

MIPIM UK Sustainability Whitepaper

The impact of sustainable practices on the financial statement of a hotel

"The greatest threat to our planet is the belief that someone else will save it"
– Robert Swan

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PKF hotelexperts

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“Sustainability focuses on meeting the needs of the present without compromising the ability of future generations to meet their needs.”

– Definition of Sustainability Investopedia

With younger generations becoming increasingly vocal about their concerns for their future on planet earth, sustainability has become a topic of frequent and intense discussion. Positively, these conversations have led to new initiatives, reinforced legislations and product innovations in most industries, all intended to improve the current state of the world we live in.

While the scientific evidence supports the need for global change, doubt about the economic profitability of adopting sustainable practices has discouraged many hotel owners from doing so. This paper seeks to convince more hotel owners to integrate sustainable systems and highlights the changes that can be made in each department and their associated financial benefits.

With financial performance remaining the key metric for most industries, the subsequent chapters, following the structure of a typical hotel profit and loss statement (USALI format), highlight how implementing sustainable practices into a hotel operation impacts the bottom line of the business.



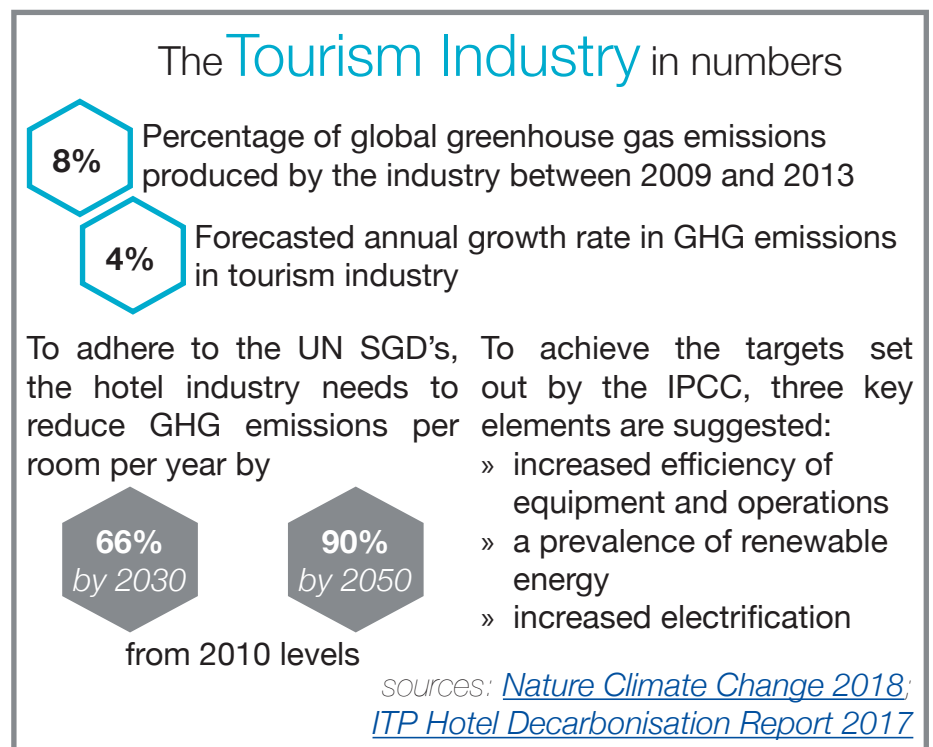
This report highlights the accounting line items of a typical hotel profit and loss statement ([USALI format](#)), where sustainable practices have the most impact. However, some less significant line items have been excluded and recurring line items (e.g. staff related costs) have not been repeated in each department.

| | |
|--|-----------|
| Rooms Division | 5 |
| <i>Rooms Revenue</i> | 5 |
| <i>Payroll and Other Staff Related Expenses</i> | 5 |
| <i>Other expenses</i> | 6 |
| <i>Rooms departmental income</i> | 7 |
| Food and Beverage | 8 |
| <i>Food and Beverage Revenue</i> | 8 |
| <i>Cost of sales</i> | 9 |
| <i>Other expenses</i> | 10 |
| <i>Food and beverage departmental income</i> | 10 |
| Other Op. Expenses | 11 |
| <i>Admin. and General</i> | 11 |
| <i>Sales and Marketing</i> | 11 |
| <i>Property Operations and Maintenance</i> | 11 |
| <i>Utility Costs</i> | 11 |
| <i>Lighting</i> | 12 |
| <i>Heating, Ventilation and Air Conditioning</i> | 12 |
| <i>Water</i> | 12 |
| <i>Other systems</i> | 12 |
| Non-Op. Expenses | 13 |
| <i>Property and Other Taxes</i> | 13 |
| The Bottom Line | 14 |
| Special Report - Sustainability & Tax | 16 |
| <i>by PKF Johnston Carmichael</i> | |

background

In 2015, the United Nations (UN) introduced their new [17 Sustainable Development Goals \(SDG's\)](#) as part of their [2030 Agenda for Sustainable Development](#), which has been adopted by all UN Member States. Subsequently, the [Paris Agreement](#) entered into force in 2016 with 185 member states having signed the agreement to-date.

This represents an effort to tackle climate change by preventing global temperatures from rising beyond the science-based target of two degrees Celsius above pre-industrial levels. However, many climate scientists insist that this increase should be kept below 1.5 degrees Celsius. The agreement is based on the [UN Intergovernmental Panel on Climate Change's \(IPCC\) report](#), which revealed that urgent action was necessary to avoid disastrous consequences.



"We fight over customers and development, but sustainability is one thing we should not fight over. It is incumbent on our industry to lead. You can be a provider of fantastic experiences and be environmentally conscious."

– Chris Nassetta President and CEO Hilton



Rooms Revenue

Customer preferences are shifting in line with the overall concern for climate change. According to a recent [release by Edie](#), demand for ecotourism has seen an annual growth rate equal to about 30% in recent years. The [booking.com Sustainable Travel Report](#) found that a large majority of global travellers (87%) would like to travel sustainably and that 67% of travellers would pay at least 5% more to ensure their stay had a low environmental impact. According to the [booking.com 2019 travel predictions](#), 86% of global travellers are willing to spend time on activities that offset the environmental impact of their stay. A [study by Nielsen from 2016](#) showed that about 66% of millennials are willing to pay more for products and services with a positive social and environmental impact. ‘Green’ hotels can capitalise on these consumer preferences to maintain or even increase their room net revenue.

While the above statistics sound promising, the question remains if guests will actually “walk the walk” and pay more for green accommodation. Further data collection and analysis is required to prove that this self-reported willingness to pay a premium will materialise.

Moreover, corporate and association travel, a key driver of demand in many markets, has seen significant changes in recent years. Travel buyers are increasingly mandated to weigh the sustainability of different options before selecting a service provider. In many countries, large corporations must submit sustainability reports and monitor the carbon footprint of their activities, including staff travel. Hotels making little effort to decrease their carbon footprint and increase the sustainability of their operations risk losing this critical market segment, negatively impacting net room revenue.

Payroll and Other Staff Related Expenses

According to an [employee engagement study from 2016](#), over half of employees do not want to work for a company that isn’t strongly committed to social and environmental issues. This suggests that an eco-conscious hotel will be better positioned to attract and retain employees, reduce staff turnover and decrease recruiting costs.

Training employees in sustainable practices may require investment and changing their behaviour will take time. However, by involving employees in sustainability practices, they will feel more engaged with the business and share their enthusiasm with hotel guests. Employee engagement can further be fostered by forming “green teams”. These encourage staff to share their ideas, set challenges and achieve sustainability goals. This can improve the implementation of sustainable practices as it will be championed by the staff who had a key role in developing the hotel’s sustainability strategy. To ensure buy-in, hotels can link these goals to their bonus schemes.



The findings regarding staffing expenses apply to all departments but will not be repeated in each sub-chapter.

Other expenses

New technologies can provide affordable, sustainable solutions, including self-check-in systems, key cards and property management systems. These can help most departments to go paperless, improve communication and reduce file storage space and wastage. By staying up to date on advancements in the field, and through staff training, hoteliers can reduce unnecessary expenses.

Through small changes regarding in-room amenities, costs can be saved as well. For example, by exchanging small, single-portion shampoo bottles with refillable bottles, a hotel can save costs and resources. Companies like [STOP THE WATER WHILE USING ME!](#) and [The Soap Co.](#) provide organic

products and communication tools to encourage guests to participate in a hotel's sustainability efforts. Having refillable dispensers is not a new concept, but many hotels still choose single bottles due to quality perception and hygiene concerns. As [IHG](#) and [Marriott](#), two of the largest international hotel groups, have recently announced an end to single-use plastics in all their hotels, refillable amenities will quickly become the industry standard and guests will soon accept this change.

As an industry standard, many hotels provide their guests with complimentary bottled water in the rooms. However, single-use plastic bottles are cost ineffective and increase waste. The recently opened [Bankside Hotel in London](#) is combating this inefficiency with filtered water stations on each floor and by providing jugs and glasses in the rooms instead of plastic bottles.

Innovative cleaning supplies, linen, uniforms and laundry facilities also represent an opportunity. The aparthotel [Base Nyon](#), Switzerland, make their own hydrolysed cleaning materials (detergent and disinfectant using water, salt and electricity) on-site using a system from [Aquama](#). These products are better for the environment, guests and employees. While the upfront costs are somewhat higher, the ongoing cost of supplies is diminished and the guest feedback from the chemical-free room has been excellent.

The now ubiquitous note in the bathroom to hang the towel if you want it to reuse it, represents a successful example for guest engagement in a hotel's sustainability strategy. The Nudge Theory describes how people can be influenced to perform a desired action through positive reinforcements and strategically placed consumer communications.

Nudging guests to participate in your sustainable practices by making the desired behaviour the default choice is an effective way to reduce room costs. For example, communicating that the bed sheets and towels will only be replaced after every third day of a guest's stay unless the guest actively asks for more replacements, will encourage guests to think about the impact of their stay. Furthermore, guests could be incentivised to not have their rooms cleaned daily with rewards like additional loyalty points or a voucher for a free drink at the hotel bar.

Rooms departmental income

In summary, sustainable practices will be increasingly important to protect and generate revenue and reduce cost in the rooms department. Organisations like the [Considerate Group](#) work with hotel operators and their teams to reduce costs in the rooms department, provide effective quantitative guidelines and benchmarks, and improve the sustainability and profitability of the hotel rooms department while keeping the guests happy.

Photo credits: Stop The Water (left), 25hours Hotels (right)



Considerate Group Case Study - Oetker Collection

In 2015, the Oetker Collection appointed Considerate to implement and communicate an improved CSR strategy in their nine international hotel properties.

Considerate took the following steps:

- » Establishment of Oetker Collection's environmental baseline (current sustainability performance)
- » Monitoring and evaluating of environmental resource consumption through Con-Serve data management system
- » Review of the group's CSR policy, purchasing policy and ethical charter
- » Alignment of CSR documents to the UN SDG's
- » Delivery of CSR workshops at five properties and creation of CSR teams
- » Implementation of 20 CSR standards in all properties
- » Track and audit of the progress
- » External communication of CSR strategy (website, social media, bulletins)

"With Con-Serve we have developed a robust data management system which allows us to understand, quantify and benchmark our sustainability performance across 9 hotels. Moreover, by streamlining our data collection process, we are now able to accurately calculate our greenhouse gas emissions which has become ever more important following COP21."

– Oetker Collection Testamonia

2018 Group Results

per room night % change

-5%
electricity

-3%
gas

-3%
CO₂

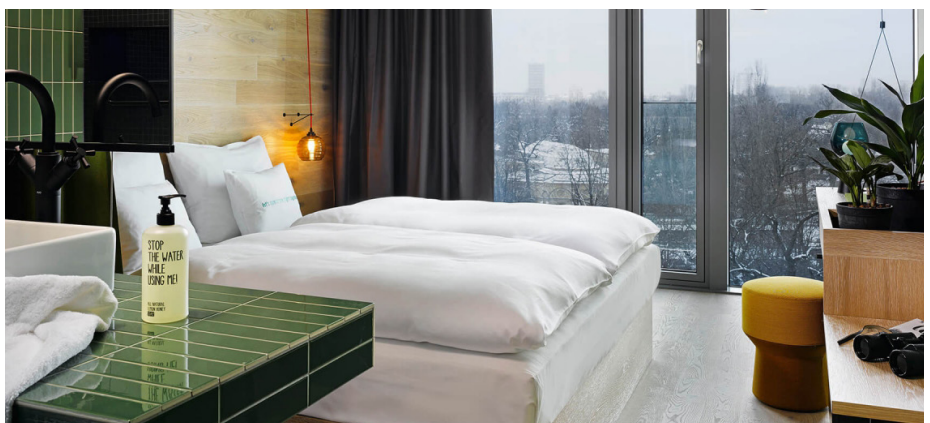
change equivalent to

1.4 m
loads of
laundry

heating **62**
German homes
for a year

growing **3,013**
tree seedlings
for 10 years

source: [Oetker Collection CSR report 2018](#)



Food and Beverage

Food and Beverage Revenue

Food and beverage net revenues consist of revenues from restaurants, bars, meeting spaces, mini-bars and room service and can vary greatly depending on the hotel type and location. Hoteliers who create spaces that can be used by hotel guests and residents throughout the day, and that resonate with their potential customer base will generally generate more revenue. While each hotel is different, it is useful to look at the emergence and growth of successful concepts such as the fast food chains [Leon](#) and [Pret a Manger](#), and hotel chains like [1 Hotels](#) in the US, and [Citizen M](#) for trends in F&B that are popular with the public, incorporate sustainability at the core, and are clearly driving revenue and profit for their owners.

Implementing sustainability into the concept can attract eco-conscious consumers who are willing to pay a premium for sustainable products. Customers are becoming more demanding when it comes to locally sourced and fresh produce. The [Sustainable Restaurant Association \(SRA\)](#)'s [2018 One Planet Plate survey](#) found that only 20% of interviewees were satisfied with how ethical the food was in restaurants they had eaten at recently. Furthermore, 86% of respondents thought it beneficial if restaurants created menus that make choosing sustainable dishes easy.

Evolving eating habits influence where guests eat, giving a competitive advantage to restaurants catering to all diets. The number of vegan and vegetarian consumers has spiked in recent years. According to a [nationwide poll in 2018](#), approximately 14% of the British population is vegetarian (half of which are even vegan), while about a third have reduced their meat consumption for health and environmental reasons. Moreover, a [recent study by Nielsen](#) found that the sales of plant-based foods have increased by almost 20% in the year before June 2018. These changes in consumption have led Pret a Manger to acquire its rival [Eat](#) in order to open more “[Veggie Prets](#)” in the UK. Hotel F&B outlets will benefit by creating and clearly labelling more eco-friendly menu items incorporating organic, locally sourced and vegetarian dishes.





Cost of sales

It is estimated that about 1.3 billion meals are thrown away each year by the hospitality industry, which represents about one in six meals served. According to [wrap](#), about 75% of 920,000 tonnes of food waste could be avoided, which represents a cost of £0.52 per meal. To contribute to the UN SDG's, member states are aiming to achieve a food waste reduction of [30% by 2025](#). Their [study](#) found that 42 analysed hotels that introduced food waste reduction measures, saved about four percent of cost of goods sold (COGS). About 95% of analysed properties were able to recoup their investment within two years. Payback periods are especially short within mid-range and luxury hotels.

New AI-enabled technologies like the food waste reduction system designed by [Winnow](#), can limit a restaurant's food

waste and significantly reduce costs. The company claims to achieve a 2 – 8% cost reduction and a 1,000% ROI within a year. Apps like [Too Good To Go](#) and [Karma](#) enable restaurants and retailers to sell their surplus of food at a discount, ensuring that they don't have to throw away unsold food at the end of the day due to health & safety concerns. Karma claims to earn retailers up to €50,000 per year in additional revenue. Offering menu items as half portions at a reduced price can also have a positive impact on your food waste levels, as guests will only order as much as they can eat.

Another method to reducing food waste is to turn it into biogas via anaerobic digestion, which in turn can be used as energy again. The iconic [Savoy Hotel](#) in London was the first hotel to generate energy from food waste and managed to light 35% of its guest rooms for eight hours a day in 2012, while

also saving about £200 per week on waste management costs.

Emphasizing fresh products and having an organic on-site garden to grow your own vegetables, fruit and herbs represent further sustainability measures. It also doubles as an aesthetically pleasing part of the hotel and opens the possibility for gardening workshops and cookery classes for guests. Some hotels, including the Waldorf Astoria New York (currently under renovation), even go as far as engaging in [beekeeping](#) to help save the endangered species and produce their own honey.

These sustainable add-ons can help hotels to develop USPs which can assist in attracting guests, especially the increasingly important millennial traveller.

Other expenses

Single-use plastics have gained attention as one of the most important things to eliminate, with the straw in particular being a symbolic representation of wasteful and unsustainable practices. Many restaurants and hotels worldwide have recently promised to replace plastic straws and other single-use plastics. The UK government has pledged to eliminate all “avoidable” plastic waste by the end of 2042. Water filtration systems like [Belu](#) represent an effective alternative to single-use plastic bottles. The water from such a system can be used in the guest rooms, restaurants and meeting facilities of a hotel. Replacing single-use plastic cups and crockery with reusable or bio-degradable alternatives is an important and visible step towards sustainability, especially from a customer perspective.

Food and beverage departmental income

Food and beverage costs can be substantially reduced through proper practices, which will increase the overall income of the department. Organisations like the Sustainable Restaurant Association can help reduce costs in this department by providing guidelines for effective food and plastic waste reduction and creating menus that improve a restaurant’s environmental impact. and crockery with reusable or bio-degradable alternatives is an important and visible step towards sustainability, especially from a customer perspective.



Admin. and General

It is important to hire a GM who is passionate about improving sustainability and profitability, and to reward them for achieving both of these goals. The finance and HR departments will also play a key role in implementing the sustainability strategy of a hotel. Improvements to staff engagement, retention and training should result in decreased HR expenses. The finance department has a crucial responsibility in assessing and monitoring the cost and financial return of any initiatives.

Sales and Marketing

Any hotel undertaking efforts to improve sustainability should make this fact part of their marketing strategy, as it will help attract the increasing number of eco-conscious travellers. Being ahead of the curve in sustainability will create a competitive advantage. Brand awareness can be increased through sustainable practices, as the many recognitions and awards (e.g. [Green Key](#), [Certified B Corporation](#), [Green Leaders by TripAdvisor](#), [Green Hotelier Awards](#), etc.) add to a hotel's publicity. Products used as in-room amenities or ingredients used in the kitchen can also be sold as merchandise, generating further revenues and the expertise of sustainability-trained staff can be transferred to guests through workshops.

Moreover, many corporations have been reviewing their travel policies and hotel selection criteria, as they are becoming more and more conscious of

the carbon footprint of hotels and will request quotes for their corporate rates and events from venues with positive green PR. Therefore, a low carbon output rating can lead to more bookings from eco-conscious leisure travellers as well as from the MICE and corporate segments.

The lack of a consistent and credible accreditation for sustainable hotels represents a barrier to sustainable travel marketing. Booking.com found that [approximately 72%](#) of global travellers are not aware of the existence of eco-labels for vacation accommodations. Organizations like the [Global Sustainable Tourism Council \(GSTC\)](#) and booking.com are currently working on developing an international standard for identifying eco-friendly accommodations. In the meantime, hotel sales and marketing teams need to be fully aware of their properties' sustainable credentials and proactively advertise them.

Property Operations and Maintenance

With initiatives like [Vision 2020](#), landfill taxes are also likely to increase dramatically in the future; the standard landfill tax in the UK is currently £91.35 per tonne, which will increase to £94.15 per tonne in 2020. Reducing the refuse that will actually go to a landfill through proper recycling practices will minimise the impact of these increases

Utility Costs

Energy costs are rising and can be expected to continue to do so as governments

impose increasing tariffs to reduce carbon emissions. In our experience, the average amount the hotel industry spends on energy and water use is between 3 and 6 % of total operating revenue. [Carbon Trust](#) estimates that 60 % of total energy costs should be attributed to heating costs and at least 25 % are lighting related costs.

Hotel properties are often refurbished every 7 to 10 years and using this opportunity to install energy efficient systems can improve the utility costs of the properties. These types of refurbishments have been reported to reduce energy costs by up to 40%. Carbon Trust found evidence that 12 to 13% carbon savings can be achieved for efficiency improvements with payback periods of only one to two years. Long-term solutions (e.g. solar panels) can even deliver cost savings of up to 20 to 25%.

Lighting

To save on lighting costs, several small measures can be taken. By replacing traditional light bulbs with LED bulbs and installing better lighting controls, lighting energy costs can be reduced by up to 50% according to Carbon Trust. Movement sensors for storerooms, offices, toilets, cellars, function rooms, etc. are especially effective.

Heating, Ventilation and Air Conditioning

Heating, Ventilation and Air Conditioning (HVAC) systems, thermostats, time switches and radiator valves can be used

to control the temperatures of different areas of the hotel. [British Gas](#) has determined that guest rooms in environmentally friendly hotels should have a temperature between 19 and 21° Celsius. Heating costs can be reduced by up to 20% by maintaining appropriate temperatures and ensuring the heating equipment is operating correctly. Heating and cooling systems should never be operated simultaneously. Carbon Trust further suggests insulating all boilers, hot water tanks, pipes and valves to prevent heat from escaping. A regularly serviced boiler can save about 5% on annual heating costs. The company [Zypho](#) can help recover any heat lost during showers by up to 30 % by capturing it before it goes down the drain.

Water

Water waste can be reduced through tap control systems, spray taps and water efficient showerheads and urinal flush controls. Carbon Trust recommends a trial for these methods to ensure that customer experience does not suffer. However, hotels like the Qbic in London have already successfully implemented similar measures, receiving positive feedback.

Other systems

The first step when trying to reduce your utility expenses, is knowing how much you are actually using. Smart meters can help you record your usage and offer insight into how to lower your bills. Building energy management systems (BMS or BEMS) can help monitor, control and optimise the usage

of a hotel, which saves money when rooms are not occupied. The system can regulate the temperature, lighting and other electronic devices based on either optimal energy levels or guest preferences. However, installing such a system is rather costly and the payback periods can be quite long (between \$300 to \$500 per key for a typical property according to an [article](#) published by Hospitality Trends in 2018). In the end, this capital expenditure might be the most cost-effective expense, as energy is one of the biggest expenses in a hotel and an EMS can reduce total energy costs by at least 15 % up to 50%.

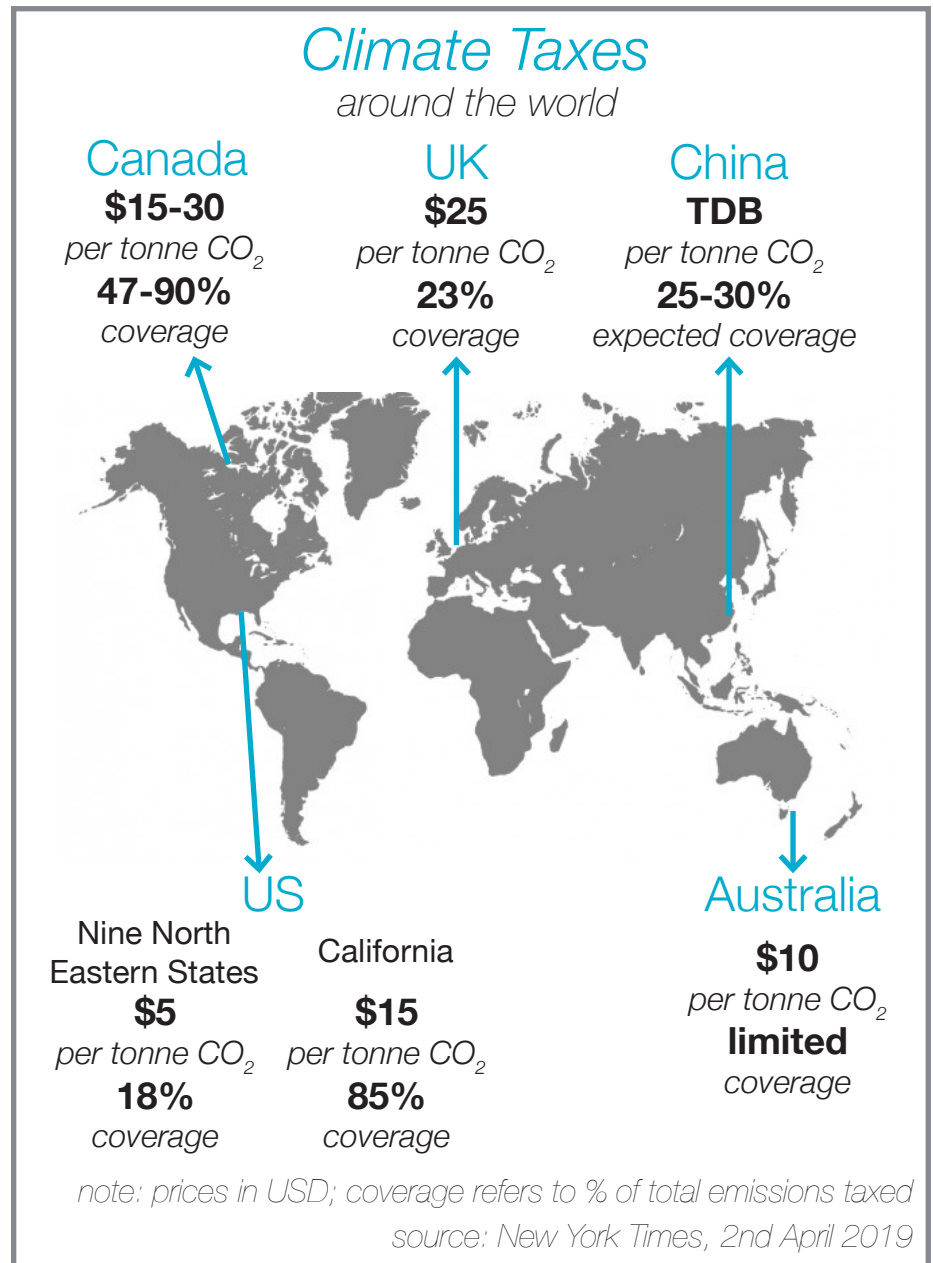
The [Con-Serve](#) data management system by Considerate Group can help inefficiencies within a hotel by providing industry benchmarks and comprehensive automated reports and analyses. With this system, the [Qbic hotel London City](#) has managed to reduce its carbon emissions to only 9 kg per room night, which represent less than a third of the industry average of about 31.1kg per room night. Considerate is furthermore developing an app called [Flutter](#), designed to help small hospitality businesses manage their on-site energy usage.



Property and Other Taxes

Due to expected new regulations to lower carbon emissions, new incentives, taxes and fees are likely to be introduced to incentivise early adopters and penalise those who do not change their practices. As the global outcry and demand for improvements increases, local and national governments will find it easier to impose even larger financial penalties for carbon emissions. This will escalate the financial risk of not implementing sustainable practices in a hotel operation.

Acting sooner rather than later might pay off, as the UK government is offering the [enhanced capital allowance](#) for energy and water efficient plant or machinery until April 2020. Meaning investment costs in the optimisation of your properties' sustainability (e.g. lighting, HVAC systems and boilers) can be claimed back in full as a tax allowance. This represents a substantial incentive to act now, as the government has not announced how the policy will be changed after 2020. For further information on this topic, please see the special report prepared by PKF Johnston Carmichael at the end of this report.



The Bottom Line

As elaborated in this report, improving sustainability will increasingly have a positive impact on the top and bottom-line of a hotel. The proof of concept is now well established, meaning there are few excuses for hoteliers not to implement sustainable practices. While there are certain large investments that might need to be taken to transform a hotel into an eco-friendly hotel, these actions generally produce financial returns in the long-term. Even properties with limited investment reserves can implement small procedure changes to help them save money and reduce their carbon footprint.

While ROI is one of the most important measures used to evaluate business decisions, the International Tourism Partnership (ITP) believes that ROI calculations in the future should include new sources of capital and value (e.g. carbon pricing). The ITP suggests pricing carbon at about £16 to £32 per metric tonne. Based on the industry average of 9.2 metric tonnes of CO₂ per room per year or based on actual metrics, a cost per room can be calculated. The ITP suggests including this spend in the operations budget as a fixed-cost asset. Based on these given benchmarks, the spend per room per year can range from about £150 to about £300.

Taking all this into account, most leading global hospitality

companies have published their strategies regarding the implementation of sustainable practices in their hotels. Luxury hotel brand [Six Senses](#) built their whole concept around sustainability, emphasizing that they are not just doing it because it is a trend, but because it is who they are. Hilton has developed their own proprietary system called [LightStay](#) with which the hotel company has managed to reduce its energy use by 17%, its waste output by 29% and its water use by 17% since its implementation in 2009. During this period, Hilton has managed to save about £580

"It's not just the right thing to do from a moral perspective, but also from a business perspective."

*– Madhu Rajesh,
Director
International Tourism
Partnership*

m with their LightStay program, validating the financial benefits of reducing consumption.

Moreover, building for efficiency will help save costs from the start and avoid potentially large conversion costs in the future. Hotel developers are advised to incorporate sustainability when planning and designing

a hotel and should be aiming for carbon neutrality. Climate change should also be considered in the development process, with key issues in the UK being the potential overheating of buildings and increasingly adverse weather conditions. Future-proofing buildings to cope with these climate fluctuations is prudent and should prevent major maintenance cost spikes. Coalitions like [Hotel Owners for Tomorrow](#), with members including Six Senses Hotels Resorts Spas, Marriott International, Hyatt and Wyndham Worldwide, have been helping the industry to create sustainable development guidelines.

In conclusion, implementing sustainable practices not only has a positive social impact, but also financial benefits. While some initial investments may be required, the return on investment is often high and the payback period generally rather short. Sustainability need not be a more expensive option and the cost of inaction is high. The winners are likely to be the earlier adopters who are proactive rather than those who have change forced upon them because of new legislation.

If hotel owners do not take sustainability seriously, their guests will eventually stay elsewhere.

The PKF hotelexperts group, the first fully integrated global advisory firm to serve the hospitality, tourism & leisure and serviced living sectors, traces its roots back to New York in 1927, when William .J. Forster (of Pannell Kerr Forster) created the global standard for accounting and benchmarking – the Uniform System of Accounts for the Lodging Industry or USALI – which is still in use today.

Currently, the PKF hotelexperts group has 14 offices worldwide, including Argentina (Buenos Aires), Austria (Vienna), China (Hong Kong, Shanghai) Germany (Berlin – hotelforum), Italy (Milan), South Africa (Cape Town), Turkey (Istanbul), Ukraine (Kiev), United Arab Emirates (Dubai) United Kingdom (London) and United States (New York, Los Angeles, Miami) with more than 100 consultants providing advisory services including feasibilities studies, valuations and appraisals, operator search, project development, asset management, financing and investment, and strategic advice.

In addition, the PKF hotelexperts group includes PKF tourismexperts, focusing on master plans for regional tourism infrastructure, and PKF livingexperts, which advises on serviced living concepts (membership clubs, student and senior living, and serviced residential).

For further information about this article, or to find out how we can help you improve your hotel's sustainability, please contact us.



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Special Report Sustainability & Tax

Energy, water and the capital allowances challenge

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Overview



The UK Government has stated that it intends to commit to a net zero carbon emissions target by 2050, the first major economy to do so. This is an ambitious target; however, this does appear to be at odds with the withdrawal of the Enhanced Capital Allowances (ECA's) scheme announced in the Autumn budget 2018. The scheme for both energy and water saving technologies will be abolished from April 2020, an unexpected announcement to both the hotel sector and the professional advisers who operate within it.

With Building Regulations across the UK challenging property investors with respect to energy and water efficiency, the financial implications of compliance can be significant. With the removal of the 100% Enhanced Capital Allowances scheme and no alternative support mechanism envisaged what are the alternatives for the hotel sector?

One of the key aims of the ECA scheme was to promote the installation of energy efficient

and water saving technologies in commercial building. With the ECA scheme being abolished from April 2020 any ECA qualifying technologies will move from a 100% First Year Allowance (FYA) to a 6% Tax Written Down Allowance (TWDA). This should however not deter investors from continuing to install the higher energy and water efficient technologies as the savings from utility costs over the long-term should be factored into the capital cost decision.

The levels of capital allowances that will qualify is not affected by the removal of the ECA scheme, it is a question of timing. The ECA scheme merely allowed all the allowances to be compressed into one year, the move to the 6% pool means the allowances will be available over a period of time, drawn down at 6% per annum. The key to increasing the quantum of allowances is being able to access detailed cost information. This includes the cost of transporting and installing the equipment as well as the qualifying professional

fees incurred in the design and placement of the equipment. By planning at the design stage, the responsibility for providing detailed cost information can be incorporated into the construction contracts to ensure all qualifying incurred expenditure is identified correctly.

With the net zero carbon emissions target now set into UK law the use of renewable technologies within the commercial property sector should be promoted more.

Hotels with large heating and electricity requirements may want to consider installing a Combined Heat and Power (CHP) unit. The use of Air Source Heat Pump (ASHP) and Ground Source Heat Pump (GSHP) systems are becoming more common if local environmental factors allow the deployment of these technologies. The use of electricity roof mounted photovoltaic (PV) arrays could also be a consideration were rooftop space permits installation.

It is therefore our view that investors should continue to specify energy and water efficient technologies when constructing hotels and other commercial buildings. We would also encourage government to recognise that a replacement ECA scheme should be made a priority in order to provide support to the commercial buildings sector in meeting the net zero carbon emission target.



New Structures and Buildings Allowances

After some delay HMRC have now published draft legislation on the new Structures and Buildings Allowances (SBAs), which is positive news for the hotel sector. The introduction of this new allowance announced at the Autumn Budget 2018 will enable capital allowances to be claimed for previously non-qualifying expenditure incurred on or after 29 October 2018 on the construction, conversion

or refurbishment of a non-residential building or structure.

The relief will be available at 2% per Annum over a period of 50 years and will go some way to fill the gap left by Hotel Building Allowances (HBAs) that were withdrawn in 2011.

There will still be a requirement to separately identify plant and machinery capital allowances,

this makes sense commercially as the writing down allowances at 18% and 6% are more generous.

The proposed legislation does have layers of complexity, so planning and access to good quality information and advice will be vital components in identifying all available qualifying expenditure.

Construction and Property Incentives Team

Led by experienced surveying and construction professionals Michael Murray and Robert Winters, our Construction & Property Incentives team is uniquely positioned to provide strategic advice on capital allowances in the built environment.

For more information on how PKF can help you make the most of the tax benefits of the available UK construction and property incentives, please do not hesitate to contact us.



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