

LEISURE & ENVIRONMENT COMMITTEE

17 NOVEMBER 2020

ACTIVE4TODAY – PERFORMANCE UPDATE AND DRAFT BUSINESS PLAN 2021/22

1.0 Purpose of Report

1.1 This purpose of this report is to present the Active4Today Draft Business Plan, 2021/22 for member consideration and update the Committee on the Company's performance to end of October 2020.

2.0 Background Information

2.1 At the meeting of Policy & 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 & Fitness Centre. The Company, Active4Today, was duly incorporated on 9 March 2015. Active4Today commenced operations on 1 June 2015.

2.2 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 deliver. Performance is monitored through a framework agreed by Leisure & Environment Committee.

2.3 As part of the governance arrangements, Active4Today presents its Draft Business Plan for the following year to the Leisure & Environment Committee for consideration during the Autumn Committee cycle. The Draft Business Plan, 2021/22 is outlined in paragraphs 3.19 to 3.22 of this report and performance reports to date from Active4Today are appended. Following Committee consideration, a final Business Plan will be presented to the Committee in January 2021.

2.4 As such, this is an opportunity for Committee to take into account the exceptional circumstances that have impacted on the Company as a result of Covid-19 throughout the year to date. Site closures and restricted operating parameters have had a significant impact on the trading activity to date and will have serious ramifications for the Company in respect of trading activity for the foreseeable future.

2.5 Accordingly the reports that are to be considered in addition to this covering report are as follows:-

- Active4Today Report Appendix 1
- Active4Today Performance Report Appendix 2; and
- Active4today Sports Development Report Appendix 3.

In addition, it is important to recognise that the review of the Company's governance arrangements may lead to further changes to the operating model, to be considered by this Committee, and may impact on the business plan and therefore the draft plan may require further work.

3.0 Key issues

Overview of Performance – Income and Expenditure

- 3.1 The impact of Covid-19 has created significant impacts on the Company's performance as might be expected. Leisure & Environment Committee agreed to provide financial assistance up to £490k based on the Company's forecast due to Covid related losses of £690k at its September meeting. However, it was highlighted that the true impacts would become more apparent as the business returned to a level of normality which included a number of additional measures to ensure a Covid secure offer to users and members.
- 3.2 Regrettably the anticipated loss of approximately 10% of membership has increased quite significantly and therefore the forecasted loss of membership income to year end has risen by an additional £150k with pay and play losses forecast to be an additional £50k to year end. This forecast loss can be offset in respect of savings made in operating costs and the Company has worked hard to reduce its cost envelope by a further £147K over and above the figures shared with L&E Committee in September to approximately £310K to yearend which now has an outturn figure currently forecast to be £735K. The summary figures are identified in section 4 of Appendix 1 but in simple terms are shown in the table below:-

	Original 2020-2021 budget: income/exp	Full Year 31.10.2020 revised:	Variance to 2020-21: original budget
Total income	3,097,920.00	1,992,453.00	-1,105,467.00
Staff	2,165,750.00	1,855,853.00	309,897.00
Premises	498,590.00	315,578.00	183,012.00
Supplies and services	708,700.00	556,417.00	152,283.00
Total expenditure	3,373,040.00	2,727,848.00	645,192.00
Surplus/Deficit	275,120.00	735,395.00	-460,275.00

- 3.3 This position currently suggests that the outturn figure is likely to be £45k worse than forecast at September's L&E Committee and therefore the Company is working on reducing this figure through a combination of further reductions in costs and increases in income when it is able to re-open. The table includes payments in to the Company from Government such as business rate support and furlough payments received or anticipated. Management fees received to date from the District Council and an estimated downturn in income of approximately £1.1m due to the closure of the facilities for approximately 18.5 weeks and the early impacts on memberships on the final quarter of 2019/20.
- 3.4 Staffing costs have reduced by £310k to date due to closures and reprogramming when the centre re-opened which reduced demands on staffing resources. Equally premise costs have reduced by £183k during the period to date in respect of utilities and repairs and maintenance. Supplies and services have also reduced by £152k due to reduced VAT payments, contractual services, printing, stationery and service charges. Therefore the

current reduction in expenditure is at £645k across all relevant budget lines at the end of Period 7 which will help to offset the downturn in income.

- 3.5 The latest forecast to year end is currently therefore anticipated to be £735k and the Company has allocated £200k from its reserves in addition to the £490k that has been allocated to the Company from Covid-19 monies held by the Council, therefore a further shortfall of £45k is predicated to yearend. The proposed transfer from balances will leave the Company with £197k in reserve. Accordingly the company will work on reducing this figure through further reductions in expenditure or increased income where and when possible to do so given that the centres were required to close again due to the new national restrictions with effect from 5th November with an anticipated review prior to 2nd December 2020.

Overview of Performance - Usage

- 3.6 Committee will be aware that the performance of the Company is monitored against an agreed set of indicators as attached in Appendix 2 and 3 of this report. The usage performance data to 31st October 2020 is highlighted in Section 5 of Appendix 1. In terms of membership, this has been in decline since December 2019 when a large national competitor opened a new facility in Newark in November. Thereafter the early impacts of Covid-19 started to erode the membership base further with a reduction of 713 members leaving the Company in the last quarter of 2019/20 which reduced the membership to 8,233.
- 3.7 During July, as notice was given that the leisure centres would be opening, numbers began to reduce once again; this was surprising as at this stage no finance was being taken from members, so there was no need for customers to cancel. However, despite the efforts of the Company, many members continued to cancel their memberships, either with the Company or direct with the bank. The targets in the table were estimates provided as part of the reopening process and not those originally linked into the budget setting process. This is as a result of the large period of closure and the original targets now being unrealistic.

Site	Type	Actual at July 2020	Target	Variation between actual & target	Comparison to July 2019	Variation to previous year
BLC	Adult	667	706	-39	837	-170
DLC	Adult	745	712	+33	934	-189
NSFC	Adult	3,502	3,792	-290	4,775	-1,273
BLC	Child	16	0	+16	31	-15
DLC	Child	224	216	+8	280	-56
NSFC	Child	1,749	1,729	+20	2,189	-440
Totals		6,903	7,155	-252	9,046	-2,143

- 3.8 Following reopening of the centres on 25th July, a number of communications were sent out to the public on social media and to home addresses to confirm that the first direct debit payment would be taken on 1st September. This is a requirement of BACS legislation, which govern the direct debit operations. This, in turn, generated another spell of cancellations which impacted on the first collection in September. The table below

demonstrates the current performance of memberships, between actual and targeted memberships in October and this has then been compared to the same period in October 2019. The targets were increased slightly for September onwards as it was forecasted that more customers would return and new sales would begin to take place.

Site	Type	Actual at October 2020	Target	Variation between actual & target	Comparison to October 2019	Variation to previous year
BLC	Adult	596	762	-166	807	-211
DLC	Adult	630	781	-151	932	-302
NSFC	Adult	3,070	3,913	-843	4,726	-1,656
BLC	Child	12	0	+12	29	-17
DLC	Child	189	218	-29	266	-77
NSFC	Child	1,523	1,916	-393	2,130	-607
Totals		6,020	7,590	-1,570	8,890	-2,870

- 3.9 Based on the figures above, the memberships are down against target for October by approximately 21%, which equates to a loss of 1,570 members. In comparison to 2019, this figure is down by approximately 33%, with a loss of 2,870 members. Whilst these are significant figures, this still represents a good level of memberships across the Company and is a substantially lower as a percentage loss, than several other operators within the industry.
- 3.10 Despite this significant reduction of memberships, work has continued within the Company to maximise the membership sales for retention and new members. A promotional plan has been developed during the closure period and the specific campaigns and marketing is being delivered to a variety of locations across the district.
- 3.11 Whilst the performance detailed above for October presents a disappointing position against target and previous performance, there has been some slight growth in memberships from September to October, totalling +98 across all membership types and sites, which is encouraging. Up to and including October 2019 (from 1st April 2019), user visits across sites reached 525,750 however in comparison to the same period in 2020, as expected, the number of users was significantly less, achieving 137,487, a reduction of 388,263.
- 3.12 The return of over 60's age group to the buildings has been lower than expected, which corresponds with the reduction in Activo 60 memberships. The reasons for this is believed to be associated with the potential medical conditions which users in this age group may experience. The user visits for the period in this age group for July, August, September and October 2020 was 12,301 compared to 50,550 for the same period in 2019.
- 3.13 The return of children to the centres has been significantly reduced. The number of under 16's user visits in July, August, September and October was 40,114, picking up a little once the schools returned in September, compared to 171,438 for the same period in 2019. In respect of GP Referrals, the nature of the close contact and the medical conditions of customers that have been referred from GP's and health professionals, the Company did not accept any new referrals before 7th September. This restarted with customers being contacted to arrange their first visit and sign up to the subsidised membership. There were

13 referrals received during the period; with reassurances from staff, there were 3 individuals that signed up to the membership scheme.

Implications of Further Government Restrictions -November 2020 - Financial Update

- 3.14 With effect from November 5th the Company closed its doors to the public and placed all staff on furlough with the exception of a core team of 5 members of staff who will maintain the core operational requirements of the business until such time that the facilities can re-open, anticipated to be 2nd December 2020. Accordingly there are significant budget implications within this report which are highlighted in the attached appendices. The ongoing situation will be reported regularly to the Senior Leadership Team of the Council, in order they are fully appraised of the most recent financial position of the Company. However, Committee will note that one area which is still be supported is County Swimming. This is the continuation of the school swimming programme, which has been allowed to continue as part of the current restrictions. Through negotiation with the swimming programme coordinator, arrangements have been made and they will continue to use Newark Sports and Fitness Centre.
- 3.15 On a further positive note, the development of the new swimming pool at Dukeries continues to move ahead and is currently not affected by the current restrictions. Work to the new car park (which formed part of the planning conditions) has been substantively completed, triggering groundworks for the main pool hall to be started. During the last two weeks, foundations have now been dug and work on the steel framework is now work in progress. This will provide a significant physical change to the facility and begin to showcase the development of the new pool.
- 3.16 Planning has now commenced regarding the programme for the new facility and how this can ensure it reflects the needs of the community. This will be informed through discussion with partners to understand the various groups which exist. Children and families will be a large focus for the programme with an aim to; get more people, more active, more often.
- 3.17 In summary, the Company now faces a further period of closure and although the majority of the expenditure can be reduced and where possible claimed back e.g. furlough, the Company's income will once again be affected meaning the figures which were provided to the Leisure and Environment Committee in September, will require a further revision to understand the expected deficit and see if further support from the Council, needs to be requested.
- 3.18 Currently, as set out in 3.5 the deficit for the 2020-2021 financial year is forecast at £735k. This is currently being met from £200k of A4T reserves, supported by £490K from the Council. It is expected, further financial support will be required, however at this early stage, this is not known. Without this financial support from the Council, the provision of leisure centre services by the Company will not be sustainable.

Draft Business Plan, 2021/22

- 3.19 Members will be aware that traditionally at this stage in the year, the Company would bring forward its proposals for the following year's business plan. With the current year being exposed to an initial 18.5 weeks closure, followed by slower than expected take up

when the centres reopened, this usual process for business planning has not been able to take place.

3.20 The Company has now gone into a further period of closure, which once again does not provide any certainty with regards to when the business will once again commence operations and also, the size of the operation once it does reopen. In view of this, the Company is proposing at this stage to provide details which it would like to focus on, with further actions being firmed up with members and officers, as greater certainty is known.

3.21 As a result, the Company is proposing the following themes, based on the current environment and the areas known at this stage. Members will note that the emphasis will change for next year with a clear focus of trying to increase memberships once again, to support the sustainability of the Company. This will be through increased advertising and target marketing, using a variety of different methods, depending on the audience and the market which the Company is focusing on.

3.22 Much of this will also be determined on the impacts from the current situation and the operations of the business when the centres reopen once again.

	AIMS	ACTION
1.	Healthy and active lifestyles	
1.1	Childhood obesity - develop and provide opportunities for young people	a) Co-ordinate a series of free sessions for school children, especially focused around the new swimming pool in Ollerton
1.2	Inactive people - develop and provide opportunities for inactive people	a) Development of water based and swimming activities for all ages at Dukeries Leisure Centre b) Introduce a series of taster activities, with specialist instructors at sites
1.3	NSEC 6-8 - develop and provide opportunities for people living in high NSEC 6-8	a) Introduce 7 day adult passes through a partnership with DWP b) Offer 20 bursaries for persons living in the target areas at both DLC and NSFC, to receive a free membership for 12 months
1.4	Development of the VISPA Academy to provide volunteering opportunities for young people	a) Re-commence with work in the schools to develop volunteering opportunities for children aged 14 and over
1.5	Recognising the mental health issues which may have resulted due to the current situation	a) Working directly with CAHMS and mental health professionals to increase physical activity levels and improve health and wellbeing
2.	Accessible facilities	
2.1	Ensure the programme of community use of the Dukeries Leisure Centre, specifically focused on the development of the new swimming pool during 2020 is fully inclusive	a) Develop a programme which reflects the demographic of the community and provides specific sessions for persons with disabilities through the use of the new 'Pool pod' at the facility b) Provision of staff training to broaden the opportunities available
2.2	Improve community access through partner facilities and put in place SLAs with each partner site.	a) Develop a business case to operate the Samworth Academy in Nottingham and The Suthers School, the new school in Newark
2.3	Improve the range of technology utilised to enhance the customer experience	a) Develop self service functions for accessing bookings and account management, customer engagement and fitness tracking b) Pilot a new meet and greet service at Dukeries when the new swimming pool is in place; removing the traditional 'reception' role c) Introduce a range of 'cashless' entry options for customers Develop a 'cashless' offer for the leisure centres
3.	Financial viability	
3.1	Development of the Dukeries swimming pool and existing facilities	a) Develop a pre-sales campaign for the launch of the new swimming pool, which will increase membership b) Develop greater awareness of the membership packages in all

		parts of the community through increased advertising, social media presence and pay per click campaigns c) Develop a corporate offer for businesses in the Ollerton area to showcase the new swimming pool development and provide the benefits of regular exercise to the employee and employer
3.2	Increase junior memberships at the Dukeries LC with the development of the new swimming pool	a) Liaise with schools and other organisations with high numbers of young people, to promote the new swimming pool at Dukeries, providing family sessions as part of the promotion
3.3	Increase adult memberships at all centres	a) Increase the profile at all sites with target advertising, based on greater marketing information, provided by the software system

4.0 Equalities Implications

4.1 There are no equality implications in respect of the various protected characteristic groups in connection with this proposal. The Company will target its services through marketing campaigns and outreach work in areas of deprivation and to priority groups with the aim of attracting segments of the community that would not normally access the services on offer.

5.0 Digital Implications

5.1 The Company already uses multiple digital solutions in the performance of its operations. Moving forwards the Company will work closely with the Council's ICT team to develop further digital solutions as deemed appropriate to ensure that customers are assisted in self-serve as far as is reasonably practicable in order to meet the Council's Digital Agenda and Local Digital Declaration.

6.0 Financial Implications (FIN20-21/7921)

6.1 The Council has paid £80,850 to Southwell Leisure Centre Trust (SLCT) for 2020/21, and £60,610 (half) of the £121,220 budgeted to be paid to Active4Today for 2020/21.

6.2 The Council has currently set aside £490,000 of the emergency COVID-19 funding from government it has received to-date as financial assistance for the Company, based on the Company's forecasts for 2020/21 provided earlier in the year (see paragraph 3.1).

6.3 In the Council's draft 2021/22 budgets and its Medium Term Financial Plan (MTFP) for the four years between 2021/22 and 2024/25, it is currently assumed that it will pay £80,850 and £121,220 annually in management fees to SLCT and Active4Today respectively. Payment of £80,850 annually to SLCT assumes that the Trust will contribute £15,000 annually towards the annual overall management fees of £95,850.

6.4 The draft 2021/22 budgets will be brought to the Committee in January 2021 for review.

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 its objective to 'Improve the health and wellbeing of local residents'.

8.0 RECOMMENDATIONS that:

- (a) the Committee consider the draft themes for the Active4Today Draft Business Plan 2021/2022 and make any representations to the Company via the Authorised Officer;**
- (b) the performance up to period 7 (to 31st October 2020) be noted; and**
- (c) Active4Today provides the January committee meeting with its latest in-year financial position and full year forecast in order that the Committee can form judgements on the appropriateness of further financial contributions.**

Reason for Recommendations

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

Background Papers

Nil

For further information please contact or Matthew Finch on Ext 5716 or Andy Hardy on Ext 5708

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