

**Report to: Place and Economic Development Committee, 5 June 2023**

**Report of: Corporate Director- Planning and Governance**

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**Subject: SHORT TERM LETS: RESPONSES TO GOVERNMENT CONSULTATION**

**1. Recommendation**

**1.1 That the Committee notes the contents of this report setting out the Government's consultation on changes to legislation relating to short-term lets, and delegates authority to the Corporate Director- Planning and Governance to submit a response on behalf of the Council.**

**2. Background**

2.1 The Government is currently running two public consultations in parallel, with a view to changing the legislation which applies to short term let accommodation. One consultation essentially relates to housing standards and contemplates the introduction of a registration scheme. The other consultation relates to planning policy and contemplates the introduction of a new planning use class specifically for short term lets. Both consultations close on 7 June 2023 and this report outlines the salient issues and seeks Committee approval to the draft submissions from the Council, set out in **Appendix 1** and **Appendix 2** of this report.

2.2 Short term lets are an integral part of the UK's visitor economy catering for tourists, overnight stays and those travelling for work. They bring income to owners and economic benefits through increased choice and an alternative to hotels and B&B's, tourism and visitor spend. The short term let market has changed significantly in the past 15 years with a growth of digital platforms which has led to an increase in the number and range of provision.

2.3 There are however inconsistencies with the regulatory framework when compared to B&B's/hotels and impacts on communities including anti-social behaviour, impact on affordability in the private rented sector, over saturation in local communities, an increase in transient visitors and impact on house prices rising. The Government says that it is committed to reaping the benefits of a diverse visitor accommodation offer whilst protecting local communities including over the availability and affordability of housing.

2.4 The Government launched a call for evidence on the impact of short term lets. It is reported that 4,000 responses were received, of which 60% supported further intervention and 42% supporting the concept of a light touch and low cost registration scheme.

2.5 The Levelling Up and Regeneration Bill defines a short-term rental property as:

- (a) a dwelling, or part of a dwelling, which is provided by a person ("the host") to another person ("the guest")
  - (i) for use by the guest as accommodation other than the guest's only or principal residence,
  - (ii) in return for payment (whether or not by the guest), and
  - (iii) in the course of a trade or business carried on by the host,
- (b) any dwelling or premises, or part of a dwelling or premises, not falling within paragraph (a) which is specified for the purposes of this paragraph.

2.6 There is no clear data nationally or locally surrounding the number of short term lets which may be advertised using online and offline listings, however a search of one online listing (Airbnb.co.uk) on 18<sup>th</sup> May 2023 indicated approximately 250 listings in Worcester ranging from rooms in shared houses to self-contained flats and houses.

2.7 In Worcester, the amount of complaints relating to anti-social behaviour or nuisance at short term properties, which has been reported to the Council, has been minimal. However, in other localities outside of Worcester, there is anecdotal evidence of larger number of neighbourhood level complaints. It is difficult to draw any particular conclusions about the Worcester picture at the moment in the absence of a significant body of evidence.

### **3. Consultation on the introduction of a Registration Scheme**

3.1 In places in the UK where short term lets are a dominant part of local communities, there have been calls for a registration scheme. Various approaches to this have been suggested, ranging from a strong licensing-type regulatory framework, to a more light-touch registration scheme. There is no definitive estimate for demand and limited evidence surrounding the potential impact of introducing registration to owners, customers and communities, although it is accepted that the sector currently has limited controls or regulation in place.

3.2 Implications of the introduction of a registration scheme includes:

- Increased demands and pressure on resources for the regulator (which may be the local authority) surrounding the introduction, management and enforcement of the scheme.
- A reduction in the number of short term lets which could have a negative impact on the tourism economy in the City.
- Improved property standards and reduced risks surrounding visitor safety, negative impacts on communities.
- Increase in the availability of private sector housing and reduced house prices increasing affordability across the housing market.

3.3 The consultation sets out three high level potential approaches outlined below with responses to consultation informing the final scheme design.

- i) An opt-in scheme for local authorities, with the framework set nationally.
- ii) An opt-in scheme for local authorities with the framework set nationally, and a review point to determine whether to expand the scheme to mandatory.
- iii) A mandatory national scheme, administered by one of: the English Tourist Board (VisitEngland), local authorities, or another competent authority.

3.4 Details of the recommended responses to the consultation are attached as Appendix 1 and are in summary:

- It is recommended that the scheme is a mandatory, national scheme to maintain consistency and clarity for owners over their obligations, particularly where they may own multiple properties in different localities.
- It is recommended that the local authority administers the registration scheme who have experience of investigating property standards issues, undertaking property inspections and providing oversight and management of HMO licencing schemes.
- Should the local authority administer the scheme, new burdens funding should be provided with a model to allow for the scheme to become self-funded. A flat fee per property and a 5 yearly renewal would make the scheme less burdensome and in line with HMO licencing regulations.
- There should be no requirement to monitor/ enforce the number of nights used for short term lets which would be difficult to manage, resource, evidence and enforce.
- All minimum property standards issues should be complied with including gas safety checks, electrical safety checks, fire safety, boiler checks, planning compliance etc.
- Exemptions to registration should be in line with existing exemptions for HMO's under the Housing Act 2004.

#### **4. Consultation on the introduction of a new Planning Use Class**

4.1 Alongside the introduction of a registration scheme, the Department of Levelling Up, Housing and Communities (DLUHC) has also committed to consult on the introduction of a use class for short-term lets. This consultation contains proposed changes to the Town and Country Planning (Use Classes Order) 1987, as amended and the Town and Country Planning (General Permitted Development) (England) Order 2015, as amended, and the Town and Country Planning (Fees for Applications, Deemed Applications, Requests and Site Visits) (England) Regulations 2012, as amended. It covers the following areas:

- The introduction of a new use class for short term lets.
- The potential introduction of a new permitted development right for the change of use from a dwellinghouse to a short term let.
- The potential introduction of a new permitted development right for the change of use from a short term let to a dwellinghouse.
- How a flexibility for homeowners to let out their home for a number of nights in a calendar year could be provided through either change to the dwellinghouse use class or an additional permitted development right.
- The introduction of a planning application fee for the development of new build short term lets.

4.2 As well as consulting on the introduction of a short term let use class, the introduction of new permitted development rights, are intended to provide flexibility where short term lets are not a local issue and allow for this flexibility to be removed where there is local concern. The consultation additionally seeking views on how homeowners might be provided with flexibility to let out their sole or main home for a number of nights in a calendar year. Lastly, the consultation seeks views on the planning application fee required where permission is required for the development of a new build short term let.

- 4.3 In some areas, delivering for local housing needs is challenged by high demand for visitor accommodation. Short term lets can play an important part in supporting the visitor economy but the rise in the number of short term lets in certain areas has also prompted concerns with high concentrations of short term lets in areas such as coastal towns, national parks and some cities reported as impacting adversely on the availability and affordability of homes to buy or to rent for local people and on the sustainability of communities. In some areas local employers are facing difficulties filling vacancies owing to a lack of housing for local people. Other concerns have been raised about the increase in temporary overnight accommodation, such as on home sharing digital platforms, putting pressure on the housing rental market and, in some cases, impacts on neighbours from noise, anti-social behaviour and other nuisance as well as traffic.
- 4.4 There are opportunities to use the Planning System to manage short terms lets, to provide greater control over the number of short term lets in an area, and support the retention of existing dwellinghouses to buy or to rent. Short term lets, particularly where there is a concentration of such uses, may adversely impact on the character of the premises and the area: the premises may be left vacant for part of the year, fewer of the premises are available for the local community for long term rental or to buy, those who use the premises for short periods do not contribute to the community, nor do they access local services which can impact adversely on schools, health and public transport for example.
- 4.5 Individual properties, particularly those used as temporary overnight accommodation can have particular impacts arising from the churn of people, such as noise and traffic from the arrivals and departures, the storage and handling of waste, noise from parties and disturbance to neighbours.
- 4.6 The Town and Country (Use Classes) Order 1987, as amended, (the UCO) groups uses of land and buildings into various categories known as 'Use Classes'. What are generally referred to as 'homes' typically fall within the 'C3 Dwellinghouses' use class. This use class makes no distinction between whether the dwellinghouse is used as a sole or main home, for personal or commercial use, or its tenure (rental or home ownership).
- 4.7 Planning permission is required for development (including the material change of use of a building). Permitted development rights (PDRs) are a national grant of planning permission, including for the material change of use. These permitted development rights can rely on the use classes, including those that allow for the change of use to residential (C3). Local planning authorities may remove a permitted development right by making an Article 4 direction where this is justified having regard to paragraph 53 of the National Planning Policy Framework. In London any households that pay council tax may let out their home for up to 90 nights in a calendar year for temporary sleeping accommodation. Letting for more than 90 nights constitutes a material change of use and planning permission is required.
- 4.8 A new short term let use class is proposed to be introduced to allow for greater local control where in future dwellinghouses are used for short term letting. This would also allow local planning authorities to consider planning applications for new build short term lets and grant planning permission conditioned where necessary to the new use class.
- 4.9 Details of the recommended responses to the consultation are attached as Appendix.

## **5. Preferred Option**

- 5.1 The preferred option is to submit two consultation responses, as set out in Appendices 1 and 2.

## **6. Alternative Options Considered**

- 6.1 For the reasons set out in this report and Appendices, alternative approaches, such as not supporting any regulatory reform at all, are not preferred. Equally, the alternative approach of introducing a very tightly regulated framework, equivalent to the existing statutory licensing regimes, is considered to be excessively onerous for the actual and perceived risks to communities presented by short term lets.
- 6.2 It should be noted that the Council's draft responses are informed by the relatively low number of short term lets in the city and the low number of reported concerns relating to them. In other parts of the country, such as in coastal areas, local authorities may have considerably more concerns that they wish to articulate in the consultation.

## **7. Implications**

### **7.1 Financial and Budgetary Implications**

Cost of registration:

If the registration scheme falls to local authorities to administer then it will be important that the Council's costs are fully covered by registration fees.

Council tax and business rates:

Properties that are used for short-term lets are treated as a business and are liable for Business Rates. However, for many such properties Small Business Relief will apply reducing significantly the amount payable. When short term lets are converted from being residential properties, the liability will shift from being for Council Tax to Business Rates. This will obviously have an effect on the City Council's finances. However, in the absence of the number and sizes of the properties involved, it is not possible to quantify this.

### **7.2 Legal and Governance Implications**

The proposed legislative changes are outlined in this report and Appendices.

### **7.3 Risk Implications**

No significant risks identified at this stage.

### **7.4 Corporate/Policy Implications**

These are outlined in the main body of the report above.

### **7.5 Equality Implications**

No specific equality impacts have been identified at this stage. The consultation asks about equality implications and so further details may be available if the proposals proceed.

7.6 Human Resources Implications

If local authorities are required to manage the proposed registration schemes, then this could have staffing implications.

7.7 Health and Safety Implications

One of the stated objectives of the registration scheme is assurance over housing standards in short term lets; however, it is unclear how enforcement would actually occur in the proposed light-touch registration scheme which is set out in the consultation.

7.8 Social, Environmental and Economic Implications These are outlined in the main body of the report above.

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