

LEISURE & ENVIRONMENT COMMITTEE

22 JANUARY 2019

ACTIVE4TODAY – FINAL BUSINESS PLAN, 2019/20 AND PERFORMANCE UPDATE

1.0 Purpose of Report

1.1 This purpose of this report is to present the Active4Today Business Plan 2019/20 and Three Year Pricing Strategy 2019 - 22 for Committee approval and update on the Company's latest quarterly performance.

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, Active4Today presents its Business Plan for the following year to the Leisure & Environment Committee for consideration during the Autumn Committee cycle. The Business Plan, 2019/20 and performance reports from Active4Today are **appended** to this covering report. The Business Plan is also aligned to the priorities in the Physical Activity and Sport Plan 2018 - 21 approved by Committee at its meeting 13 November 2018.

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. Performance is monitored through a framework agreed by Leisure & Environment Committee.

3.2 The best indicators for the underlying strength of the Company are the adult and children's membership bases. As Committee will see from the performance report, there has been an overall increase in membership from 12,617 to 12,641 (plus 24) compared with the corresponding period in 2017. Adult memberships grew by 1.66% increasing from 8,553 to 8,695 (plus 142), although overall children's memberships reduced by 2.9% over the same period from 4,064 to 3,946 (minus 118) largely attributable to the closure of the swimming pool at Dukeries LC and the interim swimming arrangements post closure.

3.3 However, performance at Southwell continues to be positive with strong growth in adult membership increasing by 9.38% from 2,196 to 2,402 members (plus 206) and children's growth of 3.45% increasing from 1,303 to 1,348 members (plus 45) and Committee will be aware that Southwell Leisure Centre Trust (SLCT) agreed to make a £15,000 contribution

towards the costs of the management agreement Active4Today has with the Trust as approved at the Leisure and Environment Committee meeting 13 November 2018.

- 3.4 GP referrals remain consistent and comparable with the corresponding period in 2017 and it is worth recognising that due to emerging self-referral opportunities this has resulted in individuals accessing classes and activities without going through a formal GP Surgery/Health professional referral protocol.
- 3.5 In terms of the Company's finances, Active4Today are in a reasonable position to date and once adjustments have been made to account for commitments, the Company is forecasting a £2,000 surplus at year-end based on performance to date assuming that the balance of the management fee (£60,610) is released by the Council. This is a significant decrease on the £22,000 figure reported to the Committee in November 18.
- 3.6 The downturn in the forecast is due in the main to the anticipated reduction in children's memberships following the announcement that access to the swimming pool at Wellow House School (WHS) terminated on 19 January 2019. This has already had a negative impact on children's memberships at Dukeries Leisure Centre, however, given historical performance, the Council will continue to hold in abeyance the remaining 50% of the management fee budgeted to Active4Today in 2018/19 pending the year-end outturn position.
- 3.7 Based on the above, the Company is forecasting zero income from children's memberships at Dukeries Leisure Centre for quarter 4 given the difficulty to forecast with any accuracy the impact of the withdrawal of the swimming pool facility at WHS other than a reduction in income. The Company is therefore planning for a worst case scenario and will use its best endeavours to retain as much business as possible to protect its current membership base and income stream.
- 3.8 Furthermore the situation will not improve significantly until the proposed new modular pool, anticipated to be opened in early 2020, is operational and accordingly the Company is forecasting a budget deficit of 75K in 2019/20 assuming that the current management fees proposed for 2019/20 are agreed by Committee.

Business Plan, 2019/20

- 3.9 The Active4Today Business Plan, 2019/20 is attached for Committee approval. Active4Today has identified a number of actions it is proposing to undertake with the aim of facilitating the delivery of the three outcomes the Committee set the Company up to achieve, namely: Healthy and Active Lifestyles, Accessible Facilities and Financial Viability.
- 3.10 In addition the Business Plan now includes three new key performance indicators aligned to the recently approved and adopted Physical Activity and Sport Plan 2018 to 2021 (PA&SP) which has identified the need for focussed work in priority areas as detailed within the plan in terms of:
 - reduce childhood obesity in primary school aged children,
 - reduce levels of inactive people, and
 - National Statistics Socio Economic Classifications areas (NSEC 6-8).

The Company has integrated a number of actions in its Business Plan for each of the three objectives and sets out how it will work towards the delivery of those objectives through its programming and activities initially in 2019-20 and then thereafter as both plans evolve. This will encourage increased levels of participation in these groups and thereby contribute to improving health and wellbeing of these residents.

- 3.11 The budgeted management fee for 2019/20 is £121,220, which is the same figure as the current year. Active4Today's financial performance has considerably surpassed the figures contained within the five-year business plan when the Company was set up. Indeed, the Company has posted surpluses in each of its four completed years of trading. As mentioned above, and notwithstanding the latest outturn forecast the Council continues to hold 50% of the budgeted management fee for 2018/19 in abeyance pending the year-end outturn position.
- 3.12 In relation to pricing, the Leisure & Environment Committee is required to approve changes to fees and charges and Active4Today is proposing changes to the pricing structure as detailed in the pricing schedule contained within the Business Plan (page 9) and includes comparison information from competitors.
- 3.13 In addition Active4Today is proposing a three year pricing strategy as detailed within the report, be approved and becomes effective from 1 April 2019. The strategy would be monitored closely and the impact of its implementation reported to Leisure and Environment at regular intervals and reviewed and approved annually through the business planning process, to ensure that its impact is managed effectively.
- 3.14 Committee should note that within the proposed three year pricing strategy the inclusive adult active membership will increase by £2.00 per month, from £29.00 to £31.00 and Xperience One child membership will increase by £1.00 per month from £19.00 to £20.00. However a number of new membership packages are proposed which will offer members a more bespoke offer and will include some new concessions to retain existing members and attract new custom.

Southwell Leisure Centre Trust

- 3.15 In addition to paying a management fee to Active4Today to operate leisure and sports development services, the Council also pays a cash sum to the Company to provide strategic management support to Southwell Leisure Centre Trust, as well as 'donating' a number of central services such as human resources and ICT.
- 3.16 Representatives of the Leisure & Environment Committee were nominated to enter into a dialogue with SLCT and Active4Today about the future arrangements given that the Trust is the recipient of the Active4Today services, which are paid for by the Council.
- 3.17 The total management fee payable for Southwell in 2019/20 is £95,850 of which £80,850 will be contributed by the District Council. Whilst Committee were looking for a three-year programme of savings, the proposed contribution is significant in percentage terms and Committee should consider whether this is acceptable as a first contribution. In year 50% of the management fee for Southwell held back during the period of dialogue has now been paid to SLCT following agreement on the SLCT contribution to the management fee.

4.0 Equalities Implications

4.1 The performance framework includes a range of measures that demonstrate work to improve inequalities in sports and leisure participation. An equality impact assessment completed by the Company will support the Business Plan for 2019/20.

5.0 Financial Implications (FIN18-19/7750)

5.1 The proposed management fee to Active4Today has been built into the 19/20 budget as per the current years support. As outlined at paragraph 3.5, the financial performance of Active4Today reported at the meeting in November 2018 had been strong, however the impact of the loss of pool time at WHS will impact on income and the revised forecasts for year-end performance currently show a £2,000 surplus position. The balance of the management fee is still in abeyance and will be paid over following agreement of the year end position.

5.2 The agreed £15,000 contribution towards the management fee from SLCT will be paid directly to Active4Today with the proposed management fee from NSDC reduced by the agreed £15,000. This has been built into the 19/20 budget and the Medium Term Financial Plan going forward.

5.3 The report refers to a three year pricing strategy for which there is no detailed financial information included within the report or the business plan, relating to the impact of the 3 year strategy. Hence financial implications arising from this are not quantifiable at the moment.

6.0 RECOMMENDATIONS that:

- a) **Committee approve the Active4Today Business Plan 2019/20;**
- b) **Committee consider and approve, in principle the Three Year Pricing Strategy 2019-22, subject to annual approval of the Active4Today Business Plan;**
- c) **Quarter 3 performance be noted;**
- d) **Active4Today presents its 2018/19 outturn report to the June Committee meeting with its full year financial position in order that the Committee can form judgements on the appropriateness of the management fee payable in 2019/20; and**
- e) **Committee note the impact of the loss of swimming pool time at WHS and the anticipated reduction in income that will need to be closely monitored by Active4Today and the Council and reported back to Committee.**

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 Matthew Finch on Ext 5716

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