

TONBRIDGE & MALLING BOROUGH COUNCIL

LEISURE and ARTS ADVISORY BOARD

14 January 2008

Report of the Chief Leisure Officer and the Director of Finance

Part 1- Public

Matters for Recommendation to Cabinet - Key Decision

1 LEISURE SERVICES BUSINESS UNIT (LSBU) – REVIEW OF CHARGES

Summary

This report outlines the charging proposals in respect of Larkfield Leisure Centre (LLC), Angel Centre (AC), Tonbridge Swimming Pool (TSP), Tonbridge Farm All Weather Area (TFAWA) and Tonbridge Racecourse Sportsground Games Hut (TSGH). The Board's attention is drawn to the need for the charging proposals to be considered alongside the LSBU draft revenue estimates recently reported to the Finance & Property Advisory Board (F&PAB) on 2 January 2008.

1.1 Introduction

1.1.1 In preparing the charging proposals consideration has been given to the policy objectives stated in the Borough Leisure Strategy; market position; trading patterns at each facility; the Best Value Review (BVR) and LSBU Business Plan; and user feedback. Charges at competing public and private sector facilities have also been taken into account. The Board is also reminded of the Leisure Pass Scheme, which enables financially disadvantaged residents to participate in leisure activities at reduced rates. In addition the core charges include concessionary rates for young people (key corporate priority), people with disabilities and senior citizens.

1.1.2 All the proposed charges are shown in detail at **[Annexes 1 – 3]** with the exception of bar and catering charges. The contract documentation related to sub-contracted catering services permits that an annual review of prices will be considered in liaison with the Leisure Contracts Manager and will not exceed the average scale of charges increase applied by the LSBU at each facility. It is proposed that the bar and catering charges continue to be reviewed in this way.

1.2 Budget Strategy

1.2.1 The proposed charges for 2008/09 have also taken into account this year's budgetary guidance issued to Officers for the 2008/09 budget cycle and reported to the F&PAB on 3 October 2007 which reiterated the objective to maximise

income, subject to market conditions, opportunities and comparable charges elsewhere.

- 1.2.2 In bringing forward the charging proposals for 2008/09, the Board is reminded that the LSBU's review of charges is aligned with the revenue estimates process. However, as was reported last year, the LSBU revenue estimates report is no longer submitted concurrently to this Board as it is now considered appropriate to consider the LSBU revenue estimates report within the Council's revenue estimates process. Therefore, the LSBU revenue estimates have been submitted to the recent meeting of F&PAB on 2 January 2008. Both reports, however, remain inextricably linked – the scale of charges impacts directly upon the level of income and, therefore, the overall revenue estimates. The Board will, therefore, need to acknowledge the impact of any recommendations to amend the charges as set out in **[Annexes 1- 3]** upon the overall revenue estimate for the LSBU.
- 1.2.3 The LSBU is anticipating a small surplus at the current year end. This compares to a small deficit forecast in the original estimate. Ongoing market and trading pressures have demanded a continued focus on savings measures, and these are reflected in the 2008/09 revenue estimate report to F&PAB referred to in the previous paragraph.
- 1.2.4 Despite this, there are a number of areas within the LSBU budgets for 2008/09 which include substantial increases in expenditure:
- staff pay award and increase in National Minimum Wage for casual and coaching staff - £78,300
 - net increase in superannuation costs - £47,000 (the total increase in expenditure for the LSBU in this area has been mitigated by the Council at a decreasing level over a three year period. This allowance is now reduced to zero and the triennial revaluation of the LGPS has increased costs even further)
 - allowance for incremental advances - £26,650
- 1.2.5 In overall terms additional expenditure in 2008/09 represents an increase of 5.7% taking into account the above and other areas, such as central support, maintenance contracts, general purchasing costs and licensing.
- 1.2.6 If the policy objective to 'break even' is to be achieved the LSBU also has to consider maximising opportunities to match increased costs with increased income. The charging proposals for 2008/09 are generally just below inflation, averaging 3.5% across the entire LSBU, and have been considered carefully within the current market context. The overall increase in charges has benefited from holding the charges for Leisure Pass users and this links with the Council's priority of encouraging 'healthy living' and providing access for all.

- 1.2.7 In the three years prior to 2006/07 the LSBU scale of charges increased significantly. This was acknowledged in the Best Value Review (BVR) Final Report, which noted that ‘...*there remains little doubt* (in comparison to competitors) *that charges are high.*’ However, the BVR report suggested that the level of charges should be considered alongside the level of service delivery achieved; and the approach to date has been justified by the achievement of consistently high scoring satisfaction indices through external validation mechanisms, such as Quest and mystery shopper reports. The BVR report also noted that, ‘*Much of this success is due to ongoing investment in facilities, training and building maintenance.*’
- 1.2.8 During these years the Leisure Contracts Manager considered the higher price increases to be sustainable, but did recommend over the past two years that ongoing increases well above inflation may meet with customer resistance and consequently this Board approved charges that averaged 3.4% across the LSBU in 2007/08. Whilst service levels remain generally satisfactory the market position has changed significantly and customer feedback and prevailing usage patterns suggest that price may become a barrier to usage, especially in the family market and in comparison with competing facilities.

1.3 Pricing Policy Review Principles

- 1.3.1 Whilst acknowledging the principles of previous reviews and the current market position, this pricing review continues to ensure that the financially disadvantaged and key target groups (young people, senior citizens and people with disabilities) continue to be offered discounted use of facilities without restrictions to access. This approach is consistent with the Leisure Pass and the Council’s social inclusion objectives. For example, it is proposed that charges for the Leisure Pass will not be increased again this year across the LSBU. In addition the charge to schools utilising the facilities for swimming has been increased only minimally.
- 1.3.2 Finally, the Board will be reassured that, in pursuing these aims, consideration has been given to honouring any longstanding arrangements with specific hirers, such as dance schools and martial arts bookings, so that regular customers are rewarded for their loyalty.

1.4 Consultation

- 1.4.1 The charges proposed for facilities used by Tonbridge sports clubs are the subject of consultation with the Tonbridge Sports Association (TSA), and any comments will be reported verbally at the meeting.
- 1.4.2 The charges have also been circulated for comment to members of the customer panels at each site and responses received will be reported verbally at the meeting.

1.5 Comparison with Competing Facilities

- 1.5.1 Whilst we are keen to achieve increased coherence in pricing across facilities for the benefit of users, the Board will appreciate that each individual facility exists within its own market. In this respect it is important to consider, for example, TSP in comparison to Tunbridge Wells Sports Centre (TWSC) and Sevenoaks Leisure Centre (SLC), rather than Maidstone Leisure Centre (MLC).
- 1.5.2 Detailed consideration has been given to relevant competitors, notably TWSC, SLC and MLC. A selection of comparable charges is shown at **[Annex 4]**. In general terms the charges at AC and TSP are broadly comparable with the local competition. At LLC charges have historically been considerably higher than at MLC. Whilst the gap has closed over the past three years and has not been a deterrent to customers in the past, who have tended to prefer the facilities and service offered at LLC, the Leisure Contracts Manager believes that price continues to be an important factor in customer choice.
- 1.5.3 In addition to the main local authority competitors, consideration has also been given to competing facilities operated by the private sector. In this respect competitor analysis has been undertaken across the LSBU against Esporta, Topnotch, Peak Fitness and, critically in the case of LLC, David Lloyd Leisure at Kings Hill.
- 1.5.4 It is also important to make comparison between competing family leisure time activities, particularly when considering the typical family visiting one of our sites to swim. The cost of a family swim ranges from £5.00 to £14.20 depending on the status of a visiting family, (ie whether they are members or not). Other competing activities, assuming a family unit of two adults and two children, compare typically as follows:
- cinema visit - £20.00
 - 10 pin bowling - £37.50
- 1.5.5 In this context, swimming remains a relatively affordable family day out, particularly if family membership at LLC, (at a cost of around £1.65 per week) is taken out. This reduces the family swim to £8.20 at LLC and at TSP to £8.60.
- 1.5.6 The Board is also reminded that throughout the year the LSBU engages in significant price promotion activity offering existing and new customers discounted opportunities to use the facilities. These promotions vary with the use of direct mail, vouchers in publications such as the Leisure Guide and Here & Now and loyalty rewards to existing users.

1.6 Implementation Date

- 1.6.1 The proposed implementation date of the charges is 1 April 2008, and subject to approval the new scale of charges will be publicised prior to this date.

1.7 Larkfield Leisure Centre

- 1.7.1 The proposed charges at LLC detailed at **[Annex 1]** reflect the budget strategy outlined at para 1.2, and the pricing policy principles agreed previously. All charges are rounded to the nearest 5p or 10p for operational and customer convenience. An average increase of approximately 3.6% has resulted and some specific issues are detailed below.

Swimming Charges – the Leisure Pass rate introduced in 2005/06 has again not been increased for family visitors. This represents a reduction against the standard charge of 39%.

The individual Swim Direct monthly payment option has increased by just 50p per month, to encourage customers to adopt this payment option if they are regular users. It remains very competitively priced at £29.00 per month, requiring swimmers to only attend twice per week to benefit financially. This charge incorporates free use of the health suite within the price.

Peak casual swimming charges increase by only 10p for all individual users. The off-peak charge for adults has increased by 20p and now achieves the long held objective of removing peak/off-peak times for swimming in line with the majority of activities and TSP. A family swim at any time equates to the cost of two children and one adult.

- 1.7.2 Membership – the annual membership charges have increased by £2. A family membership is proposed at £86 per annum requiring, as an example, only 15 visits for family swimming in a year to benefit customers. Other membership categories increase proportionately and membership offers reductions on all activities, including children's courses.
- 1.7.3 Lifestyles Health and Fitness – the proposals include no increase in the current headline direct debit rate of £39 per calendar month. It was agreed last year by this Board that any increase in this charge would be implemented in January, when health and fitness is at peak demand. However the Board is advised that Lifestyles members who signed up for a minimum six month contract did not have their charge increased from £37.50 pcm in January 2007 due to the imminent major phased capital development works. It is felt that it would again be inappropriate to increase this charge to existing customers following the extensive disruption to LLC customers over the past 14 months associated with the development works. Therefore the agreed charge of £39 will only be implemented in the case of new customers from 1 January 2008 and the proposals in this report

suggest holding the charge on 1 January 2009 albeit at that stage it will apply to all customers.

- 1.7.4 Courses – the swimming and dryside core market remains strong and the proposed charges increase by an average of around 4.4%, taking the cost of a half-hour junior swimming lesson from £5.10 to £5.35.
- 1.7.5 Soft Play Zone – ‘Larkabout’ opened in May 2005 and has been successful in terms of the party hire market. Casual usage has improved since the installation of air-conditioning, and the market is strengthening. Therefore, an increase of around 4% is proposed.
- 1.7.6 It is, therefore, **RECOMMENDED** that, subject to feedback from the Customer Panel, the scale of charges with regard to LLC as set out in **[Annex 1]** be implemented with effect from 1 April 2008.

1.8 Angel Centre

- 1.8.1 The proposed charges at AC detailed at **[Annex 2]** reflect the budget strategy outlined at para 1.2, and the pricing policy principles agreed previously. All charges are rounded to the nearest 5p or 10p for operational and customer convenience. An average increase of approximately 3.1% has resulted and some specific issues are detailed below.
- 1.8.2 Lifestyles Health and Fitness – the approach at LLC outlined at para 1.7.3 above has also been adopted at AC bearing in mind that Lifestyles membership allows customers use of all the Council’s indoor leisure facilities. In addition the Silver category will be retained for existing customers only.
- 1.8.3 Community Facilities – the charges for the Medway Hall and Meeting Rooms reflect the ongoing demand and have been increased generally in line with inflation. As in previous years, existing arrangements with long term regular hirers have been subject to individual negotiation, in order to recognise the loyalty of these users.
- 1.8.4 Tonbridge Farm All Weather Area (TFAWA) - the proposed charges for the TFAWA are included within the AC charges at **[Annex 2]**. The charges include concessionary rates which reflect a discount at peak times.
- 1.8.5 It is, therefore, **RECOMMENDED** that, subject to feedback from the Customer Panel, the scale of charges with regard to AC as set out in **[Annex 2]** be implemented with effect from 1 April 2008.

1.9 Tonbridge Swimming Pool (TSP)

- 1.9.1 The proposed charges at TSP detailed at **[Annex 3]** reflect the budget strategy outlined at para 1.2, and the pricing policy principles agreed previously. All charges are rounded to the nearest 5p or 10p for operational and customer

convenience. An average increase of approximately 3.4% has resulted and some specific issues are detailed below.

- 1.9.2 Members will note that the proposed charges reflect the fact that there are no annual or day membership fees at TSP, but there is a fee for car parking. This fee will be subject to up to one hours refund in 2008/09 as a consequence of the recently approved revised car parking charges for the Lower Castle Field car park.

Swimming Charges – as at LLC the Leisure Pass rate, introduced in 2005/06, has been held for family visitors. This represents a reduction against standard charge at TSP of 42%.

The individual Swim Direct monthly payment option has increased in line with the proposal at LLC, shown at para. 1.7.1 above.

Casual swimming charges increase by only 10p to all users.

- 1.9.3 Courses – TSP's range of wet and dry courses continue to be well attended, including 1:1 lessons, with occupancy over 95%. Whilst a 25p increase from £5.60 to £5.85 is proposed for a half-hour junior swimming lesson, the charge remains competitive locally.
- 1.9.4 Health Suite – The current TSP charges are high compared to competition in the High Street and it is hoped that the new charges, together with a 20% discount to Lifestyles members will increase usage.
- 1.9.5 Tonbridge Racecourse Sportsground Games Hut (TSGH) - the proposed charges for the TSGH are included within the TSP charges at **[Annex 3]**.
- 1.9.6 It is, therefore, **RECOMMENDED** that, subject to feedback from the Customer Panel, the scale of charges with regard to TSP as set out in **[Annex 3]** be implemented with effect from 1 April 2008.

1.10 Legal Implications

- 1.10.1 The Council's Financial Rules require that all fees and charges must be reviewed at least once a year, and be reported to the appropriate Advisory Board.

1.11 Financial and Value for Money Considerations

- 1.11.1 The financial position of the LSBU is outlined in more detail within the revenue estimates report to F&PAB on 2 January 2008. It may be perceived that there is pressure to increase charges significantly, however, the current market position and the level of price increases over recent years does not support this approach.
- 1.11.2 As a result the overall inflation level proposals in this report include some operational areas where no price increases are recommended in response to the

current market. However, the overall impact of the proposals is estimated to result in additional income to the LSBU of £147,000 in 2008/09.

1.11.3 The overall expenditure proposals reported to F&PAB result in additional expenditure in the region of £240,000. Clearly this additional cost is not covered, to allow the LSBU to reach the break even position forecast, by the proposed scale of charges increases. The difference is achieved by income related to a successful bid to the Big Lottery Fund reported elsewhere in these papers, anticipated improvements in retention of customers in Lifestyles following the implementation of the retention software approved for purchase at the meeting of this Board on 17 July 2007 (Decision D070137MEM refers) and organic growth in areas including Larkabout at LLC, the sports hall at AC and sports courses in general.

1.12 Risk Assessment

1.12.1 The proposals in this report have been considered carefully in liaison with the Director of Finance and have been endorsed by Management Team, taking into account the LSBU's financial position and the present market situation.

1.12.2 The financial performance of the LSBU will continue to be monitored regularly with reports to Management Team and to this Board. It will be appropriate, in the light of operating experience and market assessment to review charges on an ongoing basis and to respond to market fluctuations and opportunities as soon as possible.

1.12.3 In the event we deem it necessary to take such action, reports will be submitted subsequently to the Board for confirmation.

Background papers:

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