

Meeting date: Communities and Leisure Cabinet Decision Session 23rd November 2022

Report to: Cabinet Member for Communities and Leisure

Report title: Leisure Centre Fees and Charges 2023

Report from: Ruth Tennant, Director of Public Health

Report author/lead contact officer: Sadie Walker, Senior Public Health Manager – Leisure and Physical Activity, sadiewalker@solihull.gov.uk; Rebecca Allen, Solihull Active Officer (Facilities), rebecca.allen@solihull.gov.uk

Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood | Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle | Lyndon | Meriden | Olton | Shirley East | Shirley South | Shirley West | Silhill | Smith's Wood | St Alphege
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Public/private report: Public

Exempt by virtue of paragraph: Not applicable

1. Executive Summary

- 1.1 Public Leisure centres are unique in what they offer for communities, providing lifelong opportunities for all to be active, make a vital contribution to the mental and physical wellbeing and social connectedness of communities, stepping in where the private sector cannot afford to operate. The COVID-19 pandemic has had a devastating impact on public leisure centres and the economic, health and social value they generate. At a time when recovery was beginning to gain momentum, leisure centres are being hit hard by rising utility costs and the recent cost of living pressures on households which may adversely impact consumer confidence, throughput and participation rates.
- 1.2 Negotiations with the Contractor, Everyone Active (Sports Leisure Management - SLM), Solihull Councils Leisure provider who manage North Solihull Sports Centre, and Tudor Grange Leisure Centre, have commenced to draw up a revised financial model for the duration of the contract period from 1st April 2023 to 31st May 2028. A revised financial model is on target to be agreed by December 2022. The contract remains a significant financial risk to the Council which is being reported to Members via quarterly financial reporting and has been disclosed as a financial pressure through the Council's Budget

Strategy process due to the increase in utility prices. Based on projected tariff increases it is likely that the additional utility costs in 2023/24 will be £810,973, the price risk of utilities will continue to sit with the Council and in turn puts considerable pressure on the leisure budget/public health grant.

- 1.3 Rising inflation and other economic pressures, whilst affecting the Contractor's costs may also have an impact on customer demand. It is therefore imperative that any increase in fees and charges above RPI is based on sound business reasons including market research and benchmark comparisons with both neighbouring and statistical authorities, in order to maintain quality and affordable access to public leisure services for our residents and customers.
- 1.4 Furthermore, a Concession Membership is available for those groups likely to be impacted on the most by the cost of living crisis which will continue. The Contractor is also trialling a 'hardship' Concession Membership at one of its sites, taking into consideration of affordability for the individual. The findings of this trial will inform the Concession Membership pricing structure moving forwards actively ensuring 'that those with the greater needs get the greatest support' as reflected in 'Tackling health inequalities: a blueprint for Solihull 2022-2025'.

2. Decision(s) Recommended

2.1 The Cabinet Member is asked to:

- Approve the 'Pricing Schedule 2023 – Appendix A';
- Approve the variations as set out in 2.4; whereby an increase is made above the maximum rate of inflation RPI (12.3% - August 2022);
- Approve the continued differential activity prices between Tudor Grange Leisure Centre and North Solihull Sports Centre.

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1. Matters for Consideration

- 1.1 As detailed in the Leisure Contract Service Specification, the Contractor must provide proposals for activity pricing aligned to the authority pricing requirements on an annual basis to the Authority, prior to implementation the following January 1st.
- 1.2 The Authority set specific maximum prices for certain activities and users on the commencement of the leisure centre management contract in 2018, which shall increase as a maximum, at the rate of inflation (RPI) for the Contract Period and including VAT where applicable in line with the Contractors Pricing Policy.
- 1.3 Appendix A – Pricing Schedule 2023, issued by the Contractor, applies the prevailing rate (August 2022) of RPI at 12.3%, and VAT at 20% across all activity price items, in line with the Contractors Pricing Policy.
- 1.4 The Contactor provides evidence and sound business reasons including market research and benchmark comparisons as identified in Appendix B - Price Benchmark Exercise, both locally and nationally to support the variations set out in 2.4, whereby an increase is made above RPI.
- 1.5 In managing pricing, the Contractor will seek to promote the principles of equality of access and sustainability through such concession and/or discounted provisions detailed in the Appendix C - Everyone Active Offer, increasing participation amongst underrepresented groups and those people who are inactive.
- 1.6 As highlighted in Appendix C - Everyone Active Offer, a Concession Membership is available for those under the following criteria: 66-74 years, 16-19 years, Carers Allowance, Council Tax Benefit, Employed by the Armed Forces Disability Living Allowance, Employed by the Emergency Services - NHS, Police or Fire Service, Employment and Support Allowance, Housing Benefit, Incapacity Benefit, Income Support, Job Seekers Allowance, Pension Credit, Student in Full Time Education, Universal Credit.
 - Those eligible for the Concession, can also access term time only Monday - Friday 9:00am-3:00pm swimming, and between 9:00am-5:00pm access to badminton, tennis, athletics track, at a 30% discounted rate.
 - A Junior Membership is available at a discounted rate for young people aged 11-15years which gives access to Gym, Swimming & selected Exercise Classes.
 - A free Membership is available for those under the following criteria: Over 75 years (term time only 9.00am -3.00pm swimming, 9.00am-5.00pm gym), Living with Parkinson's, LAC (Looked After Children) and Care Leaver aged 5-25 years, and Ukrainian Refugees.
 - Free swimming term time only Monday – Friday 9:00am-3:00pm, is available for Carers.

- A Concession 'pay as you go' discounted disability swim is available term time only Monday - Friday 9.00am-3.00pm.

1.7 In order to promote the Council's objectives to address health inequalities two pricing mechanisms are in place. Concession prices for swimming, sports hall use, gym casual admissions, track and memberships are lower at North Solihull Sports Centre than at Tudor Grange Leisure Centre. With levels of physical inactivity in sport and physical activity being higher in the North of the Borough than in the South, this policy addresses health inequality issues and supports the provision of activities to improve people's health.

1.8 Everyone Active are currently trialling a new 'hardship' Concession Membership at their Bristol site. It is recognised that our current concession criteria is wide and therefore does not take into consideration affordability for the individual. The findings of the Bristol trial will inform the Concession Membership pricing structure moving forwards, actively ensuring 'that those with the greater needs get the greatest support' as reflected in 'Tackling health inequalities: a blueprint for Solihull 2022-2025'.

2. What options have been considered and what is the evidence telling us about them?

2.1 The Contractor, within the controls of the Pricing Policy, may increase fees and charges from January each year, by up to the rate of inflation, based on RPI for August in the previous calendar year (August 2022, 12.3%). RPI increases are shown at Appendix A - Pricing Schedule 2023. All prices except those identified in 2.4 and highlighted yellow in Appendix A, have been increased at the maximum rate of inflation 12.3%.

2.2 The Tudor Grange Leisure Centre Gym Membership was increased to £32.49 from September 2022. As the price was only recently increased in September 2022, it is proposed to increase this to £34.99 from April 2023, instead of January 2023.

2.3 Variations whereby an increase is made above the maximum rate of inflation RPI (12.3% - August 2022), have been applied to the following main headline activity prices as set out in 2.4, to offset rising utility and other costs, and try to get the contract back to a more stable financial setting.

2.4 The following activity prices were benchmarked against neighbouring authorities (North Warks, Rugby, Nuneaton and Bedworth, Warwick, and Stratford) and statistical neighbour authorities (Wythenshawe near Stockport/Cheshire, South Gloucestershire, Cambourne near Bedfordshire) as identified in Appendix B - Price Benchmark Exercise, along with sound business reasons as illustrated below:

- DocSpot Membership (a discounted option of a 6-month membership upon starting DocSpot instead of 'pay as you go' casual admission fee) transferred to the Concessionary Membership rate: North Solihull Sports Centre £22.49 (under the prevailing RPI rate of 12.3%); Tudor Grange Leisure £24.99 (increase of **15.4%**) – **remains appropriately priced** in the market, and the price of the DocSpot membership has seen **no increase** since the commencement of the contract. This rise would equate to approx. 3% per year from 2018.
- DocSpot Casual Admission fee (discounted 'pay as you go' option): North

Solihull Sports Centre £3.00 (increase of **14.7%**); Tudor Grange Leisure Centre £3.50 (increase of **34.6%**) – **remains appropriately priced** in the market, and the price of the DocSpot admission fee has seen **no increase** since the commencement of the contract.

- Tudor Grange Leisure Centre Adult Peak Swimming Admission fee £6.00 (increase of **14.2%**); Tudor Grange Leisure Centre Swimming Lesson (Adult) fee £31.00 monthly direct debit (increase of **14.8%**) – **this is above the market price**, however, the market suggests there is a high demand for both Services; public swimming and swimming lessons. Internal intelligence shows swimming lesson attendance numbers are high, with the aim to expand programmes moving forward. General swimming is also well attended with over 51,410 customers attending either lane swimming or public swimming in the first two quarters.
- Tudor Grange Leisure Centre All Weather Pitch: Peak Full £98.20, Peak 1/3 £54.00; Off Peak Full £55.10, Off Peak 1/3 £28.35 (increases of **14.3%**) – **reflects over the market price**, however, as identified by the All-Weather Pitch contractor Blakedown Sport and Play, ‘this is the first Lano sports cork infill in the UK, and one of only a handful of cork infill pitches in the UK to date’; a unique selling point for this facility. Furthermore, the market suggests there is a high demand for this facility, with the [Government](#) committing funding to grassroots football facilities, as part of a major commitment to levelling up access to physical activity across the nation. Internal intelligence also shows the All-Weather Pitch is in high demand, with 94% of peak time capacity ((6.00pm to 10.00pm Monday to Thursday) already booked.

2.5 An alternative option would be to have no increase in fees and charges, with the Council meeting the difference between current price and RPI increased price. This option has not been considered further due to the current financial pressures faced by the leisure centres, particularly in relation to utility and other inflationary cost pressures.

2.6 Also, fees and charges could increase by RPI only, rejecting increases higher than RPI. Evidence suggests through benchmarking and market research, that those prices identified for above RPI price increases can be sustained in the market. The additional income helps offset cost pressures.

3. Reasons for recommending preferred option

3.1 The Contactor has provided evidence and sound business reasons including market research and benchmark comparisons as identified in the Appendix B - Price Benchmark Exercise, both locally and nationally to support the variations set out in 2.4.

3.2 The recommended Appendix A - Pricing Schedule 2023, and variations set out in 2.4 comply with the Contractors Pricing Policy.

3.3 All variations above have been considered to best respond to the current financial pressures on the contract, meaning our public leisure centres can remain open providing lifelong opportunities for all to be active, make a vital contribution to the mental and physical wellbeing of communities, and provide a warm and friendly facility for

residents to connect.

3.4 To note, fees and charges amends to direct debits will not come into effect until 1st April 2023 due to the internal processes of the Contractor. All other fees and charges will take effect from 1st January 2023.

4. Implications and Considerations

4.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>People and Communities:</p> <ol style="list-style-type: none"> 1. Improving outcomes for children and young people in Solihull. 2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it. 3. Take action to improve life chances and health outcomes in our most disadvantaged communities. 4. Enable communities to thrive. 	<p>The Council's leisure centres provide a universal affordable quality sport and physical activity offer to the people of Solihull. Inactivity levels are highest in communities with the lowest income and amongst looked after children who are the most disadvantaged. The leisure centres provide a wide range of opportunities for residents and visitors to participate in physical activity and sport which has the benefit of improving physical health and resilience as well as mental health.</p> <p>With the significant financial pressures originated from the pandemic, and more recently with the cost-of-living crisis, the proposals have been set in the context of keeping competitive within the market and setting prices that will attract residents to continue and/or join to use the centres, and to support the overall financial position.</p>
<p>Economy:</p> <ol style="list-style-type: none"> 5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres. 6. Maximising the opportunities of UK Central and HS2. 7. Increase the supply of affordable and social housing that is environmentally sustainable. 	<p>No direct implications.</p>
<p>Environment:</p> <ol style="list-style-type: none"> 8. Enhance our natural environment, improve air quality and reduce net carbon emissions. 	<p>No direct implications.</p>
<ol style="list-style-type: none"> 9. Promote employee wellbeing 	<p>No direct implications.</p>

4.2 Consultation and Scrutiny:

- 4.2.1 No direct consultation on these fees and charges proposals, however, a price benchmark exercise was carried out against neighbouring authorities, as well as statistical neighbouring authorities providing supporting evidence, and sound business reasons.
- 4.2.2 Fees and Charges will be presented for consideration to the Stronger Communities and Neighbourhood Services Scrutiny Board in January 2023 as part of the consideration of budget proposals included in the report: MTFS update - Budget Strategy 2023/24 to 2025/26. Comments from the Scrutiny Board will be fed back to the Resources and Delivering Value Scrutiny Board and then Full Cabinet in February 2023, who will agree budget recommendations for Full Council.

4.3 Financial implications:

- 4.3.1 The Council's leisure centre management Contractor collects the income derived from admissions.
- 4.3.2 Under normal contract arrangements, income risk is held by the Contractor, with the contractor paying a concession fee for operating the centres to the Council. However, given the limitations to opening the centres to meet the requirements to provide a COVID secure offer (which has effected a change in law clause under the contract) the net loss of income for the service is being borne by the Council.
- 4.3.3 Officers are in discussions with the provider to agree a new risk sharing model from April 2023 which should help secure a revised concession fee income stream for the Council, but with utilities risk retained by the Council (utilities pricing risk was retained by the Council under the contract pre-Covid).
- 4.3.4 Whilst some fee increases may have a negative impact on memberships and casual attendances, the agreement of above RPI increases where supported by benchmarking and market intelligence, should contribute to an improved concession fee offer.

4.4 Legal implications:

- 4.4.1 The consideration and approval of fees and charges proposals are required as part of the Leisure Contract Service Specification item 1.20 Pricing Requirements.

4.5 Risk implications, including Risk Appetite:

- 4.5.1 The contract is a red net 9 risk due to utility cost increase and the price risk of this sitting with the Council.

4.6 Equality implications:

- 4.6.1 In managing pricing, the Contractor will seek to promote the principles of equality of access and sustainability while meeting the agreed participation targets and annual performance standards, through such concession and/or discounted provisions detailed in the Everyone Active Offer – Appendix C; increasing participation amongst

underrepresented groups and those people who are inactive, are encouraged through the pricing policies.

- 4.7 In order to promote the Council's objectives to address health inequalities two pricing mechanisms are in place. Concession prices for swimming, sports hall use, gym casual admissions, track and memberships are lower at North Solihull Sports Centre than at Tudor Grange Leisure Centre. With levels of physical inactivity in sport and physical activity higher in the North of the Borough than in the South. This policy reflects the health inequality and these activities potential to improve people's health.
- 4.8 Everyone Active are currently trialling a new 'hardship' Concession Membership at their Bristol site. It is recognised that Solihull's concession criteria is wide and therefore does not take into consideration affordability for the individual. The findings of this trial will inform the Concession Membership pricing structure moving forwards actively ensuring 'that those with the greater needs get the greatest support' as reflected in 'Tackling health inequalities: a blueprint for Solihull 2022-2025'.
- 4.9 Linkages to our work with the West Midlands Combined Authority (WMCA), Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):
 - 4.9.1 Not applicable.

5. List of appendices referred to

- 5.1 Appendix A – Pricing Schedule 2023
- 5.2 Appendix B – Price Benchmark Exercise
- 5.3 Appendix C – Everyone Active Offer

6. Background papers used to compile this report

- 6.1 Leisure Contract Service Specification item 1.20 Pricing Requirements
- 6.2 Leisure Contract Service Specification Appendix 3

7. List of Other Relevant Documents

- 7.1 As above.