

Leisure pricing for the financial year 2017/18

Cabinet Member(s): Cllr Colin Slade
Responsible Officer: Lee Chester, Leisure Manager – Development & Performance

Reason for Report: To advise Members of the proposed leisure pricing strategy for 2016/17.

RECOMMENDATION: That the PDG recommend approval to the Cabinet Member to agree the strategy and price increases proposed as a delegated decision.

Relationship to Corporate Plan: Priority 3, Community Aim 3: Promoting physical activity, health and wellbeing; ensuring the financial sustainability of our Leisure Centres.

Financial Implications: Pricing proposals within the report contribute to the reduction of the Leisure service subsidy to Mid Devon District Council for 2017/18.

Legal Implications: None associated with this report.

Risk Assessment: Pricing is a sensitive element of the service, and service users are very aware of value for money. An imbalance of pricing and service delivery can lead to service users migrating to another provider, seeking more cost effective alternatives to Mid Devon Leisure, or reducing their physical activity levels.

1.0 Introduction

- 1.1 The pricing report has been constructed into the key business areas within the Leisure service. Market and performance research has been completed by each strategic manager within their specialism.
- 1.2 Appendices have been used to show benchmarking price detail with other local providers, whilst the report overviews the strategic approach to fees and charges, identifying significant change proposals.
- 1.3 The pricing proposal is aligned with the Medium Term Financial Plan for the Leisure service. The income target for 2017/18 is built from a combination of price increases, growth of business areas, and the launch of the fitness development at Exe Valley Leisure Centre.

2.0 **Dryside – Racquet Sports, Team Sports, Courses and Activities**

2.1 **Price increase proposal** - An indicative 5% increase on current fees and prices following a benchmarking comparison with local like-for-like providers – **Appendix 1.**

2.2 **Series of Lets**

2.2.1 Following the blanket 5% increase in 2016/17, there are still some anomalies across the service for series of lets on the outdoor pitches, and commercial sports. These will be aligned with the lowest fee increasing to match the highest fees.

2.2.2 A '**cost per area**' exercise has been revisited to ensure that charges exceed the operational cost for the area. Administration fees are currently based on a % of the invoice total, and are often complicated to calculate and substantiate to the hirer. A standard charge of £10 per invoice will apply.

2.3 To incentivise pitch hire and participation a low season/high season fee will be introduced. During the winter months the charge for lighting will be included in the hire price rather than as an additional charge, whilst during the summer months where usage is traditionally low, a reduced charge is proposed to maximise asset use and encourage physical activity in the community.

3.0 **Front of House – Membership Sales & Retail**

3.1 **Price increase proposal** - An indicative 4% increase on current fees and prices following a benchmarking comparison with local like for like providers – **Appendix 2.**

3.2 **60+ memberships** – Following the decision made on 2 February 2016, the fee for this membership type has been set at a reduction of 20% from the full paying fee. As this product is no longer being offered to new members, there has been a noticeable reduction of members with this type. It is proposed that this concessionary group is to benefit from non-restricted access to facilities and activities, which currently is restricted to before 5pm, rewarding members for their loyalty.

3.3 **Corporate Memberships** – Whilst Mid Devon Leisure offers a corporate membership price for businesses, a review has identified several areas for improvement to increase income in this area:

3.3.1 Following a review of business size in Mid Devon, corporate memberships will be offered to all organisations, which also follows an example of private sector framework. This is a reduction from a minimum of 10 employees to maximise business opportunity.

3.3.2 The table below shows the proposed structure for corporate memberships:

Proposed Corporate Mid Devon Leisure Pricing 2017/18		
Number of Employees	Monthly Direct debit % Discount from full paying fee:	Annual Lump Sum Payment 10 month of the % discount <small>*subject to confirmation of fee increase within health & Fitness Memberships</small>
1-24	15%	£369*
25-50	20%	£348*
51 +	25%	£326*

Rates can be negotiated and deals tailored to the needs of the corporate business

3.3.3 Mid Devon Leisure will continue to work with **GymFlex** to maximise our exposure to businesses, not limited to Mid Devon Business Rate payers.

3.3.4 Corporate deals will be 'packaged' as an alternative to only offering a reduced price point. Packages will include;

- Discounted membership for employees
- Employee information on diet, nutrition and wellbeing
- A personal point of contact, or account manager
- A bespoke group workshop for health and wellbeing, or team building. This will provide a platform to sell future training days at full cost.

3.4 **Auto renewal of annual memberships** - Following recommendations from elected Members, annual memberships will be renewable as a lump sum on a Direct Debit basis. Direct Debit mandates will be signed at the point of sale, with auto renewal letters being sent via post or email as a reminder that payment is due, 1 month prior to collection.

3.5 **Sales** – The introduction of cashless payments in vending machines and contactless payment at reception will target a 20% increase in secondary spend. The introduction of healthy food bars and sachets will be available from reception to increase our offering, and front of house teams are working with retail suppliers for improvements to product placement systems and improved customer service culture.

4.0 **Health & Fitness – Fitness Studio, Classes and Direct Debit Membership**

4.1 **Price increase proposals** – An indicative 3% increase on memberships, 3.5% increase on classes. Current fees and prices following a benchmarking comparison with local like for like providers – **Appendix 3**

4.2 Group Exercise Classes

- 4.2.1 Fees are currently charged on a standard 60 minute class duration, with a premium fee for classes that have a duration of 30 and 45 minutes. Classes that have a duration of 1.50 hours will increase by 4.5% to move the fee closer to the pro-rata rate.
- 4.2.2 Incentives for cash payers will be introduced to reward continual use for service and public health gains. Cash payers will be issued with their 11th session free within a fixed 12 week period of attendance.
- 4.2.3 Concessionary access for members and cash payers at peak times will no longer require an additional fee, to promote accessibility to all concessionary groups specifically students, and those in receipt of means tested benefits whilst in full time employment.

4.3 Fitness Studio

- 4.3.1 Concessionary access at peak times will no longer require an additional fee, to promote accessibility to all concessionary groups specifically students, and those in receipt of means tested benefits whilst in full time employment.
- 4.3.2 Incentives for cash payers will be introduced to reward continual use for service and public health gains. Cash payers will be issued with their 11th session free within a fixed 12 week period of attendance.

4.4 Memberships

- 4.4.1 Concessionary Lifestyle Plus direct debit members' access at peak times will no longer require an additional fee. This is to promote accessibility to all concessionary groups specifically students, and those in receipt of means tested benefits whilst in full time employment. The subsidy from the full paying fee for this membership will be circa 37%.
- 4.4.2 Concessionary Cash payments for monthly memberships will be held at 2016/17 fees as benchmarking identifies this product as being significantly higher, which is reflected in low sales for 2016/17.

5.0 Wetside – Swimming Pools, Swimming Lessons and Courses

- 5.1 **Price increase proposals** – An indicative 4% increase on current fees and prices following a benchmarking comparison with local like for like providers – **Appendix 4**
- 5.2 Following the blanket 5% increase in 2016/17, there are still some anomalies across the service for of secondary spend items such as certificates and badges, and specialist sessions such as Aqua Obstacle/Inflatafun and

Aquatots. These charges will be aligned with the lowest fee increasing to match the highest fees.

- 5.3 Charges for one off events attract a higher premium, and events will be scheduled throughout the year where closure to the public will take place. A **'cost per area'** exercise has been revisited to ensure that charges reflect the best recovery of operational cost considering market rates.

6.0 Summary

- 6.1 Proposed price increases for each business area projects circa **£78K** increase of income for 2017/18, considering comparable business with the current year to date when applying the indicative % increase and assuming 0% attrition. Business plans will be in place for growth to achieve Corporate Plan priorities and income target for 2017-18.

Business area	Projected Income increase 2017-18
Dryside	£ 12,979
Fitness	£ 24,640
Front of House	£ 11,567
Wetside	£ 29,460
Grand Total	£ 78,646

- 6.2 The Medium Term Financial Plan identifies the plan for reduction of the Leisure service subsidy to 2019/20 identifies the relationship between price increases, business growth and facility investment - **Appendix 5** as presented at Community PDG 27th September 2016.
- 6.3 Leisure pricing is one of the components to the recovery of income. Further details relating to pricing and income generation and timescales for 2017/18 are identified in **Appendix 6**.

Contact for more Information:

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Circulation of the Report: Cllr Colin Slade, Leadership Team