

Public
Key Decision - Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: One Leisure Pricing Proposal 2023-24

Meeting/Date: O&S (Customers & Partnerships) – 3rd
November 2022
Cabinet – 15th November 2022

Executive Portfolio: Executive Councillor for Leisure, Waste and
Street Scene – Cllr Simone Taylor

Report by: Interim Head of Leisure – Gregg Holland

Ward(s) affected: All

Executive Summary:

The purpose of this report is to introduce the 2023-2024 price increase proposal for One Leisure. Its main aim is to mitigate and offset the increases seen through utilities, staffing and general operational expenditure.

As part of its forward plan One Leisure have tabled this 2023-2024 price increase proposal as one of its key priorities to reduce the deficit to the council and look to achieve a break-even position.

One Leisure believe that following extensive review, competitor analysis and the experience of senior officers that the proposal and subsequent recommendation will allow One Leisure to remain competitive, but similarly enable us to manage our business sustainably.

It is important to note that over the previous five years there has been no price increase across the leisure provision which was driven through the previous administration.

The key reason for the submission of this proposal is to support the commercial sustainability of One Leisure and thus the Council. It can be clearly seen within Table 1 below that since 2017/2018 One Leisure has operated with a significant deficit position and thus a direct cost to the council.

Table 1: One Leisure Financial P&L

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Income	-£6,751,045	-£6,798,703	-£6,686,867	-£5,261,260	-£4,777,731
Expenditure	£6,878,103	£7,078,157	£6,953,971	£5,574,027	£5,213,834
Total	£127,058	£279,454	£267,104	£312,768	£436,103
	Forecast				
	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Income	-£5,463,162	-£6,149,215	-£6,213,862	-£6,305,027	-£6,330,331
Expenditure	£6,082,778	£6,424,122	£6,519,343	£6,620,030	£6,723,224
Total	£619,616	£274,907	£305,481	£315,003	£392,893

Moving forward and as part of the 2023-2024 budgeting process One Leisure is planned to operate at a deficit of £274,907. However, as stated above the key reason for submitting and proposing the price increase is to offset this position and reduce the annual deficit.

It is important to note that over the last 5 years One Leisure has operated at a total cost to the council of £1.42m. It is forecast to cost £1.28m over the next 4 years from 2023 – 2027. As an example, if the proposed option within this paper is agreed and an 8% price increase was adopted over the next three years thereafter from 2024 – 2027 then this would generate potential revenue of £874,000. It would therefore then reduce any operating deficit over that period to £414,000.

It is One Leisure's ambition to ensure the service is break-even and no cost to the council. One Leisure will identify how it will do this as part of its new business strategy that will be implemented in early 2023. This will showcase future opportunities for commercial growth enabling One Leisure to mitigate all costs to the council leading to creating a surplus position.

Finally, it is hoped that a driver for change in our pricing mechanism can be seen and approvals can be granted to implement these plans from 1st January 2023 and improve commercial performance moving forwards.

One Leisure require overall approval to allow officers to increase pricing based upon the contents of this report and recommendations.

Recommendation:

Following the extensive competitor benchmarking exercise undertaken by managers within One Leisure, the feedback and advice offered by UK Active and the expertise and experience of senior officers within One Leisure it would be recommended that to remain competitive, sustainable and continue to offer value for money that we complete the following:

- a. Launch with option 2 price proposal from 1st January 2023

1. PURPOSE OF THE REPORT

- 1.1 The key purpose of this report is to outline the different pricing options available to Huntingdonshire District Council (One Leisure) to mitigate and offset rising costs seen in utilities, staffing and other general operational expenditure during 2022-2023 and leading into 2023-2024
- 1.2 This report has been designed to provide detailed background reasoning of why we have proposed a price increase, a review of our local competitors, key assumptions around the risks and impacts of implementing a pricing increase, pricing opportunities for the local community and finally senior officer recommendation as to which option is most suitable for implementation.

2. BACKGROUND

2.1 Financial Information:

The table below outlines the main elements for cost increase, the financial budget for One Leisure during 2022 – 2023, the projected cost of these areas until the end of the financial year in 2023 and then subsequent years thereafter.

Expenditure	Budget 2022/2023	Projected 2022 – 2023 Increase (Pro Rata)	Projected 2023/2024 Increase (Annual)
Utilities	£600,000	£220,000 (November)	£530,000
Staffing	£3,700,000	£80,000 (Annual)	£80,000
Other General Operating Costs	£1,500,000	£150,000 (Annual)	£150,000
Total	£5,800,000	£450,000	£760,000

2.2 Utilities:

Following the submission and approval of the One Leisure budget for 2022 – 2023 utility costs have significantly increased. There are several key factors for this but following consultation with the HDC facility management team and a thorough review of energy costs across One Leisure facilities we believe the new tariff prices will increase by £530,000 which is an 88% increase on original 2022-23 budgets.

2.3 Staffing:

The HDC budgeting process for staffing saw a blanket increase of 2% applied to all grades for 2022-23. It accounted for the minimum wage and changes to NI contributions for salaried staff only.

One Leisure has a workforce that has a high proportion of grades A-C variable staff employed in operational roles. The overarching increase as stated above was not applied to variable roles at the time of budgeting.

Therefore, the impact on the 2022-23 budget is significant. Based on a calculated average rise in salaries at these grades of around 7% it is estimated that a further

£80,000 will be payable in wages unbudgeted during the 2022-2023 financial year.

2.4 Other General Operating Costs:

At the time of the writing the 2022 – 2023 budget for One Leisure there were no inflationary increments applied to general operating costs. Therefore, and as evidenced due to economic uncertainties all contractors and suppliers to One Leisure and across the leisure industry have substantially changed their own pricing tariffs thus affecting the financial operation and sustainability of One Leisure. Having reviewed the One Leisure cost base and upon receiving direct feedback from our contractors' costs have increased in the region of 10%.

3. OPTIONS CONSIDERED

3.1 The three options One Leisure considered were:

Option 1:

- No price increase (no change to the current pricing tariff offered across One Leisure facilities). Based upon industry knowledge and experience and reviewing how other National leisure operators have conducted their business a price increase has been recommended and applied particularly with utility expenditure increasing in all sectors

Option 2:

- Increase One Leisure pricing by an average of 8.7% thus generating potential revenue of £194,000

Option 3:

- Increase One Leisure pricing by an average of 12.8% thus generating potential revenue of £483,000 and offsetting a proportion of the expenditure as outlined in the table below.

4. COMMENTS OF OVERVIEW & SCRUTINY

4.1 The Panel discussed the One Leisure Pricing Proposal 2023-24 Report at it's meeting on 3rd November 2022.

4.2 In response to a question from Councillor Welton, who queried whether option 2 was attainable, the Panel heard that performance monitoring of the service is included in quarterly reports which are seen at O&S Performance and Growth. The Panel were further advised that following new appointments within One Leisure, links would be established with local fitness groups to ensure that fitness remains accessible with the importance of fitness to mental wellbeing being noted.

4.3 Councillor Bywater queried the timing of this proposal being mindful of the current economic climate and expressed concern on how this may affect footfall in the centres. The Panel heard that detailed work had been

undertaken to ensure the needs of residents and accessibility were taken into account.

- 4.4 Following a question from Councillor Lowe on generating alternative revenue streams through use of the pools by aqua or physiotherapy services, the Panel heard that this was something which would be picked up under the One Leisure Active Lifestyles umbrella.
- 4.5 Following a question from Councillor Alban on the report author, the Panel heard that a balanced approach was taken between the Officer and Executive Councillor who were both present in the meeting to jointly present the report. Councillor Alban further questioned the validity of the report due to the absence of mini soccer as a revenue stream. The Panel were assured of robust figures within the report as this stream was included within 4G pitch hire.
- 4.6 The Panel heard that the Executive were mindful of the current economic climate and had ensured that the One Leisure Concessionary Scheme had been made more visible on the One Leisure website so that those who were most affected were still able to access the centres and fitness provision.
- 4.7 In response to a question from Councillor Alban about youth drop out rate from team and organised sport activities, the Panel were assured that a new business strategy was being developed which would be brought to the Panel to provide an update in the coming months.
- 4.8 Councillor Shaw enquired whether the predicted increase in energy bills was still realistic, the Panel were assured that the figures were based in what is known at the moment but would continually monitored.
- 4.9 Councillor Criswell commented on the timing of the increase given the current economic climate and enquired what the alternatives were should there be a significant decrease in footfall due to the proposing pricing increase. The Panel were advised that advice had been taken from the industry body UK Active and that the proposed plan would allow the centres to remain competitive in the marketplace whilst still serving local communities.
- 4.10 In response to a question from Councillor Alban, the Panel heard that the service was still in the post COVID recovery stage and that the focus on direct debit membership opportunities was due to the fact that these streams drive the revenue forward. It was noted that pay as you go options will remain available for all fitness and leisure activities.
- 4.11 Following a discussion on the fact that the Council now maintained the only publicly accessible swimming pools within the district following the closure of the pool at Sawtry, Councillor Shaw observed that the proposed price increases would allow for better economic sustainability across the centres.

5. KEY IMPACTS / RISKS

5.1 Having completed the annual price review there were several risks and issues that require consideration prior to approval. These are outlined below:

Risk	Comment	Status
Cost of Living	This is an extremely sensitive topic both nationally and within our local communities. However, through our research it is noticeable that all operators have increased their prices due to the continuing costs of utilities and operating costs.	High
Competition	Whilst we are proposing to increase One Leisure prices from 1 st January 2023, we cannot be certain from the competitor benchmarking exercise we undertook how our local competitors may react.	Medium
Operational Costs	As it has been illustrated earlier in this report there is supporting evidence from Ukactive and other leisure operators that both utility costs and operating expenditure have increased dramatically and as identified these operators have introduced price increases to offset these rising costs.	Medium
Customer Behaviour (Loss of Income)	There is a risk that through the implementation of a price increase across One Leisure sites that some members cancel their memberships or casual users do not visit the centres which ultimately effect trading revenue. Whilst there hasn't been a dedicated price increases in the last 5 years, we believe that through the positive promotion of this price increase and positively utilising the "pricing opportunities" stated above we don't feel this to be a major obstacle.	Medium
Implementation	There are two identified risks within this area, and these are based upon the departure of experienced staff that have oversight of the business systems and secondly ensuring the local community and users of the facilities are fully aware of price increases and these are communicated effectively and in a timely manner.	Low

6. TIMETABLE FOR IMPLEMENTATION

6.1 Following approval, we would propose the following timeframes for implementation:

- 1st December 2022 – Information sent to customers of proposed price increases
- 1st January 2023 – Implementation of all proposed price increases

7. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES

- 7.1 Support people to improve their health and wellbeing – Work in partnership to provide greater leisure and health opportunities to enable more people to be more active

8. CONSULTATION/COMPETITOR ANALYSIS

- 8.1 As part of the process to determine a market value for each of our activities One Leisure undertook an annual competitor analysis, benchmarking prices against our own activities and reviewing other categories such as membership options and service delivery
- 8.2 This is completed against all major local competitors such as The Gym Group, Sports Direct, Anytime Fitness, Snap Fitness, Wyboston Spa and Fitness, HBK Leisure as well as many of the smaller gym and fitness providers locally. We also look more regionally on activities such as swimming, courts and pitches, benchmarking against Peterborough (Vivacity), Fenland and Bedford
- 8.3 In general, the One Leisure pricing structure is delivered at the higher end of all local competition. This is due to our position in the market of being the only provider that can deliver all activities in one location, as well as the high quality of facilities following investment and being fully staffed which drives an excellent level of customer service and motivation
- 8.4 We recognise that there are some budget alternatives within the district, however experience has taught us that our better quality and customer service is valued significantly more. With the cost-of-living crisis set to increase however it is an area that may need further thought and development
- 8.5 Competitor analysis shows a significant number of direct alternatives around gym and fitness provision, so the pricing points of these activities are the most sensitive and ones that are at greatest risk when prices are raised
- 8.6 On the other hand, delivery of swimming activities sees us with minimal competition. HBK and Godmanchester compete slightly in the Huntingdon catchment but are small facilities and St Neots can be impacted by Bedford and Biggleswade. Public swimming sessions and swimming lessons however are therefore much less sensitive to competition and prices are set at a level generally at or slightly higher than our neighbouring authorities
- 8.7 Analysis of hospitality, indoor activity hire, junior activities, bowling, and parties are reviewed constantly due to the much more significant competition both directly but also indirectly from other leisure parties and

activities. Pricing of these activities and facilities therefore are more competitively priced to ensure value for money as well as maximising occupancy and revenue.

9. PRICING OPPORTUNITIES:

- 9.1 Following the competitor analysis and our own internal review we have identified a series of pricing opportunities which will both enhance the revenue for each centre, but at the same time offer value for money activities that the local communities can benefit from. These include the following:
- 9.2 We have through this process **removed the pricing tariff for under 3 swimming** which means that families and single parents can bring their children to our leisure centres free of charge thus supporting our physical activity agenda and providing accessible opportunities for our local communities to access our facilities. This also creates greater visibility for our families and their children to be part of our successful swim school programme and thus help support their key life skills
- 9.3 We have also managed **to retain the same price levels for 3 years – 15 years old swimming**. This has been done not only to offer value for money, but to avoid the necessity to place a barrier in front of young children who are a hard-to-reach group allowing them the ability to take part in physical activity
- 9.4 **Overall, the swimming code has increased by 6.5% (Option 2) and 12% (Option 3)** on average and this keeps community use pricing under the current national average of inflation, but importantly retains our position locally to remain competitive with other local providers
- 9.5 Whilst we have increased the Funzone charge at St Neots and Huntingdon from £3 to £5 **we have through this scheme removed the concessionary price (£1.50) for children to access this activity**. This new initiative will be operated at off peak times and during weekends
- 9.6 Whilst our mainstream group exercise classes have increased by an average of 8.7%, but under inflation, **we have ensured that all health-related class provision (Active Lifestyles) remains unchanged** to continue our support and ambitions around health and wellbeing
- 9.7 The average cost of student memberships has risen by 8.4%. Whilst this has increased, **we have reduced the timing barriers to all students, so they have greater flexibility to access our leisure centres and undertake their physical activities as they chose.**
- **Current:** All students must be in the leisure centre by 4.30pm
 - **New:** Students through this change can now access the facilities at anytime

10. REASONS FOR THE RECOMMENDED DECISIONS

- 10.1 Unless a price increase is implemented One Leisure will operate at £274,907 deficit in 2023-2024 and thereafter as part of the MTFs a £300,000+ deficit for the remaining 4 years through to 2027-2028
- 10.2 A key reason for the price increase proposal is to mitigate and offset the £530,000 utility increase and the other ancillary cost increases outlined within this report
- 10.3 The preferred recommendation (Option 2 - £194,000) has been tabled based upon direct feedback from UK Active, our own robust local competitor analysis and our own belief that this will allow One Leisure importantly to remain competitive within the local community and still offer value for money
- 10.4 An important point to note that this is being tabled for approval as One Leisure has not facilitated a general leisure price increase for the past 5 years

11. LIST OF APPENDICES INCLUDED

Appendix 1 – One Leisure 2023-2024 Pricing Spreadsheet

12. BACKGROUND PAPERS

N/A

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