

Response by the Welsh Sports Association

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

Our members in the sport and leisure sector are reporting spiralling costs in energy, chemicals and food & beverage. In line with the rest of the economy.

For much of the sector, this hasn't filtered through into direct costs as yet as many of our members hire but do not operate venues – those who own and operate their own facilities are experiencing the most immediate and acute pressures. This hasn't immediately resulted in widespread price hikes for venue hire and usage, but we anticipate this soon. Several operators have raised prices to a limited extent this year, and we expect this to accelerate – one operator raised prices in both January and April of this year, and as far as we are aware several are in discussions to do so.

Attendance rates at venues and events continue to be below pre Covid levels – reports are generally at around 70-90% of 2019 rates, and there are emerging indications this is in part caused by the squeeze on disposable income. We expect this situation to worsen over the winter. There is evidence for previous inflation causing depressed consumer spend in the sector, and we would expect this to be borne out during the next few months.

- The Sport and Recreation Alliance estimate that over the past six years, the cost of access to sport and leisure has risen at around twice the rate of inflation. This appears to be accelerating.
- Over the same period, wages in the sport and leisure sector have largely been stagnant or risen at below inflation rates. The cost of employment is not driving price increases in the sector.
- Household incomes are now falling, and have largely been stagnant since 2010.
- The most deprived 3 deciles have an average budget of £5.96, the middle (4-7) has £7.52 and the highest (8-10) £11.1 for spend on recreation and culture per person per household per week.
- Current inflationary pressures mean that the effective purchasing power of this budget could decrease at a rate of over 20% over the coming year.
- The above two points do not account for the impact of lowered spending on discretionary items because of increases in bills and interest rates. The nominal household budget could easily shrink.

It is and will remain difficult to disentangle depressed customer numbers with the ongoing impact of the Covid19 pandemic and changes in consumer behaviour and depressed consumer spend.

Organisations are also reporting difficulties in forward financial planning due to large changes in their income post-pandemic, and unpredictable cost increases associated with current inflation. We have also seen several product shortages over the past 12 months causing spikes in costs.

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



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What impacts do you predict increasing costs will have on your organisation and sector? To what extent will these impacts be irreversible?

If increasing costs cause public and private leisure venues to close, we anticipate that it is unlikely that they will reopen. Costs of remediation due to closure periods are extensive, especially for wet activities such as swimming pools – where restarting pumps, heaters and testing for contamination require significant investment.

Most organisations are operating on limited reserves post pandemic and these are unlikely to last beyond the short to medium term. Measures to freeze energy bills for business for six months should be welcomed, but will also likely create a cliff edge at the end of this period. Given that energy prices have already significantly increased on the commercial market, it will only alleviate some pressure – we are still likely to have to see price increases and limited rationalisation of services due to the large increases in price that already baked in.

We are aware that some of the following measures have been taken:

- 10% price increases to the customer.
- Reduced staffing and operating hours.
- Operating energy intensive services, such as swimming pools at their operational limits.

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

We recognize that the UK Government has announced a 6-month energy price cap for businesses at the same rates as the new domestic rates. We anticipate further clarity on this prior to 1st October and can update the Committee at the Oral Evidence session.

The industry has repeatedly, over the past year or more called for support on energy prices. The slow speed of action has exacerbated the situation and many organisations are already at risk.

We do not believe the UK Government scheme, limited to just six months, will go far enough to protect the sector in Wales. Given direct impacts on customer numbers due to lasting impact of pandemic restrictions on consumer behaviour, Welsh Government should consider whether they are able to directly support the sector or provide additional funding via the Local Government settlement.

During the 2022/23 budget round, the Finance Minister suggested to Local Authorities that part of the uplift in their revenue budget should continue to cover pandemic impacts in services they manage, including sport and leisure¹ – working with colleagues we do not believe that this has been followed through to the extent needed. In this budget round, the Welsh Government must commit to increased funding to sport and physical activity in order to preserve service delivery.

¹ <https://gov.wales/sites/default/files/publications/2021-12/letter-to-local-authorities.pdf>

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In the medium and long term, Welsh Government should commit to a programme of support to rapidly implement renewable electricity and heat in the public leisure estate, alongside a programme of building modernisation to maximise energy efficiency. Options for private and third sector community clubs and other venues must also be considered.

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

The impact of the cost of living crisis will already be exacerbating existing participation gaps in sport and physical activity. Those who are already least likely to participate will be feeling the brunt of the cost-of-living crisis.

At a macro level, beyond the scope of the Welsh Government's powers, a failure to tackle the emerging cost crisis could result in a significant drop in participation by those in the middle-income strata – creating new participation gaps that will be difficult to close.

Alongside partners the Welsh Sports Association is exploring options around the establishment of a Welsh Sports Foundation, to enhance access to sport and physical activity across Wales.