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Senedd Cymru | Welsh Parliament

Pwyllgor Diwylliant, Cyfathrebu, y Gymraeg, Chwaraeon, a Chysylltiadau Rhyngwladol | Culture, Communications, Welsh Language, Sport, and International Relations Committee

Effaith costau cynyddol / Impact of increasing costs

Ymateb gan Llyfrgell Genedlaethol Cymru / Response from National Library of Wales

Delyth Jewell MS
 Chair,
 Culture, Communications, Welsh Language, Sport, and International Relations Committee
 Welsh Parliament
 Cardiff Bay, Cardiff
 CF99 1SN

15 September 2022

Dear Chair,

We welcome the opportunity to share with you our concerns about the financial sustainability of the National Library of Wales.

The ongoing cost increases and volatility represent a difficult challenge for the National Library. Our predicted expenditure in 2022/23 will exceed the amount of Grant in Aid (GiA) it receives from the Welsh Government: total cost base will be around £13M, and GiA is at £11.060M.

The Library is being adversely affected by the increase in inflation and the affect that this is having on both pay and non-pay costs. In particular, the Library has been significantly affected by the increase in energy costs. The budgeted cost of energy in 2021/22 was £267K (£87K for gas and £180K for electricity) based on the prices at the time. It is now estimated that the ongoing cost has increased at least four-fold based on current prices and the likely cost will reach as much as £1.25M per annum. Should we face, along with the wider public sector, energy shortages, we will be unable to sustain the services we currently provide.

The financial constraints and additional operational costs is causing deep concern to us as custodians of the nation's collections. Reductions in capital budgets have reduced investment in the Library's infrastructure. Being unable to undertake important maintenance and upgrade of plant and equipment has placed the National Library at increased risk. For example, the building has a system of motorised fire and smoke dampers which, in the event of a fire, extract smoke and carbon dioxide from archive cells and storage areas. The system was installed 27 years ago and no longer provides smoke and fire protection to the main storage areas. Processes to mitigate the risk have been actioned but there remains a very serious risk to the collections which we deem to be totally unacceptable without additional funding.

The National Library was not in a good position to weather the current unprecedented increases in operational costs, following reductions in GiA over many years which have severely weakened financial resilience. In 2020 the Tailored Review panel members concluded that the Library's financial situation at the time was unsustainable and recommended that Welsh Government officials should present a joint report with recommendations to the Deputy Minister. With the additional pressures placed on officials since 2020, and in particular in relation to the Covid pandemic, this important report has not yet been prepared. However, the Co-operation Agreement between Plaid Cymru and Welsh Government does give us some hope

that the sustainability of our cultural institutions will be the focus of attention of Senedd members during the life of this parliament. This commitment by both parties should not be delayed any further in light of the current challenges our cultural institutions face.

Moreover, the implementation of the recommendations of the Tailored Review has resulted in an ongoing increase in revenue costs of approximately £300K per annum. The Library received a one off grant of £750K in order to help us address some of the recommendations of the Review, including the reduction of our workforce through voluntary redundancies, however this will not fund the ongoing costs.

As one of the nation’s most important cultural institutions we experienced difficult financial times over the past twelve years, with income decreasing in real terms. The £9.969m received in 2007/08 if increased by inflation would correspond to £13.253M in 2019/20. The actual amount received in 2019/20 was £9.985M, representing a real terms reduction of 33%. During the same period, the Library’s staff numbers reduced from 276 to 221 – a significant 20% drop in staff numbers. In 2021– 22 the Library did receive a £1M uplift to its baseline, however the benefits of that particular uplift has already been diminished by consecutive pay increases that are not supported financially by Welsh Government.

	2007-2008	2019-2020	2020-2021
Grant in Aid	£9.969M	£9.985M	£10.444M
Staff Numbers	276	221	216

If GiA stays at the levels the Library has been notified, and costs increase as projected, the structural deficit will increase as follows:

	2022/23	2023/24	2024/25
	£'000	£'000	£'000
GiA	11,060	11,270	11,651
Cost base	12,100	13,000	14,390
Pay awards	900	990	500
Non-staff inflation		400	300
Total cost base	13,000	14,390	15,190
Annual deficit	-1,940	-3,120	-3,539
Cumulative deficit	-1,940	-5,060	-8,599

Pay awards will increase costs by £2.39M over the next 3 years: £900K in 2022/23, £990K in 2023/24 and £500K in 2024/25 and non-staff running costs will increase by an estimated £700k

over the period: £400K in 2023/24 and £300K in 2024/25. These increases in costs would move the Library's cost base from £12M to £15.1M by 2024/25. Over the same period GiA increases to £11.6M, giving an approximate deficit of £3.5M per annum.

Cost-reducing options:

If an increase to the Library's GiA is not achieved and if it is felt that the use of the Library's private funds on their own will be insufficient to balance the revenue budget then Trustees will have to confront many tough challenges and make very difficult decisions as a matter of urgency, including the possibility of implementing some, if not all of the following cost cutting measures:

- Reduction to the Library's workforce through voluntary and compulsory redundancies. (It is estimated that the offer of a voluntary redundancy scheme would only attract a handful of applicants, if any at all, and therefore the only way to reduce the workforce would be through compulsory redundancies. Such action by the Library would receive wide condemnation and dissatisfaction.)
- Reducing the working hours of full-time staff from 37 hours a week to 35 hours or less and reducing pay proportionally. (This would have to be done in consultation with staff and the Unions who are unlikely to accept such changes to their conditions of service, especially in the context of the current economic climate and cost of living increases.)
- Reviewing the efficiency of current services (including core services) and the revision of the Deputy Minister's Remit Letter. (This was done as recently as 2020-21 during the last restructuring process and making further efficiency savings to current services would not be possible: the only option available would be to terminate some services entirely. Our inability to respond positively to Welsh Government's Programme for Government priorities would be a serious setback for the Library's in its desire to improve the lives of individuals and communities.)
- Revisiting the Library's Strategic Plan and introducing changes to its operational plan that reflects the decrease in resource.
- Freeze salary increases from 2023, unless a corresponding sum is added to the GiA baseline. (This again would receive wide condemnation and discontent, especially in the context of the current economic climate.)
- Part-time contracts. (As above.)
- Only implement in part the Library's buildings strategy.
- Changes to the Library's Pension Scheme or the adoption of a new scheme/ending the current scheme (already in progress.)

Cost-cutting measures and cost of living pressures will have a negative impact on the implementation of the Library's strategic plan and our ability to achieve the Deputy Minister's Remit Letter objectives. Without significant and sustained further financial support from the Welsh Government the following will be impacted in particular:

1. Decarbonisation: we would only be able to implement in part the Library's decarbonisation programme e.g. inefficient plant and equipment which also need to be replaced on health and safety grounds would continue to be used.
2. Addressing all inequality and achieving an anti-racist Wales: a reduction in staff levels would limit what we can achieve while as we attempt to prioritise the implementation of our statutory responsibilities, functioning as a legal deposit library and maintaining the Library's status as a Place of Deposit.
3. Redundancies: unemployment causes stress, which ultimately has long-term physiological health effects and can have negative consequences for people's mental health including depression, anxiety and self-esteem. Such action would also impact on the work of the Library with the potential loss of unique sector skills, that would be difficult to reverse and would make ongoing development harder to achieve and sustain.
4. Promoting health and well-being for example, the Library has worked well with health trusts in relation to improving mental health provision, however cost-cutting measures as a result of increases in operational costs may not allow us to engage with the development of the proposed all-Wales framework for social prescribing in future. The Library and the wider cultural sector has a vital role in ensuring a successful post Covid recovery for Wales and the current cost of living challenges will inevitably reduce what we can achieve and the real impact we can have in widening engagement and participation.
5. Creating opportunities for young people: apprenticeships and traineeships will be unaffordable.

If the Library is forced to reduce its workforce and services then a period of consultation with staff, Trade Unions and stake-holders is legally required. Consequently the implantation of these cost cutting measures would be most likely to happen during 2023/24. As it is not possible to implement the measures during this current financial year, the Library's Trustees have agreed in principle to fund the 2022/23 deficit from the Library's private funds. However, the use of private funds to fund future deficits is unsustainable: a significant proportion of the private funds has already been committed to fund and subsidise strategic programmes, including the future operational costs of the National Broadcast Archive of around £230k per annum (a commitment we made to Welsh Government in 2019). It is therefore imperative that the recommendation of the Tailored Review in relation to the Library's ongoing funding is addressed as a matter of urgency.

Yours sincerely

