

Council Budget 2003/04 – Report to Cabinet 13 February 2003 Agenda Item

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Supplementary Report on Implications of:

- **Devonshire Park Fitness Centre - Closure of Service**
- **Community Finance Fraud Team Review of Service**
- **Asset Disposal**

1.0	<u>TOURISM AND LEISURE: DEVONSHIRE PARK FITNESS CENTRE</u>
1.1	The Devonshire Park Fitness Centre opened in September 1996. The first 5 years were in profit share partnership with Force Fitness Systems. It has never made a profit and is currently, consistently running at a loss despite a regular programme of promotions, membership drives and change of exercise programmes. The layout of the centre, on two floors, necessitates more staffing than Body Matters Fitness Suite and this contributes to the running costs considerably.

1.2	<p>The equipment in the fitness centre is leased and this expires at the end of February. This would need to be replaced immediately if it was decided to continue running this facility. With current and future new fitness centres opening, competition is becoming fierce for members. Devonshire Park Fitness Centre is unable to be competitive with these larger organisations who can offer state of the art equipment and other peripheral attractions such as aromatherapy rooms, and specialised exercise regimes, such as spinning.</p>
1.3	<p><u>Resource Implications</u></p> <p>There are currently approximately 330 full members currently using the centre on full annual memberships. In addition, there is a student membership with renewals on a monthly basis. This is not easy to quantify in numbers as they come and go. In revenue terms, the student membership equates to approximately 10-15% of the overall income.</p>
1.4	<p>Arrangements are in place to facilitate transfers to Body Matters Fitness Suite for those members who wish to transfer. For those who do not want to transfer, Direct Debit agreements will be cancelled and refunds made to those who have paid in advance. The student membership could also be offered at Body Matters.</p>

1.5	<p><u>Financial Implications</u></p> <p>The 2002-2003 budget net cost for operating the Devonshire Park Fitness Centre is £20,000. Closure from 1st April 2003 is estimated to save £12,000 of the net cost. This sum has been included as a saving in the separate 2003-2004 budget report on today's agenda. The residual £8,000 is required to continue to provide changing rooms and showering facilities as part of our annual commitment to the Lawn Tennis Association's summer season of tennis events.</p>
1.6	<p>For our customers, a proportion of memberships are on finance agreements and collected monthly. These will cease without any cancellation costs to the member. All membership fees paid in advance will be refunded. It is anticipated that some of the members will transfer to Body Matters and use up the rest of their outstanding membership there.</p> <p>Student memberships are renewed monthly and will cease to be renewed if the Cabinet decide to go ahead with this closure.</p>
1.7	<p>As mentioned previously, the equipment lease expires at the end of February, although this can be continued on a monthly basis at current rates of £2,152.</p> <p>If the centre were to continue to trade, a complete refurbishment of the showers in both changing rooms will be required. This would require an injection of capital investment that is not provided for in the Council's capital strategy. In addition, the annual revenue subsidy would remain, with the potential to increase rather than reduce given an increasingly competitive trading environment.</p>

<p style="text-align: center;">1.8</p>	<p><u>Human Resource Implications</u></p> <p>Specific staffing implications are discussed in a separate private and confidential briefing paper.</p>
<p style="text-align: center;">1.9</p>	<p><u>Other Implications</u></p> <p>The Devonshire Park Fitness Centre is located in a very quiet location with little footfall or passing trade. At night it is dark, quiet and not conducive to women alone, going from car park to the Centre. The Centre will still be maintained for the Ladies International Tennis Tournament and for other tournaments throughout the season with the upkeep reverting to Events and also Devonshire Park Tennis Club will use it from May to September with the upkeep reverting to Events.</p>
<p style="text-align: center;">1.10</p>	<p><u>Summary of Options</u></p> <p>Given that the Centre is unable to expand and compete with larger profitable organisations, and that membership recruitment has been on-going but not financially rewarding and that retention remains a problem, there seems to be little option for the continued operation of this facility.</p>
<p style="text-align: center;">1.11</p>	<p><u>Conclusions</u></p> <p>After considering the competition and the inability to change and expand the current operation at Devonshire Park Fitness Centre, the conclusion would be to close the centre by the end of this financial year.</p> <p>R G Cussons</p> <p>Director of Tourism & Leisure</p>

2.0	<u>HOUSING, HEALTH AND COMMUNITY FINANCE: FRAUD INVESTIGATION TEAM</u>
2.1	Historically, the Council has used Weekly Benefit Savings subsidy from the Department for Work and Pensions (DWP) to fund the work of the Fraud Investigation Team in the Community Finance Division.
2.2	From 1 April 2002 the Department for Work and Pensions introduced significant changes to the way that it rewarded successful anti-fraud activity in local authorities. Weekly Benefit Savings were replaced with a Weekly Incorrect Benefits Scheme and rewards for undertaking sanctions, such as prosecutions, etc. The new scheme is now known as Security Against Fraud and Error (SAFE).
2.3	The overall effect of these changes has been dramatically to reduce the council's subsidy income for this work. As a result of representations by many local authorities, the DWP acknowledged the severe financial difficulties that their changes had caused. They responded by providing transitional protection for authorities such as Eastbourne for the 2002/3 financial year and this has helped to cover the budget shortfall. The DWP has indicated that this will not apply in future years.

2.4		<p>Officers have undertaken an analysis of potential SAFE income for the coming financial year. Although most of the Fraud Investigation Team members have now been fully trained in the new procedures and have begun to undertake sanction work, etc., it appears highly unlikely that the budgeted income will be attainable in the coming year. As a result, ways were sought to reduce the cost of the Fraud Investigation Team service and included in the Community Finance Service and Financial Plan. These have included reducing salary costs by making one of the Community Finance Fraud Investigation team redundant.</p>
2.5		<p><u>Financial Implications</u></p> <p>The Fraud Investigation team consists of four full time investigators and one full time administrative officer. During the budget process in February 2003, Budget Cabinet and, potentially thereafter, Full Council, will consider this financial saving. At this point, the Fraud Investigation team has been provisionally consulted about the proposals. They understand the reasons for this review and streamlining of the team's membership. One officer from that group has expressed initial interest in leaving the Fraud team. In anticipation of Cabinet and Full Council decisions, first steps are being taken to implement the Alternative Employment procedure.</p>
2.6	<p><u>Conclusions</u></p> <p>The reduction of numbers in the Fraud Investigation team is recommended to Cabinet.</p> <p>Neil Fuller</p> <p>Director of Housing, Health & Community Finance</p>	

3.0	<u>ALTERNATIVE EMPLOYMENT PROCEDURE</u>	
3.1	Under the auspices of the Alternative Employment Procedure, consultation has now begun with UNISON and with the individuals affected.	
3.2	The Alternative Employment procedure involves consultation with UNISON & the affected team and individuals. It also provides for written follow-up, inviting those under threat of redundancy to produce brief career résumés and to avail themselves of support and guidance in the search for alternative employment. Job descriptions and CV details, as available, will circulate to all directorates and all emerging vacancies will be scrutinised in efforts to identify 'suitable alternative work'.	
<u>Caroline Freeman</u> Head of Personnel		
4.0	<u>ASSET DISPOSAL</u>	
4.1	A list of disposals (previously approved) that are forecast for completion in 2003/04 and a list of further disposals to be agreed as part of the budget proposals is set out in the confidential addendum to this paper.	

Sue McHugh

Director of Finance and Corporate Resources