



Cost-of-living report: Public Leisure in Crisis November 2022

Summary

- 82% of our members are at risk, ranging from those that are in crisis now to those that can see the crisis point on the horizon.
- Trusts' current financial positions are characterised by end-of-year projections of deficit budgets.
- Trusts have highlighted four underlying challenges that affect their financial position: changed income levels from customers using their facilities; continued uncertainty around local government budgets; the increased costs in utilities; and investment in pay awards.
- The current operational landscape and the uncertainty around Council budgets makes it difficult to plan ahead, but with the majority of Trusts in a precarious situation, decisions need to be made now to be able to manage public leisure services in the future. This leads to reviews of opening hours and service delivery, and an implementation of recruitment freezes.
- The majority of Trusts report a positive and strong working relationship with their Council. The strong partnership between Trusts and Councils is reflected in their joint desire to keep public leisure and culture services running and operated through charitable trust delivery with the priority of keeping buildings open.
- In light of the precarious position of local authorities and public leisure and culture delivery, we urge Welsh Government to:
 - Urge the UK Government to recognise the public leisure and culture sectors as vulnerable sectors, and to commit to an extension of the energy price cap to cover charitable leisure and culture services;
 - Commit to an increase in revenue funding to local authorities with a directive to support preventative wellbeing services;
 - Provide additional capital funding for energy projects through the Welsh Government's Energy Service and Salix funding that is accessible to leisure and culture trusts.



Introduction

Leisure and culture trusts operate public leisure services in 50% of all local authorities in Wales, and manage libraries in 4 local authority areas. They also operate parks and playgrounds, theatres, town halls and cultural centres. Collectively, they manage 115 physical buildings in communities across nearly every region in Wales, welcome over 16.6 million visits a year¹, and have a combined workforce of over 3000 people.

Community Leisure UK (Wales) conducted in-depth one-to-one conversations with all leisure and culture trusts in Wales during the period of 7 - 18 November 2022. This report is a summary of these conversations, highlighting the current position of leisure and culture trusts, and, ultimately, reflecting the risks to the sustainable delivery of public leisure and culture services in light of the current cost-of-living crisis².

Current position of Trusts

As of mid November 2022, 82% of our members are at risk, ranging from those that are in crisis now to those that can see the crisis point on the horizon. However, this is a moving picture, with a fine line for many between being stable and tipping quickly into crisis.

For 55% of all Trusts, the services they deliver are being underwritten this financial year by local government partners, above and beyond their regular contractual arrangements and associated management fees. This support may be through additional grant funding to cover the increase in utility costs, underwriting deficit budgets, or a continuation of a similar payment as was given during Covid-19 as part of the Hardship Fund (but without the Council being able to draw the funds from the Welsh Government).

However, some Trusts work in partnership with more than one local authority. Alarming, when looking at the total number of local authority contracts managed by leisure trusts, it shows that two-thirds of public leisure provision (67%) is in crisis already or rapidly heading towards one. As this covers 7 out of 22 local authorities, it means that around a third (31%) of all public leisure in Wales is currently in an unsustainable position.

Financial forecast

The majority of Trusts (82%) will run a deficit budget by the end of this financial year. None of the Trusts are making a surplus, as the best end-of-year positions are projected to be break-even. Reserves have also diminished, with 55% of Trusts reporting minimum or no

¹ Pre-Covid visitor statistics.

² For more information about the general impact of the cost-of-living crisis on public leisure and culture, and mitigations taken by leisure and culture trusts, please see our [submission from September 2022](#) to the Inquiry into the impact of increasing costs by the Culture, Communications, Welsh Language, Sport, and International Relations Committee.

reserves. The next 4 months are critical, with operating costs continuing to rise and uncertainty over continued financial support from Local Authorities while awaiting budget settlement details.

Within this context, Trusts have highlighted four underlying challenges that affect their financial position: changed income levels from customers using facilities and services; continued uncertainty around local government budgets; the increased costs in utilities; and investment in pay awards.

Income

Customer returns

While usage of facilities is recovering, with an average of 86% usage of fitness, studio and general leisure usage when compared to pre-Covid visitor numbers, this does not correspond to a full return of income. Not only has the return level of customers stabilised, and therefore income has stagnated, but the number of people on concessionary or taking a pay-as-you-go membership has significantly increased. Therefore general income from leisure membership is still reduced.

To illustrate, one member stated that their visitor numbers are 102% compared to pre-Covid, but their general income is still 10% lower than pre-Covid as 80% of their current gym and fitness membership is on a concessionary rate. The exceptions are swimming lessons and classes, where there is a strong return with some still working on waiting lists and backlogs from the pool closures during the pandemic.

For library services, footfall is slowly recovering but not yet back to preCovid levels. As many libraries share their facilities with other community services, such as the public Council support office, it is difficult to count how many people come in for library services only, as the footfall is measured by the total number of people who come through the doors. However, while the footfall in libraries may be slower, the number of virtual issues of books and home delivery is seeing a higher demand.

In theatre, the panto season is slow but ticket sales are on track. Trusts note that because of how Christmas falls this year, there are a number of shows after Christmas which may impact on sales. Ticket sales for shows earlier this year also indicate an increase in last-minute bookings rather than a high presale number as was common preCovid. Therefore, while some are currently behind on presale numbers when compared to preCovid, this change in audience habits means they anticipate a recovery for panto this season.

Local authority budgets

The need for Councils across Wales to make large efficiency savings in 2023-24 will likely have a negative impact on Trusts' ability to operate as it will influence their income through agreed management fees and general support. The Welsh Local Government Association has warned that "council services face the most difficult period in their history" with a £802 million funding shortfall in the next two years, meaning that Councils "will be forced to take impossible decisions which will profoundly impact service provision"³. As leisure services are a non-statutory service, they are at an increased risk of service cuts.

A revision of existing management fees with the view of adapting and reducing this general support is anticipated. While 45% of Trusts receive financial support from their local authority partner to manage pay differentials and inflation (either through management fees linked to the Consumer Price Index or additional funding support from the Council to cover pay rises), the anticipation is that the general fee will be reduced, equating to a zero gain.

Expenditure

Utilities

Utilities are a critical point of an unsustainable increase in costs, as reported on in earlier briefings⁴, especially for members who came out of contract earlier this year. There is a collaboration between Councils and Trusts around energy and utilities, where 73% of Trusts benefit from being part of local authority energy baskets where they can access more favourable rates or have price protections in their partner agreements with Councils.

Trusts have been working closely with Councils to evaluate the environmental impact of their facilities and to seek investment in renewable energy sources such as solar PV. Councils are looking at how the Welsh Government Energy Service can be used to support their Trust partners and Trusts themselves are looking at ways to fund these new investments, for example by accessing funding from Sport Wales. However, these investments will reduce pressure in the medium- to long-term while the majority of Trusts are facing unsustainable pressures now.

Pay awards

All Trusts recognise the importance of pay awards. They have increased wages over the past 12 months in order to recruit and retain staff in light of increased competition from other

³ WLGA response to the UK Government's Autumn Statement. Available here:

<http://www.wlga.wales/autumn-statement-is-a-missed-opportunity-to-help-our-communities>

⁴ See footnote 2. In addition, our report from May 2022 gives a full outline of cost pressures experience by leisure and culture trusts. Available here:

<https://communityleisureuk.org/work/latest-sector-landscape-reports/#wales>



sectors and to keep differentials across team structures. The annual Community Leisure UK HR survey showed that the average annual permanent staff budget had more than doubled, and average annual casual staff budget had more than tripled since September 2021.

Staff salaries will increase again in April 2023 with increases to the national minimum wage and national living wage which creates a further point of pressure in anticipated expenditure. To illustrate, one Trust, who is a Living Wage Foundation employer, mentioned that their end of year deficit budget of £300k is mostly caused by realigning pay scales to ensure there is no erosion of pay differentials between staff.

Impact on the delivery of public leisure services

The current operational landscape and the uncertainty around Council budgets makes it difficult to plan ahead, but with the majority of Trusts in a precarious situation, decisions need to be made now to be able to manage public leisure and culture services in the future.

In 8 local authority areas, Trusts are reviewing what they are able to deliver under the current operating environment with the potential for closures and/or service reductions. In one instance, a Trust has been asked by the Council to create a forecast on the impact of full pool closures and the associated cost savings. A revision of opening hours is also planned, depending on footfall in libraries and bookings in leisure facilities, as a consequence of potential management fee reductions in the new financial year or as part of a wider package of energy saving measures over the coming winter period.

The current operating pressures also impact on the workforce, with four Trusts now implementing or considering recruitment freezes and others carefully considering their existing team structures. Recruitment of new staff is mostly focused on frontline positions rather than back office support, such as lifeguards, swimming teachers and hospitality staff, to keep key community activities and services going.

Support and collaboration with local authorities

The majority of Trusts report a positive and strong working relationship with their Council, with both Officers and elected officials. The strong partnership between Trusts and Councils is reflected in their joint desire to keep public leisure and culture services running and operated through charitable trust delivery with the priority of keeping buildings open.

However, there are some challenges for Trusts in engaging with their local authority partner where there have been political changes and new elected officials in post. In these circumstances it is more important than ever to work to develop a strong relationship in



order to ensure understanding and have open communication about how public leisure is delivered for the benefit of communities across Wales.

Trusts are acutely aware that their Local Authority partners are facing their own multi-million pound deficit budgets, with difficult decisions to be made on where savings need to be found. Therefore, there is no guarantee that from the new financial year leisure and culture services will be able to continue to operate in their current form. Councils can currently give no commitment for financial support beyond March 2023.

Request to Welsh Government

The hesitancy by the Welsh and UK Government to act on early warnings has meant that the impact of increased cost of living is not only being felt by the public but is putting leisure and culture services at significant risk, which will affect the nation's health and wellbeing.

As the Welsh Government is preparing its budget, we request, therefore:

1. To urge the UK Government to recognise the public leisure and culture sectors as vulnerable sectors, and to commit to an extension of the energy price cap to cover charitable leisure and culture services.
2. Immediate, direct financial support to the public leisure and culture sector as part of its commitment to create a stronger, fairer and greener Wales through an increase in revenue funding to local authorities. This increase in funding should provide a directive to support preventative wellbeing services⁵, including public leisure and culture.
3. Additional capital funding for energy projects through the Welsh Government's Energy Service and Salix funding, with all benefits of these schemes being accessible to Trusts as key partners to local authorities.

⁵ For more information on how leisure and culture trusts can support with preventative wellbeing services, please see our joint report with the Welsh NHS Confederation here: <https://communityleisureuk.org/work/health-wellbeing/#wales-health-report>