

LEISURE AND ENVIRONMENT COMMITTEE

22 JUNE 2021

ACTIVE4TODAY – ANNUAL REPORT – 2020/2021

1.0 Purpose of Report

1.1 This report is to update the Committee on the performance of Active4Today (the Company) for the financial year ending 31 March 2021.

2.0 Background Information

2.1 Active4Today is the Council's wholly owned leisure company, which was created to provide leisure and sports development services on the Council's behalf. The Company has now completed its sixth year of trading and is obliged to report its annual performance to the Leisure and Environment Committee, which is responsible for setting the strategic direction of the Company.

2.2 The appendices to this covering report contain:

- Annual Management Report – Final Accounts and Management Report 2020/21 provided by Active4Today (Appendix A); and,
- Active4Today Directors' Report and Financial Statements outlining the period of trading for the year ending 31 March 2021 (Appendix B),
- Active4Today – Primary Performance Indicators for 2020/21 and target for 2021/22 (Appendix C).

3.0 Annual Report

3.1 Members will be aware that the last 15 months has been a very challenging period for all sectors with the lockdown requirements affecting many leisure sector operators not least Active4Today. As the Council's leisure centres Active4Today has endured significant operational challenges through the trading period 2020/21 as detailed in the 2020/21 Annual Management Report, Appendix A. Most significantly the impacts of Covid resulted in a number of periods of closure extending to approximately 30 weeks over the year and this was equally the position with the additional sites that the Company also manage on behalf of partners such as Southwell Leisure Centre and a number of school sites providing community access to their facilities.

3.2 The impacts of the closures and the operational challenges and limitations of the Covid secure operations, during the periods when the centres were permitted to open, has had a significant impact on usage and income levels and Leisure and Environment Committee has been kept informed throughout the pandemic of the ongoing position.

3.3 Whilst expenditure savings have been achieved during the period through furloughing of staff and general reductions in operating costs, as can be seen in both the Annual Management Report and Director's Report and Financial Statement attached, the outturn position is unprecedented whilst not unexpected. However, it is appropriate to highlight that the Company and the Council and its partners have worked closely through the pandemic to ensure that the challenges presented have been managed robustly to ensure

the best possible outturn position could be achieved under the prevailing covid restrictions.

Overview of performance

- 3.4 Leisure and Environment Committee has overall responsibility for setting the strategic direction of the Company through the annual approval of the Active4Today business plan, which sets out the outcomes the Committee wishes the Company to work toward in return for a management fee. Performance is monitored through a framework agreed by Leisure and Environment Committee.
- 3.5 An overview of the Company's Final Accounts and Performance Update is contained in Appendix A and the Directors' Report and Financial Statements Report for 2020-21 is attached to this report at Appendix B. Performance overall has been decimated through the period due to lockdown requirements as directed by Government and the limited periods of restricted opening between the dates of 25 July 2020 to 4 November 2020 and 3 December 2020 to 31 December 2020 which offered little opportunity for the Company to make any serious inroads into the recovery process due to the stop start nature of the pandemic and its relationship with its customer membership base.
- 3.6 Whilst exceptional efforts were made by the Company to maintain the relationship with its Activo and Xperience members and users generally the operating model of a predominantly monthly direct debit membership base of customers has resulted in a significant downturn in income levels due to suspension of and in some instances cancellations of memberships. This was a direct consequence of the uncertainty of when restrictions would be lifted and business could return to something resembling the pre-covid leisure offer.
- 3.7 Despite the covid challenges the Company did an excellent job in retaining approximately 70% of its membership base, (which was higher than the industry predictions, which ranged between 40% and 60%). However, the 30% loss was higher than initially anticipated, due to issues of confidence within certain groups which were identified as being at higher risk to return to the centres, such as the 60 plus market, GP referrals and users with disabilities. In addition, the impact of clubs not returning also had a negative effect, due to adult group participation restrictions driven by Government and the Sports National Governing Body's (NGB) guidelines. Pay and play income has also been lower than expected during the periods of opening, in comparison to previous years and this is mainly due to the initial restrictions from NGB's impacting on club block bookings.
- 3.8 Covid impacts reduced memberships from 11,991 compared with the corresponding period in the previous year down to 7,784 (A4T 5,169 and SLC 2,615) at year end. In terms of usage the figures reported are even more dramatic with visits reducing to 262,324 across all sites compared to the previous year's outturn of 1,189,899, a net reduction of 78% in total. However, this position would not have been achieved without the work that the Company did around recovery plans to support members and users through the various re-openings and the need to have in place robust covid-secure safe systems of work to ensure returning customers were safe.

Overview of finance

- 3.9 During the period 1 April 2020 to 31 March 2021, the financial statements at Appendix B show that the Company recorded a net trading deficit of £197,261 for the year, however, this figure reduces to net zero or a neutral position in effect following an equivalent transfer of funds from the Company's reserves as previously reported to Leisure and Environment Committee. Details of the financial outturn are covered in Section 3 of Appendix A, however, in effect the trading position has been affected by a number of factors which include management fee payments made to the Company, savings achieved through reductions in operational expenditure, grant payments received through the furlough scheme, Covid Additional Restrictions Grants (ARG), Business Rates support grants, DCMS and Sport England's National Leisure Recovery Fund (NLRF) grant and re-modelling of the staffing structure and resource allocation to return the break-even outturn.
- 3.10 Due to the transfer of funds from reserves the Company's earmarked usable reserves, as at 31 March 2021 now stand at £199,558 down from £396,819 on the balances held at 31 March 2020, a decrease of £197,261 as highlighted in paragraph 3.9 and are currently allocated as follows:

Repairs and Renewals Reserve	£187,002
Repairs and Renewals Development Reserve	£12,556
Contingency Reserve	£0
Total Usable Reserves	£199,558

4.0 Issues for Leisure and Environment Committee

- 4.1 Members will recall that, at the 21 January 2021 meeting of Leisure and Environment Committee, a decision was taken to make an additional grant of up to £800K, from Covid grant support receipts from Government, to the Company in order to mitigate the ongoing financial impacts of covid as forecast by the Company at the time. This additional financial support will enable the Company to continue to deliver business recovery activity which will be its primary focus for the 21/22 period. Accordingly provision has been made within the current revenue budget 2021/22 and this is to be welcomed, however, it will only be drawn down as required and will be dependent on the recovery of the sector as the lifting of restrictions progresses and customer confidence returns in the market place. The financial situation will be monitored closely by the Council and the Company and members will be updated on the direction of travel on a regular basis.
- 4.2 Moving forwards it will be necessary for the Council and the Company to continue to work collaboratively to ensure that the Company is in a strong position to respond positively to the challenges of the pandemic. The additional financial stability will enable the Company to continue to operate in a Covid-secure way in order to re-instil customer confidence in its leisure offer until the business activity returns to something like pre-Covid levels in terms of membership base and usage figures.
- 4.3 In order to provide a target for performance the Company has taken into consideration the latest available guidance, the Government's Road Map and its timetable for easing

restrictions and new market opportunities to forecast a membership target of 9,951 members (A4T 6,652 and SLC 3,061) and usage of 700,000 to year end. Again this direction of travel will be closely monitored and adjusted as necessary as the leisure landscape becomes more certain.

- 4.4 Following the phased re-opening of the centres early signs are encouraging that memberships are starting to increase and this will be closely monitored over the coming months and the introduction of a new on line membership sign up portal will make the joining or re-joining process easier and more user friendly than ever.
- 4.5 As the Company looks to develop its recovery the opening of the new swimming pool at Dukeries will be a welcomed new addition to the leisure offer replacing the old pool which was closed in 2017. The re-introduction of a pool will help to secure new members which is currently being developed as part of the new swimming programme which will commence over the weekend of 3rd/4th July when former Great Britain Olympian, multiple world champion swimmer and TV commentator Mark Foster, will support the official opening of the pool. As part of the marketing and advertising of the new facility, the Company will be undertaking a programme of promotions and offers, with a view to increasing memberships at the site and which will be linked to new swimming lessons, laned swimming, parent and toddler sessions and fun swims with an inflatable to attract a new market of younger swimmers from the local community.

5.0 Equalities Implications

- 5.1 There are no adverse equalities implications arising from this report in respect of protected characteristics. The re-provision of a pool at Ollerton will improve access opportunities for the local community thereby making a positive contribution to the equality and diversity agenda.

6.0 Digital Implications

- 6.1 The Company already uses multiple digital solutions in the performance of its operations. Moving forwards A4T will work closely with the Council's ICT team to develop further digital solutions as deemed appropriate to ensure that customers are assisted in self-serve as far as is reasonably practicable in order to meet the Council's Digital Agenda and Local Digital Declaration.

7.0 Financial Implications – FIN21-22/8015

- 7.1 There are no additional budget implications for the Council as a result of this annual report. The financial impact on the company for the year 2020/21 is detailed in the body of the report. Any future proposals and any further impact from Covid will be closely monitored and reported to the Committee as and when necessary.

8.0 Community Plan – Alignment to Objectives

- 8.1 The provision of the Council's high quality and accessible leisure centres makes a significant contribution to the health and wellbeing of members of the community. Specifically the role that the Company performs for the Council, by operating the leisure centres and

sports development function, attracts regular users each year thereby assisting the Council in the achievement of its objective to 'Improve the health and wellbeing of local residents'.

9.0 RECOMMENDATIONS that:

- (a) the outturn performance of Active4Today in 2020/21, be noted;**
- (b) the ongoing impacts of Covid on the Company's performance be closely monitored and proposals to support the Company through the pandemic be brought to future meetings of the Committee; and**
- (c) the proposed Key Performance Indicators for Membership and Usage for 2020/21 and targets for 2021/22 (Appendix C) be noted.**

Reason for Recommendations

To recognise the exceptional challenges and adverse impacts that the pandemic has had on the performance of the Company in respect of its ability to deliver the outcomes required by the Council in the most efficient and effective manner.

Background Papers

Nil

For further information please contact Andy Hardy on Ext 5708.

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