

Planning, Housing and Economic Development Policy Development and Scrutiny Panel

Date: Tuesday, 11th September, 2018

Time: 2.00 pm

Venue: Kaposvar Room - Guildhall, Bath

Councillors: Councillor Will Sandry

Councillor Barry Macrae

Councillor Rob Appleyard

Councillor Colin Blackburn

Councillor Lisa O'Brien

Councillor David Veale

Councillor Liz Richardson

Chief Executive and other appropriate officer
Press and Public



Mark Durnford

Democratic Services

Lewis House, Manvers Street, Bath, BA1 1JG

Telephone: 01225 394458

Web-site - <http://www.bathnes.gov.uk>

E-mail: Democratic_Services@bathnes.gov.uk

NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

Paper copies are available for inspection at the **Public Access points:-** Reception: Civic Centre - Keynsham, Guildhall - Bath, The Hollies - Midsomer Norton. Bath Central and Midsomer Norton public libraries.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator.

The Council will broadcast the images and sound live via the internet www.bathnes.gov.uk/webcast The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

4. **Public Speaking at Meetings**

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. They may also ask a question to which a written answer will be given. **Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.** Further details of the scheme:

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

5. **Emergency Evacuation Procedure**

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are signposted. Arrangements are in place for the safe evacuation of disabled people.

6. **Supplementary information for meetings**

Additional information and Protocols and procedures relating to meetings

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505>

**Planning, Housing and Economic Development Policy Development and Scrutiny Panel -
Tuesday, 11th September, 2018**

at 2.00 pm in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. WELCOME AND INTRODUCTIONS

2. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 6.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is **a disclosable pecuniary interest** or an **other interest**,
(as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN

6. ITEMS FROM THE PUBLIC OR COUNCILLORS - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS RELATING TO THE BUSINESS OF THIS MEETING

At the time of publication no notifications had been received.

7. MINUTES - 3RD JULY 2018 (Pages 7 - 22)

8. CABINET MEMBER UPDATE

The Cabinet Member(s) will update the Panel on any relevant issues. Panel members may ask questions on the update(s) provided.

9. SHORT TERM RENTALS - POLICY DEVELOPMENT (Pages 23 - 60)

10. SOCIAL HOUSING AFFORDABILITY (Pages 61 - 70)

This report explains the formal planning policy and housing sector definitions for affordable housing, the different rented tenures this incorporates and provides information on the costs of new affordable housing currently being secured.

11. PANEL WORKPLAN (Pages 71 - 74)

This report presents the latest workplan for the Panel. Any suggestions for further items or amendments to the current programme will be logged and scheduled in consultation with the Panel's Chair and supporting officers.

The Committee Administrator for this meeting is Mark Durnford who can be contacted on 01225 394458.

BATH AND NORTH EAST SOMERSET

**PLANNING, HOUSING AND ECONOMIC DEVELOPMENT POLICY DEVELOPMENT
AND SCRUTINY PANEL**

Tuesday, 3rd July, 2018

Present:- Councillors Will Sandry (Chair), Barry Macrae (Vice-Chair), Rob Appleyard, Colin Blackburn, Lisa O'Brien, David Veale and Liz Richardson

Also in attendance: John Wilkinson (Director of Economy and Growth), Richard Daone (Planning Policy Team Leader) and Rob Dawson (Business Engagement Officer)

1 WELCOME AND INTRODUCTIONS

The Chairman welcomed everyone to the meeting.

2 EMERGENCY EVACUATION PROCEDURE

The Chairman drew attention to the emergency evacuation procedure.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

4 DECLARATIONS OF INTEREST

There were none.

5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN

There was none.

**6 ITEMS FROM THE PUBLIC OR COUNCILLORS - TO RECEIVE DEPUTATIONS,
STATEMENTS, PETITIONS OR QUESTIONS RELATING TO THE BUSINESS OF
THIS MEETING**

There were none.

7 MINUTES - 8TH MAY 2018

The Panel confirmed the minutes of the previous meeting as a true record and they were duly signed by the Chairman.

8 FUTURE OF RETAILING IN DISTRICT CENTRES

The Director for Economy & Growth introduced this item to the Panel. He said that he welcomed the opportunity to discuss the issue and acknowledged that this comes at a time of national headlines reporting the closure of many large retail businesses.

He informed the Panel that this could be due to a number of factors, including;

- Use of technology / online purchases
- Higher costs to businesses – Minimum wage, Rates etc.
- Less cash in the economy
- Change in the tastes of the public
- Chains opening too many outlets

He explained that the Panel would receive three presentations (Matthew Morris (GVA), Alison Herbert (BID) and Rob Dawson (Council's Business Growth Team) and discuss how the local area can be supported.

Matthew Morris, GVA – Retail and Town Centre Trends

A summary of his presentation is set out below.

Retail Spending

Growth (per annum %)	1997-2007	2008-2011	2012-2016	2017-2026
Retail	5.4%	-0.3%	2.3%	1.8%
Convenience goods	0.0	-3.1	-0.2	0.0
Comparison goods	8.3	0.7	3.9	2.8

Councillor Lisa O'Brien commented that shoppers were now not simply looking to make pure retail visits they are looking for a leisure experience. She added that since a number of coffee shops have opened in Keynsham that footfall has increased.

Matthew Morris agreed that over the past ten years that food and drink outlets have been the saviour of high streets.

Sales by location

Malls	2014 size £22.9bn	2019 size 29.7bn	Growth (2014-19) 29.6%
Local / Other	2014 size £54.5bn	2019 size 59.6bn	Growth (2014-19) 9.5%
Retail Parks	2014 size 94.7bn	2019 size 97.8bn	Growth (2014-19) 3.3%
High Streets	2014 size 107.2bn	2019 size 108.0bn	Growth (2014-19) 0.7%

Traditional retailing v non-store retailing

Since 2012 growth in retailing has increased between 2 – 4.2%, in comparison growth in non-store retailing which has increased between 9 – 16.4%. A forecast for future years shows a similar trend.

Grocery retail sector – Market shares

Between 2012 – 2017 there has been a degree of change to shopping at one of ‘big four’ supermarkets with Aldi (+2.5%) and Lidl (+1.3%) seeing an increase in custom.

2018 – A tough year on the high street

Jamie’s Italian – 12 restaurants close
Toys R us – closure of UK business
New Look – up to 60 stores to close
Carpentright – 92 of its 409 stores to close
Marks & Spencer – 100 stores to close by 2022
Carphone Warehouse – 92 shops to close
Mothercare – 50 stores to close
Poundworld – closure of all stores
House of Fraser – 31 of 59 stores to close

Retail Trends Influencing Planning Applications

- Re-purposing of out of centre space and vacancies created by store closures
– see M&S, Lower Bristol Road, Bath example
- Move from large high end out of centre retail park proposals to more modest value orientated proposals
- Aggressive ‘asset management’ of retail parks
- Slower pace of re-purposing town centre space in the face of change / decline

How can the public sector respond to these changes / trends?

- More flexible in terms of changes of use
- Independent sector
- Public sector control / ownership
- The rise in ‘people services’ and ‘experience’
- Local interest groups

Land Uses and Policy Approach

- Trend towards service-based uses in district and local centres
- Focus upon ‘people services’
- Differentiated planning policy approach for local and district centres
- Less emphasis on retaining a large amount of Class A1 shops
- Broader mix of main town centre uses
- Research shows that successful centres don’t just rely on retailing
- Greater public sector involvement in delivery of Local Plan allocations

Public Sector Control / Ownership

- Market failure in town centres
- Local authorities purchasing existing retail / town centre floorspace
- Gloucester City Council: Kings Quarter & Kings Walk
- Stroud: Merrywalks Shopping Centre
- Development companies in Cornwall and Torbay
- Different emphasis to purely private sector ownership

Locally-Led Groups

- Business Improvement Districts / local traders associations
- Not just city / town centres, but also district and local centres
- Events to draw visitors to local / district centres

Councillor Barry Macrae asked if some businesses had noticeably moved into district centres from the city centre.

Matthew Morris replied that this was true to a certain degree due to the cost of rents.

The Chairman asked for clarification of the use class orders for shops / retail outlets.

The Team Manager for Planning Policy stated that they were as follows:

- A1 – Retail
- A2 – Services
- A3 – Cafes / Restaurants
- A4 – Drinking Establishments
- A5 – Take Aways

The Chairman asked how Local Plan now differs with regard to change of use.

The Team Manager for Planning Policy replied that in 2007 a decision was taken to not permit a change of use from A1. He added that the Placemaking Plan has looked at work to be more flexible about these arrangements whilst still protecting shops to a certain extent.

He said that as work continues on the new Local Plan he expects this element to be looked at again.

Councillor Lisa O'Brien commented that she was pleased to hear that some landlords in Keynsham were taking a more friendly approach to rent agreements at least at the outset of a new business.

Matthew Morris replied that he was aware that the option of a rent whereby the tenants pay the landlord a % of their turnover were starting to take shape.

Councillor Liz Richardson asked if the classes (A1, A2 etc) have the same level of business rates.

Matthew Morris replied that individual rates would be applied per shop.

Councillor Liz Richardson asked his view on showroom concept stores.

Matthew Morris replied that these stores were few and far between, but are seen as a destination or experience to gain footfall to the area they are situated in.

Councillor Barry Macrae commented that 30 years ago Bath provided more of a unique offer, but he felt that it was now the same shops everywhere. He asked if it was possible to overcome the brand names remaining in clusters.

Matthew Morris replied that as we live in a capitalist free market it was not. He added though that Bath was second on the list for the number of small retailers it has in a comparison with similar sized cities.

The Chairman thanked Matthew Morris for his attendance on behalf of the Panel.

Alison Herbert, Bath BID (Business Improvement District) -

A summary of her presentation is set out below.

What we do

The BID works with 710 premises within the middle of the city, well over half of these are independent.

Clean – Provide additional street clean functions to that of the Council

Safe – Fund the Taxi Marshall scheme

Prosperous – Give business support and guidance to our members

Welcome – Support events within the city centre and help to maintain its floral displays

Smart – Gather data on behalf of our members to identify shopping trends and how visitors and residents navigate around the city.

Current local trends, footfall and sales

Bath BID pays for 5 cameras in the city centre which count footfall. We are in the process of getting a further one and in addition, Southgate shopping centre shares information with us. In addition we have monthly sales data provided anonymously by 20 businesses.

Monthly Footfall						
Benchmark calculations (Year on Year and Month on Month) have been calculated using like for like data sets (only those counters available in both comparison periods) to ensure statistical accuracy						
	Year to Date % Change		Year on Year % Change		Month on Month % Change	
	2018	2017	2018	2017	2018	2017
Bath City Centre	▲ 0.4 %		▲ 3.6 %		▲ 0.7 %	▲ 0.8 %
Southgate, Bath	▼ -2.8 %	▲ 3.0 %	▼ -3.6 %	▲ 5.1 %	▼ 0.0 %	▲ 3.1 %
South West	▼ -3.1 %	▼ -1.3 %	▼ -1.3 %	▼ -2.7 %	▲ 3.8 %	▼ -5.3 %
UK	▼ -3.4 %	▼ -0.1 %	▲ 0.5 %	▼ -2.0 %	▲ 4.5 %	▼ -1.0 %

Burton Street, 18.8 %
Union Street, 18.3 %
St Lawrence St North, 14.1 %
Southgate Street South, 12.7 %
Southgate Street North, 10.6 %
Sawclose, 8.5 %
Northgate Street, 6.5 %
St Lawrence St South, 6.2 %
Milsom Street, 4.3 %

Councillor Rob Appleyard asked if the BID covered the area of Walcot Street.

Alison Herbert replied that it does.

Councillor Barry Macrae commented that it would be interesting to see the spread of footfall between residents and tourists.

Alison Herbert replied that the BID were working with a number of agencies, including the Council, Police, Bath Rugby, Mastercard and O2 to gather more detailed info on movements and trends around the city.

Future High Street 2030

The Housing, Communities and Local Government (HCLG) Committee launches inquiry looking at the future of England's high streets and town centres in 2030.

"Our high streets and town centres have an important social, civic and cultural place in our society. But, many of our high streets are now struggling, facing a range of challenges including the threat posed by online retailers. Indeed, changing trends and behaviours in recent decades – driven by a range of economic, demographic, social and technological factors – have affected the prosperity and vibrancy of our high streets."

What can we do looking forward?

Collaborate on events together and make them better
Take more care of our retail and high street businesses
Public realm and amenities
Ensure that unhelpful street activity is regulated (traders)
Work together to tackle antisocial behaviour and homelessness
Curate the retail offer as landlords

Councillor Lisa O'Brien said that she felt the current use of the community space within Southgate was a great idea and asked if the shops in close proximity had seen an increase in footfall.

Alison Herbert replied that she did not have the information to hand. She added that the BID was not responsible for this work as Southgate was privately owned land.

Councillor Colin Blackburn said that he found it interesting that some businesses that had begun online were now making their way into having a physical presence on the high street. He said that he felt the idea of concept stores was worth pursuing.

Alison Herbert replied that the BID would also like to see businesses take a different approach where possible to increase trade. She spoke of how shoemakers Loakes will sometimes go out onto the streets and offer a shoe polish service. She said that she was aware that John Lewis had held events with live sewers providing alterations to curtains and that House of Fraser in Bath has recently developed a small space in store to curate events.

The Chairman asked if the BID would consider expanding into other areas of the Council, including Keynsham and Midsomer Norton.

Alison Herbert replied that she saw no reason in principle why they couldn't, but said that the members of the BID would need to be consulted on their boundary.

Councillor Liz Richardson asked if the BID work with landlords when shops become empty.

Alison Herbert said that they are able to dress them on behalf of landlords. She added that they were seeking to hold an open day with agents to gain interest in empty premises and were having discussions with the Council on difficult to rent sites.

Councillor Barry Macrae said that he hoped for the BID to become more proactive through this process as he felt they have a unique contribution to make to many aspects within the city.

The Chairman thanked Alison Herbert for her attendance on behalf of the Panel.

Rob Dawson, Business Engagement Officer

A summary of his presentation is set out below.

The Business Growth Team and our Role

The Business Growth Team consists of 4 staff who sit within Economic Growth at the Council and are tasked with delivering the business theme of the Council's Economic Strategy Review. Under that theme there are three priorities: business growth & investment, new business space and business support.

The Economic Strategy Review also identifies retail as one of Bath & North East Somerset's "core sectors", indicating its importance in terms of current employment (over 10,000 jobs).

Our team therefore has a strategic objective to support local retailers and help protect this valuable sector. We also recognise the added role the retailers play in making a place desirable to live and work; a village shop can help bind a rural community whilst the shopping offer of Bath city centre helps make it an attractive location proposition for offices.

Our role is to engage with and support local businesses and provide one point of contact should they have issues with or need to access any additional Council services.

Recent activity assisting retailers

Strategic and Collaborative

We have helped Cllr Paul Myers create a Retail Reference Group for Bath & North East Somerset. The Retail Reference Group consists of independent retailers from various retail districts in Bath & North East Somerset, who meet with the Business Growth Team and Cllr Paul Myers to provide feedback on trading conditions and any issues they are currently faced with. This new Group is helping inform the production of a new Retail Action Plan, other future policy direction and business support initiatives.

A representative from the Business Growth Team also attends the Bath Independents Group and other retail forums to listen to retailer's concerns, understand current and future trends and promote the ways in which retailers can get help.

We have also supported the creation of the new Keynsham Business Forum, which is sector agnostic but has been heavily attended by shopkeepers to date.

Direct Retail Engagement and Support

We conducted a survey on the economic impact of the Keynsham High Street one way trial on local businesses and over 100 responses from businesses in or around Keynsham High Street were received.

The survey findings will help shape the future of the high street's transport infrastructure. Beyond the survey, many retailers wanted to talk about other issues affecting their business, requiring a business support referral or help accessing other services offered by the Council. We now have an ongoing relationship with many traders as a result of this work.

Our team carried out employment monitoring checks for the Bath Enterprise Zone in March, which provided another opportunity to engage with retailers in the Guildhall and Green Park Station retail areas of Bath. Once again we used the face-to-face opportunity to promote business support opportunities and assisted retailers with various issues such as finding a new property and employment law.

We have also commenced dialogue with a number of traders on Moorland Road as one action coming from the Retail Reference Group. I have conducted individual business visits and follow-up assists with some retailers and introduced myself to over a dozen more. We hope to have a traders meeting in the summer.

I also meet business on their premises following receiving an initial enquiry. Whilst this service is more labour-intensive than other communication methods we find that traders are more tied to their premises and less likely to access online support services in comparison to other sectors. Putting a face to a name, visiting and understanding their business and then responding to any questions has been valued by the shopkeepers.

The team has engaged and/or assisted over 240 retailers so far in 2018

Business Support Available

Enterprising West of England is our flagship business support project for Bath & North East Somerset and represents our main investment in business support. The project which commenced in 2017 and ends at the end of 2019 is led by Business West and match-funded by the EU, meaning the Council is receiving double its investment for business support.

The programme covers the West of England and includes help for pre-starts and existing businesses that have less than 250 employees.

Grants are also available towards the cost of coaching businesses towards growth

Cool Ventures – Businesses can receive up to 12 hours of free business support, which is delivered by local consultants Cool Ventures following a procurement process. This compares with 3 hours of free support on our previous programme.

Cool Ventures have a number of specialists they can refer businesses on to, including support services that are experienced in working with retailers. A face to face meeting would take place first to understand the business and the challenges they are currently faced, followed by planned programme of support to help businesses grow.

Direct Interventions

These are within the bounds of our work area in the Business Growth Team, so do not include public realm, planning and fiscal interventions.

Specialised retailer training to improve shopper experience, increase footfall and boost sales. These initiatives could include mystery shopping and window dressing training, and could be wrapped around a campaign or competition to increase awareness.

Funded digital skills training for retailers to establish and/or improve their web mobile and social media presence. Online sales have irrevocably changed UK retailing yet in 2017 still accounted for less than a fifth of retail trade nationally; this is only going to grow. According to Google there has been a 300% increase in searches for “opening hours” in the past two years. In short, shopkeepers need to have a clear and easily searchable online presence or risk losing trade to those who do.

Expanding the Council’s engagement of retailers to ensure all of our retail zones have access to the same services and support

Indirect interventions

Work with retailers and partners at the Bath BID, Visit Bath to establish shopper profiles for the retail districts in BANES. Determine how the retail district is marketed as a whole, and how this can be improved to bringing about more first time visits, more return visits and longer dwell time.

Following on from the previous intervention, work collaboratively with partners to encourage suitable events, experiences and leisure opportunities to attract and retain customers to retail districts

Councillor Barry Macrae said that he was pleased to hear that the team will offer to carry out work in local areas.

Councillor Colin Blackburn asked what the response has been from retailers regarding training and support.

The Business Engagement Officer replied that it has been broadly positive in the main. He added that within the team they have been highlighting the offer of support from Cool Ventures.

Councillor Colin Blackburn asked what the increase in search for 'opening hours' tells us.

The Business Engagement Officer replied that it shows that customers are becoming more curious and the need for businesses to have a good website or business Facebook page

The Chairman thanked Rob Dawson on behalf of the Panel.

Councillor Paul Myers, Cabinet Member for Economic and Community Regeneration said that he believed there was a real role for the Council in providing support to our local businesses.

Councillor Liz Richardson commented that she felt that the Panel should have a role in the development of the Local Plan, especially with regard to possible change of class use of retail sites.

Councillor Lisa O'Brien asked if the Council in its landlord role charged market rate rents.

The Director for Economy & Growth replied that it does.

Councillor Lisa O'Brien asked how many unoccupied sites were within the city.

The Director for Economy & Growth replied that of the 450 commercial properties, 19 were vacant and 9 of those were currently under offer.

Councillor Lisa O'Brien asked if Council helps in terms of shop fascia when a site becomes empty.

The Director for Economy & Growth replied that the Council does use some vacant sites to advertise events, but that generally sites become occupied soon after becoming available.

Councillor Rob Appleyard said that he was pleased to hear that the speed of turnover once a property becomes vacant is good. He asked whether the area was over supplied with retail offers.

The Director for Economy & Growth replied that we are obviously seeing that a number of large retailers have overstretched themselves. He added that the Council was looking at what it can do in terms of flexible leases, especially for small businesses.

Councillor Paul Myers said that B&NES should celebrate its retail success especially that of its vast amount of independent traders.

The Chairman asked if the Panel can support a proposal to expand the BID.

Councillor Myers replied that in these current times retailers were unlikely to want to incur extra costs. He added that discussions are carried out with the local Chambers of Commerce. He suggested the Panel revisit this discussion in a few months' time to see how it has developed.

The Director for Economy & Growth added that an opportunity to discuss the boundary of the BID could take place in 2020.

The Chairman thanked everyone for their part in a very interesting debate and said he looked forward to any future work carried out by the Panel.

9 CABINET MEMBER UPDATE

Councillor Bob Goodman, Cabinet Member for Development and Neighbourhoods addressed the Panel, a summary of his update is set out below.

Joint Spatial Plan – The Council are hoping to hear this week when the examination in public will take place.

Local Plan – Options continue to be assessed alongside LDF discussions.

Housing – 1,250 houses have been completed as of the end of April 2018. Infrastructure work continues to support these developments.

Waterspace Project: Finalist for Living Waterways awards, announcement due in September. Community Workboat now operating with Canal and Rivers Trust, community activities programme (including litter picks) underway.

Bathscape Project – The project was awarded a development grant from HLF in November 2016 and submitted a Round 2 application in June 2018 to fund delivery between 2018 and 2023. A grant announcement is expected in September.

Councillor Rob Appleyard asked if there were any revenue concerns with this work in comparison to the cutting of grass areas / verges.

Councillor Goodman replied that there were no revenue concerns.

Councillor Liz Richardson commented that the West of England Joint Spatial Plan as submitted by the West England Partnership had been commended at the Royal Town Planning Institute's (RTPI) Awards for Excellence in Plan Making Practice 2018.

Councillor Goodman acknowledged this and said the award was well deserved.

Councillor Colin Blackburn asked if a breakdown of the housing numbers quoted could be given to the Panel.

Councillor Goodman replied that they were due to be released next week and that he would ask for the Panel to be notified.

Councillor Appleyard asked if the development of the former MoD sites have had an impact on these figures.

Councillor Goodman replied that they have alongside those at BWR.

Councillor Barry Macrae said that he remained concerned over the provision of Local Needs Housing and whether the right types of houses were being built for residents.

Councillor Goodman replied that this would be addressed under the Local Plan.

The Chairman asked if he had any concerns regarding the availability of migrant workers following the decision to leave the EU.

Councillor Goodman replied that he felt that a labour / skills shortage already exists and that this would be likely to continue following the decision.

Councillor Paul Myers, Cabinet Member for Economic and Community Regeneration addressed the Panel, a summary of his update is set out below.

Bath Enterprise Zone

- Bath Quays North – Ongoing discussions with the LPA in relation to the Outline Planning Application for comprehensive redevelopment of Avon St coach and carpark. Application to be debated at August 2018 Development Management Committee.
- Bath Quays South – Strong market response received during soft marketing phases for Council delivered commercial office. Commercial Estate Investment SMD paper approved.
 - Enabling works commenced on-site. Trees and vegetation removed and archaeology concluding with no significant finds.
 - Legal discussions progressing with TCN: lease anticipated September, surveying work ongoing to the building.
- Bath Quays Bridge – Tenders returned for works associated with BQS sub-structure and river wall delivery, and steel tonnage order relating to super-structure fabrication.
 - BQS contractor engaged to deliver Phase 2b work package – foundations to bridge substructure and river wall.
 - Preferred superstructure contractor appointed.

Housing

- Ministry of Housing Communities & Local Government (MHCLG) Rough Sleeper Bid – The bid for additional funding targeting rough sleeping levels in Bath & North East Somerset was successful and resulted in an initial allocation of £350,500 for the current financial year. Negotiations are ongoing around the level

of allocation for 2019/20 and will be based on a shift towards prevention of future rough sleeping. Partners are working together and with Housing Services to refine the original proposals in line with this new approach, which will be submitted to MHCLG on 29 June for consideration during July.

- Bath City “Additional HMO Licensing” Consultation Feedback: High level of support – 910 responses to the consultation survey were received with further qualitative feedback gathered from two public meetings, stakeholder interviews and written responses over a consultation period of 10 weeks.

Overall support for the proposal is very strong with 85% in support. The responses will be considered and inform the final proposal and decision on the scheme.

- Rural Housing Week – National Rural Housing week runs from 2-6 July and we will be marking this promotion event with the formal opening of 5 affordable homes at Tynings Meadow, Bathampton. These 5 homes have been delivered by Liverty (formerly Knightstone HA) and local developer Charcombe Homes, as part of a larger development of market homes, and have been supported by £169,000 subsidy from the Council’s affordable housing capital budget to address a funding gap.

Economy & Culture

- The Business Growth Team contributed to the development of a WECA bid to the Government’s £50m Urban Connected Communities Fund, in order to create a 5G communication network along the Bristol and Bath corridor. If successful the fund will support a nationally significant 5G testbed in the City, which will enable business and social care sector to develop and test new wireless technology applications. Promoting advancements in health care and business growth in the area.

Heritage Services

- Roman Baths - New museum trails to link to the ‘Minerva Owls’ city-wide project.
- Victoria Art Gallery – ‘Creativity Works’ – new community workshops with a young mums group and a Genesis Trust group as part of the HLF-funded project accompanying the purchase of the ceramic urn *Posh Art* by Turner Prize-winning artist Grayson Perry.
- Fashion Museum – A series of bespoke embroidery classes in partnership with the Royal School of Needlework, based on original historical dress on display in the museum galleries; one class saw participants recreate the gold work motif on Queen Alexandra’s coronation glove. All classes sold out!

Strategic Housing and Regeneration

Strategic Housing Sites (North Keynsham and Whitchurch)

- Landowner discussions ongoing;

- B&NES co-ordinating Housing Infrastructure bid funded by WECA and in partnership with Bristol CC; submission deadline March 2019; and
- Planning Policy and Regeneration working together to produce a deliverable and aspirational New Local Plan including transport options assessments, Design Review Panel and comprehensive evidence base (largely funded by WECA and MHCLG).

Somer Valley Enterprise Zone

- Governance in place including Key Stakeholder Group meeting today (3 July 2018);
- Jones Lang LaSalle Commercial Delivery Plan in progress, planning strategy to be discussed at Local Development Framework Steering Group 9 July 2018; and
- Transport feasibility underway to improve A362 including EZ site access and safer routes to school. LEP outline business case submission in the Autumn.

Market Towns

- MSN High Street Core: Landowners and Regeneration working together to influence vision for the area;
- Town Park masterplan (led by Town Council) nearing conclusion;
- Keynsham High Street: Consultation has demonstrated majority public support although business concerns being carefully looked at, B&NES funding approval required to enable submission of LEP Full Business Case for £1.5m in January 2019; and
- Radstock Healthy Living Centre: NHS funding confirmation expected imminently. Upon confirmation detailed design will commence.

Public Realm

- Saw Close: Completed 3 months early and £300k under budget. Safety and design issues with the private Deeley Freed space are in discussion. Lessons learned report underway;
- York Street/Swallow Street: City Centre Coordination Group has been established, chaired by Regeneration, to co-ordinate York Street repairs, Archway, Abbey Footprint and public realm schemes;
- Kingsmead: Study underway in partnership with local businesses to determine traffic and parking feasibility.

Broadband

- Specific detail will be added to the recently submitted briefing paper and circulated again to the Panel.

Councillor Lisa O'Brien asked for timings regarding the Radstock Healthy Living Centre.

The Director for Economy & Growth replied that it was dependant on receipt of funding from the NHS and that the facility would be a new build, so a broad timescale would be 2 – 3 years.

The Chairman repeated his earlier question regarding the availability of migrant workers following the decision to leave the EU.

The Director for Economy & Growth replied that discussions were ongoing with WECA and the LEP on this matter.

10 PANEL WORKPLAN

Councillor Lisa O'Brien asked if there was any local legislation the Council could look to introduce relating to Short Term Rentals.

The Chairman said that he was aware that three separate motions on this matter were due to be presented at Council next week.

Councillor Liz Richardson suggested the Panel conduct a small amount of research to find out if any limits had been set around the country.

Councillor Colin Blackburn commented that all elements of the Panel's remit are affected by this issue and that they should seek to be proactive.

The meeting ended at 5.25 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council		
MEETING/ DECISION MAKER:	Planning, Housing & Economic Development Policy Development & Scrutiny Panel	
MEETING/ DECISION DATE:	11 th September 2018	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	Short Term Lets	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
<ul style="list-style-type: none">House of Commons All Party Parliamentary Group for Tourism, Leisure and the Hospitality Industry – Inquiry into the Sharing Economy – July 2018		

1 THE ISSUE

- 1.1 Concerns have been raised by residents and local businesses about the growth in unregulated short term holiday lets in Bath and North East Somerset particularly in respect of the impact on neighbourhoods through anti-social behaviour, traffic and congestion, waste management and noise, the potential impact on the local housing market and the potential impact on the licenced hotel and guest house sector.
- 1.2 In looking at this matter consideration has been given to licencing, business rates and the planning position regarding short term lets. Consideration has also been given to the observations and recommendations set out in the *House of Commons All Party Parliamentary Group for Tourism, Leisure and the Hospitality Industry – Inquiry into the Sharing Economy* published in July 2018 (a copy of which is attached at appendix 1).

2 RECOMMENDATION

- 2.1 The panel is asked to note the considerations and issues set out in this report.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 None at present however if new or amended legislation comes into effect this could have implications in terms of staffing and resourcing effective monitoring and enforcement.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 The relevant planning legislation is contained in the Town and Country Planning Act, 1990 and the Town and Country Planning (Use Classes) Order, 1987 (as amended). Licencing considerations are enshrined in the Housing Act, 2004. Property valuations for both council tax and business rates are the responsibility of a national body, the Valuation Office Agency (VOA).

5 THE REPORT

- 5.1 The most recent Visitor Accommodation Study (2016) indicated that there were around 880 properties registered as being available on various booking websites in the Bath & North East Somerset area. This included whole properties and spare rooms). Research is currently being undertaken by the Council to update the Visitor Accommodation Strategy in order to establish an accurate assessment of the scale of the issue and the potential impacts.
- 5.2 An analysis of open source data available on www.airdna.co indicates there are currently 1108 active rentals within Bath (note the 2016 study covered the whole district not just Bath).
- 5.3 Of the total listed on www.airdna.co 63% (696) relate to whole dwellings, the remaining 37% (412) relate to rooms within existing dwellings. 57% of the listed properties are owned by persons or companies operating two or more rentals whilst 43% listed belong to "single listing hosts". A more detailed assessment of the current situation will be provided in the updated Visitor Accommodation Strategy however it indicates that the use/demand has increased since the 2016 study.
- 5.4 A short term let can be considered anything from a day to 6 months and can include a range of activities including holiday rentals or provision of 'conventional' domestic accommodation.
- 5.5 Whilst the concerns raised around the rise of the short term rental economy generally relate to the impact on the holiday rental market, Airbnb and other online booking agencies can also be used to secure accommodation on a short term basis for people working away from their normal domestic area or to provide accommodation for people looking to move to an area. The online booking market is not therefore solely limited to the provision of an alternative form of holiday accommodation.
- 5.6 Consideration has been given to the motion debated at Full Council on the 12th July 2018 and to the following potential options: (1) A change to the Use Class Order with the introduction of a new use class to differentiate these properties from dwelling houses; (2) the introduction of a limit on the number of days short

term rentals can be used for; (3) a change to business rates; or (4) a change to licencing.

- 5.7 All of these considerations would require specific legislation via central Government. It should be borne in mind that these changes are not within the remit of the Council and could not be introduced unilaterally.

Current Use Class Position

- 5.8 There is no clear legal distinction between the use of a property as a domestic residence (a house) and its use as a short-term holiday let which poses issues for the enforcement and regulation of such uses under Planning.

- 5.9 A small dwelling (less than 6 unrelated individuals) in use as a short term rental is still classified as a dwellinghouse. Both scenarios fall into Use Class C3 of the Use Class Order. According to www.airdna.co 991 of the total 1108 available properties in Bath (90% of the total) offer 3 or fewer rooms indicating that the vast majority of short term rentals in Bath do not constitute a material change of use.

- 5.10 The use of larger properties (more than 6 unrelated individuals) can still fall into Use Class C3 but can also trigger a change of use depending on the mix and relationship of occupants; the material characteristics of the use; and any material harm caused by the use. The use of larger properties tends to be the greatest cause of complaint and are often referred to as “party houses”. According to www.airdna.co 117 of the total 1108 available properties in Bath (10% of the total) offer 4 or more rooms. Of those larger properties, the Planning Department has received complaints regarding the use of 8 properties district wide, 6 of which are located in Bath.

Change to Use Class Order

- 5.11 The introduction of a new use class could mean anyone wishing to operate a house as a short term holiday let may require planning permission however it is likely that any new use class would be accompanied by permitted development provisions under the General Permitted Development Order (GPDO).

(Note: when the Government introduced Use Class C4 in 2010 in relation to HMOs, the change of use from a C3 dwelling to a C4 HMO was deemed to be permitted development under the GPDO – this required the Council to make an Article 4 Direction to remove those Permitted Development rights in order to control the use class. An Article 4 Direction would take time to prepare and requires a 12 month notice period – under the indirect direction rules – during which time other properties could change use without the need for permission. Between 2012 and 2013 there was a marked increase in the numbers of HMOs operating in Bath which were converted after the decision to make the Direction and before the Direction took effect. A similar scenario could result in relation to short term lets).

- 5.12 Any new use class could not be applied retrospectively to any property currently in use as a short term holiday let prior to the date of the new legislation

(or prior to an Article 4 Direction taking effect – if necessary). The c.1100 properties identified via www.airdna.co would be unaffected by a new use class and such a change would not control or deal with the existing situation.

- 5.13 The benefits of a new use class could be limited. It would not stop the current position, but it could give the Council the control to direct where such properties are located in the future. If a new use class were introduced, it is likely to have a significant resource implication for the Development Management service in terms of the creation of an Article 4 Direction, change to Policy, administering planning applications and investigating reported planning breaches. Appropriate resources would need to be made available and the implications would need to be carefully considered against any potential benefit.

Introduction of Limit on Use

- 5.14 There has been discussion regarding the “90 day limit” that is in force in London and whether a similar limit could be introduced in Bath & North East Somerset.
- 5.15 The powers in London limiting the number of days a short term rental can be used for stems from devolved powers to the Greater London Authority. Section 25 of The Greater London Council (General Powers) Act 1973 stated that any property used for temporary sleeping accommodation for less than 90-days per year required planning permission. The Act was relaxed by the Devolution Act, 2015 meaning that any property could be used for up to 90 days as a short term rental without the need for planning permission. The provision within the Devolution Act relating to this specific issue applies to the Greater London Authorities only and carries no weight outside that geographical area.
- 5.16 To gain a similar power in Bath & North East Somerset is likely to require a further amendment to the Devolution Act however this may be better lobbied via WECA at a devolved level.
- 5.17 A 90 day limit could still see a property rented for up to 45 weekends per year; this would not significantly address any potential disturbance/nuisance issues currently experienced.
- 5.18 There is no power to make a property owner return a dwelling to a domestic use when not being used as a holiday rental. A limit on usage would not address the potential impact short term rentals may be having on the housing market.
- 5.19 Additional resources would need to be made available and compared to other forms of regulation, such a limit is likely to be of limited benefit. Whilst the APPG inquiry recommends the Government provide Local Authorities with powers to set their own rule (including “*the ability to set the maximum number of days per annum that a property can be used for tourism accommodation*”) the report notes that enforcement of the 90-day rule has proven virtually impossible for many local authorities in London. If a limit were to be introduced it would be difficult to effectively monitor and enforce the usage of properties as owners can advertise on multiple booking sites or go direct to market and evidentially it would be difficult to prove when the limit has been breached.

Business Rates/Tax Compliance

- 5.20 The decision as to whether a property falls to be assessed as domestic or non-domestic is solely a matter for the Valuation Office Agency to consider and the Council has no control over this decision.
- 5.21 Whether a property used for short term holiday lets falls to be assessed as Non-Domestic and subject to Business Rates depends on whether the owner intends to make the premises available for commercial letting for 140 days of the year or more.
- 5.22 The financial impact on the Council of such properties moving from Council Tax to Business Rates is difficult to measure.
- 5.23 Properties subject to business rates can be eligible for small business rates relief. In the case of a business with a rateable value of £12,000.00 the council would award £5760.00 in relief. At the moment the only income the Council would receive is from the government's compensatory grant related to changes in the Small Business Rate Relief scheme announced as part of the 2017 Autumn Statement, however it is not known how long that will continue.
- 5.24 Consideration should also be given to the fact that empty non-domestic premises are subject to a 3 month exemption from Business Rates, and in the case of listed buildings, the exemption is unlimited. With domestic premises, Council Tax is payable whether or not the property is occupied. (This would be relevant in consideration of the 90 day limit).
- 5.25 Furthermore, under Council Tax, the Council can take steps to bring long term empty domestic premises into occupation by applying a Council Tax premium; there is no provision within the law to do this for non-domestic premises.
- 5.26 In financial terms, given the likelihood of Small Business Rate Relief applying and the exemptions given to empty properties, there is unlikely to be any financial benefit to the Council in charging Business Rates on this type of property.
- 5.27 With regard to tax, under the Government's Rent a Room scheme, owner-occupiers or tenants who let out furnished accommodation to a lodger in their main home are allowed to earn up to £7,500 a year tax-free.
- 5.28 In their inquiry, The APPG noted anecdotal evidence concerning whether the correct level of tax was being paid by users of the sharing economy and whether the appropriate level of VAT was being applied however concluded there was little compelling evidence to suggest appropriate tax was not being paid.
- 5.29 The Inquiry found *"The lack of information regarding the level of tax paid by people using the sharing economy does, again, highlight the issue of transparency within the sector. This is something that could also be resolved through the introduction of a statutory registration scheme by using the principle of conditionality in the registrations process. Conditionality would require people listing their properties to provide their tax details as part of the registration"*

process. In addition to ensuring that people operator tourism accommodation paid the right level of tax, this requirement would also resolve the issue of operators listing properties on a number of different platforms”.

- 5.30 HMRC have launched a consultation on this matter however the findings of that consultation are yet to be published.

Licencing

- 5.31 The Housing Act 2004 increased Local Housing Authorities’ abilities to regulate the private rented sector by introducing three forms of licensing: mandatory licensing of HMOs, additional licensing of HMOs, and selective licensing of the private rented sector.
- 5.32 Licensing is primarily about ensuring tenant safety rather than controlling the number or location of property types – if a property meets the specific standard conditions, a licence will likely be granted.
- 5.33 The Housing Act powers are restricted to where the residential accommodation is being occupied as a person’s “sole or main residence”. This therefore excludes property occupied on a temporary and generally commercial basis, such as guest houses, hotels and short term holiday lets.
- 5.34 Government has defined exemptions to “sole or main-residence” in relation to student and refuge accommodation but this exemption has not been extended to the short term (holiday) rental market.
- 5.35 The recommendations of the APPG inquiry could pave the way for a licensing scheme for short-term lets set at a local level, however at this stage this is only a recommendation and would need a new Act of Parliament (or amendment to existing). Additional resources would need to be made available to cover the additional work required to monitor and issue licences.

APPG Inquiry into the Sharing Economy

- 5.36 In July 2018 the All Party Parliamentary Group (APPG) for Tourism, Leisure and the Hospitality Industry published its inquiry into the sharing economy. The full report is available at Appendix 1 however the key observations and recommendations are summarised as follows:
- 5.37 The inquiry considered the benefits of the ‘sharing economy’ to include a provision of increased capacity, greater customer choice and enhanced visitor experiences as well as the financial benefits to the economy as a whole however it recognises more is needed to be done to protect customer safety, maintain a level regulatory playing field across the tourism industry, take into account the needs of local communities and ensure that all operators of tourism accommodation are paying the appropriate level of taxation.
- 5.38 The inquiry noted that the concept of being able to “*live like a local*” provides a “unique and enhanced customer experience”, and provides additional revenue to local businesses but this must not be to the detriment of the local community. One of the main issues identified is that whereas planning legislation

traditionally creates distinct and separate tourism accommodation zones and residential accommodation zones in destinations, sharing economy platforms are blurring this distinction. The Inquiry recommends that *“the Government urgently assess whether local enforcement agencies have adequate resources to carry out safety inspections of tourism accommodation businesses. This has significant implications for large towns and cities where the provision of sharing economy accommodation in high rises and houses in multiple occupation is becoming more prevalent”*.

5.39 While finding that the wider legislation that applies to accommodation businesses is fit for purpose, the inquiry identified significant issues regarding enforcement. One of the biggest issues associated with properties listed on sharing economy platforms is that regulatory authorities are not able to locate sharing economy accommodation providers, making it difficult to implement an effective inspection regime. Listings on sharing economy platforms often do not provide information on the exact location of a property until a booking is made and data protection laws prevent them from supplying data on the location of properties to enforcement authorities.

5.40 One of the proposals put forward was to create a level playing field was mass deregulation. The proposition being that, if it is unnecessary to regulate the sharing economy accommodation, then the Government should consider creating a level playing field by deregulating all small B&Bs and self-catering properties. However, the Panel rejected this argument on the grounds that all consumers should be afforded basic safety standards regardless of the type of accommodation, the cost of the accommodation or how often the accommodation is rented to consumers.

5.41 In respect of concerns regarding taxation issues, HMRC have launched a consultation on tax compliance related to this issue. The findings of the consultation were not available at the time the Inquiry concluded.

5.42 Having considered the various issues raised during the Inquiry, the panel made recommendations which are likely to be considered by Government in due course. The recommendations are:

(1) *the Culture Secretary launch a consultation on using his powers under the Development of Tourism Act 1969 to establish a low-cost statutory registration scheme for tourism accommodation businesses. Such a scheme could be devolved to councils and would help resolve the main issues identified by this Inquiry. Namely, it would:*

- Help ensure that all businesses complied with regulations*
- Provide enforcement officers with a database of tourism accommodation properties so that they could target their resources to those properties they deem to be the highest risk*
- Provide councils with greater ability to manage tourism in their area*
- Provide HMRC with a means by which to ensure that all businesses pay the appropriate level of taxation.*

(2) *That the Government provide Local Authorities with powers to set rules regarding the use of residential properties for Tourism Accommodation so that local solutions can be developed that balance the benefits generated by*

sharing economy accommodation with needs of local residents. These powers include:

- The ability to set the maximum number of days per annum that a property can be used for tourism accommodation*
- The ability to require the owner of the property to be present if a property is used for tourism accommodation*

As part of the registration process, operators of tourism accommodation businesses would have to provide a certain level of basic information such as:

- The location of the property*
- The address and contact details of the person operating the business*
- Details of their public liability insurance*
- A copy of their fire safety assessment*
- A copy of their Gas Safe certificate (if appropriate)*

We believe that such a scheme, coupled with Government providing Local Authorities with the necessary powers to set rules regarding the use of residential properties for tourism accommodation, would provide an efficient and effective low-cost mechanism to find local solutions to the issues associated with sharing economy accommodation while allowing the sector, and the tourism industry as a whole, to grow in a sustainable manner.

5.43 Having regard to the APPG inquiry it is clear that this is a matter Government are giving serious consideration to. As set out, in order for Bath & North East Somerset Council to introduce any form of regulation or control over this sector will require a change to primary legislation or new centralised legislation; there are no provisions currently for the Council to unilaterally bring forward control.

6 RATIONALE

6.1 It is not possible to recommend one or other course of action or to introduce a specific policy relating to this matter without a change to primary legislation.

7 OTHER OPTIONS CONSIDERED

7.1 None

8 CONSULTATION

8.1 In preparing the background to this report discussions were had with colleagues in Bath & North East Somerset Council's Business Rates Team and Housing Licencing Team and externally with Avon and Somerset Fire and Rescue.

8.2 A motion on this matter was discussed at Full Council on the 12th June 2018.

9 RISK MANAGEMENT

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

Contact person	<i>Rich Stott – Team Manager, Planning & Enforcement - 01225 477434</i>
Background papers	<i>House of Commons All Party Parliamentary Group for Tourism, Leisure and the Hospitality Industry – Inquiry into the Sharing Economy – July 2018</i>
Please contact the report author if you need to access this report in an alternative format	

This page is intentionally left blank



House of Commons
All Party Parliamentary Group for Tourism, Leisure and
the Hospitality Industry

Inquiry into The Sharing Economy

July 2018

CONTENTS

Foreword	3
Terms of Reference	4
Scope of the Inquiry	4
Executive Summary	5
Background	8
Benefits of the Sharing Economy	10
Recommendations	11
The Sharing Economy and Regulatory Compliance	12
Recommendations	16
The Sharing Economy's Impact on the Community	18
Recommendations	20
Tax Compliance	21
Recommendations	21
Finding a Solution	22
Recommendations	24
Summary of Recommendations	25
Appendix I: List of witnesses	27
Appendix II: List of submissions	28

FOREWORD

“The British people’s decision to leave the European Union creates real opportunities for growth and we will work in close partnership with the tourism industry, to ensure it continues to thrive as negotiations on the UK’s exit progress. We are making it easier for visitors to travel beyond London and experience all of the world-class attractions the UK has to offer, to make sure the benefits of this thriving industry are felt by the many and not the few.”

Prime Minister, Theresa May

Tourism is one of the UK’s largest and best performing industries. It is made up of over 250,000 businesses (95% of which are micro business and SMEs. These businesses provide jobs for 3.1m people (over 9.6% of the UK workforce) and contribute £127bn to the UK economy (7.1% of GDP).

Notably, the tourism industry has been at the forefront of the UK’s recovery from the global economic crisis in 2008 by providing growth and employment at a faster rate than most other sectors of the UK economy. Provisional figures from the ONS estimate that, in 2017 alone, revenue from overseas visitors to the UK increased by around £2.5bn and created around 45,000 additional jobs.

With it’s proven ability to provide growth for the UK economy, tourism is an industry that the Government needs to fully support as the UK leaves the European Union. The development of the sharing economy enhances these opportunities for growth by providing increased capacity, expanding customer choice and providing visitors the opportunity for new and enhanced experiences during their stay in the country.

The evidence taken by our Inquiry confirms that the industry can deliver more for UK plc both in terms of jobs and taxation revenue. However, in order to generate even greater value from this sector, the tourism industry needs to grow in a way that is sustainable. In this context, sustainable means:

1. Providing choice and value for the customer
2. Ensuring that the products and services provided are fit for purpose
3. Delivering a level playing field for all tourism businesses
4. Ensuring that local communities are supportive of tourism

We hope that this report will facilitate a debate about how best to grow and develop both the sharing economy, and the UK tourism industry as a whole, in a way that maximises the benefits that tourism provides to the UK economy.

This report was prepared with the co-operation and involvement of the industry. I and my fellow Group members are grateful for all those who submitted evidence and attended the oral evidence sessions.



Gordon Marsden MP

Chair, All-Party Parliamentary Group for Tourism

TERMS OF REFERENCE

The All Party Parliamentary Group (APPG) on Tourism is a cross-party group of MPs and peers with an interest in the tourism and hospitality sector. The Group, chaired by Gordon Marsden MP, with Lord Lee of Trafford, and Daniel Zeichner MP, has held an inquiry into the impact of the sharing economy on the UK tourism industry, the benefits that it provides and the issues that have arisen including the impact on local communities. The aim of the APPG is to determine how the benefits derived from this new business model can be maximised while any adverse impacts can be reduced.

Scope of the Inquiry

The inquiry has looked at a number of issues that arise from the rapid development of the sharing economy in the UK.

The inquiry asked the following questions:

1. What has been the overall impact of the sharing economy on the UK tourism industry – to what extent has it increased the size of the total market in terms of revenue and employment? Is this growth different between the inbound and domestic tourism sectors?
2. Will the growth in the tourism-related sharing economy continue or is it approaching a natural limit in terms of market share? How will the sharing economy develop in future?
3. Do sharing economy platforms provide any benefits or opportunities for existing tourism accommodation businesses in terms of gaining access to new customers?
4. What evidence is there that people operating tourism accommodation businesses marketed through a sharing economy platform are less likely to comply with regulations than other tourism accommodation SMEs? If so, what steps should be taken to ensure that there is a level playing field in terms of regulatory compliance?
5. Are sharing economy platforms being used by landlords to increase their revenue and is this having an impact on the residential letting and property markets? Is there an impact on council and housing association properties? If there is an impact, what measures can be taken to ensure landlords and hosts are operating within local authority rules on lettings?
6. The sharing economy operates on trust, whereby both the buyer and the seller are able to moderate the activities of the other by providing feedback, which enables poor performers to be excluded from the community. However, this model does not take into account the views of neighbours that are impacted by the operation of such businesses. What can be done to make sure that the external impacts of these businesses are fully taken into account?

EXECUTIVE SUMMARY

- **The UK tourism industry is one of the largest and most successful in the world, employing 3.1m people and contributing £127bn per annum to the UK economy. It is also an industry well placed to provide growth in a post-Brexit environment**
- **The sharing economy provides the opportunity to further boost the contribution of the UK tourism industry in a post-Brexit environment by providing increased capacity, greater customer choice and enhanced visitor experiences.**
- **PWC estimate that sharing economy businesses in the accommodation sector generated £3bn in sales during 2015 and that this level of revenue could rise to nearly £30bn by 2025 with around 50% of all rentals undertaken in the UK being conducted by peer-to-peer networks.**
- **However, considerable concerns have been expressed that hosts providing accommodation via sharing economy platforms do not comply with health and safety regulations, local authorities claim that it is leading to residential housing shortages, while residents complain that local communities are being adversely impacted.**
- **The APPG for Tourism believes that tourism must be sustainable: it must deliver benefits to the customer, provide equal opportunities for all businesses to compete and maintain the support of the communities in which it operates.**
- **All visitors are entitled to a minimum level of safety, regardless of the type of accommodation they use and method by which it is booked. It is responsibility of all agents, regardless of whether they are sharing economy platforms or traditional booking agencies, to ensure that the products they supply meet these minimum standards. We have found that the systems in place for informing hosts of their legal responsibilities are inadequate, to the extent that some even allow hosts to register properties if they confirm that they have no fire safety equipment installed.**
- **The sharing economy has argued that regulatory requirements should be proportionately less for businesses listed on their platforms. The APPG for Tourism agrees with the principle of proportionality, but supports the Government's view that existing legislation, especially that related to fire safety, is already based on proportionality. We also believe that there is no valid basis to contend that B&B accommodation provided via a sharing platform warrants different regulatory**

treatment to the same B&B accommodation not listed on sharing economy websites. Further, there is significant evidence to suggest that a large and growing number “professional” operators use sharing platforms to list properties, thereby making any attempt at categorisation a moot point.

- While finding that the legislation that applies to accommodation businesses is fit for purpose, we have identified significant issues regarding enforcement. Most sharing economy platforms do not reveal the address of the property until a booking is made. This, combined with sharing economy companies refusing to provide property details on the basis of DATA Protection and significant cuts to councils expenditure on enforcement, means that few, if any, sharing economy properties are ever inspected.
- There is growing global concern regarding the impact of tourism on local communities in tourism hotspots such as Venice, Barcelona, Amsterdam and Dubrovnik. There are numerous different reasons for overtourism but all the reasons point to the need for local councils to do more to develop and implement Tourism Plans that aim to manage tourism rather than simply undertake marketing.
- One of the main issues is that whereas planning legislation traditionally creates distinct and separate tourism accommodation zones and residential accommodation zones in destinations, sharing economy platforms are blurring this distinction. While being able to “live like a local” provides a unique and enhanced customer experience, and provides additional revenue to local businesses, this must not be to the detriment of the local community.
- The long-term sustainability of tourism industry is based on the benefits to local residents outweighing the costs. We believe that it should, therefore, be up to the local communities to decide what is appropriate for their destination. In terms of sharing economy accommodation, Government should provide councils with the ability to set rules in their area that take account of the needs of residents.
- Concerns were expressed regarding the whether people listing properties on sharing economy platforms were paying the required level of taxation on the income being generated. While little evidence has been provided one way or the other, it was noted that HM Customs and Revenue launched a consultation on tax compliance related to this issue during the course of this Inquiry.

Key Recommendations

- Having considered the evidence both from the sharing economy and from the rest of the tourism industry, the APPG for Tourism recommends that the Culture Secretary launch a consultation on using his powers under the Development of

Tourism Act 1969 to establish a low-cost statutory registration scheme for tourism accommodation businesses. Such a scheme could be devolved to councils and would help resolve the main issues identified by this Inquiry. Namely, it would:

- Help ensure that all businesses complied with regulations**
 - Provide enforcement officers with a database of tourism accommodation properties so that they could target their resources to those properties they deem to be the highest risk**
 - Provide councils with greater ability to manage tourism in their area**
 - Provide HMRC with a means by which to ensure that all businesses pay the appropriate level of taxation.**
-
- That the Government provide Local Authorities with powers to set rules regarding the use of residential properties for Tourism Accommodation so that local solutions can be developed that balance the benefits generated by sharing economy accommodation with needs of local residents. These powers include:**
 - The ability to set the maximum number of days per annum that a property can be used for tourism accommodation**
 - The ability to require the owner of the property to be present if a property is used for tourism accommodation**

BACKGROUND

The sharing economy, also known as the collaborative economy, is a term used to describe a new business model whereby digital companies provide an online platform that allows customers to undertake transactions with individual traders who have products and services for sale. Commonly known as peer-to-peer transactions, these platforms allow individuals to use spare resources that they own to establish themselves as micro-businesses.

Sharing Economy UK, the trade association for the sector, use the following definition:

The sharing economy involves using internet technologies to connect distributed groups of people and organisations to make better use of goods, skills, services, capital and spaces, sharing 'access' and so reducing the need for 'ownership'.

The sharing economy is very large and diverse, including online selling platforms such as Ebay, taxi and car hire firms such as Uber and Zipcar, food delivery firms such as Deliveroo and companies that provide freelance workers such as Task Rabbit. However, this inquiry focuses solely on sharing economy companies that provide tourism accommodation. This includes companies such as Airbnb, One Fine Stay, HomeAway and Under the Doormat.

While the concept of “collaborative consumption” had been around for 40 years, the development of the “sharing economy” is much more recent and is believed to have starting a little over 10 years ago in response to a number of social, economic and technological factors that converged to enable “peer-to-peer” transactions.

The companies that provide sharing economy platforms seek to provide a self-regulating online community by registering both buyers and sellers and allowing both parties to comment on the performance of each other. This self-regulation model aims to create an environment of trust within the community whereby good performance is rewarded and poor performance can mean an individual is removed for the community.

The growth of this form of business has been spectacular. The market leader in the tourism accommodation sector is Airbnb which, from starting UK operations in 2012, has grown to the position that it now comprises 160,000 properties that provide 8 million bed nights, generate £502m in economic activity and support 11,629 Jobs.

However, the growth of the sharing economy has not occurred without considerable concerns being expressed by a range of organisations and individuals. Existing tourism accommodation businesses claim that hosts providing accommodation via a sharing economy platform do not comply with regulations aimed at protecting customers, local authorities claim that professional landlords are converting residential long-term leasehold properties to short-term tourism accommodation businesses (thereby putting pressure on residential housing and forcing up property prices) while individual residents and housing groups argue that the operation of de-facto-hotels in residential blocks of flats is damaging local communities.

The aim of this inquiry is, therefore, to determine how the benefits derived from this new business model can be maximised while, at the same time reducing any adverse impacts. The APPG for Tourism supports diversity and choice in the marketplace and welcomes innovation. However, it is important to ensure that new distribution models are held to the same standards as traditional models. This is to protect the consumer and provide a level

playing field for all businesses. In the broader context of the so-called 'Gig Economy' this has already been explored in the context of the Matthew Taylor report and the Government's response to it.

BENEFITS OF THE SHARING ECONOMY

One of the strongest recent trends in tourism is customers seeking authentic and bespoke experiences, and the online platforms provided by sharing economy businesses have proven to be attractive vehicles by which people can achieve this. This business model is revolutionising some sectors of the UK economy including the provision of tourism accommodation and this is now one of the fastest growing areas of the UK tourism industry.

The popularity of the accommodation products provided via the sharing economy, and their scope for future growth has been highlighted by PWC. Their September 2016 review of the UK hotel industry estimated that sharing economy businesses in the accommodation sector generated £3bn in sales during 2015 and that this level of revenue could rise to nearly £30bn by 2025, with around 50% of all rentals undertaken in the UK being conducted by peer-to-peer networks. Already, Airbnb matches or exceeds major online travel agencies and hotel brands in many markets. Google searches for Airbnb worldwide is now 1.5 times those of Expedia. Representatives from the new 'platforms' of the sharing economy told us that families and young people have been strong drivers for this expansion.

The London tourism economy is at the centre of this transformation with the market leader, Airbnb, now having almost 68,000 listings in the capital. Proponents of the sharing economy argue that this model is boosting tourism to the UK and London, enabling people who would otherwise be priced-out of the tourism accommodation market the ability to afford a holiday to the UK and providing additional revenue and employment in the capital.

Evidence supplied by the sharing economy suggests that Airbnb guests and hosts have contributed £3.46 billion to the UK economy, generating extra income for households, and increasing visitor spending in bars, restaurants and shops and other local businesses close to the guest's rental.

There was also considerable evidence provided to suggest that the distinction between the sharing economy businesses and the "traditional" tourism accommodation businesses is blurring. As the sector develops and evolves, a number of the large accommodation businesses are purchasing sharing economy accommodation businesses to add to their portfolio of product and are distributing via sharing economy platforms.

There is also considerable evidence that small traditional tourism accommodation businesses are increasingly using sharing economy platforms as a more cost-effective route to market than traditional Online Travel Agents (OTAs). Whereas an OTA may charge an SME between 15% and 20% commission on bookings, sharing economy platform typically charge only around 3-5% (although it should be acknowledged that one of the reasons for this is that some platform providers also charges the customer for each booking).

An additional benefit for small businesses is that OTAs usually place considerable restrictions on the ability of accommodation businesses to sell rooms either through other channels or directly with the customer at a lower price than it is available on their website. We believe that this is detrimental to both accommodation businesses and consumers. We also note that the Competition and Markets Authority (CMA) is currently undertaking an investigation into the sector due to concerns about the clarity, accuracy and presentation of information on OTA websites, which could mislead people, stop them finding the best deal and potentially break consumer law.

In this context it is understandable that many small accommodation businesses are starting to use sharing economy platforms which allow the operator much greater control over the pricing and booking process.

A further benefit that the sharing economy provides for destinations is the ability to provide additional accommodation, especially during peak periods, and to cope with demand associated with specific events. Evidence was presented to show the benefits of sharing economy companies partnering with destinations to provide the capacity needed where regular visitor accommodation stock was limited. A good example was the partnering work between Airbnb and Hull when staging the City of Culture in 2017.

We asked for evidence as to whether the contribution of sharing economy accommodation was expanding the tourism market as a whole or whether it was simply diverting existing tourism flows away from other businesses. On this point, while there must be some switching occurring, we received little evidence from traditional tourism accommodation businesses that sharing economy accommodation had significantly impacted the level of bookings. As such we are of the view that the sharing economy is largely growing the tourism economy as a whole rather than directly impacting the viability of existing parts of the market.

One final point is that sharing economy companies are often perceived as being “disruptors”, shaking up complacent traditional businesses in the marketplace by cutting supply chain costs to provide customers with a fairer deal. We believe that this image, which is somewhat self-styled, is a misnomer. The tourism industry, especially in the UK, has always been highly innovative and is constantly evolving. Sharing economy platforms are simply another step in this process. The innovation is welcome and provides considerable opportunities for growth, but needs to be seen as evolutionary rather than revolutionary.

This leads to the issue of how sharing economy businesses view themselves and their relationship with other sectors of the tourism economy. In the course of the inquiry we heard sharing economy businesses variously describe themselves as technology companies that simply provide a platform for the tourism sector and as tourism companies that operate online platforms depending on the questions posed. It is our view that sharing economy companies in the accommodation visitor sector need to be viewed, and to view themselves, as tourism businesses.

Recommendations

The sharing economy provides significant opportunities for tourism growth in the UK and should be welcomed as a means of providing economic benefits to destinations, increased choice for customers and a mechanism for people to supplement incomes.

We recommend that sharing economy businesses and other sectors of the UK tourism industry find constructive ways of working together to generate new opportunities and enhance customer experiences.

THE SHARING ECONOMY AND REGULATORY COMPLIANCE

Concerns Regarding Customers

The sharing economy is increasingly popular and provides enormous opportunities for tourism growth in the UK. However, this growth must not be at the expense of consumer safety or result in a deterioration of standards as this would undermine the UK as a safe and attractive place to visit.

The importance that the Government places on maintaining standards in the accommodation sector is highlighted by the activities of the National Tourist Board, VisitEngland, which develops and oversees the National Quality Assurance Scheme for accommodation businesses, produces *The Pink Book: Legislation for Tourism Accommodation* – a 215 page book on how micro-accommodation businesses can comply with all the regulation impacting on the sector which it distributes to thousands of businesses - and publishes Quality Matters magazine for SME operators.

One of the main focuses of this inquiry was regulatory compliance. Concerns were expressed by accommodation providers that businesses in their sector were subject to a high level of regulatory burden and associated costs, and that much of the accommodation available through sharing economy platform sites was not subject to the same level of scrutiny. This means customers are not as well informed about the properties they are staying in and are less protected if things go wrong than they assume.

It is the view of the APPG for Tourism that the problems and discrepancies around regulatory compliance from sharing economy platforms are not related to their being a lack of regulation. Rather, the problems derive from two main factors.

First, sharing economy companies are very poor at providing information to potential hosts regarding their statutory responsibilities regarding the health and safety of their guests. Leading sharing economy platforms do not check if the hosts are compliant with regulations such as gas and fire safety before allowing them to post a property on their site. Of particular concern is that sharing economy companies place all responsibility for customer safety with the host.

For example, the Airbnb terms and conditions state:

“Airbnb has no control over and does not guarantee (i) the existence, quality, safety suitability or legality of any listing”

Where there are online checklists provided for the host to complete, these checklists do not include the most important measures that all providers of paid accommodation are required by law to undertake such as completing a fire safety assessment of the property and having gas services check to ensure that the property is Gas Safe compliant.

Of even greater concern is that, if hosts state in the checklist that they do not provide smoke alarms, CO2 monitors or fire safety equipment, the registration process still allows the host to list their property and start taking bookings. This is unacceptable.

The position of sharing economy companies is that they are not agents for either the buyer or seller. They simply an on-line platform that connects buyers and sellers and not party to transactions. As such, they have no responsibility for the products being provided. There is also the view that developing a system to check the safety and legality of properties would either not be possible or would be prohibitively expensive.

Yet we have been provided with evidence from the Holiday Home Association, whose members include letting agents that represent the owners of over 20,000 properties that they have a Holiday Home Industry Code of Practice and individually check all properties to ensure that they are compliant with all necessary regulations. Similarly, we have heard from Cottages.com, who have over 30,000 properties on their books, that they require that all owners to comply with the National Quality Assessment Standards developed by the National Tourism Board, VisitEngland. This demonstrates that it is possible to develop and implement large-scale systems that ensure customer safety without impacting upon the viability of businesses.

Some submissions asserted that there is little practicable difference between sharing economy platforms and companies such as Cottages.com as both connect the owner of the property with customers. As such, sharing economy companies should be co-liable along with the premise owners for the safety of consumers using accommodation listed on their platforms. This is a view with which we have considerable sympathy. Even if there is a legal distinction between the two types of business, we see no reason as to why sharing economy platforms should not have a duty of care to people purchasing products through their websites.

We received evidence from the sharing economy that they take their duty of care seriously and are constantly developing new ways to ensure the safety of customers. Examples include such as Sharing Economy UK developing a Code of Conduct for member organisations and “Trust Seal”, as well as individual businesses such as One Fine Stay and Airbnb working with companies such as Quality in Tourism to implement new and inexpensive accreditation schemes for property agents and host properties.

This is to be welcomed, although the accreditation schemes introduced so far do not apply to all properties. We would therefore like to see this type of scheme rolled-out across all sharing economy platforms and applied to all properties, not just those at the “top-end” of the market.

The second main issue associated with properties listed on sharing economy platforms is that regulatory authorities are not able to locate sharing economy accommodation providers, making it difficult to implement an effective inspection regime.

This is because the listings on sharing economy platforms do not provide information on the exact location of a property until a booking is made and that sharing economy companies state that the Data Protection Act prevent them from supplying data on the location of properties to enforcement authorities. This is supported by evidence that the London Fire Brigade does not have the data or resources to deal with the large increase tourist accommodation being provided via the sharing economy.

This problem is likely to be experienced by other major cities where the sharing economy is growing strongly - especially where high rise buildings are being used for visitor economy accommodation. At the other end of the spectrum, we were told by witnesses from traditional accommodation providers that there had been a significant increase of sharing economy properties in coastal or rural tourism hotspots where the capacity of regulatory authorities to monitor, let alone regulate, was very thin.

While the issue of adequate resources to implement an acceptable enforcement regime is one for local authorities to address, we believe that there needs to be sufficient transparency to allow enforcement authorities to know the location of all tourism accommodation properties and allocate their resources to whichever properties they deem to be the highest priority.

A counterargument put forward by sharing economy providers regarding regulation is that a proportionate approach is needed. Their view is that sharing economy accommodation providers only operate part-time to gain a supplemental income from either letting out a room in their home or letting their entire home to visitors while they are away. As these properties are not commercial businesses, they should be subject to a much lower regulatory regime than hotels. Indeed, this was a recommendation of the *Independent Review of the Sharing Economy* in their 2015 report to Government. The Government's response to this recommendation was to note that:

"The Fire Safety Order is based on the on the principle of proportionality, rather than prescription. It requires a responsible person (usually the employer or owner) to assess the risk from fire in their particular premises and use this assessment to determine what fire precautions are sufficient to reduce the risk to life to as low as reasonably practicable. There is no 'one size fits all' to fire safety. Instead, the responsible person will need to use their judgement to decide what fire precautions are appropriate in the light of their particular circumstances and those of their guests."

The APPG for Tourism agrees with both the sharing economy in that there is a need for a proportionate approach to issues such as fire safety, and with the Government in that current legislation on fire safety already allows for a proportionate approach.

A further argument put forward is that there needs to be a distinction made between "amateur" operators of tourism accommodation and "professional" operators of tourism accommodation. Again, the APPG for Tourism believes that the proportionality approach of current legislation on fire safety allows a softer touch for people who let out their property for a few weeks a year while they are away on holiday compared to people who operate a property that is available to book year-round.

There are two other problems associated with developing an arbitrary distinction that states that people renting tourism accommodation through a sharing economy platform are amateurs, while those using a different route to market are professionals.

First, we can find little to distinguish between a person running a traditional B&B in a three bedroom house and a person running a similar business through a sharing economy platform, or between a person letting out a self-catering unit through a traditional self-

catering company such as Wyndhams and someone advertising a self-catering property through Airbnb.

Second, evidence from the Inside Airbnb website suggests that the view that most people who list a property on Airbnb are simply renting out a spare room on an occasional basis is becoming increasingly outdated. Figures from Inside Airbnb research in 2016 suggest that, of the 50,000 London properties listed on the website at the time:

- More than 40% of the properties are operated by someone who is listing more than one property.
- Over half the properties (25,000 properties) are offered to the customer on the basis of exclusive use – ie., there is no one living in the property.
- Almost 60% of the properties (29,000 properties) are listed as being available for more than 90 days a year.

While there will be legitimate reasons for some of these figures (eg., firms managing properties on behalf of the owner), this evidence strongly suggests that online platforms are being increasingly used by professional operators as a low-cost and highly effective route to market.

Therefore, it would be impossible to simply state that properties listed on sharing platforms are amateur and others are professional. And if small traditional B&B and self-catering operators are increasingly using sharing economy platforms as a route to market, then this further removes any reasonable distinction between people using sharing economy websites to list tourism accommodation and underlines the need for sharing economy platforms to ensure that everyone using their platforms complies with fire and health and safety legislation.

Another proposal put forward to create a level playing field was mass deregulation. The proposition being that, if it is unnecessary to regulate the sharing economy accommodation due to the de minimus approach, then the Government should consider creating a level playing field by deregulating all small B&Bs and self-catering properties. However, we reject this argument on the grounds that all consumers should be afforded basic safety standards regardless of the type of accommodation, the cost of the accommodation or how often the accommodation is rented to consumers.

Concerns Regarding Hosts

While this Inquiry focused was on the safety of customers and the level of regulatory compliance by people listing their properties on sharing economy platforms, a second set of concerns arose from the written and oral evidence that warrants comment. These concerns relate to the financial risks people face when listing a property on a sharing economy website. Renting a property is a commercial activity and could have significant financial implications for owners who do not have the appropriate insurances or permissions in place.

We are advised that most residential home and contents insurance policies will be invalid if a property is being used for commercial activity. This applies regardless of whether a claim is being made in relation to the actions of a visitor or due to some natural event such as a storm or flood. Similarly, the insurance could also be invalidated even if an incident occurs when guests are not staying in the property.

We recognise that sharing economy companies advise property owners that they hold insurance on their behalf, but we do not believe that this insurance is adequate to cover owners. For example, this insurance will only cover any loss of damage directly attributable to the visitor, meaning that the owner still needs non-domestic insurance to cover damage unrelated to the guest.

In addition, there are a number of other situations where people letting their property may unwittingly expose themselves to loss by letting out their property. These include:

- not informing their mortgage holder that paying guests are staying in the property
- not informing their leaseholder (many leasehold agreements ban this practice)

Another concern the APPG for Tourism has regarding financial liability is people listing their property not being informed that they should purchase public liability insurance to protect themselves in the event of a personal injury, loss or damage being sustained by a guest. While there is no legal requirement to have public liability insurance, people letting a property take a substantial risk if they are not protected. The need for comprehensive public liability insurance is becoming more acute as visitors, and the public as a whole, become more claims conscious.

Again, we were informed by sharing economy businesses that they provide insurance for people using their platforms to provide visitor accommodation. However, we believe that this insurance is adequate. For example, the level of cover provided by Airbnb is just £600,000, whereas the minimum suggested level of public liability insurance for people operating micro-accommodation businesses is £2-5m.

Recommendations

That the Government urgently assess whether local enforcement agencies have adequate resources to carry out safety inspections of tourism accommodation businesses. This has significant implications for large towns and cities where the provision of sharing economy accommodation in high rises and houses in multiple occupation is becoming more prevalent.

That sharing economy companies take greater responsibility for informing hosts using their platforms of their statutory obligations, especially in relation to health and safety and fire safety.

That sharing economy accreditation schemes such as those developed between Airbnb and Quality in Tourism, are rolled-out across all properties on all sharing economy platforms.

That sharing economy companies develop and implement procedures that ensure that hosts have, as a minimum, undertaken a fire safety assessment, a health and safety assessment and, where relevant, have Gas Safe certification. Accommodation providers should not be allowed to register properties without proof of these assessments.

That Sharing Economy companies explain to hosts before they register that having paid guests staying in their property will affect their home and contents insurance, mortgage, leasehold agreement and that they should purchase public liability insurance.

That the sharing economy industry work with the insurance sector to help develop domestic Home and Contents Insurance products that are not invalidated if owners have paying guests for a set number of days each year.

That the public liability insurance provided by sharing economy companies is of the same standard, with the same levels of cover, as commercial products.

THE SHARING ECONOMY'S IMPACT ON THE COMMUNITY

There is growing global concern regarding the impact of “over-tourism” in places such as Barcelona, Venice and Amsterdam with residents in these communities protesting about the impact that ever increasing tourism numbers are having on local communities. In the UK, similar concerns are being expressed in tourism hotspots such as Cambridge and Bath.

There are a wide range of reasons for over-tourism, from underlying global tourism growth, the rapid expansion of the Chinese outbound market and the increased popularity of cruise ships, through to destinations being associated with popular films and TV programmes.

However, there are two aspects of over-tourism that are relevant to this inquiry:

- The impact of the sharing economy on the local housing market and, in particular, on the availability of rental accommodation.
- The impact of people using sharing economy accommodation on local residents.

Impact on Rental Accommodation Stock

Airbnb state that peer-to-peer accommodation sharing is simply making better use of existing resources, with visitors occupying spare rooms which would otherwise be empty. However, concerns were expressed that landlords are switching residential rental accommodation more lucrative visitor accommodation on sharing platforms. There was also anecdotal evidence that operators of student accommodation in cities such as Cambridge were also switching properties to cater for visitors, putting considerable pressure on the ability of university students and colleges to find suitable accommodation.

As highlighted in the previous section, the evidence presented suggests that while sharing economy accommodation developed as a result of people wanting to make additional earnings from spare household capacity, this is no longer the case. While some people will be listing their property through Airbnb while they are away on Holiday or posted to a different location on business, the fact that over 50% of the properties available in London are for sole use of visitors strongly suggests that an increasing number of the listed properties are now commercial in nature.

This is supported by other data from Inside Airbnb which indicates that hosts with more than one listing count for almost 50% of all listings in London. Again, there can be a range of reasons for this including the emergence of secondary businesses that offer management services for people wanting to let their property through Airbnb. However, the large number of hosts with multiple listings suggests that sharing economy platforms are increasingly being used to develop tourism accommodation businesses, rather than simply renting a room on an ad-hoc basis to supplement wages.

Many councils argued against the Deregulation Bill allowing householders to rent out properties on short-term basis without seeking planning permission. London Councils, the voice of London local government, argued, *“with owners able to charge significantly more for short-term lets, this provision could well push rent levels up even further.”*

To mitigate this problem, London has a 90-day rule that stipulates a homeowner cannot let out their entire home for more than 90 days without seeking material change of use planning permission from their local authority.

Although Airbnb has begun to enforce the 90-day rule in London on their platform by prohibiting suppliers taking bookings for more than 90 days, this limitation is easily

circumnavigated by creating users registering through different accounts or using an alternative platform. We were told by witnesses that algorithms within the system would effectively enforce this 90 day rule. However, the apparent lack of any human factor to oversee or monitor the effectiveness of this procedure may be regarded as worrying.

In addition, enforcement of the 90-day rule has proven virtually impossible for many local authorities in London due to their budgets and resources being significantly reduced due to austerity measures. The LGA said councils, which have already experienced unprecedented funding cuts since 2010, will see their central government funding further cut by £2.7 billion between 2018/19 and 2019/20. This 54% reduction in funding has resulted in the number of workers employed in compliance roles has dropping significantly.

Impact on Local Residents

Those within the sharing economy argue that the 'trust seal' self-regulation system is much more effective mechanism than legislation for controlling behaviour within the fast-moving environment of the sharing economy. References were made to quality and de facto kitemarks as well as the power of peer-to-peer reviews.

Although building an economy based on trust is admirable, the feedback is limited to the interaction between the operator and the visitor and does not take account of the impact that these activities may have on neighbours. This can create conflict and be damaging to communities. The challenge was well summed up by Karen Buck MP, in her speech in the Commons in December 2017, introducing her Short and Holiday- Let Accommodations (Notification of Local Authorities) Bill

'....Many residents feel the impact most in respect of their own homes : issues around noise , rubbish, security fears , antisocial behaviour , breaches of leasehold in blocks of flats and the undermining of insurance. It is also increasingly clear, however, that as ever more properties turn over to shorter lets, there is a wider impact, including the loss of much-needed residential accommodation. '

It must also be noted that local residents are often unable to complain due to lack of confidence or understanding of how to do so. There is a large blind-spot in the feedback systems used by sharing economy platforms which do not adequately take into account the impact on neighbours and neighbourhoods.

If sharing economy platforms were regulated through planning legislation in the same way as traditional tourism accommodation providers, external impacts would be reduced. For example, if a provider put in a planning application to set up a B&B, the nearby residents would be able to comment on the suitability. Likewise, hotels often run community engagement schemes for nearby residents.

It was recognised by sharing economy representatives at the oral evidence session that there needed to be a balance between the rights of individual owners to financially gain from their property and the needs of the local community. In questioning about the impact of the 90 Day Rule on the development of the sharing economy in London, they proposed that decisions on the appropriate balance between tourism growth and the needs of residents needed to be made at a local level. For example, where there was a clear need to maintain local accommodation for residents, there should be tighter controls over the level

of accommodation provided to visitors while, in areas where the impact was a lot lower, the restrictions could also be lower.

We agree with the sharing economy on this issue and therefore support a flexible approach to setting the number of days that residential properties can be used for tourism accommodation. The proposal that local solutions should be developed that balance the growth of the industry with the need to safeguard housing stock for residents and to minimise the impact on residential neighbourhoods fits well with the Government's policy of increased devolution of powers to the local level.

Recommendations

That the Government provide Local Authorities with powers to set rules regarding the use of residential properties for Tourism Accommodation so that local solutions can be developed that balance the benefits generated by sharing economy accommodation with needs of local residents. These powers include:

- ***The ability to set the maximum number of days per annum that a property can be used for tourism accommodation***
- ***The ability to require the owner of the property to be present if a property is used for tourism accommodation***

That far more attention needs to be given, and more research undertaken, as to the experiences of, and impact on, those living in close proximity, either as physical neighbours, or in the neighbourhoods of, properties being used regularly by sharing economy businesses.

TAX COMPLIANCE

Under the Government's Rent a Room scheme, owner occupiers or tenants who let out furnished accommodation to a lodger in their main home are allowed to earn up to £7,500 a year tax-free. The APPG for Tourism supports this scheme as it encourages the growth of tourism and provides additional revenue for residents at a destination without causing significant impact on the level of residential accommodation.

However, the APPG heard concerns that the use of these platforms made it easier for people to avoid paying the correct level of taxation and that VAT being payable only on the commission charged by the company providing the platform meant that this form of accommodation had an unfair price advantage over traditional tourism businesses.

However, we have not yet seen much compelling evidence to support this case. The VAT threshold equally applies to traditional B&B or self-catering operators as it does to people using a sharing economy platform.

While there is uncertainty as to how much tax is currently paid by sharing economy businesses and the suppliers using their distribution channels (we have not taken specific evidence on this and much of what appears to be said seems anecdotal), there is also little evidence as to whether or not there are high levels of tax avoidance within the sector. However, that the Valuation Office only lists there as being 22 B&Bs in London suggests that there are questions regarding taxation that could be investigated in more detail by the Public Accounts Committee.

The APPG for Tourism also noted that during the course of this inquiry, HMRC launched a call for evidence on *The role of online platforms in ensuring tax compliance by their users*, on the basis of research that found a quarter of those operating in the sharing economy through online platforms are not confident about their knowledge of tax obligations.

The lack of information regarding the level of tax paid by people using the sharing economy does, again, highlight the issue of transparency within the sector. This is something that could also be resolved through the introduction of a statutory registration scheme by using the principle of conditionality in the registrations process.

Conditionality would require people listing their properties to provide their tax details as part of the registration process. In addition to ensuring that people operator tourism accommodation paid the right level of tax, this requirement would also resolve the issue of operators listing properties on a number of different platforms.

Recommendations

That the Rent a Room Scheme is continued as a means to support the growth of tourism and provide additional income for residents at tourism destinations

That HMRC undertake an analysis of tax compliance in the tourism accommodation sector as a whole with a view of determining whether or not there is a significant level of tax evasion and, if so, what the most appropriate mechanism to resolve this issue.

FINDING A SOLUTION

The APPG for Tourism is supportive of the development and growth of the sharing economy. As stated previously in this report, we believe that these companies provide significant benefits to consumers, destinations and the tourism economy as a whole.

However, we also believe that more needs to be done to ensure that this growth does not come at the expense of important issues such as the safety of consumers or the support of communities in the tourism industry operates. We also want there to be true competition between all tourism accommodation businesses and to be assured that all tourism businesses are paying their fair share of tax in order for the Government to provide funding for the core services and facilities on which tourism is based.

It should be noted that Britain is not alone in recognising that, despite the benefits associated with the sharing economy, there are adverse impacts and the legitimate concerns of customers and residents that need to be addressed. A wide range of other countries have recently introduced measures to make sure that the sector grows in a responsible way that complies with regulation and is mindful of local communities. Examples include:

Japan

All homeowners wishing to rent out are required to apply for a government registration number. Hosts can only rent out for stays totalling 180 days a year and additional rules have been added by local governments which allow them to set rules on how many days properties are able to be let to visitors and what periods of the year properties can be made available.

Balearics

Under the 2017 law, all properties offered for tourist short term rental must be officially licenced and display their licence number in any online advertising. This holds that it is the responsibility of online platforms to show the registration number of all properties in any advertising.

Switzerland

The canton of Geneva has capped the number of nights apartments can be rented on sharing economy platforms at 60 nights a year.

Denmark

The Danish Government has limiting the number of days an owner may list a property on a sharing economy website to 70 a year and entered into an agreement with Airbnb that owners tax details and income will automatically be sent to the Danish tax authorities to prevent tax evasion.

STATUTORY REGISTRATION

One solution presented to the Tourism APPG was the implementation of a statutory registration scheme for all tourism accommodation businesses, regardless of the type of accommodation provided. It was proposed that councils could operate such a scheme in the same manner that they already register premises that sell food and drink – ie., through an

implied consent process whereby the completion on an online registration form provides consent to undertake the activity.

The benefit of such a scheme being that it would provide transparency regarding the location of all visitor accommodation premises and allow enforcement authorities to target what resources they have towards inspecting those premises that they deemed to be the highest risk.

The Development of Tourism Act 1969 contains provisions which enable the Government, through an Order in Council, make provision for the registration of any class of tourism accommodation by the National Tourism Boards in England, Scotland and Wales. The provisions of this Act enable the Boards to:

- Maintain a register of accommodation providers
- Specify the information needed from accommodation providers for registration
- Require the display of proof of registration
- Enter the property for the purposes of inspection
- Provide exemptions from registration
- Charge for registration

The APPG for Tourism believes that these powers could, under guidance developed by the Department for Digital, Culture, Media and Sport, be delegated down to local authorities so that they can implement local registration schemes.

The registration scheme could mirror the current process by which businesses that provide food and drink are required to register with local authorities under the provisions of the Food Safety Act. This legislation requires business to be registered with the local council so that they can be inspected to make sure that they are complying with food hygiene legislation. This registration process is one of implied consent. This means that the process of registering automatically gives the business the necessary permission to undertake the activity. This permission can only be revoked if a future inspection of the premises finds that the business is operating in breach of food hygiene regulations.

It is considered that a similar approach could be used for registration of tourism accommodation, whereby approval to provide accommodation would be automatically granted through the registration process except in cases such as where the address being registered could not legally be used for tourism accommodation. An example of this would be a property that being used to provide social housing.

As part of the registration process, operators of tourism accommodation businesses would have to provide a certain level of basic information such as:

- The location of the property
- The address and contact details of the person operating the business
- Details of their public liability insurance
- A copy of their fire safety assessment
- A copy of their Gas Safe certificate (if appropriate)

We believe that such a scheme, coupled with Government providing Local Authorities with the necessary powers to set rules regarding the use of residential properties for tourism accommodation, would provide an efficient and effective low-cost mechanism to find local solutions to the issues associated with sharing economy accommodation while allowing the sector, and the tourism industry as a whole, to grow in a sustainable manner.

The use of statutory registration schemes is not without precedent. Evidence from the LGA highlighted the growing number of councils that are using landlord registration schemes to help improve regulatory compliance and improve standards for consumers within the residential rental market. Indications are that these schemes are proving successful in both improving the quality of residential accommodation and reducing antisocial behaviour. Similarly, on the Isle of Man it is a legal requirement for all visitor accommodation to be registered with the Department for Enterprise. To register, operators have to provide a copy of planning and building control approval, their fire certificate, proof of public liability insurance and environmental health approval.

Recommendation

That the Culture Secretary launch a consultation on using his powers under the Development of Tourism Act 1969 to establish a low-cost statutory registration scheme for tourism accommodation businesses. Such a scheme could be devolved to councils and would help resolve the main issues identified by this Inquiry. Namely, it would:

- ***Help ensure that all businesses complied with regulations***
- ***Provide enforcement officers with a database of tourism accommodation properties so that they could target their resources to those properties they deem to be the highest risk***
- ***Provide councils with greater ability to manage tourism in their area***
- ***Provide HMRC with a means by which to ensure that all businesses pay the appropriate level of taxation.***

SUMMARY OF RECOMMENDATIONS

1. The sharing economy provides significant opportunities for tourism growth in the UK and should be welcomed as a means of providing economic benefits to destinations, increased choice for customers and a mechanism for people to supplement incomes.
2. That the sharing economy businesses and other sectors of the UK tourism industry find constructive ways of working together to generate new opportunities and enhance customer experiences.
3. That the Government urgently assess whether local enforcement agencies have adequate resources to carry out safety inspections of tourism accommodation businesses. This has significant implications for large towns and cities where the provision of sharing economy accommodation in high rises and houses in multiple occupation is becoming more prevalent.
4. That sharing economy companies take greater responsibility for informing hosts using their platforms of their statutory obligations, especially in relation to health and safety and fire safety.
5. That sharing economy accreditation schemes such as those developed between Airbnb and Quality in Tourism, are rolled-out across all properties on all sharing economy platforms.
6. That sharing economy companies develop and implement procedures that ensure that hosts have, as a minimum, undertaken a fire safety assessment, a health and safety assessment and, where relevant, have Gas Safe certification. Accommodation providers should not be allowed to register properties without proof of these assessments.
7. That Sharing Economy companies explain to hosts before they register that having paid guests staying in their property will affect their home and contents insurance, mortgage, leasehold agreement and that they should purchase public liability insurance.
8. That the sharing economy industry work with the insurance sector to help develop domestic Home and Contents Insurance products that are not invalidated if owners have paying guests for a set number of days each year.
9. That the public liability insurance provided by sharing economy companies is of the same standard, with the same levels of cover, as commercial products.
10. That the Government provide Local Authorities with powers to set rules regarding the use of residential properties for Tourism Accommodation so that local solutions can be developed that balance the benefits generated by sharing economy accommodation with needs of local residents. These powers include:
 - The ability to set the maximum number of days per annum that a property can be used for tourism accommodation
 - The ability to require the owner of the property to be present if a property is used for tourism accommodation
11. That far more attention needs to be given, and more research undertaken, as to the experiences of, and impact on, those living in close proximity, either as physical neighbours, or in the neighbourhoods of, properties being used regularly by sharing economy businesses.

12. That the Rent a Room Scheme is continued as a means to support the growth of tourism and provide additional income for residents at tourism destinations
13. That HMRC undertake an analysis of tax compliance in the tourism accommodation sector as a whole with a view of determining whether or not there is a significant level of tax evasion and, if so, what the most appropriate mechanism to resolve this issue.
14. That the Culture Secretary launch a consultation on using his powers under the Development of Tourism Act 1969 to establish a low-cost statutory registration scheme for tourism accommodation businesses. Such a scheme could be devolved to councils and would help resolve the main issues identified by this Inquiry. Namely, it would:
 - Help ensure that all businesses complied with regulations
 - Provide enforcement officers with a database of tourism accommodation properties so that they could target their resources to those properties they deem to be the highest risk
 - Provide councils with greater ability to manage tourism in their area
 - Provide HMRC with a means by which to ensure that all businesses pay the appropriate level of taxation.

APPENDIX I: LIST OF WITNESSES

First Oral Evidence Session – 20TH Feb 2018

- David Weston, Chairman, The Bed and Breakfast Association
- Alistair Handyside, Chairman, South West Tourism Alliance
- Tony Sophocliides, Director of Communications, ALMR (now UKHospitality)

Second Oral Evidence Session – 21st February 2018

- Jenna Cane, Manager, Sharing Economy UK
- Merilee Karr, Chair, The UK Short Term Accommodation Association.

APPENDIX I: LIST OF WRITTEN SUBMISSIONS

ABTA
Airbnb
ALMR
British Destinations
British Hospitality Association
High Wiscombe Ltd
Holiday Homes Association
Hotel Solutions Ltd
PASC
LGA
Ken Robinson
Sharing Economy UK
Short Term Accommodation Association
The Bed and Breakfast Association
Wales Tourism Alliance

Bath & North East Somerset Council		
MEETING/	Planning, Housing and Economic Development Policy Development & Scrutiny Panel	
MEETING DATE:	11 September 2018	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	Affordability in New Rented Housing Delivery	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1: Affordability in New Rented Housing Delivery - A briefing for LDF Steering Group (July 2018)		

1 THE ISSUE

- 1.1 Members often express concern over the affordability of new rented homes being delivered across the District through our Core Strategy Policies and through housing association-led development.
- 1.2 A briefing paper on this issue was presented to the Local Development Framework Steering Group and is now being presented to PHED PDS for information. It explains the formal, planning policy and housing sector definitions for affordable housing, the different rented tenures this incorporates and provides information on the costs of new affordable housing currently being secured. It also outlines some measures that are being implemented to maximise affordability and makes suggestions as to further measures to be considered through future policy development.

2 RECOMMENDATION

- 2.1 That Members note the report and the measures being explored to maximise affordability in new rented housing

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 Homes England have recently introduced a programme of funding for social rent products that was not reflected in the Briefing paper attached. There are currently no live bids for HE funding from our housing association partners, but future schemes will seek to maximise social rent subject to levels of funding required.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 The National Planning Policy Framework has been amended since this briefing note was presented, but amendments to the definitions of affordable housing do not change the contents of the paper or the continued approach to rented delivery.

5 THE REPORT

- 5.1 Full LDF Briefing paper is appended

6 RATIONALE

- 6.1 n/a

7 OTHER OPTIONS CONSIDERED

- 7.1 n/a

8 CONSULTATION

- 8.1 This briefing paper was developed in conjunction with the Council's partner housing associations

9 RISK MANAGEMENT

- 9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

Contact person	<i>Louise Davidson 01225 477658 / louise_davidson@bathnes.gov.uk</i>
Background papers	<i>New affordable housing Bathnes</i> <i>NPPF 2018</i>
Please contact the report author if you need to access this report in an alternative format	

Affordability in new Rented Housing Delivery

A briefing for LDF Steering Group
July 2018

Purpose of this briefing paper

There is concern over the affordability of new rented homes being delivered across the District through our Core Strategy Policies and through housing association-led development.

This short briefing paper explains the formal planning policy and housing sector definitions of affordable housing and the different tenures this incorporates and provides information on the costs of new affordable housing currently being secured. It also outlines some measures that are being implemented to maximise affordability and makes suggestions as to further measures to be considered.

The National Picture:

The National Planning Policy Framework (NPPF) sets out a broad definition of what 'affordable housing' means:

Affordable housing: *Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.*

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

*Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and **intermediate rent**, but not affordable rented housing.*

Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.

The key things to take from this definition are that the affordable housing products are:

- Available in perpetuity (or the subsidy recycled)
- Available to eligible people
- Discounted from market levels by a *minimum* of 20%

It should be noted that we are expecting the NPPF definition of Affordable housing to be amended at some point in the near future to introduce new affordable housing tenures. These are likely to include Starter Homes and Build to Rent options. Consultation following the Housing White Paper was carried out earlier this year and a softening from a prescribed level of starter home delivery is likely to result instead in a fixed % requirement for low cost home ownership delivery.

Our Local Approach to Affordable Housing Delivery

In Bath and North East Somerset, our approach to affordable housing is set out in the Planning Obligations SPD, where we stipulate and prioritise affordable housing tenures we feel are appropriate to meet local housing need.

Affordable housing tenures can be divided into two groups – rented and low cost home ownership. We typically aim to delivery 75% of new affordable homes as a rented product and 25% as low cost home ownership. The majority of new affordable homes are delivered by our housing association partners but we are increasingly seeing opportunities to deliver affordable homes with other providers.

A profile of every affordable housing development under construction in the District can be found here: [New affordable housing | Bathnes](#)

Almost all of the affordable housing delivered in B&NES has eligibility requirements established by our Homesearch Policy. They are available to people who live or work in the District, are not home owners and have a household income of less than £60,000. ([Homesearch web page](#))

Rented Products:

Our preferred rented product is **Social Rent**. This is the traditional rented tenure of local authorities and housing associations and sits at around 60% of the market rent. Social rent is calculated using the national formula (the Target Rent Regime). The level of annual rent increase is nationally prescribed. Social rents do NOT include service / estate charges. Because even social rents have their basis in the value of the home, social rents vary quite dramatically across the District and between new build and re-let homes.

283 of the new affordable homes delivered between 2015-2018 were for social rent and we have a pipeline of around 607 social rent homes being delivered in 2018/9 and beyond

Sometimes, our housing association partners deliver homes as **Affordable Rent Tenure (ART)** which was introduced in 2011/12 by the Government as its preferred rented tenure. ART homes have a rent of no more than 80% of market rent and include all service and estate charges. Rented homes delivered with government funding or that the housing association puts into their Homes England (HE) programme will be ART *but* here in B&NES we require ART rents to be delivered below Local Housing Allowance levels or 80% of market rent *whichever is the lower*, and housing associations can sometimes achieve ART rents at similar affordability to social rent levels plus service charge.

108 ART homes were delivered between 2015 - 18 with a further 67 ART units in the pipeline

Not all affordable homes are delivered by our housing association partners. Some developers retain a long term interest in the affordable homes they are required to deliver and will rent them directly or through an agent. The s106 agreement will establish rent levels, mechanisms for rent increases and standards around allocations and management. The homes secured through this mechanism are generally referred to a **Discount Market Rent (DMR)**. The rent, including service charges, will be set somewhere between 60-80% of local market rent depending on the development and allocations will usually be made through Homesearch.

There are 65 DMR homes in the current pipeline for delivery in the next few years, 15 secured at social rent levels

Rented affordability across the District

The affordability of someone's housing costs can be determined as a % of their gross income. Best practice suggests that this figure should be no more than 35% and that needs to include rent, mortgage and any service or estate charges but does not include utility bills, council tax or any care and support costs.

Please note intended occupancy for each house type: 1 bed flat= 2person, 2bed house =4 person, 3 bed house =5 person, 4 bed house =6 person

Bath:

<i>Site</i>	<i>Unit size</i>	<i>Tenure</i>	<i>Rent p/w</i>	<i>Total Service Charge p/w</i>	<i>Total housing cost p/w</i>	<i>Income required to pass 35% affordability test</i>	<i>LHA p/w</i>
<i>Warminster Road</i>	<i>2bed house</i>	<i>SR</i>	<i>£132</i>	<i>£4.90</i>	£136.90	<i>£20,340</i>	<i>167.23</i>
	<i>3 bed house</i>	<i>SR</i>	<i>£151</i>	<i>£4.90</i>	£155.90	<i>£23,162</i>	<i>195.96</i>
	<i>4 bed house</i>	<i>SR</i>	<i>£165</i>	<i>£4.90</i>	£169.90	<i>£25,242</i>	<i>300.66</i>
<i>Mulberry Park</i>	<i>1bed flat</i>	<i>SR</i>	<i>£95</i>	<i>£20</i>	£115	<i>£17,086</i>	<i>139.81</i>
	<i>2bed house</i>	<i>SR</i>	<i>£112.81</i>	<i>£3.45</i>	£116.26	<i>£17,273</i>	<i>167.23</i>
	<i>3 bed house</i>	<i>SR</i>	<i>£135</i>	<i>£5.18</i>	£140.18	<i>£20,827</i>	<i>195.96</i>
	<i>4 bed house</i>	<i>SR</i>	<i>£155</i>	<i>£6.91</i>	£161.91	<i>£24,052</i>	<i>300.66</i>
<i>Ensleigh North, Lansdown</i>	<i>2bed house</i>	<i>SR</i>	<i>£144.38</i>	<i>£6.83</i>	£151.21	<i>£22,465</i>	<i>167.23</i>
	<i>3 bed house</i>	<i>SR</i>	<i>£165.81</i>	<i>£6.83</i>	£172.64	<i>£25,649</i>	<i>195.96</i>
	<i>4 bed house</i>	<i>-</i>	<i>£198.89</i>	<i>£6.83</i>	£205.72	<i>£30,564</i>	<i>300.66</i>
<i>Relets of existing stock</i>	<i>1bed flat</i>	<i>SR</i>	<i>£83.52</i>	<i>£1.35</i>	£84.87	<i>£12,610</i>	<i>139.81</i>
	<i>2bed house</i>	<i>SR</i>	<i>£101.03</i>	<i>£0.71</i>	£101.74	<i>£15,116</i>	<i>167.23</i>
	<i>3 bed house</i>	<i>SR</i>	<i>£105.02</i>	<i>£1.82</i>	£106.84	<i>£15,873</i>	<i>195.96</i>
	<i>4 bed house</i>	<i>SR</i>	<i>£112.62</i>	<i>£6.39</i>	£119.01	<i>£17,681</i>	<i>300.66</i>

Keynsham / Whitchurch

<i>Site</i>	<i>Unit size</i>	<i>Tenure</i>	<i>Rent p/w</i>	<i>Total Service Charge p/w</i>	<i>Total housing cost p/w</i>	<i>Income required to pass 35% affordability test</i>	<i>LHA p/w</i>
<i>Staunton Lane, Whitchurch</i>	<i>1bed flat*</i>	<i>SR</i>	<i>£92.62</i>	<i>£13.21</i>	£105.83	<i>£15,723</i>	<i>128.57</i>
	<i>2bed house*</i>	<i>SR</i>	<i>£128.52</i>	<i>£6.30</i>	£134.82	<i>£20,030</i>	<i>156.05</i>
	<i>3 bed house*</i>	<i>SR</i>	<i>£150.31</i>	<i>£6.30</i>	£156.61	<i>£23,268</i>	<i>186.44</i>
	<i>4 bed house*</i>	<i>SR</i>	<i>£164</i>	<i>£6.30</i>	£170.03	<i>£25,302</i>	<i>249.60</i>

Site	Unit size	Tenure	Rent p/w	Total Service Charge p/w	Total housing cost p/w	Income required to pass 35% affordability test	LHA p/w
Bilbie Green, Keynsham	1bed flat	SR	£90.61	£12.04	£102.65	£15,251	128.57
	2bed house	SR	£123.83	£5.07	£128.90	£19,151	156.05
	3 bed house	SR	£138.62	£5.71	£144.33	£21,443	186.44
	4 bed house	SR	£157.26	£3.94	£161.20	£23,950	249.60
Somerdale	1bed flat	SR	£87.03	£8.99	£96.02	£14,266	128.57
	2bed house	SR	£115	£2.83	£117.83	£17,506	156.05
	3 bed house	SR	£123.64	£2.83	£126.47	£18,790	186.44
	4 bed house	SR	£139.30	£2.83	£142.13	£21,116	249.60
Re-lets of existing stock	1bed flat	SR	£82.39	£0.71	£83.10	£12,346	128.57
	2bed house	SR	£92.80	£0.39	£93.19	£13,845	156.05
	3 bed house	SR	£104.75	£0.44	£105.19	£15,628	186.44

Somer Valley

Site	Unit size	Tenure	Rent p/w	Total Service Charge p/w	Total housing cost p/w	Income required to pass 35% affordability test	LHA
Monger Lane, MSN (s106)	1bed flat	ART	£101.19	-	£101.19	£15,040	139.81
	2bed house	ART	£136.63	-	£136.63	£20,299	167.23
	3 bed house	ART	£163.01	-	£163.01	£24,219	195.96
	4 bed house	ART	£202.38	-	£202.38	£30,068	300.66
St Chads, MSN (RP delivery)	1bed flat*	ART	£101	-	£101	£15,006	139.81
	2bed house*	ART	£138	-	£138	£20,503	167.23
	3 bed house*	ART	£166	-	£166	£24,668	195.96
	4 bed house*	ART	£179	-	£179	£26,594	300.66
Fosseway, MSN (s106)	2bed house	SR	£110	£4.21	£114.21	£16,968	167.23
	3 bed house	SR	£121	£5.36	£126.36	£18,773	195.96
	4 bed house	SR	£142	£5.27	£147.27	£21,880	300.66
Relets of existing stock	1bed flat	SR	£83.02	£3.82	£86.84	£12,902	139.81
	2bed house	SR	£108.48	£2.53	£111.01	£16,493	167.23
	3 bed house	SR	£105.16	-	£105.16	£15,624	195.96
	4 bed house	SR	£128.21	£0.65	£128.86	£19,145	300.66

Rural

Site	Unit size	Tenure	Rent p/w	Total Service Charge p/w	Total housing cost p/w	Income required to pass 35% affordability test	LHA
Temple Cloud (s106)	1bed flat	SR	£79.09	£5.93	£85.02	£12,632	139.81
	2bed house	SR	£100.75	£5.93	£106.68	£15,850	167.23
	3 bed house	SR	£112.20	£5.93	£118.13	£17,551	195.96
	4 bed house	SR	£122.30	£5.93	£128.23	£19,051	300.66
Bathampton (s106)	2bed house	SR	£131.93	£11.25	£143.18	£21,272	167.23
	3 bed house	SR	£146.42	£11.25	£157.67	£23,425	195.96
Relets of existing stock	2bed house	SR	£89.39	£0.74	£90.13	£13,391	139.81
	3 bed house	SR	£105.00	£1.85	£106.85	£15,875	167.23

**Indicative rents / service charges*

Addressing concerns with affordability

The key thing we can learn from the information provided above is that, in parts of the District, the new build rents are not of major concern for many household, taking the 35% income test into account, and where there is a significant problem, this is with larger family homes and housing for single people.

The biggest issue faced by households on lower incomes and in receipt of welfare benefit, is the challenge faced by households seeking to meet their family's housing and other needs within the £20,000 benefit cap (£13,400 for single person households).

Previous to the introduction of the cap in 2012 housing benefit would cover rents up to the LHA rate, and the household's remaining income would serve to meet their other costs. The benefit cap was reduced in November 2017 from £26,000 for couples and households with children and £18,200 for single people. Under the benefit cap, all of the household's costs must be met within £20k, regardless of the number of children. In high value areas, tenants are therefore disproportionately affected by the amount of rent charged, as are larger families, leaving them with less disposable income. In Bath particularly, new larger family homes for rent do cause concerns around affordability. There is also a significant issue arising with housing for single people, whose housing options are limited due to supply and affordability.

The challenge for the affordable housing sector is how to address this affordability concern in a way that fits within regulation, expectations on value for money, development viability and growing need. Some of the measures being put in place in B&NES, or being discussed with our housing association partners, include:

- Limiting requirements for the delivery of new 4 bed homes
- Retaining Social Rent as our primary tenure
- Restricting Social Rent to 95% for larger homes (under the Target Rent regime for setting of social rents, the housing association can charge between 95-105% of Target Rent)
- Setting limits on service and estate charges – more work needs to be done on this
- Using B&NES Affordable Housing capital programme to increase subsidy levels and improve affordability, particularly on larger homes

- Capping ART to 80% of the market or LHA, whichever is the lower
- Development of single persons 'studio' type homes / micro housing
- Delivering a 'shared housing' product for single people
- Introduction of an ART product based on 50% of market rents

However.....

Greater affordability comes at greater cost. The lower the rent, the lower the amount of borrowing that can be supported and the higher level of subsidy required. This means that:

- We can deliver less units for our Capital Funding
- In high value areas such as B&NES, the value for money parameters expected by Homes England means that increased levels of subsidy are not available.
- Viability on s106 sites can become an issue and we are faced with the option of fewer units but greater affordability :v: more units but worsening affordability (or a lower proportion of rented units in favour of more shared ownership)

One of our housing association partners recently modelled a number of rent level options on a site they are hoping to secure for 100% affordable housing development. For a scheme of 14 homes, the subsidy requirement from B&NES, on top of a Homes England grant of £686,000 and RP subsidy of £140,000, for each rent level option would be:

Unit type	Rent p/w			
	80% ART (inc s/c)	Midpoint rent (inc s/c)	Social Rent (+ sc)	50% ART (inc s/c)
2B3P flat	£124.19	£110.00	£96.01 (+£16 sc)	£77.62
2B4P flat	£128.78	£115.00	£98.05 (+£16 sc)	£80.49
2B4P house	£137.98	£120.00	£109.28 (+£5 sc)	£86.24
3B5P house	£156.38	£135.00	£120.73 (+£5 sc)	£97.74
Total Subsidy required from B&NES	£150,000	£425,000	£475,000	£975,000

Housing options for households affected by the welfare benefit cap

It should be noted that the level of new build rented provision delivered since 2015 amounts to only 18% of all allocations, the bulk of which were through relets in the existing social housing sector.

	Total lettings opportunities (new build and relets)	Total new rented provision	New provision as 100% of lettings
2015-16	646	125	19%
2016-17	797	114	14%
2017-18	746	152	20%
Total	2189	391	18%

This does mean that the majority of housing allocations in B&NES are made through re-lets in the existing stock, where rents (particularly in the ex-council stock) are substantially lower than new build provision. The purpose behind the Choice Based Lettings approach to housing allocations is that applicants get to select and bid for properties they feel are right for their household. The housing association allocations teams assess the affordability and sustainability of a potential tenant before making the final allocation, thus ensuring (as far as possible) the household can live within their means in the property.

There are non-planning related options to explore with our housing association partners around making the best use of our affordable housing stock, particularly larger, under-occupied homes

Next Steps

Officers will continue to work with developers and our housing association partners to address affordability concerns, looking at innovation, funding, making best use of housing stock and will be using the opportunities provided by the New Local Plan and resulting SPD to re-establish affordability parameters in light of the welfare benefit caps.

Members of the LDF Steering Group have asked what they can do at Party and Central Government level to help address the affordability issues in the District. Two key suggestions to lobby on:

- Weighting of benefits caps in high value Districts outside of London
- Recognition of the increased subsidy costs of delivering affordable housing in high value areas when it comes to Homes England 'value for money' tests.

In order to understand the affordability issues specific to Bath & North East Somerset, members might like to look at the latest South West Home Truths research issued annually by the National Housing Federation: [South West | Home Truths 2017/18 | Resources | National Housing Federation](#), Home Truths reports are available for all of the regions. It is interesting to also look at the South East and London reports; comparing the affordability ratio for B&NES clearly demonstrates the difficulty faced in the District.

Please contact Louise Davidson, Team Manager (Enabling and Development) for further information

01225 477658 / louise_davidson@bathnes.gov.uk

July 2018

This page is intentionally left blank

PLANNING, HOUSING AND ECONOMIC DEVELOPMENT POLICY DEVELOPMENT AND SCRUTINY PANEL

This Forward Plan lists all the items coming to the Panel over the next few months.

Inevitably, some of the published information may change; Government guidance recognises that the plan is a best assessment, at the time of publication, of anticipated decision making. The online Forward Plan is updated regularly and can be seen on the Council's website at:

<http://democracy.bathnes.gov.uk/mgPlansHome.aspx?bcr=1>

The Forward Plan demonstrates the Council's commitment to openness and participation in decision making. It assists the Panel in planning their input to policy formulation and development, and in reviewing the work of the Cabinet.

Should you wish to make representations, please contact the report author or, Democratic Services (01225 394458). A formal agenda will be issued 5 clear working days before the meeting.

Agenda papers can be inspected on the Council's website and at the Guildhall (Bath), Hollies (Midsomer Norton), Civic Centre (Keynsham) and at Bath Central, and Midsomer Norton public libraries.

Ref Date	Decision Maker/s	Title	Report Author Contact	Director Lead
11TH SEPTEMBER 2018				
11 Sep 2018	PHED PDS	Short Term Rentals - Policy Development	Lisa Bartlett Tel: 01225 477281	Director Development
11 Sep 2018	PHED PDS	Social Housing Affordability	Louise Davidson Tel: 01225 477658	Director of Economy & Growth
6TH NOVEMBER 2018				
31 Oct 2018	Cabinet	BANES New Local Plan Options Consultation	Simon De Beer Tel: 01225 477616	Director Development
6 Nov 2018	PHED PDS			
6 Nov 2018	PHED PDS			
6 Nov 2018	PHED PDS	Homelessness Strategy	Graham Sabourn Tel: 01225 477949	Director of Economy & Growth
15TH JANUARY 2019				
15 Jan 2019	PHED PDS	Housing Choices for Vulnerable People	Graham Sabourn Tel: 01225 477949	Director of Economy & Growth
12TH MARCH 2019				
ITEMS YET TO BE SCHEDULED				
	PHED PDS	Joint Spatial Plan	Lisa Bartlett Tel: 01225 477281	Director Development

Ref Date	Decision Maker/s	Title	Report Author Contact	Director Lead
	PHED PDS	Local Industrial Strategy (WECA)	John Wilkinson Tel: 01225 396593	Director of Economy & Growth
The Forward Plan is administered by DEMOCRATIC SERVICES : Mark Durnford 01225 394458 Democratic_Services@bathnes.gov.uk				

This page is intentionally left blank