

LEISURE AND ENVIRONMENT COMMITTEE
22 SEPTEMBER 2020

ACTIVE4TODAY – ANNUAL REPORT, 2019/20

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 2020.

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 fifth 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 2019/20 Annual Management Report provided by Active4Today (Appendix A)
- Active4Today Directors' Report and Financial Statements outlining the period of trading (Appendix B)
- Active4Today Key Performance Indicators 2019-20 (Appendix C).
- An overview of sports development activities (Appendix D)

3.0 Annual Report

3.1 Members will see from the annual report that the Company has once again traded positively in 2019/20. Company turnover has increased slightly by a modest 0.64% however, this should be considered positively in light of the challenges the Company encountered such as the loss of the swimming pool at the Dukeries Leisure Centre and more latterly the impact of Covid 19 which led to the closure of all sites to the public at the close of play on 17 March 2020. Accordingly, the efforts of the Company should be recognised in respect of its positive trading position despite these challenges, which were not within the control or influence of the Company.

Overview of performance

3.2 Leisure and 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 An overview of the Company's management performance is contained in Appendix I and the Final Accounts and Management Report for 2019-20 are attached to this report at Appendix II. Performance overall has remained reasonably favourable with only a small reduction in adult membership of 4.97% equating to a loss of 438 members across all sites. In addition, junior memberships fell by 6.06% equating to a loss of 233 memberships across

the 4 sites compared with the same period in 2019. This was in part attributable to the early onset of Covid 19 and the consequential impacts on user confidence. However, as in previous years, the Company has worked hard to retain memberships through a combination of promotions, guest passes and wider community engagement.

- 3.4 Overall visits have increased slightly across all sites, including the community leisure facilities at school sites, which are managed by the Company rising by 0.31%, an increase of 3,670 to 1,189,899 and it is estimated that a further 30,000 visits would have been achieved had the centres not closed before year end. There was modest growth in junior visits to the centres, with Over 60's age group and users from more deprived areas, which suggest that the inclusion work to engage more users to the centres is starting to improve. Although the early onset of Covid concerns from January impacted on the number of referrals from health professionals, the number of people that moved from the initial scheme onto the membership offer increased by 7.6% rising from 250 to 269 compared to the previous year.
- 3.5 An overview with narrative of the Company's 12 Key Performance Indicators (KPI's), which support the Council's Community Plan 2019-2023 is attached at Appendix IV for member consideration.

Overview of finance

- 3.6 During the period 1 April 2019 to 31 March 2020, the financial statements at Appendix II show that the Company recorded a net operating deficit of £56,788 factoring in the full management fee payable by the Council of £121,220. It should be noted, however that £224,994 was spent on repairs and renewals on the Council's Assets and £223,548 was paid to the Council in support charges. The trading position moved from a small surplus of £22,453 down to a deficit of £3,311 which is a swing of £25,764 this was due to a combination of increased VAT charges and reduced turnover.
- 3.7 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.
- 3.8 The Company's earmarked usable reserves, as at 31 March 2020 stand at £396,819 a decrease of £3,310 on the balances held at 31 March 2019 and are allocated as follows:

Repairs and Renewals Reserve	£187,002
Repairs and Renewals Development Reserve	£70,000
Contingency Reserve	£139,817
Total Usable Reserves	£396,819

4.0 Issues for Leisure and Environment Committee

Future funding

- 4.1 Members will recall that, at the 22 January 2019 meeting of Leisure and 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 Members further agreed at the 19 November 2019 Leisure and Environment Committee to review the payment mechanism within the Service Contract so that there is single payment mechanism either to or from the Company, with no separate clause for sharing in the 'operating surplus of the Company. Under normal operating circumstances this approach would be appropriate, however, the onset and subsequent impact of Covid caused significant financial challenges for the Company and it was agreed by Policy and Finance Committee, under Urgent Delegation Powers, on 24 April 2020 to release the retained 50% management fee for 2019/20 and the first instalment of the management fee for 2020/21 (£60,610) and the management fee to provide strategic support to Southwell Leisure Centre Trust (£80,850) to ease cash flow and to reduce anticipated financial hardships that an extended closure would cause the Company.
- 4.3 Moving forwards it will be necessary for the Council and the Company to work collaboratively to ensure that the Company is in a position to respond positively to the challenges of the pandemic. This will enable the Company to continue to operate in a Covid-secure way until the business activity returns to something like pre-Covid levels and a level of financial stability resumes. Accordingly discussions are ongoing to work through a number of measures that will support and protect the Company's financial position which is likely to include utilisation of Company reserves, access to Government Covid support grants and additional assistance from the Council should this be necessary. Any proposal will be brought to members for further consideration.

5.0 Equalities Implications

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

6.0 Financial Implications – Ref No:-FIN20-21/4960

- 6.1 There are no budget implications for the Council contained in the report. Any future proposals will be considered when presented to the Committee.

7.0 Community Plan – Alignment to Objectives

- 7.1 The provision of the Council's high quality and accessible leisure centres makes a significant contribution to the health and wellbeing of members of the community. Specifically the role that Active4Today performs for the Council by operating the leisure centres and sports development function attracts regular users each year thereby assisting the Council in the achievement of Objective 9, 'Improve the health and wellbeing of local residents, with a particular focus on narrowing the gap in healthy life expectancy and other health outcomes'.

8.0 RECOMMENDATIONS that:

- (a) the positive performance of Active4Today in 2019/20, be noted;**
- (b) 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 impacts of Covid on the Company's performance will be closely monitored and proposals to support the Company through the pandemic will be brought to a future meeting of the Committee; and**
- (d) the proposed Key Performance Indicators reported to Leisure and Environment Committee be noted.**

Reason for Recommendations

To ensure the Company is delivering the outcomes required by the Council in the most efficient and effective way whilst recognising the impacts of the pandemic on its ability to deliver services to its customers.

Background Papers

For further information please contact Matthew Finch on Ext 5716.

**Matthew Finch
Director – Communities and Environment**