

TONBRIDGE & MALLING BOROUGH COUNCIL

LEISURE and ARTS ADVISORY BOARD

13 December 2010

**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 within the context of the Leisure Services Business Unit draft revenue estimates which will be reported to the Finance & Property Advisory Board on 5 January 2011.

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. The catering service at Larkfield Leisure Centre is currently under review and a new contract will be let to the existing contractor from 1 May 2011.

1.2 Budget Strategy

1.2.1 The proposed charges for 2011/12 take into account the set of guiding principles for the setting of fees and charges previously 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 2011/12 Members are reminded that VAT is due to increase to 20% from 4 January 2011. Where charges are VAT inclusive, Members need to be aware that an increase of 2.5% is therefore needed to pay the additional VAT over to HM Revenues and Customs. To assist Members, the application of the increased level of VAT is included in all charges except where annotated in the Annexes to this report.

1.2.3 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 2011. 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.

1.2.4 Taking into account the £300,000 economic adjustment allowed for within the Council's revenue budget, the Leisure Service Business Unit is anticipating a

deficit of £494,550 at the current financial year end. This compares to a deficit of £495,750 forecast in the original estimate. The estimated deficit for 2011/12, to be reported to the Finance & Property Advisory Board on 5 January 2011, is £468,700.

- 1.2.5 If the 2011/12 revenue estimate is to be achieved, the Leisure Service Business Unit has to consider maximising opportunities to match increased costs with increased income. The charging proposals for 2011/12, bearing in mind that a number of the charges do not attract VAT, average 2.6% across the entire Leisure Service Business Unit, and have been considered carefully within the current market context. 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 pricing reviews and the current market position, this 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 20 pence for the entire family this year. The charge to schools utilising the facilities for swimming has been increased by only 5 pence. In addition, the Board will recall the decision to offer free access to Looked After Children in the Borough, a scheme that continues to be successful.
- 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 increases in these specific charges are acceptable to the Clubs.
- 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 individual facilities exist within

their own markets. 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 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 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 £5.60 to £15.60 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 - £22.80
 - 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 £1.75 per week) is taken out. This reduces the family swim to £9.20 at Larkfield Leisure Centre. Detailed proposals later in this paper suggest the introduction of an annual family membership at Tonbridge Swimming Pool, which would reduce the cost of a family swim from the current level of £9.30 to £8.55.
- 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 Zest Reward scheme that incentivises regular users. The recent 'Stretch Your Limits' promotion for the Lifestyles Fitness Suites generated income of £33,600 excluding VAT.

1.6 Implementation Date

- 1.6.1 The proposed implementation date of the charges is 1 April 2011, and subject to approval the new scale of charges will be publicised prior to this date.

1.7 Price for Life

- 1.7.1 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 increases detailed below will improve further the retention value of this commitment, and the Board will note that the Price for Life offer is retained despite the increase in VAT.

1.8 Larkfield Leisure Centre

- 1.8.1 The proposed charges at Larkfield Leisure Centre are detailed at **[Annex 1]**. All casual charges are rounded to the nearest 10 pence for operational and customer convenience. An average increase of approximately 2.3% has resulted, bearing in mind that many charges do not attract VAT. Some specific issues are detailed below.
- 1.8.2 Non-Member Entry Charge – The Board will recall that non-members of the facility are charged an additional £2 for an adult and £1 for a junior on top of any activity charge. This is incorporated into the member/non-member charging structure for all activities. It is also used as a spectator charge for non-members who are not participating in an activity. The charge has not increased for a number of years as it was felt to be maximised for the spectator. However this approach has begun to erode the value of Centre membership and therefore, whilst held to spectators, the differential charge between members and non-members engaged in an activity is increased to £2.10 and £1.10 for adults and juniors respectively.
- 1.8.3 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 £32.00 per month, requiring swimmers to only attend twice per week to benefit financially. As mentioned at sub-section 1.7 existing customers are protected by the Price for Life guarantee.

Peak casual swimming charges increase by only 10 pence for all members. As described above the increase in differential for non-members resulting in an increase of 20 pence to these 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 20 pence. This represents a reduction against the standard charge of almost 40%.

- 1.8.4 Membership – the annual membership charges have increased by £2. A family membership is proposed at £92 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 continues to offer reductions on all activities, including children’s courses.
- 1.8.5 Lifestyles Health and Fitness – Charges for all adult Lifestyles memberships are proposed to increase by £2 per month with the headline rate becoming £42 per calendar month. As mentioned at sub-section 1.7 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.
- 1.8.6 Courses – the swimming and dryside course market has proved the most vulnerable to the economic downturn. VAT is not applicable to these activities. The Swim School is also subject to a major review in 2011/12 to consider a continuous assessment programme up to 50 weeks and the introduction of monthly direct debit payment options. It is therefore proposed to hold these charges and reconsider in light of the review for implementation in September 2011, following a further report to this Board.
- 1.8.7 Soft Play Zone/Crèche – the Board will be aware that the Crèche at Larkfield Leisure Centre has been relocated and incorporated within ‘Larkabout’. This amalgamation and the introduction of a private sector competitor across the road has resulted in a review of the charging structure for both elements of the service designed to protect the existing market.

1.9 Angel Centre

- 1.9.1 The proposed charges for the Angel Centre are detailed at **[Annex 2]**. All charges are rounded to the nearest 10 pence for operational and customer convenience. An average increase of approximately 3.0% has resulted bearing in mind that many charges do not attract VAT. Some 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 £2 per month with the headline rate becoming £42 per calendar month. As mentioned at sub-section 1.7 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 were subject to a significant increase in 2010/11 following anticipated refurbishment of the facilities.

The increases were relatively high and were supported by a proposal to introduce a 25% discount to all community users. The new charges were not introduced due to the delay in progressing the refurbishment proposals, which are only now being progressed. It is, therefore, proposed to implement these charges in 2011/12. 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 generally in line with inflation.

1.10 Tonbridge Swimming Pool

- 1.10.1 The proposed charges for Tonbridge Swimming Pool are detailed at **[Annex 3]**. All casual charges are rounded to the nearest 10 pence for operational and customer convenience. An average increase of approximately 2.7% has resulted bearing in mind that many charges do not attract VAT. Some specific issues are detailed below.
- 1.10.2 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 £32.00 per month, requiring swimmers to only attend twice per week to benefit financially. As mentioned at sub-section 1.7 existing customers are protected by the Price for Life guarantee.
- 1.10.3 Membership - To date there has not been a membership option at Tonbridge Swimming Pool. This decision was taken when the pool opened and has not been reviewed since. In light of the current financial climate, and the relatively high cost in comparison with competing facilities, it is proposed to introduce an annual membership option at £20 per annum. This proposal is designed to induce and reward loyalty and reduces the casual cost of an adult swim to members by 35 pence compared to the 2010/11 charge. At the same time non-member charges are proposed to rise to create a 75 pence differential, resulting in the membership option requiring customers to swim only fortnightly to gain benefit. The Leisure Contracts Manager believes that this provides a good value alternative for swimmers who do not wish to commit to a direct debit membership. A similar approach is proposed for concessionary users including juniors with the annual membership priced at £10 with a 50 pence casual swim charge differential. A family membership is proposed to mirror arrangements at Larkfield Leisure Centre and other competing facilities. Finally the proposal supersedes the current ability to purchase 12 swims for the price of 10, the charge for which has now been deleted.

The Leisure Pass family swim rate has been increased by only 20 pence. This still represents a reduction against the standard charge of almost 35%.

- 1.10.4 Courses – As at Larkfield Leisure Centre the swimming course market has proved the most vulnerable to economic downturn and VAT is not applicable to these charges. The Swim School is also subject to a major review in 2011/12 to consider a continuous assessment programme up to 50 weeks and the introduction of monthly direct debit payment options. It is therefore proposed to hold these charges and reconsider in light of the review for implementation in September 2011 following a further report to this Board.
- 1.10.5 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 2011. The overall impact of the proposals outlined in this report is estimated to result in additional income to the Leisure Services Business Unit of £46,900 in 2011/12.

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 Equality Impact Assessment

- 1.14.1 See 'Screening for equality impacts' table at end of report.

1.15 Policy Considerations

- 1.15.1 Community, Equalities/Diversity, Healthy Lifestyles, Young People.

1.16 Recommendations

1.16.1 It is **RECOMMENDED TO CABINET** that the scale of charges for the Council's leisure facilities as set out in **[Annexes 1-3]** be implemented with effect from 1 April 2011.

Background papers:

contact: Martin Guyton

File Reference MG/Budget Preparation 2011/12

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Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	Not Applicable.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	Yes	The proposed charges include a range of concessions for senior citizens, juniors, students, people with disabilities and those on low income designed to encourage access for all.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		Not applicable.

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.