

**LEISURE AND ENVIRONMENT COMMITTEE
25 JANUARY 2022**



UPDATE REPORT 12TH APRIL TO 31ST DECEMBER 2021

1. REPORT PURPOSE

- 1.1 To provide the Leisure and Environment Committee with an update on the operations of Active4Today, for the period 12th April 2021 (the first day of opening following the final lockdown) to 31st December 2021.
- 1.2 To provide the Leisure and Environment Committee with the draft 2022-2023 business plan for feedback, to enable this to be agreed before the commencement of the new financial year.
- 1.3 To provide the Leisure and Environment Committee with the suggested management fee for 2022-2023, which has been forecasted using the most up to date performance information.

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 reopened on 12th 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 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. During the summer, social distancing rules relaxed further and class numbers increased during September.
- 2.4 As a result of the phased reopening the starting point of the membership base was reduced, which had the knock on effect to the finance of the Company, with the income generation starting point lower than forecasted, when the budget for 2021-2022 was set.
- 2.5 When the Company reopened, 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.

- 2.6 Not all staff returned to work, due to the phased reopening and the need to balance the expenditure of the Company. This approach was successful 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.
- 2.7 In addition to the above and to support the financial position of the Company, a restructure was completed at the start of the 2021-2022 financial year. Savings from the restructure are now being realised in year and have also formed part of the budget development work for the 2022-2023 financial year.
- 2.8 Following the release of the latest Sport England activity survey there is evidence that activity levels will return to pre-pandemic levels, however, the impact of the pandemic will be felt for several months to come.
- 2.9 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 09, TO 31ST DECEMBER 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 years, 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. Members are asked to note however, that all data presented in this report is now inclusive of the performance attributed to Southwell Leisure Centre, which with the exception of the memberships had not been reported previously.
- 3.2 In addition to the quantitative data provided, more qualitative performance is provided to the Committee regarding sports development. Attached at appendix II is the work which has taken place since their return to the Company.
- 3.3 Whilst the report contains information regarding the performance of the sport development team and the partnership work they are undertaking, there has been one notable success which is worth raising at this point. The team was successful and awarded a grant £9,000 from Nottinghamshire County Council towards a targeted project within the community.
- 3.4 The 2 year project will deliver activities specifically to tackle physical activity levels in Ollerton, for individuals with long term health conditions and disabilities, and the new pool presents a vital community facility to enable more people to access swimming, alongside many other activities.

- 3.5 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.
- 3.6 The Committee will be aware that from July 2020 the live membership base was slightly lower than the pre-opening forecast originally expected and 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%).
- 3.7 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 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 were on their summer breaks was slow.
- 3.8 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. That said, recently (in December 2021) with the onset of Omicron (the latest Covid strain) the Company has experienced several requests for freezing memberships from several 60+ users. This is being monitored very closely as the picture changes on a daily basis.
- 3.9 The table 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 for April	Actual for May	Actual for June	Actual for July	Actual for August	Actual for September	Actual for October	Actual for November	Actual for December
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

Fig 1 – Table of memberships numbers

- 3.10 Up to 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 Freeze Policy. This compares to 251 freezes in August 2020, which followed the July re-opening after the first lockdown.
- 3.11 The current level of adult membership at DLC has increased dramatically, and has now surpassed the pre-Covid position of 836, recorded in April 2020 and now sits at 998. 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 and in turn being more beneficial to their health.

- 3.12 The position at BLC of 652 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.
- 3.13 The current level of adult membership at NSFC is 3,193 and although this experienced a slight reduction in October; the number of adults on memberships at NSFC is seeing a positive trend and once again moving in the right direction. Promotions are regularly targeting this facility as the main 'income generator' for the Company.
- 3.14 During the summer months a 'Summer Fit' 28 day promotion was used to encourage customers into the facilities. This was extremely successful with every customer subsequently receiving 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 'LeisureHub' system, or activated on the telephone, making the process for the customer extremely easy and straightforward.
- 3.15 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 those experienced by A4T.
- 3.16 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.
- 3.17 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.

- 3.18 The number of children using the centre for coached and adhoc activities 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; with more work planned to build this membership up once more.
- 3.19 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 as expected, due to the cautionary return of this cohort of users. However numbers are increasing and currently this stands at 79 referrals received from April. In addition, there are approximately 10 enquiries per week coming into the Company concerning GP referrals and it is expected that pending any further issues with Omicron this number will increase to the end of the financial year.
- 3.20 On line membership now make up approximately 95% 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.
- 3.21 With the installation of 'touch point' screens in all reception areas, customers can now 'self-serve' and buy memberships and book 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.
- 3.22 To give the Committee an understanding of the latest position; in the first week of reopening 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 the traditional busy period, which will provide the Company with a good starting position for the 2022-2023 financial year.

4. FINANCIAL HEADLINES UP TO 31ST DECEMBER 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 09, 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: 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

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 as well as the profiled budget against actuals.

4.3.1 **Other Income (management fees)** – this section represents the management fee associated with the Company. This includes the services A4T provided 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 1st April 2021. Since then SLC transferred over to A4T on 1st 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. A4T are not now expecting any further management fee, associated with SLCT for the 2021-2022 financial year.

4.3.2 **Membership Income** – Overall membership income is performing well against the profiled budget, due to better than expected sales results and good retention rates after re-opening in April 2021; as a result, this budget line is up by £35.5k. This target was reduced when the budget was revised due to, the delayed reopening at the start of the year, the restrictions still in place when the centres reopened and a lower than expected starting point for memberships.

4.3.3 **Staffing** – This budget is currently underspend by £17k against the profiled budget. This is due to several vacancies across all sites. This budget has seen a saving of £265k as a result of the staffing restructure. This budget line also includes redundancy costs which equated to circa £100k.

4.3.4 **Premises** – This budget has a large underspend of £128k. This is made up of £81k in utilities. This is a regular occurrence with utility companies, who send invoices retrospectively and also several months after a period has finished. In addition to the outstanding invoices, A4T are currently in dispute with the water supplier and are awaiting an updated invoice which it can agree, in order it can sign off the outstanding amount. The remaining £47k is attributed to repairs, renewals and maintenance works. Whilst A4T have identified several areas within the facilities which require attention, due to Covid and lately the Christmas break, it has been difficult to engage with suitable contractors. However, this has now been rectified and works will be undertaken within the coming weeks. As a result, the budget is expected to be fully committed by year end.

4.3.5 **Supplies and Services** – This section of the budget has a large underspend of £138k in comparison to the profiled budget. This budget heading is made up of several lines; however, the notable underspends include: NSDC Support costs, which is currently £69k underspent. The outstanding invoices have now been agreed for this underspend and will be signed off before the next update report. Irrecoverable VAT is underspent by £34k. This is directly attributed to underspends in other areas (namely repairs and maintenance) and as spend occurs on these codes, this budget will be committed. The remainder underspends are across several budget headings totalling £35k.

4.3.6 **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, which represents an underspend against the original budget of £837,600, of circa £100k. This does not include the introduction of Southwell Leisure Centre from 1st October 2021, as this is reported separately in section 5 of this report. This is a positive position for the Company, given the delayed reopening and the lower starting point in membership. This saving has in the main been realised through expenditure savings and especially the reorganisation of the staffing.

4.3.7 **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 set out above, 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-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.

- 4.5 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 committee members during 2022–2023, as part of the Governance agreement between the Council and the Company.
- 4.6 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 period 09) in order it can rebuild its cash resilience. This suggestion 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.

5. SOUTHWELL LEISURE CENTRE TRANSFER

- 5.1 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.
- 5.2 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 have forecasted a new budget position, which now shows a deficit of circa £125k, an estimated saving over the original budget of approximately £105k.
- 5.3 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 Company.
- 5.4 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.

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 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.
- 6.3 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.

7. BUSINESS PLAN AND FINANCIAL FORECAST FOR 2022-2023

- 7.1 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 the work at the Dukeries Leisure Centre and specifically the new swimming pool. This included identifying the various target groups to increase access across the board.
- 7.2 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 one, which has been reported within this report, more work is required to ensure the Company continues to develop.
- 7.3 Increased advertising has to date taken place and this will continue for the remainder of the financial year. This has, however already provided a return on investment through increased numbers entering the facilities, (provided earlier in the report). Quarter 4 will be crucial for the development of the Company, as it starts to build the business again.
- 7.4 Attached at appendix III is the draft 2022-2023 business plan for the Company, which once again focuses on building back the business, following the decline experience during Covid closures. That said the Company are also proposing to undertake a number of sports development initiatives, targeting hard to reach groups and in areas which are traditionally those where people are less likely to engage in physical activity.
- 7.5 Covid continues to provide challenges across the whole of the Company, as it does within many businesses across the UK. Staff shortages due to either isolating, or contracting Covid continue to cause operating difficulties and these are being monitored on a day to day basis.

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.

- 7.6 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 (and which has been referred to in para 4.4 and 4.5 above) 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. At this stage A4T and the District Council will have all the information it requires to make an informed decision on the best route for the Company and for the Council. Until such time, the revenue costs will continue to be required and this will be contained within the annual management fee request, which A4T makes to the Council.
- 7.7 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).
- 7.8 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
 - National insurance and VAT remaining the same as the current costs
- 7.9 In view of the above, A4T are forecasting a management fee for the 2022-2023 financial year of £500k, to support its operations. 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.

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 above in the '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 and does not include any deficit associated with Southwell Leisure Centre's transfer into the Company.
- 8.4 As reported above, 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 09.

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.