Holiday Home Association News

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Land for the Many: A major policy threat to the holiday home industry.

A report commissioned by the Labour Party, published in June, that could well become or influence the part's programme if elected to government includes the most serious threat to the holiday home industry for many years.

Land for the Many is not official party policy. But it is clearly in line with Housing for the Many, a policy document endorsed by the party leader and housing shadow, and its recommendations could well find their way into a government programme.

The report is a scholarly analysis, from a left-of-centre perspective, that "proposes radical but practical changes in the way land in the UK is used and governed."
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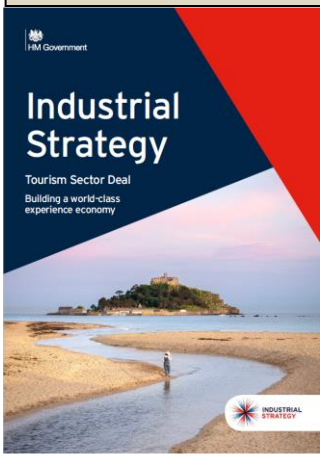
Tourism Sector Deal Announced

The government has announced and published a Tourism Sector Deal, a long-held ambition of many in the sector that will enlist more government engagement in and support for the tourism industry.

> *A key ambition for the Industrial Strategy is to establish long-term partnerships between industry and the government that aim to transform productivity and boost earning power in sectors across the UK.*



The deal is, of course, strong on lofty ambitions, and light on concrete actions but the essential elements are all favourable to the tourism industry.

There are some semi-concrete commitments in the plan. The government will create "up to" five
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Tourism Zones, that will "support areas wishing to improve their tourism offer, particularly focusing on those areas looking to boost off-season visits." This is the main action in support of a declared aim of lengthening the season. No mention is made of any specific action, such as regionally-staggered school holiday dates, that would extend the season UK-wide.

The Zones will be chosen via a bidding process managed by the British Tourist Authority. Each bid has to have local authority support and representation, as well as including main attractions and, where they exist, Local Enterprise Partnerships and destination management organisations.

The support the government will give to these TAZs is less than clear, the document only lists some fairly limited support that the government is "likely to" give. These mostly start with "working with.." rather than "we will do for you.."

There is to be a Tourism Data Hub, perhaps the most cast-iron promise in the deal, that will bring together disparate sources of data to create a research source for the industry, enabling smaller organisations to more easily access data that will help with business planning.

£40,000 is to be provided to the Tourism Alliance to enable some research to be done into how businesses obtain advice on regulatory compliance, which will potentially lead to development of the concept of "primary authority" in which one local authority becomes the lead for a group or chain of businesses that have property in many locations.

Intriguingly the document states that, although visitors from the current EU won't need a visa to come to the UK as tourists, "*we intend to introduce an Electronic Travel Authorisation (ETA) scheme which will require visitors and transit passengers who do not normally need a visa to obtain permission prior to travel. This will be a simple online system*". Such systems are used elsewhere in the world, but this is the first time it has been confirmed as an intention for the UK.

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Increasing accessibility and awareness of what's on offer is also a key part of the deal but as with many parts of the document, there are promises of discussions and of relatively small actions and no big-hitting commitment from government or expectation of the industry. The only definite promise is that VisitBritain will use more photographs of disabled people in its promotional work and add an extra page on its website.

The deal has a lot about infrastructure but most of the content is about things that were already being done, or that are minor. For example, later and earlier trains to Newcastle Airport may well be a welcome change, but hardly count as a national strategic initiative! The paragraphs about accommodation only describe what big hotel chains are already doing and on attractions there is nothing said except for mention of a few individual projects.

Apprenticeships are a cornerstone of the deal, with promises made that the industry will create 30,000 new ones each year by 2025. It is unclear how this disparate industry can commit to this! There are to be two new qualifications “T leve” vocational qualifications covering catering, and also Cultural and Heritage Visitor Attractions.

The deal has the hallmarks of being rushed, having been published in mid-summer and containing mentions of what will happen in summer, and is a disappointing mixture of ambiguous promises and restatement of existing actions. However lacking in firm actions, it is another statement of support for the industry that is as such welcome and may lead to greater things.

London Mayor calls for Compulsory Registration

The HHA supports compulsory registration for holiday homes in the interests of a level playing field, so that legitimate businesses don’t have to compete with people operating on an amateur and often non-compliant (with safety and other legislation) basis.

A perhaps-unlikely ally in this is now Sadiq Khan, the Mayor of London. He has called upon the Secretary of State to introduce compulsory registration in the capital so that the London-only limit of 90 days per year can be enforced.

Land for the Many

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The report cites some interesting findings from other researchers, that the number of dwellings has increased faster than the number of households: there are more bedrooms per person in the UK than ever before. It explains this by saying that “Census data shows that between 2001 and 2011 there was a 21% increase in homes which sit empty for most of the year, often in the most desirable seaside and inner-city locations. The data suggests that this demand among wealthy elites for rural getaways and pieds-à-terre in major cities has a significant impact on local house prices, further depriving less wealthy people of the opportunity to buy or rent in the communities in which they have grown up.”

The radical measures proposed to deal with the housing shortage in all areas of the UK include major changes to the planning environment that would have a dramatic effect on the holiday home industry.

Firstly, the report does make a clear distinction between second homes and Furnished Holiday lets, as defined in tax law. However, both are proposed to be tarred with the same brush:

- Planning rules would be changed so that either a second home or a holiday let would require planning permission to start with.
- Existing holiday homes and second homes would have to apply for planning permission in order to continue, with a transition period to enable them to be sold if permission was refused. There would be no exemption for existing holiday homes.

- Planning consent for holiday homes and second homes would only last for 5 years, after which a re-application would be required.
- It may be possible to design the system for allocating permissions so that it raises revenue too, for example there could be a sealed bid auction of C5 (second home) permissions, with the proceeds ring-fenced for building new social housing

The report also talks at some length about community ownership of some land, with compulsory purchase to achieve this and achieving a number of benefits including “providing genuinely affordable homes to rent or buy and preventing new houses from becoming holiday homes”.

Local authorities would be expected to determine the right balance between the needs of tourism and the needs of the local population and restrict or permit holiday letting accordingly.

These proposals would be devastating for the industry as nobody would wish to invest in a property if the payback was over more than five years, and many owners would be put off altogether by the fairly onerous and slow process of obtaining planning consent. The supply of properties would drop very considerably, but for those remaining owners granted planning permission, prices would most probably go up.

It should be emphasised that these proposals are an input into Labour’s policy-making process and some way from becoming party policy – but they are consistent with the party’s approach and there is a credible prospect of them becoming government policy if a Labour government is elected at the next general election.

Meanwhile, north of the Border…

The same planning permission measures suggested in *Land for the Many* have actually been proposed in legislation in Scotland. The outcome is a compromise.

MSPs have voted to approve the Scottish Government's Planning (Scotland) Bill. The Association of Scotland’s Self-Caterers and others in the industry have been working hard on this issue - engaging with the Scottish Government and meeting MSPs from all parties - in order to secure a fair and balanced solution that works for their members, local communities, and the tourist economy in Scotland.

Earlier in proceedings, Scottish Green MSP Andy Wightman introduced an amendment to the Bill that would have required all short-term lets that were not the property owner's primary residence to require planning permission to operate. This amendment was not agreed to by MSPs.

However, Scottish Conservative MSP Rachael Hamilton's amendment to the Bill was approved. This will give planning authorities the power to create Short-Term Let Control Zones and only there would short-term lets require planning permission.

Over the course of the Bill's progression through Parliament, the ASSC undertook a sustained campaign of engagement with MSPs, Councillors and external stakeholders to make sure the voice of the self-catering and short-term lets industry was heard. The success of this is evidenced by the successful changes to the amendments on short-term lets, inserted by Andy Wightman MSP at Stage

2, and changed for a more favourable approach by Rachael Hamilton MSP at Stage 3. These changes were influenced and supported by the ASSC whose concerns were raised with the numerous MSPs we met of all parties.

Insurance Tip from David Morris

Average or Average Free

One of the most difficult questions any property owner is asked relates to the insurance value of the building. It bears no relation to the market value and, especially in Scotland, can be way in excess of sale value.

As an example, we have a client in central Scotland where the market value is about £1.5 million, but the insurance (rebuild) value is over £5 million!

What happens if you under-insure and have a claim? It depends on whether your self-catering insurance has a condition of average or is average free. Either way, if you have a (large) claim you will be severely out of pocket – the choice of the sum insured is always yours as the policyholder.

A policy containing average reduces the value of your claim by the proportion of under-insurance. If you are half-insured, you will only receive half of the value of your claim.

For a policy that is average free so long as you have not deliberately misled the insurer in to accepting the risk so as to reduce your premium, your claim will be paid up to the sum you have chosen. However, the problem arises when you are so dramatically under-insured that no claim payment is made, or the cost of rectification exceeds the value for which you are insured.

Clearly, it is desirable to have the correct insurance value. If you have bought the property recently you – or your mortgage provider – will have had a survey carried out and this will contain the insurance (rebuild) value.

But what if you have owned the property for years and have relied upon index-linking to increase the insurance value at each policy renewal? You are almost certainly under-insured as the cost of building materials, as one factor, has increased faster than inflation.

The solution is to obtain an up-to-date professional valuation either from your own contacts, or ask your insurance broker to tell you about a desktop survey. The insurance value is to represent the cost of clearing the site and rebuilding (including Listed Building requirements, local authority requirements, road closure orders, architects' and surveyors' fees and so on, and so on). There is no clear answer as to whether you should include VAT. Take the advice of your Accountant.

Whilst we hope that the cost of the survey is a waste of money as nobody wants a substantial claim, you will be ever so pleased if you did, and you were unfortunate enough to experience major damage.

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Business Rates Update

Alistair Handyside, former Chair of EASCO, and seasoned campaigner on business rates, has met with the Valuation Office Agency and kindly provided this guidance

1/ Revaluation Dates

The next Business Rates revaluation is now under way. All businesses in England and Wales will be receiving their sector forms to fill in and return. Our form for the self-catering sector is called the VO6048. Over the next 15 months the VOA will gather the information in order to present the new Rateable Values.

From about Oct 2020 we will start to receive their new Rateable Values for each of our businesses and we will have a short window from Oct 2020 to query these Rateable Values before the list hardens and goes live with effect from April 2021. This when all of our bills will be subject to the new Rateable Values applicable at that time.

2/ Forms VO6048 arriving in your post-boxes now.

You will all be receiving Form VO6048 through the post from the Valuation Office over the next days and weeks. This is all part of the next National Business Rates revaluation described in Section 1.

It is a legal requirement to fill in Form VO6048 within 56 days of receiving it. The fines for not doing so are an initial £100. If you don't send it in within another 21 days it's another £100 fine and then if you still don't it's a £20 fine per day (yes £600 per month) up to the total amount of your Rateable Value.

The VOA have told us that they will be particularly focusing on businesses that have previously avoided sending form VO6048.

3/ How to fill in VO6048

We have spoken to the Valuation Office to find out what best to include on your form - particularly with reference to the last section, the blank sections at the end for you to provide further information.

Two things, firstly, make copies of your form when you have filled it in, so that you can always go back to reference it, plus copies of any further information provided. Second, send Tracked and Signed for from the Post Office so that you can prove that it was submitted on time.

To start with it's pretty straight forward at Part A.

Part B

- In B part 8 'other accommodation' means any accommodation not covered in how many main bedrooms and bathrooms that you have, perhaps glamping pods or similar. If you put anything in here you must describe it in the Further Information Section. Most Members should be able to leave this blank.

- In B part 10 we have been offered the opportunity of providing certified copies of accounts for the years to March 2016, March 2017 and March 2018 which will save answering much of the Income & Expenditure questions.
- If you are not providing certified accounts, you have to work your way through section 10 breaking down every component of your expenditure over the aforementioned years.
- Make sure these are ex VAT figures.
- At the bottom of section 10 you need to tick boxes if you are providing any additional sheets.
- The rest of B is straightforward.

Part C is straightforward.

Part D

- In D parts 13 - 24 is all about Annual Rents. This section really depends upon your business set up and whether you either pay rent or as the owners of the property you charge your own business a rent. You may need to consult your accountant in order to make sure you fill this section in correctly.

Part E this is the declaration that you have filled it in correctly and completely.
Part F this is merely contact details.

Now you have a section called Further Information and Remarks (if any). This is the place to put the following information.

What should you put in here?

1. Start with a short description of your business.

No longer than, (for example)

Higher Wiscombe is a business that comprises three holiday cottages, one that sleeps 20 in 10 bedrooms, and two that sleep six in three bedrooms. All bedrooms are ensuite, all the cottages are rated at 5 star. There is a heated outdoor pool in summer and a games room with table tennis and table football. Set in 52 acres it is accessed along a private ¾ mile drive.

2. Make sure that any facilities that are offered to guests are included. Remember, the higher the inputs and facilities the more likely that you will get the lower percentage on the Practice Note.

Things to include:

- Swimming pools, if outdoor when open
- Tennis Courts
- Games Room
- Soft play areas
- Sauna
- Animal petting
- Onsite visitor support
- Spa
- Bar
- Land that guest have access to

3. This is not a place to put anything about how unfair the Business Rates system is or that you have got increased competition. I'm afraid, they will just ignore this.

4. Other things that can go in this section.

If your turnover had varied by a fair margin, up or down during the three years, it is best to explain this. If for example you had a record year because there was a huge building site nearby and you were full over the winter with workers from the site, but it was a one off, then they may discount this additional income.

This is also your opportunity to put any other really unusual factors that may help mitigate your Rateable Value that I have not included in the list above.

Some examples of what is not unusual would be the following:

- High cost of providing Wifi in rural areas. This is a cost and shows in the accounts and ripples through to profitability, so they would not consider this.

- High Cost of heating a pool, resulting in higher utility bills. This also would show in the accounts and ripples through to profitability, so they would not consider this.

- High cost of animal feed. High cost of towels for the Spa, as in the two examples above they would not be considered.

The facilities that we have listed any others that you have that are similar would be taken into mitigation towards the lower percentages due to the labour inputs in providing these facilities, so make sure that you list all.

4/ Avoid cowboy Business Rates Consultants

A regular call over the last month has been from Members regarding cowboy Business Rates consultants. These can take numerous forms: they may ask for a flat fee upfront or a no win no fee option. In both cases Members get asked to sign a contract and in the vast majority of cases that is the last they hear from the so-called consultant. If the Member subsequently manages to reduce their Business Rates via other means they are likely to receive an invoice for commission as per the contract that they have signed regardless of the fact that the consultant did absolutely nothing.

These companies are relatively easy to check on the internet, many of them are on various review sites and it will quickly become apparent to you whether they are effective or not. Simply enter their name and put customer reviews after it. Can be very illuminating.

When we start to cover Members moving to the 'Challenge' process having competent professional advice will be **absolutely** critical as this is much more complex than the 'Check' process and these companies are unlikely to offer it. It is unlikely that Members will be able to successfully 'Challenge' without professional help.

Alistair Handyside is the owner of Higher Wiscombe, a luxury self-catering complex in Devon, and Chair of the South West Tourism Alliance. Thanks to him for providing this article.

Family Holidays Have Social Benefits – New Report

A new report from Nottingham Trent University and the Family Holiday Association highlights the social benefits of family holidays.

Although based on a very small amount of research, it highlighted the way in which family holidays for "ordinary working families" can have benefits beyond having a nice time by the sea.

Family holidays reduce tension and stress and are thought to strengthen family relationships. The have a positive effect on mental wellbeing. They provide new social and cultural experiences for children and adults. Breaks were seen as providing educational opportunities in the broadest sense.

The research also highlights that family holidays are made are made less accessible to those with school age children due to the term-time absences policy. This policy makes holidays in school holiday periods more expensive and harder for families on low incomes to afford.

This may prove to be evidence in support of regionally-staggered school holiday dates as practiced in several other European countries.

Government Response to "Seaside Towns" Lords' Report

The government has published a response to the House of Lords report on the future of seaside towns.

Their Lordships produced a detailed report with 38 generally sensible recommendations. The government response makes fairly depressing reading, with no responses at all that boil down to "great idea, yes we'll do it"

On tourism-specific recommendations the advocacy of Tourism Action Zones has plainly been accepted and "up to 5" are to be created, which is hardly a large number, but is at least a start.

The recommendation in support of a lower rate of VAT on tourism products is rejected, which is hardly a surprise.

In almost all the other cases the government response is not to accept or reject the recommendation but to comment, sometimes at length, on what the government is doing in this or that area already.

It looks as if the well-documented paralysis in government due to the uncertainty regarding Brexit has been at play here, and little serious consideration has been given to a well-researched report.

(The report was summarised in the April 2019 edition of HHA News)

The Second Payment Directive

The EU Directive comes into force in September, and as this will most probably be prior to Brexit will apply in the UK.

The Directive comes with Strong Consumer Authentication. This means that Two-factor authentication will become a requirement in many cases, a process that will impede transactions significantly, albeit making them more secure.

HHA News will report on this issue in more detail in a future edition.