



November 1st 2022

Dear Mr Goodall

I'm sure you are aware that there is significant concern from within the Welsh professional self-catering industry regarding the passing of the above Order earlier this year. This email is a request that you undertake a formal review of the quality of the advice offered to the Finance Minister by her officials. It is not our intention to point the finger at individuals, but we do assert that there are failings of process standard in terms of the evidence sought, gathered and presented to support the options put to the Minister.

This is the statutory instrument which changed the availability and occupancy thresholds which determine whether a property, which offers furnished holiday lets (FHL), is identified as liable to non-domestic business rates or council tax.

The professional FHL sector welcomed the main consultation, agreeing that the thresholds should be raised to deter second home owners letting their properties for a short period of time to claim business status and small business rate relief. This practice is not supported by professional FHLs or the bodies which represent them.

Regrettably, the decision following the consultation raised the threshold so significantly that it captured many professional FHLs as well, micro and small businesses whose viability is now under threat.

Throughout, we have been concerned about the robustness of the case made by Welsh Government for the new thresholds it chose to implement, especially as only nine respondents to the consultation alighted on the specific figures.

The primary weakness is the lack of any evidence at all to show that the Order will increase the availability of affordable homes in tourism "hotspots", the stated aim (as part of suite of policies) of this legislation. Its other purpose, to ensure fairer local tax-take from operators (ie stopping property owners gaming the rates provision), was not supported by evidence that the Order would achieve this as no work was done to identify how many professional businesses would be lost in the process; lost businesses mean lost revenue from damaged supply chain businesses, plus empty properties for sale may be eligible for periods of exemption.

It is accepted in the government's own documentation that they did not know the number of properties this would affect nor how many legitimate businesses would be caught in the net. It admits in the explanatory memorandum that its own evidence base is contradictory and, as you will see from the Tables to the FOI referred to below, the VOA indicates that the number of businesses/casual lets

(they make no distinction) presently achieving the new thresholds is not especially high. Further, we have seen no sign that evidence of damage to professional FHL business viability, work done by the sector as government had not done it, has been recognised. In short, there has been no economic impact assessment and the other impact information in the RIA is especially weak.

Welsh Government's response to the points we have raised has been that affected businesses should "change their business model", with less than a year to achieve over 100% increase in occupancy rates. This shows an astounding lack of understanding of the sector, very disappointing as responsibility for tourism was brought into Welsh Government soon after devolution.

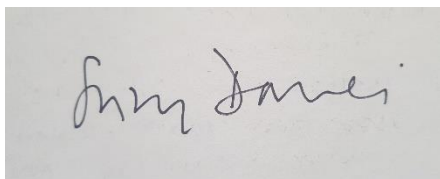
All this has been exacerbated by surges in the cost of living for businesses and customers at the same time as the value of income has dropped due to inflation. None of this is reflected in any updated EM or RIA, even though fuel and energy costs were rising before the Order became law. Whether this would have been material is difficult to say as neither the Minister nor MSes had any information about economic impact in the first place.

We have now had the results of an informal peer review of the work undertaken by officials to advise the Minister. This is inevitably based on material in the public domain and sought through correspondence. While it has no status in and of itself, we urge you to consider the contents of Enclosure 10 and the points raised by two Grade 6 civil servants, with direct DCLG and Cabinet Office experience, notably in the preparation of evidence, EMs and impact assessments in a relevant policy area.

Finally, this request makes no attempt to challenge the government's policy aims. It asks you to consider whether the Minister had the best-informed and best-balanced advice she might have in order to justify her specific decision. We also ask whether the EM and the RIA made available to MSes was sufficiently complete and of a standard which enabled them to understand the consequences of the draft Order.

We look forward to an acknowledgment of this email and a substantive response in due course. Please do not hesitate to contact us for any further information.

Yours sincerely

A rectangular box containing a handwritten signature in cursive script that reads "Amy James".

Chair Wales Tourism Alliance on behalf of

Wales Tourism Alliance
Professional Association of Self Caterers Cangen Cymru
UK Hospitality Cymru