

LEISURE AND ENVIRONMENT COMMITTEE MANAGEMENT REPORT

22nd January 2019

1.0 REPORT PURPOSE

- 1.1 To provide the Leisure and Environment Committee with a performance report for the leisure centre operations up to the end of period 9, with comparison data provided against the same period in the previous year.
- 1.2 To provide the Leisure and Environment Committee with an update of the work being undertaken by the Sports Development team up to the end of period 9.
- 1.3 To provide the Leisure and Environment Committee with the final business plan for 2019/2020.

2.0 BACKGROUND

- 2.1 Members will be aware that reports are provided to the Leisure and Environment Committee against a set amount of performance indicators, which were agreed with the committee; these are set out at Appendix I. Narrative to support these performance indicators is set out at in section 3 of this report; in addition there are a number of areas of the business that have performed well during the first 9 periods of the 2018 – 2019 year and these are also set out below.

3.0 PERFORMANCE

3.1 Performance to Period 9, 1st April 2018 – 31st December 2018:

- a) The performance of the membership base in both adult and children has been varied across all sites since 1st June 2018. This is down to a variety of factors. Adult membership at NSFC has experienced an increase of (255) and stands at 4,557; this is in comparison to December 2017 where the membership stood at 4,302. This is due to the promotions offered to attract new members during the Autumn period and which are set out later within the report.
- b) The children's membership at NSFC has seen a small decrease in comparison to the same period last year however the improvements to the workforce issues experienced during the summer period are now turning around and it is hoped this will now have a positive impact on the children's memberships and numbers will start increasing due to improved continuity and consistency taking place.

- c) Specifically at DLC, the transfer of swimming provision from South Forest to Wellow in May 2018, has continued to have a negative effect across all age groups, with a total reduction in comparison to last year, being a combined net member loss of -156 members. Whilst it was hoped that this was beginning to plateau, there has been a further development between A4T and the Wellow House School and this is set out later within the report.
- d) In comparison to December 2017 the retention of adult members across the sites has fallen slightly. An anomaly to this and surprisingly was at the DLC; for the month of December 2018, their performance on retention had improved to the previous year and they lost fewer members. The children's retention is slightly up however, this is now starting to be impacted on by the Wellow issue. For future reports, it is proposed that a comparison to quarters will be provided to the committee and not months, as this provides a longer period to look and compare against and should provide more stable results.

		December 2018		December 2017	
		Attrition Rate	Retention Rate	Attrition Rate	Retention Rate
Total	Adult	4.27%	95.73%	4.17%	95.83%
	Child	3.19%	96.81%	3.62%	96.38%

Fig 1. Overall Company retention rates for adults and juniors

- e) The total number of user visits has seen a reduction compared to the same period last year. From 1st April to 31st December 2017, there were 729,168 user visits, compared to the same period this year being 660,728. This can partly be attributed to the reduction in the live membership base in both adult and children at Dukeries and children at NSFC. In addition, this is determined by the members 'swiping' their cards at reception. Despite some progress being made with ICT, there has been multiple times when the access gates and turnstiles have been unlocked at BLC and NSFC, which will drastically reduce utilisation figures. The latest issues being the weekend of 5th and 6th January 2019, where all payment and entry systems failed across all sites including Southwell Leisure Centre. The main cause of this e.g. server capacity will hopefully be rectified by the end of January 2019.
- f) The number of visits for 60's plus customers has experienced a slight decline compared to the previous year, up to period 9 from 59,454 in 2017 to 57,662 to the same period in 2018. Whilst it cannot be definitively proven, the decline in usage may also be attributed to the ICT issues experienced within this quarter, as many of the 60 plus user visits are through a membership option, which would not have been recorded in the entry system, at the times when this was not operating correctly.

- g) The number of visits for the 16-18 age groups has also seen a slight decrease in comparison to last year over the whole period of nearly 2,000 visits. Once again, this may be attributed to the ICT issues experienced within the quarter.
- h) The number of visits for under 16's has remained consistent based on the junior membership levels, with monthly average participation for this age group being over 22,000 user visits this year. It is inevitable that the impact of swimming lesson provision at Wellow will reduce this indicator during the next quarter however, it is positive that usage is still consistent at that level, considering the slight drop in junior membership at the NSFC. This does confirm that members are possibly using multiple activities and maximising their membership category.

3.2 In addition to the operations of the leisure centres which are set out above, A4T has undertaken significant Sports Development work across the district and throughout the period of this report. Attached at appendix II is the highlights of the work undertaken by the team.

3.3 **Promotions Undertaken:**

- a) There have been a number of promotional campaigns which have targeted different groups to promote membership sales. These included a 'pay and play' incentive in October, encouraging people who currently pay as they go to join a membership and save money.
- b) In November, the 'Something for Everyone' campaign which promoted the benefits of exercise and the varied programme of activities on offer at the sites.
- c) The new 'Premier' membership was launched on 1st December firstly at NSFC. The initial feedback from this new membership offer has been extremely positive; with members finding the 1-2-1 weekly support from the instructors a real motivator in reaching their fitness and lifestyle goals. To date there are 24 members taking advantage of the additional benefits on offer from this membership.
- d) In December there was a week of activities for children offered in the lead up to Christmas as well as a prize draw, with prizes provided for loyal members as a retention tool. This was very well received by the members and all winners were photographed receiving their gifts and this supported the advertising of the Company through posts on social media.
- e) In anticipation of the implementation of a new pricing structure from 1st April 2019, a new promotional plan will be developed, explaining the benefits and criteria for each membership available. This will include an opportunity for new members to 'beat the increase' and join before April. Promotions will continue to take place throughout the

year and currently A4T are looking forward to October 2019, where promotions for the new swimming pool at the DLC will commence.

4.0 FINANCIAL PERFORMANCE UPDATE TO PERIOD 9

4.1 Members will be aware that, as part of the agreement with Active4Today Ltd, an update on finance is provided by the Company on a regular basis, to ensure the Council can understand the on-going sustainability of the Company. In addition, it allows for early discussions to take place regarding the best way to apportion any additional finance (in the event this occurs), which may have been generated by the Company and can be focused into areas such as additional sports development activities, subsidised usage for target groups, or additional equipment for outreach work.

4.2 Set out in the table below, Active4Today 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 to period 9, set against actual income and expenditure for the same period. The process of revising budgets has commenced within the Company and this is to ensure that the most current and relevant financial information is available to the A4T Board and the L&E Committee.

	Original 2018-19 budget income/ exp	Full Year budget 1 – revised December 2018	Profiled budget - to period 09 31 st December 2018	Actual income and expenditure to period 09	Variance to period 09 profiled budget
Total income	-£2,976,550	-£3,032,856	-£2,318,528	-£2,324,940	-£6,411
- Staff	£1,946,270	£1,975,370	£1,449,1301	£1,422,734	£-26,395
- Premises	£399,940	£410,310	£255,100	£224,479	£-30,621
- Supplies and services	£710,290	£633,359	£420,904	£320,131	£-100,773
Total expenditure	£3,056,500	£3,049,039	£2,125,135	£1,967,344	-£157,790
Transfer from/to balances A4T	-£79,950	£1,777.00	0.00	£0.00	0.00
Transfers from reserves re: Sports Development Projects *	£0.00	-£17,960	£0.00	£0.00	£0.00
Net balance	£0.00	£0.00	£193,392	-£357,595	-£164,202

Fig 2. Current financial information table 2018/2019

4.3 Points to note from the financial information table are:-

Income budgets - There is currently a variance to the profiled budget of £6K. This is in the main due to the adult direct debit income streams continuing to increase at Newark Sports and Fitness Centre.

Salary budgets - This budget is currently underspent to profiled budget by £26K. This is made up of a number of elements due to staff vacancies across the company, relief hours paid in arrears, training budgets to be committed, freelance payments still to be made for December in arrears and estimates made for National Insurance and Superannuation.

Premises budgets - This budget group is currently underspent by £30K mainly due to utility payments due, made one month in arrears to Corona, EDF, British Gas and Water Plus. It is expected that this budget heading will be fully committed at yearend.

Supplies and Services budgets – This budget group is currently underspend by 101K within There are outstanding invoices due to NSDC worth over £50K. This re-charge is still being queried regarding the ICT invoices amounting to £44K; however, once all of the queries have been resolved, this will be paid. There is in addition, marketing budget still to be appropriated to advertising campaigns and due to be rolled out during Q4.

4.4 Summary to period 09:

- a) The current in year surplus as at 31st December 2018 forecasted forward to the end of period 12, 31st March 2019 is estimated to be £2K.
- b) NSDC have now been invoiced for a full year management fee for Southwell LC - £95,850, however, the remaining half year payment is still outstanding for the Sports Development element of the contract, which was identified for A4T, during the March 2018 L&E report. Based on current income and expenditure predictions, the remainder of the management fees will be required by A4T, to continue to operate the company and maintain the current level of reserves and balances.
- c) Due to the recent news regarding the Wellow House School and withdrawal from this facility from 19th January 2019, there will be an inevitably effect on income streams for the children's membership for both wetside and dryside activities at the Dukeries Leisure Centre. This has therefore been reflected in the recently revised income budgets, with the last quarter income for children's memberships at DLC, being completely removed from the budget codes. Approximately £8k per month is collected for this income stream currently; however, with the withdrawal of the school's swimming pool and the complicated nature of the next three months income levels (as a result of free or reduced memberships and direct debit indemnity (DDI) claims), the uncertainty and unknown element of this income stream can only be reported accurately retrospectively. Close monitoring of children's membership at DLC will be carried out and will be seen more clearly at the end of March 2019. Any income that is

collected at this point from any continued memberships will be communicated with the Council when this information becomes available.

- d) In addition to the above, expenditure is also be monitored with regards to staffing. Where necessary, non-contracted employees, covering sickness and holidays and those that are used on an adhoc basis will be stopped as of 19th January 2019; however, contractual staff are currently being consulted with, regarding their options and a meeting involving the MD of A4T and HR support for the Company, are meeting with those staff affected on Wednesday 9th January 2019.

4.5 Year-end balances – Reserves Overview:

Year	Closing Balance 31-03-2018	Opening balance at 01-04-2018	In year surplus at 31-12-2018	Estimated surplus at 31-03-2019
2017-18	£377,676.78			
2018-19		£377,676.78	£2,000.00	£379,676.78

- 4.6 Following the joint work with the Council regarding the Real Living Wage, it has been agreed that this will continue within the Company, in line with those which have been agreed within the Council. This will add additional finance to the budgets for 2019/2020; however, provision has been made for this amount.
- 4.7 Direct debit payments for facility hire have been introduced to existing and new customers. Customers continue to be encouraged to use this method of payment and it is hoped that by the end of the 2018/2019 financial year, all groups using block bookings will be administered through the direct debit process.
- 4.8 The on-line bookings module has now been purchased by the Company for customers to sign up for a membership in the comfort of their own home, 24/7. This however, is waiting to be launched, as currently there are issues with capacity on the current servers. ICT are currently working with XN Leisure (software suppliers) to action the request and enable this software to be available for customers.
- 4.9 Making Tax Digital (MTD) - On 13 July 2017, HMRC announced that Making Tax Digital will become mandatory from April 2019. The first stage focuses on VAT, and will impose new requirements for digital record keeping on VAT-registered entities, including public bodies. A4T is currently developing its strategy for this new tax requirement and software is currently being purchased from Price Waterhouse Cooper (PWC), a HMRC approved supplier, to comply with this new tax requirement. A4T's quarter 4 VAT return of 2018-2019 will be submitted to HMRC using this new software, 3 months ahead of the deadline.

5.0 **OVERVIEW OF THE FINAL BUSINESS PLAN 2019/2020**

- 5.1 The committee will be aware that each year the Company is required to produce an annual business plan, which is considered by the Leisure and Environment Committee, as the strategic body providing direction for the Company.
- 5.2 Attached at appendix III is the final business plan in the format which members will be familiar with. Within the business plan the areas for Members to consider specifically are the Outcomes, Objectives and Actions, which form the strategic direction of the Company, set by the Leisure and Environment Committee. These outcomes and objectives are linked with the 3 strands of the Company and which have again been agreed by the committee and are:
- Healthy and Active Lifestyles
 - Accessible Facilities
 - Financial Viability
- 5.3 In addition to the objectives which were contained within the draft business plan, which was provided to Members for feedback during November 2018, there are now several further objectives, which have been provided to the committee and are aligned with the Newark and Sherwood Physical Activity and Sports Plan 2018 to 2021, which was recently approved by the Council. These have now been contained within the revised final business plan.
- 5.4 Members will note that the current position of the Company from the performance report is generally stable (with the exception of the Dukeries Leisure Centre) and expenditure is being contained. The Company is currently meeting all of its commitments and managing this within the Company's turnover and is actually estimating that by the end of the 2018/2019 financial year, there will be £2K surplus available, as set out at 4.4 (a), which can be provided to support reserves. This is currently based on period 9 information and assumptions being made around the WHS and the council paying the remainder of the management fee for 2018/2019.
- 5.5 When developing the budgets for 2019/2020, the Company has made provision for areas which have historically increased over the past 3 years and include utilities, national insurance increases, pension contribution increases, real living wage and insurance. These have all been factored into the 2019/2020 draft budget, with the information that is known at the current time. Of the list above, utility charges may change upwards and downwards throughout the year, due to the arrangement of purchasing blocks of; gas, electric and water from the market at a 'given time' within the year, and not through an arrangement where you fix a price, for a set duration of time.

- 5.6 Whilst there are pros and cons with the arrangements for purchasing gas, electric and water, after investigation, it appears that the best route currently for the Company is to continue with the current arrangement of 'block purchasing' due to the very volatile market of energy and the fluctuations which are inevitable in the sector. The current method provides the Company with the opportunity to benefit when 'reductions' in the market occur (if energy purchases take place at the correct time), however, it does also mean that prices will increase, as the markets rise. Having spoken to the procurement manager within the Council, he believes that if these costs were taken over a period of the last 3 years, he feels that this would still provide better value for money, than choosing a fixed rate offer.
- 5.7 The current proposed budget for 2019/2020 has been developed along the same lines as the 2018/2019 year, with a 'nil' management fee being received from the Council, for the leisure centres operations; however, with a management fee which supports, sports development and the services provided to the Southwell Leisure Centre Trust. The budget has been developed to continue to meet the repairs and renewals requirements of the Company. To support the proposed budget, the Company has also developed a 3-year pricing strategy (which is being considered by the Leisure and Environment Committee) and it is envisaged that this will also assist, in supporting the medium term financial sustainability of the Company. The budget continues to provide stretched targets for the Company on both income and expenditure, whilst ensuring it provides sufficient resources to support, health and safety, investment in development, resilience through contractual arrangements and finance to support potential growth in activities through marketing and freelance instruction.

6.0 OVERVIEW OF THE FINANCIAL INFORMATION 2019/2020

- 6.1 As a result of the proposed management fee suggested by the council during the L&E meeting during November 2018, Active4Today Ltd, have currently budgeted to receive a management fee from the Council of £217,070 (excludes VAT) – which will support the Southwell Leisure Centres Trust services and the Sports Development service only. The leisure centre element of the Company, as set out previously is currently still operating on a 'nil' management fee.

Breakdown of management fee: (excludes VAT):

Sports Development Management Fee	£121,220.00
Southwell Leisure Centre Management Fee	£ 95,850.00
TOTAL	£217,070.00

- 6.2 The committee will be aware that over the next 3 years, the Council is proposing to reduce the fee paid for services provided to Southwell Leisure Centre and for this to be met by the Trust. This would result in the Council paying only for Active4Today Sports Development services, based on its current agreement. Although no confirmation has yet been received

from the Council and the Southwell Leisure Centre Trust, it is expected that the Council may reduce the 2019/2020 management fee during the year, as Southwell make a contribution to the fee. As this would be a net position for A4T and is yet to be confirmed, the full figure has been used for the purposes of the report, with an assumption made that this will be paid by the Council initially.

6.3 **Summary:**

- a) In view of the above and assuming the management fee as set out in 6.1, A4T are predicting a current shortfall of £75K for the 2019-2020 budget, to balance this to zero. Whilst this is currently being predicted, the Company will seek to reduce this amount within the year, through increases in income and reductions within expenditure. However, with the unknown operations at DLC and the possibility that adult membership income may also be affected by the wetside issues at this facility, this will not be seen until well into the new financial year.
- b) Whilst A4T will seek to reduce the £75K set out above, the Council may wish to put aside additional management fee to support the Company through this very difficult period. At this stage it is not prudent to speculate what any increase in management fee may look like for the year, as a result of several unknowns; it is sensible however, to raise this with the district and advice additional finance may be required.
- c) In addition to the above and what is a further unknown, is the possible positive impact of the introduction of the new swimming pool at the Dukeries Leisure Centre, hopefully within the last quarter of the 2019/2020 financial year. At this stage it is not known when this development will be opened, however, if this is opened as proposed during the last quarter of the year, there may be increased income generation for the site, which after expenditure is applied should still provide a positive net position for the Company.

7.0 **PROPOSAL**

- 7.1 It is proposed that A4T continue to maintain its current performance with regards to the positive position of the adult and child memberships at the NSFC.
- 7.2 It is proposed that A4T continues to monitor and understand the membership issues at the Dukeries Leisure Centre and assess the impact of the withdrawal of swimming lessons from the Wellow House School, as many of the members decide on the options which are being provided to them by the Company.
- 7.3 It is proposed that the Council note the potential shortfall in the budget for the Company and agree to support A4T in monitoring this throughout the year with a potential of

reviewing the management fee provided to the Company if this shortfall cannot be contained.

8.0 BUDGET IMPLICATIONS

8.1 There are no direct budgetary implications contained within the report, over and above those which have been set out above.

9.0 EQUALITY & DIVERSITY IMPLICATIONS

9.1 In the event the proposed swimming pool is provided at the Dukeries Leisure Centre, it is expected that there will be a positive impact on the equalities within the Sherwood area of the district and specifically in Ollerton. More people in areas of designated deprivation, will be eligible to access the leisure centre and target groups will be identified as part of the sports development opportunities. This will be supported by a newly developed 3-year pricing strategy, which will support inclusivity at the site through a reduced membership rate for persons in designated areas.

9.2 Throughout the 12 month period, however, leading up to the potential opening of the new swimming pool, it is expected that the majority of the children's membership at the Dukeries Leisure Centre, will not access swimming lessons, due to access and or travel and as a result there may be an equalities impact for the residents of Ollerton unable to travel, to be able to access swimming provision. At this stage it is too early to assess this impact as communication with parents has only recently commenced.

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