

TONBRIDGE & MALLING BOROUGH COUNCIL

LEISURE and ARTS ADVISORY BOARD

12 January 2009

**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 – REVIEW OF CHARGES

Summary

This report outlines the charging proposals in respect of Larkfield Leisure Centre, Angel Centre, Tonbridge Swimming Pool, Tonbridge Farm All Weather Area and Tonbridge Racecourse Sportsground Games Hut. The Board's attention is drawn to the need for the charging proposals to be considered alongside the Leisure Services Business Unit draft revenue estimates recently reported to the Finance & Property Advisory Board on 7 January 2009.

1.1 Introduction

- 1.1.1 In preparing the charging proposals consideration has been given to the policy objectives stated in the draft Leisure & Arts Strategy 2008-12; market position; trading patterns at each facility; the Leisure Services Business Unit 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 Leisure Services Business Unit 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 2009/10 have taken into account the set of guiding principles for the setting of fees and charges approved at Finance & Property Advisory Board on 1 October 2008 and reproduced below for the benefit of the Board;

- 1) *Fees and charges should reflect the Council's key priorities and other corporate aims and priorities recognising there may be trade-offs as these are not mutually exclusive.*
- 2) *Fees and charges should have due regard to the Council's Medium Term Financial Strategy.*
- 3) *If there is to be a subsidy from the council tax payer to the service user this should be a conscious choice.*
- 4) *The Council should look to maximise income subject to market conditions, opportunities and comparable charges elsewhere, in the context of its key priorities and other corporate aims and priorities.*
- 5) *Fees and charges should normally be reviewed at least annually (unless fixed by statute or some other body).*
- 6) *Fees and charges should not be used to provide a subsidy from the council tax payer to commercial operators.*
- 7) *There should be consistency between charges for similar services.*
- 8) *Concessions for services should follow a logical pattern so as not to preclude, where appropriate, access to Council services on the grounds of ability to pay.*

1.2.2 In bringing forward the charging proposals for 2009/10, the Board is reminded that the Leisure Service Business Unit's review of charges is aligned with the revenue estimates process. However, as was reported last year, the Leisure Service Business Unit revenue estimates report is no longer submitted concurrently to this Board as it is now considered appropriate to consider the Leisure Service Business Unit revenue estimates report within the Council's revenue estimates process. Therefore, the Leisure Service Business Unit revenue estimates have been submitted to the recent meeting of Finance & Property Advisory Board on 7 January 2009. 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 Leisure Service Business Unit.

- 1.2.3 The Leisure Service Business Unit is anticipating a deficit of £113,500 at the current financial year end which does not allow for a significant overspend in utilities offset by adjustment to the contract sums at each site. This deficit compares to a 'break-even' forecast in the original estimate. Ongoing market and trading pressures have demanded a continued focus on savings measures, and these are reflected in the 2009/10 revenue estimate report to Finance & Property Advisory Board referred to in the previous paragraph.
- 1.2.4 The 2009/10 revenue estimate seeks to minimise increases in expenditure, reflects a number of savings and income generating measures but does not allow for further economic downturn. Key features of the 2009/10 revenue estimate are outlined below :
- A 2% staff pay award, increase in National Minimum Wage for casual staff and allowance for incremental advance are made however the overall expenditure on staff rises by just 0.2% or £6,500;
 - the Council has entered a four year flexible procurement contract for supply of gas and electricity. It is hoped that significant increases in utilities, reflected in the revenue estimates and off set through the contract payments will be reduced through this procurement method. A modest allowance has been included in anticipation of a positive reconciliation;
 - estimates include £38,500 from the Big Lottery Fund towards the GP Referral Scheme and staffing costs of other healthy living initiatives; and
 - in overall terms the Leisure Service Business Unit revenue estimates show an anticipated surplus of £29,000 for 2009/10 following a savings/income generation exercise approved by Management Team.
- 1.2.5 The cost of utilities in 2009/10 across the Council's indoor leisure facilities has risen by an estimated £300,000. Expenditure in 2009/10 excluding utilities represents an increase of below 2% in all other areas, such as staffing, central support, supplies and services and premises related expenditure.
- 1.2.6 If the revenue estimate is to be achieved the Leisure Service Business Unit also has to consider maximising opportunities to match increased costs with increased income. The charging proposals for 2009/10 average 3.6% across the entire Leisure Service Business Unit, 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 Leisure Service Business Unit scale of charges increased significantly. This was acknowledged in the Best Value Review Final Report, which noted that '*...there remains little doubt (in comparison to competitors) that charges are high.*' However, the Best Value Review 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 Best Value Review 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 three years that ongoing increases well above inflation may meet with customer resistance and consequently this Board approved charges that averaged 3.5% across the Leisure Service Business Unit in 2008/09. 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 family swim will increase by 4% this year – the first increase in this charge for four years. The charge to schools utilising the facilities for swimming has been increased only minimally. In addition the Board will recall the recent decision to offer free access to Looked After Children in the Borough, a scheme that will be implemented by the time of this report.
- 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 have been the subject of consultation with the Tonbridge Sports Association. The Chairman of the Association has indicated he is supportive of the proposals contained within this report.
- 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, Tonbridge Swimming Pool in comparison to Tunbridge Wells Sports Centre and Sevenoaks Leisure Centre, rather than Maidstone Leisure Centre.
- 1.5.2 Detailed consideration has been given to relevant competitors, notably Tunbridge Wells Sports Centre, Sevenoaks Leisure Centre and Maidstone Leisure Centre. A selection of comparable charges is shown at **[Annex 4]**. In general terms the charges at Angel Centre and Tonbridge Swimming Pool are broadly comparable with the local competition. At Larkfield Leisure Centre charges have historically been considerably higher than at Maidstone Leisure Centre. Whilst the gap has closed over the past three or four years and has not been a deterrent to customers in the past, who have tended to prefer the facilities and service offered at Larkfield Leisure Centre, it is felt 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 Leisure Service Business Unit against Esporta, Topnotch, Peak Fitness and, critically in the case of Larkfield Leisure Centre, 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 £5.20 to £14.60 depending on the status of a visiting family, (i.e. 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 - £29.95
- 1.5.5 In this context, swimming remains a relatively affordable family day out, particularly if family membership at Larkfield Leisure Centre, (at a cost of around £1.70 per week) is taken out. This reduces the family swim to £8.60 at Larkfield Leisure Centre and at Tonbridge Swimming Pool to £9.00.
- 1.5.6 The Board is also reminded that throughout the year the Leisure Service Business Unit 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 the recently introduced Zest Reward scheme reported elsewhere in these papers.

1.6 Implementation Date

- 1.6.1 The proposed implementation date of the charges is 1 April 2009, and subject to approval the new scale of charges will be publicised prior to this date.

1.7 Cross Facility Proposals

- 1.7.1 Key proposals that affect activities in more than one of the Council's leisure facilities are included in the annexes to this report and are drawn to the Board's attention.
- 1.7.2 Under 3s Casual Swimming - It is proposed to introduce a nominal charge of 50p for casual swimming for children under the age of three. A similar charge is levied at Canterbury Borough Council facilities and is being considered by a number of other Councils and Trust operators in Kent. The Leisure Contracts Manager estimates this will result in an additional £10,000 revenue and this sum is included in the revenue estimates.
- 1.7.3 Price For Life - It is proposed to introduce a Price for Life commitment to new and existing members paying for all Lifestyles memberships by direct debit or annually. This offer is becoming increasingly utilised by public and private sector operators. At a recent meeting of the South East Leisure Centre Operators Forum attended by representatives of the Leisure Service Business Unit, six out of seven members present offered a Price for Life deal. The offer has a unique dual purpose insofar as it aids sales and retention offering existing customers reward for loyalty and added value over time for remaining at the facility.
- 1.7.4 Three Month Offer - Most customers opting to pay for any Lifestyles Health & Fitness Membership by direct debit take advantage of the significantly lower cost of agreeing to a six month contract commitment. However, at present a 'no strings' monthly payment of £47 per calendar month is available. The proposals recommend removal of this option in favour of a one-off fixed term three month payment based upon this charge. This proposal is based upon the success of discounted three month offers operated by the Leisure Service Business Unit and evidence that many customers wish to make a single payment but are unprepared to commit to or are unable to afford an annual membership. A similar offer will be made for Lifestyles Swim & Spa.

1.8 Larkfield Leisure Centre

- 1.8.1 The proposed charges at Larkfield Leisure Centre detailed at **[Annex 1]** reflect the guiding principles outlined at paragraph 1.2.1, and the pricing policy principles agreed previously. All charges are rounded to the nearest 10p for operational and customer convenience. An average increase of approximately 3.4% has resulted and some site specific issues are detailed below.
- 1.8.2 Swimming Charges – The individual Swim & Spa monthly payment option has increased by just £1.00 per month, to encourage customers to adopt this payment

option if they are regular users. It remains very competitively priced at £30.00 per month, requiring swimmers to only attend twice per week to benefit financially.

Peak casual swimming charges increase by only 10p for concessionary users and 20p for adults. A family swim at any time equates to the cost of two children and one adult. In the case of Centre members a 'family' is defined as two adults and all the children in that family.

The Leisure Pass rate implemented in 2005/06 has been increased by 20p for the first time since its introduction four years ago. This still represents a reduction against the standard charge of 40%.

- 1.8.3 Membership – the annual membership charges have increased by £2. A family membership is proposed at £88 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.
- 1.8.4 Lifestyles Health and Fitness – the proposals described above at paragraphs 1.7.3 and 1.7.4 will be implemented and include no increase in the current headline direct debit rate of £39 per calendar month.
- 1.8.5 Courses – the swimming and dryside core market are considered to be vulnerable to economic downturn and therefore below inflation increases ranging from zero to 15p are proposed.
- 1.8.6 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 stable. Therefore, increases of 10p and 20p to pre-school and over 4s respectively are proposed. It is also proposed to introduce a reduced charge of £1.00 for babies under one year old as a response to customer feedback.

1.9 Angel Centre

- 1.9.1 The proposed charges at Angel Centre detailed at **[Annex 2]** reflect the guiding principles outlined at paragraph 1.2.1, and the pricing policy principles agreed previously. All charges are rounded to the nearest 10p for operational and customer convenience. An average increase of approximately 4.1% has resulted and some site specific issues are detailed below.
- 1.9.2 Lifestyles Health and Fitness – the proposals described above at paragraphs 1.7.3 and 1.7.4 will be implemented and include no increase in the current headline direct debit rate of £39 per calendar month. In addition the Silver category will be retained for existing customers only.
- 1.9.3 Community Facilities – the proposed charges for the Meeting Rooms reflect strong demand and have been increased in all instances by £1.00 per hour. 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.

- 1.9.4 Tonbridge Farm All Weather Area - the proposed charges for the TFAWA are included within the Angel Centre charges at **[Annex 2]**. These charges, and the customers who use the facilities have been protected in recent years from significant increases. However running costs, especially utilities, have increased significantly and the proposed increases, whilst above inflation, reflect a realistic charge to users.

1.10 Tonbridge Swimming Pool

- 1.10.1 The proposed charges at Tonbridge Swimming Pool detailed at **[Annex 3]** reflect the guiding principles outlined at paragraph 1.2.1, and the pricing policy principles agreed previously. All charges are rounded to the nearest 10p for operational and customer convenience. An average increase of approximately 3.4% has resulted and some site specific issues are detailed below.
- 1.10.2 Members will note that the proposed charges reflect the fact that there are no annual or day membership fees at Tonbridge Swimming Pool, but there is a fee for car parking. This fee is now subject to up to one hours refund as a consequence of the revised car parking charges for the Lower Castle Field car park.
- 1.10.3 Swimming Charges – as at Larkfield Leisure Centre the Leisure Pass rate implemented in 2005/06 has been increased by 20p for the first time since its introduction four years ago. This still represents a reduction against the standard charge of 42%.

The individual Swim & Spa monthly payment option has increased in line with the proposal at LLC, shown at paragraph 1.8.1 above.

Casual swimming charges increase as at Larkfield Leisure Centre by only 10p for concessionary users and 20p for adults. A family swim at any time equates to the cost of two children and one adult. In the case of Centre members a 'family' is defined as two adults and all the children in that family.

- 1.10.4 Courses – As at Larkfield Leisure Centre the range of swimming courses are considered to be vulnerable to economic downturn and therefore a below inflation increase of 15p is proposed. 1:1 lessons are increased by 50p per half hour.
- 1.10.5 Health Suite – The current Tonbridge Swimming Pool 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.
- 1.10.6 Tonbridge Racecourse Sportsground Games Hut - the proposed charges for the Tonbridge Sportsground Games Hut are included within the Tonbridge Swimming Pool charges at **[Annex 3]**.

1.11 Legal Implications

1.11.1 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.

1.12 Financial and Value for Money Considerations

1.12.1 The financial position of the Leisure Services Business Unit is outlined in more detail within the revenue estimates report to Finance & Property Advisory Board on 7 January 2009. 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.

1.12.2 As a result the proposals in this report include some major operational areas where no price increases are recommended in response to the current market. In addition whilst no allowance is made for the potential of further economic downturn in 2009/10, the income estimates are reflective of market trends. As a consequence the overall impact of the proposals is estimated to result in additional income to the Leisure Services Business Unit of around £71,000 or 1.8% in 2009/10.

1.13 Risk Assessment

1.13.1 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 Leisure Services Business Unit's financial position and the present market situation.

1.13.2 The financial performance of the Leisure Services Business Unit 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.

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

1.14 Policy Considerations

1.14.1 Community, Equalities/Diversity, Healthy Lifestyles, Young People.

1.15 Recommendations

1.15.1 It is **RECOMMENDED TO CABINET** that:

- 1) the scale of charges with regard to Larkfield Leisure Centre as set out in **[Annex 1]** be implemented with effect from 1 April 2009;

- 2) the scale of charges with regard to Angel Centre as set out in **[Annex 2]** be implemented with effect from 1 April 2009, and
- 3) the scale of charges with regard to Tonbridge Swimming Pool as set out in **[Annex 3]** be implemented with effect from 1 April 2009.

Background papers:

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