

ACTIVE4TODAY – BUSINESS PLAN, 2018/19 AND PERFORMANCE UPDATE

1.0 Purpose of Report

- 1.1 This purpose of this report is to present the Active4Today Business Plan, 2018/19 for member consideration and update the Committee on the Company's latest quarterly performance.

2.0 Background Information

- 2.1 At the meeting of Policy and 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 and 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 new financial year to the Leisure and Environment Committee for consideration. The Business Plan sets out what the Company intends to deliver in return for a management fee from the Council. Performance is monitored through a framework agreed by Leisure and Environment Committee and through the quarterly reporting of performance to the Committee.

3.0 Key issues

Overview of performance

- 3.1 As members will see from Appendix 1, Active4Today is continuing to report year on year growth across the majority of indicators. Both adult and children's memberships are up 10% and 17% respectively across the Council's three leisure centres and these two indicators are the best indication of the Company's underlying financial performance.
- 3.2 The number of leisure centre visits from deprived postcodes has remained static year on year, but members will note proposals within the Active4Today Business Plan to offer free 7-day passes to households within these postcodes to the Council's leisure centres. Members may wish to know more detail about how the proposal would work in practice, as well as to receive quarterly updates about its uptake and conversion rate onto other leisure activities or onto memberships.

Business Plan, 2018/19

- 3.3 The Active4Today Business Plan, 2018/19 is attached for member consideration at Appendix II. 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 improved Financial Viability.

- 3.4 As well as highlighting the development of the 7-day free pass to targeted households, Active4Today is pointing to the positive role it is playing in assisting the Council with its review of leisure facilities in the west of the district following the ending of the pool hire agreement with the Trust which runs the Dukeries Academy. The Company is also citing the development of a digital platform aimed at clubs and community organisations, with the aim of providing residents with information about activities that are taking place across the district and how to get involved with those activities. This reflects the enabling role that sports development can play in getting people more active more often.

Finance 2018/19

- 3.5 The proposed management fee for 2018/19 is £121,220, which, as previously highlighted to the Committee, is a slight increase on the current management fee. The savings which were forecast as part of the five-year business plan which established Active4Today are now at an end. There were savings forecast in the first year of operation from moving into the new company structure from VAT and Business Rates whilst the second year of savings was predicated on the move to a new, larger leisure centre.
- 3.6 Within its update report, Active4Today is forecasting an operating surplus at the end of the current financial year of £14,877, with a reserves position of around £400,000. It would be reasonable to assume that at period 8 the forecast made by the Company has been made on a prudent basis and that the final position will be in excess of that stated.
- 3.7 Members will be aware that the Company has stated its desire to have a reserves position of £750,000, made up of around £350,000 to maintain and repair the leisure centres to required standards and £400,000 as contingency. A prudent reserve position will enable the Company to withstand unforeseen risks without the need to seek financial support from the Council. Members will also be aware that through the contract with Active4Today, 50% of any surplus generated is due to be returned to the Council. This could offset the cost of the forthcoming management fee or be allocated towards future developments, such as any developments arising from the review of leisure facilities in the west.

Price increases

- 3.8 As part of the governance arrangements, any price increases proposed by Active4Today have to be approved by the Leisure and Environment Committee. Members will see from the proposals the strategy being adopted by Active4Today in trying to move people onto Active Cards by significantly increasing in percentage terms the activity costs for non-card holders. However, the view from the Company is that data collected from the cards will enable it to better understand its customers and be able to tailor its services.
- 3.9 The proposals are recommending price increases on both the XP Energy and XP Max children's memberships, of £1 and £2 respectively per month, for new members. The Company states that this is a reflection of the coached nature of this activity and better programming, but at increased cost. The proposals do not recommend any changes in the adult memberships and members may wish to understand more on this from Active4Today when considered in the context of the benchmarking information provided by the Company.

- 3.10 Finally, members will note from the Active4Today update report that the Company is stating that if the operating surplus position of £14,877 is achieved at year-end, then due to inflationary pressures it would be predicting a shortfall of £45,000 for 2018/19. Members should note that that forecast does not include the inclusion of the price increases proposed above, whilst £45,000 represents just 1.4% of the Company's forecasted £3,106,187 turnover at the end of the current financial year, with £400,000 in reserves. The risk at this stage is therefore minimal.
- 3.11 Given that the Council is contractually entitled to 50% of any operating surplus on the contract, it may be prudent to agree to pay next year's management fee in two stages, with 50% due to at the start of the year and 50% payable half-way through the financial year dependent on the financial performance of Active4Today at that time. This would help to mitigate a potential risk for the Council in unnecessarily paying over the full management fee to only receive 50% back of any surplus.

Southwell Leisure Centre Trust

- 3.12 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.
- 3.13 The Committee has set out its aspiration to reduce the amount paid to Active4Today to provide services to the Trust to zero over a three year-period, given that the Trust is the recipient of the Active4Today services.
- 3.14 It was hoped that detail on the new funding arrangements would have been available by now to have been included within the Council's budget for 2018/19. However, whilst a dialogue continues to take place between the Trust and Active4Today, the new arrangements have not yet been finalised. An update report will be brought to the Committee in March, but it may be prudent to only agree to pay half of the management fee for Southwell to A4T at this stage, with any outstanding element to be paid half-way through the financial year once agreement has been reached with the A4T and the Trust.

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. A4T is contractually required to comply with the Council's Equalities and Diversity Strategy.

5.0 Financial comments - Impact on Budget

- 5.1 The proposed management fees to Active4Today for sports development and leisure centre services (£121,220) and support to Southwell Leisure Centre Trust (£95,850), have been built into the medium-term financial plan. However, any reduction in the requirements would support the Council's medium term financial plan and reduce the need for other savings. Savings could be ring-fenced to support other leisure developments such as any developments arising from the review of leisure centre facilities in the west of the district.

6.0 RECOMMENDATIONS that:

- a) the performance to date is noted;
- b) Committee approves the Active4Today Business Plan 2018/19;
- c) Committee agrees to pay 50% of the Active4Today Management fee at the start of 2018/19 and hold 50% in abeyance until half-way through the financial year pending the latest financial performance of the Company; and
- d) Committee agrees to pay 50% of the management fee to Active4Today for the delivery of services to Southwell Leisure Centre Trust at the start of 2018/19 and hold 50% in abeyance pending the outcome of the funding agreement between the Company and the Trust.

Reason for Recommendations

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

Background Papers

For further information please contact Matthew Finch on Ext 5716

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