

Hotel Britain

A long road to recovery

November 2025

IDEAS | PEOPLE | TRUST



Welcome to the Hotel Britain Report 2025

A long road to recovery

Last year we celebrated the resilience of the British hotel market and claimed it had a solid foundation for growth in 2025. In practice this resilience has helped the sector inch forward—but significant growth has remained elusive, with increased labour costs and continuing macroeconomic uncertainty tempering expectations after the important gains made in 2024 and 2023.

Alongside our own summary of the market in 2025, this edition of Hotel Britain contains a detailed analysis of trends by Jane Pendlebury of HOSPA, the hospitality professionals' association. We're also delighted to bring you deep dives from BDO experts into tipping and National Minimum Wage rule changes, digital transformation and cyber threats, and the risks facing the industry.



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A word from Mark Edwards



Head of Leisure
& Hospitality

It has been frustrating to see the hotel industry continuing to struggle this year after many years of hardship and then a return to optimism in 2023 and 2024. British hoteliers have done well considering payroll hikes and ongoing high inflation, coupled with persistent macroeconomic uncertainty and a downbeat outlook for hospitality.

Success in this environment will be determined by strategies that many players may have already perfected in recent years, such as keeping a tight rein on costs and innovating to meet market demands within the constraints of a tight budgetary climate. And this year there are six areas that hotel owners and operators should pay special attention to.

1 Managing margins amid continuing high costs

Average daily rate (ADR) growth appears to have plateaued after the increases seen last year. Occupancy rates are failing to show a consistent trend. With no let-up in costs, hoteliers must continue to focus on profitability and cost efficiency. This can be achieved through measures such as outsourcing or automating low-value tasks, particularly as familiarity with agentic artificial intelligence (AI) increases. Smart revenue mix strategies such as offering bundled packages could also boost revenue per available room (RevPAR).

2 Using technology to elevate the guest experience

Generative AI is penetrating almost all areas of business, with capacities that go beyond simply improving efficiency and productivity. Properly trained, AI agents can analyse data from customer relationship management systems and put together personalised offers and packages for guests. Technology tools can also help optimise revenue through dynamic pricing, enhanced forecasting and more. The challenge for hoteliers is how to take advantage of these trends at a time when IT talent is in short supply and demands a premium.

3 Maintaining the need to address sustainability concerns

While immigration, the economy and health were by far the biggest concerns for Britons as of September 2025, 16% of people questioned still express worries about the environment—more than those citing hot-button topics such as education, welfare or Brexit. This means hoteliers should look to sustainability as a potential differentiator and seek ways to show demonstrable progress on green issues. B-Corp, net zero and other certifications are of growing value but must be backed with evidence to convince sustainability-savvy customers.

4 Staying compliant with new worker regulations

British hotels are now subject to new tipping and National Minimum Wage rules—and could suffer penalties for non-compliance. Hoteliers should also be aware that HMRC is adding thousands of compliance officers to its payroll, with a view to tightening enforcement. This makes it vital to review and reinforce tipping policies, revising documentation requirements where necessary, and carry out human resources and payroll audits for National Minimum Wage and working time. You will find more on these points in this report.

5 Redefining revenue models for income diversification

In the current climate it will not pay to carry loss-leading activities. Instead, hoteliers should diversify revenue streams, for instance offering subscription- or membership-based perks, and seek new ways of monetising underperforming assets and business streams. A case in point is conference and banqueting, an area that has struggled to maintain revenue post-pandemic. Are there opportunities to be had from re-purposing conference and banqueting areas as co-working or hybrid event spaces, for instance?

6 Promoting the UK as an option of inbound tourism

While UK inbound tourism is recovering slowly from COVID, the inflation-adjusted spend per guest is still less than pre-pandemic levels. The hotel sector must push for greater support in promoting the country abroad as a value-driven, experience-rich destination. At the same time, hoteliers can leverage local campaigns and partnerships with bodies such as VisitBritain.

Market overview

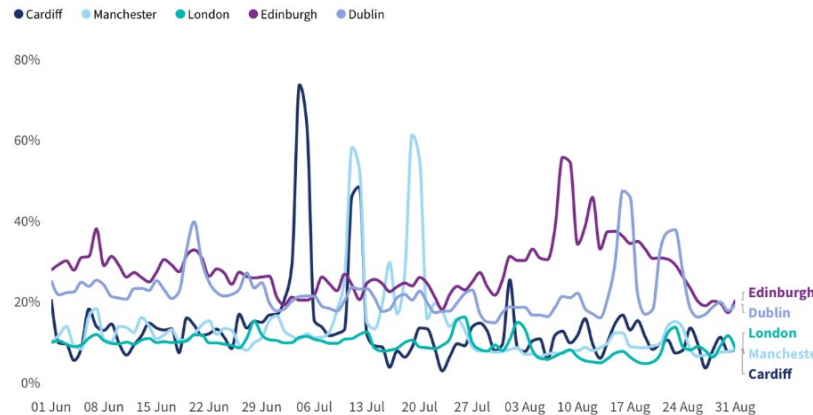
Rock band Oasis delivered a treat to fans in 2025 with a comeback tour spanning Cardiff, Manchester, London, Edinburgh and Dublin. And the Britpop behemoths also struck a chord with hoteliers as bookings soared in the cities hosting concerts. In Edinburgh, which saw an influx of around 200,000 fans over three nights amid the August fringe festival, average room rates increased 91% week on week, the Financial Times reported. It was a gift in a year that has failed to live up to the expectations of many hoteliers.

Last year had provided reasons for optimism, with London hotels registering an average 82% occupancy – equal to pre-pandemic levels – and the rest of the UK seeing a percentage point rise to 76%, with ADR growing 2.3% to £105, equivalent to 2019 in real terms, data from Knight Frank shows. RevPAR, total revenue per available room (TRevPAR), gross operating profit (GOP) and gross operating profit per available room (GOPPAR) all increased across London and regional UK between 2023 and 2024, according to the hotel market analysis and benchmarking provider HotStats.



Oasis tour driving bookings across European markets

Occupancy on the books as of 4 November 2024



Source: © 2024 CoStar Group

These gains led Knight Frank to forecast a London hotel occupancy rate of 82.2%, ADR rising 3.5% to £236 and RevPAR up 3.6% to £194 in 2025, and rates of 76.3%, £109 (a 3.1% increase) and £83 (up 4.3%) respectively outside the capital. Yet while London RevPAR hit a record £208 in July, with occupancy at 88.6% and ADR close on £235 thanks to Oasis and Wimbledon, the first half of 2025 proved to be lacklustre at best.

Nationwide occupancy rates and ADRs both fell by more than half a percentage point, with price-sensitive customers dealing London a particularly hard blow as the city hosted fewer big events than in 2024. In the second quarter of 2025, London occupancy rates were up 0.9% on the same period in 2024, but ADR was down 3.7%, RevPAR had dropped 2.7%, TRevPAR lost 1.7% and GOPPAR and GOP had fallen 8.3% and 3%, respectively.

Market overview

Regionally, the picture was little better, with occupancy, ADR, RevPAR, TRevPAR, GOPPAR and GOP all down on 2024 levels, by 0.1%, 1.2%, 1.3%, 0.4%, 4.2% and 1.3% respectively. The setbacks were especially evident in some of the larger hotel chains, with Travelodge seeing an 11% dip in RevPAR across its Greater London properties, and a 5.6% decline overall in the UK. At Premier Inn, RevPAR was down 2.4% in the first quarter.

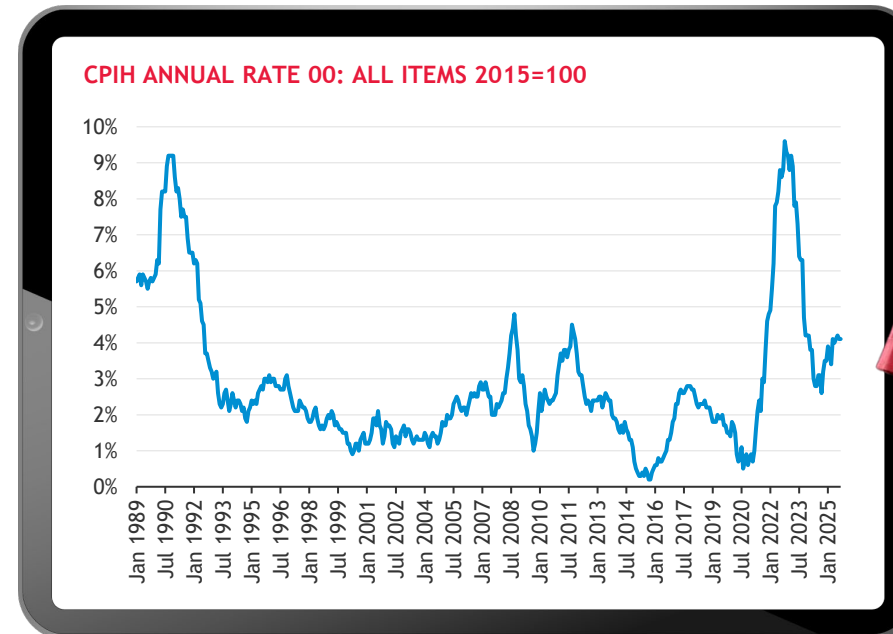
It has not all been doom and gloom, of course. Luxury hotels in London saw occupancy climbing 2.9% in the second quarter of the year (albeit that ADR fell by 7%), and outside the capital golf and spa hotels saw TRevPAR rising 3%. And in June the Financial Times celebrated an ongoing reinvention of seaside hotels. “Prompted by a resurgence of the staycation—and a convenient craze for cold-water swimming—a new generation of owners have revamped ageing properties,” said the paper.

Overall, though, the sector continues to face headwinds. Recent increases in capacity mean locations such as London are having to increase occupancy at the expense of ADR, and the industry is struggling to accommodate an average 4.2% uplift in year-on-year payroll costs, rising to 6.6% in the capital.

“Year-to-date TRevPAR dipped slightly—just under 1%—but labour costs climbed over 4%,” said HotStats in August 2025. “The result: a 6.6% drop in profit per available room. Even in London, where performance has outpaced the rest of the country, profit margins remain below 2019 levels when adjusted for inflation.”

The wider economy is not helping, with inflation on the rise again and a CPIH (Consumer Prices Index including Owner Occupiers’ Housing costs) of 4.2% in July 2025.

July also saw economic growth grinding to a halt, with accommodation and food services among the sectors holding back an increase in gross domestic product. In addition, output from travel agency, tour operator and other reservation service activities fell 9.1% in the three months to July.



Source: www.ons.gov.uk/economy/inflationandpriceindices/timeseries/l55o/mm23



Market overview

“Hotels face constant pressure to boost efficiency, cut operational costs and exceed guest expectations,” said Knight Frank senior surveyor Philippa Goldstein in May 2025. “Optimising resources will become more crucial than ever. Embracing and adapting to the pace of change and understanding the role that technology can play will serve to drive efficiency through streamlining operations, operating more sustainably, thereby reducing operational expenses.”



Trade group UKHospitality found eight in ten of its members had increased prices to accommodate an estimated £4.3 billion in extra annual National Insurance Contributions (NIC) and National Minimum Wage costs affecting the hospitality sector since April 2025. “It’s clear the UK economy is stuck in a low growth and high inflation trap, and the only certainty is that increasing taxes and costs would make the situation worse,” said UKHospitality Chair Kate Nicholls in August.

Yet it is hard to see the government doing otherwise, according to Jon Hickman, Corporate Tax Partner and Budget Lead at BDO. “Since the 2024 Budget, spending cuts, tax receipts and economic growth have not materialised as the Chancellor had hoped, and it now seems highly likely that to meet her ‘non-negotiable’ fiscal rules, she will need to raise taxes,” he says.

“Some have argued that the current economic position is a problem of the Government’s own making due to the impact of NIC and National Minimum Wage rises in April, but it is highly likely that the trade turmoil triggered by US tariff policy has also had an impact on UK growth.”

Given this macroeconomic picture, it would perhaps be foolhardy to expect a return to the good old days anytime soon. Instead, hoteliers will need to continue honing the strategies that have served the industry well since the first Brexit- and COVID-racked days of the decade: paying close attention to the bottom line, aiming to deliver value within cost constraints and innovating to create new revenue streams.

This may not be the advice the sector wants to hear, but the good news is that it works. Just look back over recent years for the proof.



In focus: Labour shortages

‘You just cannot get the staff these days’ is a refrain that rings truer than ever for hotel operators. In 2023, the UK hospitality market was short of 132,000 workers, with vacancies 48% above pre-pandemic levels, according to trade group UKHospitality.



The shortage means chefs, bartenders, waiters, hotel managers and housekeeping staff are among the most sought-after workers in the country, particularly when coming from abroad. What can be done about the situation?

UKHospitality has asked the Migration Advisory Committee to add chefs onto the UK’s Shortage Occupation List and reclassify supervisors and sommeliers so they can get skilled visas. The body is also pushing for reforms to the Apprenticeship Levy.

Elsewhere, hotels are recruiting baby boomers to fill workforce gaps, with a Financial Times report saying over-50s make up more than a third of hospitality workers and 165,000 have joined the ranks in the last three years.

Another strategy is to improve staff retention rates—workforce enablement technology provider Axonify said 60% of hospitality managers have seen employee turnover increasing as of 2024.

Axonify champions investment in staff training, although budgets for upskilling may be hard to find in the current climate. Finally, one way to address the skills gap is to employ fewer people for the same amount of work.

Automation could play a role here, although the customer-facing nature of many hotel industry roles might limit the scope for technology-mediated productivity gains in the sector.

More worryingly, UKHospitality has estimated the UK hospitality industry may have lost 111,000 jobs in the 13 months to the 2025 Budget because of cost increases including the lowering of the employer National Insurance Contributions threshold.

Reducing the need for workers through job destruction is “the opposite of what we want to do,” said Kate Nicholls, Chair of UKHospitality. “We want to create jobs, help people come back into work, invest in our businesses and support the communities we serve.”



In focus: AI in hotels

AI, which UN Trade and Development says is “fast becoming the defining technology of our time,” brings opportunities and threats to the hotel sector. The most obvious opportunity is the ability to automate basic tasks and improve the efficiency of existing practices.

While few operators might go to the lengths seen in the robot-staffed Henn na Hotel chain in Japan, there are many jobs done by humans today that could conceivably be undertaken by AI agents.

Take IT troubleshooting, for instance: already, vendors are working on self-healing networks where intelligent agents take care of faults so there is no need to call an engineer—and no downtime. Similarly, AI is being used to cut the energy consumption of heating, cooling and lighting systems.

A second opportunity for the hotel industry is to use AI for entirely new products and services.

One example: instead of standard rooms and rates, why not mine a customer’s data—with permission, of course—and put together a bespoke, premium hotel experience with their favourite room, meals, entertainment and so on?

While these opportunities could help hotels overcome workforce shortages and revenue shrinkage, it is also important to acknowledge AI’s threats.

The first and most prosaic one is that while AI could alleviate some workforce constraints it is also increasing demand for experienced prompt engineers who are already in short supply—and come at a premium.

The second and more serious risk from AI is that it is enabling a new generation of highly advanced cyber threats against which the hotel industry is poorly protected. Take deepfakes, for instance: 60% of consumers have seen one in the last year and almost two in five go undetected.

It is still unclear how an industry that prides itself on welcoming guests, and where many frontline roles are undertaken by relatively junior workers, can guard against customers who are not what they seem in a world where fakes are hard to distinguish from real people.



In focus: Housing immigrants

Most UK hotels would probably be glad of some media publicity in today's competitive market. But when the Bell Hotel in Epping hit the headlines this year it was for all the wrong reasons.

The modest three-star establishment found itself at the heart of a national uproar after one of its guests, an Ethiopian asylum seeker, was jailed for sexual assault.

As of September 2025, the Bell Hotel was one of around 210 hotels in the UK housing asylum seekers — a practice that has generated intense debate and that the government has pledged to end by the end of the current parliament, something observers note may be easier said than done.

On the surface, housing asylum seekers in hotels might not seem a bad idea.

The UK saw a record 111,000 asylum applications in the year to June 2025, and the nation's ability to house asylum seekers in long-term private rental or 'dispersal' accommodation has been increasingly exceeded since the pandemic.

In parallel, taking on asylum seekers can provide valuable income to low-cost hotels outside London.

In the summer of 2023, the government was paying almost £9m a day to house asylum seekers in more than 400 hotels nationwide, and in 2025 the University of Oxford's Migration Observatory estimated each hotel-based asylum seeker was costing £170 per day, without cash support.

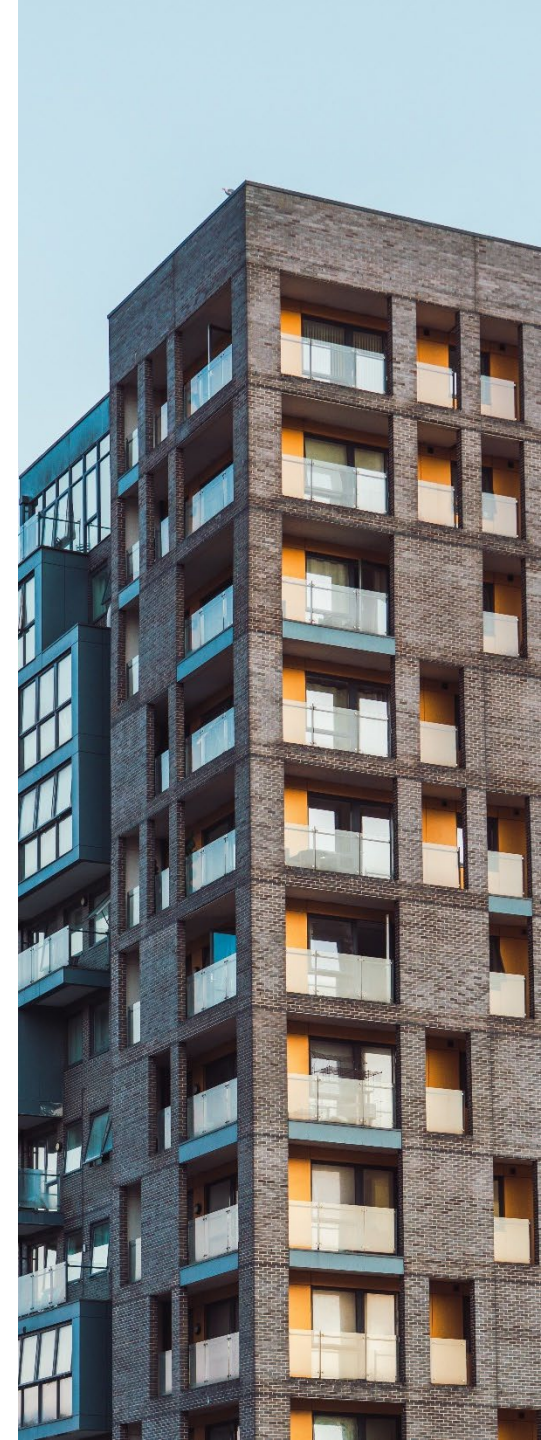
The problem is that immigration has become a major flashpoint in the UK, topping YouGov's weekly survey of the most important issues facing the country for three straight months in the summer of 2025.

The national debate around immigration has placed an unwelcome spotlight on the role played by hotels housing asylum seekers, with the Migration Observatory noting that the UK probably relies more on this type of accommodation than any other European country.

Given this attention, it may be a relief to some that the government has almost halved the number of hotels it uses and has promised to end the practice before the next election. Some have questioned the feasibility of this commitment, however.

"Getting hold of more flats and houses could be practically and politically difficult, given shortages of homes and long council waiting lists," said Sky News political correspondent Rob Powell.

Meanwhile, he added, "The government has a legal duty to house asylum seekers at risk of destitution, so judges have tended to decide that blocking off the hotel option runs the risk of causing ministers to act unlawfully."



Facing the future:

The shape of hospitality in 2026



Jane Pendlebury,
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Forecasting the future is never simple. And doing so for a sector as multifaceted as hospitality, amid global economic uncertainty, requires a blend of realism and optimism. As we look ahead to 2026, there's no denying that the operating environment remains tough, but hospitality has proven time and again that it doesn't just endure challenges—it adapts and innovates.

Drawing insight from Hospitality Action's Taking the Temperature 2025 report—as well as what we're seeing from UK Hospitality, industry partners and our own HOSPA members—the picture that emerges is complex but not without cause for confidence.



A workforce under pressure

Hospitality professionals are the heart of our industry, yet they remain under sustained pressure. Hospitality Action's report reveals that 57% of employees cite understaffing as their biggest workplace challenge, with burnout now considered 'just part of the job' by nearly half of the workforce. That figure, though, rises to a staggering 62% among junior staff.

With additional burdens from National Insurance increases and rising wage bills, employers are struggling to balance care for their teams with their own financial sustainability. At the same time, the cost-of-living crisis and wider economic anxieties are pushing more people to the brink, which is creating an increasing emotional toll.

According to Hospitality Action, 75% of hospitality professionals have experienced poor mental health in their adult life—and nearly a third report serious issues within the last year alone. While efforts around mental health support and flexible working are making headway, these gains risk being swept aside if employers cannot afford to staff their venues properly. A leaner workforce shouldering heavier workloads has too predictable consequences.



Facing the future:

The shape of hospitality in 2026



Legislation and the economic landscape

One of the biggest recent legislative shifts has been the introduction of long-awaited tipping legislation. From October 2024, operators have been required to pass on 100% of tips to staff, with clear processes and transparent policies. While this is a welcome move for fairness and clarity, for employers it adds another layer of compliance—and potentially new costs—at a time when margins are already squeezed. Food inflation, soaring utility costs and reduced business rates relief only compound the pressure.

Kate Nicholls and UKHospitality continue to make a strong case for reduced tax and structural reform to help ease this burden, and here at HOSPA we wholeheartedly support this advocacy. If the UK's thousands of hospitality businesses are to remain viable—let alone invest in their teams and infrastructure—the policy landscape must reflect their value to the economy and our communities.



Hope for investment and innovation

Yet even amid challenge, opportunity remains. The resilience of our industry is visible in the continued development of new hotels across London and other regions—projects that would not proceed without solid forecasts for demand. Oxford Economics expects international arrivals into Europe to grow by over 8% annually through to 2026. Meanwhile, domestic hotel spend is projected to rise by 13% in the same period.

The meetings and events (M&E) sector is also maturing. As with room revenue, we're now seeing M&E treated as a strategic revenue stream rather than a logistical afterthought. Revenue management, dynamic pricing, new metrics and tech-driven planning are helping hoteliers unlock this previously under-optimised asset—and that bodes well for 2026 and beyond.

Another quiet trend persists—the blending of business and leisure travel. While 'bleisure' may sound passé, the guest behaviours it describes are very real. Flexible working and lifestyle-led travel choices are here to stay, and operators that cater to this hybrid need—offering business-friendly amenities alongside leisure value—are well positioned.



Facing the future:

The shape of hospitality in 2026



Tech as a tool, not a threat

Technological development continues to reshape our sector. From AI-powered chatbots to automated inventory systems and self-service check-in, today's tech stack can remove friction for guests and free up staff from repetitive tasks. But at HOSPA, we consistently emphasise that technology must enhance—not replace—hospitality. It should allow people to do what they do best: deliver exceptional service. Guests must also have the choice to engage with either tech or human interaction depending on their preference.

I see that flexibility as being a hallmark of success in 2026. Crucially, as AI and automation continue to evolve, affordability and access must be considered. Smaller independents often struggle to justify large capital investment in tech—creating a growing need for scalable, cost-effective solutions that match a hotel's identity and guest expectations.



ESG, ethics and the return of localism

Environmental, social and governance (ESG) themes may have slipped down the corporate priority list in some quarters—but they are far from forgotten. Increasingly, consumers and employees alike are demanding ethical approaches to business. Local sourcing, sustainability and community integration are not just PR points, but business imperatives.

The next year will likely see more hotels doubling down on localisation—not only in terms of menus and produce, but through local employment, their supplier partnerships and social impact. Taking a strong stance on ESG isn't just about doing the right thing and demonstrating good deeds—it's about offering a powerful differentiator in a crowded market.



Facing the future:

The shape of hospitality in 2026



Professional development offers a beacon

Perhaps the brightest spot in the 2026 outlook is the growth in personal and professional development. Despite the challenging climate, we're seeing more hospitality professionals taking ownership of their learning journey, supported by employers who recognise that investing in people is the best way to retain them.



The rapid pace of technological change is underlining how important it is to continually develop and grow if we're to keep up and stay relevant. Employers and employees alike continue to recognise this. At HOSPA, we're proud of the continued expansion of our professional development training programmes—and we'll be unveiling plans for a new course at this year's landmark 20th HOSPACE conference.

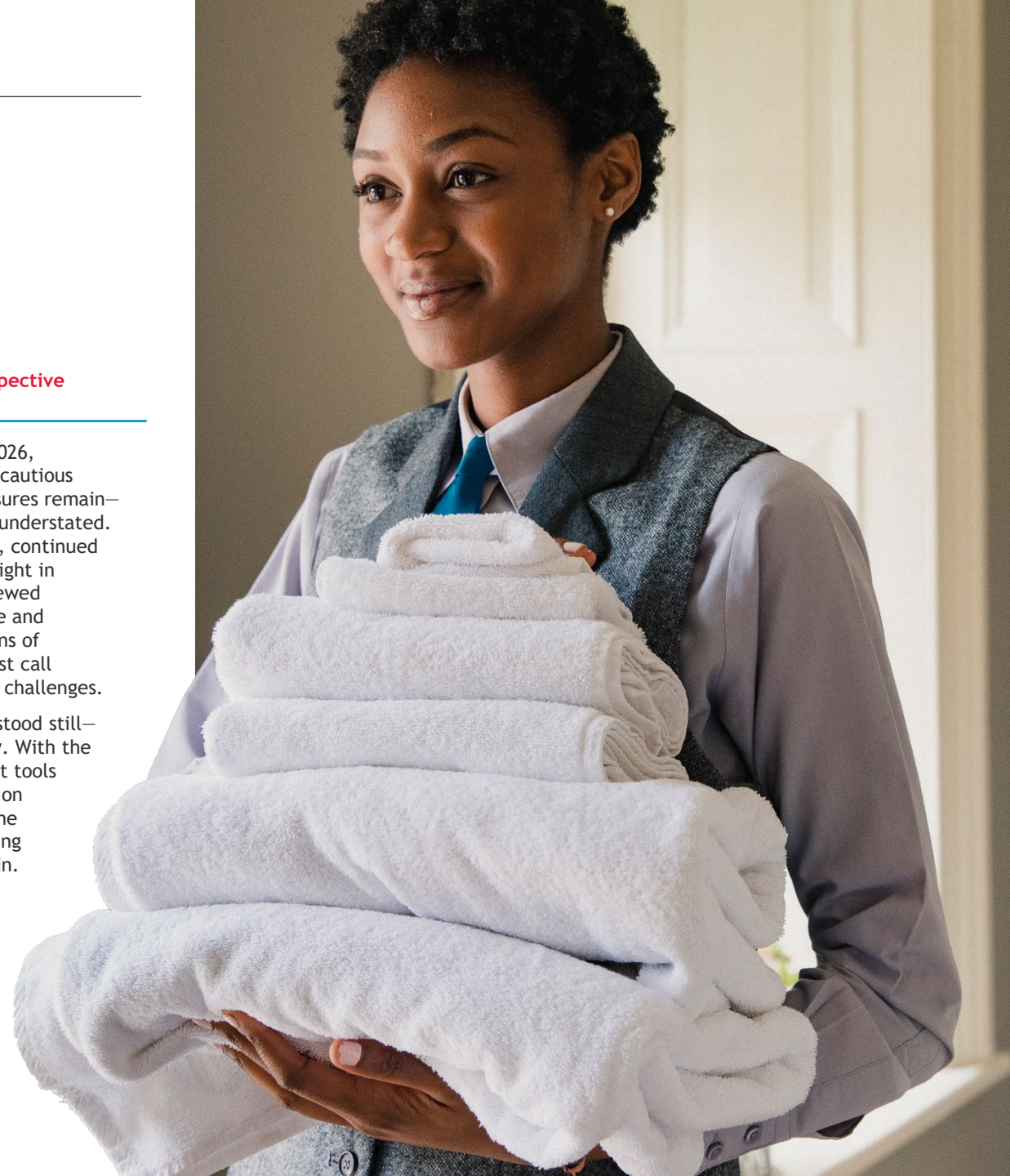
Professional development is more than a perk—it's a strategic advantage and it's one we'll continue to offer at HOSPA.



2026 in perspective

As we look ahead to 2026, the message is one of cautious confidence. Yes, pressures remain—and they must not be understated. But across investment, continued innovation (a shining light in hospitality) and a renewed commitment to people and purpose, there are signs of strength which we must call upon to overcome the challenges.

Hospitality has never stood still—and it won't start now. With the right support, the right tools and a relentless focus on people, 2026 can be the year we stop firefighting and start building again.



Tips on the tipping rules



Jacqui Roberts,
BDO Employment
Tax Director

The Employment (Allocation of Tips) Act 2023 is a significant piece of legislation affecting the hospitality sector in England, Wales and Scotland. It aims to ensure fair distribution of tips, gratuities and service charges among workers and came into effect on 1 October 2024. How is your business doing so far?

The legal framework

The Act places a statutory obligation on businesses to allocate tips fairly among workers in line with the code of practice on fair and transparent distribution of tips. The legislation covers any payment made by a customer as a tip, gratuity or service charge, regardless of whether it is discretionary or mandatory. Non-monetary payments, such as vouchers or gaming chips, are also included if they can be exchanged for money.

Employers must ensure that the full value of tips is passed on to staff, with deductions only allowed for VAT. Costs such as credit card fees or bank charges must be borne by the employer. The Act prohibits employers from deducting amounts for processing or administration, or to cover costs related to tronc systems. Employers must also bear the cost of employer National Insurance Contributions and workplace pension contributions on tips paid through payroll.

The Act requires that employer-received tips be allocated among 'workers', defined as individuals engaged under a contract of employment. Self-employed individuals and formal statutory directors without employment contracts are excluded. Tips must be paid to workers by the end of the month following the month in which they were received. Agency workers supplied to hospitality businesses are treated as directly employed workers for the purposes of the Act.

They are entitled to a share of employer-received tips and businesses must ensure compliance with the legislation when dealing with agency workers. Payments can be made directly to agency workers or passed to the agency for onward payment.

Tipping policies

Businesses must have a written policy detailing how tips are collected and distributed. This policy must be accessible to all workers, including agency workers. Record keeping is essential, with employers required to maintain records of tip allocations for at least three years. Workers can request information about tip allocations and employers must respond within 28 days. The Act also interacts with contractual rights, prohibiting the use of tips to meet National Minimum Wage obligations (see on p19).



Tips on the tipping rules

Employment Tribunals

Enforcement of the Act is through employment tribunals. Workers can bring claims against employers or agencies for non-compliance, with potential sanctions including orders to revise tip allocations and compensation of up to £5,000 per worker. Where discretionary tips are distributed fairly in line with the code of practice through a tronc arrangement, the employer is deemed to have ensured the total amount of relevant tips is allocated fairly between workers at the place of business, in line with the legislation.



Getting it right

Given the potential for high-profile employment tribunals in the future, we recommend an annual review to check that:

- ▶ Agency workers are dealt with correctly. As an agency cannot operate a tronc, the business may wish to include agency workers in its tronc for the purposes of allocating amounts. Either the business or the agency can pay the amounts without deduction of employees' and employers' NICs
- ▶ Each business site has a robust tipping policy with clear guidance available for customers and all workers, including agency staff
- ▶ Refresher training should be provided to all tronc masters (rules apply per site and there may be a tronc master for each site)
- ▶ Where a tronc arrangement is used, a review should be carried out to ensure all participants and internal stakeholders understand the arrangements and how they should be operated to remain compliant
- ▶ Practices align with policies and processes, and any shortcomings are identified and rectified
- ▶ Tronc scheme rules are clear and compliant and available to all participants.



It is important to document your review process so that if HMRC does launch an investigation into your tipping arrangements you can prove that reasonable care has been taken to get things right.

If you haven't put tronc arrangements in place yet, now is a good time to start. Remember using robust tronc arrangement gives you the potential to secure a 23% NIC saving on all discretionary tips received and distributed.



The risks and rewards of digital transformation



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BDO Digital and Cyber



Jason Gottschalk
Retail Digital Partner

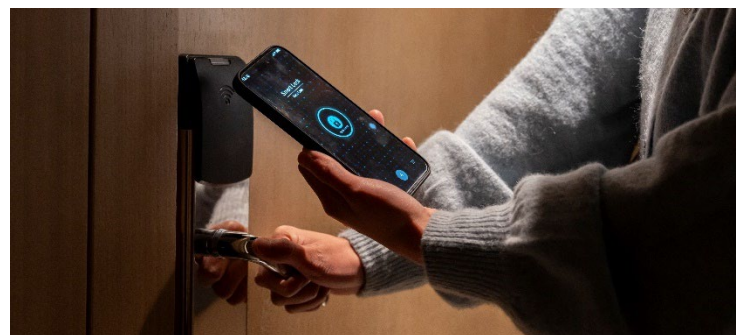
The global hotels and resorts industry generates more than \$1.8 trillion USD in revenue (IBISWorld, Report G4611-GL), making it one of the most lucrative and data-rich sectors worldwide. Technology has been central to this growth, enabling seamless booking platforms, mobile check-ins, digital keys, and increasingly, AI-driven personalisation.



Guest trust in a digital age

According to IDS NEXT's Future of Hospitality report, smart technologies, and Artificial Intelligence (AI) are among the top trends shaping the industry in 2025 and beyond. While these innovations improve efficiency and guest satisfaction, they also introduce new threats broadening the attack surface. Hotels manage vast volumes of personal and payment data—an appealing target for cybercriminals.

Guests are willing to share their data for personalised experiences, but they expect it to be protected. So, a cybersecurity strategy is no longer optional; it is fundamental to maintaining guest trust and business resilience.



The risk is real

The industry has already experienced situations where insufficient attention on cyber defences have resulted in considerable financial repercussions. For example, Marriott International has suffered multiple breaches, including a 2020 cyber incident affecting millions of guests. In addition Starwood suffered a malware attack that went undetected for four years, impacting records on its reservation system.

And the list goes on:



Hackers compromised over 500,000 Hilton loyalty programme records



A third-party vendor mishandled guest data that was later stolen 'Choice Hotels'



Wyndham Hotels spent over \$5 million on remediation after breaches that caused guests to lose \$1.6 million to credit-card fraud.



The question is - would this money be better spent to mitigate those cyber risks?

The risks and rewards of digital transformation

What to do?

To effectively counter cyber risks, hotels must embed security into their daily operations. Below are our key principles for sound cyber practices:

A Fix the foundations to protect what matters

1. Understand your crown jewels

Data is your most critical asset. You need to understand which data ‘must’ be protected, as its leakage can lead to serious consequences. This includes confidential business information like usernames and passwords, or data safeguarded by laws and regulations, such as payment card details or personal information. Identify where this critical data is stored, where it moves and who can access it.

2. Protect your crown jewels

Once you establish this understanding, apply the right protection measures throughout their lifecycle. Protect this critical data with strong encryption, data masking, and hashing if needed, and use secure disposal methods when disposing it off.

3. Invest in access controls

Implement robust access controls including the use of identity access management and privilege access management solutions (IAM and PAM) to access this data, enforce multi-factor authentication to update or access it and notify owners (guests if needed) of unusual access or changes to their records.

4. Prioritise vulnerability and patch management

Regularly assess and patch systems to protect them against known vulnerabilities and to reduce their exposure to cyber threats especially those processing or storing your critical data.

5. Apply network segregation

Divide your network into zones to ensure that if one zone is compromised, it doesn't impact the entire network. This approach reduces the attack surface, meaning not all data is at risk if a single asset is breached.

B Embrace transformation but don't forget to manage the associated risks

1. Assess the risks of emerging technologies

Evaluate the cybersecurity implications of adopting emerging technologies. This enables risk-aware decision-making before deployment, rather than reacting to threats post-implementation.

2. Prepare for incidents

Develop and rehearse response plans for common sector-specific cyber incident scenarios such as ransomware attacks, data breaches and data exfiltration. Regular practice is key to effective cyber incident management.



The risks and rewards of digital transformation

Conclusion

The industry's valuable data has made it an attractive target for cybercriminals. As digital transformation accelerates—driven by the adoption of AI and other emerging technologies—the attack surface continues to expand, and the financial and reputational consequences of inaction grow more severe.

Recent breaches across global hotel brands serve as a stark reminder that cybersecurity investments are not just essential for protecting the organisation assets—they are fundamental to maintaining guest trust.



Navigating National Minimum Wage compliance



Siobhan Waters

Tax Manager, National Minimum Wage

There have been significant increases to the National Minimum Wage (NMW) rates in recent years, resulting in an increased number of workers who are now paid at, or slightly above, the published rates. Not only has this had an impact on staff costs but it has also increased the risk for employers committing technical breaches against the NMW rules. Strong compliance with the NMW rules will protect your business but it is more complex than simply paying the staff at the correct rates.

Remember that HMRC will follow up on all complaints made regarding underpayments of NMW, however inadvertent they may be, so regularly reviewing your NMW compliance is essential to ensure technical breaches don't prove costly.



Getting it right

Start by verifying entitlement to NMW and worker status for everyone. A worker might be self-employed for tax purposes but still qualify as a 'worker' for NMW purposes. If an individual does have worker status, you will need to consider these key areas when calculating NMW pay:

- ▶ **Worker type:** Correct classification is crucial. There are four types, each with its own methodology for calculating NMW pay. Misclassification can lead to underpayments
- ▶ **Deductions:** Be mindful of deductions, even if agreed with the worker. Salary sacrifice schemes can lead to breaches
- ▶ **Qualifying NMW pay:** NMW pay differs from total gross pay and not all pay counts when calculating NMW pay
- ▶ **Working time:** Consider all working time, including time which may exceed contracted hours
- ▶ **Pay frequency:** Ensure the pay reference period is no longer than a month.

Careful consideration of these areas, along with robust processes, controls and record keeping is vital for ensuring compliance in your hotel business.



Forward planning for NMW changes

Whilst the April 2026 rates will not be announced until late Autumn 2025, the Low Pay Commission recently announced projections to increase the National Living Wage (21+ rate) by 4.1% to £12.71, to remain at two thirds of median earnings. This figure is not yet final, so they have a central estimate of £12.55 to £12.86. The government has also announced plans to move to a single adult rate, removing the 18-20 age band.

While the date when this will be introduced has yet to be confirmed at the time of going to press, the expectation is there will be a staggered approach to this change.

The government also recently announced the introduction of a Fair Work Agency from 2026, which will be responsible for the enforcement of many employment rights—including NMW, which further strengthens the government's commitment to tackle non-compliance in this area.



BDO sector expertise

Our team works with international businesses across the leisure industries, including hotels, restaurants and bars, travel and tourism, betting and gaming, professional sports and fitness. We provide assurance, tax, and advisory services to our clients, who range from small owner-managed businesses to large corporations in both the private and public sectors, many of whom are market leaders.



Regulatory Advice for Leisure and Hospitality Businesses

The leisure and hospitality sector is faced with an ever-changing burden of regulation, ranging from accounting standards to the Apprenticeship Levy and National Living Wage. We can provide practical guidance and help you navigate the challenges your business is facing. We can help you whether you are thinking of tackling the transition to IFRS accounting, wondering where you currently stand on trons, trying to establish how the national living wage may affect your business or debating whether you should be converting to a REIT.



Driving Growth

Driving the growth of your business is always a priority. This is a challenge in the very competitive leisure and hospitality sector. We will work with you to develop or adjust your strategy, fine tune your business model and overcome the barriers to growth. Our focus is to provide the actionable ideas and insights that will make a tangible difference to your business. Whether it is improving working capital management or improving tax efficiency, we will use our experience and expertise to deliver value to you. We always invest the time to understand you and your business so that we can help you achieve your goals.



Hotel expertise

Our hotel industry experience goes back nearly a century. Today, we are at the forefront of the field, working with the industry's market leaders. Our experienced and passionate partners and staff find and help implement actionable insights that make a difference to our clients' businesses. We take the time to understand the business and the people behind the numbers so that we can use our expertise to maximum effect.

We can keep you up to speed with the latest issues and movements of the market, both nationally and internationally, presenting our findings through our comprehensive publication, Hotel Britain. In an industry which can be volatile and heavily affected by world events, we can give our clients vital insights into what they can do to improve their relative performance and market position. In short, if you are active in the hotel industry then you should be talking to us.



Our Hotels Team - Taking Leisure and Hospitality International

You may be ready to expand your leisure and hospitality business overseas - but you may not be ready for the challenges of succeeding internationally. You will need to navigate local regulations and tax regimes, local labour markets and any number of other issues. We will help you from the first step by identifying the best options for expansion, and the markets that are easier to break into. We can help you to work through the options available to you whether that be a joint venture, opening a branch, franchise or an acquisition.

When you do make the leap, we will ensure you have the most efficient tax structures and all the necessary local knowledge. As part of the BDO international network, we draw on the leisure and hospitality expertise of colleagues across the globe - we have a presence and local leisure and hospitality expertise in every market you might want to expand into, and we understand that each area of leisure and hospitality faces its unique challenges and opportunities.

Our Leisure and Hospitality team



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