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| HIGH LIFE HIGHLAND REPORT TO BOARD OF DIRECTORS22 June 2022 | AGENDA ITEM REPORT No HLH /22 |

## ***high****life* **Budget Scheme Pricing - Report by Chief Executive**

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| **Summary**This report considers options for altering the ***high****life* budget scheme in the context of the cost of living crisis. It is recommended that Directors:1. note the options analysis contained in the report;
2. agree to retain the ***high****life* budget scheme fifty pence pay as you go charge;
3. agree to introduce a monthly budget ***high****life* subscription option;
4. agree to the initial monthly subscription prices of £3 and £5 for individuals and family/household subscriptions respectively; and
5. agree to delegate the ability to change the price to officers depending on the uptake of the monthly subscription option.
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| **1.** | **Business Plan Contribution** |
| 1.1 | This report supports the highlighted Business Outcomes from the High Life Highland (HLH) Business Plan:1. Seek to continuously improve standards of health and safety.
2. Commit to the Scottish Government’s zero carbon targets and maintain the highest standards in environmental compliance.
3. Use research and market analysis to develop and improve services to meet customer needs.
4. Increase employee satisfaction, engagement and development to improve staff recruitment and retention.
5. Improve the financial sustainability of the company.
6. Value and strengthen the relationship with THC.
7. Develop and deliver the HLH Corporate Programme and seek to attract capital investment.
8. Use research and market analysis to develop and deliver proactive marketing and promotion of HLH and its services.
9. Initiate and implement an ICT digital transformation strategy across the charity.
10. Develop and strengthen relationships with customers, key stakeholders and partners.
11. **Deliver targeted programmes which support and enhance the physical and mental health and wellbeing of the population and which contribute to the prevention agenda.**
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| **2.** | **Background** |
| 2.1 | At its meeting held on 31 March 2022, in considering report HLH2/22 - 2022/23 Budget Approval, the HLH Board agreed that officers consider the impact of removing or changing the 50p ***high****life* budget membership rate with there having been two views expressed at the meeting: * one in favour of removing the charge on a temporary basis because of the cost of living crisis; and
* the other for retaining it on the basis that, for it to be successful the budget scheme must have a value and that the removal of the charge would de-value the service in the eyes of customers.
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| 2.2 | The ***high****life* leisure scheme was developed by The Highland Council (THC) at a time when there was pressure on budgets and a national decline in the use of leisure centres. It was piloted in six centres in 2001 and then established at most other Highland leisure facilities in the following year. An analysis of the success of the scheme a few years later showed that attendances and income increased by just over 90% at the sites where it was introduced.  |
| 2.3 | The success of the scheme was due to it being:* simple – allowing customers to access all leisure centre run activities for a single monthly fee; and
* good value for money – the cost of a subscription equates to three to four visits per month.
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| 2.4 | The scheme was designed to support participation by both adults and children with there being a subscription which covers two adults in a household and any number of children (under 18) that live in that household. A postcode analysis has shown that two thirds of card holders are on middle to low incomes. |
| 2.5 | The ***high****life* scheme was also designed to support people who are financially disadvantaged. An important part of it is the budget membership where people eligible for income related benefits can participate in any leisure centre run activities for fifty pence per visit. The 50p budget membership has become part of ‘brand HLH’, it is widely recognised, nationally acclaimed and is a key selling point in respect of our corporate social responsibility. |
| 2.6 | In a normal year, at any one time, there can be around 10,000 people in the budget scheme with the average number of visits being approximately once per month. Annual income is of the order of £60k. |
| 2.7 | This report considers, as requested by the HLH Board, options for altering the ***high****life* budget scheme in the context of the cost of living crisis.  |
| **3.** | **Options** |
| 3.1 | There are three options which could be considered for changing the budget scheme and this report considers the following:1. maintain the current 50p per visit model;
2. remove the charge for a year; and
3. retain the fifty pence per visit model and, in addition, offer a monthly payment option that mirrors the individual and family subscription model (above) but on a reduced charge basis.
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| 3.2 | Increasing the current 50p per visit charge has not been considered given the context of the discussion at the HLH Board meeting in March and it is not considered to be a good option in the current economic context. |
| **4.** | **Options Analysis** |
| 4.1 | This section considers the pros and cons of each of the above to inform the scoring matrix in section 5 of this report.  |
| 4.2 | **Option 1 - Maintain the current model** where eligible individuals/families pay 50p per visit.

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| Pros | Cons |
| * Well tested
* Retains income
* No risk associated with change
* No reputational risks
* No political risks
 | * Cost of living crisis might reduce income
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| 4.3 | **Option 2 - Remove the charge (temporarily for a year)**

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| Pros | Cons |
| * Opportunity to better support some of the most marginalised/ disadvantaged people in the Highlands.
* Likely to increase participation/ lead to improved health outcomes for customers
* The 50p budget membership has become part of ‘brand HLH’ , it is widely recognised, nationally acclaimed and is a key selling point in respect of our corporate social responsibility.
 | * Loss of £60-£70K income p.a.
* Possible devaluation of the service in the minds of customers.
* Reputational risk with THC – reducing income at a time when budgets are under pressure.
* Removal of the charge on a temporary basis could lead to reputational issues at the point a charge is re-introduced.
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| 4.4 | **Option 3 - Subscription Option –** Introduce a low-cost subscription option for families/individuals, retaining the fifty pence pay as you go (PAYG) option.

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| Pros | Cons |
| * Likely to retain income
* Could increase participation/lead to improved health outcomes for customers
* Could improve HLH’s reputation
* No political risks
* Retaining the 50p PAYG option provides a safety net for people who might not want to sign up to a monthly payment.
 | * Subscription model might not be desirable for people eligible for income related benefits.
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| **5.** | **Consideration of Options** |
| 5.1 | Consideration of the pros and cons identifies that there are benefits associated with each option and these come down to the balance between the:* social/health benefits;
* financial implications; and
* reputational implications.
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| 5.2 | The three options are compared against the benefits and implications listed in paragraph 5.1 and then scored in the table in paragraph 5.5 below. The following scoring scale has been used:* 1 is considered to be worse than the current model;
* 2 is equal to the current model; and
* 3 is an improvement on the current model.
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| 5.2 | **Social/health benefits** – all three options are good in terms of their health and social benefits with the options of removing the charge and introducing a subscription both potentially increasing participation. * Removing the charge could undermine the value of the service so it has been scored as at 3 as an improvement rather than significant improvement on the current model.
* the addition of a subscription model while retaining the 50p PAYG option (as long as it is set at the correct price) could increase participation while at the same time avoiding the risk of devaluing it. This has been scored 2 because it is unlikely to have the same social benefits as removing the charge.
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| 5.3 | **Financial Implications** – the current option generates £60-£70K in a normal year. * Removal of the charge will have a negative impact on HLH’s budget and has been scored 1.
* Maintaining the current model and introducing a subscription has been scored 3 because, dependant on the price-point the addition of a subscription as a payment option could generate additional income for HLH. If too high a price is charged HLH could be seen to be profiteering from a disadvantaged customer group but this is mitigated by maintaining the fifty pence pay as you go option.
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| 5.4 | **Reputational Implications** – the budget scheme is already the cheapest in the country and HLH has a good track record of being able to balance social and financial objectives. * Removing the charge could be positive in terms of improving support to some of the most disadvantaged people in Highland communities. However, removing a charge at a time when HLH is receiving additional support while recovering from the impact of the pandemic would inevitably be called into question by the Council and others. Removing the charge temporarily would be very likely to lead to a campaign to maintain free access when it is reintroduced and, therefore negative overall. On balance removal of the charge has, therefore been scored 2.
* Adding a subscription in addition to retaining the 50p PAYG option (as long as it is set at the correct price) would be a positive contribution to supporting people through the cost of living crisis and in the long term.
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| 5.5 | The scores above have been collated in this table.

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|  | **Maintain current (baseline score)** | **Remove charge** | **Add monthly subscription retaining 50p PAYG option.** |
| Social/health benefits | 2 | 3 | 2 |
| Financial implications | 2 | 1 | 3 |
| Reputational implications | 2 | 2 | 3 |
|  | **6** | **6** | **8** |

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| 5.6 | The option which has scored most highly is to retain the current fifty pence PAYG and add a monthly subscription as an additional option for customers.  |
| 5.7 | This option is entirely dependent, however, on being able to price the monthly budget subscription at a level which will achieve the benefits described above, including maintaining income levels, with it being priced above the PAYG option and low enough so that people eligible for income related benefits can afford it. |
| **6.** | **Price Point – Monthly Budget Subscription** |
| 6.1 | To provide an illustration (this is not the recommended charge), if all of the people who participate in the budget scheme move on to a monthly payment, a charge of £1 for families and £0.50 for individuals (taking account of on-line billing charges) could be expected to generate £96,500, which is slightly higher than for the current model. Taking account of the view expressed at the last HLH Board meeting that care would be required to avoid devaluing and, therefore risk undermining scheme, this information is provided as a baseline rather than as a recommended charge.  |
| 6.2 | It is difficult to assess the correct price point so there are some price options below to help inform the assessment.

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|  | **Option 1** | **Option 2** | **Option 3** |
| **Family/Household****Individual** | £5£3 | £3£2 | £1£0.75 |
| **Visits per month equivalent** | 5 (household)6 (individual) | 3 (household)4 (individual) | 2 (household)2 (individual) |

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| 6.3 | While there is a range where some people will visit a leisure centre three or more times a week and others very infrequently, the average use by budget subscription holders is once per month.

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|  | **Option 1** | **Option 2** | **Option 3** |
| **Social/health benefits** | There is likely to be low uptake if it is priced at £3 and £5 because of the number of visits per month which would be required to make it cost effective for customers. It would, however, be likely to be successful at increasing participation amongst those who take it up.  | The “break-even point” for customers would be similar, in relative terms to the ***high****life* all-inclusive subscription where the break-even point is around four visits per month.  | This option would be the best in terms of meeting HLH’s social objectives and potential health benefits for customers because it would be clearly better value for money to opt for a subscription.  |
| **Financial implications** | If the uptake is good income will increase. If the uptake is poor and customers opt for the PAYG option income levels will remain the same.  | This is likely to be the riskiest option in terms of lost income to HLH because frequent users only will sign up to it and infrequent users will continue with the 50p PAYG option.  | This option is likely to be cost neutral or slightly positive – if there is a large uptake the income will replace the PAYG option and if there is a low uptake the PAYG income will continue.  |
| **Reputational implications** | With the number of visits required to make it good value compared with the PAYG price there is a risk that those charges could be seen cynically by customers and reputationally damaging to HLH.There is a risk that HLH is seen to be targeting larger families and supporting them while being less favourable to single parent families who could be just as much in need.  | This option is likely to be seen as offering good value compared with the PAYG option and a genuine attempt to support people to participate more frequently.  | This option is likely to increase participation most but runs the risk of under-valuing the service so might be counter-productive. |

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| 6.4 | The analysis of the implications of the different price points suggests that:* Option 1 (pricing at £3 and £5) is less likely to achieve the social/health benefits that would be achieved from the other price options but retaining the PAYG option addresses that.
* Option 2 (pricing in the middle ground) should be avoided if HLH is to retain the income levels associated with the budget scheme.
* Option 3 is likely to best achieve the social/health benefits that HLH would wish to see and, counterintuitively, is likely to retain income levels, however, it runs the risk of devaluing scheme and could be seen negatively by the Council and others in the context of the budget pressures on HLH and the public sector.
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| **7.** | **Summary/Conclusion** |
| 7.1 | Having conducted the assessment the option of adding a monthly subscription to the current PAYG scheme appeared to be the best option. When assessing the price-point, the benefit of monthly payment option becomes more difficult. Introducing it at the higher end would allow the principle to be tested in a way which would protect income levels and there would be the ability to reduce the price after an initial trial period if it was not successful. Introducing it at a low price runs the risk of devaluing the service but might increase participation and income levels, however, at £1 and £0.75 it is questionable as to whether this is really an improvement on the current scheme which is working |
| 7.2 | Weighing all of this up it is considered that it is worth testing the introduction of a monthly subscription at £5 and £3 for family and individual subscriptions respectively with the implementation of the scheme and future pricing being delegated to officers to allow it to be adapted should this prove necessary |
| **8.**  | **Implications** |
| 8.1 | Resource implications – if the charge for the budget scheme were to be removed there would be a budget implication of £60-£70k p.a. Implementing the option of adding a monthly subscription offer would both be cost neutral or could be slightly positive. Implementing the recommendation in this report is likely to be cost neutral. External funding to cover a budget gap should the charge be removed was considered but is unlikely as this is seen as a core service provision and part of the Council’s Services Fee to HLH, therefore duplicate funding.  |
| 8.2 | Legal implications - there are no new legal implications arising from this report. |
| 8.3 | Equality implications – the implementation of the recommendation in this report is likely to support people who are financially disadvantages and positively support HLH’s social/charitable objectives. |
| 8.4 | Risk implications – there are no new risk implications arising from this report.  |

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| **Recommendation**It is recommended that Directors:1. note the options analysis contained in the report;
2. agree to retain the ***high****life* budget scheme fifty pence pay as you go charge;
3. agree to introduce a monthly budget ***high****life* subscription option;
4. agree to the initial monthly subscription prices of £3 and £5 for individuals and family/household subscriptions respectively; and
5. agree to delegate the ability to change the price to officers depending on the uptake of the monthly subscription option.
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Designation: Chief Executive

Date: 14 June 2022

Author: Douglas Wilby, Director of Sport and Leisure