

## **LEISURE AND ENVIRONMENT COMMITTEE MANAGEMENT REPORT**

**22<sup>nd</sup> January 2019**

### **1. REPORT PURPOSE**

- 1.1 To provide the Leisure and Environment Committee with a proposed 3-year pricing strategy for the leisure centres of the District Council and the Southwell Leisure Centre Trust (SLCT) and operated by Active4Today Ltd (A4T) and Southwell Leisure Centre.
- 1.2 To provide the Leisure and Environment Committee with a strategy which aligns itself with areas of deprivation across the district and which are set out within the Physical Activity and Sport Plan 2019 - 2022, in order to provide synergies of operation, between Active4Today, the Southwell Leisure Centre Trust (SLCT) and the Council.

### **2. BACKGROUND**

- 2.1 Over the past several years, the core pricing for the leisure offer across the district (which was originally an 'in-house' service of Newark and Sherwood District Council and subsequently operated by Active4Today Ltd (A4T) since 1<sup>st</sup> June 2015), has been provided for consideration by various committees during Q4 of a financial year, with the implementation of any new pricing taking place from 1<sup>st</sup> April of the following financial year.
- 2.2 This process was led by the operating business unit or leisure provider (A4T) and took the form of comparisons with competitors, current market conditions and the present and forecasted utilisation. With this information an assessment was made concerning the impact of any proposed pricing increase, taking into account attrition rates and the general economic landscape regarding the local community.
- 2.3 Over the past several years, the majority of the finance collected by A4T and SLCT has moved from a traditional pay and play collection basis, to a monthly direct debit collection, which now operates for both adults and children. For the year 2017/2018, the finance collected by A4T was broken down over the following collection methods and the percentages set out below are represented, as a part of the whole:
  - Direct debit = 71%
  - Invoices and BACS transfers = 14%
  - Cash, cheques and card payments = 15%

- 2.4 In addition to the process of providing a pricing option for the committee's consideration, the pricing proposed each year must also take into account the financial diversity of the district and the operation of a single pricing policy for the district, which seeks to promote and improve; inclusivity, cross site usage, increased value for money for the customer, commonality of pricing, the programming of the technology, which supports the admissions and the advertising and marketing of the products to the public.
- 2.5 As part of any agreement concerning the implementation of new prices for a new financial year, the Southwell Leisure Centre Trust (SLCT) must also be consulted, as a partner of the District Council and also Active4Today. As part of the partnership agreement, direct debit members of SLC can use facilities operated by A4T, with SLC providing a reciprocal agreement to direct debit members of A4T.

### **3. CURRENT SITUATION**

- 3.1 During 2017/2018, discussions took place with the leisure and environment committee of the district council and the Southwell Leisure Centre Trust, which identified the need for a 3-year pricing strategy, but one which must include:
- The necessity for the strategy to reflect the financial diversity of the district
  - The need for the strategy to maximise income generation, to support the financial sustainability of both organisations
  - The requirement for the strategy to have a flexible approach, to the implementation of any price increase
  - The requirement to protect the existing concessions and build upon these
- 3.2 In view of the above, Active4Today has worked with the Southwell Leisure Centre Trust in a bid to establish a formula, which would apply an increase to customers, who are able to meet an increased cost, whilst at the same time supporting those within the community to use the facilities, without having cost as a major 'barrier to entry'.
- 3.3 In addition to the above A4T has ensured it is protecting and expanding upon the existing criteria for people to join the concessionary membership and receive a subsidy in their monthly direct debit payment. This is currently applicable to customers in receipt of various benefits and is captured within the existing concessionary policy, currently operated by the leisure facilities.
- 3.4 With any change, customers need to ensure they are receiving value for money. For customers this is usually a process of comparison to other facilities of a similar nature and their circumstances with regards to location, routine, accessibility and being 'fit for purpose'. For members of the Activo and Xperience schemes however, there is a further ingredient to the process, which A4T, SLCT and NSDC must also be mindful of;

those members who are classified within the industry as 'sleeping members'. These members for a number of reasons do not use the facilities on a regular basis, whilst continuing to pay their membership fees. When making changes to fees and charges, part of the regulations for the collection of direct debits, requires all members to be informed in writing prior to any proposed price increase; it is this process, which sometimes triggers existing members to cancel their membership.

- 3.5 As part of the development of the strategy, the current customer base which provides over £3,086,500, of membership income to support the operations of both the SLCT and A4T was used. It is essential that this customer base and income base is not affected and it is with this in mind that the development of a strategy took place, which applies increases in pricing at key points within the year, to ensure it minimises the impact on existing customers, through a phased and tested approach. This approach however, still allows new prices to be applied to new customers, which will maximise income opportunities from those who are not currently members.
- 3.6 This approach is known as re-alignment and it would typically see a new price implemented during April of a new financial year for new customers, with a re-alignment of existing customers not taking place until later within the same financial year. This approach, which has been operated for a number of years and has data to support it, suggests it is a very successful process, with negative impact rates (cancellations) at times being as low as 5%, over the usual cancellation rates, for the period. Attached at appendix I is the proposed 3-year pricing for both organisation.

#### **4. APPROACH**

- 4.1 A major hurdle to overcome with any pricing approach, which operates a single price for the same activity, (whether you are in a most affluent part of the community, or one of the most deprived) is 'fairness'. Whilst it may be suggested that the best approach to pricing is to provide everything at the cheapest possible price, to increase participation and inclusivity, it may also be challenged, that those who are able to pay a higher price should; to help off-set the cost, for those persons who are not able to pay the full price. This approach was the fundamental basis for the strategy development with the SLCT, who felt that their membership base may be able to provide their facility with improved financial sustainability, through the implementation of a slightly higher pricing point.
- 4.2 If an increase in price however, was only applied at Southwell Leisure Centre (SLC), then issues may occur where SLCT customers may purchase their membership at an A4T facility (if these did not apply any price increases) and then use the SLC facility, as part of the cross site usage agreement.
- 4.3 In view of the above, a system needed to be developed which would recognise the ability for several customers to pay an increased price, whilst continuing to support

those customers who cannot, to continue to use and benefit from the activities within the facilities.

- 4.4 As stated above, the proposed pricing strategy extends the existing concessionary membership criteria to include people living in selected postcodes, deemed as being in areas of deprivation (based on national data). This information (which is attached at appendix II) has been provided by Datahub, the performance software company used by A4T. This information has been developed in consultation with District Council colleagues, as part of the discussions on the development of the Physical Activity and Sport Plan, aiming to tackle inactivity levels of those people in NSEC 6-8, where cost is a barrier to participation.

## **5. PROCESS**

- 5.1 In a bid to try and manage the process of different customers having different pricing options, a system has been developed to support a proposed pricing policy. This process will require customers when signing up, to provide proof of their residency e.g. a driving license, utility bill, council tax bill, or other appropriate forms of proof.
- 5.2 Using this address identification process, a check will be made against the lists of agreed postcodes and depending on the outcome, a reduced rate will, or will not be applied to the customer's account. As this will be applied at source, the customer will not be aware that various rates apply and will be provided with their most appropriate rate. This currently exists with other membership options; students, corporate organisations and 60+, who all receive different rates, to the standard adult membership fee.
- 5.3 In addition to the above, it is proposed that a re-validation exercise takes place on an annual basis, for any customer who is in receipt of a discounted rate. This process is once again the same for other membership categories, where customers are receiving a rate, which is less than the standard/core adult price.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 In order to try and establish a financial base-line for the implementation of a new process, a modelling exercise has been undertaken based on the A4T and SLCT current membership base. Using this information, it has been established that the proposed implementation of a 3-year pricing strategy, aligned to specific postcodes will produce a position of improved financial sustainability for both organisations, from those members where it is deemed, an increase to the standard/core adult membership price can be applied.
- 6.2 However, at this stage it is difficult to forecast an increase in take up of a reduced priced membership, however, with specific targeted marketing and promotions to

support the strategy, it is hoped that this will attract additional persons into the centre from those postcodes where usage is generally lower than expected.

- 6.3 It is proposed that this process is just implemented for the membership options and not pay and play, as this would be currently to administratively difficult to implement, manage and monitor. In addition and for VFM purposes, the introduction of a reduced rate membership, would work out at less than one visit per week to the leisure centres, to use an activity. As a result, it is also for this reason we should be encouraging customers to attend the leisure centre activities multiple times per week, so the benefits of regular exercise can be seen.

## **7. PROPOSALS**

- 7.1 It is proposed that based on the information provided, the proposed 3-year strategy is adopted by all organisations e.g. SLCT, NSDC and A4T.
- 7.2 It is proposed that the proposed 3-year pricing strategy is introduced and comes into effect from 1<sup>st</sup> April 2019.
- 7.3 It is proposed that the proposed 3-year pricing strategy is monitored closely by A4T and the impact of its implementation reported back to the L&E committee at various times within the year.
- 7.4 It is proposed that there is a flexible approach to the implementation of the proposed 3-year pricing strategy, in order that A4T and the SLCT can adapt to any possible impact on the market which are yet unknown e.g. Brexit, increases in interest rates and the potential closure of a major business within the district, which would have an impact on the local economy and have a possible knock on effect to memberships.
- 7.5 It is proposed that the 3-year pricing strategy continues to deal with core prices only with the remainder of the prices being determined and applied, by either A4T or the SLCT locally.

## **8. EQUALITIES**

- 8.1 In the event the proposed 3-year pricing strategy is agreed and implemented, it is expected that there will be a positive impact on the equalities within the district. More persons in areas of designated deprivation (as identified above), will be eligible to access the leisure centres within the district operated by A4T and the SLCT at a reduced rate, on a membership basis.
- 8.2 As a result of this being 'postcode' related, any discount will be applied at source, so other members will not be able to identify any persons receiving a discounted rate, thus reducing any stigma, which may be attached to a reduced membership price.

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