



Scrutiny Committee
19 September 2024

Leisure Service Covid-19 Recovery Plan Update – End of Year 3 Position – covering 1st April 2023 – 31st March 2024

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Portfolio: Active & Healthy Lifestyles

Ward(s) Affected: All

Purpose of the Report:

To update members on the performance of year three of the leisure service's Covid-19 recovery plan.

Recommendations:

1. To assess the end of year three performance against the leisure service's Covid-19 recovery plan, the potential risks and to make any observations or recommendations, as appropriate.
2. To continue supporting and monitoring the performance of the Council's Leisure Service.

1. Summary

- 1.1 The Covid-19 pandemic had a significant impact on leisure services nationwide. The South Norfolk Leisure Service had significant periods of closure followed by a reduced service offer and usage when the facilities reopened.
- 1.2 This report provides an update following completion of year three (2023/24) of the leisure services Covid-19 recovery plan. It also sets out current performance trends, future plans and highlights any potential risks.
- 1.3 The 2022/23 end of year financial position for the leisure service was a total bottom line cost to the Council of £1,165,595.
- 1.4 The 2023/24 end of year financial position for the leisure service was a total bottom line cost of £495,083 against a budget of £905,949, a saving of £410,860.

2. Background

- 2.1 The provision of public leisure facilities by a local authority is a discretionary service. However, it very much aligns to the Council's corporate strategic objectives – in particular, 'to empower communities, encourage active and healthy lifestyles and improve mental and physical wellbeing'.
- 2.2 It is widely recognised that investing in and providing public leisure facilities is an investment in poor health prevention. Leisure centres are essential community hubs, significantly contributing to improving the long-term health and wellbeing of residents. As a result of this leisure centres create significant wider social value.
- 2.3 In July 2020 South Norfolk's Cabinet approved the Leisure Service Covid-19 Recovery Plan and agreed to underwrite potential losses of the service up to £2.5m, for the period 2021/22 – 2023/24. Following this, three financial Covid-19 recovery scenarios were developed:
 - Scenario one (worst case) – Would take the service back to pre-Covid-19 budget position (a net cost to the Council of £376k, this was the last pre-covid budget set for financial year 2020/21) and operational cost neutral by end of March 2025
 - Scenario two (stretched target) – Would take the service to operational cost neutrality by April 2024
 - Scenario three – (best case/maximum membership) – Would make the service profitable by April 2024

It should be noted that the scenarios were developed in advance of significant increases in utility costs, the on-set of the cost-of-living crisis and South Norfolk Council becoming a real living wage employer. Most of the staff employed at the leisure centres saw their pay increase from the national living wage to the real living wage with the corresponding increase in staff costs.

2.4 The agreed total subsidy for the three-year recovery period 2021/22-2023/24 for each scenario was;

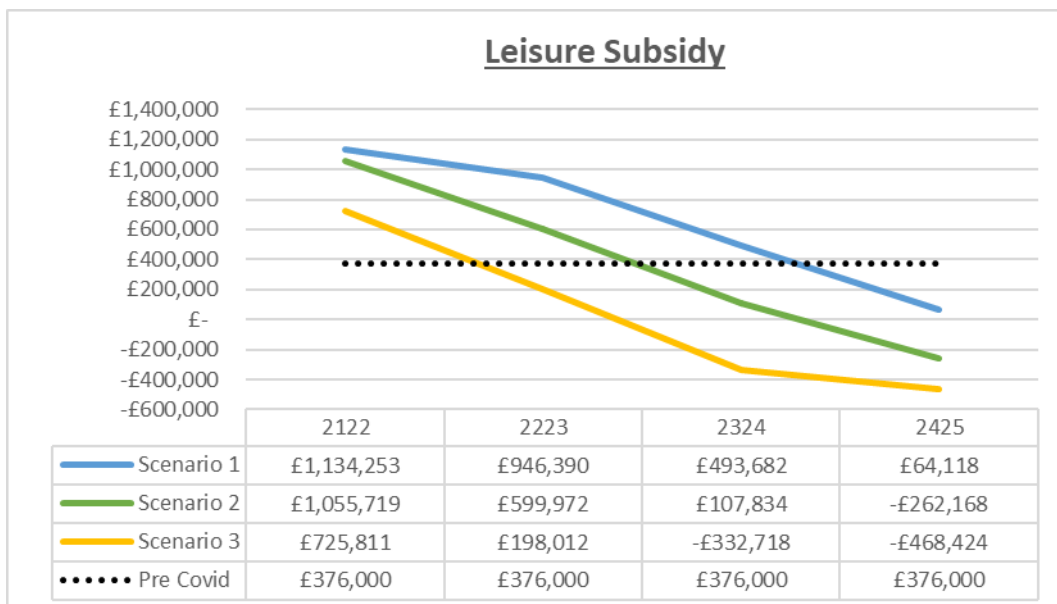
- Scenario one - £2,574,325
- Scenario two - £1,763,525
- Scenario three - £923,832

2.5 Prior to the start of the Covid-19 pandemic the leisure service had set an annual budget for 2020/21 of a net cost of £376,000 (including central leisure management costs and was working towards being operationally cost neutral from April 2021. It should be noted that the last full year of operational costs prior to Covid was 2019/20 when the service had a net cost to the Council of £551,000.

2.6 Total fitness membership in March 2020 (Pre Covid) stood at 4,048 and the total annual footfall across all Centres in 2019/20 was 972,926. These were the highest totals that the centres had ever attained.

2.7 With the onset of Covid-19, the total fitness membership had fallen to 2,211 by April 2021.

3. Current positions/findings



3.1 The actual end of year position for year three of the Leisure Recovery Plan 2023/2024 showed a total net bottom line cost to the Council of £495,083. Compared to the three recovery scenarios, this meant the leisure service:

- Finished £1,401 behind scenario one (worst case)
- Finished £387,249 scenario two
- Finished £827,801 scenario three

3.2 The following table is a breakdown of the financial performance in 2023/24 by centre:

Centre	Income	Expenditure	Net Income (Expenditure)
Fram Earl	£115,957	£112,326	£3,631
Ketts Park	£168,475	£193,203	(£24,728)
Wymondham	£1,759,143	£1,566,785	£192,358
Diss	£513,866	£706,859	(£192,993)
Long Stratton	£778,058	£771,375	£6,683
Leisure Management	£10,406	£479,361	(£468,955)
Leisure Development	£0	£11,076	(£11,076)
Grand Total	£3,345,902	£3,840,985	£495,083

3.3 The table above illustrates that Framingham Earl, Wymondham and Long Stratton surpassed an operational cost neutrality. Ketts Park operated at a deficit as did Diss, however, the latter was affected by the closure for the refurbishment in February 2024.

3.4 It is important to note that the service receives capital investment from the Council for upgrades to equipment and facilities. At present no revenue charge is made for the repayment of the capital.. Operational neutrality refers to direct costs attributed to the provision of the leisure centres and excludes the costs of leisure management.

3.5 Total fitness membership (made up of Direct Debit and Annual members) as at April 2024 stood at 3,908. This is 6.75% lower than the previous period 2022/23 where it stood at 4,191. However, this can be explained by the fact that in January 2024 Diss Leisure Centre was closed for planned refurbishment and PSDS works. A total of 145 members have continued to use the service making the most of the other centres, 231 members froze their membership and 81 left. Had it not been for the closure of Diss it is safe to say that membership numbers would have been in excess of 4,200, which considering there has been an increase in fees and charges at the end of 2022/23 and 2023/24 is an excellent outturn.

3.6 Total Swim School members have also been affected by the Diss closure, currently there are 1,507 members across both sites (Diss 222 and Wymondham 1,285). This is 23.8% lower than at the end of 2022/23. Diss have 216 members currently undertaking their lessons at either Wymondham or Harleston. A total of 147 left the scheme and there are currently 215 that have requested their membership is frozen. Diss swim school membership has been as high as 660 this year.

3.7 Total fitness membership income for 2023/24 was £1,572,816, an increase of £276,423 on 2022/23. This is a 21.32% increase, considering that membership

fees for new members increased by 10% and existing members had their price frozen, this demonstrates significant growth in the business.

- 3.8 The total annual footfall for 2023/24 was 895,838 an increase of almost 8%. Considering Diss closed in January 2024 this is very positive. Still somewhat short of the 972,926 achieved in 2019/20, however post covid a more accurate and robust counting system was installed therefore the data now produced is more reliable.
- 3.9 The current Net Promoter score stands at +37 (against a national average of +22). The NPS is a measure used to gauge customer loyalty, satisfaction and enthusiasm by asking them on a scale of 1-10, how likely are you to recommend South Norfolk Leisure to a colleague or a friend.
- 3.10 The South Norfolk Leisure Centres are estimated to generate an added social value to the wider community of at least £3.3m. Social value displays the value generated through physical activity at the leisure centres in monetary terms, based on research conducted by Sheffield Hallam University.
- 3.11 A complete review of pricing was carried out during the year ready for the start of the new financial year 24/25. It was agreed to hold the price for existing members at £36 (all members that were held at £33 the previous year increased to £36) and the price for new members was increased to £38. Increases were applied to all products of between 6-10% with consideration taken to remain competitive therefore extensive competitor analysis was carried out. Swim school which is another of our main income generators increased from £28 to £30 per month.
- 3.12 The service experienced a significant increase in membership income as a result of fees and charges increases, quality marketing and sales initiatives and improvements to service quality. Long Stratton increased membership income by 33.3%, Framingham Earl by 26.7% and Wymondham by 23.0%. Despite Diss closing mid-February the centre only saw a 5.4% decrease in membership income.
- 3.13 A review of membership products was also undertaken, and it was agreed to break up the Passport to Leisure (Concessionary) scheme into separate, more identifiable and marketable products. A key driver for this was to increase occupancy in the Centres at the 'quieter' times such as the afternoons. As a result, the membership offer now looks like this;
 - Full membership
 - Active Seniors membership (65+)
 - Concessionary membership
 - Junior membership (13-18)
 - Student/Apprenticeship membership (Full time education/Apprentice)

The most notable changes are; active seniors is now time restricted to increase off peak usage and the membership is now available to those living outside of South Norfolk. The Junior membership has been reviewed to add more value into the product, with more activities included, such as EGYM, pay and play football etc

and the price has been reduced to put it in line with the competition. Apprentices have been added to the student membership so we can support more groups on lower incomes.

- 3.14 In March 2023 there was a change in the rules around having to charge VAT on gym memberships, meaning that we no longer need to charge VAT on memberships. Consequently, the service was entitled to a back dated refund of £977,201 of previously paid VAT. At Council in February 2024, it was agreed to set up a £1m reserve upon which the leisure service could draw down funding to reduce the level of central subsidy required. This amount was recommended to be £250,000pa.
- 3.15 In September 2023, Long Stratton had an EGYM facility installed, at a cost of £110k, into a previously underutilised space in the facility. This has been received very well by the customers. The Bananas soft play facility underwent a small refurb to freshen up the facility. Bananas has experienced its best year generating an income of £80,872 (£79,364 operating profit). In addition, the café at Long Stratton also had an excellent outturn generating £139,130 income (£85,477 operating profit).
- 3.16 In March 2024, Wymondham maximised the space of another underutilised space and created a cycling studio. This enabled the number of classes per week to increase and together with a review of the whole class programme created over 400 additional spaces per week before additional classes were added. This venue significantly increased its membership income this year achieving an increase in income from £780,213 to £960,118. Wymondham also had a replacement soft play installed, this has proved popular with young families and supports the café. Swim school at Wymondham generated £417,682 compared to £384,996 the previous year, an increase of 8.5%.
- 3.17 In May 2023 the leisure service launched a new stand-alone website. Surveys of users have provided positive feedback as to the functionality and ease of use. Currently the leisure service is exploring options to replace Ez-runner its database management system. This piece of work will improve the digital journey for customers and provide greater business intelligence to help shape the business moving forward. This work will be delivered in time for 24/25 financial year.
- 3.18 The Leisure Marketing Officer implemented a marketing plan for the leisure service in January 2024. This contains information such as, competitor and market analysis, a SWOT analysis, short term and long-term focus areas and a campaign planner. For the last two years the leisure service has worked with an external agency (TA6) to provide marketing support, the decision has now been taken to manage this internally moving forward.
- 3.19 In Mid Feb 2024 Diss Leisure Centre closed for up to 10 months for an extensive refurb and de-carbonisation works. This adversely affected membership income for that centre, however we offered members 50% discount on their fitness and swim school membership to use our other venues (and Harleston pool for swim lessons). We retained 145 fitness members and 216 swim school members. It was really important for us to be able to enable members to continue with their

fitness and also their swimming lessons. We had lots of members that chose to freeze their membership so when we do re-open, we will be in a relatively strong position.

4. Proposed action for 2024/25

- 4.1 The Council's Delivery Plan 2024-25 sets the target of achieving the pre-Covid net financial operating position of £550K for the whole Leisure Service by April 2025. With the achievement of operational cost neutrality for the operation of the leisure facilities by April 2026.
- 4.2 South Norfolk Leisure Officers will build on the work carried out with TA6 over the two previous years to further strengthen the South Norfolk Leisure brand and enhance the messaging to reach a wider audience and drive traffic to the centres. The dedicated marketing officer has delivered great results in the twelve months he has been with the team. A marketing strategy has been in place for several months and has already delivered great results.
- 4.3 There is still considerable growth to be had in key areas. The removal of the Passport to Leisure Scheme has created more identifiable and marketable products that allow for targeting specific groups. The re-opening of the pool at Diss will require a considerable amount of the marketing resource but we are confident as a service that we can grow the products on offer, despite the lack of a gym.
- 4.4 Work will also continue on exploring opportunities to expand the leisure operation, including the development of a dry-side offer in Diss and improvements to Ketts Park. Full business plans will be developed to ensure that any proposals are both cost effective and will help to reduce the overall operating costs of the leisure service.
- 4.5 Officers will continue working towards achieving the best possible financial position for the leisure service, this will include further reviews of fees and charges, further product reviews and tight budgetary control in terms of controllable spend and staffing.
- 4.6 A project group (Leisure Project Group)) has been established to further develop the business. This group is made up of officers from the leisure team and transformation team. Key projects that are the initial focus include reducing membership attrition, product reviews, sales training for staff, improving the customer journey and the alignment of maintenance contracts to ensure best value. A major project that is also underway is a comprehensive review the database management system that is used by the service. The current system has been in place for over ten years and a project group are currently looking to procure a system that can improve the customer experience and self-service, enable greater insight into our members and non-members, increased functionality with other systems, improved marketing capabilities and many more that will enhance the business.

5. Other options

- 5.1 The Council could choose to remove future financial support, however, this would result in a significantly curtailed leisure services or even result in the closure of some facilities.

6. Issues and risks

- 6.1 The ongoing cost of living crisis and consequent pressure on people's disposable incomes could result in a loss of membership or a slowdown in growth, resulting in increased delivery costs.
- 6.2 Utility costs are a real threat, the service has recently come out of a very favourable fixed electricity and gas tariff. Initiatives are currently being investigated to reduce operating costs.
- 6.3 Competition from other providers remains strong, budget gyms are popular, fortunately these are located closer to the City but do remain a threat for those commuting into Norwich for work.
- 6.4 When Diss re-opens it will do so without a fitness gym. Plans are in place to develop a standalone site; however, this will not be delivered in line with the timetable of the swimming pool re-opening. This will initially have an adverse effect on the fitness membership income.
- 6.5 **Resource Implications** – The Council agreed to underwrite potential losses for the leisure service throughout the period 2021-2024 to the order of £2.5million. This was with the expectation that the service, even in the worst-case scenario would recover to its pre-covid budgeted financial position which for 2020/21 was a net cost to the Council of £376,000. The actual for the final year of the covid recovery plan was a net cost of £495,083.

Of the £2.5million allocated to the covid recovery plan the support for the service actually cost £2,709,824, this was due to a slower rate of recovery in the first two years of the plan and higher than originally modelled salary and utility costs.

2021/2022	£1,049,146
2022/2023	£1,165,595
2023/2024	£495,083

Total Subsidy £2,709,824

- 6.6 **Legal Implications** – The provision of leisure is a discretionary function.
- 6.7 **Equality Implications** – South Norfolk Leisure Centres continue to enable residents to lead healthy and active lifestyles and provide opportunities for equality, diversity and community cohesion.

- 6.8 **Environmental Impact** – The Public Sector Decarbonisation Scheme (PSDS) at Diss has now been completed. The centres at Long Stratton and Wymondham are currently exploring opportunities to install solar energy or other improvements to further reduce the amount of carbon produced by the service.
- 6.9 **Crime and Disorder** – The provision of leisure is recognised as a positive activity that can lead to a reduction in anti-social behaviour.
- 6.10 **Risks** – None further to the ones previously stated.

7. Conclusion

- 7.1 The 2023/24 financial year was a real breakthrough year for the service. The operating cost was reduced by 57.5% from the previous year.
- 7.2 Despite the cost-of-living crisis income from memberships increased considerably and would have been considerably higher if it weren't for the refurb programme at Diss Pool.
- 7.3 There are so many positives that will impact on the business in 2024/25, these include;
- Maximising the benefit of having an in-house marketing team, results have been excellent this year and now the strategy has been embedded this will continue.
 - The refurb at Diss will make the swimming experience a much more positive one.
 - The upgrade on fitness equipment at Long Stratton will enhance the fitness offer at that centre.
 - The Leisure Project Group will deliver initiatives that will improve the services we offer, generate savings, and drive the income up.
 - The repayment from the VAT previously paid on memberships will be used to support the operational side of the business to the tune of up to £250,000pa. This will help offset utility costs which are expected to be significantly higher.
- 7.4 The Covid Recovery Plan 21/22 to 23/24 is now at an end. The service is now in a stronger position financially than it was pre-covid. The priorities for the leisure service moving forward have been set out the Leisure Strategic Delivery Plan; the main emphasis will be on achieving overall operational cost neutrality by March 2025 by taking the membership numbers beyond 4,500, getting the swim school programme back to 2,400 members (currently affected by Diss closure), continuing to grow, develop and diversify the offer through working with the Leisure Project Group and to continue to develop the team to continue delivering excellent results.

8. Recommendations

1. To assess the end of year three performance against the leisure service's Covid-19 recovery plan, the potential risks and to make any observations or recommendations, as appropriate.
2. To continue supporting and monitoring the performance of the Council's Leisure Service.

Background papers

None