

## Leisure Centre Fees and Charges Review

Date: 07/09/2022

Report of: Head of Service, Active Leeds

Report to: Chief Officer, Operations & Active Leeds

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

There is an immediate priority within the Council to achieve savings due to the increase in cost in running services. These additional costs are substantial for Active Leeds at nearly £1m with the pay offer (estimated over £700k) and rises in energy costs (estimated over £200k) that need to be addressed in 2022/23 that fundamentally underpin the Active Leeds Service's budget for the current year and 2023/24 which are based on growing income to offset the additional costs.

Therefore, a review of the fees and charges for the Leisure Centres has been undertaken to contribute towards mitigating some of the additional financial pressures. This therefore means that prices at the leisure centres are proposed to increase to raise additional revenue in the current year and next financial year. These charges currently generate in the region of £14m a year and the additional chargers could generate an additional £770k per year.

The City Council's central Leisure Centre role is also to provide access to facilities to those that can't afford to access elsewhere and therefore pricing for the vulnerable groups in Leeds has to reflect this. The principle of supporting vulnerable or priority groups through pricing will remain a key element of the pricing policy with smaller increases across the Leeds Card Extra prices which offer more than a 40% discount on our standard pricing.

Over the last three years prices have remained static other than some prices increase off the back of service developments such as swimming lessons moving to 50 weeks, or new products and services being introduced such as online fitness classes. This was largely due to the impact of Covid and the need to encourage people back into the service. However, with the expanding costs of running the service there are very few alternatives to meet the budget challenges the service now faces with rising costs.

### Recommendations

That the Chief Officer, Operations and Active Leeds approves:

- a) the price increases as set out in the report and for these price increases to take effect from 1<sup>st</sup> November 2022.

## What is this report about?

- 1 The generation of fee-paying income from customers forms a vital part of the Active Leeds budget. The Service consists of 17 facilities across the city which has over recent years regularly exceeded 3.6 million visits per annum to its leisure centre portfolio and has an annual activity income target more than £14 million per annum.
- 2 Due to substantial increases to Active Leeds expenditure budget in the region of £1m in year, with the additional pay offer (estimated over £700k) and rises in energy costs (estimated over £200k) means the Service needs to increase income to offset the additional costs. Increasing revenue from price increases also enhances the future sustainability of the Service. Whilst the Service will also consider how to reduce its cost base, including better energy management at sites, the increase in fees and resultant income will help in ensuring the Services' facilities can remain open during a period of intense financial pressure.
- 3 The current pricing arrangements within the Service are complex and typically involve one or a combination of:
  - Pay and Play casual activities
  - Health and Fitness Memberships through annual payments and monthly direct debits
  - Course membership (swimming lessons, tennis, gymnastics etc) through monthly direct debits
  - Targeted discounts for those in need (Including Active Leeds Card Extra averaging 40%)
  - Standard and Active Leeds Card rates (the latter typically being a small percentage less than standard price)
  - Block booking hires
- 4 Health and Membership income forms a significant percentage of the Service's overall total income at 46% (£6.5m) which over the years has significantly grown since the last review of membership pricing in 2018 which significantly reduced the price of a membership to make it more affordable and competitive which led to increased sales, lower attrition rates and more than £1m extra income. However, the prices for membership have remained unchanged since this time.
- 5 The Service's core role is not commercial, but the Service must be business like in delivering its wider outcomes. The Service has 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 can 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 which the commercial sector generally doesn't provide for. However, ultimately, they must be priced correctly to ensure we maximise the growth potential within the City and ensure we can grow income to avoid having to reduce more targeted services to meet budget pressures.
- 6 In practice therefore the following issues have been explored:
  - Can additional income be generated from casual pay and play activity?
  - Can additional income be generated from block bookers?
  - Can additional income be generated from increase health and fitness memberships?
  - Can additional income be generated from course?

- What measures can be retained to protect the most vulnerable groups but review the Active Leeds Card further?

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

These relate to prices where customers can turn up and pay on the door. No memberships are required. It is proposed to increase the high-volume activities such as casual swimming, casual gym, casual fitness classes on average by 7%. Additionally, it is proposed to increase the Leeds Card rates on average by 5%. This will help to protect the advantage of taking out a Leeds Card to reduce the cost of activities. This will also help with data collection as people paying the standard prices don't have to give us their details and hence data on people using the services are not as effective as they could be. This will also help with communication to customers, collecting feedback and helping to analyse programme and activities to improve the service in the future. Please see appendix 1 for some casual pay and play core prices with the proposed increases.

## **8 Block Bookers and Casual bookers**

Block bookers are groups of people that hire rooms/courts/other facilities and services on a regular basis for at least 10 continuous weeks in a row. Casual bookers are groups of people hiring facilities on an irregular basis or one off. The proposal is to increase these bookings again by an average of 5% as we recognise that especially clubs, have found it hard to get numbers back to pre-covid levels. However, for groups such as schools for our school swimming their prices will increase by 10% as this requires our staffing to undertake this activity whereas clubs etc just require the space to run their activities. This just covers the extra staffing cost due to the anticipated increase in pay, but doesn't cover the extra costs associated with energy usage and pool chemical increases. Additionally, it is proposed to set a number of higher price increases to John Charles Leisure Centre activities in order to bring in line with other providers particularly in relation to events where a benchmarking exercise has concluded the Service's prices were lower than competitors.

## **9 Health and Fitness Membership**

Due to the competitive environment of the health and fitness market place the Service has always sought to protect the general membership price since the price reductions in 2018. However, as mentioned earlier health and fitness income equates to over 46% of total income and if we are to bridge the gap of rising costs then increases to membership base is required. The proposal is to increase each membership by £1 a month across all memberships from junior to concessionary, corporate and adult memberships. The exception is a proposal to a change in the student membership rate where the proposal is to increase the junior membership for 16-17 years to the student membership rate. Currently under 18's receives the junior rate, however junior access is restricted to certain times and requires additional support to access the gym. From the age of 16 they can access the gym as all the other memberships and therefore it is proposed to increase this price from the junior price £15.95 (will be £16.95 with the price increase) to £20 a month price which is the same rate as the student membership.

## 10 Sport Course Programmes

The proposal for our swimming lesson pricing is to increase this by £1 a month across all junior and adult swimming lesson prices. The demand for swimming lessons is outstripping the supply, however as we increased the scheme to 50 weeks earlier in the year this increased the effective price due to the application of additional weeks of delivery and therefore no larger increase is considered appropriate.

Tennis courses and aquatic training schemes will all increase by 5% as these were some prices that had previously been increased along with swimming lessons last year.

First aid and lifesaving courses will on average increase by 8% as again a benchmarking exercise has been undertaken on pricing levels.

## 11 Active Leeds Card

Due to the VAT implications of including 3<sup>rd</sup> party (i.e. external to LCC) promoters the Service is proposing to remove this aspect from the Active Leeds Card, this would make the purchase of an Active Leeds Card to be non-vatable and would benefit from a reduced price to the consumer (prior to any fee increase), it is believed that the price can be increased from the current price of £12.50 (including VAT) per annum to a revised price of £15 (excluding VAT which will not be applicable). The current price has not been increased for 5 years and therefore a fee increase is overdue.

As 3<sup>rd</sup> party discounts will no longer be provided the Service will need to provide greater benefits to justify the increase in price, and this will include:

- Discounted courses
- Discounted racquet sports at weekends
- Other targeted discounts
- Discounted children's parties
- Inclusion of the running track at JCCS
- Extended booking privileges
- Special offers i.e. attraction weekends, discounted entry to events
- Service information i.e. first to hear about new classes, new products etc
- Retain discounts across the council own facilities which are non-vatable

## 12 Vulnerable Groups

Although there will be price increases across most activities the increases to the Active Leeds Card Extra rates will be minimal in keeping with the principle of protecting the most vulnerable groups, including those in poverty/low income. Current concessions groups include: children, people over the age of 65 on benefits, disability related, low incomes, those seeking work, carers, and those unable to work etc.

Active Leeds Card Extra Card at £3 per annum has also been in place for 5 years and it is proposed to increase this to £5 per annum.

We will continue with the new targeted membership trial that is currently taking place at Armley Leisure Centre. The scheme offering discounted membership for £5 a month to further encourage the vulnerable inactive groups to participate in activities at the leisure centres.

However, there will be a further review of this to ensure this complements our health programmes and is fit for purpose in reaching the groups who aren't currently accessing the services due to affordability.

### What impact will this proposal have?

- 13 The proposal is trying to mitigate against the rising cost for the Service especially in terms of the workforce and energy with increasing income from price increases in the region of £770,000 in a full year. This growth on income will help to ensure the Service is meeting the extra costs to avoid looking at other cost cutting exercises such as site closures and stopping services. However, this is only part of the mitigation plan and the Service will continue to work to grow participation at the leisure centres and to identify operational savings especially by better energy management of our facilities.
- 14 At the heart of the proposal is to ensure the impact on vulnerable people is limited, however the nature of the position means it is unavoidable not to increase charges across all areas to obtain the additional income required.

### How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 15 It is well documented that physical activity is essential to good health and wellbeing of individuals. The Service will continue to work with priority communities to access the facilities but also other programmes and schemes the Service has available to ensure the City's health and wellbeing especially for priority groups continues to improve.
- 16 Energy management is part of the plan to reduce expenditure at the leisure centres and therefore lowering the need for more substantial future price increases.

### What consultation and engagement has taken place?

Wards affected: All

Have ward members been consulted?

Yes

No

- 17 The portfolio holder for Public Health & Active Lifestyles has been consulted on the proposals.
- 18 Finance colleagues have contributed to the proposals along with other senior managers across the Active Leeds Service.
- 19 Whilst the report does not have any direct implications in relation to staffing matters the report has been shared with recognised Trades Unions.

### What are the resource implications?

- 20 The total revenue implications of the price increases is predicted to generate an extra £770,000 in a full financial year with an in-year potential of increase of just over £290,000.

### What are the key risks and how are they being managed?

- 21 The key risk of the price increases at the time of a cost-of-living crisis is that people choose not to keep going to activities at the leisure and wellbeing centres or they go less often which will impact not only income potential but also activity levels and therefore health can be impacted.

- 22 It could also exclude certain priority groups the Service is trying to encourage to use the facilities and get active, however the pricing strategy is trying to minimise the impact on this group this group as much as possible.
- 23 The Service has plans to ensure the marketing messages around the price increase showcases the value still attached to the Service with the Service's unique selling points to ensure we continue to grow participation levels at the leisure and wellbeing centres.

### **What are the legal implications?**

- 24 There is a legal obligation to notify customers with direct debits of any changes to their payments with at least 10 days' notice, but as we are increasing these, we aim to give at least 2 weeks notice.
- 25 The report is subject to call-in.

### **Options, timescales and measuring success**

#### **What other options were considered?**

- 26 Other options are to look at reducing the expenditure of the Service's which can only be materialised by stopping services or site closures which would have a significant impact on activity levels and health outcomes.

#### **How will success be measured?**

- 27 Income levels are monitored daily along with other things such as cancellations of memberships. Each month finance officers and colleagues in Active Leeds review the budgets looking at both expenditure and income and will monitor the impact of the price increases.

#### **What is the timetable and who will be responsible for implementation?**

- 28 The Implementation will be to have the charges in place for the 1<sup>st</sup> November and the Head of Active Leeds is responsible for implementation.

### **Appendices**

- 29 Appendix 1 – Core Prices  
30 Appendix 2 - Equality Assessment

### **Background papers**

- 31 None.