

LEISURE & ENVIRONMENT COMMITTEE
21 SEPTEMBER 2021



UPDATE REPORT 12 APRIL – 31 AUGUST 2021

1. Report Purpose

1.1 To provide the Leisure & Environment Committee with an update on the operations of Active4Today, for the period 12 April to 31 August 2021, when the leisure centres reopened after the most recent lockdown, which took place on 30 December 2020.

2. Background

2.1 The Committee will be aware that Active4Today closed its leisure centres and sports development service for approximately 30 weeks during 2020-2021. The last period of lockdown took place on 30 December 2020 with the company reopening on 12 April 2021.

2.2 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.

2.3 As furlough draws to an end, all staff have now returned to work and this has been a phased reopening of activities and sessions, due to Government and National Governing Body restrictions from April.

2.4 Members will be aware that since 25 July 2020, the live membership base has been significantly lower than the pre-opening forecast originally expected. Whilst 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, with the impact of club and block bookings being high as well as the confidence of certain groups to return, including the 60 plus market, GP referrals and disabled users.

2.5 On a positive note, memberships began to increase slightly during September and October 2020, as customer confidence grew once again, however, during the second and third closure periods in November and then from December 2020 to April 2021, the live membership declined once again. This increased the loss of membership to approximately 35% overall, a further 5%, with some membership categories being affected worse than others.

2.6 The staff have worked exceptionally hard to limit the impact of the closures by offering 'free freeze's', telephoning direct debit members direct, offering support over the phone, providing online classes free of charge and offering phased returns for certain groups and organisations, in a bid to support them back to the centres, as their confidence grows.

2.7 In addition to the potential financial loss in membership income, pay and play income has also been lower than expected during the periods of opening, in comparison to previous years. This is mainly due to the initial restrictions from sports governing bodies impacting on block bookings. Whilst this eased during August 2021 and bookings for clubs began to gradually take place, traditionally leisure is quiet during the summer months so the take up from clubs and organisations who are on their summer breaks has been slow.

2.8 To support the losses in income and membership, the Company has undertaken a remodelling of its staffing and during quarter 4 of the 2020 -2021 financial year, it embarked on an internal selection and recruitment exercise. The outcome was to reduce two layers of staffing within the Company and re-model one leisure centre, by using external personal trainers to deliver a service and reduce establishment employees. This process was designed to align A4T's staffing with the new environment it is now operating in and support one of the Company's main aims, which is financial sustainability. The exercise has now been completed with the final member of staff working out their redundancy notice period during July 2021. Further information regarding the financial savings which this process realised are contained further down the report in the financial section.

3. Financial Headlines up to 31 August 2021

3.1 Set out in the table below (fig 1), A4T has provided the current financial position of the Company, which is monitored by the Board, as part of its role in managing the operations of the Company. The table below shows the original, revised and profiled budgeted income and expenditure up to period 05, set against actual income and expenditure for the same period.

3.2 This budget will be subject to further revisions throughout the year, as a result of the lockdown from December 2020 to April 2021 and the lower than expected starting position of the membership. This is significant for the Company, as the budget for 2021 – 2022 (set in January 2021) was based on a higher membership and income target starting point. However, conversely expenditure will also continue to be revised as savings (especially in salaries) work through the finance.

	Original 2021-2022 budget: income/exp	Full year revised: 31.08.2021	31.08.21 Variance to 2021-22: original budget
Furlough/ Grant Income	£0	£94,385	£94,385
Other Income (management fees)	£0	£0	£0
Total income	£2,381,420	£2,184,395	£197,025
Staff	£1,978,700	£1,695,385	£283,315
Premises	£666,870	£653,435	£13,435
Supplies and services	£573,450	£558,250	£15,200
Total expenditure	£3,219,020	£2,907,070	£311,950
Surplus/Deficit	£837,600	£722,675	£114,925

Fig 1

3.3 Below are the highlights from the financial information, in a bid to provide some narrative for the Committee, including the variances from the original budget.

Furlough/Grant Income – this line represents finance claimed from the government for staff that have been on furlough. This was not budgeted for originally as the Company expected to be trading during Quarter 4 of the 2020 – 2021 financial year, which would have continued from 1 April for the 2021 – 2022 financial year. However, as a result of the last lockdown, the opening was delayed and the Company was able to claim for furlough for the staff not working during this time. In addition, not all staff commenced working on 12 April, as a phased re-opening took place. This meant that several staff either continued on furlough in their full roll or were part furloughed as demand from usage increased.

Other Income (management fees) – this section represents the management fee associated with the Company. This includes the services A4T provides to Southwell Leisure Centre Trust and the operation of the A4T leisure centres and sports development team. The original budget for the year was set at zero management fee (and reported to committee in January 2021), as there was uncertainty with the operations of Southwell Leisure Centre and a potential take-over of the services by A4T on 1 April 2021. However as this take-over has not to date taken place, a proportion of the finance (the deficit figure forecasted £840k) will need to be drawn down for the services A4T has been providing. Currently, this has not taken place so the budget line remains as zero.

Total Income – this includes all income set out in the two sections above, plus the membership direct debit collection and pay and play income. The Committee should note that the total income has reduced and this is due mostly to the delayed reopening in April, the lower than expected starting point of the membership and the slight delay with the opening of the Dukeries swimming pool, which was not known at the time of budget setting.

Staffing – as set out above this budget has significantly decreased due to the changes made to the salaries budget. This figure however also includes approximately £100k for redundancy cost, meaning a true saving on salaries is approximately £390k.

Premises – this section of the budget has a small saving. This was due to a credit note received from our insurance company as a result of the Covid closure last year.

Supplies and Services – this section of the budget has also realised a small saving. These are made up of several budget headers, of which the Company has made small savings across each one, due to either the closures of various activities, or the reduced programming at the commencement of reopening.

Transfer from Balances – this line represents the expected shortfall between income and expenditure for the Company, for the financial year 2020-2021. This is currently forecasted at £722,675. Currently this represents a saving on the original forecast of £114,925. This is a very good start to the financial year, given the delayed opening and lower starting point in membership. This reduction has in the main been realised through expenditure savings and especially the reorganisation of the staffing structure.

Reserves – currently the Company holds approximately £200k in reserve. The Company, as members will be aware used £200k of its reserve to support the 2020 – 2021 in-year shortfall, which was reported to the Leisure and Environment Committee during June 2021.

- 3.4 As reported in para 2.8 the Company has now completed its remodelling exercise with the final member of staff made redundant leaving the Company during July 2021. As members will be aware, included within the report to Leisure and Environment during January 2021, the Company informed the Council that it was in discussion with the Council's Senior Leadership Team, to reduce where possible the proposed management fee which the Company is requesting for 2021 – 2022. Whilst redundancies are always a very difficult decision to make for any organisation, the post Covid environment which the Company is now operating in, (with significantly reduced income and usage) required the Company to take the necessary actions, to work towards improving its financial sustainability.

- 3.5 In January 2021, the Company was predicting a deficit for 2021-2022 in the region of £840k. This is approximately £640k over its usual position, based on receiving the usual £200k management fee from the Council. As previously stated, this is a direct result of the impact of Covid and the pension costs associated with the pooled arrangement with the Council which has been reported to Members in previous reports.
- 3.6 The pension issue is currently being discussed with the Council, Nottinghamshire County Council, Barnett Waddingham (the pension actuary) and the Board of Active4Today and a further update report will be provided to Leisure and Environment committee members during 2021 – 2022, as part of the Governance agreement between the Council and the Company.
- 3.7 As set out in the table in fig 1, the Company are making progress in reducing the predicted in-year deficit and is currently forecasting a deficit of £723k. This is an improved picture for both organisations, however, members will be aware that this is based on period 5 information and currently there remains a very difficult course to navigate for the leisure industry, with uncertainty surrounding take up and confidence of members returning to the leisure centres and any future impacts which Covid may have, especially with new variants continuing to occur and potential seasonal spikes taking place, when the leisure centres would be traditionally moving into their busiest period, quarter 4.
- 3.8 Close monitoring will of course take place over the next several months and as stated earlier, revisions of the financial position for the Company will take place in order the most up to date position can be provided to the Council with regards to the Company's expected deficit for 2021 – 2022.

4. Usage Performance

- 4.1 The Committee will be aware, that the performance for the Company is monitored against an agreed set of indicators. These indicators have been used for the past several months, which has allowed for comparative data to be available. Attached at **Appendix I**, are the indicators for the Company with comparisons provided to the same period in 2019 and 2020.
- 4.2 In addition to the quantitative data provided, more qualitative performance is provided to the committee regarding sports development. Due to the sports development team only recently returning to the Company from furlough there has been limited sports development work taking place. To date the team has supported the opening of the Dukeries Swimming Pool, the development and delivery of summer holiday activities and the set up and commencement of the club bookings at partner sites. A report however, will be provided to the next Leisure and Environment committee, which will set out what work has been undertaken from September (as schools and clubs return) and what work is planned in for the remainder of the financial year.
- 4.3 As previously reported to the Committee, the membership base for both adults and children at all sites, had been on a decline since December 2019, with the main reduction in membership being experienced at NSFC.
- 4.4 The tables below provides the Committee with membership information from April 2021 and how this has begun to build again since reopening in April 2021.

Site	Type	Opening actual for April	Actual for May	Actual for June	Actual for July	Actual for August
BLC	Adult	510	557	577	601	619
DLC	Adult	573	620	642	699	845
NSFC	Adult	2,677	2,762	2,812	2,913	2,985
BLC	Child	9	13	15	15	17
DLC	Child	161	163	209	254	272
NSFC	Child	1,358	1,364	1,403	1,431	1,446
Totals		5,288	5,479	5,658	5,913	6,184

- 4.5 Up to 31 August 2021 of the 6,184 live members currently paying a direct debit membership, there are approximately 56 who have frozen their memberships for either medical reasons, financial reasons.
- 4.6 The current level of adult membership at DLC has increased and has surpassed the pre-covid position in April 2020 of 836. This demonstrates that the swimming pool has had a positive impact and has encouraged more adults to join the direct debit membership, seeing the value and wanting to participate more regularly in physical activity.
- 4.7 The position at BLC of 619 is positive with more work to do to return to the pre-covid level of 739. This work is now underway with a member of the sports development team focussing on this community and surrounding villages for the next 6 months.
- 4.8 The current level of adult membership of 2,985 at NSFC was last experienced in May 2016 (3,063), during the first month of the new leisure centre opening. This, steadily increased, to a peak of 4,775 adult members in July 2019. In view of the hard work and efforts of all A4T staff over the last 4 years, this reduction is extremely disappointing. However, work is currently taking place to address this and the Company is confident these figures will increase steadily over the coming months.
- 4.9 Based on the current live membership base of A4T, the Company is now operating at 70% of live members against pre-Covid numbers.
- 4.10 However, after reviewing national industry performance and data available from Sport England and UKActive, the membership nationally is averaging around 55%, which is significantly lower than those experienced by A4T.
- 4.11 As expected the number of user visits across all sites has experienced a large decrease since reopening.
- 4.12 From 12 April to 31 August 2021, user visits across all sites reached 325,222 which is significantly more than the data reported for 2020 due to the months of the centres being open following the initial closure in March 2020.
- 4.13 The user figures for the period up to 31 August 2019 can be compared as a 'normal' period of operation can be compared to the current performance to 31 August 2021. There is a significant decrease which has previously been reported, owing to the phased return of a number of groups and activities due to Government and NGB restrictions.

- 4.14 The return of the over 60's age group to the buildings has been higher than expected, and is demonstrated through swimming data; more over 60's regularly swimming on a weekly basis due to the programme capacity and this has been evidenced through the take up in the swim only direct debit.
- 4.15 The return of children to the centres has been significantly reduced due to the decrease in the children's membership base. This reduction of critical mass has impacted on the participation of children in the leisure centre activities, with NSFC being affected in the main, due to the large membership base which it had.
- 4.16 Due to the nature of the close contact and the medical conditions of customers that have been referred from GP's and health professionals, the return of members that have joined on the subsidised membership scheme has been low. However numbers are increasing compared to the same period in 2020. This work has also been affected by the resignation of the Active Lifestyles Officer during the furlough period. However, a recruitment process has now taken place and once the postholder is in place, they will be tasked with reconnecting with the network of GP surgeries and health professionals across the district, in order to raise awareness of the GP referral scheme.

5. Business Plan 2021-2022

- 5.1 As Members will be aware the business plan was presented to the Committee in January 2021 for approval. The main focus for the year was the development of memberships once again, to support the sustainability of the Company. This will include work at the Dukeries Leisure Centre and new swimming pool; specifically identifying the various target groups to increase access across the board. Newark Sports and Fitness Centre remains the largest income generator for the Company. As a result a large focus of the Company's work and resource will be at this facility, in order to try and recover this centre back to pre-covid numbers.
- 5.2 Increased advertising has to date taken place and this will continue to happen for the remainder of the financial year. This has, however already provided a return on investment through increased numbers coming through the doors, (provided earlier in the report). Quarter 3 and 4 will be crucial for the development of the Company, as it starts to build its business again. This will also align to all staff returning to their contracted hours, as furlough draws to an end.

6. Dukeries Leisure Centre

- 6.1 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 has successfully launched the new swimming pool at the Dukeries Leisure Centre.
- 6.2 As expected this fantastic new resource for the community was handed over at the end of June 2021, with the first opening event on 30th June 2021, followed by a free open weekend on Saturday 3 and Sunday 4 July 2021, where the community of Newark & Sherwood and specifically Ollerton enjoyed the facility.

- 6.3 The pool was opened by Councillor Roger Jackson in his capacity as Chairman of the Leisure & Environment committee; supported by Councillor Keith Girling, Chairman of the Active4Today Board. Also in attendance was local Olympian Rebecca Adlington, double gold medal winner in the 2008 Beijing Olympics and a host of children from the community, all of whom enjoyed swimming in the pool with the Olympic legend.
- 6.4 Since the opening of the facility, memberships for both adults and children has increased steadily and sessions now include swimming lessons, laned swimming, parent and toddler sessions and fun swims with an inflatable for the younger swimmers of the community. The Company will continue to build numbers at this site as the sports development team begin to promote the benefits of regular exercise to the plethora of target groups within the area.

7. Budget Implications

- 7.1 There are significant budget implications contained within this report and this will continue to be discussed with the Council's Senior Leadership team, in order they are fully apprised of the most recent financial position of the Company.
- 7.2 Currently, as set out in para 3.3 'Transfer from Balances' the deficit for the 2021-2022 financial year is forecast at £723k.
- 7.3 Members will also need to be mindful that currently all figures associated with this report are based on Active4Today's current business and forecast. As Members will be aware, discussions are continuing with the Southwell Leisure Centre Trust and as such, when the transfer of the Southwell business takes and this integrates into Active4Today's, further financial modelling will be required to assess the impact of Southwell joining the Company.

8. Equality & Diversity Implications

- 8.1 The new swimming pool at the Dukeries Leisure Centre has now provided an excellent resource in the Sherwood part of the district, where no water based activities have taken place since 2017. This has been supported by a pricing strategy offering concessionary pricing, in a bid to ensure that price is not a barrier to entry.
- 8.2 All information will continue to be available in a number of formats in line with Active4Today's access requirements and those set out in the equalities and diversity policy.

For further information please contact Andy Carolan – Managing Director via email on andy.carolan@active4today.co.uk