Community Leisure UK Statement on Energy Bill Relief Scheme

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Following the Government's announcement of the Energy Bill Relief Scheme on Wednesday 21 September we have consulted extensively with our members to understand a detailed position of the impact of this bill on public leisure and culture services.

While this short term measure has been initially welcomed by many sectors, including the Charitable Trust sector, Community Leisure UK and their members warn that much more needs to be done over the coming weeks and months to prevent public leisure and culture services and facilities from permanently closing.

Following consultation with our members we have identified three main concerns that need addressing urgently; including the cap only covering wholesale prices, the cap still being significantly higher than energy payments the previous year, and, the timeline for support not reflecting the impact for companies with fixed contracts due for renewal the moment the scheme ends.

1) Commodity and Non-Commodity Prices.

Firstly, the Energy Bill Relief Scheme only applies to wholesale prices; but businesses' utility costs are made up out of commodity and non-commodity prices. Therefore, the cost reduction for businesses is limited and will not be enough to alleviate the significant pressures on businesses.

Example from an operator in the North West of England:

Digging a bit deeper into the announcement with our broker, our headline electricity day rate at one of our sites, for example, is 22.85p but this in turn is made up of two elements: commodity 11.85p and non-commodity 11p. The Govt Cap of 21.1p is I believe, only for the commodity element so we are still 50% cheaper than the cap so no likelihood of benefit! […] We are also well under the cap for gas (5.5p vs the cap of 7.5p). […] Our industry model was set a long time ago with energy prices at a "normal" level envisaging normal fluctuations with inflation at around 1%-2% and we could operate at break even within the agreed subsidy. That model is now completely broken.

Going back to pre-pandemic March 2020, we were paying an average unit rate of 2.1p for gas and 14p for electricity. Today we are paying gas 5.3p and electricity 23p (a good rate compared to current market and fixed to 30th September 2023 but more than double our "normal" rate for gas and 50% higher electricity).

Based on the info I have to date, it is not a question of if the money runs out but when. Without direct, substantial financial support from either Central Government or Local Authority, I know we will be insolvent within 12 months and I strongly suspect every Leisure Trust in the country is in a similar position give or take a few months.

Example from an operator in South East England:

We have a good contract for electricity as mentioned before so expect a small decline in price starting April 23 for 12 month. Gas, however, is a different story, we initially have been declined entry into a basket set up due to our trading figures (recovery budgets) and the fact that LEISURE is too high a credit risk so many suppliers would not even quote.

Since the Government announcement we have been given a deal for 6 months based on a price point of between 19p-25p p/kWh which we have to sign to receive the support package. However, the advertised rate of 7.5p is misleading as indicated below from our brokers.

'you will get the 7.5p commodity only the built up price will be around 9p hence why I use this as the 7.5p is a little misleading it is only the commodity element'

The negative effect of the 9p/kWh is an increase of £171k on gas alone for 6 months at the 19p-25p rate we are bust!

We will have a huge challenge to find the £171k as it is and have a raft of energy saving solutions some of which include pool and centre closures and reduced opening times all of which naturally affect staff working hours.

2) Caps are Still Higher than Energy Costs in Previous Years

Secondly, the price caps proposed by the Government are not equivalent to a reduction in costs. While they may be half of what is predicted without Government intervention, the fact remains that the current caps are still significantly higher than the average costs for energy in the previous years, and, in many cases, also higher than currently fixed deals provided by the market. In addition, there are standing charges that are unaffected by the price caps.

Example from a Single Site operator in North East England:

The price cap for gas will help us a little bit but it's still 200% more than our previous rate. As gas is our main use when heating the pool and the building this has had the greatest effect on our finances. We are under an old contract for electricity until 2023 so the cap won't give us anything back.

As a single site, local resident run organisation that has only been open since 2019 the reserves we have built will be under threat. The board is reluctant to spend money on capital / non essential repairs. This has an impact on the services and activities we will be able to offer to the local community.

Example from an operator in South East England:

We currently pay 15.5p for Electricity and 2.2p for gas. Without the cap we would have most certainly been out of business within 8 months if we did not close our biggest site that has 2000 swimming lessons per week.

Even with the cap we are still looking at a 290% increase in gas as we signed up to a day ahead price at the end of August and our broker price is much higher which would increase our bills from £100k to £390k per annum. Electricity approx 43% increase £300k to £430k per annum. A combined increase per annum of £420,000.

We know we now need to start working towards reducing our utilities usage even further, which is a good thing. We have already made over 35% savings compared with 2019 but will continue to look at the best capital spends that will reduce our need for utilities.

We are also looking to temporarily close our largest pool at 8pm Monday-Friday and send staff home early and close down the building.

Example from an operator in Scotland:

We are on the Scottish Government contract rate for electricity and gas which are both under the capped rate for businesses. This rate is fixed until 31st March 2023. I have already factored in an increase for next year based on current rates. Based on current financial projections and funding levels and due to existing cash reserves we can trade for the next 18 to 24 months maximum. Trading beyond that will require closure of some facilities.

3) Timeframe

Finally, the timeline for support is not reflecting the immediate current pressures in the public leisure and culture sector. There are a large number of organisations who have fixed new contracts either before April 1st, 2022 or whose contracts are coming up in March 2023 who are now left out of support.

Example from an operator in Central England:

For us, our gas is considerably below the cap currently, at a rate of less than 2.5p plus quite a hefty daily standing charge. However, this rate ends March 2023. We have received a forecast of a potential max +300% increase from April 2023 (even higher than a previous estimate of +180%). This doesn't kick in until after the relief scheme currently ends, and could cost us an extra £750k next year.

Electricity is currently fixed from some time ago, and we move on to a further fix next July on a passthrough basis which is considerably below the cap again for most of our venues. We may qualify for support for one of our other venues supplied by another electricity supplier but despite being forecast a 100% increase from October for this venue, I believe the commodity element may still come in below the cap. So again, a big increase for us to absorb but potentially no support from the scheme towards it.

Therefore, for us, it is also a question of how long we can cover these forecast increases as we do not qualify for the scheme as it currently stands.

Example from an operator in Wales:

Our electricity has been fixed since October 2021 for one year but gas costs have already increased substantially this year with a 230% increase in March 2022. Following the business energy price cap announcement that will fix wholesale gas and electricity prices for six months from 1 October, we have estimated the further impact of our electricity costs will rise by 33% from 1 October and gas, which is currently fixed, by a likely minimum 42% from 1 April 2023. Even with the price cap, this will increase our utility costs by over £350k per annum and we still have the uncertainty beyond March 2023.

As the responses from our members illustrate, the public leisure and culture sector are in a precarious situation and the Energy Bill Relief Scheme will not be enough to support the public leisure and culture sector through this crisis. The public leisure and culture landscape has already changed for the worse, with reduced opening hours, fewer hours of work and redundancies and permanent closures on the horizon if no further action is taken.

Our ask of the Government

We call on the UK Government to work with national arms-length bodies including the Sports and Arts Councils and Local Authorities, who themselves are facing significant budget pressures, to provide more financial support and capacity to support the sector.

We stand ready to work with the Government and national partners to devise a support package that will provide relief support to the public leisure and culture sector now and in the future.