

<b>DECISION-MAKER:</b>	DIRECTOR, ECONOMIC DEVELOPMENT		
<b>SUBJECT:</b>	PRICE REVIEW FOR LEISURE AND CULTURE PORTFOLIO		
<b>DATE OF DECISION:</b>	8 FEBRUARY 2012		
<b>REPORT OF:</b>	SENIOR MANAGER LEISURE AND CULTURE		
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#### STATEMENT OF CONFIDENTIALITY

None

#### SUMMARY

A number of above inflation price increases are proposed for the reasons set out below and as listed in Appendix 1, as part of a new pricing structure to be effective from Sunday 1<sup>st</sup> April 2012. (Senior Managers) 1.2.8 Senior Managers may set, approve or vary, following consultation with the relevant Cabinet Member, Senior Manager: Finance and IT and the Senior Manager: Legal, HR and Democratic Services, the scale of fees and charges for all services within their Directorate or Division. The revised scale of fees and charges must be made available on the Council's internet and/or be available in paper form on request.

#### RECOMMENDATIONS:

- (i) To approve the 2012-13 price structure for Leisure and Culture Portfolio services, as per Appendix 1 to take effect from Sunday 1<sup>st</sup> April 2012.

#### REASONS FOR REPORT RECOMMENDATIONS

1. Approval for these revisions is necessary in order that they can be implemented from Sunday 1<sup>st</sup> April 2012, and in order to meet revised budgets set for the 2012-13 financial year.

#### CONSULTATION

2. The price changes, once approved, would be advertised within the Leisure and Culture Portfolio service areas. Notices will be displayed informing customers that there will be a price increase for some services from 1<sup>st</sup> April 2012. The fees increases for most of the leisure centres are based on proposals submitted by the Council's new management partners, Mytime Active and Active Nation (known as the leisure centre's contractors hereafter). Southampton Solent University will not consider increasing prices until September 2012, in line with the new academic year.

#### ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

##### Option One - General reduction / freeze on prices

3. Any overall reduction or freeze on Leisure and Culture prices would have the effect of increasing the net revenue cost of the Portfolio and also it could have implications to the leisure centres contractors in delivering their contractual obligations. In addition the current financial climate is not considered to be appropriate or financially viable.

## **Option Two - Increase all prices by inflation**

4. Historically the common practice across Leisure and Culture was for pricing to be rounded up or down, usually to the nearest 5 or 10 pence for ease of cash handling. However this would mean that an overall increase exactly in line with inflation is difficult to achieve.

### **DETAIL**

5. The 2012-13 budgeted income targets have not been adjusted **for inflation**. The current approved pricing structure for Leisure and Culture allows for prices to be varied up to a maximum level. These proposals seek approval to raise the maximum price that can be charged for some activities. Inevitably prices do vary within the year to remain competitive and to respond to seasonal changes. The areas for which pricing changes are sought can be found in Appendix 1.
6. The leisure centre contractors have benchmarked against local providers in the area and a similar exercise has been undertaken by Oakland's Swimming Pool.
7. Appendix 1 details the price increases for various services and venues within the Leisure and Culture Portfolio, this includes pricing proposals from the leisure centres' contractors. The review of prices includes some of which are above inflation, and some below. Proposed maximum price columns are for activities for which approval is sought to allow greater flexibility in responding to supply and demand.
8. A full set of service area prices, including those which have not increased or have been increased by less than the rate of inflation is available from each service area manager on request.

## **Outsourced Leisure Venues and Oakland's Swimming pool**

### **Active Nation**

9. The contractor has an obligation to use all reasonable endeavours to increase actual income so in practice it may be difficult to for the Council to unreasonably refuse any amendments. In addition the purpose of the outsourcing process is to give a third party the ability and opportunity to manage the business. To close the gap between the net income of £20k and the operational cost of £35K in running the Community Club programmes in sailing and kayaking, the price increase has been capped at 24% to try and manage this shortfall; however benchmarking exercises have taken place. The main changes to prices are summarised below:
  - There have been significant price increases at SWAC and Woodmill to demonstrate a more realistic price for the activities / services offered. However to balance this increase there has been a significant reduction in the taster session prices from £30 to £10 to encourage more people to get active. A lower pricing tariff has been introduced for Southampton Schools and youth groups. A concessionary flat rate discount of 25% has been introduced for under 16's and over 60's, as well as anyone on job seekers allowance. This rate can be applied where separate pricing does not exist, although some exemptions may apply.

- It is also positive to note that the health and fitness membership (platinum) has seen no proposed price increases. This approach is again to drive participation levels up at a value for money price. There has also been a range of low priced memberships introduced from £20 per month.
- Membership options have been introduced for the community clubs with more sessions, more choice and more cross centre options meaning an active individual could participate more cheaply than before. A family membership has also been introduced which is discounted. A transfer offer and discount have been offered to existing users to ensure these changes have a minimal impact where possible.
- There are price increases and pricing tariff structure changes for the Southampton Diving Academy (SDA) direct debit fees. It is proposed to have a 'racking rate' price for the number of sessions a customer attends each week, the more they attend the better value to the customer and this approach is supported by the SDA Committee.
- Family swimming at the Quays has seen no change in price with the introduction of Under 8's free swimming by Active Nation across the two pools (Bitterne and the Quays) Active Nation wishes to encourage families with older children to swim too thus increasing participation.
- The Sport Centre highest percentage increases are predominately related to the junior fees. These increases have been made to address the low fees being charged at what is considered to be peak demand periods. Also the increase in fees allows for the costs associated with preparing and maintaining pitches and other areas to be more accurately reflected.
- The party packages offered by Active Nation have also seen a key change in that included in the price is the service of a party host.

#### Mytime Active

10. Under the terms of the contract with Mytime Active the Council's consent to amend prices is at its absolute discretion. However the contractor has an obligation to use all reasonable endeavours to increase actual income so in practice it may be difficult for the Council to unreasonably refuse any amendments. The main changes to prices are summarised below:
- Although the main change is the rise in cost of season ticket prices of between 29% and 46% it is proposed to remove the additional cost to season ticket holders of the round fee thus offering better value to the customer the more times they play. E.g. someone playing 200 rounds per year would pay less overall than with the current season ticket price plus the additional round fee.
  - In the majority of price increases proposed by Mytime Active they are still in line or cheaper than other Golf Courses such as Dibden and Paultons. Our partner believes these fees reflect the market rate for the service.

### Oakland's Swimming Pool

11. The biggest increases are in the subscription services, e.g. Monthly Swim Ticket, Monthly Swim & Fitness ticket, 10 Swims prepaid ticket, 10 Aqua classes' prepaid ticket, as previously they have been significantly undervalued and have offered the service at an unbalanced level of benefit to the customer.
12. Prices for junior and older non members have been raised by 7.6% to £2.60. These prices are still competitive compared with other pools in the area. (Quays - £2.85, £2.50 Shirley pool.)
13. The overall increase is in line with inflation, due to increases in utility costs. The average price increase at the venue is 4%. Increases in the swimming lesson programme have been kept to a minimum to ensure that Oakland's pool continue to be a strong competitor within the city.

### Arts and Heritage

14. Arts and Heritage charges have been increased in specific areas to uplift income performance in line with targets and market comparators. In addition, some prices within the Learning Activities section have risen above the level of inflation to reflect the increases in cost of materials and overhead costs for hiring freelance artists to deliver workshops. The increased prices remain competitive when compared with similar activities and offers at other venues.
15. In 2012 SeaCity Museum opens to the public. The pricing structure in place for both entry fees and venue hire reflect the charges required to achieve income targets, and are comparable with similar museums or visitor attractions in the local region.

### Libraries

16. As charges were significantly increased in 2011/12 the service has concentrated this year on introducing a range of new services. Chief among these is the introduction of ebooks which will be an important new service to customers. The disc repair service which can restore any scratched digital disc to full working order will be marketed to other library services and local schools.

## FINANCIAL/RESOURCE IMPLICATIONS

### Capital

17. Not applicable

### Revenue

18. The 2012-13 budget does not include any adjustment to income for inflation.
19. Risks to achieving the income targets are as follows:
  - Testing the market with a new, commercial approach to arts and heritage venue hire and Arts Lease fees may suffer from price resistance.
  - On going Repair and Maintenance issues for Oakland's Swimming Pool which if not addressed may result in periodic closure until addressed.

- Potential for some customer resistance with some of the price increases proposed by the leisure centre's contractors however the risk is (and the management of any possible resistance) the leisure centre's contractors not the Council's. Also the leisure centre's contractors have a duty to balance price increases against usage as they have contractual commitment to increase participation by 3% each year for the first 5 years.
- Ongoing economic downturn continuing to affect discretionary leisure spend of consumers.

20. Regular monitoring takes place to track income generation, which should identify any early concerns over the ability to achieve the targets. Cost reduction measures, new promotions and price related promotions will all be considered should changes be required to deliver the targets.

### **Property**

21. Not Applicable

### **Other**

22. None

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

23. The City Council's power to increase prices within the leisure service areas is in accordance with the powers granted under Section 19 of the Local Government (Miscellaneous Provisions) Act 1976. This allows a local authority to provide recreation facilities and to make such facilities available for use on payment of charges as it thinks fit. The Council has the power to charge for discretionary services in accordance with Section 93 of the Local Government Act 2003 provided that charges in any one year do not exceed the cost of the service.

### **Other Legal Implications:**

24. In undertaking the proposals set out in this report the Council has had regard to Equality legislation, Section 17 of the Crime and Disorder Act 1998 and the Human Rights Act 1998.

## **POLICY FRAMEWORK IMPLICATIONS**

25. The proposal is consistent with the objectives set out in the Community Strategy and Library Strategy.

26. This proposal is consistent with the City of Southampton Strategy, Strategic Objective 5; ***to provide imaginative arts and cultural opportunities.***

**SUPPORTING DOCUMENTATION**

**Appendices**

	Appendix 1 - Price Structure for all services.
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**Documents In Members' Rooms**

25	None
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**Background Documents**

Title of Background Paper(s)

Relevant Paragraph of the  
Access to Information  
Procedure Rules / Schedule  
12A allowing document to be  
Exempt/Confidential (if  
applicable)

**Background documents available for inspection at:**

**FORWARD PLAN No:**            N/A                            **KEY DECISION?**                            Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	ALL
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