

**TITLE OF REPORT: A vision for leisure services and implementation of changes in the service resulting from the Marketing and Pricing Strategy**

**REPORT OF: Paul Dowling, Strategic Director Communities and Environment**

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**Purpose of the Report**

1. Cabinet is asked to approve a vision for leisure services and the recommendations for changes to pricing, sales and marketing to help reduce the Council's financial contribution to Leisure Services and identify a sustainable business model for the future.

**Background**

2. Cabinet approved the Transformational Challenge Review of Leisure Services at its meeting on 24 February 2015 (Minute No C160) which included the Council achieving a £950,000 saving from leisure services. Through the asset transfer of Dunston Activity Centre and Gateshead Indoor Bowling Centre (approved at Cabinet September 2015); changes at leisure facilities; additional income through increased charges; and changes to management of the service, the service will deliver in-year savings of £300,000 and £600,000 in a full year. Ongoing discussions with partners will deliver further savings from April 2016 and proposals in this report will yield additional income which will contribute towards a sustainable model for the delivery of Leisure Services in Gateshead.
3. As part of the Fit for Future work stream 'Transformational Review of Leisure Services', the Council appointed Leisure-net Solutions and Max Associates to review the membership and pricing strategy, which would help to identify opportunities to reduce the Council's financial contribution to Leisure Services. In addition, Leisure-net Solutions completed a marketing audit and a member survey. A summary of the findings can be found in Appendix 1.
4. Knight, Kavanagh and Page (KKP) were commissioned in September 2015 to carry out a full options appraisal for Leisure Services, which would include a business review to identify how the service can operate more efficiently and sustainably. This work is ongoing and this report includes proposals arising from KKP's early findings.
5. The next stage of the work by KKP will identify options for delivery models for Leisure Services – to ensure a sustainable leisure service in Gateshead for the future - which could include (i) an in house model (ii) a Trust model (iii) an ALMO or related model (iv) a partnership with the private sector / joint venture model. These options will be reported to Cabinet in early 2016.

## Proposal

### A Vision for Leisure Services

6. Following analysis of financial information, customer information, benchmarking and consultation with employees, it is recommended that a vision for leisure services is approved.

7. The following vision is proposed:

*A sport and leisure service which is sustainable and customer focused to ensure healthy, active Gateshead communities and delivers the Council's priorities of Live Well Gateshead and Live Love Gateshead. A service which integrates and connects to broader services and cultural offer so that residents can participate in a range of services for their wellbeing and leisure. A service which is driven by business and financial objectives, as well as customer satisfaction, retention and growth and maximises the use of its assets – buildings, employees, ICT and partners - to serve Gateshead residents and beyond. A service which in the period of the Council Plan (2020) is no longer directly subsidised by Gateshead Council, and is returning income to the Council to invest in Gateshead priorities.*

8. Approval of a vision for leisure services will set a framework for the options analysis for the future of leisure services identified in paragraph 5 above.

### Implementation of recommendations in the marketing and pricing strategy

9. In June, the Council appointed Leisure-net Solutions and Max Associates to review the membership and pricing strategy, to identify opportunities to increase income to Leisure Services. The key recommendations of this strategy are identified below and in Appendix 1.

10. This report seeks approval to implement changes to the current pricing policy with effect from 1 January 2016. These changes could support the Council to achieve an overall increase in gross income of up to £500,000. The proposed changes are:

- (i) Increase the joint GO membership price from £50.00 to £52.00 per month, a 4% increase
- (ii) Increase the eligibility age of concession from 60 years plus + to 65 years+. This will only apply to new customers and new or renewed active card users.
- (iii) Increase the concessionary price of Go Membership for students (with a NUS card) and 65+ years from £19.00 to £23.00, a 21% increase. Note those individuals on low income would be eligible for the £19.00 concession price. This will only apply to new customers.
- (iv) Consolidate the remaining concession categories and offer them all under one option at a fixed price of £19.00. This would mean that the Active Access concession would increase from £15.00 to £19.00. This would only apply to new customers.

- (v) Standardise the cost of purchasing an Active Card for residents and non – residents, accepting that customers may come from anywhere within the local area, to £10.00 for Gateshead residents and non residents. The current rate for residents is £10.00 and non residents is £20.00. This will place the Council’s Leisure Facilities as key competitors in the broader locality.
- (vi) Develop and implement a Business Development function within the service, from existing resources, including, the creation of a sales role to pilot a focused campaign to increase sales of memberships and use of leisure facilities to increase income.
- (vii) Implement a new Aquatics Plan which will result in changes to the swimming programme as part of the business development function. The changes will provide a significant increase in swimming lessons to secure a greater share in the market, respond to a clear demand and result in increased income to the Council. Further detail is provided in Paragraph 10 of Appendix 1.
- (viii) In addition to the Aquatics Business Plan, identify further business plans (through the business development function) to generate income, in relation to
- Health and fitness
  - Gymnastics and dryside courses
  - Marketing and promotion
  - Management information and data interrogation
  - Therapeutic services and pathways
  - Parties and functions
  - Schools
  - Personal trainers
  - Franchising.

## **Recommendation**

11. Cabinet is asked to:

(i) Recommend the Council to:

- a) Note the progress on the Transformational Challenge Review of Leisure Services in paragraphs 2 - 6 above;
- b) Agree to a new vision for leisure services as identified in paragraph 7 above, which is based on customers, financial and business objectives and which in the period of the Council Plan (2020) is no longer directly subsidised by Gateshead Council, and is returning income to the Council to invest in Gateshead priorities.
- c) Agree to the revisions in the pricing policy as set at paragraph 10 (i) – (vi) above
- d) Agree to a revised business development strategy as referenced in paragraph 10 (vii) – (ix) to increase income for the service.
- e) Authorise the Strategic Director of Communities and Environment (in consultation with Strategic Director of Corporate Finance, Strategic Director of

Corporate Services and Governance) to implement flexible pricing arrangements to increase income, as appropriate.

- (ii) Receive a report in 6-12 months which reviews the effectiveness of these new arrangements.

For the following reasons:

- (i) To ensure the maximum income is generated resulting in a reduction in the subsidy required to deliver the service
- (ii) To ensure greater access to all customers including Gateshead residents and customers from outside the borough
- (iii) To ensure the Council's leisure facilities are utilising the space available to optimum capacity;
- (iv) A vision of leisure based on business and financial objectives will help determine a delivery model which will result in the service not being subsidised by the Council and is delivering a profit.
- (v) To safeguard the continuation of existing services and to provide the opportunity for greater sustainability of community activities which contribute to the Council's priorities within the context of reduced resources.

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**CONTACT:** Lindsay Murray      extension: 2794

## Policy Context

1. Implementation of the Transformational Review of Leisure Services supports the overall vision for Gateshead as set out in Vision 2030 and the Council Plan. In particular sustaining an Active and Healthy Gateshead.

## Background

2. As part of the Fit for Future work stream 'Transformational Review of Leisure Services', the Council appointed Leisure-net Solutions and Max Associates to identify opportunities to help reduce the Council's financial contribution to Leisure Services.

### **Some of the key recommendations membership and pricing review are as follows;**

3. The Council assesses whether both members in joint memberships packages are regular users. If they both are, there may be opportunities to increase the joint price to £52.00 per month.
4. The Council considers the eligibility of concession members to potentially reduce the categories that the concessionary option is currently available to, particularly for 60+ and students.
5. If it is assessed that some of the current concession groups are using a mix of activities, it is recommended that a higher price is considered for those that could afford to pay for example students and over 60's. (Note those groups on low income would be eligible for the £19.00 concession price). Suggested price £23.00.
6. There is an opportunity to refine the remaining concession categories and offer them all under one option at a fixed price of £19.00.
7. Due to historical practices and average length of membership it is recommend that the 12 month minimum term continues.
8. There is an opportunity to implement a more rigorous sales system as identified within the other section of this report to increase sales and to concentrate on the adult standard options increase the yield to closer to the adult price of £23.75 (excluding VAT).
9. If the average yield was increased to £22 per member, this would equate to approximately £200,000 additional income per year. This could be achieved through the review of the concessions eligibility and an increase in the joint membership price.
10. Swimming income could be increased by between £330,000- £375,000 per annum (depending on price point) through additional lessons being offered during the existing swimming lesson times and maximising the pool layouts available. (There will be higher instructor costs.) This would bring the number of pupils in line with industry benchmarks. In order to achieve this the swimming lesson prices , may

need to be reviewed as they are higher than neighbouring competition and may be contributing to the lower number of pupils on the scheme. Introduction of the direct debit option should also assist in increasing uptake of swimming lessons.

11. On review of casual swimming prices the standard adult price could be increased marginally to £4.60 and the Active Card price to £3.50 - £3.60, to bring them in line with the prices at South Tyneside and Newcastle.

**Some of the key recommendations of the Member Survey are as follows;**

12. A Customer Service strategy and training is put in place across all sites to standardise service at a high level across the service offering; and
13. A regular way of monitoring the customer experience is introduced, along with a comprehensive customer feedback system to ensure customers feel listened to and engaged.

**Some of the key recommendations from the Marketing audit are as follows;**

14. Invest in a commercially focused sales team (customer advisors) at each facility and Sales Manager;
15. Invest in a commercially focused marketing team responsible for delivering marketing and communications plans. A “driver” is required to build and keep momentum going;
16. Write and deliver a membership sales and marketing strategy with a key focus on CRM/database management, cross selling, new health & fitness website, driving and converting enquiries, targeted sales systems and teams at each centre;

**Consultation**

17. All Cabinet Members have been consulted on this report. All councillors who have been consulted are supportive of this proposal.
18. The Trade Unions (Unison and GMB) have been consulted on this report. The Trade Unions do not object to the proposals.

**Alternative Options**

19. The final report from KPP, as referenced in paragraph 5 of the main report will present options and models for the future delivery of the leisure service.

**Implications of Recommended Option**

20. **Resources:**

- a) **Financial Implications** - The Strategic Director, Corporate Resources confirms that the changes in the pricing policy will generate additional income for the Council of up to £500,000 which will contribute towards the delivering the revenue budget.
- b) **Human Resources Implications** – There will be no human resource implications arising from these proposals.

- c) **Property Implications** – There are no direct implications on the leisure facilities as a result of the proposals in this report.
21. **Risk Management Implication** – There are no implications arising from this recommendation.
22. **Equality and Diversity Implications** – There are no direct implications arising as result of the proposals described in the report as all residents will still have the opportunity to access leisure facilities.
23. **Crime and Disorder Implications** – There are no direct implications arising as a result of this report
24. **Health Implications** - These are included in the Comprehensive Impact Assessments.
25. **Sustainability Implications** - The changes in the pricing policy and sales and marketing approach will increase income and therefore reduce the level of the Council's operational costs
26. **Human Rights Implications** - These will be included in the Comprehensive Impact Assessment.
27. **Area and Ward Implications** – the proposals affect facilities in the wards of Birtley, Pelaw and Heworth, Felling, Saltwell, Dunston and Teams and Blaydon covering all areas. As users of leisure facilities live across Gateshead, the proposals may have an impact on residents from all wards
28. **Background Information** – Minute Nos. C (2015)