



**LEISURE AND ENVIRONMENT COMMITTEE  
22 JUNE 2021**

**ANNUAL MANAGEMENT REPORT - FINAL ACCOUNTS AND PERFORMANCE UPDATE**

**1. REPORT PURPOSE**

- 1.1 To provide the Leisure and Environment Committee with the 2020/2021 financial outturn position for the year.
- 1.2 To provide the Leisure and Environment Committee with the 2020/2021 final accounts for Active4Today Ltd (A4T).
- 1.3 To provide the Leisure and Environment Committee with an update on performance since the Company commenced operations once more on 12 April 2021.

**2. BACKGROUND**

- 2.1 It has now been well documented and members of the Leisure and Environment Committee will be aware, that Active4Today closed its leisure centres and sports development service for approximately 30 weeks, during the 2020-2021 financial year. The Company operated between the dates of 25 July 2020 – 4 November 2020, 3 December 2020 – 31 December 2020.
- 2.2 In addition, the partner sites operated by Active4Today (school academy facilities) and also Southwell Leisure Centre Trust were also closed for the same period of time, resulting in very little income being generated by the Company.
- 2.3 As expected, the business has been severely affected by the length and frequency of the closures. During all periods of closure, the majority of staff were placed on furlough, with only a skeleton structure remaining to support finance, maintenance, staff communication/human resources, memberships, customer communications, legislative checks and reopening plans. Whilst most staff have at some point worked during the periods of reopening, there were approximately 4 members of staff who have only just returned during June 2021, since they were placed on furlough in March 2020. Contact has been maintained with all employees throughout the furlough periods to support staff, in what has been a very difficult and uncertain period.
- 2.4 Due to the differing restrictions during the second closure, schools remained open and Nottinghamshire School Swimming bookings took place throughout November at Newark Sports and Fitness Centre. This allowed over 500 children to continue to swim weekly for education purposes.

- 2.5 As previously advised during the previous Leisure and Environment meetings, the largest loss to the Company was through membership income. To the end of March 2021, the loss in membership income against the original budget was £2,064,000.
- 2.6 The major significant cost to the Company during the year was the employee's salaries. Whilst a substantial amount of this cost was reclaimed from the Government's Job Retention Scheme, there were still costs which the Company had to meet as the parameters of the scheme changed throughout the various closure periods. The Company is now currently in the process of claiming its 15<sup>th</sup> furlough payment. The total amount of furlough received to date is £650,000.
- 2.7 Income has been received to date in the form of 100% (£121,220) of the management fee from NSDC, 100% (£80,850) of NSDC's contribution of SLC's management fee, a £25,000 Government grant to support small businesses and two grants of £29,500 and £50,000 from the government, as a result of the November and January shutdown.
- 2.8 In addition, the Council has provided financial support to date to the Company of £490,000 and the Department of Media and Culture (DCMS) provided a further £267,000 as part of their recovery grant to support leisure centres (£17,000 above what was initially expected). However, as part of the agreements above, the Company also agreed to contribute up to £200,000 of its own reserves, to meet the 2020/2021 deficit.
- 2.9 Whilst this is a large proportion of the Company's reserves, it is a valid reason for its use and would leave the Company with approximately £200,000 in reserve, to support future repairs, developments, or other emergencies.
- 2.10 Although 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%), the 30% loss was higher than initially anticipated, as the confidence of certain groups to return, including the 60 plus market, GP referrals and disabled users was felt. In addition, the impact of clubs not returning has also had an effect, as the group participation market has been restricted, due to adult participation in the Government and National Governing Body 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 sports governing bodies impacting on club block bookings.
- 2.11 To support the losses in income, the Company undertook extensive remodelling of staffing for September, October and December, which realised significant savings for 2020/2021, and has assisted in off-setting several losses. These changes took place by changing programmes, reducing activities and rebranding several sessions into structured classes, which reduced the amount of staff required. Savings have been realised in reception, leisure attendant,

operations management, fitness instructors and classes, sports development and in the senior management team.

- 2.12 In January 2021, the Company was reporting a predicted in year deficit of £222,000, in 2020/2021, although it was waiting on confirmation of the DCMS Leisure Recovery funding, which it applied for with the Council during January 2021. The Company was expecting to remain open then for business after the second reopening on 3<sup>rd</sup> December 2020, however, as Members will be aware, this did not take place and the Company did not trade again until 12<sup>th</sup> April 2021. This did mean that the predicted forecasted shortfall became much worse, as no income was generated for quarter 4 of the financial year and the in-year deficit grew a further £40,000 to approximately £262,000.
- 2.13 In addition to the measures taken in 2.11, the Company also put itself forward as a testing centre for Newark to support the work against reducing COVID and also to try and off-set some of the fixed costs. After two site visits, Newark Sports and Fitness Centre was chosen as the preferred venue and operated as a test centre from February to the end of April 2021.
- 2.14 The testing centre was successful in attracting large numbers of people on a daily basis and as a result also provided a modest level of income for the Company, which assisted in supporting its financial position. With this finance, the initial major DCMS funding, the additional DCMS funding identified in paragraph 2.8 and several additional savings which were made as a result of the extended closure, the Company has managed to reduce the expected in year deficit of £262,000 to £0.
- 2.15 Finally, Nottinghamshire School Swimming returned on 8<sup>th</sup> March before the full reopening took place in April, due to all school children returning to education. This also provided a small amount of income to support the Company's position.

### **3. INCOME AND EXPENDITURE HEADLINES 2020/2021 and FINAL ACCOUNTS 2020/2021**

3.1 Attached at Appendix I are the final audited accounts for the Company and provides the Leisure and Environment Committee with information on the allocation of finance, throughout the year, 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021. As stated above, 2020-2021 has been a very fragmented year, which is evident in the actuals to budget and the variations set out below.

#### **3.2 Salaries budgets (excluding FRS102 adjustment) \*see note at 3.12**

Original Budget £	Full Year Revised Budget £	Actual £	Variance to Original Budget £
£2,165,750	£1,805,412	£1,687,605	-£478,145

3.3 The in-year variance in salaries to the original budget is -£478,145.

### 3.4 Premises budgets

Original Budget £	Full Year Revised Budget £	Actual £	Variance to Original Budget £
£498,590	£293,508	£255,108	-£243,482

3.5 Within this budget group, there was a variance to the original budget of -£243,482.

### 3.6 Supplies and Services budgets (excluding FRS102 adjustment) \*see note at 3.12

Original Budget £	Full Year Revised Budget £	Actual £	Variance to Original Budget £
£708,700	£548,647	£460,552	-£248,148

3.7 The variance against the budget of this code is -£248,148.

### 3.8 Income

Original Budget £	Full Year Revised Budget £	Actual £	Variance to Original Budget £
£3,097,920	£1,650,463	£2,206,006	£891,914

3.9 The variance against budget on the income code is £891,914. This is made up of a loss in sales/ membership income of £2,478,000 and an increase in grant/furlough income of £1,586,000.

### 3.10 Final Accounts 2020-2021

3.11 During the year, the Committee should note that there has been no changes to the make-up of the Active4Today Board with K F Girling (Chairman), S P Carlton, Mrs D K Johnson, M J Skinner and N A Wilson continuing as Board Directors.

3.12 Within the accounts attached, the Committee will notice several lines, which relate to the Company's pension scheme and its large in-year deficit. The legislation which drives the accounting practices for the Company is IFRS 102. This standard of accounting requires the Company to report the 'trading profit and loss account' together, with a combined total of the two. These costs total £112,000 and relate to the 'defined benefit pension scheme' and this figure can be seen in the final accounts statement, creating a deficit in-year of £309,000. This figure and approach however, masks the actual in-year trading of the Company, which, as reported in paragraph 3.18 was £197,000 (before the contribution was drawn down from the Company's reserves).

3.13 In addition to the above, there is an actuarial loss in the pension of £2,416,000, relating to assumptions around the long term finance and demographics of the pension members. This can be seen in the 'Other Comprehensive Income' account. The net effect of the pension income and expenditure, on this years' balance sheet is £2,528,000, increasing the pension deficit of the Company to £5,680,000. The details of these can be seen in the 'Income Statement', the 'Other Comprehensive Income' account and the 'Directors' report.

### 3.14 **Balance Sheet**

3.15 **Assets** – this area of the accounts shows the stock held by the Company along with its debtors and cash. Debtors are made up of the treasury management finance/loan, which is held by the Council on behalf of A4T and invested by the Council's Finance Business Unit and this equates to £504,000.

3.16 **Liabilities** – this is the amount of finance which is owed by the Company at close of the accounts. Provision has been made to pay these outstanding suppliers and this will continue through 2021/2022, as invoices come into the Company. The total of this amount is £305,000.

3.17 **Net Pensions Liability** – this has increased in year by £2,528,000, and has been reported above in paragraph 3.13.

3.18 **Reserves** – the in-year trading deficit of the Company and the amount of finance, which is required from the reserves to support the Company in 2020/2021. This equates to £197,000 in-year. The remaining reserve breakdown can be seen below:

- R&R reserve = £187,002
- R&R development Reserve = £ 12,556
- Contingency Reserve = £ 0
- **Total usable reserve = £ 199,558**

3.19 **Unusable Reserves** – The Pension deficit reserve has increased by £2,528,000 and now totals a deficit of £5,680,000.

### 3.20 **Audit Process**

3.21 As part of the process to produce and audit the 2020/2021 final accounts, the Company procured the services of Wright Vigar to undertake both roles. This has been undertaken and the accounts will now be provided to the Council, for incorporation into the Consolidated Group Accounts for the organisation.

3.22 The Committee will note the independent audit conclusion has been provided by Wright Vigar, which states the accounts:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **4. FINANCIAL HEADLINES FROM 12 APRIL 2021**

- 4.1 As the Company only commenced trading on 12 April 2021, there is limited financial information available as there has only been 6 weeks of trading since the reopening.
- 4.2 As a result of the reopening taking place part way through a month, the Company made the decision not to commence with a part direct debit payment for April, as the process is quite lengthy and involves a considerable amount of administrative time to alter the payments. In view of this, the Company launched a £10 offer, which was open to members and non-members and provided unlimited access to the fitness suites and swimming pools for the period 12 – 30 April 2021.
- 4.3 The offer was well received and despite several other parts of the hospitality sector reopening at the same time, the Company sold 1,599 passes, valuing almost £16,000.
- 4.4 During May the direct debit collection recommenced as usual. However, as a result of the closure in January, February and March and the reopening taking place part of the way through the month the starting point for memberships was lower than the budgeted figure for the year, which was set in December 2020. A collection did take place for 4639 members, which will provide a good reference point for the remainder of the 2021/2022 financial year.
- 4.5 Although the collection for June has not been completed fully at the time of writing this report, the early signs are that the collection for June is increasing, as more members begin to sign up again. This is positive news and further detail will be provided within the next report to the Leisure and Environment Committee, as the Company continues to emerge from the pandemic.
- 4.6 In view of the budget being set in December 2020 before the latest lockdown was known, the Company is now working on revising its budget to reflect the new starting position for memberships and ensure the most up to date information is available for Members.
- 4.7 In addition, the Company will factor in its restructure which took place in April 2021 and was a direct result of the effects of COVID and a reduced membership base. The Company referred to having to identify 'further savings' within its report to the Committee in January 2021 and the restructure was part of these savings.

- 4.8 The reopening of the centres was managed on a phased basis, ensuring that the company returned safely following the guidance, with trained staff in place.
- 4.9 Due to the development and implementation of the new online membership sign up portal, it has never been easier for customers to return to a membership or join as a new member. This has enabled people to join in advance and arrive at the centres ready to participate. This process has been extremely well received amongst members, old and new.
- 4.10 The membership sales since reopening on 12 April, have been encouraging, with the live membership base across all 3 sites, increasing by 209 members, which have been both adults and children.
- 4.11 The reintroduction of children's activities on 1 May and the return of indoor exercise classes, has supported this growth and presents a positive way forward for the Company.

## **5. DUKERIES SWIMMING POOL**

- 5.1 As part of the Company's work to try and rebuild its operations and membership base to levels which it experienced pre-COVID, the Company looks forward to the opening of the new swimming pool at the Dukeries Leisure Centre in June 2021.
- 5.2 It is expected that this fantastic new resource for the community will be handed over at the end of June 2021 and the centre is working towards its first opening event on 30 June 2021, which will be an exclusive day of sessions, for direct debit members, to experience this new facility. This will also act as a pre-sales opportunity for the Company, as customers may sign on before this day, to be able to participate in the member opening day.
- 5.3 Following this, the Company is working with the swimming pool developers (ReCreation) and NSDC to undertake an opening weekend on Saturday 3 and Sunday 4 July 2021, where the community of Newark and Sherwood and specifically Ollerton can enjoy a 'FREE' weekend of swimming activity, to launch the opening of the new pool. Present will be former Olympic swimmer, Mark Foster, who will 'mark' the occasion with an exhibition length of the pool.
- 5.4 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 for the younger swimmers of the community.

## **6. BUDGET IMPLICATIONS**

- 6.1 As identified above, due to the changes since the budget was set in December 2020, the Company will work towards revising its budgets in preparation for the next Leisure and Environment Committee meeting, later in the year. This will afford more time to assess the

take up of new memberships since the reopening and the success of the new swimming pool development at the Dukeries Leisure Centre.

## **7. EQUALITY & DIVERSITY IMPLICATIONS**

- 7.1 With the opening of the new swimming pool at Ollerton, it will improve access for the residents of the Sherwood area and improve the equality and diversity opportunities within that area of the district.

*For further information please contact Andy Carolan – Managing Director via email on [andy.carolan@active4today.co.uk](mailto:andy.carolan@active4today.co.uk) or via telephone by calling ext.*