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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 Gostyngiadau Cyllid ar Ddiwylliant a Chwaraeon | Impact of Funding  
Reductions for Culture and Sport

Ymateb gan: Jennifer Huygen, Pennaeth Polisi a Phartneriaethau Strategol,  
Community Leisure UK | Evidence from: Jennifer Huygen, Head of Policy and  
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**1. What impacts has reduced funding had on your organisation and sector so far?**

The 10.5% funding cuts to the Arts Council of Wales and Sport Wales have a direct impact on our members as it has meant these bodies have had to revise and reduce their funding offers. Sport Wales needed to pass on 3% of their cuts to the sector, and the Arts Council of Wales passed on a 2.5% cut to the sector. These cuts are difficult to absorb for a sector operating on small margins and add up.

To illustrate, for one trust managing leisure and culture services, the funding reductions from Arts Council of Wales, Sport Wales and their local authority partner have compounded to a £304k cut for the current financial year. For another trust, they report that their Be Active Wales funding from Sport Wales was reduced by 3% year on year in 2024/25 but with a 4% pay award given to staff it was a real term reduction of circa 7% for programme delivery.

In addition, the local government funding gap is relevant context to leisure and culture trusts as they operate public leisure and culture services in partnership with, and on behalf of, local authorities. Local government funding (adjusted for inflation) in Wales has decreased by 12% between 2009-2010 and 2023-2024. Consequently, local government's spending on 'culture and recreation' and 'libraries' has fallen by 33% and 43% respectively between 2009-10 and 2021-22 (1). Local government in Wales is facing a £432 million funding gap (2).

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This long-term trend of reducing funding for local authorities has inevitably resulted in decreases to management fees paid to leisure and culture trusts. Although some trusts receive uplifts in line with CPI, many are operating wider services and facilities for local authorities and the demand is growing. Even where management fees have remained flat for a period of a couple of years, this is, in real terms a reduction in funding due to inflationary pressures. Moreover, standstill funding does not enable any reinvestment into services or facilities, resulting in a gradual deterioration over time. Our members have indicated that their discussions regarding funding with local authority partners show a decrease in management fees continuing over the coming years.

The more recent funding reductions for the current financial year have led to reductions for specific programme delivery within public leisure and culture, which have led to reduced operations / programme offering. It has also created additional pressure on service delivery due to recruitment freezes implemented to manage the challenging financial environment. In addition, charitable trusts are facing a higher staff turnover as staff are leaving the public leisure and culture sector. For libraries in particular, recent reductions also impact on the sourcing of books.

Sources:

1. Welsh Local Government Association. Resourcing local services 2024-25. An outlook of the pressures faced by local services. Available at: <https://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=3988>
2. Welsh Local Government Association. February 2024. £25 million welcomed by local government, but sustainable long-term funding needed. Available at: <https://www.wlga.wales/25-million-welcomed-by-local-government-but-sustainable-long-term-funding-needed>

## **2. What measures have you taken in light of it, such as changing what you do and how you do it?**

Our members operate services on behalf of local authorities and, whilst independent organisations, they consult with their local authority partners on decisions that impact service delivery, with decisions on venue closures often the decision of the local authority.

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The current position of leisure and culture trusts follows a financial year where most expected to end in a deficit position due to an increase in cost following the ongoing impact from the energy and cost-of-living crises in recent years. Starting from this position and facing additional funding cuts requires a change in operations for the current financial year with leisure and culture trusts implementing strict cost control. This includes:

- Redesigning programmes;
- Recruitment freezes and reduction in CPD budgets;
- Ceasing delivery of additional services including pitch booking management and co-ordination of services which could not be automated;
- Increasing activity prices above inflation;
- Seeking external funding to support physical building changes and designs;
- Increased reliance on fundraising to be able to offer new activities;
- Investing in corporate sponsorship efforts;
- Investing into activities which deliver a return on investment (financial);
- Closure of venues due to the cost of refurbishment;
- Reduction of opening hours;
- Withdrawal from operating certain community facilities.

The trust model means that our members can be agile and adapt quickly and respond to a difficult operating situation. However, the need to be financially sustainable in the challenging environment has driven a more commercialised approach in some areas of the organisations, which requires a fine balance to ensure that the charitable aims and accessibility of services is protected.

**3. To what extent will these impacts be irreversible (e.g. venues closing, or specialist skills being lost rather than a temporary restriction in activities)?**

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Full closures have been limited thanks to the partnership working between leisure and culture trusts and their partner local authorities. However, this position is seen as unsustainable.

There is a fear amongst our members that building closures are inevitable as local authorities seek to review their public leisure and culture/library funding as part of their efforts to address their own deficits. Such reviews may lead to closures as councils may consider the co-location of more services, and/or determine a reduced number of facilities can deliver the required services for their communities, or only a limited number is affordable. These decisions often lead to a further reduction in funding from the local authority to the leisure/culture trust.

Where venues remain open, due to service and programme reductions and consequent challenging with staffing, we are losing skills in the sector. When people leave, positions are no longer backfilled and major positions have seen recruitment freezes.

This service reduction has also restricted access to clubs and NGBs looking for a place to practice and compete, reduction in school access, and will ultimately hinder physical literacy development in children and young people as well as the development of skilled coaches and leaders for the sector. These impacts and access reductions, while not irreversible, will be hard to restore.

Further, there is a real risk that due to funding pressures, the charitable and community delivery model may be further compromised or lost as local authorities seek to reduce their funding gap. For example, during times of pressure, kneejerk reactions to change the provision may be considered, including options such as community asset transfer or insourcing of services. However, any transfer of delivery (whether back in-house or to a community organisation) must be well considered, with an understanding that there is no 'free option'.

Community asset transfers can work well, but only where there is consideration of what services are appropriate, a clear desire and understanding from the community of what running a facility entails, and understanding that the local authority will still be required to fund the building and maintenance. The second option that is often considered is to insource services, but again there needs to be a clear understanding of the process, the costs for the transfer and higher running costs from the outset. Informed decision making is key, looking through the lens of community provision and impact.

Charitable trusts play a significant role in supporting their local economies. They are important local employers and put people above profit. Where possible, they

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seek to purchase from local supply chains and, crucially, reinvest every pound of profit into services and facilities. They do not extract profit.

If our members are unable to remain solvent or discarded as an operating partner, there will be an insurmountable loss of charitable trust run facilities and services. The inherent value of the Trust model needs to be recognised, particularly in challenging financial times.

#### **4. What interventions would you like to see from the Welsh Government, beyond increased funding?**

Community Leisure UK members would like Welsh Government to:

- Create a clear plan for capital investment in local authorities and their partners to assist with sustainability and building efficiency;
  - Support and encourage integration between services - health boards and leisure and culture services provide a natural synergy. Funding through prevention rather than cure is cheaper and more cost effective;
  - Promote and invest in the usage of public leisure and culture services to mitigate the health challenges our nation faces, and enable people to live healthier, happier and more creative lives;
  - Focus on integration of facilities into wellbeing hubs and multi-faceted user areas;
  - NNDR support for hospitality delivered by charitable organisations increased beyond the 40%;
  - Advocate for VAT changes in support of visitor and hospitality sector which subsidises arts and culture;
  - Work with the UK Government for longer term, multi-year funding into Welsh Government which would allow them to cascade funding into local authorities with at least three-year funding opportunities to allow for employment and avoid the 'race to spend' situation we have experienced over the last two years;
  - Work with the UK Government on a more strategic approach to the Shared Prosperity Fund to ensure funding is distributed fairly and effectively;
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- Encourage local authorities to embed the Well-being of Future Generations Act and not seek short term solutions which may impact on future generations – once it's gone it's gone.

Wales is the only government with a Wellbeing of Future Generation Act, but the principles and goals of the Act need investment. The Act is the perfect instrument to use to promote and invest in physical activity, leisure, culture and engagement activities for the physical and mental health benefits. More importantly, investment into public leisure and culture, and its alignment with health and wellbeing services, can prevent ill health and preventable diseases, and reduce costs of treatments in the NHS and Social Care. This approach needs a long-term vision, backed up with accountability measures through regular monitoring and evaluation and sustainable levels of investment.

**5. To what extent do the impacts you describe fall differently on people with protected characteristics and people of a lower socioeconomic status?**

The sector cannot sustain further reductions as the only mitigation measure is increasing charges for users. As price increases have occurred across the sector, impact is inevitable. With funding under pressure and having limited levers to affect change, price increases will always be challenging in terms of affordability and opportunity for people to participate in public leisure and culture services. Concession access and affordability have been protected as far as possible, however there is a risk that those who could previously afford to pay for activities may struggle as prices increase, and may not be eligible for reduced cost access.

If building closures go ahead, this will disproportionately impact people from a lower socio-economic status, as they may have to travel further to participate in public leisure and culture and may not be in a financial position to afford this.

Longer term it is likely that services will be looked on as financial models and not impact models as local authorities look to close their funding gap – this will result in a further decrease in services and impact on those who need it the most. The long-term impact risks increasing health inequalities and impacting on communities' access to accessible and affordable opportunities to engage and participate in leisure and culture.

**6. Do you have any other points you wish to raise within the scope of this inquiry?**

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Unlike England, which saw the announcement of the Swimming Pool Support Fund in 2023, there has been no Welsh Government funding for the public leisure (nor culture) sector to manage an increase in costs against reduced budgets. Despite sector requests, the Barnett consequentials resulting from the pools funding in the UK Spring Budget of 2023 were not used to provide support to the public leisure sector. Sport Wales has stepped up to fill some of this gap through dedicated capital funding programmes to support energy efficiency but may now feel, understandably so, further restrained due to their own funding cuts.

For some leisure trusts, partnership grant funding opportunities via local authorities, Sport Wales and the Welsh Government's Asset Collaboration funding has seen significant investment being made in energy efficiency (e.g. Solar PV) to support ongoing financial and environmental sustainability, but these one-off grants cannot replace sustained multi-year funding agreements. We must regard core revenue funding as distinct from capital funding and one-off grant funds. Core funding is the backbone for services and must be protected to ensure the sustainability, but also the ability of service deliverers to plan longer-term.

The reduction in funding is further complicated by the fact that the public leisure and culture stock is ageing and will require significant capital investment soon. Welsh leisure and culture trusts report their infrastructure age, excluding the grade I and II listed buildings, to range from 11 to 53 years. Members report a significant maintenance cost required for the next five years, ranging from £500k for a single facility to £20 million for an entire portfolio of leisure facilities in one locality. Trusts report that the capital cost is aligned with backlogged maintenance and poor construction. Some facilities have had to close due to unaffordable backlog maintenance and inability to subsidise operational costs. This poses a significant risk as there is currently no funding to sufficiently upgrade or replace facilities.

Finally, we know that local authorities are undertaking reviews of their services (especially leisure), some of which may coincide with the expiration of existing contracts with the leisure trusts coming up in the next few years. Where reviews are taking place, leisure trusts report to be involved in this process and given the opportunity to provide input. However, there is a worry that the main design of any new procurement in this period will be based on cost, rather than service and the needs of communities. To complete their review, local authorities may seek to work with consultants who are often under pressure to produce findings that identify savings or alternatives. A holistic view of the purpose, impact and social value of a service should be the driver, with the expertise being provided jointly by

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the local authority and trust who are both invested in the delivery of services and understand the landscape.

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