All Party Parliamentary Group for Hospitality and Tourism

**Inaugural Meeting of the Hospitality and Tourism APPG**

Room Q, Portcullis House, 09.09.2024, 1.30pm – 2.30pm

**Minutes of meeting**

## Attendees

Parliamentarians

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| Ann Davies | Plaid Cymru | Caerfyrddin |
| Bayo Alaba | Labour | Southend East and Rochford |
| Becky Gittins | Labour | Clwyd East |
| Caroline Voaden (Vice-Chair) | LibDem | South Devon |
| Chris Webb (Chair) | Labour | Blackpool South |
| Claire Hughes | Labour | Bangor Aberconwy |
| Damian Hinds (Vice-Chair) | Conservative | East Hampshire |
| Dan Aldridge (Vice-Chair) | Labour | Weston-Super-Mare |
| Euan Stainbank | Labour | Falkirk |
| Gill German | Labour | Clwyd North |
| Francesca Randwell Jones on behalf of Steve Darling | LibDem | Torbay |
| Linden Grigg on behalf of Dame Caroline Dinenage | Conservative | Gosport |
| Mathew Cowley on behalf of Blake Stephenson MP | Conservative | Mid Bedfordshire |
| Baroness Nye | Labour | House of Lords |

Secretariat

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| Kate Nicholls | UKHospitality |
| Tony Sophoclides | UKHospitality |
| Sam Ette | UKHospitality |
| Ruby Sampson | UKHospitality |

Panellists

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| Jon Dale | Strategic Corporate Affairs & ESG Lead | Punch Pubs |
| Janice Dunphy | Owner of Web Adventure Park and Chair of AIP | Association of Indoor Play |
| Tim Hassell | Estates Director | Thurlestone Hotel |

## 1. Introduction and welcome

Chris Webb, (CW) started the meeting welcoming all attendees to the meeting and introduced the meeting as an evidence session for the upcoming Budget. Members would have the opportunity to hear from businesses in the tourism, leisure and hospitality sector on the current state of play for businesses and their asks for the Budget.

Kate Nicholls, (KN) started by saying that the Budget comes at a critical time for the sector after going through Covid, a war in Ukraine, an energy crisis, a cost-of-living crisis and inflation. KN remarked that we are seeing the first signs of growth with consumer confidence returning but in a soft and fragile way.

KN stated that if we see the right conditions then the sector can accelerate economic recovery and crucially hospitality, tourism and leisure have a footprint in every constituency so will cause growth in every part of the country. With the right support the sector can grow 6% year on year for the next 5 years and create 500,000 extra jobs meeting the two priorities of the Government: economic growth and 80% employment.

KN said that UKHospitality welcomed the Labour Party pledge for root and branch reform of business rates but that takes time, and we need a bridge to get there. Hospitality, leisure and tourism creates 5% of GDP but pays 15% of all business rates. These needs rebalancing.

KN gave an example that when relief ends at the end of March, bills will quadruple and the average pubs will see a £10,000 increase, the average restaurant a £20,000 increase and the average guest house will see an increase of £30-40,000.

Kate said that half of customers are coming back to eat and drink weekly and 95% are coming back monthly so these are fragile green shoots of recovery and without support in the Budget the recovery could quickly become further pain across high streets and communities.

CW passed over to Jon Dale from Punch Pubs.

## 2. Panellists

Jon Dale, (JD), Punch Pubs & Co, introduced himself as representing one of the largest pub companies in the UK, which owns 1,300 pubs. JD explained how Punch has invested more than £240 million into their estate over the last five years, including pub acquisitions.

JD talked about how the Great British pub has been the cornerstone of many communities since medieval days acting as the social glue that connects everything together. He spoke of how the hospitality sector has a significant footprint in every constituency across the UK, it is an inclusive employer of 3.5 million people, providing routes into leadership and skilled careers across the country and society. It is an industry that contributes £140 billion in economic activity and £54 billion in tax receipts to the economy every year.

JD stated that the industry is overtaxed and overregulated. Consequently, almost 10% of Punch pubs are now closed and one in three operators are not profitable despite strong trading. One pound in every three spent in the pub goes to the Government in taxes and over 500 pubs closed their doors for good in 2023.

JD discussed how UK beer duty remains among the highest in Europe (over 12x Germany) and pubs overpay by £500 million in business rates relative to turnover.

JD mentioned the ongoing media speculation in recent weeks about a possible outdoor smoking ban, a call to stop serving beer in pint glasses, and changes to licensing hours, all of which have brought much uncertainty to businesses.

JD said this uncertainty has been coupled with a difficult last year of trading with an increase in publicans having to close for good. Recognising the tough decisions that the Chancellor will have to make, the sector will continue to help grow the economy, but businesses need certainty.

JD reiterated that the main ask at the Autumn Budget is business rates support. Business rates are consistently at the top of the list of concerns for pubs up and down the country. Hospitality and leisure businesses face their bills quadrupling, totalling tens of thousands of pounds per venue, if business rates relief ends as planned on 31 March next year. JD brought up as an example, pubs and bars account for 0.4% of total UK turnover and yet pay 2.1% of the business rates bill. The Government must therefore extend the retail, hospitality and leisure relief for pubs, currently 75%, until permanent reform is achieved, which was a part of Labour's manifesto pledge.

JD also brought up other areas industry believes support is required: reducing the taxation and legislation burden to unlock growth, reforming the apprenticeship levy and building confidence in the transition to net zero.

Janice Dunphy, (JAD) introduced herself as the owner of Web Adventure Park in York and Chair of the Association of Indoor Play.

JAD discussed how the combination of rising costs and the end of business rates relief has left many operators worried about their future. They were one of the worst hit sectors during Covid, being one of the last operators allowed to open again alongside clubs and casinos. There were no specific indoor play schemes to help recovery, but they were very grateful for VAT reduction and business rates relief which saved many businesses, despite 10% of operators being forced to close during the pandemic.

JAD mentioned that indoor play employs c.40,000 people and rising wages have put a huge strain on the sector and are only getting higher and more concerning.

She also spoke about indoor play being a social hub for the ever-evolving family unit. From intergenerational families, parents with children with additional needs and those struggling with mental health indoor play is a lifeline with many coming instead of attending traditional playgroup.

Children need play more than ever especially post Covid, with an increase in referrals in nursery for children with speech and language needs. Children's mental health was impacted in lockdown by not being able to socialise, and often now having a fear of social interaction.

When discussing the impact of the rising minimum wage JAD said how we pay over minimum wage and we want to pay more but after the VAT relief and additional wages increases investment has slowed and staff will need to be reduced to cover costs. For example, a wage bill that used to be circa £700,000 is now £1.1 million rising potentially to 1.2 million.

Business rates are a looming crisis: without intervention from the Government this will quadruple rates. An example, Safari play will pay an extra £95,000 in business rates if no support is offered in the Budget. This will push many small businesses into insolvency.

JAD concluded by reiterating UKHospitality's ask for a permanent, lower and universal multiple for hospitality.

CW handed over to Tim Hassel.

Tim Hassell, (TH) representing Thurlestone Hotel explained how he worked for a 65-bedroom hotel owned by the same family for over 127 years employ around 160 people.

He highlighted their contribution to the economy with a turnover of £7.5 million and paying wages of £2.5million. 22% of the hotel's turnover is paid in tax which is up from 2018 when this was 19% of turnover. The increase in wage cost has contributed to the hotel making a loss last year.

TH went on to discuss business rates with the current rate being 75% capped at £110,000 meaning that if all relief was taken away then we would have to find an extra £110,000. The point was raised that it is unfair that business rates are calculated on turnover and as hospitality has a high cost base before they open their doors so we have to turn over more to make a smaller profit.

TH said in terms of the changing business environment it has been a tumultuous time for hospitality with many shocks including Brexit, Covid, an energy crisis pushing our annual bill from £153k to £558k and more recently inflation and high interest rates. Businesses need stability to recover.

TH went on to talk about the challenge in rural and coastal communities surrounding lack of affordable houses. The average house price in Thurlestone is around £875,000. People want to live locally to their work causing people to move out of the area due to lack of affordable housing.

Thurlestone spent £2 million on staff accommodation but could only charge staff £69.93 per week including all bills due to the NMW regulations. This meant that that a live in member of staff on £11.44 an hour has disposable income of £17,017.58 per year after rent and bills. (annual wage of £23,795.20). Whereas someone living out on £40,000 after rent and bills will have disposable income of £18,557.40 per year.

TH said that the planning system is not fit for purpose. In May 2019 the hotel applied for planning permission for 10 self-catering units within its grounds, which would have negligible environmental impact or nuisance to neighbours. There were repeated delays before planning was finally granted in July 2020 (15 months down the line) and, due to Covid, the cost of building had increased from around £6.5m to £13m making the investment unviable. If the permission had been given in the normal timeframe the project would have been completed on budget and would have created extra jobs and created extra income for local building businesses.

KN summed up the discussion by stating that there are lots of challenges facing the small independent businesses up and down the country. They are a critical part of the local infrastructure where people want to live, work and invest. Reform of business rates - which has been promised for so long - will go some way into injecting oxygen into businesses so they can again invest in people, high streets and communities. Root and branch reform of the apprenticeship levy would also free up much needed resource to invest in local skills for local people. She said we know it will work as a pilot with Department of Work and pensions before ethe election saw an 85% success rate in getting the long-term unemployed into jobs.

In the decade post the financial crash hospitality opened 5 sites a day showing the sector resilience and ability to produce growth in financially hard time.

CW moved the session onto the Q&A session.

## 3. Q and A session

Dan Aldridge MP (DA), asked about energy costs and how business accommodated such big increases in costs.

TH said his business made a loss, but energy prices have now come down. They were previously a pound per unit and are now 25p per unit and they are in a fixed 3-year deal so they can now plan and budget. There were supportive mechanisms in place from the last Government with 6-month relief which was extended but most businesses were covered from October 2022 to April 2023.

JD added that some publicans got locked into extortionate rates at the height of the energy crisis. KN confirmed that Ofgem does not have the powers to adequately regulate energy brokers and energy spaces for commercial customers. Business rates are a fixed cost businesses have to pay before they can open their doors which is now often the same amount as rent.

Caroline Voaden MP asked if we have a clear ask on what we want business rates to look like and Damian Hinds MP, (DH) asked if there was consensus from other bodies and those in the sector on UKHospitality's ask on business rates.

KN confirmed that root and branch take 2-3 years to get right and whilst sitting in groups like Confederation of British Industry and Federation of Small Businesses it is very difficult to get complete consensus for the whole of the economy but for 85% business rates are a small amount but for 15% it is a critical component of core costs.

KN concluded that if the Chancellor is bold there is nothing to stop her putting in a lower, permanent multiplier in the budget to solve the situation as the Welsh government has already legislated for it. If there is a greater balance in business rates between online and offline operators this will incentivise investment and regeneration of our high streets.

JD added that the problem with the relief currently being on an annual basis means there is no certainty for businesses to plan especially with most businesses having a 5-year tenancy so they can't forecast what will happen each year with business rates.

TH also mentioned that a problem with relief ending in April is that hospitality work, by its very nature, is seasonal and is at its lowest in April impacting business' ability to pay added costs. TH also mentioned that the timing of relief ending in April is probably the worst it could be as due to seasonality in the Westcountry the bank balances of businesses are at their very lowest with little cashflow over winter so to suddenly have to find the extra money will push some businesses over the edge.

DH asked what UKHospitality's next steps will be in terms of its activities over the next two weeks. KN is encouraging all our members to write to their MP about our Budget asks and the APPG will be writing a letter to the Chancellor based on this discussion.

DA asked about the costing of lower, permanent multiplier. KN said this would cost £1-2 billion which is a similar cost to the cost covered by extending the 75% relief rate.

Ann Davies MP asked how much money could be saved in the Education Budget by using play centres instead of nurseries and about their culture impact to communities.

KN talked about how hospitality helps social cohesion by tacking loneliness and creating local work for local people. Studies show that just 2 hours of soft play allows children to meet and exceed their recommended exercise for a day regardless of BMI and gender.

CW thanked everyone for attending the meeting and mentioned that members will be hearing from him soon about signing the letter to the Chancellor.

**The meeting closed.**