

TONBRIDGE & MALLING BOROUGH COUNCIL

LEISURE and ARTS ADVISORY BOARD

15 December 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 which will be reported to the Finance & Property Advisory Board on 5 January 2010.

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 2008-13; 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 Council's policy with respect 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 2010/11 have also taken into account the set of guiding principles for the setting of fees and charges approved by Members of the Finance and Property Advisory Board 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 setting charges for 2010/11 Members are reminded that VAT is due to increase to 17.5% from 1 January 2010. Where charges are **VAT inclusive**, Members need to be aware that an increase of 2.2% (that is 1.175 divided by 1.15) is needed to pay the additional VAT over to HM Revenues and Customs. The proposals within this report have taken into account both economic and VAT factors and Members will note that, in the main, they represent only a very modest increase to the Council's revenue stream.

1.2.3 To aid Members, the application of VAT as appropriate is clearly marked as such within the Annexes to this report.

1.2.4 In bringing forward the charging proposals for 2010/11, the Board is reminded that the Leisure Service Business Unit's review of charges is aligned with the revenue estimates process. The Leisure Service Business Unit revenue estimates will be submitted to the forthcoming meeting of Finance & Property Advisory Board on 5 January 2010. 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.

- 1.2.5 The Leisure Service Business Unit is anticipating a deficit of £571,350 at the current financial year end. This deficit compares to a deficit of £786,000 forecast in the original estimate. This performance reflects significant rebates and lower charges for utilities, staff savings related to vacant posts and the decision to defer the annual pay award until October 2009. This will be reflected in the 2010/11 revenue estimate report to Finance & Property Advisory Board referred to in the previous paragraph.
- 1.2.6 The 2010/11 revenue estimate seeks to minimise increases in expenditure, reflect a number of savings and income generating measures but does not allow for further economic downturn. Key features of the 2010/11 revenue estimate are outlined below :
- a nil staff pay award, however allowances for an increase in the National Minimum Wage for casual staff and for incremental advances are made;
 - staff savings related to the approved closure of the Pre-School and relocation of the Crèche at Larkfield Leisure Centre are allowed;
 - the Council has entered a four year flexible procurement contract for supply of gas and electricity. The estimates reflect current charges which are anticipated to be more stable in 2010/11;
 - estimates include £38,500 from the Big Lottery Fund towards the GP Referral Scheme and staffing costs of other healthy living initiatives and £18,750 from the Primary Care Trust to fund the post of Community Exercise Instructor; and
 - in overall terms the Leisure Service Business Unit revenue estimates show a reduced anticipated deficit of £495,750 for 2010/11.
- 1.2.7 The estimated cost of utilities in 2010/11 across the Council's indoor leisure facilities has fallen by an estimated £287,150. Expenditure in 2010/11 excluding utilities represents an increase of around 1.75% in all other areas, such as staffing, central support, supplies and services and premises related expenditure.
- 1.2.8 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 2010/11 average 2.8% 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'.

- 1.2.9 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.*'
- 1.2.10 During these years the Leisure Contracts Manager considered the higher price increases to be sustainable, but did recommend over the past four years that ongoing increases well above inflation may meet with customer resistance and consequently this Board approved charges that averaged 3.6% across the Leisure Service Business Unit in 2009/10. 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 only 20p for the entire family this year. The charge to schools utilising the facilities for swimming has been increased by only 5p. In addition the Board will recall the decision to offer free access to Looked After Children in the Borough, a scheme that was implemented last year.
- 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 commented that the increase in charges appear fair in the circumstances.
- 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 few 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 £5.40 to £14.90 depending on the status of a visiting family, (that is 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 - £21.00
 - 10 pin bowling - £32.00
- 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 £8.90 at Larkfield Leisure Centre and at Tonbridge Swimming Pool to £9.30.
- 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 that rewards regular users and has been the subject of previous reports to this Board.

1.6 Implementation Date

- 1.6.1 The proposed implementation date of the charges is 1 April 2010, 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 – The introduction of this nominal charge was considered last year. The charge was approved but not implemented pending further research into the actual level of income it is likely to produce. 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 now estimates this will result in additional revenue of £5-6,000 per annum and taking into account the likely levels of resistance from customers proposes that the charge continues not to be implemented at present. No allowance will be made in the revenue estimates for 2010/11 in this regard.
- 1.7.3 Price For Life – The introduction of a Price for Life commitment to new and existing members paying for all Lifestyles memberships by direct debit or annually has proved very popular. 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. The proposed increase cited in the detail below will improve further the retention value of this commitment.

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 casual charges are rounded to the nearest 10p for operational and customer convenience. An average increase of approximately 2.6% has resulted and some site specific issues are detailed below.

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 £31.00 per month, requiring swimmers to only attend twice per week to benefit financially. As mentioned at sub-section 1.7.3 existing customers are protected by the Price for Life guarantee.

Peak casual swimming charges increase by only 10p for all users. 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 family swim rate has been increased by only 20p. This still represents a reduction against the standard charge of almost 40%.

- 1.8.2 Membership – the annual membership charges have increased by £2. A family membership is proposed at £90 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.
- 1.8.3 Lifestyles Health and Fitness – Charges for all adult Lifestyles memberships are proposed to increase by £1 per month with the headline rate becoming £40 per calendar month. As mentioned at sub-section 1.7.3 existing customers are protected by the Price for Life guarantee. Memberships aimed at young people are frozen with Excel and KickStart memberships remaining at £15 and £10 per calendar month respectively.
- 1.8.4 Courses – the swimming and dryside core market are vulnerable to economic downturn and therefore a minimal increase of 10p on all courses is proposed.
- 1.8.5 Soft Play Zone/Crèche – the Board will be aware that the Crèche at Larkfield Leisure Centre will be relocated and incorporated within ‘Larkabout’ in 2010/11. This amalgamation will result in a review of the charging structure for both elements of the service subject to operational issues which are currently also under review. Therefore this report brings forward no increases in charges. The results of the review will be reported to a future meeting of this Board.

1.9 Angel Centre

- 1.9.1 The proposed charges at Angel Centre detailed at **[Annex 2]** reflect the guiding principles outlined at sub-section 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 3.8% has resulted and some site specific issues are detailed below.
- 1.9.2 Lifestyles Health and Fitness – as at Larkfield Leisure Centre the charges for all adult Lifestyles memberships are proposed to increase by £1 per month with the headline rate becoming £40 per calendar month. As mentioned at sub-section 1.7.3 existing customers are protected by the Price for Life guarantee. In addition, the Silver category will be retained for existing customers only. Memberships aimed at young people are frozen with Excel and KickStart memberships remaining at £15 and £10 per calendar month respectively.
- 1.9.3 Community Facilities – the charges for the Meeting Rooms are proposed to increase following anticipated refurbishment of the facilities. Whilst the increases are relatively high this is supported by a proposal to introduce a 25% discount to all community users. 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 Tonbridge Farm All Weather Area are included within the Angel Centre charges at **[Annex 2]**. The proposed charges have been increased above inflation to reflect increased running costs, particularly in relation to utilities and staffing.

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 casual charges are rounded to the nearest 10p for operational and customer convenience. An average increase of approximately 2.2% 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.

Swimming Charges – As at Larkfield Leisure Centre 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 £31.00 per month, requiring swimmers to only attend twice per week to benefit financially. As mentioned at sub-section 1.7.3 existing customers are protected by the Price for Life guarantee.

Peak casual swimming charges increase by only 10p for all users. A family swim at any time equates to the cost of two children and one adult. In the case of Swim & Spa members a 'family' is defined as two adults and all the children in that family whereas casual users are permitted two children within the family charge.

The Leisure Pass family swim rate has been increased by only 20p. This still represents a reduction against the standard charge of almost 40%.

1.10.3 Courses – As at Larkfield Leisure Centre the range of swimming courses are considered to be vulnerable to economic downturn and therefore a minimal increase of 10p is proposed. 1:1 lessons are increased by 30p per half hour.

1.10.4 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 will be outlined in more detail within the revenue estimates report to Finance & Property Advisory Board on 5 January 2010. 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 2010/11, 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 £66,800 or 1.7% in 2010/11.

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 2010;
 - 2) the scale of charges with regard to Angel Centre as set out in **[Annex 2]** be implemented with effect from 1 April 2010, 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 2010.

Background papers:

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