Fusion are delivering through its plans and targets, these include being a more active district, promoting community development, improving health and wellbeing of residents, improving quality of services, and delivering environmental improvements.
- 3.2 The attached annual presentation review from Fusion highlights key performance areas and provides an overview on participation, customer satisfaction, key maintenance areas undertaken, sports and community development activities and workforce opportunities. Also, the current challenges and the year ahead for our leisure centres and service provision.
- 3.3 Overall leisure centre memberships as at the end of December 2023 have now nearly matched the numbers to 4 years ago, 6,165 against 6,188 in December 2019;

Total	December 2019	December 2023	%
Dartmouth	582	502	86%
Ivybridge	1,416	1,461	103%
Quayside (Kingsbridge)	1,468	1,511	103%
Totnes	1,052	931	88%
Meadowlands (Tavistock)	875	1,064	122%
Parklands (Okehampton)	795	696	88%
Total	6,188	6,165	100%

Swim school demand and usage is going very well overall memberships have just passed 2019 levels, being at 2,837.

Total	December 2019	December 2023	%
Dartmouth	162	147	91%
Ivybridge	730	903	124%
Quayside (Kingsbridge)	768	634	83%
Totnes	348	350	101%
Meadowlands (Tavistock)	509	445	87%
Parklands (Okehampton)	285	358	126%
Total	2,802	2,837	101%

- 3.4 Overall usage recovery during the past 3 years with the impacts of Covid and more recently the cost of living and energy crisis, has been good.
- 3.5 Fusion has experienced service challenges for cleanliness and maintenance programmes. These are highlighted across the older condition of several centre areas, such as swimming pools and changing rooms. Also, operations have recently been impacted at Dartmouth Leisure Centre with reductions in opening hours at weekends. Staffing at this site has now improved and hours are increasing.
- 3.6 The cafes in the centres have now re-opened at Ivybridge and Kingsbridge, with pop up cafés at Dartmouth and Totnes. New Family Fit programmes are being developed, along with increased provision of youth nights, young adult provision and teen/gym sessions. Last year saw an increase in community partnerships, including fitness activities in the wider community.

4 Proposed Way Forward

- 4.1 Fusion is confirming its financial accounts and is extending the accounting period to fit with Council contracts to a 31st March year-end. Fusion is currently concluding a refinancing deal with NatWest for its CBILS loan. This will enable Fusion to move forward in 2024 and continue business as usual.
- 4.2 The solar energy project had been put on hold towards the end of last year due to Fusion confirming its financial arrangements as indicated. A contractor was appointed to install solar panels across South Hams and West Devon for all the leisure centres. Fusion have agreed to look at it again as soon as possible.
- 4.3 Fusion has also been supporting the Council in its Public Sector Low Carbon Skills Fund project, enabling site heat decarbonisation plans to be developed last year. This includes the use of solar energy for electricity usage.

- 4.4 For Totnes Leisure Centre, redevelopment plans and costings are being developed from the earlier scheme. Funding and timescales are to be confirmed and Fusion has produced a project business plan with support from Tadpool. In the short term, during last year small works were undertaken including redecoration, replacing floor tiles and re-tiling areas of the pool side changing areas. The Council has commissioned an external consultant to review these proposals and consider: If they are financially sustainable, if they will deliver the proposed footfall increases, if they are good value for money and if there are any other opportunities that should be considered instead or as well.
- 4.5 This will be essential background to any future Council investment decision for the centre in Totnes.

5 Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	Leisure is a discretionary service. The management of the council's leisure centres are agreed in a formal contract agreement with appropriate reporting structures.
Financial	Y	The investment borrowing and contract arrangements were approved as part of the contract award. On 31 st March 2022, Council approved a contract variation and changes to the management fee profile (Minute reference CM74/21).
Risk	Y	Mitigated through the formal procurement process and the business case appraisal.
Supporting Corporate Strategy	Y	Council, Community Services, Wellbeing
Climate Change – Carbon / Biodiversity Impact	Y	Contract targets to reduce energy usage and future project for installation of solar panels.
Comprehensive Impact Assessment Implications		
Equality and Diversity	Y	All leisure centres remain open and have activities open for all sections of the community
Safeguarding	Y	Relevant policies and practices in place through the contract.
Community Safety, Crime and Disorder	N	

Health, Safety and Wellbeing	Y	Improved though better facilities and part of service delivery.
Other implications		none

Supporting Information

Appendix A – Fusion Annual Report 2023

National Sport England Report links;

<https://www.sportengland.org/news-and-inspiration/how-rising-cost-living-impacting-sport-and-physical-activity>

<https://active-insight.org/wp-content/uploads/2023/11/Moving-Communities-CE-survey-Report-Oct-23-FINAL.pdf>