



Report	Enjoy East Lothian Ltd (enjoyleisure) - East Lothian Council Audit and Governance Committee Report
Author	Bill Axon, Chief Executive, enjoyleisure
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EXECUTIVE SUMMARY

This report sets out the financial and operational performance of **enjoyleisure (enjoy)** since March 2021, the challenges that **enjoy** faces in light of the cost of living and energy crises, and the successes that **enjoy** has achieved through this period.

The biggest challenges **enjoy** faces on an ongoing basis include:

- Rebuilding reserves whilst receiving plateaued income and achieving cost savings while prices and wages continue to rise.
- Planning for the impact of utility price rises in the coming years.
- Increasing fitness memberships in light of the cost of living crisis, where membership numbers had not yet caught up with pre-COVID levels.
- Unprecedented difficulties in recruitment of staff influenced by suppressed labour markets, demands on rates of pay, lack of qualification courses running through the pandemic and subsequent lack of available candidates.
- Keeping up with the demand for swimming and gymnastics lessons in East Lothian, especially as the population grows within the county and given a shortage of qualified teachers.

However, **enjoy** has made great strides through the last 3 years since COVID hit, including success in:

- **enjoy** negotiated a 10 year extension to our funding agreement with East Lothian Council, which will ensure continuity of the existing service provision and affordable leisure activities for local communities. The current/new arrangement delivers significant ongoing financial benefits for the Council and allows **enjoy** to continue to strengthen its position within the sector.
- **enjoy** is extremely proud to have avoided redundancies since the pandemic began, especially when compared to other Trusts who have been less fortunate.
- Income and usage has returned at levels consistently higher than expected in comparison to other Trusts, extending the lifespan of our reserves.
- All facilities have remained open, with colleagues going above and beyond to cover staff shortages.
- Improved and sustained partnership with ELC, including regular meetings between **enjoy** and ELC staff have kept both parties up to date and abreast of the situation throughout the pandemic.

Bill Axon, Chief Executive
0131 653 5202
baxon@enjoyleisure.com

www.enjoyleisure.com

Delivering services for East Lothian Council. **Enjoy** East Lothian Ltd, also known as 'Enjoy' and 'Enjoyleisure'. Scottish Registered Charity Number: SC040527



- A restructure of the Senior Management of **enjoy** has enabled operational and strategic transformations to be brought to the forefront of the organisation, and the SMT is excited for the journey ahead.

BACKGROUND

In October 2009, Enjoy East Lothian Limited (**enjoy**leisure or **enjoy**) was established to manage, under contract, sports and leisure facilities and services on behalf of East Lothian Council (ELC). The facilities managed by **enjoy** comprise six major sites in Haddington, Tranent, Musselburgh, North Berwick, Prestonpans and Dunbar; as well as a number of sports facilities throughout East Lothian. All of the facilities are held on ELC's property portfolio with the exception of Dunbar Leisure Pool, which is wholly owned by **enjoy**.

The primary objective of **enjoy**leisure, as East Lothian's charitable health, well-being and leisure trust, is to improve lives by inspiring active living. It is our mission to enrich the physical and mental wellbeing of our communities, by putting people at the heart of everything we do:

- We provide opportunities for people of all ages to enjoy recreational facilities in East Lothian, with the objective of improving their conditions of life.
- We develop and create our own recreational coached activity programmes to create development pathways for both competitive and non-competitive athletes.
- We contribute to advancing the wellbeing of the inhabitants of and visitors to East Lothian through our wide ranging fitness class activity programme, Bodyworks Gyms, and Swimming Pool programmes.
- We provide local residents on low income or disability benefits the opportunity to engage in physical activity at concessionary rates.
- We provide a Macmillan Move More programme for the benefit of individuals living with and beyond cancer in East Lothian to engage in gentle exercise and movement classes, providing physical, social, emotional, and mental wellbeing support for those who need it.
- We have strong links with local schools providing access for both public and private educational facilities, so children of all ages and abilities are able to engage in sporting activities.
- We provide sports halls, dance studios, pitches, and pavilions for local sports clubs and community organisations to host their training sessions, competitions, matches, dance rehearsals, theatre productions, and community meetings.

April 2021 to March 2022

Since March 2020, the majority of **enjoy**'s services & facilities have faced multiple closures, and when facilities were open they were restricted in both activities and capacities. Facilities were closed due to lockdowns from 24 December 2020 to 26 April 2021, after which activities and facilities returned slowly.

Various COVID measures were retained throughout the year. In December 2021 in response to increasing COVID infections, restrictions were placed on indoor activities. Cafés have re-opened where possible, with only North Berwick café now remaining closed to staffing issues.



Responding to the last few years has been a constant challenge for **enjoy** in adjusting to new restrictions, implementing and then reducing COVID safety measures. Coaches taught fitness classes via zoom from their homes during closures, and Direct Debit membership fees were reduced to £1 during months the facilities were closed. Memberships fell by 36%, a substantial drop in **enjoy**'s regular income and subsequently recovered to 93% of pre-COVID numbers. Up to 95% of colleagues were furloughed and when facilities reopened a 3 week program of return to work training was undertaken with colleagues.

In August 2021, capacity restrictions within **enjoy** facilities were removed, and visitor numbers and income bounced back significantly. It was extremely heartening to see loyal customers, tourists and visitors returning to utilise **enjoy** leisure facilities. This meant that after a challenging financial performance in 20/21, greater income and usage enabled **enjoy** to begin to recover far more quickly than expected.

Visitor Statistics

In 2019/20, total customer visits, including club usage of pitches and school usage of facilities, were over 1.2 million. This number was drastically reduced in 2020/21, with the majority of facilities only open for 3.5 months of the year. In 21/22, with the majority of facilities closed in April 2021 and restricted capacities for half of the year, the annual visitor numbers recovered to 63% of the pre-COVID levels. The second half of the financial year (October 2021 to March 2022) achieved 96% of 2019/20 visitor numbers, with the improvement being attributed to the lifting of extremely restricted pool capacities.

	2019/20	2020/21	2021/22
Total Visitor Numbers	1,200,000	173,000	750,000
Sports Centres Customers	702,342	80,849	512,799
Golf Courses	51,316	60,794	68,117

Finance

The financial results for 21/22 show the beginnings of recovery. The audit was completed in August 2022, and unqualified accounts have been produced and submitted. The statutory accounts show a net positive movement in funds for the group for the year ended 31 March 2022 of £2,753,491. This is comprised of:

- a core operating deficit of £35,509
- an adjustment for the defined benefit pension scheme being an actuarial gain of £2,789,000

The core operating loss of £36k (2021: £447k) includes a loss of £9k for the trading subsidiary and £27k for the charity. The operational deficit of £35k includes £235k income from the Job Retention Scheme from the beginning of the financial year. It also includes £327k income from hosting mobile COVID testing units in our facilities. Of **enjoy**'s 'normal' income, the Charity has recovered to circa 86% of pre-COVID levels. The small deficit achieved in 21/22, given all the challenges, represents an impressive result for **enjoy** and we are extremely grateful for the support of our partners at ELC and the work put in by all staff to achieve cost savings and maximise income.



Total group income in 21/22 was £6.1m (up from £5.1m in 20/21). Pre-COVID income levels were circa £6.4m, with the majority of the remaining difference being in membership fees that have not yet recovered fully to pre-COVID numbers.

Total group operating expenditure in 21/22 was £6.1m (up from £5.5m in 20/21). **enjoy's** costs in 19/20 were £6.7m, but there have been significant savings in staff costs (due to vacancies but also due to the implementation of 15 minute rotas at all sites and the SMT reorganisation). The 22/23 costs will likely be much higher than 21/22 due to rising prices, utilities, staff wages, and no income from the JRS being included in the next financial year.

enjoy had a healthy reserves position at the start of the pandemic, and while this was dramatically reduced during the pandemic, we received £396k in loss of income funding from East Lothian Council in 2021 which helped to rebuild our reserves somewhat. At the end of March 2022, reserves were £818k, up from £585k in March 2021. **enjoy's** minimum reserves target is £1.2m, so there is still a way to go in rebuilding reserves to a safe level.

Looking to the Future

enjoy's facilities reopened for the second time on 26 April 2021 with various restrictions in place until 31 August 2021, when centres fully opened for the first time in 18 months. While the second half of 2021 was a steady period of recovery, 2022 has brought a new batch of challenges from shortages of pool chemicals, rising prices, difficult pay negotiations, and stagnating membership levels due to the cost of living crisis.

enjoy are proud to manage the Access to Leisure scheme, whereby East Lothian residents on low incomes, with disabilities, or in NHS health programs can access **enjoy** leisure facilities for £1.50 off peak, and receive 50% off children's coached activities such as swimming lessons. We hope this will go some way to ease the cost of living for customers and ensure that those who wish to participate in sporting activities can continue to do so.

Despite the challenges **enjoy** faces, we have had several successes over the last year and continue to make strides to improve the business.

Operations

The reopening in April 2021 went smoothly, and the operations team coped brilliantly with moving through the various levels of restrictions until the 31st August 2021 when **enjoy** reopened all facilities fully. This was a huge piece of work with the creation of new programs and staff rotas, fully restarting the training of swimming coaches and lifeguarding qualifications, and continuing to manage facilities at varying stages of mothballing.

Cafés have reopened to a much stronger return level than expected, with costs and income being monitored hour by hour to ensure a sensible opening timetable. North Berwick Sports Centre café remains closed as we have been unable to appoint the required number of staff to operate.

The swimming pool moving floors and dividing booms at North Berwick Sports Centre and Musselburgh Sports Centre were replaced and opened in May 2021.



We undertook a full review of the way in which we manage our Caretaking and Facility Attendant staff at multi-site small grass pitch pavilions. We have also introduced a Trusted Key Holder policy for the use of small grass pitch pavilions.

Sports Development programs have been successful, with the launch of **enjoy**gymnastics in May 2021 (delayed from 2020 due to the early 2021 lockdown) and **enjoy**trampolining in September 2022. These programs have been impacted by the lack of coaches available, but remain valuable to the community. The swimming program continues to be hugely successful and popular with waiting list times and occupancy levels high. Again, staffing shortages are beginning to impact the program, but this will be a short term issue as we begin preparing to train more staff in-house.

Success Stories

- **enjoy** has been a real leader in the return of Children's Sports Coaching Lessons post pandemic. We were one of the first trusts to bring back the Learn to Swim programme following the COVID closures, with an impressive return rate of 89%. The Sport Development Manager delivered a presentation at the Scottish Swimming National Framework virtual networking day, which provided an overview of our planning and resumption of the programme. This was well received, as many trusts still had to initiate the return of their swimming programme. Head of Operations, Ian Sills, also sat on the Scottish Swimming national working group developing protocols to return swimmers back to pools. The number of children participating in **enjoy's** Gymnastics lessons is higher than ever before, and trampolining lessons have also restarted in late 2022, enabling more children to learn valuable physical activity skills.
- The Home Portal of the Learn2 software which administers our Sport Development programmes was launched. This allows parents to see their child's progress in Swimming and Gymnastics lessons and has been a great success in making children's progression more transparent to parents or guardians and in freeing up staff time internally.
- **enjoy** played a vital role in the Government's programme of COVID-19 testing, with mobile testing units located in our car parks at Dunbar Leisure Pool, Loch Centre and Meadowmill Sports Centre. **enjoy** receives a daily rental for this use.
- **enjoy** successfully hosted voting stations for the Local Government elections at Aubigny Sports Centre, Loch Centre and North Berwick Sport Centre, and the counting hub at Meadowmill SC.
- Another successful opening of seasonal facilities at the East and West Putting Greens in North Berwick and the Bowling Green at Fisherrow, including the introduction of accessible golf at East Links and solar powered payment methods at the Links.
- All 6 gyms have been refreshed with brand new equipment over the last two years, and visitor numbers have seen a subsequent spike at multiple sites.
- A new partnership agreement was signed with Scottish Swimming, for a further 3 years.
- The staff of Dunbar Leisure Pool received a Citizens Team Award at the Dunbar Community Awards ceremony for their contributions to the community, a very proud achievement.

Ongoing Challenges

- Improving and increasing occupancy throughout centres to return to pre-COVID usage levels, now with the cost of living crisis affecting customer's ability to attend paid physical activities.



- Improving the customer experience through critical analysis of service delivery.
- Ensuring a consistent approach to operational delivery including such things as bookings management and Management and Supervisory responsibilities.
- Consideration of the expansion of provision of sports and leisure facilities in East Lothian in partnership with the Council.
- Reducing our carbon footprint in order to meet partner and customer expectations and to save costs, especially in light of growing utility prices.
- Keeping up with the demand for swimming lessons and gymnastics in East Lothian, especially as the population grows within the county and staffing continues to be a challenge.
- Recruitment and selection of operational Leisure Assistant, Café Manager/Assistant and Gymnastics Coaches.
- Recruitment and selection of Athletics and Tennis/Badminton Development Officer.
- Developing recreational programmes for Athletics and Tennis/Badminton.
- The supply of swimming pool treatment chemicals has been problematic over the last 10 months due to a number of global issues. Alternative dosing and therefore alternative chemicals have been installed to allow **enjoy** to maintain pool water treatment.

People

The past 2 years have been extraordinarily difficult in recruiting, retaining, and managing staff. Continued absences due to COVID remain an issue, and **enjoy** is experiencing the same difficulties as other organisations in recruiting staff. A high number of vacancies means our current colleagues are going above and beyond to ensure facilities remain open, and while we are extremely grateful for this we recognise the challenge this brings in retaining and rewarding those staff.

The pay award for 22/23 is in ongoing negotiations with Trade Unions, as the level of increases being seen elsewhere in the public sector are unaffordable and unsustainable for a Charity such as **enjoy**. We continue to work with the Unions and with East Lothian Council to bring this to a satisfactory close for all parties, including our colleagues.

We continue to invest in staff, and in particular training and development for our young workforce through partnership with Direct Partners on apprenticeship programmes in sport and leisure. We have also introduced funded and flexible options for lifeguarding qualifications for colleagues to access this. Training for colleagues continues to be undertaken at all levels, including leadership training for managers across the organisation and the roll out of customer service training beginning soon that will focus on the Visit Scotland service criteria.

Success Stories

- **enjoy** is extremely proud to have retained pre-lockdown services since the pandemic began, especially when compared to other Trusts who have been less fortunate and been forced to reduce services which has impacted on jobs within their organisation.
- Introducing funded National Pool Lifeguard Qualification (NPLQ) places for young people in East Lothian where they may find financing the course challenging.
- Introduction of a performance review system for all colleagues that provides an opportunity for line managers to feedback on performance, identify future development opportunities and support in succession planning.



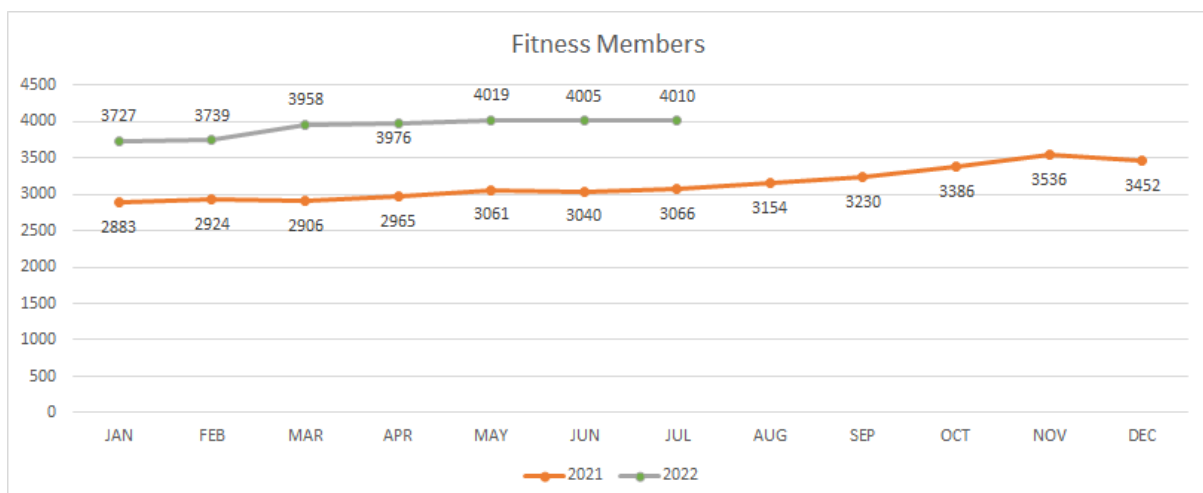
- Capitalising on the Government launched Kickstart scheme and identifying apprentice placements throughout **enjoy** for young people who will benefit from employability skills experience.
- Leadership and customer service training has been an extremely valuable tool for managers, and customer service training will be rolled out to all staff to maintain a competitive edge in an increasingly tough market.
- Introduced a Health & Wellbeing steering group to promote our Employee Assistance Programme.
- Provided a number of work experience placements for young people current in secondary education across East Lothian.

Ongoing Challenges

- Recruitment and retention of staff continues to be the biggest challenge faced by **enjoy**, influenced by suppressed labour markets, demands on rates of pay, lack of qualification courses running through the pandemic and a subsequent lack of available candidates.
- Finalising a pay award for 22/23, and then into 23/24 with an awareness of any impact of pay awards on degrading grade differentials and the subsequent impact this has on recruiting for senior posts.
- Managing staff absences and ensuring that staff are not overworking in order to cover shifts.

Memberships & Customer Return

After the pandemic, **enjoy** was predicting a slow but steady growth in membership number back to the peak of 4,500 and then beyond given the growth in population. However, moving directly from the COVID crisis into the cost of living crisis means that membership at **enjoy's** centres has stagnated somewhat in 2022 with membership levels remaining at circa 4,000 (93% of pre-COVID levels) members for most of the year. While this is a success in its own right, in maintaining a loyal customer base which has not shrunk even during a period of high inflation, the impact of the cost of living crisis on **enjoy's** membership base is one of the biggest challenges we are currently facing. Memberships, marketing and branding will be a major focus for **enjoy** moving forward as we strive to compete in an ever tightening market.





Success Stories

- Compared to other Leisure Trusts in the UK, we retained or recovered a high amount of our membership base post-COVID. We were ahead of the average retention in the midst of the first lockdown, and continue to be grateful for our loyal customer base.
- **enjoy** is uniquely positioned mid-market for the cost of living crisis and we hope that any membership we lose for those who can no longer afford a monthly direct debit can access facilities through the Access to Leisure scheme and that those who are cutting costs will join after leaving more expensive commercial gyms.
- Members, customers and tourists returned in large quantities to Dunbar Leisure Pool during the School Summer Holidays, and tourism at Musselburgh Old Golf Course in Summer 2022 was also very impressive.

Ongoing Challenges

- Ensuring that prices and charges are increased enough to cover inflation and rising wages without aggravating existing customers and still being able to attract new customers.
- Increased competition from private gyms in Edinburgh and East Lothian, especially those with cheaper prices and newer facilities.
- Refreshing branding and improving customer service to grow the customer base, retain existing customers and provide value for money.
- Increasing usage of at home fitness due to changes in customer behaviours through the pandemic and the gradual return to work reducing local usage.

Business Development

Since January 2021, with the appointment of the Head of Business Development, we have been focussing on adding a new dimension to **enjoy** in exploring fresh business and funding opportunities. This has paid dividends in the last 18 months, with funding received for various community benefits such as pool wheelchairs, funded NPLQ places, and aqua-runs for children's pool sessions. Development of the organisation is challenging at a time when vacancies are high and budgets are tight but several exciting projects are underway which have brought new initiatives to the communities of East Lothian.

Success Stories

- A part funded GP exercise referral scheme is currently being trialled in Dunbar whereby patients are referred for a period of free or discounted access to enjoy facilities. A dedicated and fully trained coach will assess and help them on their fitness or recovery journey. This initiative is also providing training opportunities and promotion for enjoy colleagues.
- Working in partnership with Fitness Education Academy, members of **enjoy**leisure have access to Personal Trainers who will use our gyms to work with our customers on a private basis.
- Grant, Trust and Foundation Funding of over £100k was received in 21/22, allowing several purchases of important lifesaving equipment, schemes for training to be set up, and the purchase of equipment for children's coached lessons.
- Government 'Get into Summer' funding allowed **enjoy** to provide free swims for children in East Lothian throughout the summer holidays in summer, October and December 2021, a fantastic initiative to return children to exercise after the pandemic.



- Relationship building with several prominent East Lothian Organisations has been a priority, and with corporate memberships or passes being purchased and funding being provided by several key partners, the success of this initiative cannot be understated.

Ongoing Challenges

- External funding is being understandably concentrated on real need at this time, such as poverty or refugees, which proves difficult for **enjoy** to be granted funding.
- Ongoing issues with staffing and vacancies mean little time is available on the ground to dedicate to new initiatives, however working with colleagues in the Centres on development ideas is a focus for 2023.
- Exploring new ideas such as marketing spaces **enjoy** manages for events is a real opportunity, it will be a challenge to undertake this work with tight budgets both for **enjoy** but also for the potential users of these spaces, however if it proves successful it will add another income stream.

Finance

2021/22 was well above all expectations for **enjoy**, and while we budgeted for a £500k loss in 2022/23, we expect to again outdo this result due to substantial membership growth in January – March 2022, and to particularly strong summer usage. There has been no reduction in the management fee from East Lothian Council in 2022/23, which **enjoy** greatly appreciates as a support in our recovery. **enjoy**'s reserves have risen to circa £1m by September 2022, which puts us much closer to our minimum level.

However, we are now experiencing stagnation of income, with a high turnover in memberships, and rising costs almost across the board. The 22/23 pay award will end up being much higher than budgeted and while we are protected from most of the utility price rises thanks to long term contracts, we are seeing the non-commodity prices rise and have begun planning for the end of our contracts in 2024 and 2026 when we expect our prices to double (at least).

We are taking steps to mitigate financial risks, with planned investments in systems, planning for stock systems, and beginning to invest cash to generate interest while rates are high.

Success Stories

- Thanks to strong cash management prior to the pandemic and a fantastic first half of 2022, **enjoy**'s reserves remain much higher than expected although not yet at our minimum level.
- Improved and sustained partnership with ELC, including regular meetings between **enjoy** and ELC finance staff have kept both parties up to date and abreast of the situation throughout the last couple of years.
- Plans to upgrade our leisure management system (which controls the vast majority of our activities and customer experience) are underway, and we hope to be live with a more efficient and modern offering in early 2023, saving time for colleagues, providing **enjoy** with better data, and most importantly improving the customer journey in order to contribute to membership growth.



Ongoing Challenges

- Price increases continue to be applied to several products including pool chemicals and CO2, paper products, food, and transport costs. We have investigated alternative products where possible and are reviewing procurement of these items.
- Achieving budgeted levels of income and cost savings, in order to reduce deficits and preserve cash reserves.
- Rebuilding reserves to above the minimum target level in order to reinvest in the business.

The Organisation

Following a turnaround strategy review, it was proposed to reduce and restructure the Senior Management Team to form a more effective and diverse team. This restructure was implemented by January 2021 and is paying dividends for the organisation with a consistent approach to Operations being cascaded down throughout the business and a focus on strategic approaches to the development and transformation of services and support systems.

We strongly believe that this restructure has been an exciting opportunity for **enjoy** to progress and nurture the business, especially in a time of recovery. The restructure has resulted in a saving for **enjoy** of £50k per annum before including any income, efficiencies, or opportunities generated by the expertise of the new posts and the cohesion of the leadership team.

In 2022, we have recruited a new Marketing & Communications Manager, a new Macmillan Co-ordinator and restructured posts within the Sports Development team. Enjoy is extremely excited about all of these appointments and the depth of skills and experience that has been brought into the organisation will be vital moving forward in this challenging period.

We have also seen a highly efficient and engaged Board of Directors emerge over the last few years. The enthusiasm and stewardship has been and will continue to be invaluable as we moved through the current crises and on into recovery.

Partnership with ELC has continued to improve with regular, open dialogue being maintained from both partners and a shared commitment to returning the communities of East Lothian to sport and wellbeing. We would like to thank ELC, both Officers and Politicians, for their support through this period, and while recovery will be a long and challenging road, we will continue to work together to ensure that East Lothian can continue to be a leader in offering all residents real opportunities to enjoy and lead active, healthy lifestyles.