



ASSC SURVEY INTO THE COST OF COMPLIANCE OF EXISTING LEGISLATION November 2021

Introduction

- The Association of Scotland's Self-Caterers (ASSC) is the leading source of knowledge on short-term letting and holiday homes in Scotland.
- The ASSC issued a snap survey seeking insights to further inform the Scottish Government and industry on the cost of compliance of existing legislation for small tourism accommodation businesses.

Survey Overview

- In 22 hours, the survey generated **336 responses from businesses in 26 out of 32 local authorities**. 53% were from members of the ASSC and 47% responses were from non-members. The survey closed at 5pm on 8th November.

Summary

Some of the key findings include:

- The vast majority of respondents identified that they came from rural areas / islands (81%).
- 75% of respondents report turnover of under £50k per annum, and 43% under £20k per annum.
- The June 2021 BRIA calculated the total compliance costs to be circa **£963.00**.
- Real costs identified by operators are three times those identified in the BRIA, illustrating an **average cost of £2,969**. This will, of course, vary according to urban / rural / remote / island operations.
- The costs identified in this survey do not include additional costs for 'Information to be Displayed', plans to show 'maximum occupancy', and other new costs associated with the proposed licensing regime.
- 76% of respondents' report increases in operating costs of between 11-75%. The key driver is the pandemic in terms of additional cleaning times, operators leaving fallow days to ensure guests safety, the cost of materials and labour, extra linen costs, plus the need for relaxed cancellation policies.
- The cost of doing business generally has risen exponentially since the pandemic: *"Gas bills have increased by 18%. Electricity bills have increase by 15%. Insurance has increased by 15% and cover has reduced."*

Fiona Campbell, CEO of the Association of Scotland's Self-Caterers, said:

"Small tourist accommodation businesses such as self-catering, bed and breakfasts and guest houses have been the backbone of Scotland's tourist industry for generations.

Professional small businesses – who already comply with numerous regulations – are under threat from an onerous and bureaucratic licensing scheme. This comes at a time when the sector can least afford it as many businesses are still in survival mode due to the pandemic. Instead of burdening operators, policymakers should instead look to protect businesses and livelihoods at this critical phase of Covid-19 recovery with a proportionate and targeted compromise with their proposed legislation.

The ASSC's exemption proposal for registered accommodation ensures the appropriate regulatory balance – one which supports jobs and livelihoods but also secures the Scottish Government's policy objectives in a more proportionate and cost-effective manner for those already complying with the proposed mandatory licensing conditions."

Local Authority	Number of Respondents
Aberdeen City	0
Aberdeenshire	7
Angus	7
Argyll & Bute	40
Clackmannanshire	0
Dumfries & Galloway	18
Dundee City	1
East Ayrshire	2
East Dunbartonshire	0
East Lothian	3
East Renfrewshire	1
Edinburgh City	26
Eilean Siar	9
Falkirk	1
Fife	14
Glasgow City	5
Highland – Isle of Skye / Lochalsh	37

Local Authority	Number of Respondents
Highland – Other	68
Inverclyde	0
Midlothian	0
Moray	13
North Ayrshire	23
North Lanarkshire	1
Orkney	8
Perth & Kinross	23
Renfrewshire	0
Scottish Borders	12
Shetland	5
South Ayrshire	4
South Lanarkshire	2
Stirling	3
West Dunbartonshire	1
West Lothian	2

* Some respondents have properties across a range of local authority areas

Q 2 How would you describe the location of your property/properties?

The vast majority of respondents identified that they came from rural areas / islands (81%).

Urban	48	14.29%
Suburban	15	4.46%
Semi-Rural	66	19.64%
Rural	140	41.67%
On an Island	65	19.35%
Pan Scotland	2	0.60%

Q 3 What is your approximate average annual turnover?

75% of respondents is under £50k per annum, and 43% is under £20k per annum.

less than £5k	7	2.08%
£5 - 10k	34	10.12%
10-20k	102	30.36%
20-30k	63	18.75%
30-50k	46	13.69%
Over 50k	84	25%

Q 4 What is the approximate annual cost for the following in £GBP?

NB One off costs have been discounted.

	Responses	Average Cost
Fire Safety: Hardware	235	£194
Fire Safety: Maintenance	197	£194
Carbon Monoxide Alarm	197	£91

Gas Safety Certificate	139	£136
Electrical Installation Condition Report (EICR)	183	£257
Portable Appliance Testing (PAT)	228	£189
Legionella Risk Assessment	93	£75
Energy Performance Certificate (EPC-12)	124	£274
Private Water Supply	122	£407
PPL PRS Music Licence	13	£42
MPLC Audiovisual Licence	21	£17
Food Safety Hygiene	30	£26
Holiday Let Buildings & Public Liability Insurance	298	£1,067
TOTAL AVERAGE COST		£2,969

Q5 Please comment on any other costs to comply with legal obligations

Alongside existing H&S compliance costs, respondents' highlighted the following:

- Additional costs associated with being on Non Domestic Rates:
 - The rates themselves
 - Cost of water (Approx £100 per month for a 5 bedroom self-catering house)
 - Cost of waste removal (Private Waste removal cost for 3 properties is approx £1500 per yr)
- TV Licence £154
- GDPR ICO registration cost £150
- Personal licence every 5 yrs £500, premises licence £220 per year, plus course fees to serve alcohol / leave alcohol in welcome packs
- Extra cleaning costs associated with Covid-19 (length of clean and specialist cleaning supplies)
- Thatch Report chimney sweep
- Visit Moray Speyside TBID area which levies an annual charge of £273

In addition to legal compliance, costs associated with best practice were also cited as significant, but required.

Comments:

- *“For a small one-bedroomed self-catering property. the cost of compliance is high in relation to the weekly charge for letting. Not all testing etc is a legal obligation and therefore there is currently some discretion as to how often to pay for testing (eg PAT testing). I honestly don't think the kettle or music system requires expensive annual testing but if this became obligatory with licensing then this would further increase annual costs”.*

- ***“Defibrillator on site, battery and pads replacement £100, not a legal requirement but best practice, £25 first aid kit replacement, sprinkler system maintenance £600, additional heating costs associated with having to have windows open for Covid ventilation £300, hidden costs such as track and trace documentation and staff time administering, additional cleaning costs and materials for Covid compliance, we have a lift so £450 annual for Lifting Operations and Lifting Equipment Regulations plus £250 annual for lift maintenance, £300 every five years for emergency lighting testing, not legal but required for insurance, £180 annual for chimney sweep certificates, TV licence in addition to those mentioned £154 per year”***
- ***“Commercial water rates £400 Commercial Bins £700 Commercial septic tank empty £600 Business Interruption Loan £2300 Professional Fees (Accounting/Solicitor etc) £2000 Business Banking Fees £150 Data processing compliance fees (credit card payments) £200 IT online safety and web subscriptions (Microsoft office etc not a legal requirement but nowadays impossible to function as a business without it) £500”***

Q 6 Has there been an increase in the cost of utility bills and insurance since COVID-19?

Almost half of respondents’ state that the cost of utility bills and insurance has increased from 11-25% since the pandemic began.

No Increase	17	5.06%
Less than 10%	64	19.05%
11-25%	162	48.21%
26-50%	58	17.26%
51-75%	10	2.98%
over 75%	3	0.89%
I'm not sure	22	6.55%

Comments:

- ***“Water testing +22% Electricity +39% Insurance +23% Commercial waste +9% Waste water +24%”***
- ***“Electricity has rocketed and expect next oil fill to be a lot more”***
- ***“Electricity per unit has increased from 16 to 26p per unit”***
- ***“Insurance has gone up significantly this year”***
- ***“Electricity prices going up and a narrowing field of providers is leading to increased insurance premiums.”***
- ***“Electricity up by 70% fuel oil by about 60%”***
- ***“Insurance has increased by 25%”***
- ***“Gas bills have increased by 18%. Electricity bills have increase by 15%. Insurance has increased by 15% and cover has reduced.”***

Q 7 What would you say is the average percentage increase of doing business generally since COVID-19?

Half of respondents’ state that the cost of doing business generally has increased from 11-25% since the pandemic began. The key driver is the pandemic in terms of additional cleaning times, operators leaving fallow days to ensure guests safety, the cost of materials and labour, extra linen costs, plus the need for relaxed cancellation policies.

No Increase	15	4.46%
Less than 10%	61	18.15%
11-25%	170	50.60%
26-50%	64	19.05%
51-75%	8	2.38%
over 75%	2	0.60%
I'm not sure	16	4.76%

Comments:

- ***“Labour costs have risen, as more hours are required to service each room, clean, sanitise and serve guests during this pandemic, as well as more extensive cleaning of all items, whether kitchen dining, bedding, towels, etc. Sanitising has also added to the overall workload. We estimate that our total workload is between 40-50% higher because of covid-19”***
- ***“Hidden 'cost' of customer satisfaction due to many local pubs closing due to lack of staff, so we are now no longer a village with lots of eateries, but a less appealing location (Brexit and ping pong track and trace etc)”***
- ***“Supplies, utilities, staffing costs, the list is endless. It’s already at least 25% more expensive operating in the inner Hebrides!”***
- ***“Building supplies for repairs are significant in this figure as is ordering branded replacement parts from Europe since Brexit with import duties”***
- ***“Extra cleaning, more cost of housekeeping, cost of extra cleaning materials and anti viral cleaning. Increased signing”***
- ***“The biggest and most obvious increase in costs besides inflation (running at around 5%) is the increased cost of deep cleaning and all the hygiene measures put in place”***
- ***“All supplier costs have increased, many small contractors have ceased trading”***
- ***“Enhanced laundry costs and cleaning regimes, plus additional capital costs.”***

Q 8 Any Other Comments

- ***“Costs will go up for every property you operate. In my case I operate 3 city centre S/C units and already pay hefty sums each year meeting existing regulations on gas, fire and safety, legionella, etc***
- ***“Existing H&S compliance costs are already approximately 17.5% of turnover. Additional costs of Licensing and unknown fee levels will push micro-businesses like ours over the edge.”***
- ***“The proposed legislation simply piles on top of what S/C operators are already expected to do and licensing will, I fear, cost in the thousands not hundreds and add a lot of admin burden every 36 months. At the same time there's a real threat to being able to operate in the final year of the licence as you have zero ability to know whether you will be refused when you re-apply and whether, if you are refused, despite all the costs, you can even appeal?”***
- ***“Our commercial insurance would be invalid if we did not already comply with the H&S requirements of the proposed STL legislation!”***

- *“Business costs a lot more and guests can afford less. Without a massive increase in foreign visitors, I think we will struggle to survive. If the SG wants to rollout a fancy licensing scheme they should find 100% of the cost. Don’t stick it on LA and small indie business, neither can afford it!!”*
- *“New costs to meet new legislation are changing septic tank to include a bio disk system, replace oil tank for a double skin oil tank and future costs to move away from fossil fuel heating systems to renewable systems at tens of thousands of pounds plus vehicle change for the same reasons.”*
- *“Staff costs increasing; utility bills increasing; insurance increasing. Prices are going to have to increase to absorb all the hikes - Customers have limited budget so occupancy will fall.”*
- *“Cleaning costs have gone up by 40% due to covid but will not come down due to shortage of available staff. It will be difficult to put prices up by this much and still get customers. The situation is dire in our rural area. Profit margin is small to minute now.”*
- *“During Covid, costs of operating have increased, extended working hours for cleaning. Because of reduced dining facilities locally we have had to serve evening meals which has extended our working hours even further. Customer base has shrunk from the entire world to the UK only, so whilst having the ability to operate at 60% capacity, we couldn't always fill 60%. In order to reduce the impact of lost revenue we had to move out our home to holiday let it. All in all a very busy two seasons for less reward and with more uncertainty for 2022 regarding worldwide travel - Let's throw in a potential licensing system?”*
- *“Apart from EPC, I consider myself 100% compliant. I have all paperwork to back up what I need. Keeping up to date is not too onerous, but I am worried that the cost of licensing will be a significant burden when I am up to date legally.”*

[Survey Ends]

Additional comments on June 2021 BRIA Mandatory Conditions Cost Estimates

The BRIA states that Gas Safety compliance will cost £80 per annum, referencing a “directory of vetted and recommended tradespeople”: www.checkatrade.com/blog/cost-guides/gas-safety-certificate-cost/.

The ASSC attests that the BRIA should reference real costs, not average estimates based on what is essentially a cost comparison site.

Private water supplies will cost £200 one-off: “In 2017, this was estimated at £200 per property, see table following paragraph 198 in www.gov.scot/publications/energy-efficiency-condition-standards-private-rented-housing-scotlands-energy-efficiency/pages/5/”

The ASSC suggests that any reference to costs in 2017 is wildly inaccurate and that the BRIA should reference real and relevant costs. It is noted that there is no reference here to ongoing annual costs for water testing and compliance

Water safety Legionella: It is noted that this is estimated as a £17 one-off cost, and assume that this is based on the same cost analysis as Information to be Displayed. See below*.

Maximum Occupancy: The BRIA assumes a “£22 one-off cost to provide a dimensioned layout of the property, where this is needed”.

The BRIA assumes that a host could do this themselves, taking two hours. This suggests a ‘host’s’ ‘hourly wage’ is £11, which is demeaning at best.

The ASSC queries why or where this would be needed, and if it is, then the professional services of an architect would be required to provide accurate dimensions. This would undeniably result in significant cost into the hundreds of pounds, not £22.

Information to be displayed: The BRIA estimates a “£22 one off cost for time, copying and a folder”. This is based on “Estimating one hour’s work and £5 for materials. Cost of time for applicants in industry is £17* per hour (for reading regulations and filling out forms, etc.). This comprises average (median) gross hourly pay in the Scottish Real Estate sector of £14 in 2020 (ONS, Annual Survey of Hours and Earnings, Table 5.5a, all earnings), uplifted by 22% to reflect non-wage labour costs (as per UK Government Regulatory Policy Committee guidance note on implementation costs).”

Again, the ASSC suggests that this assumption is wildly inaccurate and disparaging.

Listings: An estimate of £20 annually is based on “ballpark estimate, depends on detailed circumstances”.

Insurance: As per listings, an estimate of £100 annually is based on “ballpark estimate, depends on detailed circumstances”.

Conclusion

The revised BRIA should reference real and real-time costs. In the same way that scraped data is not accurate, nor are price comparison websites or outdated resources. In addition, there should be reference to, and cognisance of, the additional costs incurred by rural and remote locations in terms of call out charges, labour and increased material charges.

The ASSC urges the Scottish Government to undertake a real impact assessment of the proposed legislation on the sector, collaborating with operators who can provide real figures associated with business and compliance costs, prior to any further discussion.