

**LEISURE AND ENVIRONMENT COMMITTEE  
MANAGEMENT REPORT****22 SEPTEMBER 2020****1. REPORT PURPOSE**

- 1.1 To provide the Leisure and Environment Committee with the 2019/2020 financial outturn position for the year.
- 1.2 To provide the Leisure and Environment Committee with the 2019/2020 final accounts for Active4Today Ltd (A4T).
- 1.3 To provide the Leisure and Environment Committee with the 2019/2020 performance outturn position for the year, which includes the sports development services overview.

**2. BACKGROUND**

- 2.1 On 1<sup>st</sup> June 2015, Active4Today commenced operations as a Local Authority Trading Company. The aim of the Company was to provide and deliver the indoor and outdoor leisure offer for the Council, whilst operating as an independent company, registered with Companies House. The Company has now traded for four financial years and a further 10 months, which was the first period, after the initial set-up of the Company.
- 2.2 Members will be aware, that on the evening of 17<sup>th</sup> March 2020, the operations of Active4Today were placed on hold, as a result of the Coronavirus pandemic, which began to take hold in the UK during February 2020. The operations of the Company, with the exception of the Sports Development activities, re-commenced on 25<sup>th</sup> July 2020, a closure of 18.5 weeks.
- 2.3 Up to this point, income and expenditure had been broadly in line with forecasts, although Members should note, that this year was a hard trading year, as adult membership income had begun to plateau and drop at Newark Sports and Fitness Centre and there remained no provision for swimming, within the Sherwood area of the district, after the closure of the Dukeries pool in 2017 and the agreements with South Forest and Wellow School coming to an end at the beginning of 2019. This was particularly detrimental at the Dukeries Leisure Centre, as both the adult and junior membership packages were directly affected by the removal of swimming.
- 2.4 As a result of the closure of the leisure centres during March, no income was collected for club use, pay and play activities, children's parties and general hires. Income for

memberships was collected until 31<sup>st</sup> March 2020, however, this has resulted in a month's free membership being provided, when the leisure centres re-opened.

2.5 The free month is being provided for two reasons; firstly, to retain as many members as possible and secondly, to avoid having to undertake approximately 12,000 direct debit pro rata amendments, for members who missed the last two weeks of March due to the closure.

2.6 Members will be aware that throughout 2019/2020, A4T have supported the Council with the planning of a new swimming pool at the Dukeries Leisure Centre. This has now been completed and it is expected that the development will commence on site during September 2020, with an approximate completion date of May 2021. Recently this development has also received additional finance from the Council, for the inclusion of the 'link' building, which will integrate the swimming pool with the existing dryside facility. This will provide an excellent facility when completed and should provide a much needed boost for the community, as we begin to return to normal operating procedures.

### **3. INCOME AND EXPENDITURE HEADLINES 2019-2020 and FINAL ACCOUNTS 2019-2020**

3.1 Attached at Appendix I is the Final Audited Accounts for the Company and provides the Leisure and Environment Committee with information on the allocation of finance, throughout the year, 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020.

#### **3.2 Salaries budgets (excluding FRS102 adjustment) \*see note at 3.18**

Original Budget £	Full Year Revised Budget £	Actual £	Variance to Original Budget £
£1,987,290	£1,974,690	£1,934,013.32	£-53,276.68

3.3 The in-year variance in salaries to the original budget is £53k to the good. This is made up of a saving of approximately £9.5k in HQ; this is generally attributed to savings in the operational management budget, as new shift patterns were introduced. In addition, savings were made at NSFC, of approximately £30k, due to changes in rotas, savings in summer holiday cover and two vacancies, which were put on hold. A £4.6k saving was made on pension underspends and a £9k underspend took place on freelance staffing, mainly at NSFC, where a new class timetable was introduced, with several classes being covered by the fitness team.

#### **3.4 Premises budgets**

Original Budget £	Full Year Revised Budget £	Actual £	Variance to Original Budget £
£425,240	£446,350	£477,533.49	£52,293.49

3.5 Within this budget group, there was a variance to the original budget of £69k overspent. This was made up in the main of repairs and renewals items, which equated to an additional £70k spend on various repairs, with the majority of these at NSFC. Although the Committee were alerted to the potential increased spend on this budget since the new year, this was slightly higher than expected, due to the lateness of several invoices coming into the Company and no advanced warning of these items. This has been addressed going forwards, with new systems being put in place, so commitments can be identified against the budget earlier in the process. To support this overspend, the Company made a saving of £24k on electricity (due to savings produced by the CHP unit); however, this was off-set by an increase in gas of £9.5k. The net effect of these two items is a saving of £14.5k.

3.6 **Supplies and Services budgets (excluding FRS102 adjustment)** \*see note at 3.18

Original Budget £	Full Year Revised Budget £	Actual £	Variance to Original Budget £
£711,100	£693,760	£700,428.85	-£10,671.15

3.7 The variance against budget of this code is £10k to the good. Within this budget heading, there has been an increase in spend on equipment and tools of £23k, which has mainly been at NSFC, where additional items of equipment have been purchased to support the income generation. In addition, there has been a £30k increase in irrecoverable VAT, which can be attributed to the increased spend on repairs and renewals, which was highlighted above. Also attributed to the repairs and renewals spend is an increase of £29k, in NSDC support costs from asset management; this was to manage the repairs and renewals programme. To off-set these increases however, the Company made savings of £5.5k on equipment maintenance, £30k on marketing, £4.5k on licences, £5k on sundry items, £2.7k on investment interest and brought forward provisions of £34k, which were unused journal creditor commitments. This equated to a net saving of £10k.

3.8 **Income**

Original Budget £	Full Year Revised Budget £	Actual £	Variance to Original Budget £
£3,048,890	£3,105,280	£3,086,373.47	-£37,483.47

3.9 The variance against budget on the income code is £37.5k to the good and is made up of the following areas: - £49k over achievement on other income; which is made up of £11k election income, £5k from the Newark Academy, £3k from apprentice training income and £30k, which was a proportion of the first claim from furloughed staff from the Job Retention Scheme.

- 3.10 In addition to the above, there was an over achievement of £16.5k on dryside/fitness suite income, which is made up of facility hire, dryside and fitness pay and play.
- 3.11 Finally, there was an over achievement of £10k on the children's memberships; however, this was due to the DLC achieving £61k more than expected; and this is off-set by NSFC falling short of their children's income by £51k. This is due to members from Dukeries using the Newark facilities (under their direct debit T&Cs) but paying their fees to Dukeries. This should be rectified when the new swimming pool at Ollerton is constructed. This will allow members to return to Dukeries and make extra capacity available at NSFC.
- 3.12 The above areas were however, off-set by a £38k under achievement at NSFC on the adult membership. This was noted throughout the year as the Newark site began to plateau. This was affected further in the last quarter, with income targets falling short of those expected. This may have been as a result of the early on-set of Covid-19, as the traditional busy period from January to March was significantly under its forecast; this coincided with the public awareness of Covid-19 growing and the consequences on all sectors of the economy, began to take effect.
- 3.13 **Transfers from balances**
- 3.14 In January 2019, A4T reported to the Committee that £74,740 would be required to be taken from their balances, to enable the Company to manage its cash flow and budgets for the 2019-2020 accounting year.
- 3.15 However, during the year, a number of positive income generating initiatives took place and savings across several codes were made. This resulted in an end of year position of only £3,311.28 being required from reserves. This can be seen on page 3 of the final audited accounts, which have been attached to this report. Page 3 provides the information relating to the trading profit and loss, before the pension adjustments are made; this is explained further in paragraph 3.18 below.
- 3.16 **Final Accounts 2019-2020**
- 3.17 During the year, the Committee should note that there has been a number of changes to the make-up of the Active4Today Board with; R Blaney, S Kohli, D Lloyd, J Robinson and Ms A Truswell all resigning. These Board members were subsequently replaced by S P Carlton, K F Girling, Mrs D K Johnson, M J Skinner and N A Wilson.
- 3.18 Within the accounts attached, the Committee will notice several lines, which relate to the Company's pension scheme and its large in-year deficit. The legislation which drives the accounting practices for the Company is FRS 102. This standard of accounting requires the Company to report the 'trading profit and loss account' together, with a combined

total of the two. These costs total £292k and relate to the 'defined benefit pension scheme' and this figure can be seen in the final accounts statement, creating a deficit in year of £295K. This figure and approach however, masks the actual in-year trading deficit of the Company, which as reported in paragraph 3.15 was £3k.

3.19 In addition to the above, there is an actuarial gain in the pension of £189k, relating to assumptions around the long term finance and demographics of the pension members; this can be seen in the 'Other Comprehensive Income' account. The net effect of the pension income and expenditure, on this years' balance sheet is £103k, increasing the pension deficit to the Company of £3,152,000. The details of these can be seen in the 'Income Statement', the 'Other Comprehensive Income' account and the 'Directors' report.

### 3.20 **Balance Sheet**

3.21 **Assets** – this area of the accounts shows the stock held by the Company along with its debtors and cash. Debtors are made up of the treasury management finance/loan, which is held by the Council on behalf of A4T and invested by the Council's Finance Business Unit; this equates to £706K.

3.22 **Liabilities** – this is the amount of finance which is owed by the Company at close of the accounts; provision has been made to pay these outstanding suppliers and this will continue through 2020-2021, as invoices come into the Company. The total of this amount is £397K.

3.23 **Net Pensions Liability** - this has increased in year by £103K, and has been reported above in paragraph 3.18

3.24 **Reserves** – the in-year trading deficit of the Company and the amount of finance, which is required from the reserves to support the Company in 2019-2020; this equates to £3K in-year. The remaining reserve breakdown can be seen below:

- R&R reserve = £187,002
- R&R development Reserve = £70,000
- Contingency Reserve = £ 139,817
- **Total usable reserve = £396,819**

3.25 **Unusable Reserves** – The Pension deficit reserve has increased by £103K and now totals a deficit of £3,152,000.

### 3.26 **Audit Process**

3.27 As part of the process to produce and audit the 2019-2020 final accounts, the Company procured the services of Wright Vigar to undertake both roles. This has been undertaken and the accounts will now be provided to the Council, for incorporation into the Consolidated Group Accounts for the organisation.

3.28 The Committee will note the independent audit conclusion has been provided by Wright Vigar, which states the accounts:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **4. FINANCIAL DEVELOPMENTS IN 2019/2020**

4.1 The Committee will be aware that as one of the main drivers for the Company has been financial sustainability and a considerable amount of work has taken place in this area since the Company was developed. Set out below are areas of financial development, which have taken place during the 2019/2020 financial year:

- A new online membership payment system has been developed and will be introduced when the leisure centres re-open. This new process will allow prospective members to pay online, removing a potential barrier to entry.
- Monthly direct debit payments have been introduced for all clubs and organisations using the A4T sites. This approach has reduced invoices and in turn delays in payment from those organisations.
- Contactless entry systems have been introduced at all leisure centres
- In partnership with a software supplier, the development of Staffmis continues to take place with more areas being added to the software system, to aid operations.
- Making Tax Digital (MTD) – this took place from 1<sup>st</sup> April 2019, with the Company undertaking its own returns and administering Southwell Leisure Centre's return also to HMRC
- Introduction of a new online booking and membership portal 'Leisure Hub' system in partnership with XN Leisure and NSDC.
- Operating the Barnby Road Academy sports facilities and administering all bookings.
- Developing a business plan for The Suthers and Nottingham University Samworth Academy in Nottinghamshire, with a view to operating their sports facilities during 2020-2021.

#### **5. PERFORMANCE REPORT 1<sup>ST</sup> APRIL 2019 - 31<sup>ST</sup> MARCH 2020**

- 5.1 Active4Today has monitored the performance of the Company against the agreed performance framework established when the Company was formed in 2015. Attached at appendix II is the suite of key indicators for 2019/2020. In addition, the main highlights have been extrapolated from this performance framework and are set out in the report below.
- 5.2 The Company has continued to create and offer a wide range of activities for all groups and has worked closely with community groups to introduce more people to physical activity at the leisure centres and in community settings. More details of these activities are included at appendix III, within the Sports Development report.
- 5.3 The total number of direct debit memberships across the business has decreased, with approximately 630 losses experienced at NSFC alone, compared to March 2019. Over 200 of these cancellations were received from the end of January 2020, as a direct result of the growing global Covid pandemic crisis.
- 5.4 The total number of adult memberships held across the sites has declined by 4.97%, equating to a net loss of 438 members, with the majority of these experienced at NSFC; small decreases have been seen at DLC, with BLC remaining the same. SLC has seen a small increase of 45 members.
- 5.5 The total junior members across all sites has again decreased by 233 children, from 3,848 in March 2019 to 3,615 in March 2020. As stated within previous reports, this decrease has mostly been experienced at NSFC and is partially down to the relocation of several Dukeries members, as they attend NSFC for swimming lessons. In addition, there has been a reduction experienced due to the impact of Covid, as adults chose to keep their children away from lessons. DLC has seen a reduction in its dryside programme of approximately 50 members.

5.6

Membership Type	Actual	Target	Actual Compared to Target	Comparison to March 2019	Change +/- compared to March 2019
BLC Adult	808	818	-10	830	-22
DLC Adult	908	905	+ 3	933	-25
NSFC Adult	4,257	4,688	-431	4,693	-436
BLC Junior	26	0	+ 26	26	0
DLC Junior	256	300	-44	302	-46
NSFC Junior	1,978	2,215	-237	2,180	-202
TOTAL	8,233	8,926	-693	8,965	-732

Fig 1. Adult and junior comparison membership totals

- 5.7 The number of referrals received from health professionals saw a slight decrease in direct comparison to March 2019. Due to the risk and sensitivities of the target group, the numbers referred from health professionals in February and March 2020 reduced by 60% due to the Covid-19 pandemic.
- 5.8 However, despite the small reduction in the number of referrals received, the take up of the subsidised membership scheme increased from 54% in 2018/2019 to 60% in 2019/2020.
- 5.9 The number of user visits across all sites has increased by 3,670 visits across all 4 sites, despite losing 14 days of usage in March, following the closure on 17<sup>th</sup> March. This equates to approximately 30,000 lost user visits, based on previous trends. This improved figure above is partly attributed to the improved ICT systems and customers now recording their visits.
- 5.10 The number of user visits for children and young people (under the age of 16) across all leisure centre sites has seen an increase, despite the fall in membership numbers. This equates to 0.63% increase of 2,395 visits. This is due to customers taking advantage of the multi-access memberships, which allows customers to participate in several activities for one price.
- 5.11 The number of user visits from the over 60's age group has increased by 7.2%, equating to 8,758 additional visits. However, due to the Covid-19 pandemic the user visits rapidly dropped in March to approximately 50% of the previous month. This can be attributed to the closure on 17<sup>th</sup> March but also that this group of members may have been concerned over the risks of the virus within the centres, despite additional cleaning measures being put in place, very quickly.
- 5.12 The sports development team is continued to work within the more challenging areas of the district, where physical activity levels are lower than expected. These areas are predominantly, Ollerton, Blidworth and Bilsthorpe, where programmes have been developed, with an aim to increase participation from nothing, to 1 x 30 minutes of physical activity per week. As stated above, a summary of sports development work, is included at appendix III.
- 5.13 The partnerships with Newark Academy and Bishop Alexander have both continued to move forward positively and has enabled A4T to secure more availability for local clubs and groups, through the accessing of valuable and high quality community facilities, at these venues. The sports development team are crucial in this partnership, as they provide the advice and support to ensure the clubs are sustainable, covering a variety of factors, including coaching, volunteering, players and funding support.

- 5.14 A4T has also provided professional advice to the Barnby Road Academy, Newark, to support the development of their new sports hall. This partnership will continue to be developed over the forthcoming year, in order to enhance and increase community access to the facility.
- 5.15 A4T has recognised the requirements of ensuring staff are adequately trained and has delivered updates in safeguarding children and vulnerable adults to all staff that undertake activities involving those groups. Further online training through the Nottinghamshire Safeguarding Partnership will be rolled out in the Summer. This has also included a full audit to ensure all staff in positions where an enhanced DBS is required, is valid and up to date.
- 5.16 Website usage and hits for the Company continue to prove that the website is a well-used resource for existing and potential customers. However, the current trends within the industry demonstrate that the demographic of fitness users require a more interactive digital platform. As a result, A4T are investigating the development of an application or 'app' which would interface with all other existing software products. This should improve the customer journey, whilst at the same time collecting more accurate data on usage, frequency of visit and payment methods.
- 5.17 Throughout autumn and winter, there have been a number of advertising campaigns, covering both sales and retention. The adult promotion during October, was directed towards Newark and the surrounding community and promoted the Premier Membership, giving customers access to 1-2-1 training, similar to personal training. The initiative targeted potential customers requiring additional help and support to achieve their goals.
- 5.18 During November, a traditional month where direct debit sales are lower, the Company launched a 14-day, pay and play pass for £10; this provided a taster for customers, without the commitment of signing up to, a full monthly membership. Targets were achieved, with over 220 passes sold. Customers were subsequently contacted with a follow up phone call, with 65 conversions taking place, to a direct debit membership.
- 5.19 The 'Feel Good This Christmas' campaign, which followed the November campaign, ran throughout December, which is also a traditionally slow month for sales. This campaign resulting in 208 additional members signing up during this period. In addition to this, the 'Christmas Fun Week', offered fun galas, gymnastics and trampoline displays and a visit from Santa, with treats provided for every child. The adults were not left out either and had an opportunity of enjoying a mince pie and healthy fruit option, whilst they visited the leisure centres throughout the week.
- 5.20 The events were an incredible success, with a number Fitbits also given out to some adults and children as part of a Christmas retention scheme and to keep them motivated

into the future. Full coverage of all prize winners were then advertised via various forms of social media.

- 5.21 The sports development team developed a social media campaign throughout January, linked to the national campaign of 'RED January'. The campaign showed the positive link that physical activity has on mental health and encouraged people to be active every day of the month. There was a daily post on Facebook and the information shared on Twitter and Instagram, highlighting the different activities on offer throughout the District. In addition, people were signposted to the opportunities, available to them.
- 5.22 During January, a January 'Half Price sale' campaign was offered, with members receiving their first month at half the usual membership price. This resulted in 309 adult membership sales across all sites. The campaign also launched a series of new class timetables, with additional classes at each site.
- 5.23 The February campaign offered, the 'First 50 Join for Free'; this initiative was aimed at increasing demand, at a traditionally busy time. This resulted in 217 adult membership sales.
- 5.24 During April 2019, as part of the contactless installation, A4T and SLCT had server increases, moving the operations of the facilities from 1 server to 3 servers. This has provided a much more stable ICT infrastructure with more capacity for the multiple ICT software systems used across the business, and ultimately provided an improved service for the customers.

## **6. PROPOSAL**

- 6.1 It is proposed that the District Council acknowledge the work, which has been undertaken by Active4Today Limited, including the hard work to mitigate the issues which have arisen at the Dukeries Leisure Centre throughout the year and the on-set of the Covid pandemic, which resulted in the closure of the facilities on 17<sup>th</sup> March 2020.

## **7. BUDGET IMPLICATIONS**

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

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

- 8.1 There are no equality or diversity issues set out above. Information on the diversity of the work which A4T undertake, has been contained within the information above and attached at appendix III; the sports development report. All information will continue to

be available in a number of formats, in line with access requirements and those set out in the equalities and diversity policy.

***For further information please contact Andy Carolan – Managing Director via email on [andy.carolan@active4today.co.uk](mailto:andy.carolan@active4today.co.uk)***