

2 February 2023

Dear Mr Evans,

RE: Provisional Local Government Revenue and Capital Settlements for 2023-24

We are writing to you on behalf of leisure and culture trusts in Wales who deliver vital public leisure, sport, physical activity, library, cultural and arts activities for communities across Wales. These are charitable, non-profit distributing organisations that operate on small margins and deliver public leisure and culture in collaboration with local government.

The public leisure and culture sector is currently in crisis and in need of additional support from the Welsh Government. As charitable Trusts are key partners to local government and support them in the delivery of the Future Generations Act, the Local Government Revenue and Capital Settlement provides a vital opportunity to confirm much needed support for leisure and culture trusts.

State of the public leisure and culture sector

As evidenced in the recent report from the Senedd's Culture, Communications, Welsh Language, Sport, and International Relations Committee, Wales' "culture and sport sectors need additional help to cope with the cost of living crisis. They are still dealing with the impacts of the pandemic – both on participation and their own financial health – and so are ill-equipped to weather the storm we all currently face."¹

Coordination and collaboration between Welsh Government departments, encompassing Culture and Sport, Economy, Health and Social Services, as well as Local Government, will be key to addressing this crisis.

We undertook an in-depth analysis of the position of our members in Wales. In November 2022, 60% of our members were in crisis or rapidly heading towards one. When we repeated the question post- announcement of the Energy Bill Relief Scheme in January 2023, this figure had increased slightly to 70% of our members in Wales.

In November 2022, 80% of our members projected a deficit budget at the end of this financial year. The combined deficit anticipated for this financial year is over £5.4 million for leisure trusts only.

One Trust that was at risk in November and is now in crisis as of January 2023 commented: *"Will be in crisis by the end of this year. No current planned closures but significant staff reorgansation in order to meet rising costs. Likely redundancies and significant organisational turmoil."*

¹ Welsh Parliament Culture, Communications, Welsh Language, Sport, and International Relations Committee. Increasing costs Impact on culture and sport November 2022. Available at: <https://business.senedd.wales/mglIssueHistoryHome.aspx?lId=39879>

For the minority that are not yet in a crisis position, they commented in November: “Utilities coming up in April with gas going up 250% and electricity 49%-152% rise. This would mean an additional £700k in costs immediately from April 1st.”

There is no financial projections data available for the next financial year, as this is dependent on confirmation of local authority levels of support. There are widespread cuts to services expected with financial support from Councils to leisure trusts reducing and an inability to offset reduced funding through income generation due to the nature of the services and price sensitivity to ensure services remain accessible. As a result of the financial uncertainty in the landscape, Trustee Boards for our members are faced with difficult decisions around the future viability of organisations and uncertainty over being able to sign off as going concerns for the next year.

We recognise that local government, as key partners in the provision of public leisure and culture, continue to face significant pressures with their financial planning and budgeting. Welsh local government is facing a £784m budget black hole next year alone which is only likely to rise ever further in subsequent years². Therefore, while the 7.9% increase in funding from the Welsh Government, which is around £400m, is welcomed, we echo the Welsh Local Government Association’s warning that tough decisions will remain due to continuing challenging economic circumstances.³

Confirmed business support

While we welcome the Minister’s recognition of the current economic context, including high inflation, and the pressures on businesses and other ratepayers in Wales, there is an urgent need to recognise the distinct operating environment and additional benefits offered through social enterprise and charitable trust delivery models. As public benefit organisations, delivering public services, these organisations have limited ability to offset cost increases through charging or income generating activities.

As organisations dedicated to: maximisation of public benefit, within available resources; deep community integration, knowledge and engagement; promoting community employment; and concerned with service sustainability and development, rather than, exclusively, shareholder investment returns, they offer potentially greater interest and focus on and long-term commitment to community benefit, development and wealth-building⁴.

Therefore, while the Welsh Government’s announcement of £140m of non-domestic rates relief for retail, leisure, and hospitality businesses in Wales is welcomed, for our members as

² Welsh Local Government Association. “Hopeful of continuation of Welsh Government’s commitment to local services”. Available at: <https://www.wlga.wales/hopeful-of-continuation-of-welsh-government%e2%80%99s-commitment-to-local-services>

³ Welsh Local Government Association. Welsh Government has supported councils with today’s settlement, but tough decisions remain, says WLGA. Available at: <https://www.wlga.wales/welsh-government-has-supported-councils-with-settlement-but-tough-decisions-remain>

⁴ Stone King. Leisure and Culture Trusts and Progressive Public Sector Commissioning: a Paper Commissioned by Community Leisure UK. Available at: <https://communityleisureuk.org/wp-content/uploads/2022/07/Leisure-Trusts-and-Progressive-Commissioning.pdf>

charities and social enterprises, this will provide little to no relief as they will already receive business rate relief.

Key recommendations for the 2023-2024 Settlement

Given how vital public leisure and culture is for the health and wellbeing of our nation, we would urge the Minister to consider the following recommendations for the final 2023-2024 Settlement:

- Confirm the increase in revenue funding, with an encouragement for local government to invest in public leisure and culture as essential services, in line with their responsibilities under the Well-being of Future Generations Act.
- Set out what tangible support the Welsh Government will provide to the wider sector – including leisure centres, swimming pools, theatres and the wider arts and culture sector – to help navigate the energy crisis across 2023-24 so that service restrictions and facility closures can be minimised.
- Recognise the unique role that charities and social enterprises play in our economy and for the wellbeing of communities, and prioritise support for high-energy using charities and social enterprises where the sole purpose is social value and delivery of public services for communities.

Thank you for your time and consideration of our response to the Provisional Local Government Revenue and Capital Settlements for 2023-24. Please do not hesitate to contact us if we can be of any further assistance.

Yours sincerely,



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