

DECISION-MAKER: DIRECTOR, PLACE
SUBJECT: PRICE REVIEW FOR LEISURE AND CULTURE SERVICES
DATE OF DECISION: 18 FEBRUARY 2015
REPORT OF: ASSISTANT CONTRACT MANAGER

CONTACT DETAILS

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STATEMENT OF CONFIDENTIALITY

None

BRIEF 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 Wednesday 1st April 2015. Delegated Power gives such authorisation: 1.2.8 Heads of Service may set, approve or vary, following consultation with the relevant Cabinet Member, Chief Financial Officer and the Head of Legal & 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 available on the Council's internet and/or be available in paper form on request.

RECOMMENDATIONS:

- (i) To approve the 2015-16 price structure for Leisure and Culture Portfolio services, as per Appendix 1 to take effect from Wednesday 1st April 2015.

REASONS FOR REPORT RECOMMENDATIONS

- 1. Approval for these revisions is necessary in order that they can be implemented from Wednesday 1st April 2015, and in order to meet revised budgets set for the 2015-16 financial year.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

Option One - General reduction / freeze on prices

- 2. Any overall reduction or freeze on Leisure & Culture prices could have the effect of increasing the net revenue cost of the services, given price rises for supplies and services and subsequently have a negative impact onto the leisure centre contractor's ability to operate as commercially sound enterprises and therefore putting the services at risk. It is not considered to be appropriate for contractors to freeze or reduce prices across the board.

Option Two - Increase all prices by inflation

3. It would be possible for pricing to be rounded up or down, usually to the nearest 5 or 10 pence for ease of cash handling, in line with inflation. However this would deliver a poorly targeted price review, which would not be responsive to changes in the market or new opportunities.

DETAIL (Including consultation carried out)

CONSULTATION

4. The price changes, once approved, would be advertised within the Leisure & Culture portfolio service areas. Notices will be displayed informing customers that there will be a price increase for some services from 1st April 2015. The fees increases for most of the leisure centres are based on proposals submitted by the Council's management partners, Mytime Active Golf and Active Nation (known as the leisure centre's contractors hereafter). Southampton Solent University will not consider increasing prices until September 2015, in line with the new academic year.

DETAIL

5. The 2015-16 budgeted income targets have not been adjusted for inflation. The current approved pricing structure for Leisure & 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 extensively benchmarked their prices against local providers in the area. For example, Mytime Active Golf have bench marked their prices against 6 other Golf Courses within a 10 mile driving radius: Dibden, Paultons, Chilworth, Romsey, Wickham Park and Bramshaw. A 7 Day membership at Southampton City Golf Course is proposed to be the same as Dibden at £465. Paultons is the main competitor and the same membership is £1,116.
7. Appendix 1 details the price increases for various services and venues within the Leisure & 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

9. Active Nation
Active Nation have extensively benchmarked their prices against local providers in the area across all range of activities, this includes The Gym Group, David Lloyd, Easy Gym, City Gym, Cross Fit Southampton, LA Fitness, Pure Gym, 24/7 Fitness and Xercise 4 less. We have also benchmarked the outdoor facilities with similar facilities within Hampshire, Dorset, Wiltshire and Surrey. SWAC and Woodmill are benchmarked against the water sports facility operated by Parkwood in Portsmouth, while the Outdoor Sports centre is benchmarked against similar facilities in Winchester,

Bournemouth and Salisbury as well as against local Goals facilities. They use Christchurch and Bracknell as the main facilities for analysis against the Alpine Snowsports Centre.

In respect of the Quays and Bitterne, Active Nation are proposing to remove the off peak prices for all activities in line with their operational revolution. They began this process last year by removing the indoor off peak prices and have now decided to include the wet provision within this. This is a decision have now proposed to include the wet provision within this. This is an approach being taken by many leisure operators across the UK as costs increase for consumables and the facilities are no cheaper to run in the daytime compared to evenings. Active Nation will continue however to offer substantial reductions and concessions to those who have been means tested. These will include lower prices for over 50's, Smart Cities card holders, patients on the cancer and GP referral schemes, this covers almost everyone who will use the facility off peak who is means tested to receive discounts.

10. Price increases for most activities have been raised in line with inflationary increases in costs especially around maintenance, and utility bills. Active Nation has already increased the price of their cheapest gym membership by £1 per month from £15:99 to £16:99 to reflect changes in the market. All other membership packages are remaining unchanged as increased competition in the City has meant that price is becoming a key driver over quality in the way the customer is thinking.

Traditional gym membership for the three main activities of Gym, swimming and classes remains at £37 per month which is the same price as when the contract was tendered in 2010.

With some of the more specialist prices at the outdoor water based activities, Active Nation have again undertaken substantial competitor analysis and the prices remain extremely good value for money in these outdoor areas. They have provided comments as below:

- Key increases at SWAC are in 1 hour sailing tuition and rowing which are very popular. Rowing still represents outstanding value for money given the equipment being used. The RYA has increased their administration fees which is the reason for the small increase in many of the course prices.
- Woodmill has seen small increases across the board apart from climbing and groups. A climbing price was introduced last year and we had to introduce it at a cheaper rate due to it being a new product but we are now in a position to bring this in line with average industry prices. Our group prices have increased as they have been stagnant for a number of years as we endeavoured to build Woodmills reputation again within the schools market after losing the support from Hampshire County Council.
- We have had to leave the sports pitch hire charges as they are at the sports centre due to the condition of the pitches deteriorating in the last

couple of years and users feeling that they are not getting value for money. Green fees for bowls have increased in line with competition after no increase for two years.

- The only prices within the indoor sites that stand out as being more of an increase than RPI are within holiday club mainly, for what we offer in these environments compared to all other childcare facilities our prices represent excellent value for money.
- Yoga at the quays has increased significantly as we were historically charging the same as a traditional aerobics class but competitors are viewing this as a specialist class and therefore charging a lot more, the expectation from customers is that our current price is low in comparison to others.
- It is also worth noting that some of our prices have been reduced to ensure we remain competitive against local competition.

11. **Mytime Active**

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:

- Ultimately My Time Active wants to bring prices broadly in line with other courses that it manages in the area but still be cheaper than other local golf competitors. Southampton and Dibden 7 day Season ticket will be set at £675, the same as Dibden. This Compares to £1,1160 at Paultons, £750 and Chilworth, £860 at Romsey, £858 at Wickham and £1,025 at Bramshaw.
- Junior Membership has been remained at £65.00 to encourage usage.
- 9 hole prices have increased by 11% or £1 but are still cheaper than the above Golf Courses as they charge between £10.50 and £13
- One price offer for seniors is to be withdrawn which only has 7 members on this tariff and is not for sale elsewhere.
- Overall, the price increase across the board is less than 1%

12. **Arts and Heritage**

Arts and Heritage charges have been increased in specific areas to uplift income performance in line with targets and market comparators. Some prices have slightly increased in line with inflation. 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. There has also been a price adjustment within the education pre booked groups above inflation to ensure the maximum entrance prices are reflected. Both filming and vaults hire charges have been added as charges as these have been formulated this year.

Tudor House & Garden and SeaCity Museum are showing a decline in visitor numbers for 2014/15 compared to the same period in 2013/14. In order to

encourage visitor numbers and remain competitive with comparable venues it is proposed that adult and child entry charges for Tudor House and Garden remain the same for 2014/15 but have a small increase to the maximum charge to allow flexibility for the future. The SeaCity Museum charges have an increase to allow for the pricing of our upcoming dinosaur encounter exhibition, however the best value ticket for our exhibition remains unchanged in price. As stated last year this allows for ticket price changes depending on the type of exhibition.

Venue hire is still developing especially at Westgate Hall, and increasingly important service for Arts and Heritage public venues. We have made some changes in the structure to mirror commercial venues charging peak prices on Fri-Sun; this has required some increases above and beyond the 5% threshold.

13. Libraries

The service will discontinue annual subscriptions for the loan of audio-visual items. This will pave the way for the cessation of this service in 2016. The single charge for the hire of library rooms has been replaced by a variety of charges reflecting the range of requests the service has received in the past year.

RESOURCE IMPLICATIONS

Capital/Revenue

Capital

14. Not applicable

Revenue

15. The 2015-16 budget does not include any adjustment to income for inflation.

16. 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.
- 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 5years.
- Ongoing economic downturns continuing to affect discretionary leisure spend of consumers.

17. 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.

18. The changes to the fees and charges for Leisure and Culture fall into two sections, those with regard to in-house delivered functions and the outsourced contract provided functions. The charges for the in-house

delivered functions are set in order to yield income targets as contained in the approved revenue estimates:

Area	Fees and Charges
Libraries	£204,700
Arts and Heritage	£42,200
Gallery and Museums	£1,297,300

The charges for the outsourced contract provided functions of Woodmill, Southampton Water Activity Centre, Indoor Dryside, Wetside, Golf Course and Outdoor Snow, are set by the contractor.

Property/Other

19. Not Applicable

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

20. 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:

21. 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

22. The proposal is consistent with the Policy Framework

KEY DECISION?

Yes

WARDS/COMMUNITIES AFFECTED: All

SUPPORTING DOCUMENTATION

Appendices

- 1. Appendix 1 – Price Structure for all services

Documents In Members’ Rooms

- 1. None

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out. No

Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1. None	