



## Comments on the proposed technical changes to Scotland's short-term let licensing scheme

The UK Short Term Accommodation Association (STAA) is the trade association for the short-term rental sector in the UK, representing a wide range of businesses in Scotland's short-term rental and tourism economy. Our aim is to support the sustainable growth and continued development of the industry. We are committed to fostering a balanced regulatory environment that ensures the safety and comfort of guests, the welfare of communities, and the viability of the short-term accommodation and tourism industries. According to a 2022 study conducted by Oxford Economics on the economic contribution of short-term rentals in the UK, in 2021, direct spending relating to short-term let activity contributed £3.8bn to Scotland's GDP (2.4% of total). In rural areas, the percentage that short-term let activity represents of the local GDP can often be much higher. The STAA is committed to continuing driving economic value for Scotland and its people and looks forward to working with the Scottish Government on realising these aims.

The STAA acknowledges and welcomes the Scottish Government's ongoing efforts to refine and improve the short-term let licensing scheme. The proposed technical changes that have been laid before the Scottish Parliament reflect a willingness to listen and to address some of the practical challenges faced by our industry and to consult widely with stakeholders. We appreciate the government's acknowledgement of our industry's concerns and its commitment to refining the regulatory framework. Amongst others, the following proposed amendments within the proposed Statutory Instrument will bring more security to the thousands of people across Scotland who rely on extra income from tourism:

- **Transfer of licences:** The ability to transfer licences to a third party, such as when accommodation is sold, provides much-needed flexibility and security for hosts. This change supports the continuity of operations and encourages investment in the sector.
- **Temporary exemptions:** The provision for hosts to apply for up to three licence exemptions, totalling six weeks in a calendar year, is a practical adjustment that acknowledges the seasonal nature of tourism and dynamic demand for accommodation. The exemptions will have a powerful impact on Scotland's readiness to host world-class events like the Edinburgh Festival Fringe.
- **Provisional licences:** The ability for prospective hosts to apply for a provisional licence before construction of a short-term rental property is complete will streamline the entry of new hosts into the market.

While we support the specific changes proposed, the STAA would like to highlight the continuing challenges posed by the licensing scheme more widely. Since its inception, the scheme has significantly impacted the short-term let sector, with some effects causing detriment to operators and the wider Scottish economy:

- **Economic impact:** The cumulative effect of the stringent regulations has been a contraction in the availability of short-term lets, which in turn affects tourism and local economies. Many operators have found the cost and complexity of compliance prohibitive, leading to a reduction in available accommodations and, consequently, a decrease in tourism-related revenue for hosts and local economies. This has not only affected our sector, but also those seeking to travel to Scottish destinations, whether they are staying in a short-term let or not.



Recent research from Airbnb has shown that six months after the new regime became operational, hotel prices had increased significantly, particularly in Edinburgh where there had been a 9% rise in a year. Costs have surged by as much as 84% during special events such as a Taylor Swift concert.

- **Operational viability:** Smaller operators, who constitute a substantial portion of the short-term accommodation market in Scotland, are particularly vulnerable to the financial and administrative demands of the current scheme. This is especially so as the applicable licensing conditions can take very different forms depending on the local authority in which operators are based, with some schemes having extremely burdensome additional conditions. The loss of these operators not only diminishes market diversity but also impacts community-based tourism, which thrives on unique, local offerings.
- **Burden on local authorities:** Many local authorities continue to struggle with fulfilling their licensing function under the scheme, leading to a substantial application backlog and increasing strain on local authority resources. For example, March 2024 data from Highland Council revealed that 60% of applications made in the period since the licensing scheme became operational were still pending determination, with some wards like Lochaber experiencing a larger backlog of over 70%. We also understand that City of Edinburgh Council's planning department is currently (as of March 2024) facing a backlog of over 1,600 short-term let applications over which no decision has been made yet.

In light of these ongoing challenges, the STAA continues to advocate for a comprehensive and holistic review of the short-term let licensing scheme. This review should encompass an in-depth analysis of the scheme's impact on the tourism sector and the broader economy. As part of the review, we recommend the Scottish Government consider further revisions to improve the scheme, including the following:

- **Temporary licences:** Currently, applying for a temporary licence can be as onerous as applying for a permanent one, which discourages potential hosts. This undermines the purpose of temporary exemptions, which is to allow local authorities to quickly scale up accommodation supply for major events. Therefore, the government should provide guidance to local authorities to expedite and prioritise temporary licence applications to ensure timely determinations. Moreover, not all councils allow temporary licences at this stage, which is confusing for operators and undermines the point of this provision in allowing for flexible and seasonal demand.
- **Prohibit local authorities from adding additional licensing conditions.** The STAA believes that local authorities should not be permitted to add additional licensing conditions to the scheme. These additional requirements are often disproportionate, introduce blanket restrictions on short-term rentals, and increase costs for hosts without enhancing safety. Many of these conditions are also *ultra vires* and do not align with the government's objective of making short-letting safer through licensing. If the government will not remove this ability for local authorities, we would welcome an expansion on the current guidance which requires local authorities to take note of Lord Braid's judgement [in relation to the judicial review brought against Edinburgh's licensing policy] and to have due consideration as to whether their additional conditions are 'relevant, proportionate and justified to the use of the accommodation'. It would be useful to have examples of additional conditions which do



not meet these criteria (for example, this could be blanket requirements to have carpeted floor, even in detached and ground floor flats).

- **Cap the cost of a licence.** The STAA suggests the government mandates a maximum fee local authorities can charge for licences. While fees may vary based on licence type and property size, setting upper limits would ensure consistency and help hosts manage costs. Many hosts have faced fees higher than anticipated, which exceed administrative costs. An upper limit would prevent unexpected fee increases and help hosts plan ahead.
- **Clarify planning requirements.** Properties in short-term let control zones are currently required to either have planning permission or have a planning application pending, where the use of the premises requires planning permission under the 1997 Town and Country Planning (Scotland) Act. However, some councils appear to have taken this to mean that all short-term lets in a control area need to fulfil these conditions, even those that have been operating for years and are not deemed a material change of use (so should not require planning permission). As a result, operators whose holiday let does not actually need planning permission have had to apply for planning permission and pay a fee just to have an application registered to enable them to get their short-term let licence. This is unnecessary and confusing and we would urge the Scottish Government to either issue clearer guidance on this or reevaluate whether the provision (in Paragraph 13 of Schedule 3 to the 2022 Order) is necessary, given the legislation already in place. Generally, we believe that existing hosts should not have to meet any new conditions introduced through planning policies related to a control area if the host has been operating prior to the control area coming into effect. This will help planning authorities with the volume of applications while not compromising the quality, safety, or standards of short-term let properties.

We thank the Scottish Government for having taken the first step towards incremental improvements of the licensing scheme and for the willingness of officials to engage with our views. The STAA remains committed to working constructively with the Scottish Government to create a regulatory environment that supports the short-term accommodation sector, the broader tourism sector, and local communities and authorities. We believe that the proposed technical changes are a step in the right direction, and we are hopeful that our call for a comprehensive review will be met with consideration and action. By collaborating on these fronts, we can ensure the continued growth and sustainability of Scotland's short-term accommodation sector. We look forward to further engagement with the Scottish Government and other stakeholders in this important dialogue.