

## **LEISURE & ENVIRONMENT COMMITTEE**

**25 JUNE 2018**

### **ACTIVE4TODAY – ANNUAL REPORT, 2018/19**

#### **1.0 Purpose of Report**

1.1 This report is to update the Committee on the performance of Active4Today for the financial year ending 31 March 2019.

#### **2.0 Background Information**

2.1 Active4Today is the Council's wholly owned leisure company, which was created to provide leisure and sports development services on the Council's behalf. The Company has now completed its fourth year of trading and is obliged to report its annual performance to the Leisure and Environment Committee, which is responsible for setting the strategic direction of the Company.

2.2 The appendices to this covering report contain:

- The 2018/19 annual report provided by Active4Today
- Final Accounts outlining the period of trading by Active4Today (Appendix I)
- Trading Income and Expenditure Account to Yearend 31<sup>st</sup> March 2019 (Appendix IA)
- An overview of performance against the basket of indicators agreed by Leisure and Environment Committee (Appendix II).
- An overview of sports development activities (Appendix III)
- Proposed new Active4Today Key Performance Indicators reported to Leisure and Environment Committee (Appendix IV)

#### **3.0 Annual Report**

3.1 Members will see from the annual report that the Company has once again traded positively in 2018/19. Company turnover has increased by a modest 1.3%, however, this should be considered positively in light of the problems the Company encountered in respect of the loss of water space at the Dukeries Leisure Centre and subsequently at South Forest and latterly Wellow House School and accordingly the efforts of the Company should be noted in respect of its efforts to maintain a positive trading position despite this setback which was not within the control or influence of the Company.

##### **Overview of Performance**

3.2 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 toward in return for a management fee. Performance is monitored through a framework agreed by Leisure and Environment Committee.

3.3 A summary of performance is contained in Appendix II. Performance overall has been maintained through a favourable growth in adult membership of 3.34% achieved through a combination of promotions, guest passes and wider community engagement. In addition to the adult membership base, there has been considerable growth in leisure centre visits from the under 16's market, an increase in users from deprived areas and an uplift in referrals through health professionals following more focussed work by the Sports Development Team.

- 3.4 In light of the adoption of the Community Plan 2019-2023 a review of Active4Today's Key Performance Indicators (KPI's) has been undertaken and the proposed basket of new KPI's which better reflect the priorities of both the Council and Active4Today will be reported to future Leisure and Environment Committees is attached at Appendix 1V for member approval.

### **Overview of Finance**

- 3.5 During the period 1 April 2018 to 31 March 2019, the financial statements at Appendix I show that the Company recorded a net operating surplus of £22,453 factoring in the full management fee payable by the Council of which 50% (£60,610) is currently on retention. It should be noted however that £239,987 was spent on repairs and renewals which is £87,487 over the budget provision anticipated for the year. The operating surplus therefore represents a strong financial performance from the Company in 18/19 given the level of re-investment in the Council's asset base.
- 3.6 It should be further noted that within the accounts the provision for pension deficit is now shown as a net liability in the Balance sheet and is in accordance with generally accepted accounting treatment. The net liability has always existed, however as the company's accounts were not subject to audit in previous years, (as the company was treated as a "small company" for the purposes of filing requirements with Companies House), the liability was not provided for in the company's accounts and was, instead, disclosed as a note to the accounts. The company, as a wholly owned subsidiary of the Council, is now required to have an audit and therefore has accounted for assets and liabilities of the pension fund on the face of the Balance Sheet. The value of the assets and liabilities will be re-valued every 3 years with the next review being undertaken this year, however, this is an accounting protocol for member information only.
- 3.7 The Company's earmarked usable reserves, as at 31 March 2019 stand at £400,130 an increase of £22,453 on the balances held at 31 March 2018 and are allocated as follows:

Repairs and Renewals Reserve	£187,002
Repairs and Renewals Development Reserve	£70,000
Contingency Reserve	£143,128
<b>Total Usable Reserves</b>	<b>£400,130</b>

### **4.0 Issues for Leisure & Environment Committee**

#### **Future Funding**

- 4.1 Members will recall that, at 22 January 2019 meeting of Leisure & Environment Committee, a decision was taken to review the Company's 2018/19 outturn position in order that Committee can form judgements on the management fee payable in 2019/20.
- 4.2 This decision would continue to look prudent at this time given the surplus position achieved at year-end, the significant reserves held by the Company and the fact that Leisure & Environment Committee approved a three year pricing strategy 2019-22 which includes some modest price increases where the Company believe there is scope to do so. Accordingly it is proposed that 50% of the management fee for 2019/20 (£60,610) be paid to A4T and the remaining 50% held in abeyance pending a review of in-year performance by A4T given the loss of the pool at the Dukeries which has resulted in a downturn in membership and income at this site.

- 4.3 The company started trading on 1<sup>st</sup> June 2015 and has therefore completed its fourth complete year of trading. It continues to demonstrate strong operational and financial resilience and therefore, now is an appropriate time to review and revise the management agreement between the Council and Active4Today. Officers of the Council have begun work on revising the agreement and have commenced discussions with the Active4Today. A report will be brought to a future meeting of the Committee setting out any significant changes.

#### **Southwell Leisure Centre Trust**

- 4.4 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.
- 4.5 The cash element the Council is due to pay Active4Today for providing strategic management support to the Trust in 2019/20 is £80,850 and that £15,000 will now be contributed by the Southwell Leisure Centre Trustees. Members will also see from Appendix II that Southwell Leisure Centre has seen growth in over 60's and adult membership base as well as an increase in health referrals.

#### **5.0 Equalities Implications**

- 5.1 There are no new equalities implications arising from this report.

#### **6.0 Financial Implications FIN19-20/4938**

- 6.1 Appropriate provision was made in 2018/19 to pay the final 50% as stated in paragraph 3.5.
- 6.2 2019/20 budget for the management fee is £121,220 and as per paragraph 4.2 is prudent to pay in two parts in order for the Council to review the forecasted outturn position of the company.

#### **7.0 RECOMMENDATIONS that:**

- (a) Committee note the positive performance of Active4Today in 2018/19;**
- (b) Committee note that the operating agreement between the Council and the Company is under review and any significant changes to the agreement will be brought to a future meeting of the Committee;**
- (c) the retained management fee for 2018/19 of £60,610 be paid to Active4Today based on the year end outturn;**
- (d) 50% of the management fee (£60,610) for 2019/20 be paid to Active4Today and the remaining 50% held in abeyance pending a review of in-year performance by A4T;**
- (e) the Southwell Leisure Centre management fee of £80,850 be paid to Active4Today which represents the Council's contribution; and**

- (f) the proposed Key Performance Indicators to be reported to Leisure and Environment Committee be approved.

**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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