



HOUSE OF LORDS

Built Environment Committee

Corrected oral evidence: Short-term lettings

Tuesday 22 November 2022

10.30 am

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Members present: Lord Carrington of Fulham (The Chair); Baroness Bakewell; Lord Berkeley; Lord Best; Baroness Cohen of Pimlico; Baroness Eaton; Lord Grocott; Lord Haselhurst; The Earl of Lytton; Lord Stunell; Baroness Thornhill.

Evidence Session No. 4

Heard in Public

Questions 35 - 45

Witnesses

[I](#): Huw Maguire, Head of Second Homes Policy, Welsh Government.

Examination of witness

Huw Maguire.

Q35 **The Chair:** Welcome to the House of Lords Built Environment Committee public evidence session as part of our inquiry into short-term lettings. The aim of this session is to discuss the scale and impact of short-term lettings as well as potential options for regulation of the sector. The inquiry will result in a letter to the Government to make recommendations on how to address these issues, including the Government's proposed register of holiday accommodation.

Our witness today is Huw Maguire, head of second homes policy at the Welsh Government, and we are very grateful to him for joining us.

The session is being broadcast on parliamentlive.tv. A full transcript is being taken and will be made available to the witness to make any corrections shortly after the session. I ask members, my colleagues, and the witness to keep their questions and responses brief as we have a lot to try to cover this morning. I hope we will finish by about 12 noon, if not before.

Let us start with the first question. What is the scale of the short-term letting sector in Wales; what is the size of the sector relative to the private rented sector, social housing and owner-occupancy? In other words, can you give us a bit of background about what the situation is like in Wales at the moment?

Huw Maguire: Yes, certainly. Thank you for that. There are some issues with procuring and getting reliable and robust data but I will try to give what we hold at the moment. Visit Wales, which is the wing of the Welsh Government that deals with the tourism industry, bought third-party data for short-term lets from a company in 2022, so it is fairly recent. The data is scraped, as they call it, from four of the main booking channels: Airbnb, Vrbo, Tripadvisor and Booking.com. That was checked for proprietary data and deduplication, so it tells us broadly what we hold.

The note of caution is that Visit Wales is not using this data as definitive, nor is there an official statistic. Private rooms are excluded from the data, as well as bed and breakfasts and guesthouses, but as of earlier this month there were 23,095 self-catering properties in Wales through those sources, representing about 55,500 bedrooms.

On the other sectors that you asked about, there were 1,437,600 dwellings in Wales as of March 2020. That is an increase of about 5% compared with 10 years previously in 2010. The owner-occupied stock accounts for 70% of that figure, 1,006,000; private rented stock is about 14% of that figure, 201,000; registered social landlords are about 10% of the figure, 140,000-odd; and local authority stock is 6%. All those figures have grown, but the proportions within those are relatively stable since we took the data in 2012.

A word of caution for you: obviously that masks a great variety, as it will do in other parts of the UK. We are doing a lot of work in Dwyfor which is

a part of Gwynedd in north-west Wales. In Dwyfor over the last four years, from 2018 to 2022, the proportion of second homes and short-term lets when taken together now account for nearly 21% of all available housing stock. Four years ago it was 18.7%. In that four-year period, self-catering units reporting through the non-domestic rates system have gone up from 560 to 1,127. We have seen a small reduction in second home numbers in that area over the last four years but a steady increase to a doubling of short-term lets, probably for a variety of reasons. Even within those data for Dwyfor or some of the popular tourist areas like Abersoch, if you are familiar with that, between the two types of uses of those properties, fractionally under 50%, 49.3%, of all available housing stock is turned over to second homes and short-term lets. Of that figure, 12.5% is short-term lets, so it is gradually increasing.

Does that tell you something about it? We continue to work with the Office for National Statistics because we want a sense of property level data. We have lots of data available at county level and so on but we do not necessarily know what has happened to individual properties, whether they have always been short-term lets and it is short-term let owner to short-term let owner, and the same for the second home properties. We want to get a clear understanding of what happens to individual properties.

The Chair: How confident are you on the numbers without registration for second homes and short-term lets? Obviously you are making judgments, I suppose is the right word, but presumably sampling as well, in getting these numbers as accurately as you can. How accurate do you think they are? Are you confident that they are accurate enough to make policy on?

Huw Maguire: We do not take them as official statistics, certainly the short-term let figures. They do not include all short-term holiday lets because they may operate outside of those platforms. There may be caution around some of the self-reported numbers of second homes, because people may be evading those taxation circumstances, for whatever reason, but they are local authority reported data on second homes particularly. We are moving in Wales—and we will probably come back to this—to a system of statutory licensing for all holiday accommodation, including short-term lets. That is intended to improve the robustness of the data that we hold and then in turn enforce and inform planning decisions that local authorities need to make or can make.

The Chair: Lovely. Thank you very much.

Q36 **Lord Berkeley:** Mr Maguire, welcome. You have just mentioned the Government's plan to start a licensing scheme. What will that include? In no particular order, presumably it is all visitor accommodation and rental accommodation as well, short-term or long-term, single rooms to whole properties, and so on. Would it require any of these things to have planning permission? What about compliance with building regulations, which are different, certainly in England, for different types of rental, and

fire regulations? Does it cover the whole of Wales? Lastly, what about the type of rates?

In some places in the south-west of England, the council recommended people who were letting properties not to go for the commercial rates because the council thought that if they paid domestic rates that it would keep the money, which of course is a load of rubbish, I think, but anyway that is what they did and they got into quite a lot of trouble over Covid.

What are the aims of this licensing scheme, which sounds very good from what you have told us in the paper, and what scope and how much will it cover? Sorry, it is a bit of a long question but I hope that was helpful.

Huw Maguire: It was, thank you. It will be a national scheme. A consultation is due to launch in December, which will pin down how the scheme will or can operate. It will cover all holiday accommodation including short-term lets with, as I understand it, the same rules across the piece. The aims are to have a level playing field and ensure that standards, including health and safety, fire regulations and so on, are consistent across the piece, but also to ensure that the planning powers that we brought into effect from 20 October are supported by robust data about numbers, saturation and coverage of short-term lets.

I will probably come back to talking about the planning regime but effectively it offers local planning authorities a power to move with an Article 4 direction after consultation. That would mean, in effect, that people wishing to change from a primary residence to either a second home or to a short-term let in a prescribed area or across the county would need planning permission to do so. That sort of data reinforces the decisions because a local planning authority would need evidence to support the creation of what is called an Article 4 direction in planning law.

Lord Berkeley: You twice mentioned the concept of holiday accommodation. That turns it into what the purpose of the accommodation is? Is it a holiday or is it to live somewhere locally and do some work or not? Does the definition of "holiday" really come into this or is it just a sort of shorthand?

Huw Maguire: My excuse is it is probably my shorthand. They are not always related to holidays, are they? People use them for work purposes and a variety of other things. It will require all short-term lets.

Baroness Cohen of Pimlico: Mr Maguire, we used to have a holiday cottage in the hills above Llanbedr. All around the coastline of Cardigan Bay, as you will know, there are enormous great standing caravan sites on which people live year round. Are these included in your statistics for anything—permanent homes, lets, holiday accommodation? Are they included in your numbers?

Huw Maguire: I am not an expert on tourism, but my understanding is that you are not allowed to reside in a caravan year round in any case. They are holiday parks, are they not, so they do not have the same

effect? My understanding is that they would be caught separately. Sorry, I can provide further information should you wish, but that is my understanding.

Baroness Cohen of Pimlico: I think I know for a fact that these are standing sites on which people live year round legally.

Huw Maguire: They would be—I am trying to think of the word, forgive me—not mobile homes but—

Baroness Cohen of Pimlico: Static caravans in which people live year round legally.

Huw Maguire: Yes, they are counted differently, are they not? They are the subject of a different legal framework.

Lord Berkeley: The question is whether they have planning permission for this. Maybe you know, Baroness Cohen.

Baroness Cohen of Pimlico: No, I do not know the answer to that question. I wonder whether they are included in the statistics at all.

The Chair: It does not sound like it.

Baroness Cohen of Pimlico: If so, there is a whole lot of accommodation that is not accounted for.

Huw Maguire: I do not think they are in the statistical information I have just provided for you.

Q37 **Lord Grocott:** We have read the paper that was included with our documents this week. Do local authorities in Wales have sufficient powers as they stand to deal with some of the issues that you are describing? Do the Welsh Government need to do more? What is the balance of responsibility between the Welsh Government and local authorities?

Huw Maguire: That is a good question. We recognise that the prevalence of second homes and short-term lets is not an all-Wales phenomenon. It is often not even an all-county phenomenon. It is very varied across our local authority areas. Also the way that local authorities view the phenomenon will be different; some authorities will take a different perspective on tourism, sustainable tourism and so on.

Our approach has been broadly to give local authorities more discretion in how they approach those issues in a local authority area. All local authorities or local planning authorities, where they have the evidence, will be able to change their planning approach, including requiring planning permission, effectively, to change from primary to secondary or to short-term let properties.

There are powers for all local authorities to apply a council tax premium on second homes and/or long-term empty properties. At the moment, a local authority can charge up to 100% of the normal council tax, if I put it that way. From April next year, that increases and the discretionary

power will be to charge up to 300%. We know that Gwynedd Council, Cyngor Gwynedd, has already consulted on that basis and we will see what decision it reaches.

We have also changed the thresholds for properties to enter the non-domestic rates/business rates system. I think that the UK Government have recently changed their laws or are looking at changing the threshold, so you will have to make your property available for 140 days in a year and let it for 70 days in that 12-month period, which is currently the situation in Wales, but from 1 April next year that will increase. Premises will have to be available for 252 days of the year and let for a minimum of 182 days in that period otherwise they go into the council tax system including, albeit for any exemptions that apply, they would go to the council tax premium system. The sort of exemptions that apply to that are where there are planning restrictions that prevent a property from being lived in for a 12-month period. They would then go back into council tax at the normal level. Local authorities also have a degree of flexibility around how they apply and where they apply premiums and they have some discretion as well.

We have brought about a number of things since the statement by the Minister for Climate Change last November, which identified what we called our three-pronged approach to addressing the issues of large concentrations of second homes and short-term lets. That is around changing the planning and the tourism and licensing systems, making a fair contribution to our taxation system, and some of the practical support that we are putting in place to ensure that people can afford to live locally, whether through buying properties or renting them in their home communities.

Lord Grocott: That is very helpful, thanks.

The Chair: I will ask a supplementary on that. Presumably this is imposing quite a lot of administrative burden on to the local authorities that have to implement it. Have they welcomed this, and do they need any more resources to make it work in practice?

Huw Maguire: That is a good question, thank you. We are working particularly with Gwynedd Council and with Snowdonia National Park and others at the moment to put in place a pilot area. The pilot will look at the range of things that we have put in place to assess whether they allow local authorities more leverage to address future numbers of second homes and short-term lets and what the consequences are of doing that—does it have any impact on affordability in the area?—but also to tease out what the operating costs are. An immediate issue with day-based criteria for short-term lets and/or second homes is that requires monitoring and enforcement.

We are working with Gwynedd Council to work through what those costs might look like and then to share that information and knowledge across the piece. We will have a better understanding of what evidence is required, what resources are consumed in the decisions that local

authorities make, and will report on that and the impact that it has had. There is an issue, potentially, around displacement of a problem. If higher rates or different planning systems exist in one part of the county or only in the whole of county that might have an impact on neighbouring authorities. We want to tease out what happens to the mass of the numbers as those decisions are implemented if that is the decision that local authorities reach.

Q38 The Earl of Lytton: Mr Maguire, good morning. I ought to declare an interest before asking my question. I have over 40 years' experience in the private rented sector and the holiday letting sector. I am also a practising chartered surveyor.

My questions fall into two parts. The proposition is that the growth in short-term lettings depletes what I assume to be the assured shorthold tenancy provision in the private rented sector. That of itself increases the gap between the capped local housing allowance and market rates, the local housing allowance having been capped, as I understand it, since 2020 and market rents continuing apace. That being the case—and please correct me if I have misstated that—how many new assured shorthold tenancies in the private rented sector for continuous residential occupation would be achieved by the Welsh Government's proposals?

In connection with that, has a sensitivity analysis been carried out and, more particularly, an analysis of what we might call the drivers behind those who are in this sector, the drivers behind owners' decisions? Secondly, assuming that private rented sector ASTs became more plentiful as a result of this policy, what proportion of the new occupants do you think would be economically independent and therefore self-funding, as opposed to being LHA-funded? Put a third way, how many would be affordable by reference to your criteria? I am sorry to ask two, but it is quite important that we unpick what the Welsh Government think will be achieved by these measures.

Huw Maguire: I am not sure, with apologies, that I can answer your questions with the level of detail that you might benefit from. Broadly we are looking to ensure that rents are affordable. There is a small reduction anecdotally, and I think it is supported to some degree by the available data that there is a move from the PRS into short-term letting but that is quite small. Particularly in Gwynedd it is very small. There have always been large proportions of short-term lets versus PRS in the Gwynedd sector.

We have had information from Rent Smart Wales, with which landlords are required to be registered, on where people are no longer a landlord and the reasons for their departure from the PRS, but very few landlords have notified Rent Smart Wales that they have converted their rental property into a holiday let or to a second home. They have tended to be landlord-to-landlord sales, or they have just gone out of the market and because of whatever reasons they have sold the property to achieve a profit.

We are doing some work through Leasing Scheme Wales, which aims to work with people who wish to turn over their properties, particularly where there is a risk of homelessness. Landlords would be offered up to five years of LHA tenancy, a short tenancy, in those areas, and the property is returned to them at the end of the tenancy in at least as good a condition as it was handed over at the start. There are opportunities in the market to stabilise and if your aim is perhaps to avoid having to pay council tax premiums, for example, council tax would be paid by the tenant rather than by the landlord, so there is an opportunity there.

But I am afraid that I do not have any specific figures to give you on that. I am sure we could try to write back on that situation if that would help.

The Earl of Lytton: I think it would help to understand what is going on. It seems to me that there is a considerable dearth of statistical information. I know a lot of it is derived from inside Airbnb, which of course is only one platform among probably lots. I do not know how many operate in Wales. Without understanding the motivation of lessors of property, it might just as easily be that the short-term letting is getting their property to what you might call a near point-of-sale status, which gives them the maximum flexibility. The question is whether they exit back into conventional lettings or whether they end up on the market freehold to whoever wishes to purchase them. I think that getting behind what the motives and the drivers are would be pretty important before serious implementation of a policy like this is unrolled.

Huw Maguire: Overall, the broad thrust of our aims is to provide local authorities particularly with levers to manage and stabilise numbers of short-term lets and second homes. The powers that we are giving local authorities provide more leverage to control future numbers. It will not have a retrospective application.

The Welsh Government's position on taxation is that properties providing self-catering accommodation should be classed as non-domestic only if they are let out on a commercial basis for the majority of a year and that those properties otherwise should be liable for council tax. It is about making a fair contribution where those properties are not used for long periods of the year. It is available housing stock; it is not a maximal use of residential property. We are trying to balance that as well as making sure that the properties that are let out make a fair contribution to the host communities and local economies. That is why we have taken some of the actions that we have.

I am sure that you will be familiar with the accusation that people flip properties. I think my finance colleagues would probably flip themselves if they heard me describing it thus, but moving out of the council tax system into the non-domestic rate system and then getting full rates relief is an emotive issue. Increasing the thresholds ensures that people are making an appropriate contribution either through taxation or through the visitor economy genuinely benefiting from periods of short-term letting.

Q39 **Baroness Thornhill:** Thank you, Mr Maguire. I am particularly struck from everything you have said that it all hinges on evidence and data gathering. I think that the committee is coming to the decision that this is key to anything that happens, effectively.

I am particularly concerned and interested in the changes to the planning regulations that allow for new planning use classes. The changes have not taken place yet as it is from December 2022, but I am curious about how this will work as a control mechanism. If I have to apply for planning permission, how effective will that be for a local authority to decide whether it is a whole area, a small area, a whole housing area? How are they going to decide? Is it an embargo? Is it like an Article 4 direction? How will the actual logistics of it work, particularly in light of the fact that under permitted development rights they have become considerably liberalised? I am interested in the mechanism of it. I think one of the main aims that we have not talked about is bringing more homes into use for low-wage people in the community so that the community can function.

Huw Maguire: Thank you for that. The planning regulations came into force on 20 October, just last month. We are working, as I said, with Cyngor Gwynedd/Gwynedd Council, Snowdonia National Park and local planning authorities. One of the immediate issues is that we do not have much in the way of precedent for this in the UK, much less further afield. We have done some research, and data, as you rightly point out, is always a challenge.

The changes that we have brought into place establish that for the use class order there are three types of property: a residential property—primary residence; a secondary property, so a second home, but you could obviously own more than one second home, hence the nomenclature there; and a short-term let. You can move freely within those use classes in areas, either the whole of a local planning authority or a prescribed area within it save where the Article 4 direction applies and you need the evidence then to support that.

I mentioned Dwyfor, which is the Llŷn peninsula, and Porthmadog and around there. You could say, for example, that Abersoch is an Article 4 area, or you could say the whole of Dwyfor or Gwynedd is. There would be potentially issues for a local authority to consider, but generally there are pockets of saturation within a local planning authority area. There will be parts of Gwynedd, for example, where there are very few short-term lets, very few second homes, but as a proportion you are talking about nearly 20% across the whole of Dwyfor, which masks that there is up to 50% in Abersoch. It would be for the local authority to look. We are supporting them to build an evidence base. It is for them to make the decision, but we want robust evidence.

One of the key issues for us, particularly in Wales—and we looked at the Scottish model—is the sustainability of the Welsh language as a community language. One of the reasons we put our pilot study in Dwyfor is it is a Welsh language. We will look at the results of the census but it is

an area of particular linguistic sensitivity. Changes demographically affect it very much linguistically. It is incumbent on planning authorities to look at the Welsh language and include that in the decisions that they reach.

That is perhaps where we distinguish ourselves from other parts of the United Kingdom. The Scots have their planning restriction areas, planning control areas, but that is around short-term lets not second homes, and it does not take account of Gaelic. That is my understanding. I will tell you later because I am talking to Scottish Government counterparts this afternoon. Does that put some flesh on it?

Baroness Thornhill: What I was really getting at was whether the local control is as wide as a total embargo. In other words, it is no good me even thinking of doing short-term lets in Tenby, for example, or is it more fluid to allow, "I will try; I will go for planning permission. If I get it, I may get it"? I wondered how fluid or how restrictive it is, but you are saying that it will be more down to local control.

Huw Maguire: It will. I am sorry if I have misled you, but it would be for the local authority to apply the direction. There is nothing to stop somebody seeking a change of use but it would be down to local circumstances, the saturation in that particular area and what the changes have been recently. It would be for local authorities to make effective planning decisions on the basis of the intelligence that they have and their policy decision.

Baroness Thornhill: I would agree with that, but they need the evidence.

Huw Maguire: They do.

Q40 **Lord Stunell:** Thank you very much, Mr Maguire. You have given very interesting evidence and the written report was very helpful as well. I will pick up a couple of points about the pilot study that is being conducted.

You have put the Welsh language into the discussion, which perhaps makes it more difficult for us to have proper read-across to the rest of the UK, or England anyway. What is the timescale for that? How soon do you think the pilot will show the trend that would allow you to say that you need to tweak it or accelerate it or whatever? That is in the context of you saying it is not retrospective, so Abersoch will still have 50% after the end of the pilot and presumably what you will be measuring is the marginal change from 50% upwards rather than a long-term trend in the other direction. Is there any sort of policy hope or expectation that in the longer term the impact of the policy will be retrospective, in that people will drop out of the market? There is an element of retrospective policy there if somebody drops out and then somebody else reapplies when they have bought it.

Can you explore that a little bit for me and particularly how soon we can expect to hear from you that it succeeded or it did not or something needs to be tweaked?

Huw Maguire: I will try to unpack that for you. The powers are not retrospective and it is the data challenge again, is it not? I know that there has been a reduction over the last four years. Year on year, there has been a reduction in the number of second homes in Gwynedd, for example, but we do not know the reason why: is it people flipping to short-term lets? Property level data will help us to understand that, as will talking to estate agents where we are seeing that people are looking to sell second homes because there is a potential deterrent or distaste for higher taxes, which I think might be readily understood, and similarly for incoming properties, so that we understand that there is less appetite for mortgages for second homes in that particular area at the moment.

The pilot is how long is a piece of string. One of the issues around the planning changes that we have made is local planning authorities would have to give a year's notice of an intention to apply an Article 4 direction. They would need to consult first and then give a year's notice, otherwise they are liable for compensation, as I understand it, against the loss of future sales value in that respect. That means that we will need an area of 27,000 people to see how the impact on sales plays out, whether we can parlay that into a Wales-wide scenario, but hopefully it gives us enough information to test what the operational and the real consequences of planning decisions will be. We are piloting it. We have taken what are described as radical and immediate steps to address what is called a housing crisis in that respect, but it is without precedent, hence the attraction of an evaluated pilot.

We will be baselining the current data that we have around the types of properties, the value and all that to see over time whether we are making a decisive difference, but of course there are economic and other factors implicit in that. For example, we need to understand better the recent and potentially ongoing increases to the Bank of England base rate on properties and their impact on mortgages. Similarly, we will want to understand where there are planning restrictions that impact on mortgage providers' taste or appetite for lending, so they might apply higher mortgage terms or higher-than-normal interest rates where there are planning restrictions. We have looked also at local authority mortgage schemes, which are vehicles open to local authorities across the UK. That is a commitment to explore with local authorities the benefits or otherwise of local authority mortgages. We are looking at other options at the moment to try to get a sense of how we can support people with affordability.

Lord Stunell: There is obviously a risk anyway of various sorts of gaming of the system as it changes and you are basically saying that you do not know the outcomes of that gaming. Do you have in mind that this will be done in six months or six years? Could you give some kind of scale of how long this pilot will be? Does that imply at least that other local authorities will be expected to wait until the outcomes are known?

Huw Maguire: I do not think they will be expected to wait. The evaluation that we are undertaking will include action learning, trying to

have some real-time learning and share that nationally. The pilot has to run for at least a minimum of two years from now, but I am seeking from Ministers decisions about long it will run to take account of the planning decisions. For example, we absolutely want to have reasonable periods beyond the introduction of an Article 4 direction, if that is what Gwynedd decided to do, to get a sense of how many properties have been affected and whether that changes seller behaviour within the lifetime of the pilot.

I do not have a definitive end date for the pilot at the moment, but I am guessing it would have to be in excess of two years from now. We will be sharing the information on the outcomes. We are committed as a government to providing a six-monthly update on the work of the pilot and that will be reported to Senedd Members from next month for the first of the six-month periods. Every six months we will have something to say about what is happening in the pilot area and how the laws and the powers are being deployed, with a hopefully burgeoning sense of the impact it is having.

Q41 Baroness Eaton: Before I ask my question, I should declare an interest in a part ownership of a holiday let in North Yorkshire.

We have heard quite a lot about the local authorities, the options that they may have, and the outcomes and the data. The one thing you have not told us is how the sector has responded to the new regulations.

Huw Maguire: The tourism sector?

Baroness Eaton: Yes. Well, the owners of the properties and the sector.

Huw Maguire: As you might expect to hear, they are not terribly keen on paying more taxes or incurring more costs as a sector. I think sometimes the sector is feeling a little bit the subject of radical change, such as the proposed introduction of a tourism levy in Wales and the increased thresholds. To be frank, a lot of owners will say that they will find it difficult to meet the actual letting threshold, the 182 days minimum in any 12-month period, but there are competing voices in that. Some of that will be around potentially oversupply in the market, about quality and about additional cost to increase standards—I do not think you will hear any Minister apologise for requiring that all short-term let accommodation reaches a particular standard.

We have worked with Airbnb on some of this. I think its position was that it preferred statutory registration rather than statutory licensing. There is obviously interest in how much a licence would cost individual operators. There is a lot of questioning about the actual form that licensing takes. That is subject to the consultation that I mentioned is going live from December, and there will be further announcements about that. Suffice it to say that there is some disquiet about an increase in thresholds. There was an issue about particularly farm diversification and barns that are being converted. That is one reason that we thought very carefully and listened and made changes to the guidance or amplified it, so that it was clear that where there were planning restrictions in place, while you might go back into the council tax system, if you did not reach the

threshold you would be inured against council tax premiums. There still exists a degree of flexibility for local authorities in how they apply or where they apply council tax premiums, but the principle is that businesses should pay tax and should make a fair contribution to the communities.

Baroness Eaton: I suppose that “fair” is how you identify a fair and affordable contribution, but thank you.

Q42 **Baroness Bakewell:** Mr Maguire, thank you very much. I am interested in to what extent you think what Wales is doing might have lessons for England, but before we do that can I ask for a broader insight from you about the political background? I speak as a journalist who once went to Wales to report on the burning down of second homes by the Welsh, who objected to incomers stealing their country and damaging their school chances of keeping the Welsh language alive. We have come a long way from there but none the less I would like to know what political tensions remain underlying that. I think that Baroness Thornhill referred to the host community having anxiety about this. We embarked on this inquiry because word had reached us that certain enclaves of the United Kingdom were being taken over from the host community and they objected to it. Can you give a thumbnail sketch of the political situation?

Huw Maguire: I will certainly try. The commitments that have been made by the Welsh Government are in partnership as features within the co-operation agreement between the Welsh Government and Plaid Cymru; for example, the commitment to a visitor levy, a commitment to taking radical immediate action around controlling second home numbers or capping second home numbers. Those are politically driven commitments.

My own involvement with second homes began during the Covid restrictions, on which I was working. There was certainly discernible disquiet in some communities that there were infractions of the travel restrictions at that time. You will remember from your own journalistic work that it goes much further back than Meibion Glyndŵr. There is Phil Bennett’s speech when Wales played England—that people come and buy your properties and live in them for a weekend every six months, I think was the phrase in 1972 or whenever it was.

It is a long-running issue but I think it was probably given more energy during the Covid restrictions. It was about people coming into communities. Then there is the cost of living crisis and property price increases. That people could live in any part of the United Kingdom and work from home created an increase in property prices. Although Wales has seen significant increases in property prices, they are probably from a lower base than in other parts of the United Kingdom.

Baroness Bakewell: Yes, I appreciate that, but given your name and your background, you will recognise that there is a continuing tension here. I wonder to what extent it is increasing or whether it is simply being homogenised into a general United Kingdom point of view. Do the

Welsh mind?

Huw Maguire: It depends on who you ask, obviously. I am talking to you from Merthyr Tydfil this morning, where you will not see many second homes. I have travelled here from Brecon where I live and there is a number of second homes; it is a significant tourism area within the Brecon Beacons. It depends. Brecon is not a particularly Welsh-speaking area. I think people feel the impact on their language particularly strongly and there is a commitment to increase the number of Welsh speakers by 2050. To do that and to retain Welsh as a community language means that people have to be able to go into their shop or their bank or their baker, where those exist, and converse in Welsh. I think they feel in some parts of Wales that that is compromised by changing linguistic and other demographics.

Q43 **Baroness Bakewell:** Now let me ask you whether you think we should adopt some of the systems that you are adopting, such as the council rate premium increase and the statutory licensing. Do you think that would suit England as well?

Huw Maguire: I hesitate to give you an answer to that, if you do not mind. I am chairing this afternoon an informal meeting of the four Administrations. We do talk to each other. We have been interested in the Scottish approach. They have been the first to move to statutory registration and Northern Ireland has a different system again. We talk to DLUHC and others about where they are potentially moving. The potential solutions that we are framing probably apply to us to take account of our linguistic uniqueness in the United Kingdom sense, so it will be interesting. We have looked at the Lake District, St Ives, which will be familiar to you, and some of those areas.

Baroness Bakewell: And Scotland.

Huw Maguire: Scotland, absolutely—huts in Scotland. Some of the Scottish legislation applies only to short-term lets but not to second homes, so there are different experiences in different parts of the United Kingdom. It is for each of those Administrations to frame the problem, if they consider it to be so, and to think about the solutions that they wish to deploy. I know that some of the other United Kingdom Administrations are keen to talk to and learn from us. We have taken a bold position on some of this but we make no apologies for not having definitive answers. We want to see how these play out and what the practical implications are, hence trying to pilot in the first instance. We will be sharing that learning as we unpick it.

Baroness Bakewell: Thank you. That was a very discreet answer.

Q44 **Lord Best:** I wonder whether any estimate has been made of the number of properties that if you pile on the pressure just remain empty between being used as second homes. It does not necessarily follow, does it, that if one taxes or makes it very difficult to register with Airbnb and do a short-term letting that you will switch under those pressures to

a permanent letting? You have 23,000 registered with Airbnb and the other three agencies. Quite a lot of those 23,000 were people who probably had a second home already and decided to let it at the time when they were not using it themselves. Will they just leave it empty if in England we followed your example and made it quite difficult?

I think that these lettings are not quite as lucrative as the paper from the Bevan Foundation implies. Although the gross rents are obviously far more for short-term lettings, the costs that you have to deduct are an awful lot higher. You have to pay Airbnb for a start and you have to pay some fees and marketing costs. You have extra management and maintenance; people have to come and go a lot. You have laundry and that can add up. You have people going in and cleaning the place between the lets. You have all kinds of things like the television and toilet rolls and goodness knows what. It is whether one can drive too hard a bargain and people will revert to having second homes but not letting them through Airbnb or in any other way if the pressure is too great. What do you think about that, Mr Maguire?

Huw Maguire: The issue of empty homes is a live one. I think for the first time in four or five years the number of second homes exceeds the number of empty homes in Wales. It is not by a huge number and the numbers are fluid in any case. They tend to be there or thereabouts, but we have taken a range of measures around how to control empty homes.

The broad principle is one of trying to use residential properties to their maximum effect. Having properties that could be residential used for long-term lets or for primary residences is impacted by the number of second homes and underused short-term lets and empty homes. Since 2017, local authorities have had the power to charge a discretionary council tax premium on both empty homes and second homes, and a number of them already do that. They can differentiate between the levies that they charge on either, but they tend to apply the same on both.

I think that we will be making decisions on empty homes strategies in due course but that is a real issue. If you think that 50,000-odd properties in Wales are either second homes or empty properties, that is a significant number of our housing stock.

Cost is a real issue; obviously there are ancillary costs to operating a short-term let. We are not saying you should not operate as a business or you should not turn a profit, but the principle has to be that you pay taxation on that. One of the examples I saw was of somebody who would not reach the threshold and was earning £23,000 income but getting full rates relief. I am not sure that would not be an investment vehicle I would be interested in, because I am not turning that percentage of profit on any of my investments, I can assure you.

Lord Best: I guess your target is those who have more than one property. If you have only one, it may be that that is a second home, you use it yourself, you are going to retire there or whatever, but if you have

two or indeed many properties, that sounds like someone setting up a business and there is the opportunity for that business to switch to letting long term rather than short term. The proportion of those who have just one property and those who have more than one is about 50:50, is it not?

Huw Maguire: Yes, there are certainly numbers of companies that operate. There are some large organisations that own a number of properties, but again it varies. In the Bevan Foundation report, about 17% of the properties were owned outside of Wales. I hear a lot from county councillors and others that local people own B&Bs, Airbnbs and so on. That is not necessarily the principle about who owns it; it is about the use of that property and whether it marginally decreases the available housing stock for people who wish to live there full time.

Lord Best: If we were to take one thing away and go into depth, it might be the planning approach, but the statutory licensing scheme sounds like the most practical immediate first step, does it not? Do you think that would be at the top of the list for us in looking at the way you are approaching things in Wales?

Huw Maguire: The Minister would not want me to say this necessarily, but the first step should be statutory licensing because that then allows you to have very strong data on which to determine your planning decisions. There is no silver bullet but planning is as close to that as you will get in your arsenal. That turns on the ability to identify with some robustness the saturation, the identification and the location of short-term lets and so on, and your tolerance for that as a local planning authority.

Lord Best: Right, exactly. Thank you very much.

The Chair: Would your requirement for licensing or registration require a landlord to tell you of all the properties they own so that you can link them to one ownership structure? In other words, could they just do it property by property or would they have to do it as a portfolio?

Huw Maguire: It will be licensing rather than registration. I am not entirely sure how the system will work to that level of depth but it would certainly have an attraction that we are able to identify all properties owned by a common owner in Wales, yes.

The Chair: If they owned it through a series of companies, would you be able to look through the company to the ultimate owner of the company?

Huw Maguire: We will need to see the exact shape of the model but potentially, yes.

Q45 **Lord Haselhurst:** The sentiments that I see coming out in almost every document one reads on this subject are: how do you get balance, how do you ensure that the playing field is level? This leads to the question in my mind as to whether it is important that there be a national scheme, in the case of Wales as a separate nation within the United Kingdom or at a

higher level than that, of the United Kingdom as a whole, or whether, because of the intricacies of all the different situations that arise, it is better to take the decision-making power down as far as it is practical to go.

Communities that might have the same statutory position in the system may still have a very different level of problem, but if you do not have some kind of wider national standard the people who are encouraging short-term letting will perhaps simply shift their emphasis to other parts of the country. You may have struck a happy balance in one particular part only to find that the thing is now tilting in the wrong way. What advice would you give us? Is it, yes, it can work satisfactorily—you have a fairly sizeable unit in the nation of Wales—or it ought to be given to a local council, district council or whatever the next level is to fine-tune it?

Another sentiment I have about it is how far we want to go in having such a draconian system that we are being very unfair to the person who is short of money, is concerned about upkeep of property and so on, who suddenly has this opportunity to do it—it is not just one person, it is many people in particular areas—to the point that some of the attractions of the place are diminished. It is self-defeating in the way that a person lets their property short term, getting a bit more income so they can get a nicer steak, upgrade their diet and so on, only to find that the shops have closed because they cannot get the people to work in them because they cannot afford to live in that same particular district. Can you unthresh that for me a little bit?

Huw Maguire: I will try. Balance is one of the watchwords, trying to find an appropriate balance for an issue that is not necessarily the same across all parts of Wales or all parts of local authorities. We have developed a national framework around taxation, certainly local taxation. We have increased the range of powers nationally around statutory licensing, but we are also trying to give local authorities significant discretion and leverage to address an issue however they see it in their own locales and to decide whether they want to apply the planning changes that we have provided for.

We are working with local authorities at the moment on local variation in land transaction tax—we will probably say more about that in the new year. Potentially that could be higher rates of land transaction tax on second homes and short-term lets in certain parts of Wales. It could be all of a local authority area or, with the Welsh Ministers' permission, a part of a local authority area. Some of the decisions around council tax premiums rest with local authorities: the appropriateness of having a premium at all and then the level at which it is set and whether they wish to differentiate between long-term empty properties and second homes and short-term holiday lets, for example. There is a degree of flexibility.

I think I said earlier that the local authorities themselves will take a different view on it. Some will absolutely prioritise the tourism economy, which is fundamentally important to the Welsh economy. It is trying to arrive at a situation that does not impact on the significant number of

people employed in tourism in Wales nor on the tourism economy, but it is also trying to balance that against community needs. We have heard that, for example, there are threats to lifeboats being able to launch because you cannot get people close enough to muster because they cannot afford local property prices and the demographic has changed. That has an impact. Abersoch primary school closed recently. That may be down to other factors, but it is certainly an impact that we see. There are impacts on businesses, the sustainability of businesses. We do not want to see a country where the lights go off in September, October and do not come on for three months, because that is not sustainable for our communities.

There are lots of things to balance in all this equation and it is probably the trickiest thing that I have been involved in. I work across any number of Ministers in the Welsh Government and the First Minister takes a particular interest as well. It is truly a multi-enterprise endeavour, is it not? That is similar when I talk to counterparts in the UK Government and Scotland. It is multifactorial and it is particularly complex.

Lord Haselhurst: In reality, it is money that has to be the way of dealing with it, is it not? It is a penalty or an advantage one way or the other depending where you put it on the scale, but there is nothing else really that is as flexible or as available as making it in some cases more expensive and therefore stopping or controlling it, or making it an advantage to be a resident of some standing in a particular area?

Huw Maguire: Taxation is an important lever, is it not? One would hope that it is not seen necessarily as punitive. We enjoin councils who raise council tax premiums to put that money back into affordable housing solutions, and we are seeing that happen in a number of local authority areas. We have seen the development of affordable housing for local people that has been significantly funded by council tax premiums. Those have had a benefit and hopefully the people who are paying those premiums can see that they are putting something back into that community. It is not just about stick but it is also about helping local people to be able to continue to live in the areas to which they were first attracted.

I talk to individual second home owners particularly who will say, "I love Wales, I love the Welsh language, I have had a home here for 50 years; why am I a problem?" "Well, you are not, you are a very urbane, sensitive person, but it is not you, it is the conglomeration of people." When 50% of that community is now turned over to second homes and short-term lets, I could suggest that is not the area that you were first attracted to and it is not the community that you bought into.

The Chair: Mr Maguire, thank you very much indeed. That probably brings us to the end of our session. It remains for me to thank you very much for being so open and frank with us. I think you promised us some statistics, some numbers that we could nail down a bit, and it would be extraordinarily helpful if you could send them through to the clerk. Other than that, that ends our session for today. Thank you very much indeed.

Huw Maguire: Thank you very much for listening. It was a very great pleasure.