



OPEN EVIDENCE BASE TO UNDERPIN THE INDUSTRY RESPONSE TO THE 'TECHNICAL CONSULTATION ON THE DRAFT NON-DOMESTIC RATING (AMENDMENT OF DEFINITION OF DOMESTIC PROPERTY) (WALES) ORDER 2022

Wales Tourism Alliance, UKHospitality Cymru & PASC UK

8th April 2022

UKHospitality represents over 740 companies operating around 100,000 venues across the breadth of hospitality within England, Scotland, and Wales. In Wales, our members are responsible for the employment of around 140,000 people directly and a further 40,000 supply chain employees indirectly. UKHospitality Cymru represents the whole industry with one voice- from small independents to large multi-national sites, embracing the self-catering, serviced accommodation, F&B, events, attraction and leisure sectors and the supply chain. Many of our independent pubs and restaurant Members have letting rooms

PASC UK is the largest sector association representing the professional self-catering sector in England and Wales. It has over 1300 Members including over 60 agencies and represents over 50,000 letting properties. Our focus is on a level playing field across the whole sector for both taxation and health and safety compliance and to help our sector become more sustainable and more profitable.

Wales Tourism Alliance: The tourism industry membership of the WTA reflects the whole of Wales; national, regional and local representative bodies and businesses. Through its member organisations and forums resting within its general membership, this amounts to around 7,000 working operators and means WTA contacts and representatives are found in every part of Wales.

Contents

1. Introduction
2. Process
3. Welsh Government Evidence
4. Our Evidence
5. Conclusion

Appendix 1 - Analysis of the Original Consultation responses

Appendix 2 - Owner Case Studies

1) Introduction

The announcement, on the 2nd of March 2022, of the proposal to raise the occupancy criteria by 160% to 182 days came as a shock to the tourism industry in Wales. It particularly came as a blow to small self-catering businesses (furnished holiday lettings or FHLs) which are the most directly affected.

As we have heard from officials in Visit Wales, this threshold was proposed on the basis of its own occupancy data (Tourism Cross Party Group meeting, 30/03/2022), and from the results of the original consultation on local taxes for second homes and self-catering accommodation (25 August to 17 November 2021).

Nevertheless, we note that the consultation carried out by Welsh Government last year (25 August to 17 November 2021; “the Original Consultation”) secured only **nine** responses which agreed with the proposal of 182 days.

The majority of respondents to that consultation proposed an increase to the HMRC threshold of 105 days occupancy.

As the primary, independent representatives of the industry, this is the occupancy threshold we recommend.

The majority response to the ‘Original’ Consultation was not reflected in the proposals put forward in the current technical consultation. Despite responses which clearly challenge assumptions made on the back of officials’ occupancy data, we see that the latter has prevailed - and without explanation.

We take this opportunity to submit our own detailed evidence, supplied by over 1500 businesses across Wales, to demonstrate directly why reliance on one set of pre-covid occupancy data is an unsafe way for Welsh Government to proceed.

Our methodology and summarised findings are set out in Section 3.

Briefly, through our research, we have received survey responses from **almost a quarter of Wales’s estimated 6000 self-catering operators (across around 8000 properties)**. We have also, as requested, sought detailed case studies and received over 400 in less than four days. A good selection of these are provided in Appendix 2: Owner Case Studies.

These clearly show that the proposal to raise the thresholds will cause genuine hardship, particularly to those families whose properties are restricted to commercial use only. Subject to GDPR considerations, we are content for you to see all the submissions.

In short, the real-time submissions to our consultation do not align with the historic data collected by officials. This is unsurprising. While we all wish for a speedy recovery from the acute challenge of covid, it has a long tail.

As well as providing evidence for this consultation on technical detail, respondents have also articulated their nervousness about the fragility of current bookings and the sustainability of recovery in the face of

- The vast increase in energy costs. The average commercial tariff for electricity across these businesses was 14.5 pence per unit in April 2021, it is now in excess of 60 pence per unit with some being forced to even higher tariffs
- The crisis in Ukraine
- The cost-of-living crisis (which affects them and their potential customers)
- Renewed competition from overseas
- Continued staffing shortages and increased costs of employment
- Procurement costs; and
- VAT returning to 20%

These threats are chronic in their nature and the timing of these proposed changes could not be worse

There is, as you know, further disquiet across the wider visitor economy in Wales relating to other Welsh Government policy proposals:

- Tourism tax,
- NDBR,
- LTT,
- school year.

As each affects the consequences of the others, we ask Welsh Government to make it plain how they are managing and assessing these inter-related impacts.

The evidence we have collated, from over 1500 responses, demonstrates the disproportionate and damaging economic impact the proposed new occupancy threshold will have on the self-catering sector, both on individual livelihoods as well as collectively on communities.

It also demonstrates that a change that applies across the whole of Wales will not achieve the Welsh Government’s stated aim of achieving a greater pool of affordable housing in those communities where a high proportion of second homes has contributed to purchase prices beyond the reach of local people.

2) Process

(A) LIMITED WELSH GOVERNMENT EVIDENCE BASE

We have made our observations of the original Consultation process in **Appendix 1** whereby the proposal for 182 days has been based on the least number of responses. There appears to be an over reliance on WG occupancy data in preparing the technical document.

Welsh Government officers have confirmed that they have not relied on Wales tourism accommodation occupancy surveys post 2019 because of the economic impact caused by the Pandemic. However, according to a verbal assurance from Welsh Government Officials pre-2019 occupancy figures have been utilised.

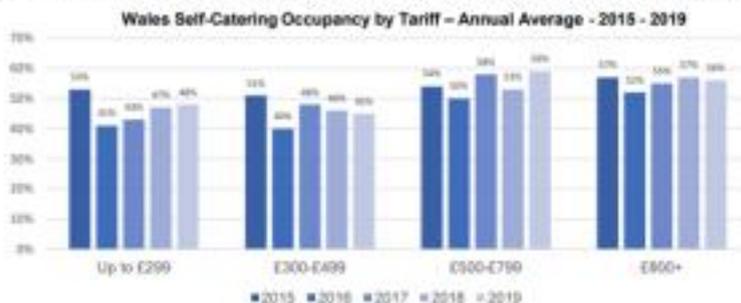
These survey reports provide trend information however we believe that the sample size is too small and potentially flawed - *The self-catering sample is usually around 300 - 500 operators* - the effect of the weighting for certain regions or size bands can therefore be exaggerated.

Wales Self-Catering Occupancy by Tariff

This section of the report outlines annual average unit occupancy rates by tariff for the period between 2015 and 2019.

Wales (Overall) - Annual Average - 2015 - 2019

Properties in the tariff band £500-£799 achieved the highest annual average unit occupancy rate (59%) in 2019, – an increase of six percentage points when compared with 2018. The lowest annual average unit occupancy rate (45%) was found in those charging between £300 and £499 – 1% below the figure recorded in 2018. The only year-on-year drops between 2018 and 2019 was found in the £300-£499 and £800+ tariff bands where occupancy was a single percentage point lower in 2019 than in 2018 (46% in 2018 down to 45% in 2019 and 57% down to 56%).



Even the Occupancy data from pre-2019 from the Welsh Government's own published research of 2018 and 2019, of the average occupancy by region, shows that South East Wales has average occupancy below 50% for both years, and mid-Wales was 48% average occupancy in 2018, and 52% in 2019, across a limited sample. However, if you look at the occupancy by tariff, on the above graph, the cheaper half of the four price bands have NEVER achieved average occupancy rates over 50% in the last 4 years.

While value, quality and spend are (usually) drivers of Welsh Government tourism policy, where we have seen balance in the past is an understanding that lower-income families should not be prejudiced by that. Wales inevitably faces competition from lower-price offers from within the UK and overseas, we would like to see everyone enjoy more holidays at home. This proposal could also see the complete loss of these lower priced offerings during the peak season.

These are the individuals and families who will be hit the hardest by the cost-of-living crisis. They will be thinking about whether to take a holiday at all. Taking out the cheaper end of the FHL offer as a result of this policy reduces the offer to lower-income households. As these properties are more likely to lie outside the coastal hotspots, taking them out of the market also reduces the scope for growing tourism in the less popular inland destinations.

To be utilising this pre-covid occupancy data to make a decision which will have such a seismic impact on the Self-Catering industry in Wales is, we believe, flawed. In order to make such a large change in the legislature this decision needs the due process of a full economic impact assessment.

(B) VOLUME AS A DETERMINANT

As you will have heard us say on other occasions, we too are keen to distinguish between FHL businesses and second homes/casual lets. While we responded to the Original Consultation on its own terms, there is a question in the first place about defining a business as "a business" based solely on volume of trade. We would be interested in hearing from Welsh Government of other types of business which are defined in this way, and how the decision was reached in the case of FHLs.

The setting of an artificial benchmark based on volume goes against over twenty years of Welsh Government policy and experience. Welsh Government tourism strategies have, **correctly**, concentrated on value, quality and spend - not volume - for good reasons. They have identified the following:

- Our number one strength - the countryside, natural and outdoor attractions - being at the same time our number one weakness, making Wales more weather dependent than any other home nation
- Discouraging over-tourism in high traffic "honey pot" areas.

Much of Wales's infrastructure and local communities cannot handle volume over value.

In order to gain volume to meet the new threshold, FHLs will make the unwelcome decision to drop prices at a time when business costs are rising.

The reactions in the feedback that we have received and across wider social media suggests that many are already being forced to consider lowering their prices, just at a time of spiralling costs being forced upon their businesses.

We all should be driving for a greener, more sustainable tourism economy for Wales, not trying suddenly to chase volume which goes against all that has gone before, as business are forced to hit an artificially high threshold of let days to avoid punitive taxation.

'The most popular motivations for coming to Wales were to enjoy the country's natural landscape mentioned by almost eight in ten visitors'.

(Wales Visitor Survey – Welsh Govt – 2019).

Due to the lack of wet weather attractions for young families we have been concentrating on higher paying couples – ‘the over 55s and affluent young actives for the shoulder months. This has meant great investment in good value quality accommodation and other supplementary products in the shoulder months with success.

‘Couples were more likely to visit Wales during the shoulder months than the peak season in 2019 (at 40% shoulder and 31% peak respectively), while the reverse was true for families with young children (at 29% peak and 17% shoulder). Families with young children accounted for 30% of Welsh staying visitors but only 24% of staying visitors from the rest of the UK.’

(Wales Visitor Survey – Welsh Govt – 2019).

The most recent figures demonstrate this –

In order to grow volume whilst maintaining quality will mean businesses spending more to promote their business. This means offering uncompetitive prices compared to comparable properties (in competitor destinations) which are not subject to this and other Welsh Government price-inflating policies. Even without the new pressures referred to in the Introduction, lowering costs remains an inherent risk as *guaranteeing* occupancy levels is still not possible.

Margins are squeezed further in autumn and winter, as smaller number of visitors expects to pay less when running costs are higher. Occupancy is reduced to mainly Friday and Saturday bookings due to poor weather and reduced opening hours for secondary seasonal businesses and attractions.

Therefore, to make up the additional volume is not possible as there is little or no market for most Sundays to Thursday, with many operators already offering up to 40% discount (Airbnb, 2022) on these days.

‘Almost two thirds of UK staying visitors in the shoulder months (65%) described their trip as a short break’

(Wales Visitor Survey – Welsh Govt – 2019).

Indeed, the self-catering sector has invested heavily over the last ten years to build value over volume in order to increase spend precisely because our peak season is so limited and opportunities to spend are limited. Many investing in ancillary facilities to create micro destinations (e.g spa facilities).

“ABC1 and travelling with children, C2DE are most likely to have been based in one location during their trip (at 90% and 91% respectively, compared with 84% of visitors overall”).

(Wales Visitor Survey – Welsh Govt – 2019).

Rural or even isolated coastal properties are unlikely to be based near attractions and therefore not attractive to young families staying for a week, especially outside of the peak school holiday season.

It is a non sequitur that these proposals will help develop the tourism sector as a year-long sector...by ensuring more nights spent in Wales will help develop the sector and also allow new money to be spent in our communities outside the main tourist season.

We cannot agree with this. We suggest that businesses lowering pricing to try to hit artificially high targets will not invest while the spectre of the consequences of missing the 182-day threshold hangs over them.

Even on Welsh Government's own 50% pre-covid occupancy figure, it is unrealistic to suggest that the very modest budget made available to Visit Wales would help a significant number of at-risk businesses raise occupancy levels to the point of survival post April 2023.

Further, whilst there have been some great successes in recent years (such as transforming North Wales into the Adventure Capital) this new technical order will take real effect from 1st April 2023 and there is no conceivable way in which in-door attractions, from high streets to theme parks, can be developed within twelve months in order to build up the sheer number of businesses that will fall short of the 182-day threshold.

Finally, if you look at the occupancy by tariff, the cheaper half of the Welsh Government's four price bands have **NEVER** achieved average occupancy rates over 50% in the last 4 years.

While value, quality and spend are (usually) drivers of Welsh Government tourism policy, where we have seen balance in the past is an understanding that lower-income families should not be prejudiced by that. While Wales inevitably faces competition from lower-price offers from within the UK and overseas, we would like to see everyone enjoy more holidays at home.

These are the individuals and families who will be hit the hardest by the cost-of-living crisis. They will be thinking about whether to take a holiday at all. Taking out the cheaper end of the FHL offer as a result of this policy reduces the offer to lower-income households. As these properties are more likely to lie outside the coastal hotspots, taking them out of the market also reduces the scope for growing tourism in the less popular inland destinations.

On a per person per night basis FHLs offer astonishingly good value for money.

(C) A SECOND HOMES ISSUE?

We do not underestimate the need for new, efficient affordable homes and we certainly do not condone second homeowners not paying a fair contribution to local taxes.

However, in framing these proposals in terms of the second homes debate, it has not been possible to identify how Welsh Government has examined the full impact on the wider visitor economy in Wales and how much if that is reliant on a buoyant self-catering sector.

We are not aware of any Economic Impact Assessment of these proposals, either on risk-taking owners and their businesses or the cumulative effect on jobs in tourism, hospitality and local retail.

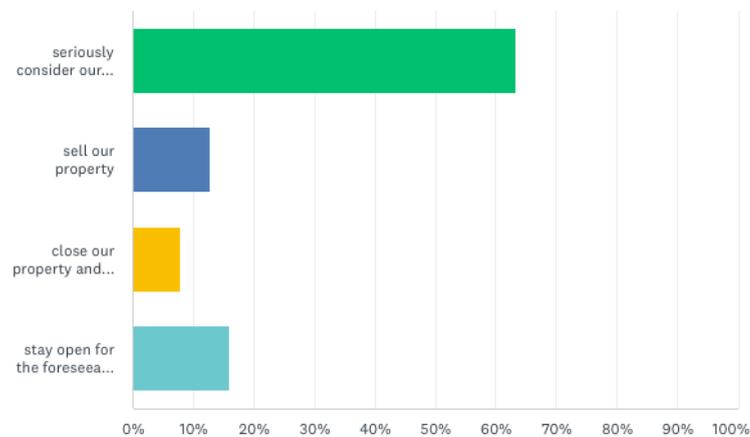
We understand that Welsh Government has to balance priorities, but we have not been able to identify any attempt to find such a balance. This is difficult to understand when the economic health of individual communities (let alone more widely) is an essential element in their sustainability and wellbeing.

The assertion is that belief that this will only be an issue for "some" businesses." Our evidence shows that the quantum of that "some" is much greater than pre-covid figures might suggest - and that was 50%.

Our research shows a completely different picture. Only 16% currently think that they can work with the 182-day threshold.

If the current proposals from the Welsh Government come into effect, (182 days let to go onto Business Rates or pay a possible 300% premium on Council Tax) what impact will it have? We will need to: (Please answer only one)

Answered: 1,029 Skipped: 183



Where our evidence does align with Welsh Government's is the finding that the majority - though nowhere near 50% - of businesses that are able to meet the threshold are in the coastal "hotspot" communities. These are also the communities most severely affected by high property prices.

There are businesses within those hotspots that will still have difficulty meeting the thresholds.

However, the majority of FHLs that will not be able to meet the thresholds lie outside these hotspots in parts of Wales where second homes play a much smaller role in the question of local affordability (see Brooks report) and where there is potential for tourism growth without tipping the balance against community wellbeing.

They will either close or fall into the council tax regime if planning permission allows. Some may survive the change of status but will add to the corpus of properties identified as second homes rather than as businesses. Welsh Government will not want to be credited with creating more "second homes".

Others will fall into a council tax regime where local authorities have adopted higher council tax premiums for second homes. Some of these less popular areas are in the same local authority area as hotspots, but they will still have to pay the elevated premiums.

Businesses which close will not necessarily release affordable residential property onto the market. Those units on an owner's own property or with commercial-only planning permission will close or fall into the council tax regime.

Policy consultation clearly outlined the policy objectives, none of which have any bearing on properties that are legally unable to be used as permanent accommodation, such as properties restricted by planning conditions to holiday only use. Whilst planning is a different area to taxation, Welsh Government have a duty to consider the presence and impacts of the market and wider legislation. Welsh Government have shown no evidence linking such properties to the stated policy objectives. There is therefore no reasonable justification for including such properties within the scope of this legislation.

The research reports commissioned by Welsh Government omitted to even mention how such properties already positively assist in deflecting visitor demand away from normal domestic housing (conversions to holiday-lets) and thereby act towards the stated policy objectives currently.

There are also other restrictions for example: the catchment of the River Teifi in Wales is currently under a SSSI with Natural Resource Wales. All developments that pose an increase in phosphates into the watercourse are not being approved. The Local Authority is not allowing uplift of commercial premises onto residential within the catchments. Has the WG consulted the NRW over the proposed increase of phosphates as a result of these new policies?

<https://www.ceredigion.gov.uk/resident/planning-building-control-and-sustainable-drainage-body-sab/phosphates-on-the-teifi-river-sac/?fbclid=IwAR2N24FxdNtoUc68B17wKzxEqooN-BkLV1Y8jsMWzKwXQEnMwdghriPI7E>

Therefore, if you are in this area, you would not be able to change from holiday lets permissions to residential because of the uplift in occupancy. It specifically says holiday accommodation. Basically because of the fragility of the local environment.

Owners who do decide to sell will not be looking to sell at an undervalue, especially if they have invested in the standard of the property. They will advertise their properties in parts of the country where incomes are higher and sell to people from outside the area for whom the higher price and higher tax costs are not a deterrent.

It will shut out new entrants to the self-catering industry in those parts of Wales where there is under-tourism and no threat to community identity or cohesion (see the Brooks report).

The proposal will discourage the bringing back into use of empty properties, especially those where mortgage valuations are low compared to asking price, and where renovation/maintenance costs are too high in comparison to the size and value of the property. We suggest that the NDR threshold and council tax proposals will both stifle investment in older properties, undermining the purpose for which these changes have been proposed.

All this applies to second homeowners but, more crucially, it applies to FHLs which lose their business status because of these proposals.

While some of these properties will have been bought by non-locals to run as businesses, some will be owned by local people through inheritance or investment. These proposals could mean local families having to give up their erstwhile businesses in favour of providing a new second home to wealthy outsiders.

This is not the effect on affordability, community sustainability and security of the Welsh language that Welsh Government is seeking.

3) Our Evidence

Over the years we have gathered a great deal of data into the self-catering sector in Wales. It is a richly diverse sector, offering a wide variety of product, from castles to glamping, from luxury beach retreats to bunkhouses in the mountains, from farm stays to city living and everything in between. All are intrinsically different and operate their own business models. There is no one size fits all.

Demand varies across all parts of Wales; some hotspots are incredibly busy whereas some inland areas are quiet and peaceful.

What the evidence and feedback has shown us is that a simple over-arching high threshold simply cannot be met by many 100% legitimate businesses (FHLs).

Many of these businesses have invested substantially in their offer, and by doing so in Welsh tourism as a whole. These very businesses are now under serious threat from the proposed 182-day threshold.

In addition, the sector, having mainly survived the incredibly bruising effects of the pandemic, where any reserves were used up to simply survive, with huge impacts on mental health in the sector are now entering another perfect storm. The market is going 'soft' as the impact of the devastating war in Ukraine and the

massive increases in energy and insurance prices has brought continued uncertainty to the sector and bookings begin to slow right down.

This is not a time to try and drive these businesses to massively higher occupancy. This will only be done in the short term by reduced pricing and offers. Surely not the image that we all want for a vibrant Welsh Visitor Economy? We should be continuing with the long-standing Government tourism policy of **Value not Volume**.

Trying to drive up visitor nights in one sector alone is not a strategy and is most likely to impact adversely in the areas that need it least; the hotspots where we are already suffering from 'over-tourism' as they are top of the visitors list. Extending the season has always been the nirvana of all tourism strategies: Few have really made any real impact on substantially increasing seasons outside the holiday and good weather boundaries.

Unreasonable Notice Period: Welsh Government have stated in correspondence to self-catering property owners that "**..self-catering properties should aim to meet the new criteria during the year beginning on 1 April 2022, so that they can meet the evidence requirements from 1 April 2023**"

The scale of that change requires owners to re-plan their businesses, adapting marketing, operational, investment and financial practices in order to achieve the new criteria. All already have bookings for this year based on their current business and availability strategy. These changes could bring a high risk of financial failure to these businesses and force owners to move away from their current target market, changing their propositions, primarily pricing to achieve substantially higher bookings. Given this season has already started and they already have bookings based their original business strategy, and given the business changes would need time to effect, it is unreasonable to place this burden, impacting this season's business when the legislation has not yet been passed.

Whilst we acknowledge Visit Wales's quality promotion work on this issue at the moment, and we wish it success, unless Welsh Government is prepared to guarantee this with financial pay-outs in the event of market failure due to the introduction of this threshold, it is an unproven claim that hard work by Visit Wales with the industry will create the necessary demand to avoid the need for compensation. There has not even been a pilot study.

Below we set out illustrative highlights and lowlights from our research into the sector, whilst giving you GDPR-compatible access to the full reports.

Case Studies into the Impact of the proposed 182-Day threshold.

At a Cross Party Meeting on the 30th March 2022, we were asked if we could provide some 10-20 case studies into the impact that the proposed threshold would have on businesses.

We put out a call on Friday 1st April with a four-day deadline, so that we could have them in time for this report and collate them for the Appendix. We received well over 400 responses and have been able to include over 200 in the time allowed.

The Case Studies can be found in Appendix 2.

There are some really heart-rending studies. The overall impact of the proposed threshold is to create fear, uncertainty, and doubt, adding to mental health pressures already exacerbated by the experience of the pandemic and the new pressures referred to in the Introduction.

Please analyse these studies and you will see the unintended consequences of the proposed threshold. Businesses that the Welsh Government have funded to diversify from farming will be ruined, owners will lose their homes, businesses, and income as a result of this proposal.

You will see that the case studies confirm who is actually captured by these proposals. They are not the higher-income second homeowners whose contribution to the community and economy is minimal. These are small micro-businesses, no burden on the state, working hard to earn a legitimate living from hospitality. Many have no option but to do short-term letting as they are limited by planning consents.

If this measure is carried through as proposed, any property, outside a hotspot, limited to only operate as a holiday let will become a blighted property. How will that help rural communities in particular?

Larger properties, bunkhouses, specialised charities and adventure accommodation are almost totally reliant on the weekend trade and will never be able to make the threshold. Converted redundant farm buildings and glamping will struggle too, with very few able to meet this threshold, with potentially dire consequences for them.

Even those that can make the 182-day threshold currently are frightened by the prospect of the impact of heavily increased marketing by their peers, most likely at discounted prices, driving their occupancy down to below the threshold.

None of us want to see headlines of businesses closing, people losing their livelihoods, their job and their homes, so **please read** the real impact for so many, contained in the Case Studies.

PASC UK, WTA and UK Hospitality Cymru Survey on the 182-day threshold: Methodology & Key Findings

The full report can be seen here: <https://bit.ly/3KqRx6z>

With little time from the announcement of the Welsh Governments intention to increase the threshold from 70 days to 182 days on the 2nd of March and closing of the Consultation on this on the 12 April, the first thing that we did was to commission a survey to assess the impact of this proposal.

This survey ran for ten days and generated 1212 responses. This is the largest self-catering sector only survey in Wales. Only 16% of respondents believe that they will be able to carry on.

This is lowest confidence indicator we have seen, even at the peak of the pandemic.

The key findings from this report were that a much smaller proportion of the sector achieves the 50% occupancy, or 182-day rate proposed than published by official figures.

Key data points emerging from this survey of which there were 1212 respondents:

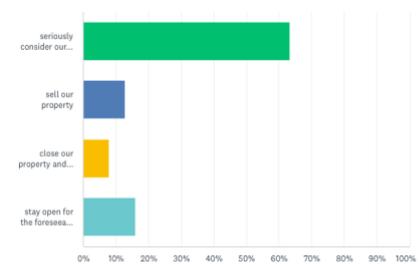
- 40% said properties were in high demand areas, 60% in medium or low demand areas
- 31% of owners generated over 50% of their income from short term lettings
- 85% of properties are on the Non-Domestic Rating list
- 32% have specific Planning Permissions to ONLY operate as short term lets
- 10% have a limit on how many days they can let in a given year

- 34% said that they were currently able to make the 182-day threshold
- 43% never use the properties personally
- 40% said that they closed for 3 weeks a year for maintenance
- 26% spend more than £10k annually in their economy, with a further 22% spending £7.5k
- 50% of all respondents felt that the 105-day threshold was the best solution, 13.5% want it to stay at 70 days and only 7.5% supported 182 days or more
- 63% are seriously considering their future in this sector and only 16% showing any confidence moving forwards.

This is an unparalleled threat level for any business sector, especially at this time, and we urge readers of this report to read the Appendix of Owner Case Studies.

If the current proposals from the Welsh Government come into effect, (182 days let to go onto Business Rates or pay a possible 300% premium on Council Tax) what impact will it have? We will need to: (Please answer only one)

Answered: 1,029 Skipped: 183



Membership Survey by Mid Wales Tourism

Mid Wales Tourism undertook an early survey to test the water in relation to the proposal. They received 148 responses. It was decided that a further, more detailed survey needed to be undertaken to establish a more in-depth body of evidence which could be added to. The initial headline results:

- 75% were NDR Exempt / 19% NDR Not Exempt / 6% Not NDR registered.
- 80% will be able to reach the 252 days available but 80% not reach the 182 days let
- **Out of the 148 businesses who responded to the survey 80 said they would be forced to close (54%)**
- 39% of those stating they would close are NDR registered (Not Exempt)
- 70% of multi businesses said they would be able to reach the 252 days available but not the 180 days let / 50% have said that it would close their business.

With 80% returning that they would not be able to make the threshold this initial survey was an alarming result.

For the full survey results: <https://eu.iotform.com/report/22062488996707004>

Impact upon Mental Health of owners.

In April 2021. Just as Covid Restrictions were beginning to ease across Hospitality, PASC UK in Conjunction with other organisations in Wales (See below) carried out a Survey on how effective Grant support had been in the pandemic. We took the opportunity towards the end of the survey to ask respondents if they had suffered any mental health issues as a result.

Please bear in mind that the purposes of accuracy, all respondents were required to give their name address and contact details so that any data provided could be cross checked.

Over 46% of respondents have either had signs of mental health or are experiencing some form of anxiety or depression.

This was also borne out by the telephone support calls received at the PASC UK office during the pandemic.

PASC UK & ASSC UK-WIDE SECTORAL SURVEY INTO SELF-CATERING FEEDBACK ON FUNDING AND GRANT SUPPORT

Introduction

- The Professional Association of Self-Caterers (PASC-UK) and the Association of Scotland's Self-Caterers (ASSC) are the leading source of knowledge on short-term letting and holiday homes in the UK and Scotland respectively.
- As a UK wide approach, the ASSC and PASC UK seek to harness empirical data about the self-catering sector across the UK in order to be able to inform the UK and devolved governments in terms of future policy decisions.
- A UK-wide sectoral survey was conducted in March 2021 relating to eligibility and access to the various packages of economic support from the UK, Scottish and Welsh Governments in response to the COVID-19 pandemic.
- The results offer valuable insights into the experiences and problems faced by the UK's self-catering operators in accessing the support required to safeguard their businesses during the Covid-19 pandemic.

Survey Overview

- PASC UK and the ASSC gathered data about the grant schemes, due to many self-catering operators highlighting concerns about the eligibility criteria associated with the grants from the UK, Scottish and Welsh Governments in particular, as well as inability to access the Coronavirus Job Retention Scheme or Self-Employed Income Support Scheme from the UK Government.
- PASC UK and ASSC ran an online survey consisting of a series of sector specific questions. This was publicised via PASC UK and ASSC newsletters, as well as via social media channels.
- The online survey elicited 1395 responses from self-caterers in England, Scotland and Wales, from both PASC, ASSC members and non-members alike, across the UK's local authority areas.
- 59% of responses were from members of PASC UK or the ASSC. 41% of responses were from non-members.
- With special thanks to the Wales Tourism Alliance, North Wales Tourism, Visit Pembrokeshire, Tourism Alliance, SW Tourism Alliance and the FHL Business Support Group for circulating the survey throughout Wales.

Summary

It is hoped that the survey results will inform greater discussion regarding the support provided to self-catering operators in the UK during the Covid-19 pandemic.

Some of the key findings include:

- A good proportional split of responses were from across the UK, predominantly from **rural locations** with 47.38% being from England, 38.63% from Scotland and 15.63% from Wales.
- NOTE: the survey did not extend to operators in Northern Ireland due to limitations in sources for circulation.
- The majority of self-catering businesses have been running for at least 6 years. A large proportion of self-catering businesses have been running for 11 to 20 years or more, with some operating over 40 years.
- **Over 46% of respondents have either had signs of mental health or are experiencing some form of anxiety or depression, there is evidence of the impact of the Covid-19 crisis being felt across the sector.**
- Currently there is a mixed picture in terms of business confidence, with 38% of respondents being somewhat optimistic and 20% somewhat pessimistic and almost 27% taking a neutral view at the moment, not knowing what to expect.

The Full report is available here:

<https://www.pascuk.co.uk/reports/> Where it can be downloaded. Look for this icon.



The Economic Impact of the Self-Catering Sector on the Welsh Economy

In August 2021 PASC UK published the most extensive report into Welsh Self-catering, utilising live booking data from numerous booking platforms plus visitor surveys.

The full report can be found on this page and downloaded:

<https://www.pascuk.co.uk/reports/>



Key highlights were as follows:

Wales



Gross Visitor Spend by Item (Wales)



£87.2m
Accommodation fees



£13.4m
Travel to and from property



£7.7m
Food and drink (in local shops)



£27.5m
Food & drink (bars, cafes & restaurants)



£4.4m
Outdoor recreation and other sport



£49.7m
Visitor attractions



£5.5m
Travel during stay



£15.1m
Food and drink (in supermarkets)



£7.2m
Other shopping

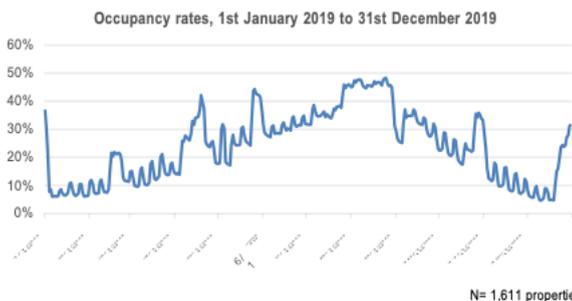


Areas with the greatest number of properties

1. Dyfed (3,130)
2. Gwynedd incl. Conwy (2,520)
3. Anglessey (735)
4. Powys (690)
5. Clwyd (270) & West Glamorgan (270)

In the appendix to this report, you can see the data provided by the booking platforms on actual occupancy. This is based upon paid bookings only.

Wales



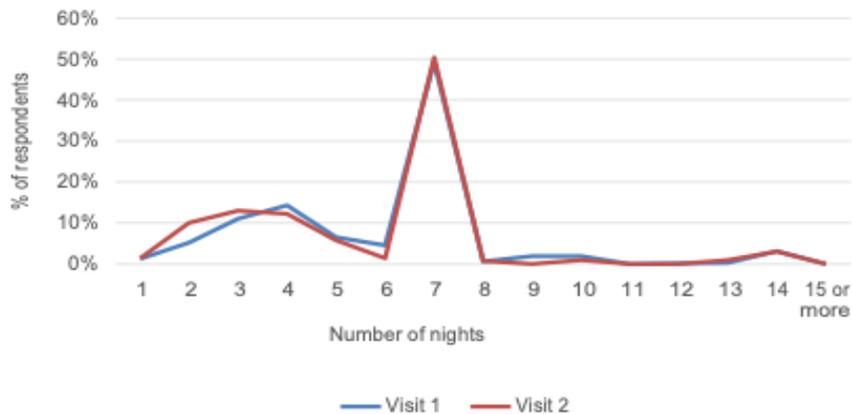
The Short Break Staycations

The popularity of the short break is on the rise, with most operators now only able to sell seven-night stays in peak times, the summer holiday and Whitsun being the most likely. The visitor wants an experience filled two-to-three-night stay. These most commonly have to fit around weekends, making out of season midweeks really hard to fill. If you are in a hot spot area, this will be easier, but for many rural businesses filling midweek for around six months of the year is going to be nigh on impossible.

Visitor characteristics

This section looks at findings from visitors for up to two visits to a self-catering property. Visit 1 is the most recent visit i.e., 2020 and visit 2 is pre-Covid-19 i.e. 2019. On average visitors spent 5.9 nights during visit 1 and 5.7 nights in visit 2. The distribution of responses is shown in Figure 3.3 and demonstrates a very consistent trend between visit 1 and 2.

Figure 3.3: Number of nights stayed per visit



Actual Booking Data across 792 Properties

This spreadsheet shows the number of nights let across the various ‘sleeps’ sizes of properties in Wales. In general terms the larger the property the harder it is to achieve the same occupancy as a smaller property, simply because there are fewer large groups that want to go away together than family sized units.

This is real reason why a one size fits all threshold, at a heightened level, will particularly penalise certain types of business in non-high demand areas.

Sleeps	No of properties	Avg 2019 nights	Avg 2020 nights	Avg 2021 nights	Avg of 2019 £	Avg of 2020 £	Avg of 2021 £
(blank)							
1-5	433	155	96	158	£ 14,611	£ 9,165	£ 17,004
6-10	291	125	80	128	£ 18,205	£ 11,531	£ 20,863
11-15	37	127	78	132	£ 38,503	£ 22,373	£ 43,399
16-20	17	78	44	83	£ 46,078	£ 23,025	£ 46,948
21-25	6	79	44	63	£ 53,865	£ 25,241	£ 35,185
26-30	4	144	48	101	£ 141,148	£ 49,014	£ 119,061
31-35	2	96	21	68	£ 80,657	£ 14,744	£ 72,804
36-40	1	90	31	16	£ 90,324	£ 34,189	£ 23,380
46-50	1	28	22	39	£ 44,220	£ 23,805	£ 59,581
Grand Total	792	140	87	143	£ 18,959	£ 11,336	£ 21,154

This data has been provided by the SuperControl Booking System and shows actual bookings placed and paid for on their system. The vast majority of these are professionally let business who have opted to pay

for a booking system. As can be seen there is not one column of nights let that averages anything close to 182.

Impact of the increased threshold on Women and Carers

We have received some compelling data on the impact of the proposed threshold increase on women, and particularly those who are also carers.

Below we have included some data from a report into this, and it's clear that there is a real issue here. Women play a huge role in this sector, and in most cases are the driving force in these businesses. Many of them have other responsibilities too.

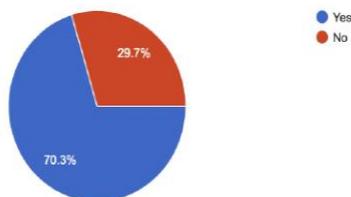
This survey clearly highlights the need for the Welsh Government to carry out a full Economic Impact Study, into the proposed measure, to include what impacts it will have on different parts of society.

Once again, this illustrates how the target of the proposed measure is the wealthy second homeowner, depriving a local from buying a house, yet will have hugely detrimental effects through unintended consequences.

The full report can be accessed here. <https://docs.google.com/forms/d/1iNNZ56ebZi-bBlsgOgRUDWnmFwDOme4v0mIEeLZeTLU/viewanalytics>

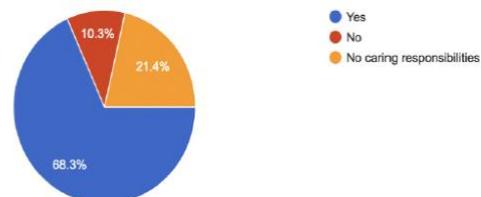
3. Do you have caring responsibilities - perhaps for school-age children, a disabled child/partner or elderly parents?

145 responses



4. Does your self-catering accommodation business have to fit around these responsibilities?

145 responses



5. Conclusion

Our evidence shows many micro locally run family FHL businesses will simply shut down: Some of the buildings will be sold, possibly to buyers outside of Wales because they will not be in the right location or price bracket, others converted back to farm buildings or re-absorbed into owners' own primary residences.

There is a risk that some will be abandoned in an attempt to avoid paying tax on an un-productive building.

As a tool to bring properties back into a market which is affordable to local people, it will not work. Rather it will reduce local owners' ability to earn an income and cause a decline in secondary jobs in hospitality, retail, house maintenance and cleaning etc.

It will not safeguard the Welsh language as these businesses will be lost to wealthier outsiders prepared to meet the higher costs of having a second home or self-catering businesses in Wales.

We recommend that:

- (a) Welsh Government observes the majority response to the Original Consultation and Increase the threshold from 70 Days to 105 Days (that's a 50% increase) and align with FHL HMRC taxation rules;
- (b) We adopt the term 'Holiday Let Businesses' for FHLs that comply with 105 days letting and full HMRC tax compliance;
- (c) Properties that are limited by (i) planning permission to only be short term commercial lets and (ii) lie within the curtilage of an owner's primary residence are not made liable to pay the additional council tax premiums if they do not hit 105 days let;
- (d) Allowances can be made when whatever threshold is finally determined upon, accommodating limitations on availability (as opposed to occupancy) such as, carrying out repairs, property improvements, closure due to ill-health or caring responsibilities. We would be pleased to work with the Welsh Government in determining what these might be;
- (e) We work with Visit Wales to drive quality and nightly yield up to improve profitability and sustainability of this sector of the industry;
- (f) We work with Visit Wales, Welsh Government and other partners to push forward the green, low-zero carbon agenda in the self-catering business sector.

Appendix 1

The Welsh Government 'Local Taxes for second homes and self-catering accommodation' Response evidence:

The Welsh government has proposed legislation that does not reflect the consultation responses, the following analysis of the data presented in the published response document is shown below. In each case, the proposed legislation takes no account of the majority views expressed by those who took part in the consultation, and in many cases creates legislation that represents the opinion of just a tiny fraction of the respondents who took part.

Q. How effective are premiums in addressing housing issues?

A. 79% said little or no effect, 9% said positive effect.

Result: go with the 9% and push forward with the council tax premiums as a means of addressing housing issues

Q. Is current max of 100% appropriate?

A. 64% said appropriate or too high, 20% said too low.

Result: go with the 20% and raise the maximum

Q. Should self-catering accommodation thresholds be higher?

A. 75% said either no change or no support for higher thresholds, 22% supported higher.

Result: go with the 22% and raise the thresholds

Q. If thresholds changed, what should new available to let threshold be? A. 149 replies suggested greater than the current 70 days (15% of respondents), 38 suggested 210 days (4% of respondents).

Result: go with the 15% of all respondents who supported an increase and set the level in line with the 4% of all respondents who suggested 210 days

Q. If thresholds changed, what should new actually let threshold be?

A. 118 replies suggested greater than the current 70 days (12% of respondents), 38 suggested 105 days (4% of respondents), 9 suggested 182 days (0.9% of respondents).

Result: go with the 12% of respondents who supported an increase and set the level in line with the 0.9% of respondents who suggested 182 days

Of keynote are the responses to Q9 'If the self-catering thresholds were to be changed, what do you suggest the new thresholds should be'.

*Of the 155 responses suggesting a rise on the **availability** criterion, 149 proposed thresholds higher than the current 140 days, ranging from 150 to 365 days. The most common specific suggestion was **210 days** a year. The most common specific suggestion for **commercial occupancy** was **105 days**. Only 9 responses supported a range of between 182 days or 6 months (9 responses).*
