

<b>DECISION-MAKER:</b>	HEAD OF LEISURE AND CULTURE		
<b>SUBJECT:</b>	PRICE REVIEW FOR LEISURE AND CULTURE SERVICES		
<b>DATE OF DECISION:</b>	17 FEBRUARY 2014		
<b>REPORT OF:</b>	LEISURE CONTRACTS MANAGR		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>NIGEL GREENE</b>	<b>Tel: 023 8083 3419</b>
	<b>E-mail:</b>	<b>Nigel.greene@southampton.gov.uk</b>	
<b>Director</b>	<b>Name:</b>	<b>STUART LOVE</b>	<b>Tel: 023 8091 7713</b>
	<b>E-mail:</b>	<b>Stuart.love@southampton.gov.uk</b>	

<b>STATEMENT OF CONFIDENTIALITY</b>
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 Tuesday 1<sup>st</sup> April 2014. 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 2014-15 price structure for Leisure & Culture Portfolio services, as per Appendix 1 to take effect from Tuesday 1<sup>st</sup> April 2014.

### **REASONS FOR REPORT RECOMMENDATIONS**

1. Approval for these revisions is necessary in order that they can be implemented from Tuesday 1<sup>st</sup> April 2014, and in order to meet revised budgets set for the 2014-15 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 contractors 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 1<sup>st</sup> April 2014. 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 2014, in line with the new academic year.

#### **DETAIL**

5. The 2013-14 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 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

In respect of the Quays, Active Nation have taken the decision to remove the off peak prices for indoor dry activities as these products are very rarely used if at all, now that they offer separate concession rates for Over 50's and that

they also have the Smart Cities card which offers benefits to those who have been means tested to receive benefits. There is also a discounted rate for those using the 'exercise-on' GP referral scheme which covers almost everyone who will use the facility off peak. Many competitor facilities have removed off peak altogether but Active Nation felt that there is still a place within the price structure for wetside facilities to have this in place although they would look to remove this in the future as it costs the same to operate the facilities off peak as it does in peak times.

10. Price increases for most activities have been raised in line with inflationary increases in costs especially around maintenance, and utility bills. Active Nation are proposing to increase the prices of some membership packages and decrease others to ensure that they stay competitive in the market place especially with a new Budget Gym opening within 500 metres of the Quays.

Normal membership is £37 per month but only charged for 10 months and since starting the contract, Active Nation have introduced membership packages starting from as little as £15.99 per month.

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.

Under the terms of the contract with Active Nation, 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. In addition the purpose of the outsourcing process is to give a third party the ability and opportunity to manage the business. The main changes to prices (not increased in line with inflation) are summarised below:

- Adult and Junior off-peak swims have increased by more than the rate of inflation to keep competitive. Standard prices have risen by an average of 3%. This reflects the market rate and does not take into account a 20p discount for adults with a leisure card and does not apply to under 8's (who swim free).
- Diving prices have increased by 6% but across the contract there has been an average increase of around 4%
- Active Nation benchmark the majority of their prices with similar facilities within a 30 mile radius for the indoor sites and nationally for the outdoor facilities where the activities are more specialist and diverse.

#### 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 £465, 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 £8:00 to encourage usage.
- 9 hole prices have increased by 11% but are still cheaper than other Golf Courses as illustrated above.
- Existing members will be offered a discount on the shown prices to reflect the disruption caused by the on-going Environment Agency works to the 2<sup>nd</sup> hole.
- One price offer for seniors is to be withdrawn which only has 7 members on this tariff.
- Overall, the price increase across the board is 2%.

### **Arts and Heritage**

12. Some 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.

In April 2012 SeaCity Museum opened to the public. The pricing structure that was put in place for opening for both entry fees and venue hire reflected the charges required to achieve income targets, and are comparable with similar museums or visitor attractions in the local region. Tudor House and Garden and SeaCity Museum are showing a decline in visitor numbers for 2013/14 compared to the same period in 2012/13 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. The maximum entry charges for SeaCity Museum have risen slightly to allow for flexibility in pricing structure according to the type of exhibition on display in the Pavilion space. i.e. the price of entry for a premium exhibition such as Dinosaur Encounter will be higher than that of a local exhibition such as Soldiers Journey.

Venue hire is an emerging, and increasingly important service for Arts and Heritage public venues. There was evidence of market resistance to some elements of the pricing structure across the venues, and less resistance demonstrated to other price points. In order to improve take up and marketability of the venues, prices either remain static where there has been

least resistance, and have increased slightly in other areas.

### **Libraries**

13. The reduction in opening hours from May 2013 has meant that all income targets have come under significant pressure and it is not thought advisable to increase charges.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

#### **Capital**

14. Not applicable

#### **Revenue**

15. The 2014-15 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.

### **Property/Other**

18. Not Applicable

## **LEGAL IMPLICATIONS**

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

19. 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:**

20. 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**

21. The proposal is consistent with the Policy Framework

**KEY DECISION?** Yes

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