

## **Culture, Communications, Welsh Language, Sport and International Relations Committee - Inquiry into the impact of increasing costs**

### **Introduction**

Rising energy costs combined with soaring inflation present risks to individuals, households, businesses, organisations and sectors not seen since World War II.

We know people across Wales are feeling the strain on their household budgets and we will continue to do everything we can to protect them, which is why we are providing a package of support worth more than £380 million to help Welsh households.

The main policy levers to alleviate the situation lie with the UK Government and we are pressing them to do more to protect people in Wales from the impact of the severe cost of living crisis. They need to use the levers at their disposal to take further urgent steps to target gaps in support, particularly to boost organisations and businesses who are feeling the impacts of rising costs.

This joint evidence paper sets out some of the current and potential future impacts on sectors and organisations in the culture, Welsh language and sport areas of our portfolios. It focuses on the common impacts of rising costs, highlighting organisations and sectors struggling to recover financially from the pandemic, where falls in attendance numbers mean a reduced ability to generate income. Large increases in energy prices are adding significant pressures on budgets. Increased living costs are also impacting on the recruitment and retention of staff and volunteers, as people struggle to afford travel costs and child-care, or opt for better paid work. In some instances, the combined result of these challenges is reduced programmes of activity across Wales. Less disposable income means people are also having to tighten belts and spend less on leisure activities. Significant increases in supply chain costs, particularly in relation to materials and labour, are also impacting on capital projects and maintenance work.

### ***Museums***

Amgueddfa Cymru - National Museum Wales has seen a 60% recovery to visitor numbers compared to 2019 which is in line with projections. However, these projections predated the current dual crisis of soaring inflation and rising energy costs. Because of this, the Museum is anticipating a downturn in visitor numbers over the autumn and winter period.

Most local museums (local authority and independent) are still trying to recover from the pandemic, with lower visitor numbers and consequential reduced income. Summer visitor figures were not as positive as expected, attributed in part to the cost-of-living crisis. Some museums are now also looking at the potential for redundancies. Many are not recruiting to vacant posts, even senior and crucial posts in the organisation.

Specific examples:

- Small voluntary-run museum in mid Wales, reliant on visitor donations – energy bills are 10 per cent of their costs usually. Now over 20 per cent.
- Independent museum in north Wales – Energy bills usually £4,347 pa. Current cheapest quote is £20,000.
- Independent museum south-west Wales - energy costs have increased 400 per cent due to the recent end of a fixed tariff contract.
- Museums with larger working objects (e.g. engines, kilns) as a key part of their visitor experience and / or income generation and retail offers are particularly concerned. One independent museum uses these to run c.500 workshops per year, generating between 50-60 per cent of its earned income.

## **Culture**

The potential impacts on theatres and performance venues may cause some venues with limited reserves post-Covid to close or reduce programming and access to community spaces; the impact on supply chains may hamper or prevent productions going forward and ongoing difficulties recruiting volunteers may negatively impact the viability of both community and cultural activities in these venues.

## **Events Sector**

The events sector is growing increasingly concerned about the energy crisis – both in terms of the increased costs and also potential limits on power supply. This would have a major impact on the events and hospitality industries over the Christmas period. Post pandemic it has been difficult to get sufficient volunteers, vital to events, due to post Covid concerns (many are more elderly / retired) and increased costs of volunteering (petrol in particular).

Specific examples of impact:

- Cardiff Sparks in the Park cancelled for the foreseeable future due to escalating costs and organisational burdens.
- Cardiff 10k 2022 cancelled due to extremely low entry numbers, logistical factors and significant increase in supply chain costs (e.g., portable toilets increased by 83 per cent, barriers 120 per cent, office energy costs increased by 214 per cent).
- Long course Weekend costs increased 49.67 per cent this year.
- Medals have increased in price by approximately 50 per cent due to the increase in metal prices.
- Business event organisers such as University of South Wales report a 20 per cent rise in food supplier / catering costs which will have to be passed on to clients.
- ICC Wales notes operating costs have risen sharply – by at least 50 per cent on most costings and considerably more on energy and has temporarily shut

down restaurants and venues (e.g. Newbridge on Usk) to save overhead costs. Some team members have left the business because petrol, transportation and childcare costs are too high. This means an even smaller pool to recruit from.

More generally, prices across the board are reported to have risen by an average of at least 35 per cent so far throughout the supply chain, including insurance. This is not just the private sector supply chain. Local authority costs are also reported to be significantly increasing – either through invoicing for costs never invoiced for previously or increased costs for elements like road closures.

### ***Historic Environment***

The impact on the wider historic environment sector (Cadw) includes a significant reduction in maintenance of historic properties as a result of substantial increases in materials and labour costs. This will be replicated across the heritage sector, for all organisations undertaking capital projects and maintenance work on their sites, leading to deterioration in condition (and in worst case scenarios a sharp rise in listed buildings of national importance becoming vacant, with all associated risks of arson, vandalism and dereliction).

Impacts on scheduled monuments, including those operating as major private or trust operated tourist attractions can also be anticipated as costs of conservation rise and budgets are diverted to cover fuel bills and on historic properties operating within the hospitality sector, which are particularly vulnerable to price fluctuations. This includes pubs and historic houses that operate as hotels and restaurants.

Our records indicate there are currently 530 listed pubs in Wales. Of these 15 per cent are already considered to be at risk or vulnerable, and 10 per cent were vacant at the time of last inspection. There are currently 374 listed hotels of which two per cent are recorded to be vacant and four per cent at risk.

Cadw records show there are 364 listed country houses in Wales of which 11 per cent are already recorded to be at risk or vulnerable. Six per cent of these are vacant – a figure that could increase.

Religious buildings are also at risk, and in particular Welsh chapels. There are currently 633 listed chapels in Wales, of which our Buildings at Risk survey indicates that over 16 per cent are already vacant and a further 10 per cent only partly occupied and considered to be at risk. The overall percentage considered to be at risk is 26 per cent - the highest of any single category of listed buildings.

There are 1,200 listed churches in Wales, of which five per cent are considered to be currently at risk. Falling congregations combined with the rising financial burden of heating these properties mean that we could see many churches and chapels falling vacant. These buildings are essential contributors to the historic character of Welsh towns and countryside.

Visitor numbers, already impacted by the pandemic, are likely to continue to fall due to the impact of the cost-of-living crisis on incomes. It is likely that many buildings

may close or reduce their operating hours over winter to save heating bills, although this will have knock-on impacts for their staff. Many of the heritage organisations supported through the Cultural Recovery Fund (CRF) are likely to fall into this category.

### ***Creative Industries***

The Music Venue Trust has canvassed grassroots music venues, who reported large energy cost hikes across the board. There is a major risk of losing a key part of the cultural infrastructure - one that we supported via the CRF.

Increased costs are having a significant impact on the publishing sector:

- Since the outbreak of Covid-19, the price of pulp, used as a raw material for producing paper and traded as an international commodity, has risen from £500 per tonne to £750-£900 in the world market. Due to the rapid increase in online shopping, demand on packaging materials has increased dramatically and added additional pressure on the price of paper. The beginning of the Russia-Ukraine war saw another 20-25 per cent increase.
- Printing is an energy intensive undertaking as are the other materials (plates, inks) which are intrinsic to the process. Whilst production of e-books may be viewed as the way to mitigate print cost, Amazon dominates the sales of e-books and does not offer a viable business model for small niche publishers.
- The Welsh Agenda, published by the Institute of Welsh Affairs, has reported an increase in printing costs of 23 per cent and distribution costs of four per cent. The weekly magazine Golwg reported an increase of over £12k in print costs, WCW £1.3k and Lingo £1.1k. Most magazine publishers are micro enterprises in rural locations whose budgets have been static for a number of years. With little room to absorb increases in paper and distribution costs, publications will face difficult decisions about whether they can afford to publish at all, or how often.

### ***Sport***

Many sport and leisure organisations are subject to uncapped energy costs with increasing numbers coming to the end of fixed price deals. Wider inflationary pressures, especially in the food and drink sector are squeezing margins on secondary incomes from cafes/bars etc as prices increase. Inflationary pressures on household incomes are beginning to squeeze household spend on leisure. This will likely worsen in the coming months and, coupled with the slow return of customers post pandemic, mean the sector is generally seeing depressed revenue.

### ***Libraries***

The National Library of Wales has concerns that if inflation and operational costs escalate further, cost-cutting measures will need to be considered which would have a negative impact on the implementation of key areas.

Public libraries in Wales are expecting an increase in people using libraries to keep warm this winter. Public libraries have always offered a warm, safe space to communities in Wales, and are now considering the funding that may be required to establish library 'warm banks'.

### ***Sustainable Communities for Learning Programme - Welsh medium provision***

The Sustainable Communities for Learning (SCfL) Programme has experienced an inflationary increase of around 32 per cent between 2019 and today. Whilst the impact of inflation would be the same for the construction of both English and Welsh Medium schools, some local authorities, with remote areas that have an increased need for Welsh language schools, may be impacted more as a result of rising costs due to a more difficult supply chain and getting to the site.

### ***Early Years - Mudiad Meithrin***

There is a risk the number of individuals choosing Welsh-medium childcare provision may be negatively impacted. Parents and carers pay a fee to attend Welsh-medium childcare provision, whereas individuals eligible for the 30 hour childcare offer and Flying Start can access English-medium provision free of charge. There are Welsh-medium and bilingual nursery and Flying Start settings, however these are limited.

Overall, there are fewer options for individuals looking to access Welsh-medium childcare provision, and for many, the fee and potential travel costs could lead to more people opting for English-medium childcare provision. The Welsh-medium childcare sector also plays a vital part in our *Cymraeg 2050* ambitions. Approximately 90 per cent of children who access childcare through the medium of Welsh transfer to Welsh-medium education.

There is a risk in relation to workforce sustainability. Recruitment and retention of staff in this sector is already fragile, particularly for qualified practitioners able to deliver childcare services through the medium of Welsh. Salaries tend to be on the lower scale. Staff struggling to afford travel to work (as noted above, there are fewer Welsh-medium settings, therefore not always within walking distance for parents and carers, but also for staff), may end up opting to leave the sector.

The majority of Welsh-medium parent and toddler groups are located in community centres or hubs. Rising energy costs could lead to rent and energy increases that cannot be sustained by the groups or the lead organisation (Mudiad Meithrin). Groups could close, leading to greater inequality of Welsh-medium provision than there is now.

### ***Welsh-medium education***

Through the 2022 PLASC data we are seeing some signs the pandemic, and the disrupted learning it caused, may be a factor in the slight decrease in learners entering and remaining in Welsh-medium education. This is seen at critical stages such as nursery admissions, as well as progression to secondary school, where we have seen some learners moving from Welsh-medium to English-medium education. If rising costs result in further school closures, there is a risk that learners already

impacted by loss of Welsh language immersion and learning may be impacted even more.

The Welsh Government has invested £76m since 2018 in capital funding grants aimed at expanding Welsh-medium education provision (primary, secondary and also late Welsh immersion centres). Many of these projects are in development, several in the early stages. We are already seeing local authorities noting an increase in building costs which, without additional funding puts the deliverability of these Welsh-medium projects at risk.

In July the Minister for Education and the Welsh Language approved 22 local authority Welsh in Education Strategic Plans (WESPs). The successful delivery of Welsh-medium capital proposals is needed for local authorities to achieve their WESP targets – targets that have been calculated so they support our *Cymraeg 2050* education milestone of 30 per cent of learners in Welsh-medium education by 2031. If this target is not met, it puts significant pressure on our ability to reach a million Welsh-speakers by 2050.

### ***National Centre for Learning Welsh***

There is no evidence to date suggesting the cost-of-living crisis is having an effect on the uptake of ‘Learn Welsh’ classes. The National Centre for Learning Welsh will monitor the uptake of courses, and whether the increasing cost of living is having an impact. If data or other evidence suggests that is the case, then we will consider what interventions are possible to lessen the impact.

### ***Welsh Language Commissioner***

The Commissioner’s Financial Estimate for 2022-23 was based on a two per cent pay deal. A public sector pay deal of more than two per cent will result in a pressure on the Commissioner’s budget. As we are still awaiting the pay deal for 2022-23, the full costs and impact on this budget is currently unknown.

### ***Grant partners (e.g. the Mentrau Iaith, Young Farmers Club, the Urdd, National Eisteddfod and Merched y Wawr)***

Increases in energy prices could have an impact on the ability of many grant recipients to deliver their community activities. Many of the recipients depend on local facilities and if hiring costs rise, events could become unaffordable.

In addition, many households will not be able to pay to attend activities or events arranged by our grant recipients – we therefore could see a decline in the number of activities to support the use of the Welsh language and contribute to the aims of *Cymraeg 2050*. With the potential high energy costs and potential salary increases, some partners will find it difficult to afford these pressures within their current financial budgets.

The pandemic meant that many activities to support the use of the Welsh language had to move on-line or stop altogether. [The effects of COVID-19 on Welsh language community groups report](#) highlighted the risks of not being able to deliver Welsh-

medium activities – its effect on the future use of the language, as well as the challenges facing some community-based groups. Any disruption in the ability for these groups to rebuild their activities as a result of the pandemic could further challenge their existence.