

# Individual Executive Decision Notice

<b>Report title</b>	Fees and Charges 2021-2022 – City Environment	
<b>Decision designation</b>	GREEN	
<b>Cabinet member with lead responsibility</b>	Councillor Steve Evans Cabinet Member for City Environment	
<b>Wards affected</b>	(All Wards);	
<b>Accountable Director</b>	John Denley, Director of Public Health	
<b>Originating service</b>	WV Active	
<b>Accountable employee</b>	Sean McBurney	Head of Leisure and Wellbeing
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<b>Report to be/has been considered by</b>	Public Health Leadership team	16 March 2020
	Cabinet Member Briefing - Resources	17 March 2020
	Cabinet Member Briefing - City Environment	19 March 2020

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## Summary

WV Active centres are currently closed due to the National lockdown and will re-open with services being introduced gradually in line with the Government's recovery roadmap. This report provides details of WV Active's phased approach to post Covid financial recovery. The proposed changes to fees and charges will only be implemented if the business and market intelligence indicates it is viable to do so.

A review of WV Active's approach to hiring out the centres' facilities, concession agreements and merchandise sold at the centres is being undertaken. Merchandise has been removed from the fees and charges framework as concession negotiations are underway, but not completed.

## Recommendations for decision:

That the Cabinet Member for City Environment and the Cabinet Member for Resources, in consultation with the Director of Public Health and Director of Finance:

1. Approve the introduction of a phased approach to implement changes in the fees and charges framework - Price increases will only be implemented when business and market intelligence indicate it is viable to do so.
2. Approve to change the concession eligibility criteria by removing 60+ / full-time students and providing a specific membership for these two groups - However, members in these groups, that meet the concession criteria on economic/financial grounds, will still be eligible for a concession rate membership.

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## **1.0 Background**

- 1.1 The purpose of this report is to detail the approach to the proposed changes to WV Active's fees and charges framework, to the Cabinet Member for City Environment and the Cabinet Member for Resources in consultation with the Director of Public Health and the Director of Finance, for approval.
- 1.2 In 2019, a market appraisal was undertaken to inform WV Active's membership strategy. The strategy included merging the previous gold and platinum memberships into one, keeping three monthly pricing options - Standard (£20) Corporate (£15) and Concession (£10). This enabled all members to benefit from gym, swim and group exercise classes. The strategy included a commitment to appraise the market annually.
- 1.3 In 2020, a wider market appraisal was undertaken, to establish WV Active's current position in the market. This included neighbouring local authorities and private sector gyms. Although there were few direct comparisons, WV Active's membership packages were at the lower end price wise and higher end for value for money, due to the number of activities offered within the membership. Pay as you go (PAYG) charges for sports activities like table tennis, squash, badminton etc were comparable to the neighbouring local authorities. This market appraisal has informed the proposed changes highlighted in this report.
- 1.4 At the Cabinet meeting on 11 November 2020, as part of the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 report, Cabinet approved that authority be jointly delegated to the responsible Cabinet Member and the Cabinet Member for Resources, in consultation with the responsible Director and the Director of Finance to vary fees and charges in line with key priorities.

## **2.0 Current service conditions and proposed changes**

- 2.1 WV Active levies a range of fees and charges for its memberships, sport activities, facility hire services and merchandise.
- 2.2 WV Active centres are currently closed due to Covid lockdown restrictions and will re-open in line with the Government's recovery roadmap. The roadmap indicates that services will be introduced gradually over the coming months and members are unlikely to receive all services, they are eligible to receive, until early summer. When leisure centres can reopen this will be with service restrictions and on an appointment-based booking system, to ensure social distance measures are adhered to.
- 2.3 Further service limitations exist at both Alderley Leisure Village and Bert Williams Leisure Centres as these sites are being used as vaccination hub locations - not all the facilities will be available to members when the centres are able to reopen. Full access to the centre's facilities will be limited until the hubs vacate the premises this is likely to run into the summer months. Central Baths is the only centre that will be able to open and operate in line with the Government roadmap.

- 2.4 Member numbers currently held at circa 54% of pre Covid levels, which include both live and frozen memberships. Therefore, WV Active need to focus on rebuilding customer confidence to recover its membership base. This will be at a time where there are legislative restrictions on what services are available, reinstatement of these activities may take longer than the roadmap initially prescribes, there will be limited appointment slots to ensure Covid compliance, competition from alternative fitness options and economic uncertainties for customers to deal with. These variables mean that determining how many existing customers will return, what level of incentivisation will be needed to attract new custom, post Covid competitor response and the number of remaining members choosing to cancel their memberships are unknown factors.
- 2.5 The fees and charges framework provide pricing details of all fitness memberships, sports activities, facilities hire and merchandise. NB Some of these services may not be available due to Covid but remain on the framework. There is currently a review being undertaken into concession agreements, which is yet to be completed, so merchandise has been removed from the framework as it is expected these items will change, some removed and other items replaced.
- 2.6 The WV Active recovery plan will be introduced in a phased approach and will be influenced by business and market intelligence. Memberships prices have not been uplifted for several years and therefore alongside the current membership options, two new membership price tiers have been incorporated into the fees and charges framework. These price increases will include access to the digital app:
- Tier 1, is a minimal monthly increase to each of the existing membership price points and is expected to be implemented during the 2021-22 financial year - Standard to rise from £20 to £22, Corporate £15 to £18 and Concession £10 to £11
  - Tier 2, is a slightly higher monthly increase, which may be chosen instead of tier 1 or implemented later. Implementation will depend on customer take-up and competitors pricing strategies - Standard to rise to £24, Corporate £20 and Concession £12.

NB. These increases will not be implemented before members can receive their full membership entitlement and it is commercially viable to do so.

- 2.7 The eligibility criteria for the concession membership is wide-ranging and includes 60+ and full-time students. The market appraisal showed that not all organisations offer a concessionary membership, for those that do, the focus is primarily on economic and financial grounds, with 60+/full-time students in a separate membership still offering a reduced rate but comparative to corporate rates.
- 2.8 60+ and full-time students currently make up circa 60/65% of the concession membership base, therefore the intention is to remove these groups and create a new membership. This will ensure these groups still receive a reduced membership rate of £15 (comparative to the existing corporate rate). It should be noted that any customers

from these groups, who are receiving economic/financial support and meet the concession criteria, will still be eligible to receive the concession membership rate.

- 2.9 A further membership has been added to the framework for those that are not able to or who are not ready to return to the centres. This will be a digital only membership of £6 per month, allowing members to access online classes through an app.
- 2.10 Other sports activities and facilities hiring charges have been reviewed and price adjustments have been incorporated into the new fees and charges framework and implementation will be considered once the centres have been reopened, service restrictions have been lifted and the rate of customers returning has been assessed.
- 2.11 The changes that are being proposed to memberships and fees and charges, will only be introduced when the business and market intelligence suggest this is viable to do so.
- 2.12 Approval is therefore sought to implement these proposals on fees and charges, that fall within the Public Health Directorate, when it is viable to do so - Proposed changes are detailed in this report and Appendix 1.

### **3.0 Evaluation of alternative options**

- 3.1 **Option 1 - Immediate price increase** - WV Active recognise that the financial losses over the last year need to be recouped as soon as possible. Memberships are the main revenue generator for WV Active and the membership base has reduced by 46% during 2020. The team will need to focus on restoring customer confidence in order to rebuild the customer base to pre Covid levels. Introducing an immediate price increase across the board, where access to the facilities are limited, service restrictions are in operation, whilst the vaccination hubs are in-situ, when the numbers of customers returning is still unknown and in a highly competitive market, will impede recovery so this option has been discounted.
- 3.2 **Option 2 - Do nothing** - For several years the service's running costs have been increasing in line with inflation and the living wage, whilst membership prices have remained static.
- 3.3 This, alongside the amount of revenue lost during the 2020-21 due to Covid, means 'do nothing' is not an option. An increase in revenue will not be possible without some changes to the fees and charges framework.
- 3.4 **Option 3 - Phased approach based on business and market intelligence** - Due to the uncertainties surrounding the number of customers returning to the centres, the timing of increases will be critical in ensuring recovery is not impeded.
- 3.5 WV Active's Covid recovery plan will be to open the centres in line with the Government recovery roadmap. Central Baths will be the only centre than can open in line with the roadmap, as the vaccination hubs will still be in operation at Aldersley and Bert Williams Leisure centres.

3.6 It is anticipated that rebuilding the membership base will take longer whilst access to the centres and services are restricted - competitors will not have the same limitations. Option 3 provides the flexibility needed to implement the proposed changes as and when it is viable to do so.

#### 4.0 Reasons for decision - Option 3 - Phased approach

4.1 The fitness market is highly competitive particularly in Wolverhampton and neighbouring Councils. WV Active's membership is the key revenue generator and pitched at the low price point in the market. Private sector gyms in the low-price end of the market are competitors, who will likely operate price reductions to entice customers back without the service and centre restrictions that WV Active will be experiencing. The timing of any increases in fees and charges will be crucial to ensure recovery is successful, so that WV Active can rebuild its membership base and recover its revenue losses.

4.2 A phased approach using insight based on business and market intelligence will be integral to any changes implemented and will allow the many variables highlighted in the report to be assessed at each stage. This will ensure the best possible recovery, to build up the membership base and in turn generate more revenue for the Council long term.

4.3 The provisional timeline highlights when activities could re-open, in line with Government roadmap (these dates could change). This also provides the WV Active roadmap for introducing possible changes in fees and charges, if the variables discussed earlier allow and the criteria for increasing charges is met:

Activities - Changes in fees	Criteria for increase in charges	Government roadmap Activities re-open				WV Active roadmap 2021-22 Possible increase timings					
		29-Mar	12-Apr	17-May	21-Jun	Jul	Aug	Sep	Oct	Nov to Feb	Mar
Outdoor activities	60-70% customer return	x									
Digital membership	ICT - customer return	x									
Indoor activities	60-70% customer return		x	x							
Swimming lessons	Customer return - vaccination hubs usage		x	x							
Membership - Tier 1	70% of Pre Covid (7k) +competitor response			x							
60+/FT student-New membership	70% of Pre Covid (1.9k) 60+/FT student			x							
Membership - Tier 2	100% of Pre Covid - (10k) +competitor response			x							

#### 5.0 Financial implications

5.1 This report is financial in nature and appendix 1 also provides detail of individual fees and charges proposals.

5.2 Memberships are the main revenue generator for WV Active. Rebuilding the membership base and customer confidence will be the priorities once the centres re-open.

- 5.3 It is important to be aware that additional income from increases in fees and charges is uncertain, as the resulting impact upon demand that will arise from changes in fees and charges cannot be predicted with certainty, although this is considered during the price setting process.
- 5.4 Any impact on budgets arising as a result of the proposed fees and charges will be incorporated into the budget and will be reflected in future Budget and Medium-Term Financial Strategy update reports to Cabinet as well as through Revenue Quarterly Monitoring.
- 5.5 WV Active need to grow revenue to meet increases in cost of services and facilitate reinvestment. Price increases will be introduced cautiously based on business and market intelligence taking into account all factors and restrictions relating to Covid and the Governments recovery roadmap.

[LD/09032021/U]

## **6.0 Legal implications**

- 6.1 The report seeks approval to change the eligibility criteria of the concession membership to remove 60+ and full-time students and create a separate membership for these groups. Existing members within these groups will need to be given the required notice of any changes

[TS/08032021/G]

## **7.0 Equalities implications**

- 7.1 The report seeks approval to change WV Active's fees and charges, concession membership eligibility criteria and introduce new memberships. Before any changes are implemented an Equality, Impact Assessment will be undertaken.

## **8.0 All other Implications**

- 8.1 There are no other implications arising from the recommendations in this report.

## **9.0 Schedule of background papers**

- 9.1 None.

## **10.0 Appendices**

- 10.1 Appendix 1: Fees and charges framework 2021-22