

LEISURE & ENVIRONMENT COMMITTEE
25 JANUARY 2022

ACTIVE4TODAY - PERFORMANCE UPDATE AND DRAFT BUSINESS PLAN, 2022/23

1.0 Purpose of Report

1.1 This purpose of this report is to present the Active4Today (A4T) Draft Business Plan 2022/23 and the latest performance report for the period 12th April to end of December 2021 for Committee consideration and approval.

2.0 Background Information

2.1 At the meeting of Policy & Finance Committee on 29 January 2015 it was resolved to establish a “not for profit” wholly owned leisure company to provide leisure and sports development services on the Council’s behalf. This included the three leisure centres; Blidworth, Dukeries and the Newark Sports & Fitness Centre. The Company, Active4Today, was duly incorporated on 9 March 2015. Active4Today commenced operations on 1 June 2015.

2.2 As part of the governance arrangements, A4T presents its Business Plan for the following year to the Leisure & Environment Committee for consideration during the Autumn Committee cycle. The Draft Business Plan, 2022/23 and performance reports from A4T are **appended** to this covering report.

2.3 The appended documents attached to this report are:-

1. Active4Today Update Report 12th April to 31st December 2021, Appendix A;
2. Active4Today Performance Indicators 12th April to 31st December, Appendix B;
3. Active4Today Sports Development Report 12th April to 31st December Appendix C;
4. Active4Today Draft Business Plan 2022-2023, Appendix D.

3.0 Key issues –Overview of Performance

3.1 Leisure & 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 towards in return for a management fee should this be required. Performance is monitored through a framework and performance indicators agreed by Leisure & Environment Committee and contained in Appendix B as attached to this report.

3.2 Committee will be aware that the A4T commenced a phased reopening of its facilities in accordance with the Government’s Covid Recovery Road Map wef 12th April and accordingly this report will provide an overview of the key performance information up to 31st December 2021. The Update report, Appendix A, provides a more detailed insight into the various challenges that have been managed by the Company as it works towards recovering its business activity, footfall and memberships to pre-covid levels.

3.3 When the Company re-opened on 12th April, the live membership had reduced by approximately 35%. 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. However, a number of interventions have been undertaken by the Company to mitigate the impact of the pandemic and the value of these actions continue to deliver business recovery improvements.

- 3.4 Clearly the closures have had a significant impact on membership numbers, however, since the reopening, 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. However, in December 2021 with the onset of Omicron (the latest Covid variant) the Company has experienced several requests for freezing memberships particularly from the 60+ users, and this is being monitored very closely as the picture changes on a daily basis.
- 3.5 Table 1 below provides the Committee with membership information from April 2021 and how this has begun to build again since the latest reopening.

Site	Type	Opening - April	Actual - May	Actual - June	Actual - July	Actual - Aug	Actual - Sept	Actual - Oct	Actual - Nov	Actual - Dec
BLC	Adult	510	557	577	601	619	644	651	660	652
DLC	Adult	573	620	642	699	845	914	946	980	998
NSFC	Adult	2,677	2,762	2,812	2,913	2,985	3,107	3,078	3,164	3,193
BLC	Child	9	13	15	15	17	18	18	20	27
DLC	Child	161	163	209	254	272	350	363	378	383
NSFC	Child	1,358	1,364	1,403	1,431	1,446	1,514	1,512	1,523	1,509
SLC	Adult	NA	NA	NA	NA	NA	NA	1,738	1,785	1,792
SLC	Child	NA	NA	NA	NA	NA	NA	1,301	1,305	1,301
Totals		5,288	5,479	5,658	5,913	6,184	6,547	9,607	9,815	9,855

Table 1 - Memberships Numbers

As at 31 December 2021 there are 9,855 live members currently paying a direct debit membership; of these approximately 78 have frozen their memberships for either medical reasons or financial reasons in line with the Company's Freeze Policy. This compares to 251 freezes in August 2020, which followed the July re-opening after the first lockdown.

- 3.6 The current level of adult membership at DLC (998) has increased dramatically, 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 much greater value for money for the member, who is looking to participate more regularly in physical activity which also helps to develop improved health and wellbeing benefits.
- 3.7 On the current live membership base of A4T, the Company is now operating at 89% 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 the situation experienced by A4T. This is testimony to the work of the Company to manage the Covid challenges and introduce measures to mitigate against the impacts of the virus on its business which should be recognised and applauded.
- 3.8 To give the Committee an understanding of the latest membership recruitment position, in the first week of business after the New Year, the Company has signed up 165 members in total. This is a good start to the January campaign and will hopefully continue throughout

this traditional busy period and this will provide the Company with an improved starting position for the 2022-2023 financial year.

- 3.9 As expected the number of user visits across all sites is lower than in previous years of operation. However, from 12th April to 31st December 2021, user visits across all sites reached 600,284. 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 1st April to 12th April and the phased return of a number of groups and activities, due to Government and NGB restrictions, has impacted the user visits across the Company's sites.
- 3.10 Table 2 below sets out A4T's current financial position which is monitored by the Board, as part of its role in managing the operations of the Company. The table shows the original, revised and profiled budgeted income and expenditure up to period 09 (Dec21), set against actual income and expenditure for the same period. 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 are realised as below.

	Original 2021-2022 budget: income/exp	Full Year revised: 30.12.2021	Profiled budget: 31.12.2021	Actual income and exp: 31.12.2021	Variance to 31.12.2021: profiled budget
Other Income (Management Fee)	£0	£50,425	£50,425	£50,425	£0
Membership Income	£1,950,620	£1,698,780	£1,179,075	£1,214,574	-£35,498
Total income	£2,377,420	£2,160,005	£1,553,731	£1,588,936	-£35,204
Staff	£1,985,700	£1,721,110	£1,240,631	£1,223,944	-£16,687
Premises	£537,400	£516,900	£319,817	£191,389	-£128,428
Supplies and services	£691,920	£661,720	£412,940	£274,161	-£138,778
Total expenditure	£3,215,020	£2,899,730	£1,973,389	£1,689,495	-£283,894
Surplus/Deficit	£837,600	£739,725	£419,657	£100,559	-£319,098

Table 2 - Income and Expenditure Summary

- 3.11 As set out above, in January 2021, the Company was predicting an outturn 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-19 and the pension costs associated with the pooled arrangement with the Council, which has been reported to Members in previous reports. Whilst this latest forecast of £740k is very encouraging for both organisations, members will note that this is based on period 09 information and there continues to be uncertainty surrounding the continued presence of Covid.
- 3.12 Currently the pension costs is 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 during 2022–2023, as part of the Governance agreement between the Council and the Company.

- 3.13 Although as stated above, the in-year position for the Company is an improving one, A4T is currently £550k short of its suggested reserve position of £750k. In order to try and achieve this level of reserve over the coming years, A4T are requesting that the whole amount of budget identified for A4T in 2021-2022 (£840k), is provided to the Company in the form of a management fee, at year end. This will allow A4T to carry over any residual amount into its reserve (estimated at £100k for 2021-2022 based on performance to period 09) in order to rebuild its cash reserve resilience. This proposition has been discussed with the Council and is supported by the Council's 151 Officer. As a result, A4T are requesting this is supported by Members of the Leisure and Environment Committee.

4.0 SOUTHWELL LEISURE CENTRE TRANSFER

- 4.1 Members will be aware that the transfer of Southwell Leisure Centre's operations and management to Active4Today Ltd took place on 1st October 2021. This included the remaining 6 months of its budget and all staff under a TUPE arrangement. 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, the Company has forecast a new budget position, which now shows a deficit of c.£125k, an estimated saving over the original budget of approximately £105k.
- 4.2 The above saving is primarily from salaries, with all centre rotas 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 has assisted with membership sales and sign ups and allowed for redeployment of the staff to other areas of the Company. A4T will continue to ensure the leisure centre operations are integrated into those of A4T over the coming months and into the 2022-2023 financial year.

5.0 DUKERIES LEISURE CENTRE NEW SWIMMING POOL

- 5.1 As part of the Company's work to 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.
- 5.2 Since the opening of the facility in July, 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. 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. This facility continues to be very well received by the community and it is hoped that the successful start to this facility can be built upon over the coming months and years.

6.0 BUSINESS PLAN AND FINANCIAL FORECAST FOR 2022-2023

- 6.1 As Members will be aware the 2021-2022 business plan was presented to the Committee in January 2021 for approval. The main focus for the year was the development of memberships, to support the sustainability of the Company. This included work at the Dukeries Leisure Centre and specifically the new swimming pool and the identification of priority target groups to increase access to the facilities.
- 6.2 Newark Sports and Fitness Centre remains the largest income generator for the Company and as a result a large focus of the Company's work and resource has been aimed at this facility, in order to try and recover the centre back to pre-Covid numbers. While the direction of travel for the Company is a promising, more work is required to ensure the Company continues to develop and grow.
- 6.3 Increased advertising has to date taken place and this will continue for the remainder of the financial year. This has already provided a return on investment with increased numbers entering the facilities and Quarter 4 will be crucial as the Company continues to build the business.
- 6.4 Attached at appendix D is the draft 2022-2023 business plan for the Company, which once again focuses on building back the business with the Company proposing to undertake a number of sports development initiatives, targeting hard to reach groups and work in areas which are traditionally challenging in terms of lower participation in sport and physical activity.
- 6.5 Covid continues to provide challenges across the whole of the Company and staff shortages due to either isolating, or contracting Covid continue to cause operating difficulties which are being closely monitored. This has been compounded further recently, with the Christmas leave period and the seasonal move of several relief staff, back to University. Recruitment however, continues to take place to rebuild the resilience within the Company and ensure that operations continue as normal for the customer.
- 6.6 With the inclusion of the Southwell staff the in-year revenue pension costs for the Company for the 2022-2023 financial year now stands at £172.5k. This is an increase of £31.5k on the 2021-2022 financial year and is directly attributed to the additional employees TUPE'd from Southwell Leisure Centre Trust. Members will be aware that currently A4T has a 'pooled' pension arrangement, which is tied into the District Council's critical mass of employees. This means any change which happens within the Council, also has an effect on A4T's pensions and which the Company has no control over. As a result of this, the Company are working with the District Council, Nottinghamshire County Council and Barnett Waddingham (independent pension's advisors) to assess the viability of splitting A4T from the District's pension in order it becomes a 'stand-alone' body. This will however, not take place until the triannual pensions re-evaluation which will take place in April 2023. This review will provide the District Council and A4T with all the information required to make an informed decision on the best route for both parties. However, until such time, the pension revenue costs will continue to be required and this will be contained within the annual management fee request, which A4T makes to the Council.
- 6.7 In December 2021, A4T revised its current 2021-2022 budget to ensure it had the latest operating costs to forecast the 2022-2023 budget. As a result, the forecast has now been made based on period 09 (31st December 2021). Assumptions have been made when compiling this budget which includes:

- Covid-19 restrictions not changing from the present position;
- Cost of living increases for salaries not increasing over the estimated 2%;
- Memberships continuing on the current trajectory, which is intrinsically linked to Covid-19;
- All facilities continuing to be available for operations;
- Utilities estimates being within the parameters expected;
- Pensions continuing at their current rate and not increasing further; and
- National insurance and VAT remaining the same as the current costs.

6.8 In view of the above, A4T are forecasting a management fee for the 2022-2023 financial year of £500k, to support its operations including its Covid recovery activities. This amount contains a combined management fee, taking account of Southwell Leisure Centre joining the Company. This figure includes £174k of pension costs associated with the pooling agreement and the increased costs associated with the Southwell Leisure Centre employees. This forecasted figure supports the operations of four leisure centres and the sports development team, which members will be aware, brings no income into the Company, with the exception of grant funding, which is specifically attributed to the projects it supports. The sports development team however, contribute to the exceptionally important social benefits within the district, directly supporting hard to reach individuals and organisations and promoting the benefits of an active and healthy lifestyle.

7.0 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 appraised of the most recent financial position of the Company. Currently, the deficit for the 2021-2022 financial year is forecast at £740k.

7.2 Members will however, need to be mindful that the deficit of £740k is based on Active4Today's current business and forecast and does not include any deficit associated with Southwell Leisure Centre's transfer into the Company. However, based on Active4Today's current forecast of Southwell Leisure Centre's budget, it is estimating a deficit in this budget of circa £125k. This would mean a total deficit for the Company of approximately £865k to year end, based on period 09.

8.0 Equalities Implications

8.1 The business plan and performance framework includes a range of measures that demonstrate work in progress to improve inequalities in sports and leisure participation. However, price increases which have been set out in the business plan may have an impact on those on lower income, however, further support is provided to various groups and individuals, through the inclusivity strategy. All information will continue to be available in a number of formats in line with A4T's access requirements and its commitment to support the principles of equalities and diversity as set out in its Equality Policy.

9.0 Digital Implications

9.1 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.

10.0 Financial Implications (FIN21-22/4069)

10.1 As set out in the table at para 3.10 the current anticipated shortfall for the 2021/22 financial year is £739,725 compared with an original £837,600. The Council set aside a cash budget of £842,070 in respect of the budgeted shortfall.

10.2 The Managing Director of the Company made a recent request to the Council's S151 Officer to continue to pass over the whole amount of budget that the Council originally made available (£842,070) despite the reduction in the forecast shortfall. This will allow the Company to add funds to its reserves which were depleted during the 2020/21 financial year as a result of the pandemic. Additionally to this, the request asked to keep separate the deficit as a result of Southwell Leisure Centre's integration into the Company of which is currently forecast as a deficit of £125,000. Both requests were supported by the S151 Officer. These proposals are currently forecasted into the budget monitoring report elsewhere on this agenda.

10.3 The Company are forecasting an overall requirement of £500,000 for the 2022/23 financial year, which includes a budgeted transfer to reserves of £50,000 in order to continue to rebuild the Company's reserve position. This overall requirement has been built into the proposed Leisure and Environment budget elsewhere on this agenda.

11.0 Community Plan – Alignment to Objectives

11.1 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 A4T 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'.

12.0 RECOMMENDATIONS that:

- a) **Active4Today's performance to Period 9 (December 2021) be noted;**
- b) **the Active4Today Draft Business Plan 2022/23 be noted in preparation for the Final Plan to be presented to the Leisure and Environment March Committee;**
- c) **the initial early forecast outturn position for 2021/22 be noted; and the full management fee of £842K be made available for 2021/2022;**
- d) **the full year financial outturn position be reported to the June meeting; and**
- e) **a management fee budget provision of £500K be established for 2022/23.**

Reason for Recommendations

To ensure the company is delivering the outcomes required by the Council in the most efficient and effective way.

Background Papers

Nil

For further information please contact Andy Hardy on Ext 5708

Suzanne Shead

Director – Housing, Health and Wellbeing