

## **LEISURE & ENVIRONMENT COMMITTEE**

**21 JANUARY 2020**

### **ACTIVE4TODAY – FINAL BUSINESS PLAN, 2020/21 AND PERFORMANCE UPDATE**

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

1.1 This purpose of this report is to present the Active4Today (A4T) Business Plan 2021/22 and the latest performance report to end of December 2020 for Committee consideration and approval.

#### **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 As part of the governance arrangements, A4T presents its Business Plan for the following year to the Leisure & Environment Committee for consideration during the Autumn Committee cycle. The Business Plan, 2021/22 and performance reports from A4T are **appended** to this covering report. The Business Plan is also aligned to the priorities in the Physical Activity and Sport Plan 2018 - 21 approved by Committee at its meeting 13 November 2018.

2.3 The appended documents attached to this report are:-

1. Active4Today Update Report 1<sup>st</sup> April to 31<sup>st</sup> December, Appendix A;
2. Active4Today Performance Indicator 1<sup>st</sup> April to 31<sup>st</sup> December, Appendix B;
3. Active4Today Sports Development Report 1<sup>st</sup> April to 31<sup>st</sup> December Appendix C;
4. Active4Today Business Plan 2021-2022, Appendix D.

#### **3.0 Key issues**

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

3.1 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 towards in return for a management fee should this be required. Performance is monitored through a framework and performance indicators agreed by Leisure & Environment Committee, Appendix B as attached to this report.

3.2 Committee will be aware that the A4T closed its leisure centres and sports development service for approximately 18.5 weeks during the first lockdown which commenced in March 2020. This was followed by a further 4 week closure in November 2020 and it is now experiencing a 3<sup>rd</sup> closure during 2020 and into 2021, with no clear indication of when the facilities will re-open.

- 3.3 The centres have now been closed for 22.5 weeks since March 2020, 20.5 of which have been within the current financial year 2020/21. In addition, the partner sites operated by A4T (school academy facilities) and Southwell Leisure Centre also closed during this timeframe, and although not operated directly by A4T, several services provided by these sites and facilities are delivered through A4T. As a consequence the closures have resulted in the majority of staff being placed on furlough throughout the period with only a small number of core staff retained to manage the facilities and ongoing operational business throughout the period.
- 3.4 Clearly the closures have had a significant impact on membership income and at the end of period 9, December 2020, this equated to an estimated reduction of £1,637,710 against the original forecast for the year to date. In order to provide a level of additional financial support Members considered a proposal at its September committee to make available a financial support package of up to £490K (from Government Covid Support Grant) as contribution towards the revised year end outturn which identified a deficit of £690k, with £200k being allocated from the Companies reserves. However, this was predicated on the centres being open to customers through to year end and this has not been possible of course. The centres are currently closed and there is no clear indication of when they will be allowed to re-open and there remains a possibility that the centres may not re-open before the end of the current financial year.
- 3.5 Despite the best efforts of the A4T to maintain memberships in such uncertain times, the impacts of the closures have had a significant effect on the ability to retain members. In addition pay and play income has equally suffered a downturn given the restrictions place on physical activity and sports participation as part of the various restrictive tiers that have been in place throughout 2020. In response A4T has taken whatever steps it could to reduce the impact of income reduction through a set of measures to reduce expenditure as is outlined in paragraph 4.1 of Appendix A attached to this report and in the table below.

	Original 2020-2021 budget: income/exp	Full year revised: 31.10.2020	Full Year revised: 30.11.2020	30.11.2020 Variance to 2020-21: original budget
Furlough/ Grant Income	0.00	438,088.00	492,488.00	492,488.00
Other Income	114,750.00	163,860.00	163,360.00	48,610.00
<b>Total income</b>	<b>3,097,920.00</b>	<b>1,992,453.00</b>	<b>1,650,463.00</b>	<b>-1,447,457.00</b>
Staff	2,165,750.00	1,855,853.00	1,805,412.00	-360,338.00
Premises	498,590.00	315,578.00	293,508.00	-205,082.00
Supplies and services	708,700.00	556,417.00	548,647.00	-160,053.00
<b>Total expenditure</b>	<b>3,373,040.00</b>	<b>2,727,848.00</b>	<b>2,647,567.00</b>	<b>725,473.00</b>
<b>Surplus/Deficit</b>	<b>275,120.00</b>	<b>735,395.00</b>	<b>997,104.00</b>	<b>-721,984.00</b>

- 3.6 The base budget for 2020/21 forecast a deficit at year end of £275,120, this was revised to £735,395 at the end of period 7, October 2020, and due to the ongoing challenges of closures the latest forecast to year end has now escalated to £997,104. Total income is anticipated to be down by £1.44m a reduction of 46.7% of target income for the year. This is offset by anticipated savings of circa £725k made up from staffing, £360k, premises £205k, supplies and services £160k. In addition income through grants of circa £85k and the management fee payments from the Council of £202k have contributed to reducing the overall deficit to date.
- 3.7 Assuming the position doesn't change significantly until year end the overall financial outturn will require an additional payment of £247k to balance the accounts to zero for the year, reducing to £222k if further Government grant is received, estimated to be circa £25k which is linked to forced closure instructions. In addition an application has been submitted to the National Leisure Recovery Fund, a MHCLG/DCMS/Sport England grant support scheme, to secure a share of funding made available which will equally contribute towards reducing the anticipated outturn position and improve the company's final position. The amount of grant offered has yet to be confirmed and this fund only relates to the recent November lockdown and doesn't extend to the current National Lockdown although it is hoped that further government assistance will be forthcoming in due course.
- 3.8 As previously reported to the Committee, the membership base for both adults and children at all sites, had been declining since December 2019, with the main reduction in membership being experienced at NSFC. From this point in time, significant cancellations began to take place, as a result of the Covid-19 pandemic and this has continued to date, with the latest spike in cancellations being experienced during the November 2020 closure. The table below provides an overview of the decline in memberships across the Council's 3 sites since December 2019.

Site	Type	Actual at December 2020	Target	Comparison to December 2019	Variation to previous year
BLC	Adult	522	544	789	-267
DLC	Adult	566	596	897	-331
NSFC	Adult	2,724	2,770	4,533	-1,809
BLC	Child	11	0	26	-15
DLC	Child	167	187	256	-89
NSFC	Child	1,393	1,410	2,035	-642
<b>Totals</b>		<b>5,383</b>	<b>5,507</b>	<b>8,536</b>	<b>-3,153</b>

- 3.9 The reduction in membership between December 2019 and December 2020 is 3,153 (-37%) which compares slightly more favourably than the data provided by Sport England and UKactive which is currently averaging a reduction of 45% nationally. As a consequence of falling memberships, lockdowns and restricted programmes during opening times, usage has suffered significantly. The year to date figure (1<sup>st</sup> April 2020 to 31<sup>st</sup> December 2020) of visits across the 3 Council sites was 183,652 a reduction of 342,098 for the same period in 2019. This figure rises to 257,914 when usage figures for Southwell Leisure Centre are added and the total figure represents a reduction of 71% down from 897,902 at December 2019.

## Financial Overview

- 3.10 There are significant budget implications contained within this report and this will continue to be discussed with the Council's Senior Leadership Team, in order that it remains fully briefed on the latest financial position of A4T as it heads to year end.
- 3.11 A4T now faces a further period of closure and whilst the majority of the expenditure can be reduced and where possible claimed back through the furlough scheme for example, income will be affected therefore the figures which have been provided above, will require further scrutiny to understand the expected deficit and the amount of further financial support required from the Council to balance the books.
- 3.12 Currently, as set out in 3.5 to 3.7 above the deficit for the 2020/21 financial year is forecast at £997k. This is currently being supported by £200k of A4T reserves and up to £490k from the Council. To date there is a further predicted shortfall of £307k due to the November closure and this is likely to increase further due to the latest closure situation. The payment of the 2020/21 retained management fee of £60k will reduce the shortfall to £247k. A4T will be applying for the latest support grant for businesses affected by tier restrictions and it is expected that this will provide a further £25k of income for the Company, leaving a £222k shortfall. The application to National Leisure Recovery Fund, if successful, will further reduce the predicted overall deficit thereby leaving a small additional amount having to be requested from the Council, in addition to the existing financial support arrangements agreed.

## Business Plan and Financial Overview - 2021/22

- 3.13 Members will be aware that A4T present its Business Plan to the January committee for consideration. However, with the current year being exposed to a closure of 20.5 weeks to the 31<sup>st</sup> December 2020 and now a further period of closure, the usual process for business planning has been difficult. However, the Company has submitted its proposed business plan for 2021/22 as detailed in Appendix D.
- 3.14 A4T recognises that the proposed business plan will need further consideration when greater certainty regarding the pandemic's impacts and recovery proposals are better understood. This will enable A4T to assess the planned return to a 'new normal' in respect of opening arrangements, restricted programming and equally important, customer confidence which will have a material impact on member re-engagement. Therefore A4T are happy to continue to work with members and officers at the Council, to continue to develop the plan further over the coming weeks.
- 3.15 However, it is important to recognise that the emphasis has changed for 2021/22 with a clear and primary focus of trying to increase memberships once again, to support the sustainability of the Company. This will be addressed through increased advertising and target marketing, using a variety of different methods and channels, depending on the audiences and the markets being engaged with. In addition, A4T is proposing a new pricing focus for contracted members and non-contracted members which it hopes will have a positive impact on securing new members in these continuing uncertain times.

- 3.16 In previous years A4T has submitted a business plan that sets out the actions it proposes to undertake with the aim of facilitating the delivery of the three outcomes the Council set the Company up to achieve, namely: Healthy and Active Lifestyles, Accessible Facilities and Financial Viability and it makes a forecast of the management fee it may require from the Council, for the following year.
- 3.17 For a number of years, A4T has received £200k from the Council, consisting of £80k for SLCT and £120k for the Company. As a result of the unprecedented situation in 2020/21, the direct debit membership base for the Company has been severely affected. As stated previously, this is the main income generating activity for A4T. As a result of the significant outturn deficit anticipated, additional support from the Council in 2021/22 will also be requested, whilst it works on recovering its business and increasing its membership numbers again to levels it experienced pre-Covid.
- 3.18 As a result of the forecast loss in income, A4T is predicting a deficit for 2021/22 in the region of £840k. This is approximately £640k over its usual position, based on receiving the usual £200k management fee from the Council, however, as previously stated, this is a direct result of the impact of Covid on the income generating possibilities for the 2021/22 financial year.
- 3.19 Accordingly, A4T is currently in discussion with its Board and the Council and is looking to identify further savings, which may support the forecast deficit predicted above. This process will take place during January 2021 and it is hoped that the exercise will potentially reduce the expected management fee required and details will be shared with the Council's Senior Leadership Team.

#### **4.0 Equalities Implications**

- 4.1 The business plan and performance framework includes a range of measures that demonstrate work in progress to improve inequalities in sports and leisure participation. However, price increases which have been set out in the business plan may have an impact on those on lower income, however, further support is provided to various groups and individuals, through the inclusivity strategy. All information will continue to be available in a number of formats in line with A4T's access requirements and its commitment to support the principles of equalities and diversity as set out in its Equality Policy.

#### **5.0 Digital Implications**

- 5.1 The Company already uses multiple digital solutions in the performance of its operations. Moving forwards A4T 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 (FIN20-21/7366)**

- 6.1 As set out at paragraph 3.12 the Company are forecasting a deficit of £997,000 to the end of March 2021. In order to mitigate this shortfall the Company have a number of sources of anticipated funding.

- 6.2 The Company are proposing to utilise £200,000 from its brought forward reserves. As at 31<sup>st</sup> March 2020, these stood at £396,819, and hence the Company can afford to contribute to this.
- 6.3 As per the report to this Committee on 17<sup>th</sup> November 2020, the Council has set aside £490,000 of the emergency COVID-19 funding from the government as financial assistance for the Company. This is in addition to the original management fees that the Council budget for of £121,220 and £80,850 (in relation to SLCT).
- 6.4 The Company is anticipating a further £25,000 in funding from the recently announced additional National Restrictions Support Grants and National Lockdown Grants. This together with a claim to the National Leisure Recovery Fund is anticipated to close the shortfall. Where this does not meet the shortfall, the Council will liaise with the Company regarding how the shortfall will be met.
- 6.5 As per paragraph 3.18 the Company are forecasting a deficit of £840,000 for the 2021/22 financial year. This does not include the budgeted £202,070 for which the Council has annual budget provision for. This is due to, prior to the current pandemic, the Company having to budget without the Councils' provision of budget. Once this allowance has been taken into account, the shortfall is anticipated as being £637,930.
- 6.6 As per paragraph 3.19 A4T will be working with their board and the Council in order to try to reduce this current worst case scenario. For prudence, the full £840,000 that is being forecast has been included within the base budget for the 2021/22 financial year, and this is reflected within the Proposed Revenue Budget report elsewhere on this agenda.

## **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 A4T 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 Active4Today Business Plan 2021/22 be approved;**
- b) **performance to Period 9 (December) be noted;**
- c) **Active4Today presents its 2020/21 draft accounts by early April 2021 in order that a the Director – Housing, Health and Wellbeing, with delegated approval, can agree what level of contribution is made to the Company, for 2020/21 based on the outturn position;**
- d) **the full year financial position be reported to the June Committee; and**
- e) **the initial early forecast outturn position for 2021-22 be noted.**

**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 Andy Hardy on Ext 5708

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