
REPORT TO THE MEETING OF THE EXECUTIVE 4 NOVEMBER 2021**PORTFOLIO: COMMERCIAL, BUSINESS, LOCAL ECONOMY & LEISURE****REPORT FROM ASSISTANT DIRECTOR, ASSETS & COMMERCIAL****SUBJECT: LEISURE CONTRACT OPERATIONAL UPDATE****1 DECISION BEING RECOMMENDED**

- 1.1 To note the operational update on the Council's leisure contract with Fusion Lifestyle (Fusion).

2 REASON/S FOR RECOMMENDATION

- 2.1 In December 2020 the Council agreed a 3-year extension to the leisure contract with Fusion taking it to March 2025. As part of the extension the Council resolved to provide additional financial support. The purpose of this report is to provide an operational update on the leisure contract.

3 SALIENT INFORMATION

- 3.1 At the meeting of the Executive in December 2020 it was resolved that authority be delegated to the Assistant Director, Assets and Commercial in consultation with the relevant Portfolio Holder to enter into a contract variation with Fusion to implement the preferred option. This was for the leisure contract with Fusion to be extended for a period of 3 years beyond the existing term taking it to 31 March 2025.
- 3.2 A letter of variation was signed by The Council and Fusion on 16 December 2020 extending the contract. Fusion manages the following facilities as part of that contract:
- Clements Hall Leisure Centre;
 - Rayleigh Leisure Centre;
 - The Mill Arts & Events Centre (closed);
 - Freight House (closed); and
 - Castle Hall (closed).
- 3.3 At a meeting of the Executive in August 2020 it was resolved that the Freight House was to remain closed as it is one of the buildings proposed for early redevelopment as a new community and civic space within the Council's Asset Delivery Programme.
- 3.4 At the meeting of the Executive in December 2020 it was resolved that the Mill Arts & Events Centre and Castle Hall would not reopen following the national enforced closure between 5 November and 2 December 2020. From February to October 2021 the Mill Arts & Events Centre was used as a

COVID-19 vaccination centre. The Council is exploring the options for alternative commercial or community use of Castle Hall.

- 3.5 The reports to the Executive in August and December 2020 covered the period March – December 2020 and set out the Council’s response to ensure the District continued to be able to offer a COVID-19 secure leisure offer once restrictions enabled that to happen. This operational update report covers the period from January to October 2021 and gives a summary of the operation of the facilities during that time.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council is under contract with Fusion. This report is for noting and no decision is being made.

5 REOPENING OF LEISURE SITES FROM MARCH 2021

- 5.1 Clements Hall Leisure Centre and Rayleigh Leisure Centre again closed in line with Government legislation on 4 January 2021. From 29 March 2021 Government guidance allowed outdoor sports facilities to reopen and for people to be able to take part in formally organised outdoor sports. Fusion were proactive in utilising additional outside areas at Clements Hall Leisure Centre to provide activity for the two week period before both sites reopened in a COVID-19 secure phased approach on 12 April 2021.
- 5.2 Fusion’s approach to the reopening of the facilities has been shaped by the advice from central Government, National Governing Bodies of Sport and Trade Associations, such as UKActive and Swim England. Their objective has been to ensure they create a COVID-19 secure facility for customers and staff that gives them the confidence to return to the centres.
- 5.3 Table 1 below provides a timeline of the main operational changes at the centres as they occurred since reopening in March 2021 in response to the COVID-19 restrictions being relaxed over time.

TABLE 1 – Leisure Centres reopening timeline

Date	Government Guidance	Operational change
29 March 2021	Outdoor sports facilities allowed to reopen and people able to take part in formally organised outdoor sports.	Outdoor provision at Clements Hall Leisure Centre restarted
12 April 2021	Indoor leisure facilities such as gyms could reopen (but only for use by people on	Indoor gym, Swimming, Swim School and indoor court bookings restarted.

Date	Government Guidance	Operational change
	their own or in household groups)	Group exercise classes remained outside
17 May 2021	The Rule of 6 or 2 households applied. Indoor adult group sports and exercise classes could take place	Group exercise classes moved indoors
21 June 2021	Delay of 4 weeks on Government restrictions being lifted	Cafes at both sites reopened
19 July 2021	Government restrictions lifted	<p>Capacities for Group Exercise classes, Swim School lessons and Swim Sessions all increased</p> <p>Additional 400 swims per week</p> <p>24 Additional group exercise classes added to programme</p> <p>Indoor block bookings returned</p> <p>Court bookings with no restrictions</p> <p>Bowls at Rayleigh Leisure Centre with no restrictions</p> <p>All Changing facilities accessible</p> <p>Able to book directly at the centres, subject to availability</p>
1 September 2021	N/A	Opening hours at both centres back to pre COVID-19 hours

Date	Government Guidance	Operational change
1 September 2021	N/A	Catering offer at both centres expanded.
13 September 2021	N/A	Catering offer further expanded to pre COVID-19 offer
25 October 2021	N/A	Creches at both sites reopened to pre COVID-19 offer
1 November 2021	N/A	Additional family swim sessions to be added Gaps between swim sessions for cleaning to be reduced from 30 minutes to 15 minutes to allow additional sessions to be added Group Exercise programme to be expanded Pool inflatable sessions to be reintroduced

6 PARTICIPATION

- 6.1 Fusion's Key Performance Indicators for participation in 2021-22 are guided by UK Active projections of the recovery of the leisure market and were set in March 2021. UK Active is an industry leading not-for-profit organisation that provides services and facilitates partnerships for a broad range of organisations who share their vision to get more people, more active, more often and to improve the nation's health by promoting active lifestyles. As detailed in Table 2 the participation targets increase quarter by quarter (on a weighted basis) in line with projected market recovery to reach 66% of 2019-20 participation.
- 6.2 Table 2 details the target participation figures and the actual participation at both sites for the first two quarters of 2021-22, i.e., April – September 2021 and additionally the target participation figures for October 2021 – March 2022.
- 6.3 Participation at both Clements Hall Leisure Centre and Rayleigh Leisure Centre has broadly been in line with targets up to and including the end of September 2021.

TABLE 2 – Leisure Centre Participation Targets and Actuals 2021-22

CHLC – Clements Hall Leisure Centre

RLC – Rayleigh Leisure Centre

Date / Participation	Participation target total for CHLC and RLC	Participation actual total for CHLC and RLC	CHLC target	CHLC actual	RLC target	RLC actual
April – June 2021	43,060	60,219	36,145	48,788	6,915	11,431
July – September 2021	86,120	86,190	72,291	68,027	13,829	18,163
October – December 2021	129,181		108,437		20,744	
January – March 2022	172,241		144,582		27,659	
Total 2021-2022	430,602	146,409* * to date	361,455	116,815* * to date	69,147	29,594* * to date

7 CUSTOMER FEEDBACK

- 7.1 The Council receives a monthly log of customer comments, complaints and compliments from Fusion. Numerous positive comments have been received regarding the measures undertaken by Fusion to ensure the sites are COVID-19 secure and how safe site users have felt using them.

- 7.2 However, negative feedback has been received regarding booking systems, programming and opening hours. Officers meet regularly with Fusion to ensure these concerns are being properly investigated and addressed. Opening hours are now back to where they were pre COVID-19 and the offer at the centres continues to be increased. Regarding booking of activities, it remains the case that booking in advance is recommended to avoid disappointment where sessions may get fully booked but centre users can go to the centre and book on site, subject to availability.
- 7.3 Customers are encouraged to book online or via the Fusion app, however, some negative feedback has been received regarding the app. Fusion have confirmed that a number of back-office processes have been updated to improve the functionality of the app and this is under constant review. Any centre user who either doesn't have access to the technology required or has any issues using it can either call or visit the relevant centre who will assist with making the booking. The ability to book direct at the centre remains an option.
- 7.4 Comments, both positive and negative, have been received regarding the cashless system in operation at the centres, which is a system that Fusion implement nationally. Pre-paid cards can be used for anyone who doesn't have a debit or credit card and Fusion staff can assist with any issues or queries. Most transactions at the centres pre COVID-19 were cashless and Fusion have benefitted from operational efficiencies by implementing a fully cashless system. These include enabling customers to be processed quicker.
- 7.5 Fusion have restarted their 'Meet the Manager' sessions that ran pre COVID-19. These provide centre users with the opportunity to meet with the General Manager of the centre and discuss any queries or issues that they may have. These run monthly and are promoted within the centres as well as on social media and the centre websites.
- 7.6 A new phone system has been introduced to improve the speed at which customer queries are responded to. A recorded message assists in filtering calls and voicemails can now be left by customers. Fusion can monitor the number of calls received, any calls missed, length of calls, average call time as well as peaks and troughs, which helps with providing improved customer service and staffing requirements.
- 7.7 Council Officers have fed back to Fusion that their communication, particularly in relation to their website and social media, needs to be significantly improved. Opportunities have been missed to, for example, highlight changes to the offer within the centres and to clarify any issues being raised by users i.e., issues with booking systems. Fusion's approach has been too reactionary, and they need to be more proactive. Officers have made it clear that they expect to see a significant improvement in this area, and this will continue to be monitored.

- 7.8 The Leader of the Council, Portfolio Holder for Commercial, Business, Local Economy and Leisure and the Assistant Director, Assets and Commercial met with the Fusion Chief Executive and Director of Operations in September 2021. The meeting was an opportunity for the Council to highlight particular service areas that it required Fusion to prioritise following the work of Officers monitoring the contract and resident feedback. These topics included: communication, the importance of the community offer, catering, programming and investment in the sites.
- 7.9 To share best practice and knowledge Council Officers continue to be in regular contact with Braintree District Council and Southend Borough Council who also have leisure operating contracts with Fusion and also Local Authorities nationally, where Fusion is their leisure operator.
- 7.10 Council Officers have continued to work with and support groups, organisations and individuals that were previously using the Freight House, the Mill Arts & Events Centre or Castle Hall and who required assistance to identify alternative local facilities where possible. This support continues to be available.
- 7.11 The British Standards Institution (BSI) instils best practice as the UK's national standards body. A standard is a statement of good practice, designed to make things better, safer and more efficient. Standards cover a range of organisational activities, from making a product to delivering a service or creating a process. Fusion underwent a BSI assessment in July 2021, which included a site visit of Clements Hall Leisure Centre. The scope of the assessment was the following standards ISO9001:2015 (Quality Management); ISO14001:2015 (Environmental Management) and ISO45001:2018 (Occupational Health & Safety). The conclusion of the assessment was that Fusion were recommended for recertification and were found in general compliance with the audit criteria.

8 INVESTMENT

- 8.1 Fusion are providing replacement gym equipment at both Clements Hall and Rayleigh Leisure Centres with a total value of approx. £320,000. This new and innovative gym equipment is scheduled to be in place in January 2022.
- 8.2 Capital work requirements are identified via building surveys and have been and will be undertaken by Fusion. Works include:
- Roof works at Clements Hall Leisure Centre
 - New main sports hall floor at Clements Hall Leisure Centre
 - Renewal of external panelling at Rayleigh Leisure Centre
 - A redecoration programme at both centres, internal and external
 - Replacement of boilers at Clements Hall Leisure Centre

9 ACTIVE COMMUNITIES

9.1 Fusion have employed a dedicated Sports and Community Development Officer as well as a Marketing Officer to deliver and promote the Active Communities Programme across the District.

9.2 Projects delivered to date and future plans include:-

- Friday Night Project at Clements Hall Leisure Centre has returned to weekly sessions following the daily provision during the school summer holidays. Fusion will work in partnership with the Essex Youth Service in spring 2022 with a view to launching sessions at Rayleigh Leisure Centre from April - September 2022
- ActivAte sessions ran at Rayleigh Leisure Centre twice a week for five weeks over the summer holidays.
- Get Active Plus ran from July – August 2021 at three open space locations in the District and at Rayleigh Leisure Centre.
- Rebound taster sessions will start in October and November 2021 at Clements Hall Leisure Centre.
- Dementia Friendly Swimming started in October 2021. Staff have completed awareness training and Fusion are working in partnership with the local Dementia Alliance. These sessions will run on a weekly basis during quieter public swimming sessions.
- Multi-activity sessions for young people aged 8-11 have launched at Clements Hall Leisure Centre.
- £1,000 funding has been received from Active Essex for a community outreach programme for a seated exercise programme and Fusion are in the process of identifying venues. Sessions are planned to start before the end of 2021.
- In partnership with Active Essex, Active Rochford and Essex Youth Service, Fusion are working on a project to support a subsidised Teen Gym membership.
- Future Plans
 - Dementia Friendly accreditation for Clements Hall Leisure Centre
 - Developing a working relationship and support for the Hawkwell junior parkrun
 - Developing an outreach programme
 - Creating a target offer for women and girls in the district

- Understanding the local club landscape and how Fusion can support local clubs

9.3 These Sports and Community Development Officer posts will continue to work in partnership with the Active Rochford Community Activity Network to draw down funding to deliver projects at both Leisure Centres and across the Rochford District. Regular meetings with Council Officers and the Castle Point & Rochford Public Health Improvement Officer will also take place.

Free 3-Day Centre Pass

9.4 Fusion ran an offer of a free 3-day pass for new users of the centres, which was promoted via their website, social media, a press release and by email. This offer was made available in September and October 2021 and 241 people claimed their free pass.

10 FINANCIAL IMPLICATIONS

10.1 As set out in the report to Executive in December 2020 (when the three-year contract extension to the end of 2024/25 was approved) a new schedule of unitary payments was agreed with Fusion to reflect their projected recovery plan following the pandemic. The actual amount payable in 2021/22 is subject to a total cap of £239,483; it is anticipated that the full amount will be paid due to additional lockdown and restriction measures in the early part of this year which put further pressure on the financial projections anticipated when the contract extension was agreed. In years 2 to 4 of the new agreement the Council will pay a fixed unitary charge to Fusion.

10.2 Fusion's financial performance in 2021/22 is reviewed monthly by Officers, in consultation with the Council's S151 Officer, on a fully open book basis. The monitoring process undertaken follows external adviser guidance. This requires Fusion's management accounts to be submitted setting out a detailed breakdown of actual costs incurred and income generated, for each site. These are compared to the baseline projections and any variations are interrogated to ensure they can be reasonably explained by Fusion.

National Leisure Recovery Fund

10.3 A National Leisure Recovery Fund (NLRF) was established in 2020/21 to support eligible public sector leisure centres to reopen to the public, giving the sport and physical activity sector the best chance of recovery to a position of sustainable operation over the medium term. Sport England worked with the Department for Digital, Culture, Media and Sport (DCMS) to set the fund criteria and act as the accountable body for its administration and monitoring - on behalf of DCMS.

10.4 In January 2021 the Council, in partnership with Fusion, made a successful application to the NLRF and was awarded £160,299. The Council retained

£143,750 of this funding to help offset the £429,500 additional financial support provided to Fusion during 2020/21, with the remaining £16,549 paid to Fusion to further support the incurred costs of remobilisation of the leisure centres up to April 2021.

Fusion Lifestyle Financial Statements to 31 December 2020

- 10.5 On 24th September 2021 Fusion published their national financial statements for the year ended 31 December 2020 (publicly available online via Companies House), which show an accounting loss of £18.2m over that period. Despite this the Trustees and Management remain confident in the long-term viability of the business and its development prospects.
- 10.6 The accounts have been prepared on a ‘going concern’ basis and have been signed off by their external auditors as such. It is noted that there are material uncertainties that may cast significant doubt upon the group and charity’s ability to continue as a going concern, which are inherent to the pandemic itself; however, they detail a number of mitigations which have been put in place to minimise this risk. These include a significant restructuring of the company and securing £13m of government backed funding (CLBILS) specifically for the purpose of supporting its recovery from the pandemic. They state that these measures support financial projections in which the business is cash generative and able to return to an accounting surplus within a year.
- 10.7 Officers will continue to monitor the overall financial health of Fusion through its local contract monitoring arrangements, and via review of any other national intelligence, and will report to Executive if there is any significant change to this position which could impact on the company’s ability to deliver its contracted services to the Council.

11 FUTURE LEISURE PROVISION

- 11.1 The current leisure contract ends on 31 March 2025. A draft timeline of the tasks necessary to explore options and opportunities for leisure service provision after the end of the current contract in consultation with the Portfolio Holder for Commercial, Business, Local Economy and Leisure is set out in Table 3.

TABLE 3 – Future Leisure service provision – draft timeline

Action	Date
Work with current contractor to ensure building condition survey works are undertaken and completed to a satisfactory level	Ongoing until end of contract

Portfolio Holder / Officer planning and scoping meeting	By end 2021
Portfolio Holder / Officer / Active Essex / Active Rochford meeting to review the Council's Leisure & Cultural Services Strategy, Business Plan, Asset Strategy, Castle Point & Rochford Health & Wellbeing Strategy and other key strategies to identify the draft priorities that will form the objectives for future service provision and the basis for an options analysis	Spring 2022
Initial report to the Executive to set out draft priorities, objectives and timeline to explore options for future leisure service provision	Summer 2022
Soft market testing	Summer / Autumn 2022
Further report to the Executive with findings, next steps and recommendations for future service provision	Winter 2022

12 RISK IMPLICATIONS

- 12.1 The Leisure & Cultural Services Team will continue to work in partnership with Fusion; closely monitoring the contract and remaining in regular contact with centre Managers and Fusion's Business Manager. Failure of Fusion to deliver the contract to the required specification will impact on service delivery. This will include customer service, the facilities and activities being provided as well as planned investment and maintenance of the sites.

13 ENVIRONMENTAL IMPLICATIONS

- 13.1 Fusion has an Environmental Implementation Plan that informs their strategy and forms part of the ongoing contract monitoring

14 RESOURCE IMPLICATIONS

- 14.1 There are no resource implications directly arising from this report. The financial implications relating to the contract are set out at Section 10.

15 LEGAL IMPLICATIONS

- 15.1 There are none directly arising out of this report for noting and Officers will continue to manage Fusion under the terms of the contract.

16 EQUALITY AND DIVERSITY IMPLICATIONS

16.1 An Equality Impact Assessment has not been completed as no decision is being made.

I confirm that the above recommendation does not depart from Council policy and that appropriate consideration has been given to any budgetary and legal implications.

LT Lead Officer Signature: _____



Assistant Director, Assets & Commercial

Background Papers:-

None.

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If you would like this report in large print, Braille or another language please contact 01702 318111.