

WEST DUNBARTONSHIRE COUNCIL

Report by Acting Executive Director of Housing, Environmental and Economic Development (Land and Environment)

**Housing, Environment and Economic Development Committee:
9 January 2008**

Subject: Expansion of Employee Cosmopolitan Fitness Discount Membership Scheme to family members

1. Purpose

- 1.1** The purpose of this report is to outline to the Committee an option to extend the WDC employee Cosmopolitan Fitness scheme to family members on a pilot basis.

2. Background

- 2.1** In June 2004 Leisure Services introduced the WDC Employee Cosmopolitan Membership Scheme on behalf of the Council. The scheme offers permanent and temporary employees including trainees and Skillseekers, 50% discount on membership fees for the Cosmopolitan Health & Fitness Club. The scheme was launched on Monday 21 June 2004.
- 2.2** In addition to use of the fitness suites in each of the facilities, WDC staff members have unlimited use of the swimming pools and health suites with their membership. Payment is taken directly from salaries or wages at the end of each month or week and the fee is a standard 50% of the Individual Peak membership price – currently 50% of £36 = £18.
- 2.3** Following a motion to Council on 19 December 2007 it was agreed that a report should be submitted to this committee to explore the feasibility of running a six month pilot to extend the employee discount scheme to include the immediate families of employees. Members should be excluded from this pilot scheme.
- 2.4** The intended purpose of extending the scheme to include families is to assist the Council in achieving its Corporate Objective of increasing levels of physical activity within the community.

3. Main Issues

- 3.1** It is considered that the WDC half price membership package could be extended to include an employee's family members on an individual basis. The following conditions and control measures would require to be in place to operate the expanded scheme.

- 3.1.1** The WDC employee would require to be a WDC Cosmopolitan club member in order for a member of their family to take advantage of the offer and the employee would be considered to be the primary member; all associated family memberships would be secondary memberships linked to the primary membership on the membership database.
- 3.1.2** Payment for WDC family members joining the scheme would be collected from the Employee's salary or wages; thus ensuring that should the WDC employee leave Council employment all associated family memberships would cease. The WDC employee would require to complete a Payroll Deduction Authorisation Mandate form authorising the deduction of each secondary membership fee from their wage; this in addition to their primary membership fee deduction.
- 3.1.3** Family members joining the scheme would require to be resident in West Dunbartonshire to qualify for the scheme. Evidence of this would require to be provided along with a WDC Employee Cosmopolitan application form and a Payroll Deduction Authorisation Mandate form signed by the primary member.
- 3.1.4** Only immediate family members (defined as civil partners/spouse) of WDC employees would qualify for the offer. The relationship to the WDC employee would require to be stated on the application form.
- 3.1.5** Leisure Services would retain the right to cancel any memberships that were proven not to satisfy the necessary criteria.
- 3.2** There is the potential for an increase in memberships by opening up the employee discount to include family members. Currently there are over 770 WDC employee members which equates to approximately 13% of the workforce.
- 3.3** An extension of the current WDC staff membership scheme could be seen as a further commitment from WDC to the health of the community however it should be recognised that there may be complaints received from full paying customers resident within West Dunbartonshire and also from family members of employees who reside outwith West Dunbartonshire and are therefore excluded on the basis of their address.
- 3.4** The Council may therefore be challenged to demonstrate that offering discounted membership to family members of employees is a sound use of financial resources. This challenge could prove difficult for the Council as there is no clear justification why the family member of an employee is more entitled to a discounted membership than any other resident of West Dunbartonshire. For this reason, it is recommended that discounted family memberships are restricted to partners and spouse of the employee. It is felt that a scheme allowing partners/spouses discounted membership may encourage Council employees to use Council leisure facilities and thus help to improve the health and well being of the Council workforce.

4. Personnel Issues

- 4.1 It is not anticipated that additional staffing will be required to accommodate any additional members arising from the scheme outlined in Section 3 above.
- 4.2 The Payroll Team have been consulted on the method of processing multiple deductions from employees' wages.

They have advised a new Payroll Deduction Authorisation Mandate form with a new total deduction figure must be completed and passed to them for each additional secondary membership. This will be part of the secondary membership joining process as detailed in 3.1.2.

5. Financial Implications

- 5.1 There may be a loss of income from WDC employee family members eligible for a discounted membership who convert from a current full price membership.
- 5.2 Accurate analysis of the impact of the scheme as outlined in 5.1 above is not possible in advance as details of employee's relatives are not presently recorded on the membership database.
- 5.3 To negate any loss and remain in a standstill position in terms of income, sales of discounted memberships to employee's family members would require to be twice as great as the number of full paying memberships cancelled. Any new memberships over and above this would result in increased income to Leisure Services.
- 5.4 The risk of lost income to Leisure Services via cancellation of full price memberships could be controlled by offering the scheme on a pilot basis of 6 months membership.

Applicants would be advised that their discounted membership may be terminated after 6 months depending upon the evaluation of the pilot.

- 5.5 Marketing of the initiative will be directed at employees via Council publications and the Intranet therefore marketing costs would be negligible.

6. Risk Analysis

- 6.1 There is a risk that the loss of income from full paying members converting to the discounted membership is not offset by an equivalent increase in membership sales for this category.
- 6.2 The risk identified in 6.1 can be partially controlled by running this membership as a pilot scheme on a trial basis with a restricted sign up period. The sign up period is proposed to be during February, March and April 2008 with memberships running for 6 months from date of joining.

A comparison of the number of full paying memberships cancelled against the number of new members and an assessment of any complaints received would be undertaken at the end of the pilot period to determine the ongoing viability of the scheme.

- 6.3 The Council may expose itself to a challenge to justify the discounts offered to employee's families as a proper use of Council resources. Although there may be health benefits within the community from increased participation as a result of this scheme, it could prove difficult for the Council to justify why employees' families have been targeted to receive discounted membership.
- 6.4 There is a risk that the Council may receive a complaint that it is acting in an anti-competitive manner or is potentially abusing a dominant market position. One or more of the Council's competitors may argue that the Council is creating an unfair trading advantage for its leisure centres. This could lead to a complaint being submitted against the Council and/or potential legal action. For the reasons stated in paragraphs 3.1 and 3.4, it is therefore proposed to restrict the offer of discounted membership to employees, partners and spouses and this should minimise the risk of any successful complaint about the scheme. Extending the scheme to other family members will increase the likelihood of successful action/complaint being taken against the Council.
- 6.5 The Council may receive negative publicity resulting from complaints from full-paying members of the public who consider that families of employees are being subsidised by the Council.

7. Conclusions

- 7.1 The expansion of the WDC staff Cosmopolitan membership scheme to include staff family members presents an opportunity for the Council to demonstrate its commitment to health improvement for citizens of West Dunbartonshire.
- 7.2 If successful, the scheme could also result in increased income to Leisure Services.
- 7.3 The option of operating a pilot scheme for 6 months minimises the potential of lost income to Leisure Services should the scheme not be well subscribed and enables it to be reconsidered should the Council receive complaints about the scheme.

8. Recommendations

8.1 The Committee is asked to:

- (a) **consider the introduction of a six month pilot scheme commencing in February 2008 which offers employees' partners and spouse the opportunity to join the Cosmopolitan Fitness Club at a 50% discounted price, and;**

- (b) instruct the Acting Director of Housing, Environmental and Economic Development (Land and Environmental Services) to submit a further report providing a statistical analysis and evaluation of the scheme during February – July 2007 and recommending the success, or otherwise, of the pilot to the first meeting of this committee after the summer 2008 recess.

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Date: 15 December 2007

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Appendix: None

Background Papers: None

Wards Affected: All