



UPDATE REPORT 12 APRIL – 31 OCTOBER 2021

1. REPORT PURPOSE

1.1 To provide the Leisure and Environment Committee with an update on the operations of Active4Today, for the period 12 April 2021 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 operations for a considerable time during the 2020-2021 financial year. In addition to the primary leisure centres, the partner sites operated by Active4Today (school academy facilities) also experienced significant periods of closure. As expected, the business was severely affected by the length and frequency of the closures.

2.2 The Company eventually reopened on 12 April 2021 along with the partner sites, however, due to the restrictions still in place, the reopening was phased, with not all activities coming on line straight away.

2.3 Overall, the live membership base of the Company was reduced by approximately 35% and although the staff did an excellent job in retaining approximately 65% of the membership base, the 35% loss was higher than initially anticipated and was more prominent in specific groups.

2.4 During April, no indoor exercise classes could be provided within the centres and no junior activities or group activities either e.g. clubs could not book the sports hall or the pools. In May, both junior activities and indoor classes returned to the sites, which were positively received by customers.

2.5 During the summer, social distancing rules relaxed further and as a result, class numbers could be increased during September. This also coincided with classes moving from the larger sports halls and back into the studios, where the class programmes were initially intended.

2.6 This loss in membership, meant that the starting point for the reopening was lower than expected. This had the knock on effect to the finance of the Company with the income generating point starting at a considerably lower position, than the one which was expected in January 2021, and which was used to develop the budget for the 2021-2022 financial year.

- 2.7 In addition to the financial loss of memberships, pay and play income has also been lower than expected, due to the initial restrictions from sports governing bodies impacting on block bookings.
- 2.8 In view of this, not all staff returned to work, due to the phased reopening approach and the need to conserve expenditure, due to the reduced income position. This method worked for the Company and although certain areas of the business remained closed for periods of time e.g. sports development, dryside coaching and partner site development, it allowed the Company to continue to claim full or part furlough, which assisted with controlling the financial position of the Company in-year.
- 2.9 In addition to the above and to support the financial position of the Company, a restructure was completed. The last person completed their notice period in July 2021, which now means all savings identified can be realised in-year and will form part of the preparation work for the 2022-2023 financial year.
- 2.10 Recently Sport England released the latest information from their activity survey. Several of their headlines from their findings are set out below:
- Compared to the previous 12 months, there are 700,000 (-1.9%) fewer active adults and 1 million (+2%) more inactive adults participating in activities between mid-May 2020 and mid-May 2021
 - There is a clear correlation between falls in activity levels during the pandemic and restrictions, with activity levels dropping as sport and physical activity settings were closed and choice was restricted
 - Activity levels throughout the period were consistently lower than pre-pandemic, however, the drops were less pronounced as restrictions eased and activity levels started to rise
 - In mid-March to mid-May 2021, there was a partial recovery in activity levels. However, the numbers of people taking part in sport or physical activity remain 4.1% (1.6m) down compared to the pre-pandemic levels of 2019 across the same time period
- 2.11 There is evidence that activity levels will start to return to pre-pandemic levels, however, this may be impacted on for several months to come due to the nervousness of the population, a perception of lost fitness and conditioning making a return feel difficult, and the extent to which permanent habits have been broken.

2.12 However, based on the information within the report, it is clear that habit forming, routine and structure is key to increasing participation levels across the country. This would suggest that structured classes and purpose built leisure facilities will be crucial to building back the country's fitness and this is in-line with what the leisure centres have experienced to date.

3. PERFORMANCE TO PERIOD 07, TO 31 OCTOBER 2021

3.1 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 B, are the indicators for the Company with comparisons provided to the same period in 2019 and 2020.

3.2 In addition to the quantitative data provided, more qualitative performance is provided to the Committee regarding sports development. However, due to the sports development team only recently returning to the Company from furlough there has been limited sports development work taking place. Attached at Appendix C is the work which has taken place since their return to the Company.

3.3 As previously reported to the Committee, the membership base for both adults and children at all sites, had been in decline since December 2019, with the main reduction in membership being experienced at NSFC. This was further compounded by the impact of Covid-19 and the various lockdowns which have been experienced.

3.4 The Committee will be aware that from July 2020 the live membership base was lower than the pre-opening forecast originally expected. Whilst the Company did an excellent job in retaining a large proportion of its membership base, when it eventually reopened in April 2021 there was a loss of membership of approximately 35% overall (which was better than industry predictions, which ranged between 40% and 60%).

3.5 In addition to the potential loss in membership set out above, pay and play usage 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.

3.6 On a positive note, since the reopening in April 2021, the direction of travel for all usage is an improving picture. It appears that confidence is growing and users are beginning to return to the facilities.

3.7 The table below provides the Board with membership information from April 2021 and how this has begun to build again since the latest reopening.

Site	Type	Opening for April	Actual for May	Actual for June	Actual for July	Actual for August	Actual for September	Actual for October
BLC	Adult	510	557	577	601	619	644	651
DLC	Adult	573	620	642	699	845	914	947
NSFC	Adult	2,677	2,762	2,812	2,913	2,985	3,107	3,078
BLC	Child	9	13	15	15	17	18	18
DLC	Child	161	163	209	254	272	350	363
NSFC	Child	1,358	1,364	1,403	1,431	1,446	1,514	1,512
SLC	Adult	NA	NA	NA	NA	NA	NA	1,738
SLC	Child	NA	NA	NA	NA	NA	NA	1,301
Totals		5,288	5,479	5,658	5,913	6,184	6,547	9,608

Fig 1 – Table of memberships numbers

- 3.8 Up to 31 October 2021 of the 9,608 live members currently paying a direct debit membership, there are approximately 112 who have frozen their memberships for either medical reasons or financial reasons in line with the Freeze Policy.
- 3.9 The current level of adult membership at DLC has increased and has now surpassed the pre-Covid position of 836, recorded in April 2020. This demonstrates that the swimming pool has had a positive impact on the membership and has encouraged more adults to join by direct debit. This option provides greater value for money for the member, who is looking to participate more regularly in physical activity.
- 3.10 The position at BLC of 651 is positive; however, more work is required on this membership to achieve the pre-Covid position of 739. This targeted work is taking place by a member of the sports development team, who is focussing on the immediate community and the surrounding villages; this will be for a period of 6 months. The focus includes a series of networking events at the neighbouring primary school and the targeting of the local businesses, with a tailored promotion.
- 3.11 The current level of adult membership of 3,078 at NSFC has experienced a slight reduction in October; however, on the whole is once again moving in the right direction. Promotions are regularly targeting this facility as the main ‘income generator’ for the Company.
- 3.12 During the summer months a ‘Summer Fit’ 28 day promotion was used to encourage customers into the facilities for £20. Every customer subsequently received a follow up call, offering an upgrade to the direct debit membership, with no joining fee. Using the newly implemented technology, the upgrades were offered through the ‘Leisure Hub’ system, or activated on the telephone, making the process for the customer simple. Fitness staff and class instructors have also been handing out 3 day passes to customers to bring/refer a friend.
- 3.13 On the current live membership base of A4T, the Company is now operating at 80% of live members against pre-Covid numbers. 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.

- 3.14 As expected the number of user visits across all sites is lower than in previous years of operation. However, since 12 April to 31 October 2021, user visits across all sites reached 468,237. This is lower than the same period in a comparable year due to the pandemic and the lower memberships starting point at the commencement of the year. In addition, the delayed opening from 1 April to 12 April and the phased return of a number of groups and activities, due to Government and NGB restrictions.
- 3.15 The return of the over 60's age group to the buildings has been higher than expected, and is demonstrated through swimming data. There are more over 60's regularly swimming on a weekly basis due to the programme capacity; this has been evidenced through the take up in the swim only direct debit, particularly at the new swimming pool at Dukeries.
- 3.16 The return of children to the centres has been significantly reduced due to the decrease in the children's membership base. This reduction of the 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. However, this is once again moving in the right direction; however, more work is required to build this membership up once more.
- 3.17 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 expected due to the cautionary return of this cohort of users. 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, this position has now been filled and the post holder has been 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.
- 3.18 On line membership now make up approximately 90% of the total memberships sold. A new platform on our front of house software called 'Staff Portal' has also been added to the Leisurehub software, which enables staff to sell memberships over the phone and whilst mobile 'on the floor' and out within community settings.
- 3.19 With the installation of 'touch point' screens in all reception areas, customers can now 'self-serve' and buy memberships online without the use of their mobile device. The Company's online technology, in parallel with a very healthy social media presence, has resulted in a total of 5,800 Active4Today Facebook followers. This is set to increase also as several Southwell Leisure Centre members move over to the A4T Facebook site.

4. FINANCIAL HEADLINES UP TO 31 OCTOBER 2021

- 4.1 Set out in the table below (fig 2), 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 07, set against actual income and expenditure for the same period.

- 4.2 This budget will be subject to further revisions throughout the year, as a result of the lower than expected starting position of the membership. This is significant for the Company, as the budget for 2021 – 2022 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: 31.10.2021	31.10.21 Variance to 2021-22: original budget
Furlough/ Grant Income	£0	£94,400	£94,400
Other Income (management fees)	£0	£50,425	£50,425
Total income	£2,377,420	£2,160,005	£217,415
Staff	£1,985,700	£1,721,110	£264,590
Premises	£537,400	£516,900	£20,500
Supplies and services	£691,920	£661,720	£30,200
Total expenditure	£3,215,020	£2,899,730	£315,290
Surplus/Deficit	£837,600	£739,725	£97,875

Fig 2 – Income and Expenditure summary

- 4.3 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.

4.3.1 **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.

4.3.2 **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 transfer of the services by A4T on 1 April 2021. Since then SLC transferred over to A4T on 1 October 2021; as a result

6 months of their management fee has been paid by the council for the services provided from April to the end of September 2021.

4.3.3 **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.

4.3.4 **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 £365k.

4.3.5 **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. In addition, there are small savings within several budget headings.

4.3.6 **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.

4.3.7 **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 £739,725. Currently this represents a reduction on the original forecast of £837,600. This is a positive position within 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.

4.3.8 **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.

4.4 As reported above the Company completed its restructure with the final member of staff working out their notice period during July 2021. 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.

- 4.5 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.
- 4.6 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.
- 4.7 As set out in the table in fig 2, the Company are making progress in reducing the predicted in-year deficit and is currently forecasting a deficit of £740k. This is an improved picture for both organisations, however, members will be aware that this is based on period 7 information and there continues to be uncertainty surrounding the continued growth of members returning to the leisure centres.

5. SOUTHWELL LEISURE CENTRE TRANSFER

- 5.1 As alluded to within para 4.3 in the financial section above, Southwell Leisure Centre's operations and management transferred over to Active4Today Ltd on 1 October 2021. This included the remaining 6 months of its budget and all staff under a TUPE arrangement.
- 5.2 To mark this new chapter for the Leisure Centre, an official opening ceremony was held with the Chairman of the Newark and Sherwood District Council's Leisure and Environment Committee, Councillor Roger Jackson, the Chairman of the Southwell Leisure Centre Trust, Roger Blaney and the Chairman of Active4Today, Keith Girling on Friday 1 October. This was followed by refreshments within the leisure centre, with all trustees and Southwell staff invited. The occasion was well received and feedback from customers and employees has been positive.
- 5.3 All staff have now been welcomed into A4T with the senior management team of Company attending the site on a regular basis to meet with staff and understand their current roles and responsibilities and how A4T can support these staff to develop within the Company and the wider leisure industry.
- 5.4 At the time of transfer Southwell Leisure Centre's original forecasted budget for the 2021-2022 financial year was estimating a deficit at year end of approximately £230k. However, having revised the current budget and reviewed all staffing, programming and membership income, Active4Today Ltd have forecasted a new budget position, which now shows a deficit of circa £125k, an estimated saving over the original budget of approximately £105k.

- 5.5 The above saving in the main is within salaries, with all rotas for the centre having been revised within the first month, in consultation with all staff. This has been supported by the introduction of new technology, which A4T supported Southwell with, in readiness for their reopening in April 2021. This new technology into the facility has assisted with membership sales and sign ups and allowed the staffing supporting these areas to be moved to other areas of the business.
- 5.6 Due to changes within the delivery of the business and the integration with A4T, two vacancies have now not been filled and will be removed from the establishment for the 2022-2023 financial year.
- 5.7 Memberships continue to grow steadily and children's activities memberships have now overtaken its pre-Covid position. This is excellent news and will support the recovery of the Company. Negotiations have also taken place with Southwell Squash Club, with the club planning on returning to the centre (hopefully before Christmas), approximately 21 months after they placed the club on hold due to Covid.
- 5.8 Over the next several weeks the remaining processes undertaken by Southwell will be investigated and integrated into A4T, with the revised budget position being used to develop a budget for the site, in readiness for the 2022-2023 financial year.

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 30 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 Since the opening of the facility, memberships for both adults and children have 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.
- 6.4 As part of raising the awareness of the new pool, the Company offered schools within the Ollerton area free access to the pool, for one session before they broke up for their summer holidays. This was a success and has now resulted in the Company negotiating school

swimming with Nottinghamshire County Council, which will now commence from January 2022.

7. BUSINESS PLAN 2021-2022

- 7.1 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.
- 7.2 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 has now ended.

8. BUDGET IMPLICATIONS

- 8.1 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 appraised of the most recent financial position of the Company.
- 8.2 Currently, as set out in para 4.7 'Transfer from Balances' the deficit for the 2021-2022 financial year is forecast at £740k.
- 8.3 Members will however, need to be mindful that currently the deficit of £740k is based on Active4Today's current business and forecast. As reported in para 5.4, based on Active4Today's current forecast of Southwell Leisure Centre's budget, Active4Today are estimating a deficit in this budget of circa £125k. This would mean a total deficit for the Company of approximately £865k, based on period 7.

9. EQUALITY & DIVERSITY IMPLICATIONS

- 9.1 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.

9.2 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 or via telephone by calling ext.