

## Overview & Scrutiny

XX February 2009



## Leisure Centre Fees & Charges and Concessions Policy

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**Report of Terry Collins, Corporate Director Neighbourhood Services  
(Cabinet Portfolio Holder Councillor Bob Young)**

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### Purpose

- 1 The purpose of this report is to consider proposals for admission charges within Council leisure centres, including consideration of:
  - Budget pressures in 2009/10 and their impact on potential price increases next year; and
  - The impact of equalising qualification criteria and levels of concessions provided on admission charges next year.

### Background

- 2 The Corporate Fees and Charges Policy, developed to support the budget process, is designed to provide a framework for Durham County Council's approach to charging. The policy is built around the following principles:
  - Develop an entrepreneurial approach so that charges whether new or reviewed are properly considered, and consistent.
  - Compliance with the Local Government Act 2003 which gives wide general powers to provide and charge for "Discretionary Services"
  - Adherence with the financial duty to ensure income does not exceed cost.
  - Charges may be set, so that different people are charged different amounts and in different areas to satisfy local needs and objectives. (A service can also continue to be provided free.)
  - The income derived from charging will normally be used to offset the costs of providing the service being charged for, including support service costs.
- 3 In reviewing existing charges or setting of new charges inflationary pressures; the potential impact of competition in terms of price and quality; trends in demand; results of customer surveys; budget targets; cost structure implications; impact on other service areas; alternative more

effective charging structures and proposals for targeted promotions etc need to be fully taken into consideration.

- 4 Members will recall that it is proposed to:
- Equalise
    - i. Statutory and Regulatory fees and charges
  - Rationalise concessions across all services for:
    - i. Children and young people concessions apply up to and including age 18
    - ii. The elderly that concessions begin on 60<sup>th</sup> birthday
    - iii. People who are registered disabled
    - iv. People in receipt of income support or housing benefit.

### Current Position

- 5 In two of the former District areas (Derwentside and Easington) a leisure Trust and Public Private Partnership (PPP) have been established. These manage the former District Council leisure centres in those areas and as such are responsible for setting fees and charges and associated concessions. In Derwentside and Easington, the Trust / PPP is subsidised via “contract” payments levied on the General Fund, these payments reflect the net cost of service provision. Payments to the Easington PPP are £0.650m (for the management of 2 leisure centres) in 2008/09, whereas the contribution to the Derwentside is £2.174m in 2008/09 (for the management of 3 leisure centres, Empire Theatre, Lamplight Arts Centre, Sports Arts and Activity Development as well as Parks and Football Pitches). This report does not impact on policy and practice in respect of fees and charges in those areas at this time. PPP’s also exist in specific service areas in Durham City, Sedgefield and Teesdale and pricing policies are subject to negotiation with respective partners. Notwithstanding current contractual commitments, all existing Trust and PPP arrangements will need to be closely examined and reviewed post vesting day, as part of the service transformation review agenda.
- 6 At vesting day, the County Council will assume direct responsibility for 15 leisure centres, of varying size and condition, providing a wide range of local facilities, and 1 golf complex, located in the following areas: -

	Sports / Leisure Centres	Golf Courses	Budgeted Income 2008/09 £'000	Net Budget Cost 2008/09 £'000
(Former) Chester-le-Street Area	2	1	1,219	1,202
(Former) Durham City Area	6	-	1,653	1,522
(Former) Sedgefield Area	4	-	1,854	1,845
(Former) Teesdale Area	1	-	476	581
(Former) Wear Valley Area	2	-	772	1,316
(Former) Derwentside Area (Trust)*	N/a	N/a	2,453	2,174
(Former) Easington Area (PPP)*	N/a	N/a	993	650
<b>Totals</b>	<b>15</b>	<b>1</b>	<b>9,420</b>	<b>9,290</b>

\* Includes £31,000 Non-Trust / PPP Leisure Income (receivable direct by Council).

- 7 Of the “in-house” run facilities, 7 leisure centres provide wet and dry facilities, whilst there are 8 dry only facilities. Income generated from these in-house facilities is £6.139M, which includes income from over 60’s and under 18’s for swimming, which will be provided free of charge in 2009/10 and 2010/11. The forecast reduction in income as a result of this (circa £477K in 2009/10) will be covered from a combination of direct government grant and gap-funding contributions from the PCT.
- 8 In terms of Derwentside and Easington there are a total of 5 Leisure facilities within these areas, consisting of 2 leisure centres providing wet and dry facilities, 1 wet and a further 2 providing dry only facilities. In addition, the Derwentside Leisure Trust also manages the Empire Theatre, the Lamplight Arts Centre, Sports, Arts and Activity Development as well as provision of Parks and Football Pitches. Cost comparisons can therefore be misleading as these costs are not included in the figures shown for other District areas.
- 9 Within the draft 2009/10 budgets, the planning assumptions are that there will be a 2.50% increase in the quantum of fees and charges generated next year. In addition, any potential impact of equalising concessions in line with the corporate policy identified above (para 4 refers), needs to be accommodated from within the budgets next year, as no additional budget provision has been allocated for this purpose.
- 10 Outturn projections for 2008/09 show that the income budgets for the current year are not being achieved, with total estimated income in 2008/09 being £5.800M - £0.339M less than budgeted. This is resulting in overspends within the District budgets for leisure in 2008/09. Using this as an indication of the base position in 2009/10, and assuming usage is maintained at current actual, fees and charges and / or usage would need to increase by approximately 8.50% to achieve the assumed income budgets next year.
- 11 A wide range of concessions are currently available, both in terms of qualification criteria and percentage reductions provided to qualifying customers. Indeed, there is little consistency in the percentage reduction applied to the full “adult” fee or charge within an area or to individual products or services in individual leisure centre let alone across the County. The following table summarises the current position with regards to concessions: -

	IN-HOUSE PROVISION					TRUST	PPP
	CLS	Durham	Sedgefield	Teesdale	Wear Valley	Derwentside	Easington
Youth Concession	Under 24	16 years and under	18 years and under	16 years and under	16 years and under	16 years and under	16 years and under
Elderly Concession	60 and over	60 and over	60 and over	60 and over	None	Over 65	60 and over
Full Time Students	Yes	Yes	Yes	Yes	No	Yes	Yes
Disabled Concession*	Yes	Yes	Yes	Yes	Yes	No	Yes
Income Support / Housing Benefit Concession*	Yes	Yes	Yes	No	No	No	Yes
Average Concession Provided	32%	32%	42%	22%	37%	28%	42%
Maximum Concession Provided	86%	73%	74%	55%	86%	34%	70%
Minimum Concession Provided	6%	3%	19%	9%	3%	21%	17%

\*The qualification criteria differ for each authority and needs to be formalised

- 12 In terms of In-House provision, the overall average concession provided against the full “adult” rate across the County is currently 36%. The only viable business case for the disparities within percentage concessions provided to eligible groups across a range of services / products, relates different authorities having different target groups and the use of concessions and promotions to engage these target groups, quite often at quiet times.
- 13 In terms of the Derwentside Leisure Trust the overall average concession provided against the full adult rate is currently 28%. Total income generated from concessionary income by the Trust is approximately £549K, representing 22% of the total estimated income generated by the Trusts leisure centres (circa £2.453M).
- 14 In terms of the Easington PPP the overall average concession provided against the full adult rate is currently 42%. Total income generated from concessionary income by the PPP is approximately £79K, representing 8% of the total estimated income generated by the PPP (circa £0.993M based on 2007-08 figures).

- 15 Income from users of the “in-house service” who receive a concession is approximately £675,000, representing some 12% of the £5.8M overall income currently generated through these leisure centres.

### **Harmonisation Options**

- 16 Corporate policy with regards to the criteria for applying concessionary pricing is set out above and harmonising on this basis is considered essential for vesting day. The impact of applying this qualification criterion across all leisure centres next year is extremely difficult to predict and therefore accurately model. However, leisure managers are confident that equalising the qualification criteria can be considered to be cost neutral, with any reduction in income (for example from 17 / 18 year olds) being offset by increased usage numbers as a result of extending access to concessions to these age groups.
- 17 Each leisure centre provides a wide and varied range of products or services. Each product is priced individually, taking into account the full range of factors set out in para 2 above, and there are differential prices between peak and off peak times. Currently, individual prices are set on an annual basis, to achieve the quantum of fees and charges required within the budget frameworks (including inflationary increases assumed at budget planning). In addition, managers have the discretion to implement time limited discounts against these approved prices as part of marketing and promotional activity. It is proposed that this practice continues, and may indeed need to be extended where the change in concessions impose significant price increases to vulnerable groups, which will need phasing in.
- 18 The overall average concession / reduction applied to qualifying persons are currently 36%. However, as noted above, there is a wide range of percentage concessions currently provided both within individual centres, across the former district areas and therefore across the County. The opportunity exists to harmonise this treatment across all leisure centres and re-establish the link between the full “adult” charge and the price levied to those customers who are eligible for a concession.
- 19 The impact of equalising concessions across all leisure centres at a range of levels from 20% to 50% of the full “adult” rate has been modelled, together with the impact of a range of average price increases, from 0% to 10%. Full details are set out at Appendix 2.
- 20 As can be seen from the attached analysis, the budgetary pressures are such that careful consideration needs to be given both the level of inflationary increase applied to individual fees and charges and the percentage reduction provided for concessionary pricing. This in turn needs to be considered against efficiencies and savings that may be required from operating expenditure.
- 21 Taking into account market intelligence and the full range of factors set out above, the following strategy is proposed: -

- An average price increase of 5% on leisure fees and charges next year, with variations on the amount levied at individual product level subject to local discretion, but within a specified income target;
- Concessions be provided to customers falling into the categories identified in paragraph 4(ii) above and that these apply consistently at a rate of 35% against the peak and off peak full “adult” rates;
- The Head of Sport and Leisure be set an efficiency target of £147,000, representing the difference between the forecast income (assuming current usage is maintained) in 2009/10 taking into account the above proposals and the planning assumptions on the quantum of fees and charges required next year. [This will need to be achieved through either increased usage and / or reduced operating costs].
- Leisure Managers have the opportunity to implement additional discounts to offset any reduction in business that may occur by introducing the above strategy.

## **Conclusions**

- 22 Whilst there is no business case to harmonise prices across all services / products, there is a need to harmonise the treatment of concessions, both in terms of eligibility criteria and the percentage reduction provided against the full “adult” peak and off peak rates. The proposals set out in this report seek to achieve this policy aim within the in-house service whilst also seeking to protect the County Councils base budget position in 2009/10.
- 23 Leisure centre income budgets can be difficult to predict and manage and careful monitoring will need to be undertaken during 2009/10, particularly in light of the efficiency savings target set out above.

## **Recommendations**

- 24 It is recommended that:
- Members approve the approach to fees and charges in leisure with regards to price increases and harmonisation of concessionary pricing within the in-house service, as detailed in the report.
  - Members note that the existing mix of Trust, PPP and in-house provision be examined post vesting day as part of a managed service transformation and improvement programme.

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## **Appendix 1: Implications**

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### ***Finance***

Full details of the financial implications are set out at Appendix 2.

### ***Staffing***

None. Implementation of the proposals set out in the report will be delivered from within existing resources.

### ***Equality and diversity***

Implementing the policy and proposals set out in the report will ensure equality of treatment across the leisure service in terms of access and pricing concessions.

### ***Accommodation***

No issues

### ***Crime and disorder***

Extending Concessions to 18 and under across the County may have a positive impact upon anti social behaviour from those who would benefit from the extension of the scheme.

### ***Sustainability***

The Leisure industry is extremely competitive and trend based, the financial sustainability of the actions set out in this report relies very much on the service being able to react quickly to the market. As outlined in paragraph 12 this is currently addressed by Leisure Managers. The Head of Sport and Leisure in consultation with the Corporate Director Neighbourhood Services needs to be allowed to continue this policy.

### ***Human rights***

None

### ***Localities and Rurality***

The application of this policy should not impact upon any locally applied concessions/discounts that may be in place or indeed be introduced to tackle localised problems.

### ***Young people***

By extending concessions to more young people and standardising across County Durham it is expected that more young people will engage with the authority and become physically active.

### ***Consultation***

The implications of this report have been consulted within the Sport & Community Recreation workstream and the Facility Management Sub workstream. Although no consultation has been undertaken with service users it is anticipated that this will take place prior to the introduction of changes.

### ***Health***

A key outcome for any Sport and Leisure Service is to get more people physically active. The Head of Sport and Leisure will therefore need to monitor the implications of these changes in order to ensure they do not have a negative impact on target groups.