

# Senedd Cymru Cost of Living Consultation – Sport Wales Response

# Sport Wales Response to the Senedd Cymru Cost of Living Consultation.

Sport Wales welcome the opportunity to respond to the Economy, Trade, and Rural Affairs committee regarding the economic and rural impact of cost-of-living pressures. Our data indicates these pressures are likely to have 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.

## 1. What are the likely economic impacts of the cost-of-living crunch?

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 due to 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.

As mentioned in this consultation, the Office for National Statistics (ONS) have predicted that disposable household income is set to see its largest fall since the ONS started keeping records. Research has shown that *'the main engine for spending on*

*sport lies on the level of people rather than institutions. This has two implications: firstly, sport provides significant benefit to government finances through VAT and secondly it links to sports participation and sport attendance as two important elements in growth in the sport economy' (SRIC, 2018, p.14.).*

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 the area of 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.

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). There are disparities in access to sport and physical activity in Wales, which are largely impacted by poverty and deprivation. 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 the most recent iteration of our ComRes 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.

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.

## **2. How are cost of living pressures affecting the workforce, and how are different groups within the workforce being affected?**

In 2018, sport-related employment was most heavily concentrated in the commercial non-sport sector (41%); followed by the commercial sport sector (25%), the public sector (23%) and the voluntary sector (11%).

Volunteers make up a crucial portion of the sport delivery workforce, and as such any economic shocks which prevent individuals from volunteering will negatively impact the delivery of sport in Wales. This has been evidenced throughout the Covid-19 pandemic. The National Survey for Wales 2019/20 identified 10% of adults had volunteered in sport in the past 12 months. However, our ComRes survey, identified that in March 2021, just 5% of adults were volunteering in the sector. This figure has now increased to 12%, as identified in our survey of February 2022.

Although these figures cannot be directly compared due to the differences between the surveys, the data highlights that a reduction in economic activity, like the Covid-19 pandemic, can decrease the number of individuals volunteering in sport, therefore reducing the size of the workforce. As such, 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 for 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), conducted by SRIC, 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.

We are somewhat too early in the cost-of-living crisis for Sport Wales to hold tangible insight regarding how the cost-of-living pressures may affect the wider-workforce. However, it should be noted that sport's links with other sectors (shown through high multipliers) imply that the strength of the sport sector will have wider-implications for the economy, especially employment – for example, lower demand for sport would imply strong effects in accommodation and food and drink).

### **3. How are cost of living challenges impacting upon businesses and economic sectors, and how are businesses responding to these?**

Sport Wales have not yet been provided with sustainable evidence by partners regarding the cost-of-living hikes, but we anticipate we will see this in due course.

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 fall, sport and physical activity will be treated as a 'non-essential' good, and thus reducing consumption of sport.
  - 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 (i) 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.
  - In recognition of these challenges, during the pandemic we offered clubs and organisations support via the 'protect' aspect of the Be Active Wales Fund, which was also offered to those facing damage due to the storm and extreme weather in early 2022. These funds have been crucial in supporting clubs and organisations, who had no income for no fault of their own.
  
- **Financial challenges for sport facility maintenance and development, in particular Leisure Trusts.**
  - As Covid financial support is now 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. In March, Community Leisure UK reported a UK-wide 113% increase in energy costs compared to the average cost in 2019. 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.

- o 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).
- o 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.

#### **4. How are rural communities being affected by the cost-of-living crunch, and to what extent are the pressures they face different to urban areas?**

We know that centralising provisions in rural areas is more difficult due to more geographically spread populations, thus travel is a bigger issue financially for sporting participants in rural settings. Rising fuel costs and public transport costs will increase the strain this places on participants in those areas.

Further, in many rural areas there is often higher fuel costs, including in some instances a reliance on heating oil etc for energy use, which places a further strain on those clubs and organisations in rural areas.

#### **5. How effective are the support measures that the Welsh and UK governments have put in place, and what further support might be needed over the coming months?**

Sport Wales welcomes the recent additional funding from the Welsh Government which takes steps to increase the resilience of the sport sector.

These include:

- Facilities/capital investment and a three-year funding cycle
- Additional support during the pandemic

We also encourage clubs and organisations to apply for investment to improve their sustainability, including:

- BAWF – clubs must demonstrate how the funding will be used to encourage innovation, improve representation and diversity, or improve sustainability in order to access funding.
- Crowdfunder – the Crowdfunder investment stream focusing on improving facilities and many applications seek to implement sustainable practices which will help them improve energy efficiency.

Sport has the ability to generate economic return far greater than what is currently recognised within Wales and therefore we need to **showcase the benefits of sport** in this way. There is a role for Sport Wales to highlight the contribution our sector has in generating income for Wales, and this is a key area for further policy development.

In addition to this, the way in which we have traditionally invested is continually evolving. Our new investment model is driven by three distinct components – **insight, information, and data, capability, and accountability**. This approach ensures funding is driven by evidence and the views of Welsh people, creates confidence in the integrity and governance of those in which we invest via a capability framework, and develops accountability by working with beneficiaries of the funding to identify how it is to be used and what was learnt throughout the process.

## 6. Conclusion

Since sport suffered much more than the average economic sector during the Covid-19 pandemic, its recovery to normality under 'safe conditions' is important for the return of the sport economy.

Sport is a significant economic industry for Wales. The network of micro-businesses that drive the sport economy are embedded in their communities. They add real value in terms of their ability to directly support employment as well as how they service affiliated industries. Prior to the pandemic there was a consistent growth in the influence of sport on the economic output in Wales. Whilst this was dramatically hit during the pandemic, the commitment and efforts of the Welsh Government, Sport Wales and partners has supported a sensible, safe, and sustainable return of this economic boost to the sector – there is need to ensure this continues against the cost-of-living crisis.