All Party Parliamentary Group for Hospitality and Tourism

APPG for Hospitality and Tourism

Report into Short Term Lets and the visitor economy

Contents

Introduction

The rapid change to the accommodation sector over the last fifteen years has seen a major expansion in the number and range of accommodation suppliers operating in the market. At the heart of this change has been the growth of digital platforms. These platforms have significantly changed the shape and size of the guest accommodation sector, and in particular, have led to an increase in the short-term letting of residential premises.

These trends are of course not unique to England or the wider UK, and as a result many local and national governments around the world have intervened in the market in recent years.

The Government has committed to introducing a registration scheme in England via the Levelling Up and Regeneration Bill, with the details of how a scheme will operate consulted on earlier this year.

Launched by the Department for Culture, Media and Sport (DCMS) on 12th April 2023, the consultation ran for 8 weeks until 7th June 2023. At writing, the Government is in the process of legislating for a registration scheme through the Levelling Up and Regeneration Bill.

Responses to the consultation are informing the development of the detailed policy design for how a registration scheme will operate, and secondary legislation (regulations) will be required to enable the scheme to be operational. It is currently anticipated the scheme will be operational in 2024.

Government is expected to shortly publish its response, before which this report aims to provide further clarity on the view of the industry with regard to the operation of a scheme.

APPG call for evidence

The call for evidence was requested by the Chair of the Hospitality & Tourism APPG, Simon Jupp MP, with an in-person oral evidence session taking place on 24th October 2023, titled '*Short Term Lets and the visitor economy: the challenges facing the sector, and how the new statutory registration scheme for England could address these*'.

At the session, the discussion revolved around the necessity of a mandatory registration scheme for short-term lets in England, citing economic benefits and the need for accurate data to inform future decisions and regulations. To give evidence on the topic, the speaker list included:

- Kate Nicholls OBE, UKHospitality
- Alistair Handyside MBE, the Professional Association of Self-Caterers UK (with Matthew Bell, Frontier Research)
- Andy Fenner, Short Term Accommodation Association (with Fiona MacConnacher, Booking.com)

The Chair instructed a report to be written which would summarise the findings of the session, and to set out recommendations for Government. The report also allows relevant stakeholders the opportunity to further elaborate on their positions and views. This report is timed to come out ahead of the Government's response to its consultation as an interim report that will then follow up once the consultation findings are published, and further details of a scheme are established.

Executive summary

All stakeholders agree that for short term lets a mandatory, uniform registration scheme, with nationally aggregated data, should be introduced, ensuring a level playing field for operators and solving many of the subsequent issues associated with the visibility of short-term lets. Such a scheme must be light touch to avoid burdensome regulation for hosts.

At the oral evidence session, attendees agreed that (1) the scheme should be national in scope with the same requirements to ensure consistency across England, and (2) data must be aggregated at a national level, and (3) enforcement should be delivered by local authorities in coordination with their existing checks.

There is agreement across the stakeholders consulted that all hosts– however they operate – should adhere to the same safe and legal standards. Mandatory registration with local enforcement, if implemented correctly, will achieve this.

In addition, platforms should require a valid registration number to list a short-term let. These registration numbers should be displayed in any advertisement or listing of a short-term let, as ensuring that registration numbers are displayed would allow authorities to have an accurate picture of the short-term letting landscape, providing the administering body, as well as local authorities, with important data on the prevalence of short-term lets in different areas.

The recent and rapid rise of both short-term lets and associated platforms has created a number of issues and inconsistencies across the commercial accommodation market and local communities. The lack of data and transparency as to the location and function of short-term letting properties has created a situation whereby the relevant authorities cannot identify hosts and properties for enforcement purposes.

It is essential that each short-term let is visible and regulated to the same standard as the wider accommodation sector. The current challenges in enforcing existing regulations due to a lack of visibility of short-term letting properties continues to create a number of issues, placing much of the accommodation sector at a competitive disadvantage, and leading to concerns about the safety of guests. It must also be noted that short term lets do benefit the wider visitor economy in England, bring significant financial benefits to local and regional economies and helps providers of short-term lets to supplement their income.

<u>Methodology</u>

a) <u>Stakeholders consulted:</u>

A number of relevant stakeholders were consulted in the process of evidence gathering. Listed below are those who submitted responses to the oral evidence session follow-up questions. The complete list of stakeholders contacted can be found in the annex.

UKHospitality (UKH): UKH is the single, authoritative voice of hospitality representing everything from hotels, restaurants, pubs, nightclubs, attractions, leisure & events and contract caterers. Representing hundreds of members across the UK, UKHospitality works with government to influence policy, shape debate and empower an environment for hospitality to thrive.

The Professional Association of Self Caterers UK (PASC): PASC supports the self-catering, short-term lets and holiday lets sector in England and Wales. PASC UK is the largest sector association with 1700 members. PASC provides businesses in this key sector of the tourism economy with briefings and webinars on policy issues affecting the sector and is a key conduit to Government on legislation, policy and regulatory issues.

UK Short Term Accommodation Association (STAA): STAA is the trade association for short-term rental companies in the UK, representing individual hosts and businesses across the industry. They aim to help the sector grow responsibly by educating their members in best practice and engaging with policymakers to find balanced solutions to shared challenges. STAA also represents businesses such as Airbnb.

Airbnb: Airbnb help people in England take part in and benefit from the visitor economy by welcoming visitors into their homes. Airbnb Hosts are facilitating tourism across England's best-loved destinations and hidden gems, bringing hundreds of millions of pounds per annum into local and regional economies and helping Hosts supplement their income during the most significant cost-of-living crisis in decades.

Tourism Alliance: The Tourism Alliance is the umbrella trade association for the whole of the tourism industry in the UK. They work to ensure good links between the UK Government and Parliament and the sector and ensure that the industry's voice and concerns are heard.

b) <u>The following questions were put to stakeholders:</u>

1. *Please provide any background information that you would like considered for the report.*

2. *Assuming a registration system is put in place:*

    a. *Who should administer such a scheme – at national or local level?*

    b. *What should the level of interaction between letting properties and the administrator be?*

    c. *What information should be shared between the administrator and the letting property?*

    d. *Should there be any exemptions? Or how would you define who is in scope?*

    e. *What is the role for platforms in a registration scheme?*

    f. *How would you envisage enforcement taking place?*

3. *What would your key recommendation(s) to Government be to make such a scheme a success?*

The administration and architecture of a registration scheme for short-term lets in England

a. Who should administer such a scheme – at national or local level?

All stakeholders agreed that a scheme aggregated at the national level would be significantly more efficient than any of the other options the Government had previously put forward, such as an opt-in scheme or locally designed schemes.

Throughout the responses, it became evident that 'administration' in practice consisted of the enforcement function of health and safety and similar obligations, and collation and aggregation of data on short-term letting properties in England.

Local authorities would play a significant role in enforcing current regulatory requirements, now made visible by the requirement to register. As put forward by **PASC**, local authorities would have responsibility for local enforcement, whereby they would conduct routine inspections. **PASC** supports an annually renewable registration that is administered by local authorities.

In their view, payments and the registration application would be made to local authorities. These authorities already collect business rates and council tax information. During the Covid pandemic, the government provided the COVID-19 Business Grants schemes software for authorities to integrate into their systems without additional programming, for the grants that were available to businesses in 2023 the same central support was offered. **PASC** notes that there is already a tried and tested way of delivering these standard systems with a uniform user interface - another reason for the Statutory Registration Scheme to be the same for all authorities and operators, throughout England.

Finally, **PASC** note that the data should be centrally collated, so that there is a national dataset, that can be shared with relevant partners, in an anonymised form. This takes a bottom-up approach to the scheme – registration and presentation of documentation taking place at a local level to assist enforcement purposes, with the registration and location data passed 'up' to a national database

STAA supports a mandatory, national registration scheme, enabling public bodies to gather a comprehensive picture of short-term let activity. This database would support organisations such as DCMS, the ONS or VisitEngland with mapping tourism flows and developing both national and local tourism strategies that support the British economy.

STAA holds the view that the English Tourist Board / VisitEngland should be responsible for holding the data. They note that having one single point of contact on a national level for administering the scheme would provide a comprehensive registration scheme and avoid confusion and inconsistencies.

STAA suggests that the scheme be hosted on a gov.uk website to align and remain consistent with other national government schemes and be easily located by hosts. This would facilitate the data gained by the scheme to be shared between government departments to inform relevant policy decisions in other departments outside of DCMS. This view supports a top-down approach to the scheme.

Tourism Alliance believes that the scheme must be universal to ensure a level playing field. They suggest that VisitEngland would be the administrators of the online system. They refer to the Covid "Good To Go" scheme and website as a model for how this could be administered. Compliance checks could be carried out by local authorities in collaboration with VisitEngland.

UKH advocates for a short-term letting (STL) registration scheme enforced at a local level, with proof of adherence with existing health and safety requirements (for example) being presented at registration. This would leverage existing expertise in areas such as health and safety, and should be integrated into local inspection programs for all letting/hospitality businesses (which already exist). The registration requirements should be consistent across England. Data produced by the registration process should be aggregated at a national level.

UKH also highlights the importance of collating, maintaining, and presenting nationally aggregated data on short-term letting properties, advocating for a nation-wide data set accessible to all to address previous issues with data scarcity.

In summary, all respondents agree on a registration scheme with data aggregated at the national level, which is enforced by local authorities on the day-to-day level. The portal could be set up by a government body such as the Department for Culture, Media & Sport (DCMS) or VisitEngland, ensuring that the data is aggregated in one location.

> b. *What should the level of interaction between letting properties and the administrator be?*

PASC favour a light touch approach where the annual registration fee is easy to pay via a local authority portal. They propose that the information requested is kept to a reasonable minimum to provide necessary ownership validation, basic property description and primary safety documents (to include attaching the Fire Risk Assessment).

Once the registration is complete, a registration number is given, which can then be provided to the platform that you advertise on and continue trading. Each year when the registration is renewed, only updated information is required.

STAA agrees that a functioning registration scheme requires the collection of limited information annually, for example, to confirm the address of the premises/dwellings' owner or the number of nights the premise was let out for in the last year. This information can be collected by the administrator by checking in with registered owners and/or managers on an annual basis. They further agree that the administrator should collect the registration fee.

On health and safety obligations, **STAA** note that the portal could also send a reminder of their obligations annually and declare that they are still compliant with the relevant legislation (a declaration they would make at the initial point of registration).

They note that this process should not require the submission of documents or the physical checking of premises - it should be as declaratory as the initial registration.

STAA also agrees that if an inspection is deemed necessary, local authorities should conduct spot-checks on registered properties. They can then take action against those that are not compliant with the law. This would require local authorities to have access to the database.

Tourism Alliance supports maintaining a light-touch approach. One registration fee per Business Rates Rateable Value (RV) or Council Tax reference number could be a simple and straightforward way of implementing this where all accommodation on one site is owned and let by a single company or individual.

UKH propose that the letting property would supply relevant documentation to the enforcement body, in a similar way other hosts do (for licensing, health and safety, fire etc.) The relevant local authority would then be able to log the documentation as part of their existing enforcement/compliance programme for accommodation businesses and pass the data 'up' to the responsible party to aggregate data on scale and location of short term letting registrations.

In summary, the recommended level of interaction between letting properties and administrators should adopt a light touch approach, as advocated by **PASC**, involving a straightforward annual registration process subject to evidencing a required set of information. **STAA** supports this, emphasising the need for limited annual information collection, periodic checks by administrators, and declaratory health and safety compliance updates. Additionally, **Tourism Alliance** suggests a simplified registration fee structure based on Business Rates Rateable Value or Council Tax reference numbers for a streamlined and efficient process. **UKH** propose the relevant data to be supplied to the local authority, whereby the data would then be passed 'up' to be aggregated at a national level.

> c. *What information should be shared between the administrator and the letting property?*

All stakeholders consulted agree that the following information should be collected: the address of the premise, the name, address, and contact details of its owner and, if different, those of its manager, whether the premise to be let is a dwelling or part of a dwelling (such as a room or outbuilding), and the Council Tax or Business Rates Number.

PASC adds that specific regulations such as Fire Risk Assessment (additionally electrical testing) and Gas Certificate if applicable should be included. Similarly, **STAA** note that confirmation that the host has self-certified adherence to relevant regulations should be collected.

UKH note the need for a balance to be struck between light touch and ease of access, but evidence should be provided to the local authority for an appropriate risk assessment to be made for enforcement purposes. A copy of health and safety information such as a gas certificate or fire risk assessment, (both existing legal obligations) provided as a pre-requisite to registration, should be sufficient for this purpose. Some level of basic evidence is required over and above a tick-box confirmation, to ensure the scheme functions as intended.

Furthermore, the majority of stakeholders believe that the number of nights per year the premises is available to let and the number of nights the premises were let out for in the last year, should also be collected on an annual basis. This is with the exception of Airbnb who recommended that there should be a requirement through the registration scheme on booking platforms to share, on an annual basis, occupancy data for every property associated with a registration number.

> d. *Should there be any exemptions? Or, how would you define who is in scope?*

Stakeholders consulted strongly highlighted that for a successful scheme to function all properties that let for a single night must register as part of any new scheme. This will ensure a complete dataset. It was noted in the meeting that incomplete data creates challenges, with anecdotal or misinterpreted evidence creating a risk with accurate evidence necessary to set policy. It was also highlighted that the current fire safety legislation applies to all properties that are let for a single night upwards, and the point was made that this would provide consistency between registration and fire law. An incomplete dataset creates challenges for local authorities, preventing them to take decisions for housing, and allocation of tourist accommodation, however, by having a complete dataset, local authorities are able to make complete and accurate decisions.

A demonstration of this was given at the oral evidence session by Frontier Economics on behalf of PASC noting the growth in platforms. This evidence was provided using VOA data as to why this was flawed in assessing the growth rate of short term let properties themselves. This provides further evidence of the need for robust data to inform policy decisions.

It was noted by UKH that given accommodation businesses such as hotels are already "visible" to local authorities and part of existing inspection regimes, they should not be included in a registration scheme targeting short-term letting properties. This would be additional administration burdens,

and duplication of existing obligations. UKH highlights that this is also the Government's preferred option.

e. *What is the role for platforms in a registration scheme?*

All stakeholders agree that hosts need to communicate with guests that they are registered by displaying the registration number of the property. Platforms should take down non-compliant listings, and they should not be allowed to host unregistered listings.

STAA believes the onus should be on the local authorities to flag non-compliant listings, rather than platforms being required to proactively check the legality of registration numbers or to proactively de-list properties on the assumption that they could be operating illegally. They propose that legal liability should lie with the host, as they are responsible for registering correctly.

f. *How would you envisage enforcement taking place?*

Whilst enforcement of the scheme takes two parts, all stakeholders agree that this should take place on the local level.

Firstly, if there is a situation whereby a short-term let provider is not registering their property in the first instance and is operating without registration, separate penalties should apply as suggested by respondents below.

Secondly, enforcement of the existing health and safety etc. obligations would be rolled into existing inspection regimes of local authorities when ensuring compliance with existing regulations. Local authorities already have their own process for health and safety inspections of letting properties (for example), which short-term lets can be rolled into.

The majority of stakeholders felt that any penalties and accompanying sanctions should be set and communicated by the body which is responsible for running the registration scheme. Penalties should be set out clearly in advance, but applied on a sliding scale proportionate to the offence, with lower penalties where a breach is administrative or is a result of an honest error (for example, starting with a warning letter, and escalating, depending on deliberate, repeat or more serious offences to fines and ultimately, in cases of persistent or repeated serious breaches, deregistration of the property or registrant, as relevant, for a set period of time; permanent bans would only be appropriate in the most serious cases where there has been particularly egregious non-compliance.

Additional points raised

Respondents identified the need for the sector to have effective channels of communication. Currently, the only way is through associations and platforms, however, some of these may have very small datasets, and consistency may be lacking.

During Covid-19, for example, there was no simple way to inform operators of the rapidly changing situation, and again since March 2023 when the new Fire Regulations came in for the sector with many owners not knowing about them. A central register or database would be a useful tool to communicate to operators in a cohesive and timely fashion.

If implemented successfully, the registration scheme is expected to help the Government better understand the nature of the short-term lets industry in England and to support the consideration of any policy interventions in a way that is suitable, targeted, and supported by high-quality registration data. To do this, local authorities must be required to consider data from the registration scheme when deciding whether to introduce any new planning restrictions (i.e. Article 4 directions). This will ensure that any new planning restrictions that are implemented are informed,

and evidence based. For these reasons, a registration scheme must be implemented (and up-and-running for a sufficient amount of time) prior to any other measures.

<u>Developments outside England</u>

Respondents raised concern regarding Scotland's licensing scheme and the criticism it has received due to each local authority having the ability to introduce additional measures, causing fragmentation and confusion. Locally set policies in Scotland have meant that hosts and smaller operators struggle to understand the differing requirements, consequently forced to stop hosting.

PASC note how extensive information requirements can cause delays. **STAA** concur, and note that not having instant registration leads to significant uncertainty for owners, local authorities and ultimately visitors. In Scotland, local authorities are taking many months (potentially up to 9-12 months in some cases) to consider and process applications, leading to significant delays and loss of business for hosts and visitors being hesitant to book stays months in advance. Such uncertainty can cause serious legal and financial difficulties for hosts and reduce options for consumers.

Also of relevance is the recently introduced EU proposal (November 2023), which sets out planned new rules around data on short-term lets being aggregated at a level that allows easy review and transparency by interested parties, and registration numbers.

Recommendations for Government

- **Establish a national set of aggregated data on short-term lets:** Implement a data scheme aggregated at a national level for short-term lets in England
- **Local authority enforcement:** Visibility as a result of registration will allow local authorities to leverage their existing systems and capabilities, to include ensuring compliance of registered short term let properties against health, safety and other relevant legislation.
- **Comprehensive data and clear penalties:** Collect key property information, regulations, and enforce clear, proportionate penalties. Ensure an aggregated dataset for data accessibility and periodic reviews for ongoing scheme effectiveness. A central register of short term letting properties will deliver an effective communication channel to the sector when laws and regulations change.
- To note, the main areas of contention are firstly, what evidence should be provided to go along with the registration and secondly, where the main point of entry into the registration scheme is (i.e. point of registration), whether this is at the local authority or a national level.

Conclusion

The evidence submitted shows that the consensus is clear on the need for a light-touch scheme which delivers nationally aggregated data for short term lets, with local authorities playing a crucial role in enforcement existing obligations (now visible at a result of registration) at the ground level. It is crucial that such a scheme is not burdensome for hosts. The choice of 'administrator', however, diverges, with suggestions ranging from a government-hosted portal via the Department for Culture, Media & Sport (DCMS) to VisitEngland. The choice of administrator would determine where the national data is centrally aggregated. For some respondents, this would also be the point where properties register – for others, it would be at local authority level.

Regarding the level of interaction between letting properties and registration, respondents support a light-touch approach, subject to evidencing a required set of information, ensuring a certain level of checks against any documentation provided.

The shared information between the scheme and letting properties encompasses key details such as the property address, owner and manager information, dwelling type, and relevant tax references. Additionally, a number of stakeholders advocate for properties evidencing specific certification, including fire risk assessments, electrical testing, and gas certificates where applicable.

Enforcement of the scheme takes two parts. Firstly, if there is a situation whereby a short-term let provider is not registering their property in the first instance and is operating without registration, separate penalties should apply as suggested by respondents in question. Secondly, as a direct result of registration this will allow local authorities to leverage their existing systems and capabilities, to inspect and ensure compliance of registered short term let properties against health, safety and other relevant legislation.

In summary, the stakeholders' collective vision converges on the establishment of nationally aggregated data with efficient, light-touch interactions, comprehensive data collection, and clear enforcement mechanisms to regulate short-term lets in England. The proposed scheme aims to strike a balance between regulatory oversight and facilitation of the short-term accommodation sector while addressing concerns related to community impact and compliance. Having a complete dataset will ensure a level-playing field and will allow for a comprehensive means for communication for the entirety of the letting sector for the first time to aid regulatory changes and other relevant information. An incomplete dataset creates challenges for local authorities, preventing them to take decisions for housing, and allocation of tourist accommodation, however, by having a complete dataset local authorities are able to make complete and accurate decisions.

Annex

Full list of stakeholders consulted:

- Airbnb
- Booking.com
- Expedia
- Local Government Association (LGA)
- The Professional Association of Self Caterers UK (PASC)
- Tourism Alliance
- UK Short Term Accommodation Association (STAA)
- UKHospitality (UKH)