Cyflwynwyd yr ymateb i ymgynghoriad y Pwyllgor Cyllid ar Cyllideb Ddrafft Llywodraeth Cymru 2025-26.

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Wales Tourism Alliance
Cynghrair Twristiaeth Cymru

Welsh Government Draft Budget 2025 - 26

Introduction

1. Four years on, the Welsh tourism industry has not recovered to its pre-covid level. The 2020 bounce is long since over and the weather, rising business costs, staff shortages and the cost of living crisis have dampened demand in all sectors of the industry.

2. At the same time, there has been a raft of costly policy implementation requirements in a very short period of time, affecting accommodation in particular, but with a ripple effect on other businesses; the “182-day rule”, council tax premium rises, a reduction in business rate relief compared to our nearest competitor (England) and new rules on waste management and fire safety. Legislation on a bed tax is about to be brought to the Senedd, which will bring its own cost to businesses in terms of registration and collection without any guarantee of benefit. The narrative of “visitors are not welcome” around this, as well as the policies already in place, has been particularly impactful on local economies dependent on tourism.

3. The Professional Association of Self Caterers has produced evidence regarding business viability and confidence, as well as the effect on mental health, which draws many of the same conclusions as Visit Wales’s own research. Preliminary research published by the WTA also shows that genuine business properties (as well as second homes) which are coming onto the market as a result of the various policies, are not contributing to the availability of affordable homes for locals.

Overview

4. During this period, business owners have been discounting furiously in order to attract customers, including Visit Wales itself which owns some self-catering properties. While serviced and unserviced accommodation are affected, self-catering businesses in particular are faced with taking this action at the same time as facing council tax bills at a premium of 150% (potentially 300%) if they fail to be occupied for 182 nights.

5. It is, therefore, critical that Visit Wales faces no further cuts to its budget. We need more high value, higher spend overnight stays in Wales. This has been the policy aim for years but is currently compromised by external factors, post-covid policy and a reducing budget for Visit Wales.

6. Visit Wales is already compromised in what it can do and what it can say as it operates within government rather than at arms' length. It is restricted in its ability to form useful financial partnerships and unable to bring in external voices (like ours) for support for its work and add weight to its arguments in budget negotiations as those negotiations cannot be shared outside government. In any event, the raft of policies referred to above has meant that the micro and small businesses making up the tourism industry are far from pleased with Welsh Government at the moment, so finding anyone to advocate in favour of it is a challenge - and Visit Wales is part of that government.

7. Even so, there is wide recognition that Visit Wales manages to squeeze quality and reach out of every penny of its promotional budget. It has become easier for businesses to use the material, more potential customers are finding Wales through Visit Wales's online presence. Despite a depressed domestic market, we are starting to see green shoots of growth from the internationally targeted campaigns, notably the US and Canada as well as targeted European countries; this is an extremely competitive market.

8. Other departments of Welsh Government have placed great strain and, in some cases, impossible targets on the industry. It must, therefore, enable Visit Wales to promote Wales in a way which reaches greater, higher spend, overnight stay markets. It is already facing being drowned out by Instagram-driven day visits and fly-camping which causes anger when communities are overwhelmed, facilities are overwhelmed and where there is no economic return to that community. Visit Wales needs the resource to push back to continue to promote responsible tourism, which is what the industry wants, not just host communities.

9. At the same time, Visit Wales has no real resource to support businesses. Destination management/marketing companies receive no financial support (apart from specific project contracts). The Brilliant Basics fund is not open to businesses, only public and community bodies. The new Futureproofing Fund, introduced instead of maintaining business rate relief, is a wasted opportunity; retrospective payment of matched funding is not an attractive option for green investment if you are reserving diminished funds to pay a council tax premium instead of investing in business improvement. The other support mechanism is a loan scheme in partnership with the Bank of Wales, but so many micro and small businesses cannot face the additional cost of repayments while their existing costs are so high. Investment does eventually pay off but the transition period is too fragile in the current climate.

10. In the current year's budget, Visit Wales received a flat capital budget but a reduction in its revenue budget of 14%. We repeat, this is a time when this industry is in real trouble with a rise in business deaths, including some bigger businesses. What the visitor will see is a declining offer, in terms of quality and things to see and do against a general background of less confident retail and hospitality in destinations.

11. Like it or not, tourism is the core of the economy in many rural and coastal communities where alternative employment is hard to come by. High levels of self-employment as well as third party employment are at risk with the inevitable pressure on public services for consequent support. That pressure will rise further as self-catering properties are bought by incoming retirees as permanent residences (see WTA report) and there are fewer opportunities for flexible employment which is of particular interest to women, students and portfolio workers.

12. Tourism is a foundation economy industry. Visit Wales is a key driver of employment in these areas and any reduction in support will undermine other aims in the economy. This is an example where Welsh Government needs to invest more in itself to be effective, allowing Visit Wales to invest in promotion and providers of tourism.

Wales Tourism Alliance
Company No: 4449548

November 21st 2024

Appendix

This report was submitted to the Finance Committee three years ago. The only material change since it was submitted is a cut to the Visit Wales budget. We add it for information and context.

‘Welsh Government Budget Considerations’ Submission by Wales Tourism Alliance to Finance Committee

1. Budget transparency; scrutiny & accountability
2. Efficiency and effectiveness; the value of engagement
3. Covid recovery
4. Sustainable industry

1. Budget Transparency

As an interested, independent organisation representing the Tourism industry in Wales, external to Welsh Government, it is currently not possible to effectively scrutinise Welsh Government support and investment and its impact on the growth of the Wales visitor economy.

This is true for direct funding of Visit Wales and its subsequent use, but just as importantly, spending in other departments, or other parts of the economy portfolio, which have an indirect effect on tourism; looking to tourism to help support other government objectives e.g., health and wellbeing, local government delivery, education and skills.

The annual report on the Welsh Government’s consolidated fund provides us with no information with which we can usefully use to respond to this consultation. The fact that the final current annual budget MEG for the economy is £1.75bn tells us nothing about investment in tourism. The narrative accompanying the budget identifies some key areas of expenditure, which *could* include tourism. However, without overt reference, it is unlikely that those recipients will think of how our industry can help them fulfil their aims and vice versa; apprenticeships, Brexit transition (despite a number of tourism programmes being supported through EU funding streams), agriculture (rather than rural economy), culture and sport.

Unlike the British Tourist Authority (Visit Britain & Visit England), Visit Scotland and Tourism Ireland, which are arms-length national tourism bodies, Visit Wales does not produce a standard, publicly available, annual report and set of accounts. This means understanding its budget is extremely difficult and we have to rely on periodic statements made by Visit Wales or intelligence from recipients of various grants and loans where they are itemised in those recipients' accounts or where there is willing disclosure. Visit Wales statements are invariably made at a time of welcome investment in tourism activity, but without contextual reference to the department's over-all budget.

Recommended Action: Visit Wales produces an annual report and set of departmental accounts.

The "Welcome to Wales: Priorities for the visitor economy 2020 to 2025" Plan contains no budget or specific KPIs. It is, therefore, not possible to establish to what extent the Welsh Government's investment actually contributes toward growth. We understand that there is £60m behind this plan (in partnership with the Bank of Wales) but we have no access to the basis on which that figure was reached, how much of the plan it covers or what percentage of Visit Wales's budget that represents.

This situation also means we will find it difficult to track the effect of the loss of programmes supported through EU funding streams, e.g. Regional Tourism Engagement Fund (RTEF). Welsh Government has introduced new programmes of financial support which will need to be scrutinised once they have had time to bed in.

As this is the established position, we have no means of assessing year on year progress, not least financially. There is no practical route into identifying secondary support for tourism in other departments.

Recommended Action: Annual report to include consistent standardised reporting on achievement against KPIs. Also to include spend and results in other departments

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In order to be able to assess the impact that the Welsh Government's support makes toward growth, an accurate breakdown of the expenditure on marketing, product development, useful research and tourism training should be provided by the Welsh

Government against ONS figures for tourism growth in Wales. Accepting that a direct link of causation between spend and growth is not always easy to demonstrate, we are not in a position to begin assessing what is effective spend, and what is not, without understanding what is being spent in the first place.

The Budget for 2022/23 will not be released until the 20th December 2021. Even when it is released, attempts to review previous budgets give us little confidence that it will be possible to accurately ascertain the level of direct tourism spend made by the Welsh Government toward tourism industry support - even in the four activities above.

Arguably, if the tourism industry is ever going to assist the Welsh economy to become truly sustainable, we need to establish the correlation between tourism spend and the contribution to growth made by the Welsh Government, in order to be in a position to suggest directional changes for the future development of the visitor economy. While some sectoral bodies within the industry here in Wales are able to engage in some research, most of the resources for the most relevant research lie within Welsh government. We do not know what Visit Wales's research budget is, but it does not appear to be sufficient to craft a detailed, horizon scanning body of data to inform strategy development. We note that Visit Wales does commission external research via consultancy.

Even so, the general point remains that, overall, the wider industry relies on the government's own figures, without independent capacity of its own to offer further assistance. That limits scrutiny by the industry of the effectiveness of spend and limits constructive challenge - emphasis on "constructive" - which it can offer.

With, hopefully, the worst of the pandemic behind us, the need to mitigate the impacts of Brexit, and the need to meet the challenges faced in relation to environmental recovery and changing consumer expectations, this simple level of detail is not just required, it is essential in order to assist both governments and the private sector in planning the Tourism economy for the longer term. Indeed, even this is not enough in itself, we need to be able to go much further and be able to drill down into detail beyond mere departmental budget headings.

Our main observation therefore (beyond the expected observations of value for money, etc.) is that a key priority should be the development of a comprehensive breakdown into both direct and indirect spend by the Welsh Government on the Visitor economy and an accurate assessment of that spends impact on actual growth'.

Cost implication: Reforming budget presentation and preparation of a Visit Wales annual report and set of accounts is not cost-free, but the information needed will already be collected by Welsh Government.

2. **Efficiency & Effectiveness; the Value of Engagement**

The reverse side of the scrutiny coin is the industry's keenness to be a constructive friend to Visit Wales. It is primarily made up of the small, private business which characterise the Welsh economy and no decisions on government investment in tourism will maximise its leverage if it is not fully informed by this majority of the industry.

Welsh Government reformed the structures for engagement between the industry and Visit Wales seven years ago. The four regional Fora who meet with Visit Wales are led by chairs from the private sector, paid by government. These replaced four regional partnerships, private sector organisations which received arms-length funding from government, but were perceived confidently as independent advocates and two-way conduits of necessary information.

Engagement with the fora has declined, especially seriously in south-east Wales although the picture is not consistent across the four fora. Therefore, their value as two-way information conduits needs assessing. Disenchanted larger tourism businesses are looking to engage directly or through other structures like growth deals and, to a varied extent, cross-industry bodies like local skills partnerships. Smaller businesses claim that the fora are not representative - which may be unfair but they disengage as a result

While getting into the detail of industry concerns on this is not for this committee, we would like to see a commitment in the budget to fund an independent efficiency and effectiveness review of the current structure. That should include a qualitative assessment of how the many voices, but clear messages from the industry are used to maxmise the effectiveness of Visit Wales in meeting both the industry's and Welsh Government's priorities. It should, of course, be a virtuous and mutual advantageous partnership. The WTA is willing to assist with this work.

Cost implication: Previous reviews have cost in the region of £200k, which is no small sum. As Visit Wales is part of a government department, the cost should be met from its own Central Services and Admin MEG, not the Visit Wales' own budget. This proposal cannot reduce funding made available for tourism.

3. **Covid Recovery**

During the height of the pandemic response, tourism was comparatively well-protected as the result of frequent engagement with the Fora and *other industry leads* giving real time feedback.

While that intensity of engagement has reduced, meetings continue so that Welsh Government can glean feedback re potential steps it might take to contain covid. These tend to be at short notice which means attendees may not be fully armed with the quantum details of the financial hit implicit in any proposals.

Nevertheless, the following points re finance have been raised by our members in relation to the fragility of recovery, all of which have been made known to Welsh Government and which we would hope to see acknowledged in the budget as well as other policy areas:

- Rising cost of goods and services
- Shortage of staff; immediate and longer term
- Decrease in capacity to earn income; staff shortages, covid regulatory requirements, deferred demand reducing availability
- Investing in greening businesses at a time of reduced savings
- A rapid change in the needs, demands and expectations of both new and existing customers
- Increasing wages and costs of employment, e.g., NI contributions

To be clear, there is acceptance that staff should be properly treated both financially and via working practices. There is also support for green modernisation, but none of this comes for free.

As these challenges are biting at the same time, we urge Welsh Government to resist any further downward pressure on the industry via the budget. The challenges to tourism as an industry are not unique to Wales and were recognised in the UK budget in terms of non-domestic rates and support for culture. We ask Welsh Government not to divert the consequentials away from meeting challenges which apply equally in Wales:

- Extend the business rate relief period for tourism businesses and to introduce the equivalent of the new one year 50% business rates discount for retail, hospitality, & leisure sectors.
- Adopt the new business rates relief designed to support investment in property improvements so that no business will face higher business rates bills for 12 months after making qualifying improvements to a property they occupy. This is aimed at enabling businesses to adapt to meet rising demand and make improvements to their premises that support net zero targets and enhance productivity as employees return to the workplace.
- Alongside that, consider grants or low-cost loans for on-site capital spend on green infrastructure e.g., car charging points, replacement boilers, heat pumps, etc. However, many businesses will not be able to access the schemes for domestic improvements and - being mainly micro and small businesses. As they may fall outside any plans that support larger operators with such costs, consideration should be given to scheme entry thresholds.
- Consider extensions to payback periods on recovery loans via the Bank of Wales
- Place a moratorium on any expenditure from this budget to develop plans for a tourism tax.

4. Sustainable Industry

Tourism is currently competing for staff with other industries ,- immediately and in the long term. While the industry in Wales needs to take its own steps to make itself more attractive to different types of employee, employer and investor, Welsh Government has an important role in policy development to achieve that shared aim

An annual budget does not lend itself to detailed discussion of multi-year investment. The Hospitality & Tourism Regional Skills Partnership will be giving evidence to Welsh Government shortly which will be of interest to you; WTA will have contributed to that.

However, while it will take some detailed consideration about what skills will add value to the industry, we would hope to see the following in the forthcoming budget:

- Resources committed to curriculum development to include the use of tourism as a *context* for wider learning; developing interpersonal skills, financial literacy and budgeting, confidence building and personal resilience, problem solving, persuasive writing (and speaking), critical thinking, psychology, forward planning; all transferable skills. This will be especially pertinent with an emphasis on local curriculum design.

- Funding for the scoping of degree level apprenticeships in visitor economy specialisms and improvements in the lines of sight between entry level and professional qualifications/experience

- Visible, increased funding for larger, independent destination management operators (DMOs). We draw the committee's attention to the de Bois report (England only), which makes the case that fragmentation of destination management, and fragmentation of funding, is counterproductive and ineffective. This does take us back to the concerns about structures. However, it is wholly unreasonable to expect a small part of a larger department in a large portfolio full of competing pressures to be responsible for running a private sector-led industry. It's industry partners need financial support too to help lift the load while this model exists.

- While it will likely take two years for any realistic growth in opportunities provided by inward overseas travel, working with Visit Britain we would recommend some investment in maintaining visibility in key markets so that Wales does not slip from view when travel opens more fully

- Transport infrastructure. We acknowledge the investment in active travel and look forward to seeing its increased presence in tourism activity. Active travel routes will also mean that some of the tourism workforce can take advantage of routes for non-leisure purposes.

  However, if we are to take non-car transport options seriously, we would expect to see considerable finances committed to new rolling stock on lines serving popular tourism destinations. Further, existing support for bus companies could include clearer conditionality on maintaining consistent services on local routes accessing various visitor destinations; these are less dependent on free bus pass customers too.

  Even so, car use will dominate travel for some time and we would recommend a clear financial signal on publicly accessible electric vehicle charging stations as well as support to individual businesses for on-site installation mentioned earlier.

- The wider point of general communication with Visit Wales is not a matter for this Committee. However, we draw your attention to the fact that there have not been any dedicated industry communication officers at Visit Wales for some time. This needs attention as communicating with a SME heavy sector needs energy and time, and we recommend seeing this omission addressed in the budget .

Wales Tourism Alliance – 21st November 2021