

Sport Wales welcomes the opportunity to respond to the Culture, Communications, Welsh Language, Sport, and International Relations Committee regarding the impact of cost-of-living pressures. Our data indicates these pressures are likely to have, and indeed already are having, an impact on (i) the sport sector in Wales, and (ii) those who rely on their local sports organisations, clubs, and facilities, to look after their physical and mental health and wellbeing.

- **What impacts has increasing costs living had on your organisation and sector so far?**

The Organisation:

Sport Wales currently has a fixed rate contract for utilities at the National Centre in Cardiff and are mid-way through the existing contract. As a result, there is a level of limited protection through to 2023/24 with managed increases. Naturally there are increased costs across several other services, and like other sport providers, our National Centres could potentially be impacted by reduced consumer spend and engagement as a result of individuals suffering through increased financial pressures.

At Plas Menai, Sport Wales will see the benefit of our ongoing investment in the facility such as the solar arrays and the new ground source heat pump which should be up and running for the winter months.

In addition to monitoring the financial impact of the rising cost-of-living on the business element of Sport Wales, including that our funding uplift this year hasn't kept pace with inflation at only 1.5%, we are of course concerned with the impact that our staff face. This is both in terms of the financial pressures they, like the population at large face, as well as the associated mental-health concerns that could arise from this.

We have seen a small increase the rate of staff turnover in recent months. This could be linked to the cost-of-living crisis as individuals are required to prioritise salary increases above non-financial benefits.

The Sector:

As part of the organisation's continued approach to evidence gathering, Sport Wales conducts periodic surveys of 1,000+ adults in Wales, with Savanta ComRes. The '*Wales Activity Tracker*' monitors trends around participation and demand as well as testing opinion on topical issues. The most recent survey, conducted August 22nd, provided insight into how the cost-of-living crisis was impacting on public participation in sport.

Two in five respondents (41%) say the cost-of-living crisis has had a negative impact on their ability to be active, whilst three in ten (29%) say they've been doing less sport and physical activity due to changes in the cost-of-living. Alarming, these figures were compiled prior to the recent increase in energy prices, which suggests that this decline and concern will only become more entrenched in future.

We also know from the Wales Activity Tracker that this impact is most felt within family units. Respondents with children aged 15 or under, are more likely than those without to say the cost-of-living crisis has had a negative impact on their ability to be active (51% vs. 35%).

We are already seeing the cost-of-living crisis impact on some of the key partners that we work with. Facilities owners are being forced to increase their hire charges to local sports clubs and community groups, which either makes the activity no longer viable or it has pushed the price for participation higher, thus increasing the participation gap.

- **What impacts do you predict increasing costs will have on your organisation and sector? To what extent will these impacts be irreversible (e.g. venues closing, rather than a temporary restriction in activities)?**

The Organisation:

Whilst in our above answer we noted the level of resilience that Sport Wales has built through investing in energy efficient forms of heating, as well as structured payments, ultimately like all organisations the rising costs will impact on the organisation.

Also as noted above this will impact on both our operational capabilities and those of our staff at an individual level. There is the potential that the organisation faces increased levels of absence due to sickness as individuals struggle to deal with the crisis, both mentally and physically.

In the winter months we may see a higher demand for desk space in our offices with staff facing a financial burden to heat their homes during the day. This will impact on the operations as space has been repurposed in order to support a hybrid working environment and deliver against our remit letter objective of 30% of staff working from home.

The Sector:

The affordability of sport and physical activity is a barrier which can prevent individuals and families from engaging in sport and physical activity. Our data shows that 59% of adults do not feel that sport and physical activity facilities in their area are affordable, with those adults being less likely to be active (ComRes, Feb 2022).

As noted above, the current decline in activity and concern about the impact of cost-of-living on the ability to be active has been noted prior to the increase in energy prices. With this increase likely to significantly reduce household disposable incomes, and further price rises set to hit in future, there is concern that the 29% who report they've been doing less sport and physical activity due to changes in the cost-of-living - will rise. As a prediction, by January next year this could result in over 50% reduced activity rates.

There is also a wider economic concern in terms of the cost-of-living impact on sport as sport is of critical importance to the economy of Wales. As part of a Sport Wales commissioned economic evaluation report, Sheffield Hallam Universities Sport Industry Research Centre (SIRC), estimated that in 2019 the sport industry in Wales was worth

£1,260m, and the sporting economy contributed £1,195m in consumer expenditure on sport, and generated 31,100 sport related jobs in the same year. The sport sector was found to out-perform pharmaceuticals, travel, accommodation, and textiles industries in Wales.

The sector boosts the economy directly through sustaining thousands of jobs, and indirectly, by reducing healthcare costs through facilitating a healthier population and reducing crime. Further, it drives associated industries such as retail, tourism, hospitality among others.

Sport-related income and expenditure flows stem from:

- Consumers, e.g., sport-related expenditure.
- Commercial sports, e.g., spectator sport clubs, private leisure facilities / gyms, sport goods manufacturers and retailers, media associated with sport and sport publications.
- Commercial non-sport, e.g., hotels, sponsorship, utility requirements.
- Voluntary, e.g., non-profit making sport organisations such as amateur sports clubs
- Local government, e.g., income from sport facilities, rates from commercial and voluntary sector
- Central government, e.g., taxes, grants, and wages on sport-related activities

Rising energy prices, tax increases and falling real wages will create withdrawals from the above sport-related income and expenditure flow, and thus negatively impacting sport-related consumer expenditure, gross-value added, and employment.

Alongside the economic value of sport, the power of sport as a driver for community cohesion, preventative health, education, and wellbeing is undeniable. According to the SRIC, in 2018 the social return of investment in sport indicates that for every £1 invested in sport in Wales, there is a return of £2.88. The value is estimated to create returns in health, wellbeing, education, and crime. In 2016/17, it was found participating and volunteering in sport contributed to £3,428m worth of benefits to Welsh communities. A reduction in both participation in sport, and economic generation through sport, will therefore have a noticeable impact beyond the sport sector.

Associated with this, Sport Wales are concerned the cost-of-living pressures may negatively impact the sporting workforce, which has only recently recovered from the impact of the Covid-19 pandemic.

These concerns are further demonstrated by data from the National Survey for Wales, which demonstrates only 5% of adults 'in material deprivation' volunteered in sport in the past 12 months, compared to 10% of adults who were not living in 'material deprivation'. If communities, households, and individuals are pushed into 'material deprivation' as a result of cost-of-living pressures, it may be feasible that the number of

individuals volunteering or interested in volunteering in the sporting sector will decrease, impacting the delivery of sport across Wales. The Social Return on Investment Study (2018) showed that volunteers in sport delivered an estimated £311m in benefits to the Welsh economy. Again, individuals negatively impacted due to the cost-of-living crisis could reduce the numbers of sport volunteers and thus impact on that economic contribution, as well as the widespread opportunities for the public to be active through sport.

We believe sport plays a fundamental role in supporting the health and wellbeing of Wales and thus indirectly supporting the economy by reducing healthcare costs due to a healthier population and reducing crime. A significant fall in households' disposable income could have a negative impact on the number of people participating in sport, due to it being perceived as unaffordable. This risks an exacerbation of health inequalities, negatively impacting the Welsh economy.

Specifically on the issue of the economic viability of sport the following challenges for business, organisations and the sector may arise because of the cost-of-living pressures:

- **Changes to consumer behaviour**

- We are concerned that as households' disposable income falls, sport and physical activity will be treated as a 'non-essential' good, and thus reducing consumption of sport. It is the case deliverers are reporting seeing people's spending power declined and that they are already choosing that sport and physical activity is non-essential.
- People may choose to switch from paid methods of exercise such as gyms and swimming pools, to free alternatives such as running and walking.
- Participation in commercial events or demand for spectator tickets could also see a fall in demand.

- **Funding / investment challenges for clubs and organisations that deliver local opportunities for people of Wales to be active**

- Our investment in sport in Wales demonstrates since the pandemic, clubs are becoming more conscious about ensuring energy efficiency and sustainability. This may be due to the economic savings that come from taking these steps.
- We also know, as a result of the pandemic, that clubs and organisations often have a number of non-negotiable overhead costs, such as rent and energy costs, which must be paid to maintain access and quality of facilities.

- Should physical activity be seen as a 'non-essential' good then this may reduce the numbers who maintain memberships with sport clubs, thus reducing the income streams of those organisations.

- **Financial challenges for sport facility maintenance and development, in particular Leisure Trusts.**

- Since Covid financial support was limited, leisure trusts' recovery has stagnated, with fewer customers now visiting leisure centres (70-80% mark when compared to pre-Covid levels since October 2021). The cost-of-living crisis is likely to continue to impact people's choices to return to leisure facilities.
- Leisure facilities are experiencing unsustainable pressure on their operations. This will pose significant challenge for the sector; especially for operators of large facilities, including swimming pools and ice rinks. The increase to the National Living Wage is putting pressure on leisure trusts' payroll expenditure. Due to the global supply chain issues leisure trust's ability to operate and invest in their facilities and venues is being hampered.
- Leisure operators have already made investments in energy efficient systems where they can. However, nearly two thirds of the leisure estate is ageing and past its replacement date and with the current financial pressures, leisure trusts are unable to invest further in decarbonisation and facility refurbishment (Community Leisure Wales, 2022).
- The impact on operators may lead to potential facility closes, employee reductions, customer prices increases, and reduced operating hours. Further there is a risk that there will be a reduced capacity for other activities that are currently subsidised including health and wellbeing programmes, outreach and neighbourhood programming, family support, etc. This raises concerns for investment in health care, reducing inequalities, and decarbonisation programmes.

- **What interventions would you like to see from the Welsh and UK Governments?**

There may need to be additional financial support to individuals and Welsh Government Sponsored Bodies to deal with the energy crisis, and funding for pay awards that could not have been anticipated at budget setting. This would also potentially extend to additional financial support to Welsh Government Sponsored Bodies to facilitate a cost of living pay award that reflects the current circumstances for staff across Wales.

There will need to be consideration given around any flexibility to support emergency funding pots, mirroring that undertaken in response of Covid-19, as part of a short-term support element to recognise the reduced engagement in sport due to increased cost-of-living concerns.

It would be prudent to also revisit the committee's recommendations from its inquiry into the impact of poverty on sporting opportunities to review what can be accelerated in light of the current climate.

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

We already know that people with protected characteristics and people of a lower socioeconomic status are less likely to be active through sport. Equally, we also already know that those with protected characteristics are more likely to be from deprived backgrounds. Therefore, this issue is exacerbated when the cost-of-living drives an ability, or lack thereof, to take part in sport.

There are disparities in access to sport and physical activity in Wales, which are largely impacted by poverty and deprivation. Prior even to the current cost-of-living crisis 1 in 4 people in Wales live in poverty and 1 in 3 young people in Wales are growing up in poverty ([Oxfam, 2022](#); [Street Games, 2022](#)). Families living in poverty have as little as £3.21 to spend on sport and leisure every week (ibid).

The National Survey for Wales also identified reduced cost as something which would encourage more people to do sport, with 15% of respondents in 2019-20 saying they would be encouraged to do more sport 'if it cost less.'

We know poverty and deprivation impacts engagement in sport and physical activity. The National Survey for Wales for 2021-22 found 24% of households living in material deprivation participated in sporting activities three or more times a week (24% in material deprivation, 35% not in material deprivation). This was reaffirmed in a previous iteration of our Wales Activity Tracker survey (August 2021), which found those from lower socioeconomic backgrounds were twice as likely as those from higher socioeconomic backgrounds to have done no exercise in the past week. The survey also found those from lower socioeconomic backgrounds were less likely to exercise to help manage their mental health.

The most recent Wales Activity Tracker (August 2022) has already shown that for those that have seen a reduction in their activity because of the cost-of-living crisis it is more keenly felt among the already underrepresented communities. Female respondents are more likely than males to agree that the cost-of-living crisis has had a negative impact on their ability to be active (44% vs. 37%). Respondents in social grade C2DE are less likely than those in ABC1 to say the cost-of-living crisis has had a positive impact on their ability to be active.

Conversely, those aged 16-34, who would usually have a higher level of participation are more likely to agree the cost-of-living has negatively impacted them than those 35-54 or 55+. This indicates that it is a real challenge for younger people without financial security.