

**LEISURE AND ENVIRONMENT COMMITTEE
17TH NOVEMBER 2020**



UPDATE REPORT 1ST APRIL – 31ST OCTOBER 2020

1. REPORT PURPOSE

- 1.1 To provide the Leisure and Environment Committee with an update of the business of Active4Today, since reopening on 25th July 2020, as Covid-19 restrictions were lifted. This will include a financial update since the report to the Leisure and Environment Committee in September and a performance report.

2. BACKGROUND

- 2.1 The Committee will be aware that the Active4Today operation to customers, ceased at close of business on 17th March 2020. This followed an unprecedented lockdown of the United Kingdom, with many businesses only just beginning to emerge from a position of closure. The lockdown closed the leisure industry for approximately 18.5 weeks, until it was lifted on 25th July 2020.
- 2.2 Following the closure, all staff were furloughed, with the exception of the Systems Manager, Company Accountant and Managing Director. Throughout the furlough period, all legislative checks were undertaken weekly at all facilities, the membership and communications were continued to all staff and customers, the financial position of the Company was monitored weekly and the development of a re-opening plan was undertaken, in readiness for the eventual opening of the facilities.
- 2.3 As previously advised during the September meeting of the Committee, the largest loss to the Company was membership income, which was estimated at approximately £1.125m until 31st July 2020, based on the 2019-2020 budget position forecast.
- 2.4 The next largest loss was the employee's salaries. The Company is now currently in the process of claiming its 6th furlough payment, to the value of £3k. The Committee will note this is now a very small amount due to only limited staff now being on either full or part furlough.
- 2.5 Income has been received to date in the form of 50% (£60,610) of the management fee from NSDC, 100% (£80,850) of NSDC's contribution of SLC's management fee and a £25k Government grant to support small businesses.
- 2.6 As a result of the report during September, the Council has agreed to support the Company up to the value of £490,000, which is a proportion of the Company's estimated annual

losses, as a result of the Covid Pandemic. As part of this agreement, the Company was required to contribute £200,000 of its own reserves, to meet the expected in-year deficit.

- 2.7 Whilst this is a large proportion of the Company's reserves, it is a valid reason for its use and would leave the Company with approximately £200K in reserve, to support future repairs, developments, or other emergencies. It is hoped that when the business returns to a 'normal' operating environment, the Company can once again start to contribute back to the reserve fund and build this back up to a sustainable amount.
- 2.8 At the stage the Company requested the support from the Council, the finances were prepared, acknowledging that the environment which customers will return to, will have several new operating procedures in place e.g. reduced occupancy in classes, reduced activities available on the programme, increased staffing, increased cleaning costs etc.
- 2.9 In addition, the Committee is reminded that the forecasts were prepared providing the first month free of charge to all returning members of the direct debit scheme, as set out in the previous end of year report. This was agreed as part of the retention of members and assisted with not having to undertake a schedule amendment of 12,000 members, who may have claimed a 'part month' back, due to closing mid-month. The Company had predicted a net loss of 10%, against an industry prediction of approximately 40%, as this was the current membership base at the time of the report. At that stage no finance was collected from customers, with their first direct debit payments not being taken until 1st September 2020. It was noted at the time that September and October would be crucial months for the Company.
- 2.10 In addition, as part of the process for re-opening, the Company developed new policies and procedures, risk assessments, codes of practise, rotas, activities and many other new operating processes, in a bid to try and reassure staff and customers that the business is operating in a Covid Secure environment. This involved discussion with Newark and Sherwood District Council, and Nottinghamshire County Council Local Outbreak team, Sport England, Active Notts and other local authorities across the county.

3. SITUATION UP TO 31ST OCTOBER 2020

- 3.1 Since 25th July the expected live membership base has reduced on the pre-opening forecasted, which was provided at the last meeting. Further information on the breakdown of memberships is presented later within the report, under the performance section. These reduced numbers have further impacted on the estimated annual losses in membership, which if the trend continues, will result in further losses of approximately £150K; this is based on the position as of 31st October 2020. Forecasts have not taken account of the latest position, which will be referenced later in the report.
- 3.2 In addition to the potential financial loss of memberships, pay and play income is also lower than expected in comparison to where the Company expected it to be in July. This is due to

the restrictions from sports governing bodies impacting on the block bookings. If trends continue, these losses may result in a further annual loss of £50k of this income stream. This reduction in pay and play is mainly from the pay and play fitness suite usage currently and the dryside usage from clubs and organisations who have not returned to operations as we expected. These were expected to return during November not only within the leisure centres, but also in the partner sites where several of the clubs bookings would have been located.

- 3.3 To support the losses in income, the Company has undertaken extensive remodelling of staffing. This has returned an estimated saving for the year of approximately £310K. This is a £147K increase from the Leisure and Environment Committee report presented in September, as the Company reacted to the reduction in memberships, by changing programmes, reducing activities and rebranding several sessions into structured classes which reduces the amount of staff required. Savings have been realised in reception, leisure attendant, operations management and fitness instructors and classes.

4.0 FINANCIAL HEADLINES UP TO 31ST OCTOBER 2020

- 4.1 Set out in the table below, A4T has provided the current financial position of the Company, which is monitored by the Board, as part of its role in managing the operations of the Company. The table below shows the original, revised and profiled budgeted income and expenditure up to period 08, set against actual income and expenditure for the same period. However, as stated further in the report, this will now require revising again, as a result of the latest round of restrictions:

	Original 2020-2021 budget: income/exp	Full Year revised: 31.10.2020	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

- 4.2 Below are the highlights from the financial information, in a bid to provide some narrative for the Committee, including the variances from the original budget.

Other Income – this line represents the furlough payments received by the Company to date, with an estimation for the payments not yet claimed e.g. September and October. In addition, the grant of £25k from the Government is also contained within this line. This line

of income also includes an estimated £55k, which is the amount the Company is expecting to receive from the furlough return to work scheme, in January 2021.

Other Income (management fees) – this section represents the income which has come into the Company from management fees associated with Southwell Leisure Centre Trust and Newark and Sherwood District Council. As set out above in 2.5, to date the Company has received an upfront payment from the Council of 50% of the expected management fee for 2020-2021, which totalled £60,610 and 100% of NSDC's contribution of SLC's management fee, which totalled £80,850.

Total Income – as the Committee will see, there is a shortfall in the total income expected for the year of over £1.1m. This is approximately a third of the expected income, which was originally forecast within the budget. This is due to losing 5 months' worth of income, as well as the after effects of a lower than expected starting point, due to the cancelled direct debit members, which began to come through in January, February and March 2020.

Staffing – as set out above in paragraph 3.3, there is an overall expected saving in this group of £310k. This is due to the reasons set out above and also the reduction in relief staffing, due to no holiday cover or sickness cover being required in quarter 1. This line does not take into account the income received from furlough, as this is represented in 'other income', as set out above.

Premises – this section of the budget has been reduced by £183k, over various budget lines e.g. repairs and maintenance and utilities. These reductions have been made due to the closure for quarter 1 and assumptions going forward regarding reduced repairs due to lower usage in the sites. This area of the budget may fluctuate as usage changes, however, the estimate made has provided a small margin of tolerance in a bid to meet small changes in demand.

Supplies and Services – this section of the budget has been reduced by £152k, over various budget lines e.g. contractual services, reduced equipment costs, reduced printing and stationary. Reductions in VAT have also been accounted for, which are intrinsically linked to the repairs and renewals e.g. if there is less spend on repairs and renewals, this translates to a reduction on the VAT associated with the works. Finally the support services has also been reduced, as a large proportion of the repairs and renewals work was facilitated by the Council's asset management business unit, which attracted an associated percentage cost. As less work is being undertaken on repairs and renewals, the support services costs should reflect a saving in asset management costs.

Total Expenditure – in totality, there has been a reduction in expenditure over all codes of £645k, to support the expected loss of income.

Transfer from Balances – this line represents the expected shortfall between income and expenditure for the Company, for the financial year 2020-2021. This is currently being forecasted at £735k short for the year. Based on the shortfall above, the Company would pay £200K of this and £490K would be met by the Council. This currently leaves a shortfall of £45K, which the Company is currently working on reducing, through either further expenditure reductions, or increase income generation. This will be monitored closely over the coming weeks.

Reserves – currently the Company holds approximately £397K in reserve. The Company agrees to use £200K of its reserve to support the in-year expected shortfall, (with the Council providing £490K) it would leave the Company with an estimated £197K in reserve.

5.0 USAGE PERFORMANCE

- 5.1 The Committee will be aware, the performance for the Company is monitored against an agreed set of indicators. These indicators have been used for the past several months, which has allowed for comparative data to be available. Attached at appendix 2, is the indicators for the Company.
- 5.2 In addition to the quantitative data provided, more qualitative performance is provided at appendix 3, regarding the performance of the Company's Sports Development team. Whilst activities have taken place since July 25th, when the facilities reopened, this has been a reduced offer, as only one member of the sports development team has been taken of furlough. This is due to the work streams of the individuals being varied and only one member of the team could undertake work which would support the operations of the business. Other team members deal predominantly with schools, clubs (not based within leisure centres) and vulnerable groups and many of these have not returned to 'normal' operations; this resulted in three members of the sports development team remaining on furlough.
- 5.3 As previously reported to the Committee, the membership base for both adults and children at all sites, had been on a decline since December 2019, with the main reduction in membership being experienced at NSFC. This was, as a result of a large national competitor opening a new branch of their fitness gym in Newark during November. However since December 2019, significant cancellations began to take place, as a result of the Covid-19 pandemic.
- 5.4 Whilst this relates to the 2019-2020 financial year, the starting base is then affected, moving into 2020-2021. For the last 3 months of 2019-2020, the membership base across the Company reduced by 713 memberships, with the original target being 8,946 and the actual membership achieving only 8,233.

5.5 The data in the table below details the performance from March 2020 in comparison to target and March 2019.

Site	Type	Actual at March 2020	Target	Variation between actual & target	Comparison to March 2019	Variation to previous year
BLC	Adult	808	816	-8	830	-22
DLC	Adult	908	900	+8	933	-25
NSFC	Adult	4,257	4,720	-463	4,693	-436
BLC	Child	26	0	+26	29	-3
DLC	Child	256	300	-44	302	-46
NSFC	Child	1,978	2,210	-232	2,180	-202
Totals		8,233	8,946	-713	8,967	-734

5.6 Even though the centres closed during mid-March, the direct debit had been collected and so figures remain comparable regarding paying members. Members will note, all areas had felt the significant effects of Covid-19 culminating in a 713 loss in year and a 734 loss of membership compared to the same period in 2019.

5.7 As a result of the above, A4T staff focused on contacting as many cancelled members before the closure on 18th March and through that communication, customers were reassured that a free 'freeze' on the membership was the preferred option and no further payments would be taken until one month after reopening. Although the majority of staff were furloughed during the closure period, staff in the Memberships and Finance dealt with customer enquiries, with some successes in reinstating direct debits.

5.8 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

5.9 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.

5.10 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

5.11 This current level of adult membership at BLC and DLC has not been experienced since before the recording of the membership data began in March 2014; since this date, both sites had maintained a steady membership base between approximately 800 to 1100 members in the last 6 years.

5.12 The current level of adult membership of 3,070 at NSFC was last experienced in May 2016 (3,063), a month after the new leisure centre opened and members moved from the Grove Leisure Centre. The centre then steadily rose to a peak of 4,775 adult members in July 2019. This reduction is extremely disappointing after the hard work of the staff over the last 4 years since the centre opened. However, that said, these are unprecedented times and figures like this are being experienced in many business across the country e.g. cinemas, pubs and restaurants, retail and many other businesses have still not opened for business yet, including many museums, theatres and music venues. In addition, the leisure industry as a whole is reporting losses in the region of 40 - 60%.

5.13 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.

- 5.14 The comparison of the BLC adult membership base to October 2019 has reduced by 211, and did not achieve the revised target of 762 members (-166).
- 5.15 The current number of adult members at DLC is much lower than the same period in 2019 and as BLC, DLC did not achieve the revised target of 781 (-151).
- 5.16 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.
- 5.17 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.
- 5.18 Due to the new operational procedures put in place to ensure the buildings are Covid secure, the capacity of children's course places has been substantially reduced for children who were accessing multiple sessions. Children are now limited to a maximum of two sessions per week, one wet and one dry. This has, in turn though, reduce staffing costs considerably, whilst allowing children to still be active in a safe and enjoyable activity following National Governing Body guidelines.
- 5.19 Work is currently taking place to assess the net position of costs against income, with regards to the saving of staffing against the loss of income. Currently this approach offers a very good option for parents and the Company, as there is presently no latent demand for any children's activity at any site. This is a position that the Company has never experienced previously and is once again a reflection of the environment we are currently operating in.
- 5.20 As expected the number of user visits across all sites has experienced a large decrease since reopening. This, in part, can be demonstrated from the decline in membership as described above, however it can also be explained by the delay in guidance issued from National Governing Bodies, which has meant that club bookings were delayed in returning. The regular bookings using all sites, including partner sites, accounted for vast levels of usage, as well as income. In addition to the reduction in club usage, usage figures have also been impacted on through reduced capacity of the buildings, classes and children's courses.
- 5.21 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.
- 5.22 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 anecdotally

is due to the potential medical conditions which users in this age group may experience. In addition, the added risk, which may occur in entering a building with multiple persons in the same facility. This is despite the reassurances from our staff and press releases highlighting our changes in operations to ensure the centres are Covid secure. 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.

5.23 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.

5.24 Due to 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.

6.0 CURRENT UPDATE FROM 1ST NOVEMBER 2020

6.1 As the Committee will be aware, greater restrictions were announced by the UK Government on Saturday 31st October, which would come into place at midnight on Wednesday 4th November 2020.

6.2 Unfortunately, these restrictions once again affected the functions of Active4Today Ltd and meant that at 21:00 on 4th November, the operations of the Company ceased until further notice. As a result of the latest restrictions, with the exception of 5 staff, all other members of staff have been furloughed. The staff who are remaining will be dealing with:

- Communication and support for staff
- Direct debit member enquiries
- Legislative checks
- Development of plans for reopening
- Essential maintenance
- Finance, payroll and budget forecasts
- Communication to the customers
- XN software improvements, ready for reopening
- Communication and liaison with the Council
- Continued support for the Dukeries capital project
- Support to Southwell LCT
- Support for County Swimming (School Swimming)

6.3 The Committee will note that one area set out above 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 restrictions. Through negotiation with the swimming

programme coordinator, arrangements have been made and they will continue to use Newark Sports and Fitness Centre.

- 6.4 On a 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 nearly been completed, meaning work on the swimming pool could commence. During the last two weeks, foundations have now been dug and the steel framework is expected on site within the next two weeks; this will provide a significant physical change to the facility and begin to showcase the development of the new pool.
- 6.5 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.

7.0 BUDGET IMPLICATIONS

- 7.1 There are significant budget implications within this report which are highlighted in the body of the report and the attached. This will be reported regularly to the Senior Leadership team of the Council, in order they are fully apprised of the most recent financial position of the Company.
- 7.2 In summary, the Company now faces a further period of closure, which 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.
- 7.3 Currently, as set out in 4.2 'Transfer from Balances' 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.

8.0 BUSINESS PLAN 2021-2022

- 8.1 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.

8.2 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 themes which it would like to focus on, with more detailed actions being firmed up with members and officers, as greater certainty is known.

8.3 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.

8.4 Much of this will also be determined on the 'fall out' 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

		<ul style="list-style-type: none"> 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

9.0 EQUALITY & DIVERSITY IMPLICATIONS

9.1 There are no equality or diversity issues. All information will continue to be available in a number of formats in line with Active4Today's 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 or via telephone by calling ext.