

**Report of Head of Sport and Active Lifestyles**

**Report to Chief Officer, Culture and Sport**

**Date: 10<sup>th</sup> February 2017**

**Subject: Leisure Centre Charging Review**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The current pricing arrangements within the service are currently very complex with a large list of prices for all activities on offer at the leisure centres. This makes it difficult for both customer and staff to easily understand charging arrangements and offers that might relate to their activity.
2. The health and fitness marketplace health has grown extensively over the last 2 years with 12 budget gym in the Leeds area offering lower priced gym membership.
3. Currently we offer a good range of products and service, but it is felt that the health and fitness membership price point is relatively high when compared with other local authority providers and failure to engage and position ourselves in the market place will have a significantly adverse impact on income and therefore budgets.
4. Furthermore, casual Pay and Play prices have been held for the last 4 years (largely due to the impacts of austerity) which has impacted on the service increasing income levels year on year. It has meant to increase income the service has relied upon increasing usage at the leisure centres, which in aging facilities is hard to maintain.
5. The City Council's Leisure Centre role is also to provide access to facilities to those that can't access facilities elsewhere and therefore pricing for the vulnerable groups in Leeds has to reflect this.

6. Moving forward it is proposed that the entire pricing structure be reviewed in detail during 2017, including the future of Leeds card, however, there are a number of immediate priorities that need to be addressed early in 2017 and that fundamentally underpin the Sport service's budget plans for 2017/18 and which are based on growing income by £375k. These changes will complement the recently approved proposals set out in the Vision for Leisure centres and support delivery of the services future budget plans.

### **Recommendations**

7. The Chief Officer, Culture and Sport is recommended:
  - 7.1. To approve health and fitness memberships as set out in section 3.7 – 3.12 and note that a further review will need to be taken the following year.
  - 7.2. To approve the implementation date of the new membership prices for March 2017.
  - 7.3. To implement average price increases (rounded up) in line with inflation on the majority of price points, but to seek to maximise revenue on key income lines where possible above inflation. To be implemented March 2017
  - 7.4. To approve no increases to the Leeds Card Extra rates to protect the most vulnerable
  - 7.5. To note a further review of Leeds Card will be taken in early 2017.

## **1 Purpose of this report**

- 1.1 This report seeks approval for changes to existing prices for pay and play and health and fitness memberships within the city's leisure centres. It also sets out the need for a wider review of pricing relating to the existing Leeds card and this review will be undertaken during 2017.

## **2 Background information**

- 2.1 The generation of fee paying income from customers forms a vital part of the Sport and Active Lifestyles budget. The service raises external income of c£12m per annum which, coupled with substantial efficiency measures, has reduced its Council subsidy over the last 8 years by 45% (in addition to meeting expenditure pressures, most notably energy). The main components of the remaining £5.7m subsidy are £3.9m for PFI payments and NNDR.
- 2.2 The leisure market is substantial, and increasing revenue now offers the service much more significant contribution to sustainability than further costs reduction - although the latter does remain an ongoing focus.
- 2.3 Within this context and the recently approved Vision for Leisure and wellbeing centres (Executive Board 14th December 2016) work has been undertaken to review existing pricing structures with the following aims ( primarily to support delivery of efficiencies as part of the Councils wider budget strategy):
- To grow income
  - To grow participation
  - To protect the most vulnerable
  - To achieve efficiencies through growth rather than cuts
  - To streamline pricing structures

## **3 Main issues**

- 3.1 The current pricing arrangements within the service are complex typically involve one or a combination of :
- Pay and Play casual activities
  - Memberships
  - Direct debits
  - Targeted discounts for those in need (Including Leeds card Extra and Leeds Lets Get Active)
  - Block booking hires
  - Standard and Leeds card rates (the latter typically being a small percentage less than standard price)
- 3.2 The combination of all the above results in a complex and lengthy list of prices given the huge range of activities on offer, often making it difficult for both customer and staff to easily understand charging arrangements and offers that might relate to their activity.

- 3.3 Moving forward it is proposed that the entire pricing structure be reviewed in detail during 2017, including the future of LeedsCard, however, there are a number of immediate priorities that need to be addressed early in 2017 and that fundamentally underpin the Sport service's budget plans over the next 3 years, for 2017/18 alone Net income needs to grow by at least £375k.

### Health and Fitness Membership

- 3.4 The growth of the budget gyms has opened up a new price point across Leeds which is making access to gym facilities at an affordable price (See Appendix 1: Exercise for Less £14.99, Pure Gym £18.99 a month). They have helped to open up the market to new audiences and their membership growth has been unprecedented with 12 budget gyms now in operation. Currently we offer a good product and service, but it is felt that the health and fitness price point is relatively high when compared with other local authority providers. Current price points (Top package £39.60) are seen as very expensive and don't offer good value for money.
- 3.5 The service has to position our offering by using our unique selling points. These being that we have a network of leisure centres across the city that offer a wide range of staff supported activities for everyone. Activities such as children swimming lessons, junior gym, fitness classes, tennis, and Active for Life sessions. We are in a position to be able to focus on the family market and those most in need. Pay and Play and Memberships are both important to have available to ensure we capture this market that the commercial sector don't provide for. However, ultimately they have to be priced correctly to ensure we maximise the growth potential within the City and ensure we can grow income to avoid having to reduce services to meet budget pressures.
- 3.6 In practice therefore the following issues have been explored:
- Can more income be generated by making our existing Bodyline card more attractive to customers?
  - Can additional income be generated from casual pay and play activity? ( Prices here have been held static for 4 years, largely down to market forces)
  - What measures can be retained to protect the most vulnerable groups?

### **Bodyline Card**

- 3.7 We operate in a unique place in the market place. Our leisure centre offer is much broader and less commercially bias than that of the purely commercial sector. Our operating rationale is not one of purely profit through a narrow customer offer, but rather one of cost efficiency in delivering wider social outcomes. Our Bodyline offer sits within a much broader social offer, but non the less needs to be sufficiently attractive to generate sufficient usage and therefore income in order to cross subsidise other areas of our service offer that are less high income yielding. Our current offer has developed over a number of years and has not been subject to a

wider review. We offer a good product with good facilities in a supportive environment and the pricing proposals below reflect this (Table 1) but the existing structure needs simplifying and the price point adjusting to reflect the offer of budget gyms in particular and thereby secure income moving forward.

3.8 The service needs to move from the existing membership pricing structure to stop confusion and make the memberships easier to market and ultimately sell to customers. We are not currently offering the best value for money compared to other options in the marketplace. The membership pricing on Table 1 below illustrates the proposed new pricing structure. In essence the new proposals work on the principles that the customer can choose what type of membership they would like, by using a base package of a gym, swim or fitness membership and then adding on other bolt-on activities as they required them. In essence the new proposals:

- Reduce existing prices
- Provide more flexibility on price packages
- Customers can choose exactly what they want.
- Simplify the number of packages
- Allow potential further decreases in the future, subject to evaluation.

Table 1 (Membership Packages and Price Proposals)

<b>Membership Package</b>	<b>New Contract Price</b>	<b>Current Contract Price</b>	<b>New Non Contract Price</b>	<b>Current Non Contract Price</b>	<b>New Annual Price</b>	<b>Current Annual Price</b>
<b>Fitness Only</b>	£24.95		£28.95		£249.50	
<b>Gym Only</b>	£24.95		£28.95		£249.50	
<b>Swim Only</b>	£24.95		£28.95		£249.50	
<b>Fitness and Swim</b>	£28.95	£33.40	£32.95	£35.90	£289.50	£299.99
<b>Gym and Swim</b>	£28.95	£33.40	£32.95	£35.90	£289.50	£299.99
<b>Fitness and Gym</b>	£28.95	£33.40	£32.95	£35.90	£289.50	£299.99
<b>Fitness, Gym, Swim and squash</b>	£31.95	£36.90	£35.95	£39.90	£319.50	£369
<b>Tennis Bolt on with any packages</b>	£10		£14		£100	
<b>Junior (Gym, Swim Squash and Fitness)</b>			£15.95	£15.40	£159.50	£154.00

<b>Off Peak (Gym, Swim, Squash and Fitness)</b>	£24.95	£23.70	£28.95	£25.90	£249.95	£237.00
<b>Student (Gym, Swim, Squash and Fitness)</b>			£20	£20	£180	£180

- 3.9 Based on the modelling of risk against various price points the prices outlined in table 1 are considered to be acceptable. Following these principles the total risk (worst case scenario) of dropping these prices is £10,274 a month. The service will sensitively implement the new charges in order to maximise revenue, primarily focussing these prices on new sign ups. Plans will be put in place for existing users already signed up in order to mitigate any potential reaction. However if we didn't change the prices over the coming years this might result in even bigger income losses.
- 3.10 If taking the full risk is £10,274 this would equate the need to sell 390 extra memberships based on the new yield price of £26.38 which is only a 2% jump in memberships. This risk wouldn't be a big risk all in one month but gradual and as we sell more this risk would natural reduce over time.
- 3.11 The aim from the service with the new prices is to increase from our current baseline membership of just short of 18k members to 21,000 members by the end of 2017. This would be an increase of 3000 members which at average yield of £26.38 this would equate to £79,140 a month extra by the end of the year. (However this depends on the date the new prices are introduced).
- 3.12 The intention would be to seek to further reduce the bodyline price, subject to evaluation of the impact of the 2017/18 reduction.

### **Casual Pay and Play Prices**

- 3.13 To coincide with the reduction in prices for health and fitness memberships it is proposed that casual pay and play prices increase. There hasn't been any casual pay as you play price increases for the last 4 years due to austerity and low inflation rates. However this has restricted the service from a natural annual increase in income by inflating the charges for the services. This has meant to meet annual increased income targets the service has relied upon increasing usage at the leisure centres, which in aging facilities within the service this isn't a sustainable position moving forward.
- 3.14 The proposals would be to increase the high volume activities such as casual swimming, casual gym, casual fitness classes, swimming lessons and school charges. These would all increase on average by 7%, but only across the standard

and Leeds Card rates. The Leeds Card Extra prices will remain the same as the current prices i.e. no increase. The standard card prices will increase slightly less than the Leeds Card rate to reduce the percentage differential between them. The majority of price points will be increased in line with CPI inflation rounded up.

- 3.15 This will ensure that we are able to review the Leeds Card in the future to ensure it is fit for purpose which is to record people's details on our management software system so that we know more about the people using our services, where they live, type of people, frequency,
- 3.16 If implemented these could as long as usage remains unchanged give the service a net income movement of **£100k** along with smaller increases across other areas (although a 10% increase in membership fees for the swim and diving training squads).

### **Pricing Review 2018**

- 3.17 There will also be the approach to standardise prices to reduce the number of prices to help make it easier for customers to understand what price they will pay and what price staff should charge. This will be done over the next two year as currently the differences between some prices to allow this to happen are too great to be done in just one increase. These will be migrated to the normal Leeds Card or Leeds Card Extra rates over the next two years to simplify our prices.
- 3.18 The same approach will be taken for the off peak prices to gradual phase these out and not have peak and off peak rates. Instead the service will give managers of the leisure centres more autonomy to manage their facilities and ensure space is maximised during quieter periods. For example they might introduce a 2-4-1 offer on badminton over the next weekend as they know they haven't got many bookings in for next week. A promotional toolkit has been implemented for leisure centre managers to ensure they are implemented appropriately.

### **Vulnerable Groups**

- 3.19 Although there will be price increases across most activities it is proposed that we do not increase the Leeds Card Extra rates to ensure we are protecting the most vulnerable groups. However concessionary group discounts do need to be reviewed further with the Leeds Card review further in the New Year. This will need to be done in consultation with or service areas that utilising the Leeds Card. Current concessions include children, people over the age of 60 on benefits, disability related, low incomes, those seeking work, carers, and those unable to work.
- 3.20 We will continue with the new Leeds Lets Get Active scheme offering discounted membership of £10 a month or £2 a session for these sessions, to further encourage the vulnerable inactive groups to participate in activities at the leisure centres.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 Consultation has taken place with a variety of colleagues in the Sport and Active Lifestyles service. This included staff as well as senior officers. Finance team and CDD representatives. . Portfolio Holder for Sport, Cllr J. Lewis has been consulted with on 24<sup>th</sup> January 2017.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 Price increase may affect certain individuals using the service currently, however ultimately the vulnerable groups pricing remains the same to ensure those that can't afford higher prices remains unaffected. There will be at the least 4 weeks' notice to customers about the pay and play price changes to ensure people are aware of the changes.

### **4.3 Council Policies and City Priorities**

4.3.1 This contract affects the following policies:

- Best council plan
- Vision for Leeds
- City Priority Plan

### **4.4 Resources and Value for Money**

4.4.1 This report requests that we implement the new charges towards meeting the service budget target saving of increasing income by £375k.

### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 This it is a Significant Operational Decision and not subject to call in.

### **4.6 Risk Management**

4.6.1 The key element to managing the risk around the price changes to the health and fitness membership packages is to implement them as a promotion at first before reviewing to access whether they should be implemented as standard prices.

4.6.2 Based on the modelling we have done, if we were to implement the new membership prices a worst case scenario would be a backwards movement of £10k but if implemented correctly it could generate an extra £79k if additional membership sales materialise.

## **5 Conclusions**

5.1 The conclusion of this report is to recommend the approval to implement membership and pay and play price changes at the City Council's Leisure Centres in order to increase service income position and meeting increased budget pressures in 2017/18.



## **6 Recommendations**

6.1 The Chief Officer, Culture and Sport is recommended:

6.1.1 To approve health and fitness memberships as set out in section 3.7 – 3.12 and note that a further review will need to be taken the following year.

6.1.2 To approve the implementation date of the new membership prices for March 2017.

6.1.3 To implement average price increases in line with inflation on the majority of price points, but to seek to maximise revenue on key income lines where possible above inflation. To be implemented March 2017

6.1.4 To approve no increases to the Leeds Card Extra rates to protect the most vulnerable

6.1.5 To note a further review of Leeds Card will be taken in early 2017.

## **7 Background documents**

7.1 There are no background documents

## Appendix 1 Core Prices

### Leisure Centre Charges:

Peak - After 4.00pm Mon to Fri; Off-peak all other times

New Standard Prices		New Leeds card rate & Leeds card 60		New Leeds card Extra, Leeds card 60 extra		Current Standard Prices		Current Leeds card rate & Leeds card 60		Current Leeds card Extra, Leeds card 60 extra Breeze where junior	
Peak	Off Peak	Peak	Off Peak	Peak	Off Peak	Peak	Off Peak	Peak	Off Peak	Peak	Off Peak

Key Benchmark Prices	% increases												
Adult Casual Swim	8.70%	£5.00		£4.20		£2.10	£1.60	£4.60	£4.60	£4.20		£2.10	£1.60
Junior Swim Lessons	5.08%	£6.20		£5.70		£4.10		£5.90		£5.40		£4.10	
Junior swim	4.00%	£2.60				£2.00	£2.00	£2.50	£2.50			£1.80	£1.80
Over 60s Swim	6.25%			£3.40	£2.40					£3.20	£2.10		
Gym Session Adult	9.38%	£7.00		£5.20		£4.70	£3.00	£6.40	£5.80	£5.20	£4.70	£4.70	£3.00
Gym Session Junior	0.00%	£3.30				£3.10	£2.30	£3.30	£2.60			£3.10	£2.30
Fitness Class Adult	9.6%	£5.70		£5.20		£3.10	£2.30	£5.20	£4.70	£4.70	£4.20	£3.10	£2.30
Fitness Class Over 60's	7.7%				£2.80						£2.60		
Badminton Adult	0.81%	£12.50	£7.50	£11.80	£6.50	£10.30	£4.10	£12.40	£7.10	£11.70	£6.30	£10.30	£4.10
Badminton Junior	1.45%	£7.00	£5.40			£5.20	£2.90	£6.90	£5.10			£5.20	£2.90
Badminton over 60's	3.51%			£11.80	£5.70					£11.40	£5.40		
School Swimming hire	5.01%	£80.75						£76.90					
<b>Average</b>	<b>5.58%</b>												