

# **LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE**

## **EVIDENCE ON SHORT-TERM LETS LICENSING: FESTIVALS EDINBURGH**

### **1. EDINBURGH FESTIVALS' COLLECTIVE VIEWS ON SHORT-TERM LETS REGULATION**

Festivals Edinburgh represents Edinburgh's 11 major international year-round festivals - from the Science Festival in spring through the peak summer festivals season to the winter festivals of Storytelling and Hogmanay. The festivals are collectively on a par with a FIFA World Cup or Commonwealth Games. As they take place on an annual basis, however, they bring recurrent benefits to their host city and country including in 2022 an estimated 4,000 additional FTE jobs for Scotland as a whole, and additional economic impact of well over £200m through wider spending in the hospitality, tourism, retail and wider service sectors.

Since 2018 our member festivals have discussed and agreed collective support for short-term lets regulation. However, we are concerned about unintended impacts on temporary home-sharing and home-letting in people's primary residences from the way the regulations are being interpreted and implemented. So we welcome the announcement by the Cabinet Secretary for Social Justice, Housing and Local Government of her intention to extend the date by which existing hosts must apply for a short-term let licence from 31 March 2023 to 30 September 2023.

This extension is a great assistance in giving short-term let hosts time to seek clarity on the still-emerging implications of local authority licensing schemes at a time when there are many additional pressures due to the cost of living crisis. Furthermore, it could provide a valuable opportunity for the Scottish Government and Scottish Parliament to consider how the national framework is being interpreted across the country, and to adjust provisions at the margins where necessary to avoid negative unintended consequences.

### **2. SECONDARY LETTING VERSUS PRIMARY RESIDENCES**

Edinburgh's festivals are in favour of regulating secondary short-term letting, in the context of the housing crisis with serious year-round shortages of accommodation and price escalations being experienced by local tenants.

However, one of the problems in the short-term lets legislation is the conflation of commercial secondary letting and personal primary letting in people's own residences (home-sharing and home-letting). Only the former takes properties out of residential housing supply whereas the latter is very localised in character, providing an income opportunity for city residents in their own homes and retaining that income in the local economy to help offset cost of living pressures on households. In order to tackle commercial secondary letting issues, it is not necessary to damage brief periods of personal primary letting in people's own residences.

We estimate that brief periods of personal primary letting account for **25,400 bed nights for each day of Edinburgh's 25-day peak season in August, 27% of the supply needed in peak season.** Further information on supply and demand estimates is provided at **Annex A.** This type of accommodation, which is more affordable than hotels or aparthotels, is of particular importance for the workers, artists and performers who transform Edinburgh into the world-leading festival city. **Without them, Scotland would lose these unique cultural assets along with 4,000+ jobs and over £200m in direct additional economic impact, as well as weakening the wider leisure and visitor economy employing 44,000 in Edinburgh alone.**

The other argument in favour of licensing home-sharing and home-letting is to reassure the public that all classes of short-term lets are safe and the people providing them are suitable. However, there is an anomaly in the national framework as short-term stays for educational purposes, including for example homestays for young language learners, have been excluded by Scottish Government under Article 3. (c) (ii) of the Order. **If national policymakers are content for temporary use of homestays for school age children to be unlicensed, we ask for the same type of national exclusion to be applied in excluding temporary use of homestays for adults working on major festivals and events.**

### **3. LOCAL INTERPRETATION OF NATIONAL PROVISION FOR TEMPORARY EXEMPTIONS**

Instead of a national exclusion, the measure designed to cater for major festivals and events in the regulatory framework is to enable local licensing authorities to grant temporary exemptions, on application, during designated periods of up to six weeks in any 12 month period.

The Cabinet Secretary has confirmed that the legislation does not dictate a requirement for temporary exemption applications to include compliance with mandatory (Scotland wide) and additional (local) licence conditions. **However, given the design of the national regulatory framework, the City of Edinburgh Council (CEC) has decided to apply many of the mandatory and additional licence conditions to temporary exemptions for home-sharing and home-letting.** CEC has indicated to Festivals Edinburgh that the Council had asked for a discretionary licensing system and that it was ministers who decided it should be mandatory and apply to all types of licence. CEC has also stated that the local scheme is designed to ensure that the public is reassured that these short-term lets will be safe and effectively managed.

**These local interpretations highlight that the provision in the framework for local temporary exemptions is not achieving its intended purpose. The SSI provides an opportunity to look at this again and apply an exclusion at national level, in light of the anomaly of educational guests being excluded from the scheme altogether but no other classes of temporary guests.**

### **4. POTENTIAL CONSEQUENCES FOR EDINBURGH'S FESTIVALS ECONOMIC IMPACTS**

Festivals Edinburgh is concerned that the conditions for temporary exemption will be a serious disincentive to city residents who want to open their own homes to guests for a brief period. The further details given in **Annex A** include likely costs of applying for an exemption, which could mean home-sharers with a spare room only break even in the final week of the peak festivals season. A survey of existing providers has shown that the conditions are likely to dissuade a majority of hosts.

The 2022 season returned at around 75% of 2019's record levels, so the festivals are already managing a post-Covid recovery and renewal of a different shape and scale in a challenging operating environment, with many participants and suppliers suffering lasting financial hardship. In this context, an estimated drop of 50% or more in temporary accommodation capacity next year would make the city increasingly unaffordable and unfeasible for festival participants and visitors, putting these global cultural assets for Scotland at risk of a downward spiral that would change their national and international impacts forever. **The Fringe Society makes a conservative estimate that a further third of their programme could be lost in 2024, representing a minimum of £30m in additional economic impact and nearly 700 FTE jobs in the first year alone.**

This reduction in scale could be a wider tipping point leading to the wholesale loss of many venue producers who operate on economies of scale, and putting a much larger proportion of the direct economic impacts at risk. That in turn would have a ripple effect on wider businesses and jobs in the city that benefit year-round from the festivals, in particular the 44,000 city jobs across service sectors such as bars, restaurants, hospitality and transport.

Despite these serious risks with national impacts for the creative, leisure and tourism economies, CEC has indicated to Festivals Edinburgh that it is not proposed to carry out economic assessment of the licensing arrangements, since Scottish Government undertook a business and regulatory impact assessment which explored some of the economic impacts and decided there was sufficient reason to introduce a licensing system.

## **5. COMMENTS FOR COMMITTEE'S CONSIDERATION**

**In conclusion, we would like to make three key comments for the Committee to consider:**

- 1. To recommend that Scottish Government consider excluding from the scope of the regulations primary residential letting activity (home-sharing and home-letting) for major festivals and events – in light of the anomaly around exclusion provisions where guests staying for educational purposes, but no other classes of temporary guests, are excluded in the Order.**
- 2. To recommend that, if the issues related to primary residential letting activity (home-letting and home-sharing) remain in the legislation, Scottish Government consider including in the SSI the waiving of the requirement for licensing in circumstances where home-sharing or home-letting activity operates for less than six weeks a year - in light of the problems outlined in section 3 above with local implementation of the current temporary exemption provision.**
- 3. To examine how consistency is being achieved across Scotland in local authorities implementing the regulations, including impact assessments being undertaken into the implications of local policy decisions that cover economic as well as housing supply and neighbourhood impacts – in light of the potential economic damage outlined at Annex A.**

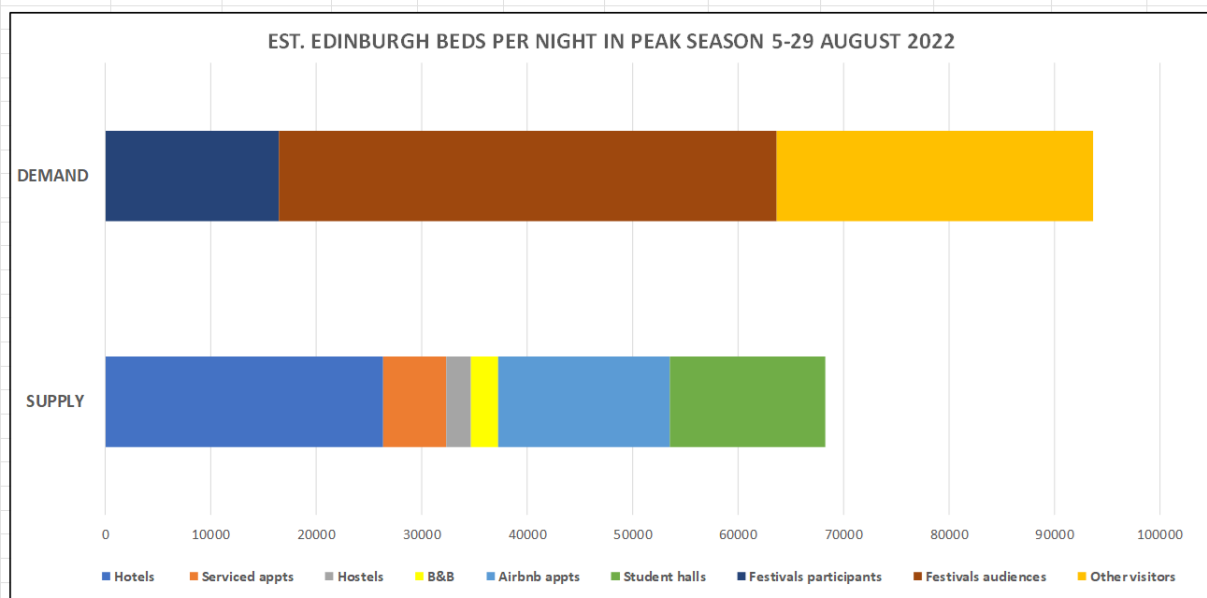
**Festivals Edinburgh  
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## TEMPORARY ACCOMMODATION SUPPLY AND DEMAND IN EDINBURGH'S AUGUST PEAK SEASON

Festivals Edinburgh has prepared new overview data about specific temporary surge supply and demand issues in and around the 25-night peak August season, using secondary data from sources including the festivals themselves, and published figures from City of Edinburgh Council and VisitScotland. We are keen to see city and national government officials review and improve on these estimates as part of an economic impact assessment of the policies.

Our latest estimate of the importance of home-sharing and home-letting to Edinburgh's peak festivals season is summarised in the bar chart shown below. If a significant proportion of this temporary accommodation supply is lost, the situation could cause spiralling damage to the 4000+ additional jobs directly created by the festivals; the 44,000 jobs supported in the capital's wider arts, hospitality and recreation sectors; and the world-class brands of the Edinburgh Festivals that benefit the whole of Scotland in tourism, business and diplomacy across the globe.

In these figures, informal home-sharing and home-letting is estimated at 25,400 bed nights, 27% of the overall peak provision required which is not covered by other types of visitor accommodation. This makes it the single largest category and the one most used by festival performers, artists and workers. These local owner occupiers are making their properties available for just over 10% of the year, so the issues of neighbourhood amenity and housing supply that concern residents are limited compared to commercial secondary letting. However, the longstanding city tradition of welcoming cultural visitors into people's own homes would be the first area to be damaged by current licensing requirements. These involve up-front costs of up to £800+ as noted below the table - which would mean in the first year that householders would only clear a surplus of £160 if renting out one room for the 25-night season at the recommended affordable single room rate for workers. At such a rate of return, many existing hosts surveyed by Fringe operators have said they would not continue.



Estimates of up-front costs of applying for a temporary exemption in Edinburgh for a 2-bed property for home-sharing or home-letting potentially total up to £845, as set out below:

- CEC fee for applying for temporary exemption is £250 for up to 5 occupants (£350 for up to 10 occupants)
- Public liability insurance for hosting two guests is typically £400 for an annual policy (short-term cover products are not widely available unless hosts decide to list on certain online platforms and use the public liability insurance they offer)
- Annual PAT testing of up to 10 items typically £45
- Cost of Electrical Condition Report for 2-bed property typically £150 (valid for 5 years)