

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE
Date 13th December 2022

REPORT AUTHOR: County Councillor Cllr David Selby
Portfolio Holder for a More Prosperous Powys

REPORT TITLE: Leisure Services – Energy Cost Increase Mitigation
Proposals 2022-23

REPORT FOR: Decision

1. Purpose

- 1.1 To provide Cabinet with information regarding the impact of significant increases in energy costs to Freedom Leisure (who are a not-for-profit trust and manage and deliver leisure services on behalf of the authority through a long-term contract) and to agree the emergency measures that they have recommended to mitigate the predicted budget deficit position of £287k for the financial year 2022-23.

2. Background

- 2.1 The current energy crisis and associated price increases are creating a catastrophic impact across the UK leisure industry. After a very challenging two years for the sector, Freedom Leisure in Powys has not been able to fully recover its trading position. This of course affects the wider leisure sector and is not just a Powys issue.
- 2.2 Having similar challenges to the authority, energy price inflation is causing an extreme financial challenge for Freedom Leisure. This is compounded by the impact on wages inflation and the increased cost of supplies, equipment, goods and services.
- 2.3 Freedom Leisure have already implemented a wide range of operational and energy efficiency measures to significantly reduce energy usage, saving in excess of 5% in the process. Freedom Leisure have been incurring significant additional utility costs in 2022/23 and have absorbed the majority of the increases to date.
- 2.4 Despite carrying forward an in-year surplus, the situation will be reversed by the year end and Freedom are predicting an overspend of £287k. Whilst they have requested additional financial support to meet this overspend there is no budget available for such purposes.
- 2.5 The longer-term consequence of the utilities increase is a predicted shortfall in the budget of £1.1m next year (2023/24) if services were to

continue at current levels of provision and all existing leisure centres remain open.

- 2.6 The financial predictions by Freedom Leisure remain are based upon the latest information available at the time of reporting. For the purposes of this report, Freedom Leisure have provided a projection for the financial year 2022/23 based on the current energy situation.
- 2.7 It should also be noted that whilst growth is evident within aquatics activities and the 'learn to swim' schemes, fitness and membership income remains below budget forecast.
- 2.8 For context - there are around 1.4 million 'visits' to fourteen leisure & sports centres in Powys each year – providing a range and variety of activities, schemes, events and social spaces to local communities: young people, older adults, women and girls, universal provision, those with disabilities or long-term illness, low-socioeconomic and ethnically diverse groups.

3. Advice

- 3.1 A published Wales Local Government Association (WLGA) paper reports that leisure and culture facilities provide vital health, leisure and wellbeing services to local communities and is a key re-engagement service post Covid-19.
- 3.2 A published 'Welsh Sports Association' and 'Community Leisure UK' paper reports public leisure is still feeling the impact of the Covid-19 pandemic. While all facilities and services have reopened, months of closure have led to changes in lifestyles and habits, and the public has not returned to using leisure facilities to be physically active to the same level as pre-Covid-19.
- 3.3 In addition, the cost-of-living crisis and rising inflation is putting unprecedented pressure on businesses and the public. This has led to a crisis point in public leisure where operators are reporting unsustainable increases in costs, paired with stagnated return rates and reduced levels of income.
- 3.4 In order for mitigation to be implemented to address the in-year (2022-23) deficit position, immediate actions have been proposed by Freedom Leisure –
 - a) To temporarily close the leisure centre buildings to the public in Llanfair Caereinion, Llanfyllin & Presteigne from 23rd December 2022 – 31st March 2023 (high schools to retain access to 'dry side' facilities only)
 - b) To temporarily close the swimming pools in Llanidloes, Rhayader & Builth Wells from 23rd December 2022 – 31st March 2023 (to the public and schools)

- c) All other leisure centres/pools (not listed above) to close over Christmas from 23rd December 2022 – 3rd January 2023
 - d) To implement an increase to fees & charges (in line with CPI) from January 2023
- 3.5 It is recognised that the recommendations below will be disappointing for many of our residents and for the Freedom staff involved. It is however necessary for such emergency action to be taken to mitigate against the energy price increases that have hit the sector particularly hard.
- 3.6 The measures in 3.4 will reduce the deficit position but could leave a projected shortfall. A further report will be submitted to Cabinet or Portfolio Holder if the projected shortfall materialises at the end of the financial year
- 3.7 The longer-term implications of energy and inflationary price/cost increases will need to be considered and appropriate actions taken from April 2023, due to the predicted additional costs of £1.1m (above the existing management fee) in 2023-24 for all fourteen leisure centres to remain operational.
- 3.8 Future capital investment in leisure buildings will need to be understood and agreed in a subsequent paper which will help determine a sustainable, affordable leisure offer in Powys.
- 3.9 Further work will be needed to work up options and proposals to determine the longer-term future and sustainability of the leisure facilities in Powys.

4. Resource Implications

- 4.1 Freedom Leisure have proposed changes as set out in section 3.4 that will mitigate the predicted forecast loss of £287k in-year (2022-23). These are assumptions that will need to be closely monitored to ensure that they remain on track and minimise the deficit. If a deficit were to arise the Council would consider funding this from the service budget or Council reserves, subject to Cabinet or Portfolio Holder approval.
- 4.2 The financial projections next year suggest a financial shortfall of £1.1 million and this will need to be considered as part of a wider review about the leisure provision in Powys
- 4.3 The Head of Finance (Section 151 Officer) notes this report and the proposals recommended by Freedom Leisure to mitigate the projected financial in year deficit. The current economic situation is affecting many

areas of the council and it is important that we take action to manage and limit additional costs across all services.

5. Legal implications

- 5.1 Legal: The recommendations can be supported from a legal point of view
- 5.2 The Head of Legal Services and the Monitoring Officer has commented as follows: "I note the legal comments and have nothing to add to the report"

6. Data Protection

- 6.1 None expected

7. Comment from local member(s)

- 7.1 Local members will receive a copy of the news release at the same time as the media so that consistent messages are received by all. The Portfolio Holder for a More Prosperous Powys will make contact with any local members affected by the proposals in their wards.

8. Impact Assessment

- 8.1 Attached

9. Recommendation

- 9.1 That Cabinet acknowledge the significant impact of the current energy crisis on Freedom Leisure (and the Powys leisure centres) and accepts that the suggested emergency measures be implemented to mitigate and reduce the in-year deficit position.
- 9.2 That Cabinet note that the service and Freedom Leisure agree communications to ensure staff, schools, the public and other stakeholders receive messages and information as appropriate.
- 9.3 That a further report is brought to Cabinet or Portfolio Holder in the event that despite the measures in paragraph 3.4 there is a deficit at the end of the financial year.
- 9.4 That Cabinet agree further work will be needed to provide options and proposals to determine the longer-term future and sustainability of the leisure facilities in Powys.

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