



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and date of Committee	Finance and Management Overview and Scrutiny Committee – 28 September 2022. 2pm
Report Number	AGENDA ITEM 8
Subject	Greenwich Leisure Limited (GLL) response to the energy crisis
Wards affected	All
Accountable member	Cllr. Dan Levy Cabinet Member for Finance Email: dan.levy@westoxon.gov.uk
Accountable officer	Elizabeth Griffiths Chief Finance Officer/Deputy Chief Executive Email: Elizabeth.Griffiths@westoxon.gov.uk
Summary/Purpose	To present an update on how Greenwich Leisure Limited (GLL) are responding to the energy crisis.
Recommendation(s)	That the Committee consider an update on how Greenwich Leisure Limited (GLL) are responding to the energy crisis.
Council priorities	The contract with GLL supports the following key Council Priorities: <ul style="list-style-type: none">• Healthy Towns and Villages: Facilitating healthy lifestyles and better wellbeing for everyone• Finance: Delivering excellent modern services whilst ensuring the financial sustainability of the Council
Key Decision	No
Exempt	No
Consultees/ Consultation	None

1. SUMMARY

- 1.1 The sustainability of public sport and leisure facilities and services is key to levelling up the health of the nation, tackling health inequalities and driving social value to communities.
- 1.2 The COVID-19 pandemic has had a devastating impact on public sport and leisure services. The loss of income from long periods of closure, combined with high monthly maintenance costs, has significantly affected the viability of the sector. Whilst the Job Retention Scheme (JRS) and the National Leisure Recovery Fund (NLRF) provided a lifeline during the pandemic, leisure providers were unable to secure Government support beyond this and both support schemes have long since ended.
- 1.3 Throughout the pandemic, leisure providers made full use of all available financial reserves and support from Councils. The NLRF evaluation puts the subsidy delivered at around £125 million from councils with a similar figure coming from provider reserves. These resources are now exhausted but income in the sector has not returned to pre pandemic levels and is not sufficient to cover service costs.
- 1.4 At a time when recovery was beginning to gain momentum, leisure providers are being hit hard not only by exponentially rising overhead costs, the most significant of these being utilities, but also the recent cost of living pressures on households, which is forcing people to re-evaluate their spending habits. As the cost of essentials starts to exceed their income, it can put even relatively small additional spending beyond their reach. Even if they haven't yet reached this tipping point, fear of it, and what winter may bring, can make people understandably hesitant which impacts on the usage of leisure facilities and participation rates. Coupled with concern from some sectors of the community about the safety of returning to shared spaces and facilities and the change in habits that people were forced to adopt during lockdown, footfall is significantly reduced and consequently revenue is materially short of the levels necessary to cover even normal running costs, so the rapidly rising overheads currently being experienced are resulting in significant and ongoing losses.

2. BACKGROUND

- 2.1 Council leisure providers are being adversely and disproportionately affected because while the small studios and rooms with treadmills and equipment that many smaller private gyms operate have seen an increase in utility costs, the huge halls and large swimming pools that are typically only provided in Council leisure centres have exponentially higher energy demands and are therefore disproportionately affected by the increase in utility costs.
- 2.2 Council provided leisure services run on relatively low margins in order to ensure inclusivity, accessibility and to cater for a wider local need. Some higher income services, for example gym memberships, help to subsidise services such as swimming which operates at a loss for every swim that takes place. Gym memberships in the district have not recovered to pre pandemic levels (<4,000 vs >5,000 pre pandemic) so this subsidy no longer exists. This is a national problem and the energy crisis has now reached a point where some other Councils have had to close loss making facilities. While this will negatively impact on the health and wellbeing of communities, not to mention the recovery and future viability of the sector, the scale of losses in the short to medium term are making these kind of actions unavoidable in some cases.

- 2.3 GLL recognise the serious and significant impact of the current fluctuation in Utility Prices and as a National Leisure Group who operate 135 facilities with public pools and multiple Local Authority Partners – the impact of this National Crisis is being felt by GLL across their whole business. The energy crisis is a national industry threat and all parties are hoping that the government may yet step in to offer support in order to maintain the provision of facilities - but to date no assistance has been forthcoming.
- 2.4 GLL are working in partnership with the Council and regular meetings to discuss the financial pressures being faced and how best to mitigate them have been taking place between the GLL area managers, the Publica operational manager and the Council CFO.
- 2.5 The list below provides some high level context on the challenge GLL face in west Oxfordshire:-
- West Oxfordshire's leisure utility costs for 2019 = £390,143
 - West Oxfordshire's forecast leisure utility costs for 2022/23 is £1.1m
 - The utility forecast is an uplift of 281% of 2019 prices
 - There is currently no clarity or confirmation of any Government support for businesses
 - Trading levels have still not recovered since the pandemic
 - There is an additional trading pressure with new gym provision being delivered in Witney by other private providers
 - The impact of the rising cost of utilities is being compounded by inflation which is causing rising employment costs and supplier costs to the industry

3. MITIGATIONS

3.1 Measures being undertaken

- GLL have initiatives underway to reduce energy usage in all sites
- The Council is collaborating with GLL on a targeted marketing campaign to increase usage of the centres and encourage some sectors of the community back to them
- The Council and GLL are jointly reviewing options for energy generation such as solar panels to ease the reliance on external power
- Engineering surveys are being carried out to identify whether changes in heating systems such as air source heat pumps are feasible and would be beneficial to the ongoing costs of running the centres.

3.2 On the basis that swimming pools are a significant driver of the current losses, a short term energy surcharge has been added to prices with a focus on the users of the pool. This can be removed if utility prices fall again and has not been applied to concessionary users of the pool in an attempt to avoid impacting those already hardest hit by the current economic situation.

- £2 added to Health and Fitness memberships

- £5 added to swim only members
- £2 added to main stream lessons
- £1.50 added to pay as you go adult swim
- £0.50 added to pay as you go junior swim
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3.3 In addition to the above, as an organisation GLL are also:-

- Working with Sport England and UKActive on engaging with Government agencies on the crisis and support that may be available
- Lobbying MPs to support the industry
- Working closely with their energy providers to manage purchasing risk
- Investigating and implementing energy saving technologies
- Reviewing and developing further options for both short and long term loss mitigations to enable the Council to continue delivering leisure services in the district.

4. CONCLUSIONS

- 4.1 GLL as the Council's leisure service manager and indeed the whole leisure industry are facing unprecedented difficulties. The pandemic mandated the closure of leisure facilities and forced people to change their exercise habits. The restrictions of the pandemic may have been removed but customers have not returned to pre pandemic levels. Now, global events have resulted in spiralling energy costs and unprecedented rises in inflation which are all adding pressure to an already struggling sector.
- 4.2 What is clear is that bringing it in house would incur a huge amount of investment because we have neither the skills nor the personnel to run the centres as a Council and some of the advantages levered by the group structure of GLL such as reduced business rates would be lost, resulting in an even more difficult financial situation.
- 4.3 The Council is very dependent on the current leisure contract, which runs to 2027, to provide income that supports other core services. This income is very much under threat.
- 4.4 GLL have been asked to suggest strategies that will secure the provision of leisure services in the medium to long term but also mitigate the losses in the short term. These have not yet been presented but could feasibly include the short term closure of some loss making facilities as some other Councils have done in order to preserve the long term future of the service.

5. FINANCIAL IMPLICATIONS

- 5.1 The financial implications are as yet to be clarified. GLL are firm in their commitment to meet their contractual obligations around management fees in 2022/23 but have forecast an inability to pay these ongoing for the remainder of the contract if the current situation does not change.

6. LEGAL IMPLICATIONS

- 6.1 WODC's contractual position is strong and the number of years left on the contract means that we have not been forced to renegotiate our current position which entitles us to management fees and places utility risk firmly with GLL. The reality of the current economic situation though is that the centres are currently running at a loss which is not a sustainable position.

7. EQUALITIES IMPACT

- 7.1 As part of the marketing campaign to improve usage of the centres we are reaching out to all sectors of the community to encourage them to make use of the facilities and reap the health benefits of doing so.

8. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 8.1 There may be opportunities to decarbonise some of the energy requirements if this can be demonstrated to be beneficial to the current situation.