

Agenda – Local Government and Housing Committee

Meeting Venue:

For further information contact:

Video Conference via Zoom

Manon George

Meeting date: 9 February 2022

Committee Clerk

Meeting time: 09.00

0300 200 6565

SeneddHousing@senedd.wales

Pre-meeting (09.00 – 09.15)

1 Introductions, apologies, substitutions and declarations of interest

(09.15)

2 Inquiry into second homes: evidence session 4 – economy

(09.15 – 10.45)

(Pages 1 – 66)

Suzy Davies, Chairman, Wales Tourism Alliance

Daryl McIntosh, Policy Manager, PropertyMark

Sam Rees, Senior Public Affairs Officer – Wales, RICS

David Chapman, Executive Director for Wales, UK Hospitality

Shomik Panda, Director General, UK Short Term Accommodation Association

3 Papers to note

(10.45)

(Page 67)

3.1 Letter from the Minister for Climate Change in relation to the Welsh Government Draft Budget 2022–23

(Pages 68 – 69)

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of the meeting

(10.45)

Break (10.45 – 11.00)



- 5 Inquiry into second homes – consideration of the evidence received under item 2**
(11.00 – 11.15)
- 6 Consideration of the Supplementary LCM on the Building Safety Bill**
(11.15 – 11.45) (Pages 70 – 80)
- 7 Consideration of the forward work programme**
(11.45 – 12.15) (Pages 81 – 87)
- 8 Update on the implementation of the Renting Homes (Wales) Act 2016**
(12.15 – 12.30) (Pages 88 – 90)

Document is Restricted



WTA Response to the Welsh Government 'Local Taxes for second homes and self-catering accommodation'

Consultation Response

Wales Tourism Alliance

Company No: 4449548

1. Industry Representation

The Wales Tourism Alliance

The Wales Tourism Alliance (WTA) is the recognised over-arching representative organisation for the tourism industry in Wales, liaising with and coordinating the

views of all concerned and informing and working with Government at Westminster, Cardiff and at Local Authority levels.

The WTA also acts as an intermediary between Government and all involved in tourism, disseminating information to the industry via our member organisations and working with colleagues in organisations in other parts of the UK.

The membership of the WTA includes sectoral, national, regional and local representative bodies comprising accommodation (hotels, small serviced, holiday parks, touring caravan and camping sites and self-catering cottages), attractions, activities, training and skills, tourism guides and transport.

The Wales Tourism Alliance is a pan-Wales umbrella group currently with 23 member organisations and forums resting within its general membership. This amounts to around 7,000 working operators and means WTA contacts and representatives are now found in every part of Wales.

The WTA therefore works with and on behalf of operators ranging from major industry players from across the UK to the numerous micro-businesses that make up so much of the tourism industry.

To achieve this the Wales Tourism Alliance brings together the most powerful private and public sector partnership of tourism industry interests in Wales, including some of the biggest industry members in the United Kingdom who add their voice to ours in Westminster as well as in Cardiff.

In that capacity the WTA remains committed to 'working together' with partners on an honest broker basis, only possible due to our trusted status and unique way in which we are supported. The Wales Tourism Alliance provides the mechanism to make a reality of the partnership concept.

The WTA Response

Position Statement - Whilst there has been considerable coverage and debate about the availability of affordable housing in Wales, the WTA considers that this is an issue that relates to second homes and not to legitimate self-catering businesses. If the definition of what constitutes a self-catering business can be agreed then we believe that Self Catering Businesses should be removed from the debate.

When it comes to impact on the Welsh language, the Brooks report is clear that commercial holiday lets are not, in themselves, a threat. The closure of local services such as buses, post offices, village schools - *which happens in smaller communities across Wales, not just holiday let hotspots* - has arguably had a greater impact on the viability of local communities than the commercial holiday letting of converted barns or derelict cottages.

If a self-catering business is registered for Non-Domestic Business Rates and the VOA is satisfied that:

in the 12 months prior to assessment, it has been available for letting commercially as self-catering accommodation for short periods totalling 140 days or more; and it has actually been let for 70 days, then it is currently regarded as a business. Genuine self-catering business premises should be excluded from any proposed changes to council tax or limits on numbers of second homes as they fall outside the scope of domestic taxation and housing provision.

Furthermore, we argue that such premises be excluded from liability to any further form of tourism tax. Concerns about second homes are most accurately characterised as challenges of housing supply. Imposing further taxes on that part of the economy which would allow more people *to work* as well as live in their home communities misses the point that self-catering businesses support service sector jobs both directly and indirectly.

It is worth pointing out the distinct danger that a genuine self-catering business will end up paying five levels of taxation to respond to the unrelated challenge of housing supply:

- income tax on earnings from the property;
- Non-Domestic Business Rates;
- VAT
- Capital Gains Tax on disposal
- Potentially a future Tourism tax

It would also be poorly targeted and is neither just or proportionate and will see many businesses close. A potential further bedroom tax (as that is what is proposed) does nothing to address pressures on over-visiting by day visitors in a limited number of identifiable honey pot destinations. If we are to continue to grow the number of longer stay/higher spend visitors, who contribute more to the local economy, then we are confused by the suggestion of a tax which threatens that very area of supply and demand. A distinct and unique tax, regardless of actual quantum, forces up prices charged, skews the message of welcome, depresses demand and ultimately depresses the local economy.

The WTA does not support a local authority managed/run tourism tax. We have no confidence that it would be disaggregated for tourism mitigation or support. Should receipts be ringfenced, it is entirely foreseeable that this will result in displaced spending within the RSG; existing input from Welsh Government for destination management will either be spent on other local government priorities or diminish/cease altogether.

While the position is still not entirely clear, it looks as if local authorities will receive direct Prosperity Fund monies without coming via Welsh Government. We would hope that councils can work together, as well as with the industry, to support destination management.

As the first six questions relate to second homes, we have limited our replies to question 6 to 14 only.

Question 6 - What do you see as the impacts, both positive and negative, of self-catering accommodation?

The impact of the self-catering sector is overwhelmingly positive, particularly after the savage economic impact of the recent CV-19 pandemic. Firstly, it is worth pointing out that self-catering has proven to be one of the safest ways to take a holiday and nearly 40% of our visitors have been from Wales during the pandemic. While this has been a busy staycation summer, we recommend caution in assuming extraordinary levels of income based on a honey pots and coastal areas. Many inland or isolated properties have not witnessed the same level of business as proven in the recent

Visit Wales Business Barometer research report. We would not like to see the introduction of a new taxation system based on a spurious boom!

It was recently found that over 50% of self-catering properties, many located on the same property as the owner's home dwelling are owned by people in Wales. This can be a single unit bringing in a proportion of the family income, providing part time self-employment and, in some cases, work hours for housekeeping services. Bigger businesses with multiple units provide regular housekeeping employment locally, much of it for women and young people, as well as property repairs for building firms. There is also the contribution made by staying visitors to local shops and hospitality businesses, without high levels of demand being made on local health, education and social services.

Properly registered self-catering properties contribute to destination management through the payment of NDB rates and associated higher costs of services e.g.; waste collection. They also provide the data to assist local authorities to plan their destination management - and their housing supply targets.

Question 7 - What are your views on the current criteria and thresholds for defining property as self-catering accommodation and liable for non-domestic rates?

The WTA membership generally agrees the current criteria and thresholds need to be reviewed to avoid the ability of second homes owners being able to flip out of paying Council Tax and thereby take advantage of small Business Rates Relief and pay nothing to the community. ***The WTA gives no support to property owners who are playing the system for tax avoidance purposes.*** Without this revenue contribution it is recognised that there is a growing resentment by legitimate self-catering businesses, the community at large and a loss of revenue from 2nd home owners to support vital services within the community.

However, whatever the new tax it should be aimed squarely at second home owners we do not wish to see the collection of a new tax falling unfairly on property-based (job-creating) businesses at a time of potential hardship for many.

Across Wales only 7.9% of trips involve an overnight stay. If councils want to lower costs associated with visitors and to maximise the benefits to their local economy, it would make sense to encourage a higher percentage of overnight visitors to their destination.

However, increasing the cost of accommodation produces the opposite incentive – the higher cost of accommodation encouraging people to undertake a day visit rather than to stay overnight. This maintains the costs associated with visitors while reducing the revenue (and therefore employment) associated with visitors.

Question 8 - Do you think the self-catering accommodation thresholds should be changed and, if so, why?

We recognise the current system is unsustainable and needs to be changed. However, we must have parity with England. With such a porous border with England, businesses here may well be at a commercial disadvantage. We recommend Welsh Government seeks to establish the same or a similar position with Westminster as to the direction of any new criteria or threshold.

Question 9 - If the self-catering thresholds were to be changed, what do you suggest the new thresholds should be?

The number of days to qualify as a business needs to be re-assessed. Letting for 70 days out of 365 works out as only 19% occupancy on an annualised basis. Very few of our WTA DMOs would tell second homeowners that they will only achieve 19% occupancy in a 'normal' year. We note that HMRC currently has different thresholds for Furnished Holiday Lets which may be more appropriate. These criteria that must be fulfilled for a property to qualify as FHL.

Question 10 - What are your views on the eligibility of self-catering accommodation for Small Business Rates Relief?

Legitimate tax paying self-catering accommodation or furnished holiday lets are a business indeed in the recent report Economic Impact of Self-Catering Sector to the Welsh Economy (ASSC/PASC, August 2021) it found that 7895 properties account for £173 Mn worth of spend.

Our members understand their responsibility to contribute to the public purse, both directly through fair and non-discriminatory taxation, and indirectly through job creation and ancillary spend in other businesses. However, there still appears to be a body of opinion that lack the understanding as to the time and costs involved to market, service and maintain a self-catering unit. You cannot simply hand a key to a private individual and walk to the bank. These are businesses, and must be distinguished from second homes and casual lettings.

The very nature of earning a living in Wales means that our rural population in particular, cannot rely on a single source of income. Self-catering businesses fill a much-needed gap. Indeed, farm diversification, for example, has been actively encouraged by successive governments, with derelict or disused farm building conversions naturally favoured for commercial purposes rather than homes due to their location.

By their very nature, micro-business (and most are) are vulnerable to additional cost and administrative burdens. Whilst we want to see a fairer sustainable system, we do not wish to see this as a mandate to simply increase the tax burden on legitimate self-catering businesses.

An increase in local taxation will simply make many self-catering businesses unviable with a loss of revenue from both income tax and NDB rates. If the consequence is more property entering the local market, it would be a mistake to just assume that this will be snapped up by local first-time buyers. Sellers will want to recover the cost of their investment - no local authority should be seeking to introduce negative equity into their communities - and properties are just as likely to be bought by someone who will use it as a second home: the reverse of what is intended by this consultation.

Better these businesses are kept as part of the local economy and, therefore, SBRR is an appropriate incentive. Self-catering operators already attract money into the RSG, and pay toward the cost of visitors, via the enhanced population consequential paid through the annual local government in Wales settlement.

Question 11 - Are there other ways in which you think the local tax system could be used to the support the sustainability of our communities?

It is also worth recording that, following UK government policy before the crash and when the stock market was sluggish, individuals were encouraged to make property-based investment (SIPPs etc), through purchase or inheritance. This means that there will be owners of self-catering businesses in their own localities, for whom this is the only source of income beyond a state pension. If we are talking about sustainable, inter-generational communities, we need to be thinking about all ages, not just the young. Further taxing those who have no other source of income should be a consideration, especially as there are now questions over the security of the triple lock on pensions.

Whilst we still see the need for capital investment in a balanced visitor economy, we do understand that public sector resources are set to continue diminishing and that someone has to contribute more. There needs to be a move toward more creative partnerships based on destination business plans which truly identify the product available (i.e., no of beds; tickets, etc) and establish what is required to build a balanced, sustainable 'tourism community' product and sell it. Unfortunately, we recognise that the current package travel regulations set up to protect consumers from airline package-based holiday failures has had a detrimental effect on local products as an unintended consequence.

Financial support for capital investment and product improvement by business assists everyone; its effects in a community are social (wellbeing, economic security, locally based career paths) as well as simply financial. A successful small business provides employment, self-employment, income or corporate tax and, of course, NDB rates. It also helps retain a permanent population who need a school, not just a shop, and where developers look more favourably on providing appropriate-sized housing developments with a proportion of affordable homes or occupation restrictions, and through-life properties.

The current level of Welsh Government support for capital investment in the industry from all its various support schemes has been running at around £10 million annually. This industry's capital investment is overwhelmingly supported from its own retained profits and bank borrowing, but innovative new tourism businesses, which will contribute to the over-all tax take, will not get off the ground without some government investment.

There have been good examples in recent years of such support, modest in scale, being crucial to the success of the development of new tourism businesses. We therefore propose that, post CV-19 and Brexit, the industry should have a specific allocation of funding linked to the Development Framework to support capital investment and product development in tourism businesses. Our members are keen to work with Welsh Government to identify ambitious, but realistic KPIs to accompany such funding.

The scheme rules should reflect the fact that the industry is mainly composed of micro businesses, mostly owner managed. An earmarked, easy to access development tourism fund of double the existing annual spend would not be out of place bearing in mind the £2.7 billion contribution of the industry to GDP and the acknowledged potential for further growth. Other regions and nations in the UK will also be looking at post covid recovery and growth, this investment needs to be swift lest we lose further ground post the Pandemic.

There is a case to explore in relation to larger businesses that have received public funds within the last five years and whether they should receive further government funds. Clearly it looks good for governments to reward already successful large businesses and point out the guaranteed success as one of government's making. Anchor businesses are just part of a joined-up tourism infrastructure: the inevitably fragmented nature of a micro-business sector does not exclude it from strategic investment. It is these businesses which are embedded in the community and are part of the circular economy.

Notwithstanding the over-tourism in specific locations, which needs a targeted remedy, the scope for growth in the visitor economy across Wales is under exploited. There is just as much under-tourism in Wales. It can grow in partnership with communities, add to their viability, and in a way which retains wealth. Micro businesses are not responsible for extracting money into distant big business coffers and they are the perfect contributors to the circular/foundation economy models. Don't tax away the opportunity.

Question 12 - We would like to know your views on the effects that these proposals would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English. What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

That Wales is bilingual is a USP for all businesses in Wales, not just those in this sector. We are inclined to agree with the Brooks report that it is not self-catering businesses which limit opportunity for the daily use and treatment of Welsh. In helping provide work opportunities and ancillary spend in other businesses, they contribute to the viability of a community.

We are keen to play our part in achieving the 2050 target and very much welcome bilingualism in the workforce, reinforcing Wales's unique offer and supporting the living language in communities where it is an intrinsic part of their life and character.

Question 13 - Please also explain how you believe the proposed policy approach could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

As we have had over 20 years of compulsory teaching of Welsh in our schools, we can see the argument for the communication elements of all post-16 vocational courses for front-facing careers to include sector-appropriate Welsh; for many it is a question of confidence not ability. We also welcome the work of Coleg Cenedlaethol Cymraeg to support Welsh medium courses post-16.

We also welcome the work being done with businesses to help them increase Welsh-speaking capacity in their workforce, but recognise that unless the business incentive/benefit is clear, such work may not see long term effects.

Question 14 - We have asked a number of specific questions. If you have any related points which we have not specifically addressed, please use this space to record them.

Exceptions to the rule: We obviously do not have a clear understanding as to what the Welsh Government conclusion from this initial research will be, but there are several areas which we feel need additional consideration:

- Properties that have planning permission which specifically allows them to only operate a property for self-catering, i.e., it cannot be used as a permanent dwelling without further permissions and/or additional development. For example, a barn suitable only for seasonal use.
- Buildings used within the curtilage of a listed building inhabited by the owner whereby the self-catering business generates income that supports the occupants and the listed building.
- Start ups that may not reach any new threshold within a given amount of time for example 3 years.

Tourism Training: EU nationals have played an important part in some sectors of the industry in Wales, as elsewhere in the UK, and they will continue to be needed. Our colleges and universities are playing a vital role in training for the needs of the industry and to cover the shortfall. There should be closer liaison with tourism businesses to maintain the relevance of the courses on offer and to develop programmes specifically tailored for the needs of the owner/managers of tourism businesses.

We value the training put in place in partnerships between post-16 education providers and large hospitality operations in particular, but there is also scope, with the new curriculum to introduce the idea of a route to a well-paid and rewarding career in our sector at an earlier age. Too often it is hidden from sight as an option for high achievers, and often overlooked as an incentive to improve the uptake of modern foreign languages.

Funding support is still needed for training programmes to fund widening gaps in the industry. But, whilst important, we also need to reach out beyond the traditional 'tourism' roles. We need other sectors to engage with the industry. Specialist builders, environmental scientists and electronic engineers for example. The Turing and what is left of the Erasmus programme in Wales are real opportunities here - and also need careful consideration and consultation with the industry. The sector is, by nature, made up of aspirational players and we are not making the most of its innate entrepreneurial ethos to inspire others cross-sectorally.

Finally, communication. There have not been any dedicated industry communication officers at Visit Wales for some time. It needs attention as communicating with a SME heavy sector needs energy and time. The WTA, as the collective voice of the sector in Wales, is here to help, but our clasp needs to find a hook in Visit Wales. The plans of Welsh Government and, indeed, councils, to grow this sector needs that strong link of intelligence sharing to develop informed input.

Wales Tourism Alliance – 8th October 2021

The Senedd's Local Government and Housing Committee inquiry into second homes**Response from Propertymark****January 2022****Background**

1. Propertymark is the leading professional body for estate and letting agents, commercial agents, inventory providers, auctioneers and valuers, comprising nearly 18,000 members across the UK. We are member-led, with a Board which is made up of practising agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

Summary

2. Upon examination of Dr Simon Brooks' recommendations¹ and the Welsh Government's response to those proposals, Propertymark have the following overarching considerations to share with the Committee:
 - i. We are in no doubt that higher numbers of second homes chargeable for Council Tax as a proportion of total chargeable dwellings is a localised phenomenon which will require a combination of evidence informed national and local policy measures.
 - ii. There is a significant gap in the data available to help inform an accurate picture of the true scale and impact of second homeownership in Wales as there is currently no reliable information about the number of properties being let on the short-term letting market.
 - iii. Until a robust typology is developed for defining the different categories of second homes, we will lack reliable data upon which to based policy developments in this area.
 - iv. To prevent vital residential housing supply being reallocated to the commercial tourism market, on a damaging scale, the Welsh Government should carefully consider measures that will help level the playing field between a more tax favourable and unregulated short-term letting industry and the less tax favourable and intensely regulated private rented sector (long-term letting industry). Below we set out our reasoning across these four considerations.

First consideration: Higher concentrations of second homes is a localised phenomenon requiring a combination of evidence informed national and local policy solutions.

3. Propertymark believes that local authorities in Wales already have a potentially powerful mechanism, via Sections 12A and 12B of the Local Government Finance Act 1992 (as amended by the Housing (Wales) Act 2014),² to help regulate concentrations of second homes via the council tax system, but this does not extend to homes that are registered for business rates. On this basis the Welsh Government should examine ways to enable localised responses via changes to the business rates system. Alongside these local approaches, a national approach

¹ <https://gov.wales/sites/default/files/publications/2021-03/second-homes-developing-new-policies-in-wales.pdf>

² <https://www.legislation.gov.uk/en/ukpga/1992/14/section/12A>

will be needed to significantly increase new housing supply while also levelling the playing field between the short- and long-term letting industries. The evidence supports our concerns about a reduction in homes available to rent in the long term residential private rented sector in areas experiencing higher concentrations of homes being let on the short-term commercial market.³

4. Based on our analysis of the data for dwellings chargeable for council tax in Wales,⁴ there is no doubt that large concentrations of chargeable second homes as a proportion of all chargeable dwellings are a very local phenomenon. In 2021 there were a total 1,397,387 registered dwellings chargeable for council tax, of which 25,995 were chargeable second homes – 1.86 per cent of the total - meaning almost two in every 100 properties in Wales was a second home that was chargeable for council tax purposes in 2021.⁵ In contrast, in Gwynedd, almost one in ten properties was a chargeable second home in 2021, and almost one in twelve in Isle of Anglesey. Due to the localised nature of the issue, it will be important to exercise extreme caution against taking large scale national measures which may impact on the wider housing market when local responses may be able to achieve more targeted results.
5. As noted in our response to the Welsh Government’s consultation on Local Taxes for Second Homes and Self-catering Accommodation,⁶ there is very little evidence to demonstrate the efficacy of utilising the local council tax system to effect change in the rates of second homeownership at the local level because of the difficulty in drawing any reliable conclusions based on its limited uptake. Only nine out of 22 local authorities exercised their powers to apply a council tax premium to owners of chargeable second homes in 2021 – one applied the full 100 per cent (Swansea), five applied a 50 per cent premium (Gwynedd, Flintshire, Denbighshire, Pembrokeshire and Powys) one charged an additional 35 per cent (Isle of Anglesey) and two charged an extra 25 per cent (Ceredigion and Conwy). None of the top five areas experiencing the highest concentrations of chargeable second homes in 2021 applied more than a 50 per cent council tax premium. We believe no further localised measures should be implemented until the Welsh Government investigates why local authorities have largely chosen not to use the powers available via the council tax system. Crucially, the Welsh Government must also ensure that any changes to the local tax system do not prejudice private landlords. Private landlords provide homes, and without incentives to sustain investment, the loss of stock in the private rented sector will have costly consequences for the Welsh Government and for local authorities, who may see housing waiting lists grow. Through tax relief or rebates, the Welsh Government could encourage investment in the private rented sector – not only in supply terms but in elevating the quality of stock through VAT exemption on refurbishment and making funding available to improve energy efficiency.
6. We believe that genuine businesses should be liable for business rates, but we are concerned by the loss of investment in the private rented sector as private landlords seek to capitalise on higher potential revenues, greater flexibility and less prescriptive regulation by opting to let their properties on the short-term market, influenced in large part by the attraction of

³ <https://www.tandfonline.com/doi/full/10.1080/02673037.2021.1988063>

⁴ Available on request.

⁵ <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/counciltaxchargeablesecondhomesinwales>

⁶ <https://www.propertymark.co.uk/resource/consultation-welsh-government-consultation-local-taxes-second-homes-self-catering-accommodation.html>

Small Business Rates Relief (SBRR). Currently, businesses whose premises have a rateable value of up to £6,000 are eligible for one hundred per cent relief on NDRs, with relief applied on a tapered basis thereafter. This incentivises letting in the short-term rather than the long-term private rented sector and we would therefore encourage the Welsh Government to assess the SBRR to ensure that it does not have perverse consequences for the private rented sector, those that it houses and that the loss of NDR revenue as a result of short-term let businesses accessing the SBRR does not outweigh the benefits generated by those businesses. The Welsh Government may wish to consider whether increasing the thresholds such that a property must be available for at least 180 days and commercially let for at least 90 days would be more effective in ensuring that only legitimate businesses are captured by the definition for NDR purposes. Those engaging in short-term let activity that do not meet this threshold would then be subject to council tax and the relevant premium as applied by the local authority. Such an intervention would remove the risk of exploitation of SBRR and help mitigate the erosion of stock from the private rented sector. The Welsh Government might also consider whether short-term lettings businesses that meet the criteria and thresholds for non-domestic rates (NDRs) liability should be excluded from SBRR, to help level the playing field and make investment in the private rented sector relatively more attractive.

7. We acknowledge that from January 2022 a Welsh Government funded pilot is being carried out by Gwynedd Council to test using the planning system to regulate the number of second homes and short-term holiday lets in an area. While we recognise the pilot will provide helpful insight, we remain sceptical about the ability of such an approach as it would be extremely difficult to monitor and enforce, a view that is backed up by the evidence to date.⁷ Furthermore, we would not support this approach because it would introduce restrictions on property owners' rights to choose what they do with their asset and would add an additional complication to the conveyancing process which could hinder the functioning of the sales market. Instead, we believe the Welsh Government will see more favourable results from ramping up delivery of new supply across the full range of tenure types in the areas they are most needed, and levelling the regulatory playing field to balance the effect of changes to taxation affecting portfolio landlords that have made short-term rentals more tax favourable and profitable than the long-term residential market.⁸ Furthermore, we would urge the Welsh Government to avoid restricting purchases of second homes based on emerging evidence that this can undermine policy objectives by inadvertently reinforcing wealth inequality in targeted areas.⁹

Second consideration: There is a significant gap in the data available to help inform an accurate picture of the true scale and impact of second homeownership in Wales.

8. Our analysis¹⁰ of available Welsh Government data indicates that areas with higher concentrations of chargeable second homes relative to their overall domestic dwelling stock in Wales are witnessing a contemporaneous net loss of residential housing once total new

⁷ <https://www.tandfonline.com/doi/full/10.1080/02673037.2021.1988063>

⁸ <https://www.tandfonline.com/doi/full/10.1080/02673037.2021.1988063>

⁹ https://personal.lse.ac.uk/hilber/hilber_wp/hilber_schoeni_2020_05_forthcoming_JUE.pdf

¹⁰ Further details available on request.

supply is accounted for. We have illustrated this point below, with reference to relevant data for the three areas with the highest concentrations of dwellings registered as chargeable for council tax in Wales for the years 2017-21.¹¹

9. In 2021, Gwynedd had the highest concentration of chargeable second homes with 9.73 per cent of all chargeable dwellings registered as second homes for council tax purposes, amounting to almost 1 in 10 properties. It is worth noting that the number of second homes as a proportion of total chargeable dwellings in Gwynedd has been largely unchanged over the five years to 2021 - in fact there were 91 fewer chargeable second homes in Gwynedd in 2021 compared with 2017, suggesting that the issue is not a new one - at the local authority level at least. Furthermore, Gwynedd saw a notable decrease of 876 (-1.52 per cent) total chargeable dwellings over the same five-year period revealing a net loss of 1,602 units of potential residential housing once the additional 726 new housing starts for the year are accounted for.¹² Isle of Anglesey had the second highest concentration of chargeable second homes in 2021, with 8.10 per cent of total chargeable dwelling registered as second homes. In contrast with Gwynedd, the number of second homes as a proportion of total chargeable dwellings in Isle of Anglesey increased by 3.75 per cent between 2017 and 2021, an increase of 1,284 dwellings over the period. The total number of chargeable second homes has increased by 82 per cent while the total number of chargeable dwellings has only increased by 0.56 per cent – 190 dwellings - despite 472 new starts of additional housing supply. The area with the third highest concentration of chargeable second homes as a proportion of all chargeable dwellings in 2021 was Pembrokeshire with 6.76 per cent, an increase of 2.06 per cent on the proportion in 2017. As with Isle of Anglesey, Pembrokeshire had a large increase of 45.23 per cent in the number of chargeable second homes over the five years to 2021 (an additional 1,267 units) while there was only a slight increase of 0.92 per cent (540 units) in the total number of chargeable dwellings, despite an additional 1330 new housing starts for the year.

10. We acknowledge there can be overlaps in how second homes are used, across both the short- and long-term markets and for owners' private use, but the above discrepancies reveal a vitally important gap in the data since there is no way to definitively track where these 'lost' units are ending up or what they are being used for. It can be logically assumed, however, that they are registered for non-domestic business rates (as opposed to domestic council tax rates), and are therefore being let on a commercial basis, mostly in the short-term letting industry. Building on this point, we are concerned about the extent to which investment in the private rented sector appears to be retracting in areas where an unregulated short-term letting industry presents as a more attractive investment for second homeowners but due to the lack of data, we are prevented from articulating the true scale and impacts of the issue. This calls into question how the Welsh Government can justify introducing substantial new policy interventions when there is so much we do not yet understand. Where a dwelling is being used for commercial reasons and the owner therefore registers for Business Rates

¹¹ <https://statswales.gov.wales/Catalogue/Local-Government/Finance/Council-Tax/Dwellings>, <https://statswales.gov.wales/Catalogue/Housing/New-House-Building/newdwellingsstarted-by-area-dwellingtype> & <https://statswales.gov.wales/Catalogue/Housing/Dwelling-Stock-Estimates/dwellingstockestimates-by-localauthority-tenure>

¹² <https://statswales.gov.wales/Catalogue/Housing/New-House-Building/newdwellingsstarted-by-area-dwellingtype>

instead, there is no requirement for local authorities to collect and report this data in a consistent manner, although local authorities will have this data in some form at the local level. The Welsh Government could require local authorities to collect a nationally prescribed dataset to inform an understanding of how many homes, including which types and in which areas, are registered for business rates. In addition, they could introduce and scale the proposals made by Airbnb in their White Paper,¹³ through a national registration system to help with the regulation of short-term rentals, helping to capture vital data and also level the playing field with its approach to regulating the long-term private rented sector.

Third consideration: We need a robust typology that sets out the definition of each category of second home so that we have reliable data upon which to base all policy developments in this area.

11. Developing evidence informed policy in relation to second homes in Wales requires a reliable typology that sets out definitions of each type of second home based on use. By defining each type of second home the Welsh Government can ensure its data provides a more reliable picture of housing use at both a national and local level. If, as the evidence to date suggests, buy-to-let homes are not included when referring to the second homes challenge, there is a recognition that they are not part of the problem. In fact, the fundamental issue is the lack of homes to rent as part of a wider supply/availability challenge in the general housing stock (homes available for local people to buy or rent and live in themselves as their main and principal home). On this basis, there is little sense in applying the same rules to buy-to-let landlords that aim to help tackle the second homes issue in Wales. We propose that property use can be broadly categorised across the following three types to help differentiate primary homes from the two main types of second homes:

- **Primary homes** are occupied by the owner or let to tenants as their main and principal homes – these are ‘homes’. This includes homes being let in the privately rented sector and whose landlords are required to register with Rent Smart Wales. Buy-to-let properties provide rented accommodation to be occupied as a main residence, so they are primary homes for that reason.
- **Second homes** are properties that are not lived in by their owners as their main and principal abode but are used by the owners on an ad-hoc basis for private enjoyment of the property throughout the year i.e., they are not occupied full time by someone who lives there permanently.
- **Short term or holiday lets** are properties that are used for commercial purpose through letting to people on a short-term basis throughout the year – they are properties registered for non-domestic business rates.

12. As noted above, there is potential for properties to fit into any of these categories at any given point, punctuating the need to create a typology that can account for all possible nuances. We have merely proposed a solid foundation upon which the Welsh Government can build a framework for second homes policy development.

¹³ https://news.airbnb.com/wp-content/uploads/sites/4/2021/06/UK_RegistrationWhitepaper_2021.pdf

Fourth consideration: Preventing vital residential housing supply being reallocated to the commercial tourism market, on a damaging scale.

13. There is evidence that areas experiencing an increase in the availability of short-term rentals will see a contemporaneous decrease in supply of homes to rent on the longer-term market, basically reallocating housing supply from one part of the market to another, limiting the pool of homes to rent.¹⁴ Our own research – conducted via a roundtable with Propertymark members - carried out in November 2021 in partnership with the Shadow Minister for Climate Change and MS for Aberconwy, Janet Finch-Saunders, highlighted that letting agents are concerned about losing long-term rental properties to the short-term rental sector. There is a notable loss of available homes to rent in the face of increasing demand with members highlighting the extent to which local authorities in Wales have been increasingly relying on the private rented sector to help tackle homelessness in recent years, leading to predictions that homelessness levels will rise if nothing is done to retain or attract new investment in the long-term private rented market.¹⁵ Members told us that in areas of high short-term let demand, many landlords in the private rented sector are opting to let their properties as holiday lets, attracted by fewer regulatory burdens, the potential for less wear and tear due to the short-term nature of occupancy and higher returns, with potential revenue generated by a short-term let outweighing any increase in void periods. This is resulting in a loss of stock in the private rented sector which is exacerbating affordability issues as average rents rise with prospective long-term tenants competing for a limited number of properties. This increase in demand while supply is limited serves to push up prices in the areas affected leading to misguided calls for action to regulate rent levels when attention should instead be focused on addressing the cause of rising housing costs – a limited supply of the right types of homes, not properties being used on a purely short-term commercial basis - in the right places and at prices people can afford.
14. The Welsh Government must therefore take action to prevent a damaging loss of homes from the private rented sector to the more favourable short-term letting industry. The answer is not to restrict people’s ability to purchase additional homes but to ensure there is adequate affordable housing in areas most hit by increased second homeownership at the same time as levelling the playing field between a more tax favourable and unregulated short-term letting industry and the less tax favourable and intensely regulated private rented sector (long-term letting industry). We propose the following key measures to achieve this:
- Introducing a registration system to help regulate short-term rentals and ensure they comply with minimum standards across energy efficiency, health and safety and consumer rights.
 - Reviewing national Land Transaction Rates for buy-to-let purchases so that existing and potential landlords are not attracted by more favourable yields in the short-term market.

¹⁴ <https://www.tandfonline.com/doi/full/10.1080/02673037.2021.1988063>

¹⁵ The last available data for 2017-18 and 2018-19 (<https://stats.wales.gov.wales/catalogue/housing/homelessness>) shows that use of the private rented sector to help people secure alternative accommodation when faced with homelessness is extremely important. More than one third (36 per cent) of all cases where homelessness was relieved by helping someone to secure alternative accommodation from 2017 to 2019 were helped to secure a home in the PRS. This is not too dissimilar to the proportion helped into the social rented sector – 38 per cent

We note that the Welsh Government are currently consulting on how local variations to land transaction tax rates may be best achieved,¹⁶ but Local housing markets can be extremely sensitive to changes in the property transaction tax system, so we would caution the Welsh Government against applying LTT rates at a super-local level without first piloting the effects this may have on surrounding markets.

- Reviewing non-domestic business rates to ensure landlords are not encouraged to see the short-term market are more tax-favourable than the long-term private rented sector.
15. With our above considerations in mind, Propertymark would urge the Welsh Government to ensure any policies introduced to address the challenges created by an imbalance in levels of second homes at the local level have longevity. A careful assessment of the impact of potential interventions will help guard against introducing short-term fixes that may have a detrimental impact on the long-term future of housing for Wales and the economy.

¹⁶ <https://gov.wales/second-homes-local-variation-to-land-transaction-tax-rates>

Committee Response

Inquiry into second homes

Response by the Royal Institution of Chartered Surveyors (RICS) to the Senedd Cymru Local Government and Housing Committee.



Introduction

On behalf of the Royal Institution of Chartered Surveyors (RICS), can we first begin by thanking the committee for the invitation to give evidence at the inquiry into second homes.

Established in 1868, RICS is the largest organisation of its kind in Wales, with over 2,300 professionals supporting the property, land and rural sectors in Wales – providing expert-led, independent advice on a range of matters including valuations and home surveys.

RICS appreciates the sensitivities and challenges communities face with second homes and holiday lets, and in constructing our response, will provide statistical evidence and expert opinion to create a holistic picture of the issues in Wales.

Summary

It is important to understand what objectives the Committee, and indeed Welsh Government are looking to achieve in seeking to review and reform policy making regarding second homes. As seen from the recommendations by Dr Simon Brooks, they cover a diverse policy spectrum, including reforms to planning, taxation and cultural protection.

It is important we appreciate what the overall objectives are before looking at the specific recommendations – this is something RICS believes has not been clearly defined, or even if it could be to begin with. For example, based on the recommendations by Dr Brooks and the Welsh Government response, would the below be a suitable summary of objectives?

- To free up existing housing stock for local residents and create new homes.
- To lower property values to affordable levels.
- To seek revenue generation from second homes.
- To protect the Welsh language and the culture and heritage of communities.

The reason RICS raise this is that while many of the recommendations are good in principle, we are keen to avoid unintended consequences and ensure that future policy decisions best serve the communities it intends.

Data

One aspect to the inquiry the Committee will be interested in is the correlation second homes have on property values and market access. As the Committee may be aware, RICS produce the monthly [UK Residential Market Survey](#), with data on housing stock levels on the market versus buyer demand. This allows RICS to monitor trends and support anecdotal evidence with market data.

A common challenge associated with second home ownership is its relationship with housing levels, and ultimately, property values i.e., as fewer homes are available for sale, and buyer demand outstrips stock, house prices will rise.

This is not a new phenomenon, or indeed restricted to communities with high proportions of second homes.

With UK house prices at a record high, this narrowing of demand versus stock has been building up for years, even decades – outdating the challenges presented by Brexit and Covid-19.

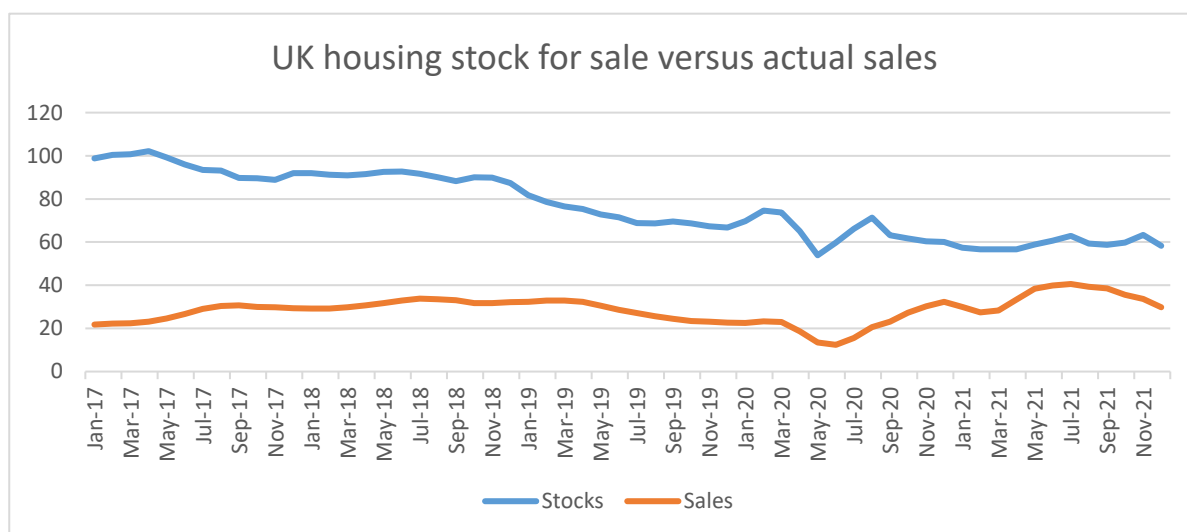


Figure 1

The above graph demonstrates one part of the wider challenge facing the Welsh and UK’s housing market – simply put, as the gap between stock levels and sales interest narrows, house prices increase and the number of completed purchases stalls.

The data below shows the comparison between UK averages and Wales when looking at the average number of monthly properties listed by any given agent:

	Q4 2019	Q4 2021
UK	67.6	60.4
Wales	64.6	57.6

Figure 2

Data shown in Figure 2 highlights that while parts of Wales have a higher proportion of second homes and holiday lets than other parts of the UK, there is no significant discrepancy in market data. Unfortunately, RICS are unable to break this data down to local/regional levels of Wales where we could well see some divergence, but if it interests the Committee, we will be able to adapt future market surveys to monitor specific geographic differences.

Recommendation feedback

Recommendation 1 – develop regional and local variation in public policy

Yes, we agree with the principle that lenders should publicly disclose the energy performance of their portfolio as one mechanism for encouraging home improvements. Lenders can drive forward behavioural change in consumers and stimulate a green revolution in the housing market.

Consideration needs to be applied that requiring all lenders to participate may disenfranchise smaller, more niche lenders who specialise in specific property type lending which naturally may have a poorer EPC rating such as rural homes or listed buildings.

Recommendation 2 – control of the numbers of second homes

RICS welcomes discussions that public policy should ensure stability on the number of second homes (and for that matter the inclusion of holiday lets as well).

As highlighted in Recommendation #1, if control over the number of second homes is set, then clear guidance on when this can be introduced/removed should be set out.

It is also important to acknowledge exactly what could and could not happen by controlling the number of second homes. Simply controlling existing homes and new build homes from

becoming classed as second homes will likely only have a minimal impact on communities already witnessing significant levels of second home ownership today.

Assumption 3 about reducing house prices also needs to be taken into the context of the current housing market across Wales. Even in communities with minimal second home ownerships, values have significantly increased in recent years – especially since early 2020. The current lack of significant stock versus buyer demand, even if it would

Recommendation 3 – the definition of second homes

Creating a consistent approach to defining second homes is imperative to any successful public policy-making decisions. This will not only create market consistency but also allow for greater regulation of regional and local policy variations to ensure communities fairly diverge from national policy frameworks.

While there are varying definitions available already, including several highlighted during this inquiry, any legal definition should consider and give protection to properties that may inadvertently become classed as second homes including:

Those inherited but may lay dormant for a reasonable period.

At what stage during a point of sale would the definition of a home be classed as its primary residence e.g., the sale processes of an existing homeowner's property falling through (when we consider some chain purchases can take more than six months to complete).

A definition for holiday lets should also be included within this recommendation and RICS would argue that holiday lets, and second homes have an almost equal influence on housing market conditions from a stock and value perspective.

The Mandatory Licensing Scheme introduction is one potential solution and could support with taxation policy. If such a scheme is introduced for holiday lets, further detail would be needed on what regulatory role this would have, if any.

Recommendation 4 – responding to Brexit and Covid-19

RICS agrees that Covid-19 has had a seismic impact on the housing market in Wales, with Brexit playing a lesser role.

The pandemic has seen a shift not just in areas of high second homes, but across all parts of Wales to move into properties with large outdoor spaces and extra rooms for home working. In addition, Land Transaction Tax (LTT) relief and pent-up demand through lockdowns

witnessed a dramatic increase in house sales – with RICS professionals commenting that late 2020 and 2021 was some of the busiest periods on record, regardless of geography.

As a particular result of Brexit and Covid-19, the cost and time of house building have increased. Both factors combined has meant that labour has left the market and material costs have increased. This will naturally have an impact on house building targets and development costs.

It is difficult to say at this stage what impact Covid-19 has had on the places we wish to live – and whilst there will naturally have been a rise in second home interest, there has also been a strong resurgence in holiday let properties because of staycation interest.

Recommendation 5 – the need for policy intervention across a range of policy areas

RICS agrees that planning and taxation policy intervention can have a positive effect in addressing the challenges presented by second homes. While taxation and planning are addressed in other recommendations of this inquiry, RICS would also like to draw the Committees' attention to several other policy intervention opportunities:

1. A significant portion of the recommendations is focused on second homes, and those who will occupy them. However, there are limited recommendations to support existing local residents. RICS recommends that further research is required to look at incentives to support local homeowners (you can also argue that potentially anyone looking for a primary residence within areas with the highest proportion of second homes should be included).

Two examples of incentivised support are tax reliefs (such as higher LTT thresholds) and similar schemes to the London 'first dibs' – which give a presumption in favour to residents (with London's example being extreme as non-local was defined as overseas). It might also interest the Committee to learn that in mainland Europe, several city-level authorities with high levels of second-home owners or international investors also offer financial support and subsidies to local residents who would otherwise be priced out.

2. Housebuilding itself is a contentious issue to consider. The Welsh Government have set a target for the creation of an additional 20,000 low-carbon, social/affordable homes. Under proposals, these will not be allowed to transfer into second-home ownership unless significant class-use and planning changes occur. Given the nature of many of these impacted communities (typically in rural and/or protected locations), mass housebuilding is simply not possible.

RICS supports the decision to protect new homes but is cautious that given the limited number of new build properties expected in these communities, this might shift second-home buyer and holiday-let interest into an even smaller market – resulting in increased competition and values. An unintended consequence could mean that without reform to planning and class use to stop existing homes from being turned into second homes, existing residents may be priced-out of future purchases and into new social/affordable homes.

3. Another policy intervention to consider is embedding the need to create more sustainable, environmentally friendly homes into the process. RICS is working closely with the Welsh Government on several sustainability initiatives involving housing, and this may be an opportunity to make a positive, albeit small, environmental impact.

The government should consider what levers are available to require second home purchasers to meet a minimum energy standard for that property (as already required within social housing and the PRS). This would be a good opportunity to ensure that those who purchase a second home, contribute to the reduction in carbon emissions and the creation of more energy-efficient homes.

Recommendation 6 – Local Council Tax Premium

Recommendation 7 – Short-term holiday accommodation and business rates

Recommendation 8 – Land transaction tax

RICS have grouped taxation recommendations under one response as it is important to understand exactly what the objective is here. Is it to simply price out some potential second home buyers, or is intended as a source of revenue generation – and if so, will such revenues generated by such a tax be ring-fenced for migration works?

RICS understands why initiatives such as a Council Tax Premium or increased LTT may seem appealing, but the objective of such schemes has still not been clarified. Simply introducing a Council Tax Premium or an increase in LTT would generate additional revenue, but the extent to which it would limit second-home ownership will likely be minimal. Such taxation may price out some second-home owners, but given the current market competition, it is almost certain that another purchaser with an even high level of disposable income will make an offer.

It is also important to acknowledge that setting higher LTT rates at a local government ward, would also impact long-existing residents should they wish to move. While the number of residents moving homes within one ward may seem minimal, this could price out first-time buyers looking to stay close to where they were raised – which would have an unintended impact on the heritage of communities.

It is important to highlight to the Committee that the RICS Valuation – Global Standards 2017: UK national supplement considers certain taxation issues when assessing a properties valuation. However, the proposed changes to council tax, LTT and business rates will likely require additional review by RICS to fully assess what, if any, influence this may have on property values to create a consistent, fair approach to property valuations in these communities.

Recommendation 9 – Gwynedd and Anglesey Councils’ ‘Local Market Housing’ Scheme

The introduction of ‘Local Market Housing’ can certainly be deemed as an extreme intervention by modern UK planning decisions.

With schemes already underway in Wales, it is a radical approach to ensuring that only local residents can secure any new home. The government should investigate what long-term consequences such policies may have. In many of these communities, it is not uncommon to witness younger generations move out in search of jobs and livelihoods in larger towns and cities.

Given the relatively young age of many of these schemes, there is a lack of data to properly model what future trends may look like and whether the definition of a ‘local resident’ may need to be reviewed in the future.

Recommendation 10 – the creation of a new use class for short-term holiday accommodation Recommendation 11 – trialling a new use class for second homes

RICS welcomes the opportunity to explore the introduction of new class uses. This will certainly help support developments of Recommendations 2 & 3, and as we have seen in recent times, it is not uncommon to see changes in class use even Permitted Development Rights (PDR) to react to sudden shifts in demand.

As with previous proposals for the introduction of new class use and PDR reform that RICS have commented on, it is important to ensure quality and safety are not compromised by enabling unsatisfactory accommodation from being created.

RICS also appreciates the potential for the use of trials on new schemes. Given planning reform has long been on the agenda for the government and little movement has occurred in recent years, the use of a trial period may well be one solution that can be implemented relatively quickly and analysed.

Recommendation 12 – establish a Commission to make recommendations regarding the future of the Welsh language as a community language

While this sits outside of the technical remit of RICS, we appreciate the role the Welsh language has in placemaking and preserving a community's rich heritage. Although RICS cannot comment on the use of Welsh language spoken within communities, we are pleased to see some simple, but effective measures can be implemented to preserve an element of its heritage – such as the preservation of street and house names from being changed into the English language.



Second Home Consultation

Introduction

Created in 2018 by the merger of the Association of Licensed Multiple Retailers (ALMR) and the British Hospitality Association (BHA), UKHospitality, and UKHospitalityCymru, provide a unified voice for hospitality; coffee shops, contract caterers, hotels, nightclubs, pubs, restaurants, stadia, visitor attractions and many more related businesses.

Engaging with government, the media and the public, UKHospitality and UKHospitalityCymru work to develop a robust case on how to unlock the industry's full potential as the biggest engine for growth in the economy and ensure that the industry's needs are effectively represented

In the UK, Hospitality is the 3rd largest private sector employer; double the size of financial services and bigger than automotive, pharmaceuticals and aerospace combined; it creates £130bn in economic activity and generates £38bn of tax for the Exchequer, funding vital services; Hospitality represents 10% of UK employment, 6% of businesses and 5% of GDP and directly provides 140,000 jobs in Wales with a further 40,000 jobs dependant on it from the supply chain.

Thank you for the opportunity to attend the Committee and to supply evidence.

Overview

We welcome the Welsh's Government commitment to establish a statutory registration scheme for short-term lets, following the recommendations made in Dr Brooks' report.

The introduction of a nationwide registration system will assist Wales to lead the way in progressive regulation and to be seen as a nation that values innovative, creative and partner-based solutions to policy challenges.

The implementation of a registration scheme should be conducted industry-wide, whilst in collaboration with local authorities and other agencies.



Second Home Consultation

In practice, such a registration scheme must be a simple to use, national system, industry-supported and run by Government, empowering local authorities, and communities, hosts and guests in equal measure.

Overall, UKHC is supportive of competition in the accommodation sector and is not opposed to the operation of short term lets. UKHC recognises that online platforms (of all types) are innovative and imaginative and will be a permanent, and increasingly prominent, element of the wider digital economy.

However, this is predicated on a fair and level playing field in the accommodation market, which at present does not exist due to short terms lets being able to operate outside of the regulatory and taxation systems. There is also the point that a move towards commercial operations of multiple lets by one landlords/company, will be a move beyond the traditional concept of home sharing as individuals sharing their own homes.

With a growth in short term lets over the past few years, an increase in concerns has simultaneously occurred regarding the lack of regulation, particularly health and safety, fire etc., and secondly, the security of the UK's tax-base associated with such short-term lettings; with an increasing part of the economy operating outside of the standard tax structure.

The rationale for a registration scheme

Ensuring customer safety: A lack of transparency and accountability in the current system only hinders the service for customers. Overcoming these issues will ensure that customers are better protected.

The consequences of the rise in short-term lets: With an increase in short-term holiday letting, this has resulted in a decline in the residential housing, leading to lack of availability and choice, further combined with higher rents and higher house prices. This phenomenon has had a knock-on effect of reduced community cohesion through high proportions of transitory visitors.

UKHC fully supports our members in the regulated and defined self-catering accommodation sector, which remains a vital part of the visitor economy and a significant contributor to local economies. We must all continue to seek to support this important part of the industry but we are aware that it is also important that this is done while assisting Welsh Government to meet its environmental, economic and sustainability targets.

Development through Partnership: To provide lasting solutions, UKHC seeks a formal reopening of the strategy that helped to produce *Let's Shape The Future* with Welsh Government to take into account the many and varied influences of the pandemic period and



Second Home Consultation

to also address issues that have come to the fore in the passing of two years, namely the economic importance of hospitality as an industry and its need for a sustainable but also fully supportive strategy for recovery and then for growth.

This must be a holistic exercise that incorporates not only economic levers but also all areas where Government and citizens touch the industry and where interventions can help not only the industry to come back and prosper but the nation, its communities and its culture to do the same.

It is essential that in looking at housing stock we need to balance the clear economic benefits for local economies that stand to gain from a steady flow of tourists with the costs to local renters and local jurisdictions. The industry does not simply stand on one side of this pivot; our members and others in the industry want to see a balance struck that provides a solution to all. We are experiencing a severe staffing shortage and for those operating in coastal areas, many cannot encourage people to come to work in the towns because of the difficulty in finding suitably priced accommodation in the area.

An incidental issue we would like to raise is consideration of the ease of planning for designated accommodation for those who want to work in the area. Some of our hotels have encountered difficulties in obtaining on-site or near-site planning for such accommodation, which would be subsidised and aimed specifically at local people who wanted to work in the industry.

Airbnb: The 'Airbnb effect' can be recognised in many towns across the UK, where the growth of Airbnb- and other short term letting platforms- has been rapid and extensive. This phenomenon describes the slow increase of value to an area to the detriment of the indigenous residents, many of whom are pushed out due to financial constraints. This squeezes the supply of housing more thinly in an already supply-short housing market.

The impact of short-term lets can be identified in the loss of housing stock in London, Edinburgh and other cities, as well as the loss of rural housing where reports have surfaced of real difficulties with affordable accommodation for public sector employees.

A loss of amenity has also occurred to neighbourhoods through antisocial behaviour of guests. Specifically, the daily disruption and stress caused by constant 'visitor use', rather than residential use has had negative impacts. Examples include noise disturbance, buzzers, door knocking, littering, anti-social behaviour and a lack of focus on maintenance and repair issues (especially in shared properties).

Short-term lets have also resulted in an issue of **personal safety risk** to hosts, guests and other residents from unverified or unknown others. This issue has been exacerbated with the loss of a sense of community, whereby the traditional community feeling has been damaged.



Second Home Consultation

Between the short-term lets, hotel and B&B sectors, a **regulatory mismatch** has also occurred in terms of health and safety and taxation. Currently, local authorities have limited regulatory controls over safety in short-term lets, further illustrating the need for more transparency and accountability.

Benefits of a registration scheme: Collaboration between local authorities, agencies and service providers, would allow platforms to individually - or as a group - remove bad actors when local authorities or the emergency services identify illegal behaviour, preventing people from getting around the relevant rules by simply switching their listing to another operator.

Enforcing a registration scheme would also equip local councils and authorities with insight into where home-sharing properties are. Currently, this has not been afforded to UK authorities, which therefore restricts them from enforcing current legislation and tax rules.

A registration system would allow accurate mapping of where short term lets are, what type of operation they are and how this correlates with housing issues and reported nuisance.

Designing a scheme: Previous calls for the industry to self-regulate have been unsuccessful. In London, shortly after Sadiq Khan's mayoral election, he called on the industry to self-regulate, including by voluntarily capping the number of nights per year a host can let out their home in line with the current law. However, Airbnb is currently the only platform to have voluntarily implemented the cap limit on its platform.

UKHC believes a proportionate, affordable but robust registration system, within a broad sweeping refreshment of the Government's visitor economy strategy, will address the issues which local communities and authorities have faced challenges with in the past with short term lets. Such a review will also enable Welsh Government to get the most out of our industry's development in the coming decade, and to help it not only recover from a very dark period of trading through closures and restrictions but to become a genuine economic powerhouse that will benefit all, in every part of Wales.

Agenda Item 3

Local Government and Housing Committee

9 February 2022 – papers to note cover sheet

Paper no.	Issue	From	Action point
Paper 5	Welsh Government Draft Budget 2022-23	Minister for Climate Change	To note

Agenda Item 3.1

John James MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change



Llywodraeth Cymru
Welsh Government

John Griffiths MS
Local Government and Housing Committee
Welsh Parliament
Cardiff Bay,
Cardiff,
CF99 1SN

26 January 2022

Dear John,

Thank you for the opportunity to provide evidence to the Committee in respect of the 2022-23 Draft Budget. During my session on 21 January, I undertook to provide the following information:

A note on the reasons why many ethnic minority parents have presented themselves as homeless to local authorities

Paragraph 36 of the Strategic Impact Assessment of the Draft Budget, the Joint Council for the Welfare of Immigrants report referred to highlights impacts of the pandemic across the UK on ethnic minority children if their parents do not have access to public funds. It is a UK report and states that across the UK, because many temporary housing arrangements offered by friends or community members were withdrawn during lockdown, many ethnic minority parents then presented as homeless to local authorities.

In Wales, however, we have taken an inclusive approach and I have been clear that during the pandemic and the public health emergency, local authorities should rely on their alternative powers to provide temporary accommodation for those who do not have access to public funds. As the pandemic is ongoing, our approach remains unchanged. However, in the longer term we will be limited by UK Government immigration rules in the support we can offer.

More broadly, as the Committee will know, there is a strong link between poverty and socio-economic disadvantage and inequality in accessing appropriate homes by some ethnic minority people. Measures to address this are set out in the [Ending Homelessness Action Plan](#) which we published on 30 November 2021. The Plan uses the devolved levers we have in Wales, but many of the levers around reducing poverty lie with the UK government of course.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The Committee will wish to note that we continue to explore options to ensure those with No Recourse to Public Funds restrictions, but with valid grounds to appeal or lodge decisions, are supported to access shelter and legal advice to put together their case after the pandemic. We are currently funding a consortium of third sector organisations, led by Housing Justice Cymru, to try to expand informal hosting opportunities and other temporary shelter arrangements to ensure there is not a cliff-edge in support when our public health measures come to an end.

We will shortly publish guidance and commission training for local authorities on migrant rights and entitlements to support, to try to prevent migrants being incorrectly turned away - either because they have secure immigration status but cannot prove it, such as happened with the Windrush Generation, and which may conceivably happen for EU Citizens in the coming months – or because local authorities incorrectly interpret the meaning of ‘Public Funds’ when considering if they can support someone. ‘Public Funds’ has a very specific meaning in the Immigration Rules and there is almost always some action local authorities can take to offer support to someone who is destitute and in need of help, within the confines of the law.

Yours sincerely,



Julie James AS/MS

Y Gweinidog Newid Hinsawdd
Minister for Climate Change

Agenda Item 6

By virtue of paragraph(s) ix of Standing Order 17.42

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Agenda Item 8

By virtue of paragraph(s) ix of Standing Order 17.42

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