



## Developing a tourist accommodation registration scheme in England: call for evidence

Date: 21 September 2022

The CLA is the membership organisation for owners of land, property and businesses in rural England and Wales. Our members own or manage around half the rural land in England and Wales and more than 250 different types of businesses. We help safeguard the interests of landowners, and those with an economic, social and environmental interest in rural land.

### **Question 1: Are you able to provide us with evidence illustrating the size and nature of the short-term and holiday letting market in England and/or its regions, and how that has changed over time?**

A CLA member survey in 2020 sought to understand how our members use their land, and what range of businesses they run. The CLA survey demonstrated the range of the tourism industry in rural areas and how much of this is underpinned by the availability of short-term and holiday lets. 39% of members had a tourism focussed business and of these businesses 41% were accommodation based. Of the members who responded to the survey: 7.7% had self-catering accommodation businesses, and 5.5% delivered sites for glamping, camping and caravanning.

The contribution of these businesses to the rural economy cannot be over-estimated; for example, 17.6% of the employees employed by our members work in tourism, a significant proportion. In rural areas 15% of total employment is in tourism related industries, which could be holiday letting businesses themselves, or the other tourism industries which are supported by the capacity for overnight stays.

The growth of holiday letting in England has been encouraged in rural areas through farm diversification. The industry also continues to grow and attract investment; our members in the 2020 survey shared that 4.1% of their planned capital investments were to be spent on holiday cottages. In addition, over the last five years, there has been a substantial increase in the number of short-term lets, driven in the main by those companies within the sharing economy.

However, some property owners using platforms within the sharing economy may not need be considered as direct competitors to traditional accommodation providers as they offer a different type of accommodation from the average hotel or self-catering accommodation. However, there are some traditional accommodation providers now using sharing economy platforms to market their rooms and properties. This blurring of the distinctions between a sharing economy on short-term letting platforms, and the traditional accommodation providers causes concern as any proposed regulation must pay due attention to the differences between the two sectors. In particular the growth of the two industries is encouraged by different drivers, farm diversification versus availability of sharing platforms, and have differing impacts on communities in rural areas, discussed later in this response at question 6.

**Question 2: What do you consider to be the main benefits of short-term and holiday letting for:**

- a) Homeowners
- b) Consumers
- c) Businesses and the wider economy

a) Our interpretation of homeowners is **anyone who owns property**, these people have benefitted from short-term and holiday letting in their efforts to diversify their businesses. Since the Rural White Paper in 2001, rural tourism has been a main area of growth. Those owning properties have had the option to let their homes in different sectors at a time where residential letting can be perceived to be high risk with upcoming changes such as Renters' Reform and increased Minimum Energy Efficiency Standards.

b) Consumers of rural tourism of course benefit from time spent in the countryside and the social wellbeing that comes with that. For those living further away from rural areas, the ability to rent a short-term holiday let in order to enjoy the benefits of a rural area is fundamental.

c) The contribution of short-term and holiday lets to the wider rural economy can be valued by the contribution of tourism as much of the value of tourism is underpinned by the capacity for an overnight stay. Total rural tourism accounts for between 70% to 80% of domestic tourism. In 2018 the Gross Value Added to the economy from tourism in predominately rural areas was £11.5 billion, contributing 4% of the total Gross Value Added in predominantly rural areas. Much of rural tourism includes an overnight stay; in 2019 the Great British Tourist Report reports £24.7 billion was spent during trips which included an overnight stay by GB residents, £19.4 billion of this was in England. An overnight stay contributes more to the economy as the visitor will spend more. For example, the average day visitor in England spends £41 (2019), compared to an overnight visit where the average spend per night is £67.

In rural areas 11% of all registered businesses were tourism related, these businesses are directly supported by the ability of visitors to find suitable short-term or holiday let accommodation. The ability to diversify into tourism businesses, and particularly holiday letting, and short-term stays has been vital for many land-based businesses, particularly in terms of both maintaining overall business profitability and remaining on the land. Any additional burdens, such as a registration or licensing scheme, will diminish the ease of diversifying into these types of businesses, or the operating existing businesses will be made more burdensome, this will be acutely felt by all rural enterprises.

**Question 3: How do you assess levels of compliance with regulations on:**

- a) Fire safety
- b) Gas safety
- c) Health and Safety
- d) Food and drink

**within the short-term and holiday letting market in England?**

- Option 1 – Compliance is very good
- Option 2 – Compliance is good
- Option 3 – Compliance is fair
- Option 4 – Compliance is poor

- **Option 5 – Compliance is very poor**

**What assessment do you make of how effectively the regulation is enforced?**

We do not have the evidence to answer this question.

**Question 4: Do you consider there to be a problem with breach of contractual agreements in the short-term and holiday letting market in England? If so, why?**

- **Option 1 – Yes, this is a major problem**
- **Option 2 – Yes, but this is only a minor problem**
- **Option 3 – No, there is no problem**

We have no evidence to suggest there is a problem with breach of contractual arrangements.

**Question 5: Do you consider there to be other legal provisions concerning the supply of short-term and holiday letting to paying guests which are not covered elsewhere is this call for evidence but where there are issues with awareness, compliance and/or enforcement?**

- **Option 1 – Yes**
- **Option 2 – No**

We do not have the evidence to answer this question.

**Question 6: Do you consider the increase in short-term and holiday letting in England to have had adverse consequences on the housing market?**

- **Option 1 – Yes, this is a major problem**
- **Option 2 – Yes, but this is only a minor problem**
- **Option 3 – No, there is no problem**

Option 2 however our answer to this question is heavily caveated to say that supply of housing particularly in rural areas is a major problem, but the topic is very nuanced and cannot solely be attributed to the growing short-term and holiday letting market.

The Office for National Statistics reports that house prices in some rural and coastal areas in July 2021 were increasing at three times the national rate. These areas included the tourism 'hotspots' of North Devon (22.5%) and Richmondshire (21.4%), on the contrary all seven areas which saw house prices falling were London Boroughs. However, to contextualise this it is important to also look at new homes delivery. Data from DEFRA shows that although the number of new homes delivered per 1000 households is higher in predominantly rural areas compared to predominantly urban areas (8.6 and 5.3 respectively in 2020/21), the rate of dwelling completions in rural areas has declined more sharply than in urban areas (-1.8 per 1000 households and -0.8 per 1000 households respectively). The delivery of new *affordable* homes in rural areas has an even greater shortfall; in 2020 there were over 260,000 people on a housing waiting list in rural areas and fewer than 4,500 social homes were built in rural areas in 2019-2020. This inability for the supply to keep up with demand for housing in both rural and urban areas is having a far bigger impact on communities than homes being used for short-term or holiday lets.

It is important to note that not all short-term and holiday lets would be appropriate for the private rented sector or permanent owner-occupiers if restrictions were in place on how they could be occupied. For example, many CLA members who have been encouraged to diversify into tourism related industries have done so by converting disused agricultural buildings into holiday lets, and as a consequence now face planning restrictions on these properties. These properties do not have an adverse impact on the housing market, because there isn't a scenario in which they could be released into the residential market without intervention from the planning authority. Conversely, property owners who advertise their properties on a sharing economy platform, but who should not be considered a genuine holiday let business do have an impact on housing supply as their properties could be suitable for either a permanent owner-occupier or made available in the private rented sector. The distinction between a genuine short-term or holiday let business and a property owner driven to profit from a sharing economy platform must be considered at every stage.

A registration or licencing scheme must absolutely not be used to 'solve' the crisis of the availability of housing, particularly in rural areas, it will not work. Instead, attention must be given to the barriers of housing delivery, for example the broken planning system.

**Question 7: Do you consider noise, anti-social or other nuisance behaviour in short-term and holiday lets in England to be a problem? If so, why?**

- **Option 1 – Yes, this is a major problem**
- **Option 2 – Yes, but this is only a minor problem**
- **Option 3 – No, there is no problem**

Option 3 – No, there is no problem. Our members very rarely have reports of noise complaints or nuisance caused by holiday lets.

**Question 8: Aside from the impacts on housing and incidents of anti-social/nuisance behaviour, do you consider the increase in short-term and holiday letting in England to have had other adverse impacts on local communities and residents?**

- **Option 1 – Yes**
- **Option 2 – No**

We do not have evidence to answer this question.

**Question 9: Which of the following do you consider to be the most appropriate form of response in the short-term letting market?**

- **1 – Do nothing**
- **2 – Provide more information to the sector**
- **3 – Develop a self-certification registration scheme**
- **4 – Develop a registration scheme with light-touch checks**
- **5 – Develop a licencing scheme with physical checks of the premises**
- **6 – Regulatory alternative to a registration system, such as extension of the Deregulation Act 2015**

Option 1, do nothing. As discussed in our answer to question 1, and again at question 6, there needs to be an important distinction between genuine holiday lets and tourism businesses, and

those property owners utilising sharing economy platforms. Our members remain concerned that those letting through these platforms have an unfair competitive advantage given they are not subject to the same regulatory costs and do not comply with the same rules. We recognise that these property owners may not operate genuine businesses. Property owners which do not operate genuine holiday let businesses but which use these platforms often; do not pay business rates, do not pay VAT, have lower health and safety standards or fail to comply, may in breach of planning or insurance regulations, and can have a negative impact on the community around them. However, all of these failings can be rectified by enforcing existing legislation without the need to introduce a new registration or licencing scheme.

By introducing a registration or licencing scheme genuine holiday let businesses who contribute so much to the rural economy will be burdened by needing to repeat the administrative tasks which they already do as a matter of course. Genuine holiday let businesses are also encouraged to comply by the very nature of the industry and are driven to be the 'best' on offer so compliance is likely to not just be met, but exceeded. We are hugely concerned that introducing such a scheme will not address the underlying issues of compliance and impact on the supply of housing caused by individuals utilising sharing economy platforms. Implementing a registration or licencing scheme will not capture those property owners who are wholly non-compliant with existing sector standards and who have the greatest impact on the market and surrounding communities as they will not register. On the second issue, supply of housing, as discussed in our response to question 6 the lack of supply of new housing has a far greater impact on communities' access to housing than the businesses operating in a tourism sector.

Thus the distinction between non-compliant property owners on sharing economy platforms and genuine holiday businesses is key to the response taken by government. If enforcement is the concern then a more appropriate response would be to require the sharing economy platforms to perform their own compliance checks and report to local enforcement authorities where there are obvious breaches of compliance such as on health and safety regulations. The alternative is for local authorities to be given greater resources for enforcement of regulations which already exist, for example understanding where property owners are registered for council tax rather than business rates or are not paying the correct levels of income tax.

The current lack of local authority resources to deliver enforcement in effect makes options 4-6 impossible to implement with success. Therefore, if enforcement of existing legislation proves too difficult to implement then we would reluctantly support a self-certification scheme, being entirely clear that this must be of the lightest touch and should not require any further information to be provided than can already be expected of genuine holiday let businesses.

**Question 10: What do you consider to be the costs and associated burdens of these options, who would bear the costs and how might they be mitigated?**

The option with the least cost and associated burdens is to do nothing. The impact of doing anything further is that genuine holiday let businesses will be hampered with a burdensome and mostly duplicative task of providing information to authorities which already exists elsewhere and could be more robustly enforced.

A licencing scheme would be disastrous for rural businesses who for business growth and profitability must be able to easily diversity into other ventures, of which holiday letting may be

one. There would be additional costs and time spent for licencing, and we are not convinced that this would deliver any significant benefit. Ultimately it may be necessary for businesses to increase the price of their offering to pass the cost of any further regulation onto the consumer. This would a last resort for businesses as it could ultimately harm the rural economy but could be the impact of poorly considered regulation. The mitigation measure for these is to not implement a registration or licencing scheme, the 'do nothing' approach, and instead actually focus on enforcement of existing regulation.

**Question 11: Do you have any insight or evidence on the impact of schemes that are already running, or approaches taken elsewhere in the world?**

No.

**Question 12: What has been the impact of the Deregulation Act 2015, specifically changes made by section 44 to the Greater London Council (General Powers) Act 1973?**

We do not have sufficient evidence to answer this question.

**Question 13: Is there any other information related to short-term lettings and/or issues already raised in this call for evidence that you wish to draw to the government's attention?**

No.



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