



Complete Agenda

Democracy Service
Council Offices
CAERNARFON
Gwynedd
LL55 1SH

Meeting

EXTRAORDINARY MEETING OF THE COUNCIL

Date and Time

10.30 am, MONDAY, 28TH JUNE, 2021

*** NOTE ***

This meeting will be webcast

https://gwynedd.public-i.tv/core//en_GB/portal/home

Location

Virtual Meeting - Zoom

Contact Point

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(DISTRIBUTED 18/06/21)

Geraint Owen
Head of Democracy Service

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FRIDAY, 18 JUNE 2021

Dear Councillor,

EXTRAORDINARY MEETING OF GWYNEDD COUNCIL – MONDAY, 28 JUNE 2021

YOU ARE HEREBY SUMMONED to attend a virtual Zoom meeting of **GWYNEDD COUNCIL** which will be held at **10.30 am** on **MONDAY, 28TH JUNE, 2021** to consider the matters mentioned in the following agenda.

Yours faithfully,

A handwritten signature in black ink that reads "Geraint Owen". The signature is written in a cursive style with a long horizontal stroke at the end.

Head of Democracy Services

AGENDA

1. APOLOGIES

To receive any apologies for absence

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. THE CHAIR'S ANNOUNCEMENTS

To receive any Chair's announcements.

4. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chair so they may be considered.

5. JOINT LOCAL DEVELOPMENT PLAN

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- (a) To note that, in accordance with section 4.12.1 (d) of the Constitution, a letter was received from Cllr. Gruffydd Williams, which was signed by five other councillors, asking for a meeting of the Council to discuss the following in the context of the existing housing crisis within the county:-

“That this Council looks urgently at the Local Development Plan (passed on 28.7.2017) with a view to reviewing and updating it in terms of planning policies and the Welsh language. It would be desirable to give particular priority to this, going past what is noted as the usual monitoring period within the Plan itself and to submit proposals which correspond to Dr. Simon Brooks’ report “Second Homes – Developing New Policies in Wales” which was commissioned by the Welsh Government.

Following the Pandemic and the fact that there will be no Wylfa B, such meeting is expected to address the changes needed to comply with the Wales Well-being Act, a more equal Wales and a Wales of vibrant culture and thriving Welsh language.”

- (b) Information Pack

- (i) Report outlining the statutory process for reviewing the Local Development Plan.
- (ii) Dr. Simon Brooks’ report – “Second Homes – Developing New Policies in Wales”.
- (iii) Response to the report in (ii) above – report to the Cabinet on 15th June, 2021.

MEETING:	The Full Council
DATE:	28 June 2021
CABINET MEMBER:	Councillor Gareth Griffith
TITLE:	The process for reviewing the Local Development Plan
OBJECTIVE:	Report to explain the process for reviewing the Local Development Plan
CONTACT OFFICER:	Gareth Jones - Assistant Head of Department

1 Introduction

- 1.1 The Planning and Compulsory Purchase Act 2004 notes that a Local Development Plan needs to be reviewed four years after its adoption. The Joint Local Development Plan (JLDP) was adopted on 31 July 2017 and, therefore, in accordance with the statutory requirement, 31 July 2021 is the date when the reviewing process can commence. This report outlines an overview of the steps required when undertaking a review and then the subsequent revision of the Local Development Plan.

Statutory Review		
1	PCPA 2004 (section 69) and Regulation 41	Statutory plan review at intervals of no longer than 4 years from the date of adoption. This may be triggered earlier if linked to plan end dates, plan preparation timescales or the LPA voluntarily reviewing a plan.

- 1.2 [The Town and Country Planning \(Local Development Plans\) \(Wales\) Regulations 2005](#) and the [Town and Country Planning \(Local Development Plan\) \(Wales\) \(Amended\) Regulations 2015](#) set out the steps that must be taken when preparing a Local Development Plan or revising a Local Development Plan. The regulations set out different steps in order to undertake a short form revision or a full revision of the plan and the relevant steps have been set out in this report. It should be noted that each procedure is quite different and it is not optional which procedure will need to be followed. Welsh Government guidance clearly outlines the circumstances where one or the other procedure should be followed.
- 1.3 Before embarking on a revision of the LDP, the existing plan must be reviewed and a Review Report must be prepared, this initial step has been set out in section 2 below. What will be different when reviewing the existing plan and the subsequent revision is that the process will not be starting from the start in the absence of any evidence. The existing Plan, the evidence base and the Annual Monitoring Reports (AMR) (that outline the performance of the JLDP since its adoption), are all important evidence that will be considered when undertaking the revision of the Plan.

2. Initial step

Review Report

- 2.1 The purpose of the Review Report is to examine all evidence that is relevant to the JLDP and to come to a conclusion regarding the type of revision which will be undertaken. This could be a full revision, which amounts to preparing a new Plan, or a short form revision, which amounts to amending specific elements of the existing Plan.
- 2.2 As outlined in the [Development Plans Manual \(Edition 3\) March 2020](#) a review report should be published within 6 months of the date that is 4 years following the adoption date (6 months from 31 July 2021) in the case of the JLDP by the end of January 2022. The Review Report should be brief and concise and should outline the following:
- What information is considered to inform plan review and why?
 - How the findings impact on the vision, aims and objectives of the plan, including implementation of the strategy
 - A review of each plan topic area clearly identifying what needs to change and which parts of the evidence base require updating to support the changes
 - The implications for those parts of the plan not proposed to be amended in terms of coherence and effectiveness of the plan as a whole
 - A reconsideration of the SA/SEA and HRA
 - Explore and explain the opportunities to prepare JLDPs/JLDPLs with neighbouring LPAs and increase cross-boundary working
 - Clear conclusions on why the full, or SFR procedure is to be followed.
- 2.3 As part of the Review Report preparations and when preparing the amended JLDP, full consideration will need to be given to the following matters:
- Any changes in legislation since the adoption of the Local Development Plan and changes in Government guidelines such as [Development Plans Manual \(Edition 3\) March 2020](#)
 - National and local contextual changes - for example,
 - ['Future Wales': The National Plan 2040](#) (National development framework)
 - the latest situation of the Wylfa Newydd scheme
 - impact and recovery following Brexit and Covid-19 across the Plan area
 - The Strategic Development Plan that will be prepared for the north Wales region during the next few years.
 - the north Wales Growth Bid
 - The research paper on managing the use of dwellings as holiday homes, Second homes – developing new policies in Wales (Dr Simon Brooks) and any other relevant research
 - Any strategies in place by Councils and ensure that the Plan corresponds with them, for example housing strategies, economic development strategies.

- Review the plan policies to ascertain how they are performing and whether they need to be amended or not. Any changes to the Plan must be based on sound evidence.
- All assessments and topic and evidence papers which were prepared to support the adopted plan will need to be re-examined.

2.4 As outlined above, a conclusion will need to be drawn on the type of revision, and whether it will be a full revision (i.e. a replacement Plan) or a short form revision. The evidence base to support the Review Report will mainly be the Annual Monitoring Reports, which outline the performance of the LDP thus far.

3. Evidence Base

3.1 The evidence base is the foundation of a development plan. The evidence base should be relevant and proportionate to the matters the plan seeks to address.

3.2 As outlined earlier in this report, the process will not start from scratch without any evidence as there is an adopted Plan in place. Any gaps in the existing evidence will need to be identified and it must be ensured that the evidence is updated. The Annual Monitoring Reports will be part of the evidence base. Background evidence papers will also need to be updated to steer any amendments to the JLDP.

4. STEPS TO UNDERTAKE A FULL REVISION OF THE PLAN

4.1 The steps to undertake the revision depend on the conclusions of the Review Report. Should the Review Report conclude that a full revision is required, then the process of preparing a replacement plan must be followed. In accordance with the Town and Country Planning (Local Development Plans) (Wales) 2005, the steps noted below must be followed. The time scales as noted in the Development Plans Manual for a full revision have been included in table 1 below:

Table 1

Full Revision Steps		
Step		Indicative Timetable (Development Plans Manual)
Step 1	Delivery Agreement and Community Involvement Scheme (Regulation 9)	Up to four weeks for Welsh Government approval (usually shorter)
Step 2	Candidate Sites (Regulation 14(2))	Approximately 1.5 years
Step 3	Strategic Options and Preferred Strategy (regulation 14 15)	
Step 4	Deposit Plan (Regulation 17)	Approximately one year

Step 5	Submit the Plan to Welsh Government (Regulation 22)	Approximately 11 months in accordance with the procedural guidelines of the Planning Inspectorate
Step 6	Public examination (Regulation 23)	
Step 7	Publish the Inspector's Report (Regulation 24)	
Step 8	Adoption (Regulation 25)	
		Total time to prepare the plan three and a half years (as well as a three-month slippage period)

More detailed information is provided below regarding the steps referred to in table 1.

Step 1 - Delivery Agreement and Community Involvement Scheme

- 4.2 This is a statutory step that is set out in Regulation 9 of the Town and Country Planning (Local Development Plans) (Wales) 2005. Welsh Government considers the Delivery Agreement (DA) to be an essential project management tool, the DA sets out the timetable to produce the plan following the statutory regulations.
- 4.3 The DA includes the Community Involvement Plan, which outlines how individuals, agents, organisations and others can be part of the process of drawing up the plan and how and when they can contribute. The Delivery Agreement will be subject to a public consultation, and it must be agreed upon by Welsh Government. An agreement from Welsh Government on the Delivery Agreement will note the formal commencement of the revision process. The Councils will be committed to the timetable outlined in the Delivery Agreement. Should the DA need to be revised due to slippage in the timetable, this must be agreed upon by the LPAs and Welsh Government. The Development Plans Manual notes 'An amended timetable when preparing the plan should only be considered under extreme circumstances'
- 4.4 As noted above, the process of preparing a new plan will not commence until the Delivery Agreement has been prepared and agreed by Welsh Government. Following this step, the Development Plans Manual notes a period of 3.5 years in order to prepare the Plan. This timetable will need to be reflected within the Delivery Agreement of the JLDP.

Step 2 Candidate Sites

- 4.5 When preparing the amended plan, depending on the evidence gathered when preparing the Review Report, additional or alternative sites for development may need to be identified. Therefore, the first formal step in the process after the publication of the DA is to call for candidate sites. This is an important part of formulating the plan and site promoters will be required to provide sound evidence to indicate that their sites are sustainable, are able to be progressed and are viable. It is noted that sites

should be submitted during this period, as it is unlikely that sites brought forward outside the process will be included as part of the plan. It will be made clear that submitting a site does not automatically mean that a site is suitable for development and to be included in the plan. There will be an opportunity to submit representations on any site that may be considered for allocation using statutory consultations that are noted in steps 3 and 4 below.

Step 3 Strategic Options and Preferred Strategy

- 4.6 While developing the Preferred Strategy, public involvement will be essential when developing the evidence base, strategic options, associated strategy and proposals, including candidate sites. When developing options, it will be important to ensure that they are genuine, reasonable, reflect the evidence gathered and issues/objectives of the plan and meet the needs of the area, that they are deliverable within the period of the plan, comply with national policies, complement regional or local initiatives and are flexible and sustainable. LPAs should consider how appropriate previously-considered options are, including new alternative options.
- 4.7 As highlighted above, a revision of the LDP will not mean starting from the beginning. The revision process relates to reusing and validating the existing evidence as well as filling gaps in the evidence and developing new options. The document will note the general growth levels, key sites that are necessary to deliver the plan (including a viability assessment). The contents of this document will respond to matters raised in the Review Report and the evidence gathered.
- 4.8 The preferred strategy will be the subject of a statutory consultation, this will be an opportunity for the public, stakeholders, agents and others interested in the process of preparing the LDP to voice their opinions.
- 4.9 It will be necessary to ensure that consideration is given to the current context of the plan area and that the document reflects this. Any change in legislation, changes to national policy must be considered and which policies have proved effective and which have not.
- Identify the key issues, challenges and drivers for the area (economic, environmental, social and cultural aspects) including the requirements of national, regional and local strategies. Evaluate if the key issues for the adopted plan are still relevant, to what degree and have new issues arisen.
 - Set out a vision for the plan, unique to local circumstances, with overarching objectives that respond to the key issues.
 - The Preferred Strategy must pass the gateway test set out in Planning Policy Wales incorporating the Placemaking approach and site search sequence, a clearly expressed spatial strategy and settlement hierarchy, based on the role and function of places, the Sustainable Transport Hierarchy, need and supply factors and sustainable development.
 - Define the proposed scale of future growth in population, housing and employment, based on an analysis of various growth options and express how it will be delivered, e.g. broad ranges of components (commitments/windfall/small sites/allocations etc.)

- Express housing and economic growth levels in the settlement hierarchy and places.
- Key sites/growth areas to deliver the plan spatially identified on a Proposals Map, supported by master planning principles, concept diagrams and a Constraints Map.
- The broad timing/phasing for housing and economic growth, including infrastructure.
- Key strategic policies to deliver the vision, objectives and strategy.
- Development management policies (retained/amended from the adopted plan).
- Viability assessments for all sites, with detailed appraisals for key sites.
- List of Supplementary Planning Guidance to be prepared and prioritised.

Step 4 - Deposit Plan

- 4.10 The Deposit Plan is the complete plan which will be submitted to Welsh Government for examination. It will include the strategy, strategic objectives, development control policies, designations for development and monitoring framework. The deposit plan will be required to address key matters and objectives noted throughout previous steps, respond to the matters raised in previous consultations and as outlined above and it will be required to be supported by a sound evidence base. Proposals maps and inset maps will be part of the Deposit Plan, these maps will identify all housing and employment designations.
- 4.11 The Deposit Plan is the plan the Councils consider is sound (that meets soundness tests noted in appendix 1) and intends to submit for examination.
- 4.12 The Deposit Plan will be subject to a statutory consultation stage (at least 6 weeks). This public consultation will be an opportunity make representations on the contents of the document that will be submitted to the Welsh Government for examination. The observations received will be submitted alongside the Deposit Plan and supporting documents to Welsh Government.

Step 5 - Submission

- 4.13 Among other considerations, prior to submission, it will be necessary to ensure the evidence base is up-to-date, consider whether there is a need to respond to representations received during the deposit period or if there are implications for the Plan. When the Plan is submitted to Welsh Government for an Independent Examination, this step will need to be publicised and ensure that relevant documents are available.

Step 6 - Public Examination

- 4.14 An Independent Inspector will be appointed by Welsh Government in order to undertake an independent examination of the JLDP. The purpose of the Examination will be to consider whether the Plan is sound and based on sound and accurate evidence. The Inspector will be supported by a Programme Officer, who will be employed by the LPA. The Programme Officer is the contact between the LPA, the

participants and the Inspector. They will operate independently from the LPA and receive guidance and report to the Inspector.

- 4.15 The Inspector sets the timetable for the hearings and the sessions will be based on the themes of the JLDP. The Inspector may need to receive brief written statements from participants and bodies taking part in the hearings. It will be for the Inspector to determine who they wish to invite to the hearings. Written observations will be given the same amount of consideration from the Inspector as those made orally at the examination.

Step 7 - The Inspector's Report

- 4.16 The Inspector's Report will include specific recommendations and outline whether there is a need to make amendments to the Plan prior to its adoption. It must be emphasised that the Inspector's conclusions in his report are binding and the LPA must accept them and amend the LDP accordingly.

Step 8 - Adoption

- 4.17 The LPA is required to adopt the LDP within a period of 8 weeks of receiving the Inspector's Report. The LDP will be submitted to the Full Council of Gwynedd Council and the Isle of Anglesey County Council for adoption. After its adoption, the LDP will be used to make planning decisions.

5. Impact Assessments

- 5.1 As part of the process of reviewing the JLDP, it will be necessary to conform to the Sustainability Appraisal requirements. While undertaking a review of the JLDP the Sustainability Appraisal framework which is included in the adopted plan will need to be revisited and amended as required. In accordance with legislation, an assessment of the potential impact of the JLDP on the Welsh language will be included in the Sustainability Appraisal.
- 5.2 As well as the requirements of the Sustainability Appraisal, it will be required to indicate how the JLDP contributes towards the objectives of the Well-being Act and the 5 ways of working that have been identified in the Well-being of Future Generations Act.
- 5.3 A Habitats Regulations Assessment of the JLDP must be undertaken in order to determine if policies and designations included in the Plan are likely to affect European designated sites.
- 5.4 It will also be required to undertake an Equality Impact Assessment, along with a Health Impact Assessment.

6. STEPS TO UNDERTAKE A SHORT FORM REVISION

- 6.1 Should the Review Report (as outlined in section 2) conclude that a short form revision is the appropriate way forward, the steps in table 2 below will need to be followed albeit with a shorter timescale than a full revision:

Table 2

Steps in a Short Form Review		Indicative Timetable (Development Plans Manual)
Step 1	Delivery Agreement and Community Involvement Plan (Regulation 9)	Up to four weeks for Welsh Government approval (usually shorter)
Step 2	Review Report Regulation 26A (1) (Section 4A)	Up to 6 months
Step 3	Call for Candidate Sites (Depending on the conclusions of the RR) (Regulation 26A (6))	
Step 4	Deposit Plan (Regulation 26B)	
Step 5	Submit the Plan to Welsh Government (Regulation 22)	Approximately 6 months in accordance with the procedural guidelines of the Planning Inspectorate
Step 6	Public examination (Regulation 23)	
Step 7	Publish the Inspector's Report (Regulation 24)	
Step 8	Adoption (Regulation 25)	
		Total time to prepare the plan eighteen months (as well as a three-month slippage period)

More information on the individual steps is included below:

Step 1 Delivery Agreement and Community Involvement Plan

6.2 This follows the same procedure as noted in paragraphs 4.2-4.4

Step 2 Review Report

6.3 Unlike the process of a full revision the first step after publishing the RR will be to consult on the Review Report. There will be a need to consider any observations received as part of this consultation and to prepare an initial consultation report and make any changes required to the Review Report and publish it as soon as is practicably possible. Should a Review Report conclude that new allocations designations are required, there will then be a need to call for candidate sites. Namely, step 3 below. If no new allocations are required, it will then proceed to step 4, the deposit plan. What is different while following the short form procedure is that there is no requirement for strategic options or a preferred strategy to be prepared.

Step 3 Call for Sites

6.4 Following the exact process as noted above.

Steps 4 - 8

6.5 These Steps follow the same process as those noted in the Full Revision procedure.

6.6 It should be noted that the short form revision procedure is subject to more risk in terms of procedural challenges. For example, if the scope of the review goes beyond what has been outlined in the Review Report, or if a new national policy means that a substantial changes will need to be made to the existing Plan that have not been highlighted in the Review Report and, therefore, expanding the review.

6.7 It is important to highlight that the Development Plans Manual 3 notes: 'the short form revision procedure should only be considered an option if the issues identified in the Review Report are not of sufficient significance to justify undertaking the full revision procedure.

6.8 That is, if the Review Report conclusions state the following:

- Indicate that the existing strategy remains sound
- Indicate that changes to the strategy or any part of it are not required
- That there is no need to prepare a plan or parts of the plan that would be distinctively different to the adopted plan.
- That changes of a significant scope, number and scale do not need to be made.

7. Conclusion

7.1 The above report outlines the process of preparing a review report. The purpose of the Review Report is to conclude on the type of revision which will need to be followed. It also sets out the statutory procedure that is required when undertaking a full or short form revision of the Joint Local Development Plan.

Appendix 1: Soundness Tests

<p>Preparation Requirements:</p> <ul style="list-style-type: none">▪ Has preparation of the plan complied with legal and regulatory procedural requirements? (LDP Regulations, CIS, SEA Regulations, SA, HRA etc.?)▪ Is the plan in general conformity with the NDF and/or SDP? (when published or adopted respectively)
<p>Test 1: Does the plan fit? (Is it clear that the LDP is consistent with other plans?)</p> <p>Questions</p> <ul style="list-style-type: none">• Does it have regard to national policy (PPW) and the WSP (NDF when published)?• Does it have regard to the Well-being Goals?• Does it have regard to the Welsh National Marine Plan?• Does it have regard to the relevant Area Statement?• Is the plan in general conformity with the NDF (when published)?• Is the plan in general conformity with relevant SDP (when adopted)?• Is it consistent with regional plans, strategies and utility provider programmes?• Is it compatible with the plans of neighbouring LPAs?• Does it regard the Well-being Plan or the National Park Management Plan?• Has the LPA demonstrated it has exhausted all opportunities for joint working and collaboration on both plan preparation and the evidencebase?
<p>Test 2: Is the plan appropriate? (Is the plan appropriate for the area in the light of the evidence?)</p> <p>Questions</p> <ul style="list-style-type: none">• Is it locally specific?• Does it address the key issues?• Is it supported by robust, proportionate and credible evidence?• Can the rationale behind the plan's policies be demonstrated?• Does it seek to meet assessed needs and contribute to the achievement of sustainable development?• Are the vision and the strategy positive and sufficiently aspirational?• Have the 'real' alternatives been properly considered?• Is it logical, reasonable and balanced?• Is it coherent and consistent?• Is it clear and focused?
<p>Test 3: Will the plan deliver? (Is it likely to be effective?)</p> <p>Questions</p> <ul style="list-style-type: none">• Will it be effective?• Can it be implemented?• Is there support from the relevant infrastructure providers both financially and in terms of meeting relevant timescales?• Will development be viable?• Can the sites allocated be delivered?• Is the plan sufficiently flexible? Are there appropriate contingency provisions?• Is it monitored effectively?

CYMRAEG



Llywodraeth Cymru
Welsh Government



Second homes: Developing new policies in Wales

Author: Dr Simon Brooks

Academi
Hywel Teifi



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Coleg
Cymraeg
Cenedlaethol

Second homes: Developing new policies in Wales

Audience

Welsh Government departments; public bodies in Wales; community councils; third sector organisations in Wales; private sector companies in Wales; organisations working with communities; and other interested parties.

Overview

This report was initiated following the award of a small grant by the Coleg Cymraeg Cenedlaethol to Dr Simon Brooks, Associate Professor in the School of Management at Swansea University, to scrutinise policy on second homes in Wales and Cornwall. The original aim was to prepare a brief report focussing on the comparison between public policy solutions based on taxation policy (Wales) and planning policy (Cornwall). However, due to the increasing interest in this subject area, the Welsh Government's Minister for Mental Health, Well-being and Welsh Language asked if the research could be expanded in order to scrutinise some wider issues regarding second homes and to make policy recommendations.

Further information

Enquiries about this document should be referred to:

Welsh Language Division

Welsh Government

Cathays Park

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Additional copies

This document is available on the Welsh Government website at gov.wales/welsh-language

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6. Taxation policy
7. Planning policy – a comparative study of planning policy and regulation of second homes in new housing in Wales and Cornwall
8. Planning policy and the existing housing stock
9. The future of Welsh as a community language
10. Recommendations

Bibliography

Terms of Reference

A small grant was received from the Coleg Cymraeg Cenedlaethol to scrutinise policy on second homes in Wales and Cornwall. The purpose of the grant was to fund one research trip to Cornwall and hold a seminar in the Senedd to discuss conclusions and findings from that trip. The funding did not pay for the researcher's time and the aim therefore was to prepare a brief report focussing on the comparison between Wales and Cornwall only, with attention given to the difference between public policy solutions based on taxation policy (Wales) and planning policy (Cornwall).

However, due to the increasing interest in the area, the Welsh Government Minister for Mental Health, Well-being and Welsh Language asked the researcher whether it would be possible to expand the research in order to scrutinise some wider issues regarding second homes, and make policy recommendations. The researcher agreed after seeking advice from the Coleg Cymraeg Cenedlaethol and deciding that this would be beneficial.

The research does not cover every aspect of the field and, in these cases, reference is made to the need for further research, or existing research is noted.

The Researcher

The author of the report is Dr Simon Brooks, Associate Professor at the School of Management at Swansea University. He is also a Member of the Welsh Language Partnership Council which advises Welsh Ministers on matters regarding the Welsh language.

1. Context

At the beginning of 2020, it was estimated that there would be 24,423 second homes in Wales which could be taxed on that basis during the 2020-21 financial year (Welsh Government, 2020a, p. 9). This total does not include holiday units (of different types) which are registered for non-domestic rates (business rates).

Second homes form a not insignificant part of the housing stock in several parts of rural Wales, which often 'correspond with the traditional Welsh-speaking heartland' (Tewdwr-Jones *et al.*, 2002, p. 5). Their presence is therefore a matter of interest from a language planning perspective as well as for town and country planning.

There is a regional pattern to the distribution of second homes in Wales, with a very high number in some rural counties, relatively high numbers but smaller percentages in some cities, and some post-industrial and urban areas have hardly any second homes at all.

Table 1: The number of second homes estimated to be chargeable with a council tax premium during 2020-21 by county council area (Source: Welsh Government, 2020a, p. 9)

Gwynedd	4,900
Pembrokeshire	4,072
Cardiff	3,188
Swansea	2,125
Anglesey	2,112
Ceredigion	1,735
Powys	1,313
Conwy	1,182
Carmarthenshire	1,125
Vale of Glamorgan	535

Neath Port Talbot	522
Denbighshire	422
Flintshire	268
Caerphilly	263
Rhondda Cynon Taf	226
Merthyr Tydfil	214
Monmouthshire	200
Newport	11
Torfaen	7
Bridgend	3
Blaenau Gwent	0
Wrexham	0

It should also be noted that properties which are used or registered as businesses (holiday units, houses which are let out, AirBnb etc) are a significant part of the housing stock in areas where the number of second homes is also high. In Gwynedd, as of mid-summer 2020, in addition to the 4,873 second homes which were registered for council tax, 1,976 holiday accommodation units were identified (Gwynedd Council, 2020c, p. 25). There were therefore at least 6,849 'holiday homes' in the county, 10.76% of the total housing stock.

Therefore, it might be assumed that figures which count the number of 'second homes' in Wales based on council tax underestimate how much of the housing stock is used for recreational or holiday purposes, and is subsequently unavailable for residential use.

When holiday lets are counted in addition to second homes which are liable for council tax, the regional nature of the second homes problem appears even more pronounced than before. In the table below, 'holiday homes' defined in this way are listed as a percentage of the housing stock in Welsh counties. The phenomenon is limited in its most extreme form to the four coastal counties of west Wales (Gwynedd, Pembrokeshire, Ceredigion and Anglesey). Although there are smaller areas in other counties (such as the Gower Peninsula in Swansea) which also have a high concentration of second homes, these too tend to be in parts of Wales frequented for holiday and leisure purposes. When we look at second homes as a

percentage of the housing stock, the difference between areas frequented for tourism and the rest of Wales is substantial.

Table 2: Second Homes and Holiday Lets in Wales as a percentage of the housing stock by county council area (Source: Gwynedd Council, 2020c, p. 27)

Gwynedd	10.76%
Pembrokeshire	9.15%
Anglesey	8.26%
Ceredigion	5.91%
Powys	3.14%
Conwy	2.97%
Monmouthshire	2.32%
Cardiff	2.29%
Swansea	1.92%
Carmarthenshire	1.58%
Denbighshire	1.23%
Neath Port Talbot	0.91%
Merthyr Tydfil	0.87%
Vale of Glamorgan	0.5%
Wrexham	0.5%
Flintshire	0.35%
Rhondda Cynon Taf	0.21%
Bridgend	0.06%
Newport	0.03%
Caerphilly	0.02%
Blaenau Gwent	0.02%
Torfaen	0.02%

From the point of view of this report, it is important to note that holiday lets were not included within the initial terms of reference, which aimed to compare public policy with regards to second homes in Wales and Cornwall. They were also not part of the terms of reference when it was decided to expand the study to discuss public policy in relation to second homes more generally.

There were two reasons for this. Firstly, holiday accommodation has as much to do with economic policy as it does with housing policy. It could be argued that it promotes prosperity in a way which is not the case for 'second homes', and that it contributes to the local economy, either because it is owned by local people or because visitors who stay in holiday lets spend money locally. It is difficult to think of 'second homes' as being part of a coherent economic strategy in the same way.

The second reason was Gwynedd Council's announcement in 2019 that it would provide up to £80,000 for 'research work on holiday homes for Gwynedd but with a national context' (Gwynedd Council, 2019b). 'Holiday homes' were defined by the Council as second homes as well as houses 'that are let as self-catering holiday lets, such as AirBnB' (Gwynedd Council, 2019c). In the end, the research work was not undertaken by an external body but rather by the Anglesey and Gwynedd Joint Planning Policy Service working on behalf of Gwynedd Council and Cardiff Council. The report, *Managing the use of dwellings as holiday homes*, was published in December 2020 and all of the recommendations it made concerned commercial holiday accommodation and tourism (Gwynedd Council, 2020c).

As there was only a small amount of funding available for this study financed by the Coleg Cymraeg Cenedlaethol (£2,085 for a trip to Cornwall and costs associated with the seminar at the Senedd), it was decided it would not be cost-effective to duplicate research undertaken by the Anglesey and Gwynedd Joint Planning Policy Service. However, this study does make reference to the recommendations in *Managing the use of dwellings as holiday homes* as there is a clear correlation between the presence of both types of 'holiday home' (second homes for personal use and short term holiday lets) in the same communities.

2. A regional and local problem – not a national problem

Second homes are unevenly distributed across Wales and the numbers shift quite dramatically between holiday destinations, where they are a genuine problem, and other parts of Wales where they are far less common. Although there are concentrations of second homes in a number of traditionally English-speaking communities – in parts of Pembrokeshire, for example – their impact on Welsh-speaking communities is also striking.

But as well as being a regional problem, concentrations of second homes can also be a *local* problem within regions and counties. Within counties such as Gwynedd, Anglesey, Ceredigion and Pembrokeshire, the distribution of second homes is uneven with some coastal communities facing a serious problem and many urban areas with hardly any second homes at all. The same unequal distribution is also seen within counties where it might appear that there are relatively few second homes. In Swansea, for example, second homes and holiday accommodation only account for 1.92% of the total housing stock. However, the situation is far more pronounced in the Gower Peninsula (Swansea Council, 2019; Tewdwr-Jones *et al.*, 2002, pp. 27-9).

To illustrate more clearly the uneven nature of their distribution, table 3 indicates the percentage of second homes in community council areas in Gwynedd and Anglesey (many community councils within Snowdonia National Park are not included in the table as the Park is the planning authority there) (Anglesey Council and Gwynedd Council, 2016, p. 103). The definition of second homes in this table is based on information about council tax (Anglesey Council and Gwynedd Council, 2016, t. 12).

The table focuses on statistics from Gwynedd and Anglesey because these two counties form the core of the Welsh-speaking region with the highest density of second homes.

The researcher has added to these statistics information about the location and character of these communities within Gwynedd and Anglesey. They are broadly described and placed in different categories (coastal, urban, heartland, mountains, commuter and post-industrial).

This categorisation is not based on a 'scientific' description as the empirical research required to establish such a categorisation is not possible within the confines of a short report, and the description of a particular community should not be regarded as definitive in that sense, rather it is an attempt to show the outline of a general trend.

Table 3: Second homes in communities in Gwynedd and Anglesey as a percentage of the housing stock (excluding some communities in Snowdonia National Park)
 (Source of statistics for the first two columns: Anglesey Council and Gwynedd Council, 2016, pp. 95-8)

Community Council	Percentage of second homes	Area	Description
Llanengan	39.8%	Dwyfor	coastal
Llanfaelog	25.5%	Anglesey	coastal
Trearddur	25.3%	Anglesey	coastal
Aberdaron	24.5%	Dwyfor	coastal
Beddgelert	23.1%	Dwyfor	mountains
Betws Garmon	22.7%	Arfon	mountains
Rhoscolyn	21.6%	Anglesey	coastal
Llanbedrog	21.1%	Dwyfor	coastal
Arthog	19.6%	Meirionnydd	coastal
Nefyn	18.6%	Dwyfor	coastal
Moelfre	18.1%	Anglesey	coastal
Pistyll	16.6%	Dwyfor	coastal
Buan	15.9%	Dwyfor	heartland
Tudweiliog	15.9%	Dwyfor	coastal
Llangelynnin	14%	Meirionnydd	coastal
Mawddwy	13.5%	Meirionnydd	heartland
Porthmadog	13.3%	Dwyfor	coastal
Clynnog	12.4%	Dwyfor	coastal
Corris	12.2%	Meirionnydd	heartland
Cylch y Garn	11.8%	Anglesey	coastal
Dolbenmaen	11.4%	Dwyfor	heartland

Llaneugrad	11.4%	Anglesey	coastal
Tywyn	10.9%	Meirionnydd	coastal
Llanddona	10.8%	Anglesey	coastal
Llanfaethlu	10.6%	Anglesey	coastal
Barmouth	10.5%	Meirionnydd	coastal
Llangoed	10.2%	Anglesey	coastal
Llanbadrig	10%	Anglesey	coastal
Botwnnog	9.9%	Dwyfor	heartland
Aberffraw	9.4%	Anglesey	coastal
Llanfair-Mathafarn-Eithaf	9.3%	Anglesey	coastal
Beaumaris	8.8%	Anglesey	coastal
Bodorgan	8.6%	Anglesey	coastal
Cricieth	8.6%	Dwyfor	coastal
Llanaelhaearn	8.4%	Dwyfor	post-industrial
Llanfrothen	7.6%	Meirionnydd	heartland
Y Felinheli	7.4%	Arfon	commuter
Llandderfel	7.3%	Meirionnydd	heartland
Penmynydd	7.1%	Anglesey	heartland
Llanycil	7%	Meirionnydd	heartland
Tref Alaw	6.7%	Anglesey	heartland
Llaneilian	6.1%	Anglesey	coastal
Llanegryn	5.6%	Meirionnydd	heartland
Ffestiniog	5.5%	Meirionnydd	post-industrial
Llanystumdwy	5.1%	Dwyfor	heartland
Bodffordd	5%	Anglesey	heartland
Cwm Cadnant	4.9%	Anglesey	heartland

Llanidan	4.8%	Anglesey	coastal
Llanddaniel	4.7%	Anglesey	heartland
Rhosybol	4.5%	Anglesey	heartland
Mechell	4.4%	Anglesey	heartland
Aber	4.2%	Arfon	heartland
Llandwrog	4%	Arfon	commuter
Penrhyndeudraeth	4%	Meirionnydd	urban
Llanberis	3.8%	Arfon	mountains
Llanddyfnan	3.8%	Anglesey	heartland
Pwllheli	3.7%	Dwyfor	urban
Llannor	3.5%	Dwyfor	heartland
Bryngwran	3.5%	Anglesey	heartland
Llanfair-yn-Neubwll	3.5%	Anglesey	heartland
Menai Bridge	3.3%	Anglesey	commuter
Llanllyfni	3.1%	Arfon	post-industrial
Amlwch	3.0%	Anglesey	urban
Bodedern	2.9%	Anglesey	heartland
Valley	2.7%	Anglesey	heartland
Llangristiolus	2.6%	Anglesey	heartland
Llannerch-y-medd	2.6%	Anglesey	heartland
Llandygai	2.4%	Arfon	commuter
Llanfihangel Ysgeifiog	2.4%	Anglesey	heartland
Llanddeiniolen	2.3%	Arfon	commuter
Llanwnda	2.3%	Arfon	commuter
Llanfachraeth	2.0%	Anglesey	heartland
Llanrug	1.9%	Arfon	commuter

Trewalchmai	1.9%	Anglesey	heartland
Llanllechid	1.7%	Arfon	post-industrial
Waunfawr	1.6%	Arfon	commuter
Llanfairpwllgwyngyll	1.6%	Anglesey	commuter
Holyhead	1.5%	Anglesey	urban
Pentir	1.5%	Arfon	urban
Llangefni	1.1%	Anglesey	urban
Bethesda	1.0%	Arfon	post-industrial
Bangor	0.8%	Arfon	urban
Bontnewydd	0.8%	Arfon	commuter
Caernarfon	0.5%	Arfon	urban

From studying the table, it is clear that the percentage of second homes in the housing stock varies greatly between different communities in Gwynedd and Anglesey. Furthermore, these patterns are not arbitrary but reflect factors such as landscape, the tourism industry, socio-economic patterns and the location of employment and industry in both counties.

The percentage varies from 39.8% in Llanengan, which is the community council for the Abersoch area, to 0.5% in Caernarfon.

The range between both these ends of the spectrum shows the *local* nature of the second homes problem. There are a large number of communities in Dwyfor, Anglesey and Meirionnydd where second homes form a significant percentage of the housing stock. Specifically, coastal communities in these three areas have a high percentage of second homes. These communities are often those where the tourism industry is most visible. A number of 'mountain' communities and communities within Snowdonia National Park also come under this category.

There are also many communities in the mainly rural heartland which are affected by second homes. These are not coastal communities and are often characterised by an agricultural economy and they are largely Welsh-speaking. Although this table does not always include them, other statistics confirm that the impact can be quite severe in many rural communities in Meirionnydd that lie within the boundaries of the National Park (Gwynedd Council, 2020c, p. 37).

Although most 'heartland' communities are not affected by second homes to the same extent as the coastal and mountain communities, second homes can be present in sufficient numbers to be a meaningful factor in the local housing market. Evident too is a broad correlation between natural beauty and the density of second homes, as not all parts of the heartland are affected to the same extent. As a rule of thumb, the more industrialised or 'urban' a community in the largely rural or semi-rural inland communities to which the term 'heartland' refers, the less likely it is to have a high proportion of second homes.

There are also a number of post-industrial communities, which are usually associated in the case of Gwynedd with former quarrying communities. Here, the percentage of second homes is considerably lower but there are exceptions to this pattern (possibly due to proximity to the sea or mountains).

Finally, there are a number of communities where second homes are *not* a significant presence in the local housing stock. These include many commuter villages surrounding Caernarfon and Bangor. Many of these are amongst the most Welsh-speaking communities in Wales.

In addition, except for some towns that could be considered seaside destinations (Porthmadog, Barmouth, Tywyn etc.), second homes are not a meaningful presence in most towns in either county. Of the seven communities with the smallest percentage of second homes, four are large or moderately sized towns (Holyhead, Llangefni, Bangor and Caernarfon), another is a small post-industrial town (Bethesda), and one of the other two communities includes part of suburban Bangor and its hinterland (Pentir).

As there are different ways of defining what constitutes a 'second home', it should be noted that the recorded percentages of second homes in these communities are higher when commercial holiday lets are also included in the definition.

In 2020, for example, 46% of the housing stock in Abersoch, 43% in Aberdyfi, 34% in Beddgelert, 31% in Aberdaron, 22% in Nefyn, and 21% in Harlech were second homes according to the wider definition that includes commercial holiday lets.

Of the 12 community council areas in Gwynedd (including communities within the National Park) where the percentage of second homes according to this definition was higher than 20%, nine were coastal communities, two were mountain communities and one was in the heartland. There were 23 other communities where the percentage was between 10% and 20% and, of these communities, 11 were on the coast and 12 were in the heartland. With the exception of seaside towns, not one urban area in Gwynedd had a percentage of above 10% (Gwynedd Council, 2020c, pp. 40-1). Therefore this method of measuring the distribution of second homes also confirms the general pattern already identified.

Considerations for public policy

The geographical distribution of second homes in Wales, in whatever way they are defined, is characterised by two crucial factors:

- The distribution of second homes in Wales is extremely uneven, with thousands of second homes in some counties, and other county council areas having virtually no second homes at all.
- The distribution of second homes in specific counties is also extremely uneven, with some communities overwhelmed by a very high percentage of second homes, and others in the same county with virtually no second homes at all.

This all raises a central question from a public policy perspective. If it is true that the second homes problem is a regional and local problem, would it not be sensible to try and find policy solutions at a regional and local level?

This is not a new assumption. One of the conclusions of the only comprehensive study of second homes in Wales to date is that policies should be developed at a regional as well as a national level:

given that this research has uncovered a range of local and regional problems unique to different parts of Wales, we do not believe that national solutions and policies alone are appropriate to solve problems.

(Tewdwr-Jones *et al.*, 2002, p. 60)

Furthermore, the study recommended that action be taken at a local level too, at the level of named communities within regions and counties:

We recommend that local planning authorities identify particular communities in their Development Plans where it is proven that the combined impacts caused by such matters as a defined and unmet housing need, a lack of economic diversification, linguistic and cultural sensitivity, and external housing pressure, are undermining the sustainability of these communities.

(Tewdwr-Jones *et al.*, 2002, p. 53)

On this basis, it could be argued that second homes are best dealt with by encouraging the development of regional and local policy solutions facilitated by permitting policy variation within a national framework.

It is quite possible for example that Policy X might be appropriate in county A, or in community A, as these are places where radical steps are needed in order to deal with a serious second homes problem. But such a policy might not be appropriate in county B, or in community B, as second homes are not a meaningful factor in the local housing market and introducing measures on second homes would not only be unnecessary but also possibly counter-productive.

For this reason, this report will argue that public policy for second homes should be drafted in a way that allows for local and regional policy variation, both within counties as well as within Wales.

The Welsh Government has established a national framework for levying a local council tax premium on second homes, but allows individual county councils to decide whether the levy should be applied, and if so to what extent. The Government should expand on this precedent in other relevant policy fields by encouraging the development of local and regional policy variation.

Recommendation 1 – develop regional and local variation in public policy

Second homes are primarily a regional and local phenomenon, and the Welsh Government should encourage the development of regional and local policy solutions facilitated by permitting policy variation within a national framework. Public policy solutions should be flexible enough to be applied in different ways in different counties and communities according to regional and local need.

3. The impact of second homes on the sustainability of communities and the Welsh language

Much current discourse surrounding second homes and their impact on the sustainability of Welsh communities and the Welsh language is anecdotal and not based on detailed research. It is 19 years since the publication of the last comprehensive study of the field, *Second and Holiday Homes and the Land Use Planning System Research Report (2002)* by Mark Tewdwr-Jones, Nick Gallent and Alan Mace of the Bartlett School of Planning, University College London, a report commissioned by the Welsh Government.

As a result, many assumptions and claims made in public debate in Wales today about second homes require further consideration.

In the short sections below, there is a brief discussion exploring some of these assumptions:

Assumption 1: Second homes are responsible for the increase in house prices in specific communities

Second homes are very often located in attractive and beautiful communities where house prices are high. As a result there is a perception that the density of second homes in some communities is linked to high house prices.

This is bound to be the case to some extent, as second homes limit housing stock availability, but it is impossible to say that second homes are primarily responsible for house price inflation. Second homes are often common in communities to which people often move to live permanently from other parts of the United Kingdom, and there is little evidence that second homes are the main cause of high house prices as opposed to buyers moving to these areas to reside there.

The *Second and Holiday Homes and the Land Use Planning System Research Report* concluded that retirement and commuting are 'the more significant components of the external housing pressure' in rural communities (Tewdwr-Jones *et al.*, 2002, p. 6). A similar opinion is expressed in *The Impact of Empty, Second and Holiday Homes on the Sustainability of Rural Communities: A Systematic Literature Review (2005)*, a report by researchers from the University of York which summarises the findings of every study in the field in the United Kingdom before 2005: 'isolating the effects of second homes from other factors that impact on any housing market is a considerable challenge.' (Centre for Housing Policy, 2005, p. 51). There is no evidence to suggest that the situation has since changed.

Uncertainty regarding the true impact of second homes can also be detected in the recent report by the Anglesey and Gwynedd Joint Planning Policy Service, *Managing the use of dwellings as holiday homes*, although here there is more of an attempt to assert the presence of a direct link between second homes and high house prices:

The Welsh Government's Report 'Second and Holiday Homes and the Land Use Planning System' did not recognise a clear pattern between the location of holiday homes and house prices and that the evidence suggested that migration from urban to rural areas on a permanent basis is the primary driver of demand for housing and consequently unaffordable house prices. Although this report does not dispute the findings, the map [a map showing the percentage of second homes and holiday accommodation in the housing stock of communities, as well as a map showing median house prices] does show a clear correlation between the two therefore it could be argued, especially with some areas in the county experiencing more than 40% holiday home ownership, that holiday home ownership does contribute to much higher than average house prices. Another issue, which is not covered in the Welsh Government's report is that people who migrate/retire to the area may be moving into a second home they may have purchased pre-retirement.

(Gwynedd Council, 2020c, p. 38)

Evidence which supports the hypothesis of Gwynedd and Anglesey planners that buying a second home could eventually lead to permanent migration has been identified in studies of Caernarfonshire in 1973 and Norfolk in 1982 (Centre for Housing Policy, 2005, p. 59), and also in a recent study of Sweden (Marjavaara and Lundholm, 2016). Obviously this is significant in terms of language planning, and suggests that many second homes will lead to Anglicisation in the future as well as having an Anglicising effect in the present.

And although the extent of the link remains unproven, the Welsh Government study of 2002 does not contradict the Gwynedd and Anglesey report in its implicit assertion that second homes are linked to high house prices in some communities. Although the Welsh Government report did not establish a 'national relationship between second home concentrations and house prices', it did note 'however, that local variations are linked to high concentrations of second homes' (Tewdwr-Jones *et al.*, 2002, p. 24).

That is to say, although house prices in communities which are heavily affected by second homes are not always high in a British context, they are often high in the context of the regional housing market and in relation to the local economy. This

inevitably affects the ability of local people to purchase property in these communities.

It is probably fair to assert that second homes raise house prices in general, and do so in communities where average wages are often quite low.

Assumption 2: If there were fewer second homes, local people would move to these communities to live

An assumption is often made that restricting the number of second homes in particular communities would allow more local people to reside there. If there were fewer second homes, it is claimed that house prices would fall and, as a result, more local people would be able to afford to buy houses in these communities. It is fair to assume that there is an element of truth in this, as any reduction in prices makes houses more affordable.

However, as previously stated, we must remember that these communities often have a high percentage of permanent residents who have moved there to live from other parts of the United Kingdom.

In Dwyfor, for example, there is a concentration of second homes in local government wards such as Abersoch, Llanbedrog, Porthmadog West and Morfa Nefyn which had, according to the 2011 census, a high percentage of residents born outside Wales, 55.3%, 51.3%, 45% and 33.4% respectively (Gwynedd Council, 2020e), compared with the percentage for Gwynedd, 33.2%, and Wales, 27.3%.

In communities like these, the housing market appears to be dependent to a large extent on buyers from outside Wales who intend to live there permanently. If there were fewer second homes, this would not change the fact that local buyers would have to compete with buyers from outside the area, who would generally have more capital. Due to low wages locally, and also the difference between house prices in England and Wales (which means that local people often have less capital than buyers from outside), it cannot be assumed that second homes which might be sold on the open market (as a result of public policy intervention) would be bought by local people.

This also means that it is difficult, from a language planning perspective, to solve the problem of affordability in these communities by focusing wholly on building new houses. Unless there were restrictions on the ownership of these houses, or some other mechanism put in place, an expansion of the housing stock without due diligence would be bound to encourage significant population movement from other parts of the United Kingdom to linguistically sensitive areas.

Building too many houses could have a detrimental impact on the Welsh language, and given that concerns about the future of the Welsh language are largely responsible for the debate on second homes in the first place, this is an important factor for the Welsh Government to consider.

Assumption 3: Reducing house prices is desirable

Claims that reducing house prices would be desirable are often voiced in public discussion about second homes as if they were an unquestionable truth, but it is possible that home owners in the communities concerned would not agree. Housing is the main source of wealth for much of the population. Specifically, it might be assumed that there would be considerable nervousness regarding any steps that would cause the local housing market to fall sharply, especially if that were to lead to negative equity.

From a public policy perspective, the fundamental problem is that we do not know to what degree house prices would fall, if indeed at all, were measures taken to limit the second homes market. Due to other factors, such as counter-urbanisation as a result of Covid-19, it is quite possible that permanent migration would compensate for any decline in prices if second home ownership was restricted. It is also possible of course that prices would not fall at all but that there would be less of an increase than there would have been otherwise (i.e. if measures had not been taken). We must also remember that public opinion in the counties concerned is strongly in favour of taking measures to control the growth of second homes, and there may be little opposition to regulation as long as any potential reduction in house prices is moderate.

Assumption 4: Second homes harm the Welsh language

Many properties purchased in villages affected by the second homes problem are bought by new residents wishing to move to the area in order to live there permanently. As a result, it is not possible to assert unambiguously that second homes are primarily responsible for the decline of the Welsh language in these communities. It could even be claimed that the presence of second homes in some Welsh-speaking communities is like a sponge 'absorbing' houses that would otherwise be bought by new residents unable to speak Welsh.

In some communities therefore, it is possible that second homes reduce the extent of non-Welsh-speaking in-migration. From a language planning perspective, this is significant because, as the *Second and Holiday Homes and the Land Use Planning System Research Report* notes, the 'effect of second and holiday homes on the

Welsh language was, however, seen as less significant than permanent immigration.’ (Tewdwr-Jones *et al.*, 2002, p. 6)

Policy planners must always ask, what would happen to second homes if they were not second homes?

If the answer to this question is that it is probable that they would be bought on the open market by relatively wealthy new permanent residents from outside the community who do not speak Welsh, then, logically, we cannot conclude that significantly reducing the number of second homes in a community would automatically be beneficial for the Welsh language.

A hypothetical example of this may be given. Let us assume that there is a community of 100 houses where 70% of the population speak Welsh and 20 of these houses are second homes. In this community, there are 56 Welsh-speaking households, 24 English-speaking households and 20 houses that are empty for much of the year.

As a result of public policy intervention which makes second home ownership unattractive, the number of second homes in the community falls over ten years from 20 to 10. The 10 houses are sold on the open market, and the trend in this attractive village is that 70% of houses on the open market are bought by non-Welsh speakers from outside the area. With the 10 holiday homes having been returned to use as dwelling houses, there are 59 Welsh-speaking households in the village, 31 English-speaking households and 10 empty houses. Although there is a slight increase in the number of Welsh-speaking households, the percentage of Welsh speakers has decreased from 70% to 65.5% and the percentage of English speakers has increased from 30% to 34.5%.

Of course, Welsh and English speakers do not always live in households where only Welsh or English is spoken. Clearly too, there are local non-Welsh speakers resident in these communities. But this does not change the fundamental argument. In some communities, it is not impossible that a substantial reduction in the number of second homes would result in making the area more Anglicised rather than less so. This could be particularly true if, as a result of Brexit and Covid-19, there were to be a large increase in the number of people wishing to relocate to coastal and rural communities in order to live there permanently.

The assumption that second homes are detrimental to the language derives from the perception that they were bought in competition against local Welsh speakers who then leave the community as they have not been able to buy property. This has happened many times, and is what makes the subject so emotive.

This then is the root of the matter.

The linguistic impact of second homes which are currently in use as second homes is relatively neutral as they are normally empty. But the conversion of *more* dwelling

houses into second homes could be very detrimental to the Welsh language as well as being unacceptable from a social justice perspective.

Conclusion

Setting a public policy goal in relation to the number of second homes

The complete elimination of second homes would not be the best solution for communities where they form a significant part of the housing stock. For the reasons noted, it is probable that suddenly reverting second homes to use as principal residences would lead to a significant increase in permanent population movement to rural Wales which could have a harmful effect on the Welsh language.

In Welsh-speaking coastal communities in an area such as Dwyfor where 20% and more of the housing stock are second homes, converting second homes into principle residences in an uncontrolled manner could be catastrophic.

In Abersoch, for example, the average median price of a house in September 2019 was £365,275 (Gwynedd Council, 2020c, p. 40). With 46% of the housing stock in Abersoch being 'holiday homes' (Gwynedd Council, 2020c, p. 39) and unaffordable to all but the most affluent in the local community, returning holiday homes to use as principle residences in large numbers would surely encourage permanent migration which would not only be detrimental to the Welsh language in Abersoch, but possibly in Llŷn in general.

However increasing the percentage of second homes in these communities would also be detrimental as it would reduce the absolute numbers of Welsh speakers locally.

The cruelty of the situation facing the Welsh-speaking community is that converting more dwelling houses into second homes is detrimental to the Welsh language, but a large or sudden reduction in the number of second homes would also be detrimental. Both things are true as they are associated with the same phenomenon, which is the inability of local people to compete in the housing market against buyers from outside the community.

There is an argument therefore for drafting public policy which aims to ensure stability in the number of second homes in affected communities, or which aims to reduce the number of second homes *gradually over a number of years*.

But this does not mean keeping the *status quo*. Indeed, if we were to keep the *status quo*, it is highly likely that the number of second homes in rural Wales would increase. The problem, as is argued in the next section, is that Britain, and therefore rural Wales, is about to face one of the most turbulent periods in its history. It can be

safely presumed that these changes will be detrimental to the Welsh language as a community language.

In coastal communities, such as those in Anglesey and along Cardigan Bay, if the number of second homes was to increase uncontrollably, what is left of the Welsh-speaking population locally could be displaced. And there is always a risk that the problem would spread and escalate in nearby communities in the rural heartland which are currently strongholds of the Welsh language, undermining them linguistically.

The need for accurate information

From the point of view of language planning therefore the case for policy intervention is clear, but with Wales and Britain facing an uncertain future, accurate information about second homes must be made available to avoid unintentional harm.

Unfortunately, not enough objective information of this type exists. Historically, this has been a stumbling block for academics and others working in the field. According to *The Impact of Empty, Second and Holiday Homes on the Sustainability of Rural Communities: A Systematic Literature Review*:

Estimating the number of second homes is problematic as various definitions are used in the literature relating to ownership, primary use, construction, permanence and distance from first home. Problems find expression crucially in the types of dwelling included as second homes and the use made of these dwellings. ... Similarly, the boundaries between the uses of second homes for leisure by one family and the same property let on a holiday basis to defray costs of ownership are indistinct. Also problematic in national estimates are the blurred distinctions between second homes, holiday homes, empty homes, homes held ready for resale, whether initially purchased by the owner or inherited, or merely homes whose occupants were absent on Census night.

(Centre for Housing Policy, 2005, pp. 42-3)

In particular, it is not known how many second homes in Wales are retained for personal use and how many are businesses offering short-term holiday lets. Nor do we know how many second homes are bought every year.

This is because although the number of properties charged for the council tax second homes premium is known, as well too as the number of property transactions liable for higher rates of land transaction tax, these figures do not correspond to the actual number of second homes in Wales nor do they correspond to the number of

second homes bought each year. It would be useful to make good this deficiency by having far more detailed information about second homes in Wales, and to have some way of monitoring this information effectively when introducing policy measures.

There is considerable merit in one of the suggestions made in the recent *Managing the use of dwellings as holiday homes* report, namely that a mandatory licensing scheme for commercial holiday homes should be adopted. Such a licensing scheme is already in place in Scotland. This would ensure that it would be possible to differentiate between second homes retained for personal use and holiday homes which are let to visitors. This would be extremely helpful when drafting public policy as

By obtaining a licence it would mean that information is collated through one data source in relation to the number of short-term holiday lets within the authority area. Achieving a single catch all data source allows for greater control and clarity in relation to the number and concentration of holiday lets within specific areas.

(Gwynedd Council, 2020c, p. 60)

Gwynedd Council emphasises holiday accommodation here as managing such accommodation is the primary aim of their report. However, establishing a clear distinction between the two types of 'holiday homes' which are currently mixed in public policy (second homes for personal use and second homes for short-term holiday lets) would provide more accurate information about both types of 'holiday homes' and help facilitate public policy decisions about them.

Recommendation 2 – control of the numbers of second homes

Public policy should aim to ensure stability as regards the numbers of second homes in communities affected by them, or it should aim to reduce their numbers gradually over a number of years.

Recommendation 3 – the definition of second homes

In order to facilitate policy decisions based on objective information, a better definition of second homes is needed. The Welsh Government could consider several ways of doing this but, with this in mind, a Mandatory Licensing Scheme for Holiday Homes should be introduced.

4. Brexit and Covid-19 – a reason to act

We now come to the fundamental justification for taking action on second homes, which is also a reason for policy intervention with regards to the sustainability of Welsh-speaking communities in general.

Since the 2008 financial crisis, Welsh-speaking communities like a number of other fragile communities in Britain have faced testing socio-economic changes. One example of this is the shrinking public sector (for example, in local government) as a result of austerity. This has disproportionately affected the Welsh language because of the tendency in Welsh-speaking communities for Welsh speakers to be more concentrated in this sector than in some parts of the private sector (tourism, for example).

With the vote in 2016 to leave the European Union, it became clear that rural areas where the second homes problem is most acute would undergo a socio-economic and societal restructuring on a very wide level. As well as losing regional European support, we can predict the weakening of the agricultural economy, further austerity affecting the public sector, and indeed a host of economic threats. Many of these will impact on sectors where a very high percentage of Welsh speakers are employed.

It is likely that economic restructuring will present challenges to community sustainability in these areas, and therefore to the Welsh language. The likelihood is that structural problems, such as young Welsh-speakers leaving rural communities due to a lack of economic opportunities, will deepen.

However, this will not happen in a vacuum. Due to economic and cultural changes in the wake of Brexit, and also as a result of the Covid-19 pandemic, these communities, which are already particularly vulnerable linguistically, and which will become more vulnerable for the reasons noted, will face stiff competition for resources in the housing market. This will be as a result of an increase in the second homes market on the one hand, and permanent migration on the other.

Brexit and second homes

The cultural experiences that the British middle class used to enjoy in continental Europe will not be as accessible post-Brexit as they once were. Restrictions on the 'freedom of movement' will limit the ability of British citizens to travel freely to continental Europe. It will only be possible to stay in the European Union for 90 days in every 180 days, and it will not be possible to stay for two consecutive periods of 90 days. It will therefore be difficult to spend the entire winter or summer on the

continent. It will also become more difficult to move to the European Union to retire (to Spain, for example) as this will be subject to immigration rules. It is also possible that the process of purchasing property will become more complex. It is very likely that all of these factors will make buying a second home on the continent far less attractive than it has been, and the British middle class practice of buying a house or a flat in France or Spain may begin to draw to a close.

It is possible of course that this will make buying second properties less common in general, but it is far more likely that the desire to own a second property will continue but that these properties will now be purchased in Britain. This change will mainly be driven by legal and practical considerations and it will affect many parts of rural and coastal Britain, including Wales. The numbers in question are not small. In the year 2013-14, for example, British residents had 70,000 second homes in France and 66,000 second homes in Spain alone (Statista, 2020).

But for psychological and cultural reasons too, there will be an increasing desire to enjoy leisure time in a British rather than European context. Part of the appeal of having a second home for the middle class is that it is a reassuring 'home from home', but also different enough to be interesting. Before Brexit, this aspiration was partially met by buying property in France or Spain. But in the post-Brexit period, it is likely that the ideal will be realised within the United Kingdom and resurrected in the form of fantasies about different parts of rural Britain.

Even though 'Romanticising' the countryside in this way may occur in many parts of rural England, the likelihood is that the trend will be strongest in the old Brythonic fringes (the Lake District, Cornwall, Snowdonia etc.) of England and Wales. The Scottish Highlands are too far away for most people to travel there for the weekend, but Wales and the fringes of England are nearer.

It is not evidence-free speculation to assume that this may happen. Processes of 'Romanticisation' are well-known in cultural theory, and historically there is evidence that this has happened in Wales previously.

At the beginning of the 19th century, in the wake of the French Revolution and Napoleonic wars, the 'Grand Tour' – the 'Romantic' trip to Italy, the Alps and the rest of the continent, which was a fashionable undertaking for the English gentry – was no longer possible. The continent's borders were closed. As a result, the 'Celtic fringes' began to be thought of as 'Romantic' locations that young Englishmen and women could access, and for a time at the beginning of the century Snowdonia in particular became a very fashionable place, and Romantic poets such as Wordsworth and Shelley would visit the area.

It is probable that Brexit will lead to a similar 'Romanticisation' of Wales. This could lead to some economic benefits, such as a tourism boom. But it is also inevitable that an increase in the purchase of second homes will be part of the same phenomenon.

Although we cannot predict to what extent this demand for second homes in Wales will increase, it will probably be significant.

Since the Brexit vote in 2016, the percentage of houses sold as second homes in Gwynedd and Anglesey has been consistently high (Welsh Government, 2019 and 2020d). It is not impossible that this is the beginning of a long-term cultural shift. If so, this will only increase as restrictions on freedom of movement in Europe only came into force on 1 January 2021.

The effects of Covid-19 and second homes

It is also highly likely that the Covid-19 crisis will increase pressure on the housing stock. In 2020, Covid-19 led to a situation where the urban population imagined the countryside as a 'haven' to which it would like to escape, and during the summer crowds flocked to Snowdonia and the Welsh coastline (Gallent, 2020). It is possible that this mindset will continue even after the end of the pandemic, contributing to the demand for second homes.

The pandemic has also accelerated a shift which had begun already, the move from an economic world where workers are expected to travel to the office every day to one where there is more flexibility and freedom to work from home. Due to technological advances, it is very unlikely that work practices like these will be abandoned at the end of the pandemic. There will be far more working from home in the future.

This could be beneficial to rural areas in some ways. For example, it could provide a way for people who have left rural Wales due to a lack of economic opportunities to return. If the Welsh Government were to establish a scheme to encourage Welsh speakers who have moved to other parts of Britain to 'come home' and take advantage of this new mode of living, it could be advantageous in terms of the future of the Welsh language as a community language.

However, there are obvious risks too. Competition for housing in the countryside is likely to increase because an individual employed by a company in Manchester or Bristol or London could spend their weekends in rural Wales, and a fair amount of the week too, choosing to commute to the main office as required. It would not be necessary to be in the city office from nine to five, Monday to Friday. It might be possible to enjoy 'long weekends' in Wales, working on a computer in the second home on days adjacent to the weekend proper. Establishing working patterns like these would increase the demand for second homes in rural Wales significantly.

As in the case of Brexit, there is evidence that some of these probable long-term social changes have already begun. Last summer was one of the busiest ever seen

for tourism in counties with a high number of second homes, such as Pembrokeshire, Ceredigion, Gwynedd and Anglesey. There were anecdotal reports that houses on the open market in attractive seaside villages were purchased very quickly; many as second homes. It is probable that some of the upheaval during the summer of 2020 was due to temporary factors associated with Covid-19. However, it would be naive to think that at least some of these supposedly 'short-term' changes will not continue in the future.

It is important to emphasise therefore that public policy on second homes is not being drawn up at a time of social stability. Welsh society is about to enter a period of great uncertainty.

As already noted in Section 3 ('The impact of second homes on the sustainability of communities and the Welsh language'), suddenly reducing the number of second homes in Welsh-speaking communities could be detrimental to the language. But due to the long-term impact of Brexit and Covid-19, it is all but impossible to foresee even strict measures leading to a significant reduction in their numbers. As workplaces move 'online', demand for second homes in some of Wales' most scenic locations may become insatiable.

The most likely result of introducing new measures on second homes will be to slow down an increase in their numbers which would otherwise have been far greater. Perhaps it might be possible to arrive at some form of stability. It is very difficult to see numbers falling significantly.

Due to the linguistically sensitive nature of communities where there is a high density of second homes, the best outcome for the future of the Welsh language would be stability or a gradual decline in numbers over several years. However, this will not happen without policy intervention. Due to the transformative nature of the long-term impact of Brexit and Covid-19, the risk of not taking action will be far greater than any risks that might be associated with the introduction of new policies.

Recommendation 4 – responding to Brexit and Covid-19

In an attempt to mitigate the inevitable effects of Brexit and Covid-19 on the housing market in communities which are heavily impacted by second homes, the Welsh Government should adopt a more proactive approach, and more radical steps should be taken, than would otherwise have been the case.

5. A theoretical model for policy intervention

This report uses a theoretical model outlined by Nick Gallent, Alan Mace and Mark Tewdwr-Jones in their article, 'Second homes: A new framework for policy' (Gallent *et al.*, 2004). The article was an attempt to update D. M. Shucksmith's formative article, 'Second Homes: A Framework for Policy' (Shucksmith, 1983), the first comprehensive academic attempt to try and offer public policy solutions to the second homes 'problem' in Britain.

To an extent, the model was influenced by Welsh needs. Shucksmith's article refers to Wales and acknowledges its central importance in policy discussions about second homes. Gallent, Mace and Tewdwr-Jones are the authors of the *Second and Holiday Homes and the Land Use Planning System Research Report*, the comprehensive study of second homes in Wales published by the Welsh Government in 2002. Although 'Second homes: A new framework for policy' was written within the context of policy in England, it is in many respects a theoretical model that has been framed in the shadow of Welsh considerations.

The model's main weakness is that it does not discuss language planning and subsequently, in the Welsh context at least, some of its conclusions must be qualified.

One specific feature in the framework is a desire to take action across a range of policy areas in order to address the issue of second homes. There is no *single* 'policy' which will solve the problem, and both direct and indirect action must be taken in order to have an impact. Social justice is the ethical driver of policy goals, and second homes are considered as 'part of a gentrifying process that needs to be checked through socially progressive policy tools' (Gallent *et al.*, 2004, 295).

In 'Second homes: A new framework for policy', the problem of second homes is set against the backdrop of rural disadvantage, which suggests a context for the Welsh debate. The Welsh language in Welsh communities could be thought of as an attribute of a society which is disadvantaged in the property market. Therefore, language planning in the field of second homes could also be thought of in terms of equality.

According to Gallent, Mace and Tewdwr Jones:

Our own policy framework for addressing second homes and broader housing pressures in the countryside has a similar mix of direct and indirect measures [to those developed by Shucksmith]. This similarity is indicative of the almost static nature of the second home issue over the last two decades; outside

housing demand within many rural communities continues to be driven by the imbalance between urban and rural incomes, by the prestige attached to a home in the country, and by the scarcity value that planning confers on rural housing. The wider context is also largely unchanged; rural economies endure the same structural weaknesses; the planning system adheres to an almost identical raft of guidelines and objectives; and there continues to be little appetite among politicians – or society at large – for banning second homes or seriously infringing on private property rights. There is also a continued recognition that second homes – and retirement – are merely symptomatic of broader social and economic trends, marked for centuries by an exchange of people and wealth between town and country.

In this context, the policy framework set out below represents a consideration of how:

1. the planning system might be used to make this exchange less painful for certain rural areas, and promote balanced communities above social exclusivity in large parts of the countryside; and
2. how monetary and taxation policy might contribute to meeting the same aim by decreasing the attraction of second home ownership and also by releasing additional funds to assist in the provision of more affordable homes in rapidly gentrifying parts of the English countryside.

(Gallent *et al.*, 2004, 295)

If this theoretical model were to be applied to Wales, it could be expressed in the following way:

- The theoretical justification for policy intervention is social justice, which is expressed in public policy in three ways:
 1. Planning policy which deals *directly* with second homes, for example by placing restrictions on the use of dwelling houses as second homes.
 2. Planning policy which deals *indirectly* with second homes, for example by adopting policies regarding affordable housing or by placing local ownership restrictions on property.
 3. Taxation policy relating to second homes.

As it follows this model, this report will make policy recommendations across all three areas: direct planning policies, indirect planning policies and taxation policies.

As will be seen, there is greater emphasis in this report on direct intervention than in the model proposed by Shucksmith and Gallent *et al.* The reason for this is that the existence of the Welsh language as a community language makes it more difficult to overcome the housing problem through solely indirect means (for example, by building more and more houses until local need has been met).

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

Policies should be implemented across a range of policy areas, and in the following three fields in particular: direct planning policies, indirect planning policies and taxation policies.

6. Taxation policy

Public policy in Wales on second homes is expressed primarily through taxation policy at present.

This happens in two ways, namely a council tax premium county councils can charge on second homes, and also higher rates of land transaction tax which must be paid when buying a second property.

Non-domestic rates (business rates) will also be discussed in this section as this is also relevant to the policy discussion.

i. Local Council Tax Premium

Under the Housing Act (Wales) 2014, local authorities have the right to charge a local council tax premium of up to 100% on second homes. During the 2020-21 financial year, eight county councils in Wales were using this right (Welsh Government 2020a, p. 9). Two councils (Conwy and Ceredigion) were charging a premium of 25% (with Conwy due to increase the premium to 50% in the following year), one council (Anglesey) was charging a premium of 35%, and five councils (Gwynedd, Denbighshire, Flintshire, Powys and Pembrokeshire) were charging a premium of 50%. In the autumn of 2020, one of these councils, Powys, was consulting on the possibility of increasing the premium to 75%. By January 2021 (when this report was finalised) Anglesey had decided to consult on raising the premium to at least 50%, and Gwynedd was consulting on charging 100%. Also, another council, Swansea, had decided to charge the premium for the first time, at a rate of 100% for the 2021-22 financial year. Swansea Council is therefore the first council in Wales (and the only council to date) to make a definitive decision to use its taxation powers in full.

This is a strange situation because local government has complained vociferously about the situation regarding second homes, and has called for the problem to be urgently addressed through the planning system, for example by making the conversion of a dwelling house into a second home a 'change of use' which might be subject to planning permission.

This would be quite a fundamental change to public policy. Of course such changes could be considered, and yet the argument made by councils would be stronger if they themselves used their taxation powers in full. To date, that has not happened.

The reason often given by local councils for not using their taxation powers in full is a so-called legislative 'loophole' which allows second home owners to avoid paying

council tax altogether by registering for non-domestic rates instead. This is an oft-repeated claim.

However, there is no evidence that there is a loophole in the sense that people are breaking the law. If people were breaking the law then it would be in the public interest for them to be prosecuted. The word 'loophole' is unfortunate as it creates confusion as to what is actually taking place.

In January 2020, the Welsh Local Government Association wrote to the Welsh Government confirming that there is no 'loophole':

To be clear, we agree with you that there is no loophole – what is happening on the ground is completely in accordance with the legislative provisions. Our contention is that it is creating a situation which seems at odds with the Government's aims in respect of housing supply.

(Welsh Local Government Association, 2020)

What then is happening on the ground in communities impacted by second homes?

If a second home is *available* for commercial letting as self-catering accommodation for periods amounting to 140 days or more in a year, and if this is *actually* the case for at least 70 days, the second home can then be registered to qualify for non-domestic rates (business rates) rather than council tax.

This provides many tax benefits which are not available to owners who have registered their property for local council tax. 'The result', according to the Welsh Local Government Association, 'is that these properties are then eligible for the Small Business Rate Relief, which effectively means that owners end up paying no taxes at all into the public purse in Wales in respect of those properties.' (Welsh Local Government Association, 2020)

When they began to introduce the council tax premium for the first time, some councils noticed that a significant number of second homes were being transferred from the council tax list to the non-domestic rates list, 'by virtue of being classified by the Valuation Office Agency as being Self-Catering Accommodation pursuant to Section 66(2BB) of the Local Government Finance Act 1988.' (Gwynedd Council, 2020b, [t. 4.])

In Gwynedd alone, there were 454 transfers in 2018-19, and 397 transfers in 2019-20, from the council tax list to the non-domestic rates list. This compared with 167 transfers in 2015-16 and 188 transfers in 2014-15, during the period before Gwynedd Council decided in December 2016 that it would introduce a second home premium for the first time (the decision came into effect in 2018/19).

The claim therefore is that there is a link between charging the premium and a tendency to transfer properties out of the council tax list altogether, and this is recognised as a risk which ‘has been recorded on the Council’s corporate risk register.’ (Gwynedd Council, 2020b, [t. 4.])

This report acknowledges that increasing the premium on second homes is not risk-free. However, instead of employing this argument as a reason not to do so, it would be more sensible for the premium to be increased, and for the Welsh Government to adopt parallel policies at the same time to try to persuade owners not to transfer their property from the council tax list to non-domestic rates.

Much recent public debate about second homes has proposed making far-reaching changes to planning law. However, from a public policy perspective, it becomes more difficult to justify a change to planning legislation if existing taxation powers are not used.

By not charging the full premium for second homes, county councils that are concerned about the situation are weakening their case.

It is in the public interest therefore that county councils in areas where there is a high number of second homes use their taxation powers fully. There are indications that some local authorities in relevant parts of Wales are about to do this, and others are moving in that direction. This, in turn, justifies an appropriate response by the Welsh Government including full consideration of other policy options, including those discussed in this report.

Recommendation 6 – Local Council Tax Premium

County councils that consider second homes to be a serious social problem should use their taxation powers fully, raising the council tax premium on second homes to 100%.

ii. Short-term holiday accommodation and small business rates

As noted, there has been a tendency recently for properties to be moved from the council tax list to non-domestic rates and, as a result, some county councils are reluctant to use their taxation powers in full.

This is a significant development as short-term holiday accommodation also puts pressure on the housing stock in communities where there are a large number of second homes. In taxation matters at least, it appears that there is a fair amount of flipping between categories of ‘holiday homes’ (second homes for personal use, and

short-term holiday accommodation). Thus, in order to deal with second homes, policy intervention in relation to short-term holiday accommodation should also be considered. This is particularly true given that an unintended consequence of taxation policy is that second homes are being converted to, or redefined as, short-term holiday accommodation.

One of the main recommendations made in the report by the Anglesey and Gwynedd Joint Planning Policy Service, *Managing the use of dwellings as holiday homes*, is that the financial incentive for moving second homes from the local council tax list to the non-domestic rates list should be reduced. The suggestion is that this could be done by making short-term holiday accommodation exempt from being eligible for small business rates relief:

By excluding short-term holiday accommodation from being eligible for small businesses rates relief, there would be no incentive to avoid having to pay the Council tax premium on second homes. Another possible option could be to prohibit short-term holiday accommodation from qualifying as business premises. This would mean that the property would not be eligible for the Business Rates Relief and the owner would pay Council Tax on the property.

(Gwynedd Council, 2020c, p. 64)

The *Managing the use of dwellings as holiday homes* report also comments:

If a residential unit (use class C3) is transferred to the non-domestic rates system, it is suggested that by doing so those responsible for the action acknowledge that the residential use of the property no longer exists. As a result, no property without legal permission for use as short-term holiday accommodation should be eligible for evaluation to pay non-domestic business tax rates. Self Catering Holiday Units, in relation to Non Domestic Rates, should be a term reserved for use for properties that have been granted planning permission to be used for that specific purpose.

(Gwynedd Council, 2020c, p. 64)

The question of whether planning permission should be required to convert a dwelling house into short-term holiday accommodation is discussed in Section 8 ('Planning policy and the existing housing stock'), and discussion in this section is confined to the debate on whether holiday accommodation should be exempt from being eligible for small business rates relief. Although this report sympathizes with

that view, such a step raises wider questions than about housing alone, namely the economic contribution of the tourism industry and the role of this type of accommodation within that industry. From a language planning perspective, it should be noted that local people also benefit economically from such activity.

It should be noted too however that the *Managing the use of dwellings as holiday homes* report nevertheless claims that its recommendation would boost tourism as well as protecting the housing stock, because

By identifying the premises that have been properly developed as part of the tourism industry, the Welsh Government can target assistance whilst at the same time ensuring that properties benefiting the owners but not the wider economy or community can be excluded from any relief scheme and asked to contribute to local taxes.

(Gwynedd Council, 2020c, p. 64)

The Welsh Government should give serious consideration to the proposal that short-term holiday accommodation be exempted from eligibility for small business rates relief. It is true that the exact economic contribution of some of these units, which are often in villages where there is generally a high density of second homes, is ambiguous. However, because of the economic importance of the tourism industry, it would be unfair to introduce such a change without wider consultation.

Recommendation 7 – Short-term holiday accommodation and business rates

The Welsh Government should consult on the possibility of making short-term holiday accommodation exempt from being eligible for small business rates relief.

iii. Land transaction tax

Further use is made in Wales of the taxation system to address the holiday homes problem in that additional tax is charged when a second property is purchased (Welsh Government, 2020b). The land transaction tax was introduced in April 2018, and it was amended on 22 December 2020.

Currently in Wales, when buying a first property, tax must be paid which corresponds to the value of the property according to the following rates:

Table 4: Land transaction tax (Welsh Government, 2020c)

portion between	percentage of property price
£0-£180,000	0%
£180,000-£250,000	3.5%
£250,000-£400,000	5%
£400,000-£750,000	7.5%
£750,000-£1,500,000	10%
over £1,500,000	12%

As a result of the Covid-19 pandemic, the payment due for that part of a property worth between £180,000 and £250,000 was reduced temporarily from 3.5% to 0%.

However, if someone buys a residential property and they already own one or more properties, they have to pay land transaction tax at a higher rate. Up to 22 December, these rates were as follows:

Table 5: Higher rates land transaction tax before 22 December, 2020 (Welsh Government, 2020c)

portion between	percentage of property price
£0-£180,000	3%
£180,000-£250,000	6.5%
£250,000-£400,000	8%
£400,000-£750,000	10.5%
£750,000-£1,500,000	13%
over £1,500,000	15%

In the case of higher rates land transaction tax, it was decided not to change these rates in response to Covid-19.

Therefore in practice, up to 22 December 2020, those buying second homes have had to pay a tax premium of 3% of the value of the property they were buying in addition to the main rate of land transaction tax. (Following the decision to reduce the main rate in response to Covid-19, the gap between the amount paid by a buyer for a first property and a second property exceeded 3% in some cases, but this is a temporary measure.)

However, since the introduction of land transaction tax in 2018, it is clear that this has not led to a significant reduction in the number of second home purchases. Welsh Revenue Authority statistics for the 2019-20 financial year show that the two counties in Wales with the highest percentage of higher rates of land transaction tax are Gwynedd and Anglesey (Welsh Government, 2020d). The percentage in Gwynedd was 38% and in Anglesey it was 36%. There were similar percentages in 2018-19 also, at 37% in Gwynedd and 33% in Anglesey (Welsh Government, 2019).

Although higher rates are payable in the case of some other types of residential transactions as well as second homes (such as buy-to-let properties and properties purchased by companies), it is impossible to explain Gwynedd and Anglesey's position at the top of this list except in terms of the second homes market.

As a result of this, and against a background of protests about second homes in 2020, land transaction tax rates were reviewed.

In England and Northern Ireland, stamp duty is paid when buying property and a premium of 3% must be paid on second properties (United Kingdom Government, 2020), a situation which corresponds to that which existed in Wales.

In Scotland, on the other hand, land and buildings transaction tax is paid when buying property and a premium of 4% must be paid on second properties (additional dwelling supplement). The premium was set at a rate of 3% when the tax was first introduced replacing stamp duty in 2016. However, the rate was increased to 4% in 2019 (Revenue Scotland, 2020). Therefore the premium on second homes was higher in Scotland than it was in Wales.

The basis of the Scottish Government's decision to raise the premium from 3% to 4% in its budget for 2019-20 was a desire 'to protect those who are buying their first home and those who are progressing through the property market' (Scottish Parliament, 2018). The premium was raised even though the second homes problem is less serious in Scotland than in Wales. In 2018, there were 24,983 second homes in Scotland (Scottish Parliament, 2019, p. 17). This is slightly higher than the estimated 24,423 taxable second homes in Wales in 2020-21 (Welsh Government, 2020a, p. 9). However, according to the latest estimates approximately 5,463,000

people live in Scotland compared with roughly 3,153,000 in Wales (Welsh Government, 2020h).

One obvious way of responding to the second homes crisis in Wales would be to raise the premium on the higher rates of land transaction tax from 3% to 4%, and the Welsh Government made such a change on 22 December 2020 (Welsh Government, 2020i).

Table 6: Higher rates land transaction tax after 22 December, 2020

portion between	percentage of property price
£0-£180,000	4%
£180,000-£250,000	7.5%
£250,000-£400,000	9%
£400,000-£750,000	11.5%
£750,000-£1,500,000	14%
over £1,500,000	16%

Such a step is to be welcomed, but how much difference will it make to the housing market in those communities where second homes are a genuine problem? These communities are in rural and coastal areas of west and north Wales where average wages are low. The income to house price affordability ratio in Gwynedd in 2019, for example, was 5.9:1 but this increased in communities where there is a concentration of second homes. For example in Abersoch and Aberdaron, the ratio was 10.7:1 (Gwynedd Council, 2020c, p. 39).

In Abersoch, the average median price for a house in September 2019 was £365,275 (Gwynedd Council, 2020c, p. 40). House prices have since risen. Increasing the premium on second homes from 3% to 4% would on average come to an additional tax burden for the buyer of a typical house in Abersoch as a second home of around £3,000-£4,000. In other communities with a concentration of second homes, it would be lower. The average median price of a house in Gwynedd in September 2019 was £155,000 and by that benchmark increasing the premium from 3% to 4% would only come to an average payment of £1,550 additional tax.

Although the increase in higher rates of land transaction tax is both prudent and sensible, it is hard to believe that an increase of 1% will make a meaningful

difference in a county such as Gwynedd. Is the answer therefore to raise the premium higher, from 4% to 5%, 6%, 7%, or to 8% perhaps?

The problem of course is that second homes are a regional phenomenon. The area that had the lowest number of higher rates transactions in 2019-20 was Torfaen. Only 16% of property transactions in that county were in this higher category. We have already seen that only seven homes were identified as second homes in Torfaen in the Welsh Government's estimate as to the number of homes liable to pay council tax premium in 2020-21. It is highly unlikely that higher rates of land transaction tax in Torfaen have a connection with the second homes market.

Raising the higher rates of land transaction tax by 1% in Torfaen could probably be justified using the type of arguments that have been put forward in Scotland. However, it is difficult to see any justification for increasing the tax rate further in an area like Torfaen where there is no local second homes problem. Increasing higher rates of land transaction tax again could impact on the availability of other types of properties, such as accommodation to rent.

The Welsh Government is clearly aware of this argument. In a letter from the Welsh Treasury to Councillor Rhys Tudur, a member of Nefyn Town Council, 27 October 2020, it was noted that there are

higher rates LTT [Land Transaction Tax] payers in different proportions in terms of intended use in different parts of Wales and any short-term measures that are right for one part of Wales may not meet the needs of other areas. As always, a balance must be struck when setting rates so that they are right for Wales.

(Welsh Government, 2020g, p. 2)

It is difficult to disagree with the Welsh Government's analysis here (despite the reference to 'short-term measures', the argument is valid in the case of long-term measures too). Increasing higher rates of land transaction tax across Wales to a level high enough to assist communities such as Nefyn would have a disproportionate and unfair impact on individuals in areas where second homes are not a social problem.

But not raising the tax significantly in a community like Nefyn reduces the effectiveness of the public policy response to second homes. As noted previously, the best way of tackling second homes is action across a range of policy areas (taxation and planning). Without a firm response via taxation, the burden falls on the planning system alone.

As Wales to date has tended to use taxation rather than the planning system in its second homes approach, using higher rates of the land transaction tax in order to regulate second homes more effectively (and provide funding for building affordable housing) is a natural step for the Welsh Government. It is consistent with the public policy approach in Wales more generally.

Developing a regional taxation policy

So how can this problem be solved? The regional nature of the second homes problem poses the question of whether a regional taxation policy should be adopted in Wales.

There is already precedent for this in taxation policy. Local government rather than the Welsh Government decides whether the council tax premium is levied on second homes. As a result, there is to all extents and purposes a regional tax on existing second homes in some parts of Wales.

By devolving this decision to local government, the Welsh Government has avoided the problem of how to balance the interests of counties where there are thousands of second homes with the interests of those regions where there are hardly any second homes at all. Devolving this decision to local councils has created public policy which meets local needs and priorities fairly in every part of Wales.

There is a strong argument therefore to adopt the same principle in relation to the land transaction tax.

There could be a national scale for the higher rates of the land transaction tax but with flexibility for government (national or local) to vary chargeable rates of tax in different parts of Wales depending on local circumstances. The decision as to whether a local variation should be applied could be devolved to county councils. This would follow the principle of the council tax premium, which allows for second homes to be taxed more heavily in counties where they have a detrimental impact.

The precedent of the local council tax premium could also be followed when deciding the extent to which variations might be permitted. Local councils are allowed to levy on second homes a premium of up to 100% of the standard rate of council tax. It would be consistent therefore to permit local councils to levy a variation of up to 100% of the difference between the main and higher rates of land transaction tax, which is 4%.

If this were done, the transaction tax on second homes in counties where the county council had decided to make a variation would be as follows:

Table 7: Land transaction tax for second homes where the county council has decided to vary the higher rates up to an additional 4%

portion between	higher rates land transaction tax national rate (percentage of property value)	higher rates following local or county variation
£0-£180,000	4%	4% - 8%
£180,000-£250,000	7.5%	7.5% - 11.5%
£250,000-£400,000	9%	9% - 13.5%
£400,000-£750,000	11.5%	11.5% - 15.5%
£750,000-£1,500,000	14%	14% - 18%
over £1,500,000	16%	16% - 20%

If such a policy were adopted, the proposed land transaction tax in its entirety could be summarised as follows (this does not include the temporary reduction in the main rates that was introduced for the period of the Covid-19 epidemic):

Table 8: Proposed land transaction tax for second properties as a percentage of the price paid

portion between	main rates (first property)	higher rates (for second property)	county or local variation	Total charged for second property
£0-£180,000	0%	4%	up to + 4%	4% - 8%
£180,000-£250,000	3.5%	7.5%	up to + 4%	7.5% – 11.5%
£250,000-£400,000	5%	9%	up to + 4%	9% - 13.5%
£400,000-£750,000	7.5%	11.5%	up to + 4%	11.5% - 15.5%

£750,000- £1,500,000	10%	14%	up to + 4%	14% -18%
over £1,500,000	12%	16%	up to + 4%	16% - 20%

Although levying additional tax in this way would not stop prospective buyers from buying dwelling houses in vulnerable communities and turning them into second homes, it would help curb the market. Returning to the example of Abersoch, allowing a variation of 4% of the median house price in September 2019 of £365,275 would incur an additional tax liability of £14,611.

Based on the average median price of a house in Gwynedd in September 2019, which was £155,000, the additional tax liability for a typical property in the county would be £6,200.

Allowing county councils to vary land transaction tax in this way might, however, create one problem which would be difficult to solve. Higher rates of land transaction tax are levied on the purchase of properties to rent as well as second homes. There are communities in counties with a second homes problem (Caernarfon or Bangor in Gwynedd, Llangefni or Holyhead in Anglesey, Milford Haven or Haverfordwest in Pembrokeshire, for example) where providing a sufficient supply of rented accommodation is more important than limiting the numbers of second homes.

If this drawback were deemed to be so problematic that it would be difficult to justify devolving delegated rights to county councils to vary the land transaction tax, an alternative means of achieving this aim could be sought.

Given that the second homes problem is a *local* problem within the counties most affected, there is an argument for applying the tax variation on the basis of local government wards rather than whole counties. There are many coastal villages at present where the rental market does not form a meaningful part of the local housing stock. These villages are often characterised by a particularly high density of second homes and holiday lets. These are the types of communities where varying the higher rates of the land transaction tax would not be to the detriment of an important rented housing sector used by local people.

In this model, the Welsh Government would decide on the variation rather than county councils. Based on objective national benchmarks, the Welsh Government could decide to vary the higher rates of the tax in specific communities.

This has a public policy precedent, namely Gordon Brown's decision as Chancellor to vary stamp duty based on the needs of named communities. In 2001, the United Kingdom Government abolished stamp duty in 2,000 deprived wards in order to promote investment and housing provision (Gallent *et al.*, 301). The Welsh Government could follow this principle by varying tax levied on property purchases in

wards affected by second homes. Varying the higher rates of the land transaction tax in these wards would make permanent residents far more competitive in the housing market against prospective second home owners.

This would not have the benefit of ensuring local accountability and allowing regional planning and taxation policies to be jointly developed in a holistic manner by county councils. On the other hand, taking action on a ward-by-ward basis would allow for taxation powers to be varied in a far more strategic manner at a local level.

Recommendation 8 – Land transaction tax

It should be possible to vary the higher rates of the land transaction tax in either counties or local government wards in order to reflect local circumstances. To achieve this:

- i. The Welsh Government could delegate to county councils a right to vary the higher rates of the land transaction tax, potentially adding a further rate to the tax of up to 4% of the value of the second property in some parts of Wales.
- ii. Or, the Welsh Government could vary the higher rates of the land transaction tax in this manner in specific local government wards heavily affected by the second homes problem.

7. Planning policy – a comparative study of planning policy and regulation of second homes in new housing in Wales and Cornwall

This section is a comparative study of two approaches to planning that are relevant to the discussion about second homes. This is the part of the research work which was funded by the Coleg Cymraeg Cenedlaethol through its small grants scheme. The research application was prompted by press reports that the seaside town of St Ives in the far west of Cornwall had ‘banned’ second homes (BBC News, 2016). This prompted an enthusiastic response in some Welsh circles and yet, amongst language planners, information about the nature of the ‘ban’, whether it was effective and whether it could (or indeed should) be applied in Wales was fragmented and incomplete.

An example of public policy in England – St Ives’ ‘Principal Residence’ Scheme

St Ives is a town that shares some of the characteristics of some towns of similar size that have been severely impacted by second homes on the west coast of Wales. It is largely dependent on tourism, there is a low wage economy, and demand for housing by people from outside the community has led to an affordability crisis. In 2011, 25% of dwelling houses in the St Ives Town Council area did not have owners who lived there permanently (Cornwall Council, no date, [p. 1]).

St Ives Town Council was the first authority in Cornwall to draft a policy ‘banning’ second homes in new housing in response to such a crisis. However, the policy was then adopted by a number of other seaside town and parish councils in Cornwall, such as Mevagissey Parish Council and Fowey Town Council (Mevagissey Parish Council, 2018, p. 31; Fowey Town Council, 2020, p. 27). Although the move broke new ground in Cornwall, it was not new in either a British or European context. The parish of Lynton and Lynmouth on the coast of Exmoor National Park introduced a similar restriction in 2013 (Lynton and Lynmouth Town Council, 2013, p. 28). And on the continent, Switzerland voted in a referendum in 2012 in favour of banning new second homes in neighbourhoods where second homes constitute more than 20% of the housing stock (Schuler and Dessemontet, 2013). Nevertheless, St Ives represents the most high-profile attempt in Britain to date to tackle the second homes crisis in this manner.

As part of this research, the researcher visited Cornwall. He spoke to the leader of Cornwall Council’s Neighbourhood Planning group, the Chair of St Ives Town Council’s Neighbourhood Plan steering group, an individual employed by St Ives Town Council to assist in writing the council’s Neighbourhood Plan, and others in the

community, such as a local architect. He thanks them all for their help and co-operation.

The core element of St Ives Town Council's policy on second homes is that it is not possible to use a new unit for which planning permission is given as a second home. The restriction is enforced via a neighbourhood plan which facilitates planning at a parish level. The policy is made at the most devolved level possible, at a community level, a reflection of the fact that town and parish councils in England have a far-reaching statutory power in an important area.

This is enabled by a legislative context in England, the *Localism Act 2011*, which differs to the legislative context in Wales. One of the core principles of the *Localism Act 2011* is 'Neighbourhood Planning'. The aim of 'Neighbourhood Planning' was summarised by the United Kingdom Government as follows:

Instead of local people being told what to do, the Government thinks that local communities should have genuine opportunities to influence the future of the places where they live. The Act introduces a new right for communities to draw up a neighbourhood plan.

Neighbourhood planning will allow communities, both residents, employees and business, to come together through a local parish council or neighbourhood forum and say where they think new houses, businesses and shops should go – and what they should look like.

These plans can be very simple and concise, or go into considerable detail where people want. Local communities will be able to use neighbourhood planning to grant full or outline planning permission in areas where they most want to see new homes and businesses, making it easier and quicker for development to go ahead.

Provided a neighbourhood development plan or order is in line with national planning policy, with the strategic vision for the wider area set by the local authority, and with other legal requirements, local people will be able to vote on it in a referendum. If the plan is approved by a majority of those who vote, then the local authority will bring it into force.

Local planning authorities will be required to provide technical advice and support as neighbourhoods draw up their proposals. The Government is funding sources of help and advice for communities. This will help people take advantage of the opportunity to exercise influence over decisions that make a big difference to their lives.

(Department for Communities and Local Government, 2011, p. 12)

Neighbourhood plans are facilitated by the *Neighbourhood Planning Regulations 2012*, which were amended in 2016. A neighbourhood must be defined, and then a

body ('neighbourhood forum') established that meets the requirements of the *Localism Act 2011*. In St Ives, the town council facilitated the establishment of a 'neighbourhood forum' in order to prepare a neighbourhood plan. In the case of St Ives, professional support was received, after the award of a grant provided by a charity specialising in the field. There was considerable collaboration between Cornwall Council and St Ives Town Council when preparing the plan also. The work was based on the principle of community development. Central to this was the sense that St Ives is a community that needs to be 'nurtured, protected and guided into the future', a feeling common in many Welsh-speaking communities in Wales too.

St Ives area is beautiful, has significant cultural heritage and a network of strong communities. It is also a globally recognised holiday destination, with tens of thousands of visitors every year. All of these factors explain the decision to develop a Neighbourhood Development Plan (NDP). There was deep feeling locally that the area needed to be nurtured, protected and guided into the future – and that the best people to do this are those who live here. From the start the aim was for the Plan to be led by the community, with support from St Ives town council. Volunteers were selected to chair the topic groups, and they in turn comprised the steering group along with five town councillors. The topic groups collated evidence, had cross-pollination discussions with each other and drew up policies. Extensive wider consultation was undertaken at every key stage of the process. This ensured that the policies flowed directly out of the aspirations and desires of the local community.

(St Ives Area Neighbourhood Plan Steering Group, on behalf of St Ives Town Council, 2016, p. 3)

What then is the process that leads to the authorisation of a Neighbourhood Plan? After a plan has been prepared, it goes through a pre-submission consultation where responses are considered before deciding whether or not the Plan should be amended. The Plan is then submitted to the local planning authority and if it is compliant with all relevant legislation, it will be referred to an Examiner for an Independent Examination. The Plan might be amended following publication of the Examiner's report, and providing the local planning authority concurs, a local referendum will be held on the final Neighbourhood Plan (Ministry of Housing, Communities and Local Government, 2020).

St Ives Town Council followed all these steps. The referendum on their Plan was successful, but was followed by a legal challenge in October 2016. However, St Ives

Town Council successfully defended the policy in court and it has been in operation since December 2016.

The *St Ives Neighbourhood Development Plan 2015-2030* is a comprehensive document. It includes policies across a wide range of areas including culture, economic development, housing, land allocation, open spaces, well-being, sport and recreation, transport and the environment. The document states clearly that one of its priorities is housing, and specifically 'To support the provision of affordable and principal residence housing so that [the] St Ives area continues to be a place where people of all ages can live and work.' (St Ives Area Neighbourhood Plan Steering Group, on behalf of St Ives Town Council, 2016, p. 13)

The condition to require new housing to be a principal residence is implemented under policy H2 in the Plan, the 'Principal Residence Requirement', which is defined as follows:

Due to the impact upon the local housing market of the continued uncontrolled growth of dwellings used for holiday accommodation (as second or holiday homes) new open market housing, excluding replacement dwellings, will only be supported where there is a restriction to ensure its occupancy as a Principal Residence.

Sufficient guarantee must be provided of such occupancy restriction through the imposition of a planning condition or legal agreement. New unrestricted second homes will not be supported at any time.

Principal Residences are defined as those occupied as the residents' sole or main residence, where the residents spend the majority of their time when not working away from home. The condition or obligation on new open market homes will require that they are occupied only as the primary (principal) residence of those persons entitled to occupy them.

Occupiers of homes with a Principal Residence condition will be required to keep proof that they are meeting the obligation or condition, and be obliged to provide this proof if/when Cornwall Council requests this information. Proof of Principal Residence is via verifiable evidence which could include, for example (but not limited to) residents being registered on the local electoral register and being registered for and attending local services (such as healthcare, schools etc).

(St Ives Area Neighbourhood Plan Steering Group, on behalf of St Ives Town Council, 2016, p. 26)

It is important to note that there is no local connection requirement associated with these properties, nor is the policy an affordable housing policy:

This is new housing which has to be used as the principal residence of the household living in it, but does not have the price controls that affordable housing does, or any local connection requirement.

(Cornwall Council, undated, [p. 1.]

This is significant in a Welsh context because it has been argued that in-migration can be more detrimental to the Welsh language than the presence of second homes. It is important to realise therefore that St Ives' second homes policy does nothing from a local ownership perspective. Language planning is not a factor in Cornwall as the Cornish language is no longer a community language.

Another significant matter in the St Ives policy is its relevance to human rights and specifically debate regarding Article 8 of the European Convention on Human Rights which might be relevant to policy in this area in Wales.

Article 8 of the Convention states:

1. Everyone has the right to respect for his private and family life, his home and his correspondence.
2. There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.

(Royal Court of Justice, 2016, [p. 20])

Cornwall Council's interpretation of the Article is that it is possible to justify the St Ives policy from a human rights perspective as the 'restriction' on second homes in new housing is proportionate to the need to avoid harming the social fabric of the community:

Article 8 requires that the restriction [Principal Residence condition] be justified in terms of necessity and proportionality. In the St Ives Area NDP,

evidence has been presented of the harm that excessive levels of second homes has on the social fabric of the community. It was considered that this harm will continue unabated if no such restriction is imposed to prevent the use and occupation of new homes by the second home and holiday home market and that it is therefore contrary to sustainable development. This conclusion was accepted by the Examiner. (Cornwall Council, undated, [p. 1.]

The Examiner stated the following in supporting notes on her report:

I do not consider that the Policy H2 is incompatible with the Human Rights Act 1998. Just as for the restrictions placed on agricultural occupancy or affordable housing it can be argued in the case of St Ives that it is in the interests of the economic well-being of St Ives and does protect the rights and freedoms of others who are currently being affected by the unrestricted occupancy of houses as second homes. In addition, it only applies to new housing development therefore not placing a restriction on the entire housing market.

(Royal Court of Justice, 2016, [p. 5])

The whole issue was explored during the legal challenge to policy H2 in October 2016. In his judgement, Mr Justice Hickinbottom sided with St Ives and ruled that 'article 8 does not extend to a home which has not yet been built'. (Royal Court of Justice, 2016, [p. 20])

As a result, 'Policy H2, if adopted, will give rise to, not a breach of article 8, but merely the risk of a future breach of article 8'. (Royal Court of Justice, 2016, [p. 23])

It is possible that compatibility with human rights legislation might also have to be tested in a Welsh context too. However given the St Ives' judgement, it appears very unlikely that a principle residence restriction on new properties in Welsh communities introduced in order to maintain the social fabric of the local community would be illegal from a human rights perspective.

We will now turn briefly to some objections to the 'principle residence' policy which were expressed to the researcher in conversation with people in Cornwall, including:

- Concern that the policy of designating new housing for permanent residents could move the 'second homes problem' to the existing housing stock.
- Concern regarding the possible creation of two housing markets locally.
- Arguments that the majority of new homes are built in estates on the outskirts of towns and that they would not appeal to second home buyers anyway.

- Claims that the policy could reduce the desire of developers to build new housing.

It is important to note that these are all theoretical objections. As the policy is relatively new, there is no empirical evidence to support any of these concerns.

Perhaps the most significant issue is the possible creation of two housing markets locally. In the context of new housing, however, this is a theoretical problem for the future, and is offset by the need to achieve sustainability in the present. Furthermore, and critically, as the St Ives policy concerns new housing, no one would lose value on their current property, a matter to which Mr Justice Hickinbottom's judgement refers:

He will know, when he purchases and/or occupies a dwelling with the restriction that, if he chooses to move away – or, by dint of circumstance, is required to do so – then that restriction will require him to sell the St Ives dwelling. Any claim that his article 8 rights will be infringed by enforcement of the restriction will have to be considered through that glass. Any purchase price he may have paid will have reflected that risk.

(Royal Court of Justice, 2016, [p. 28])

The price paid for a house which has restrictions attached to it will be reflected in the initial purchase, and it cannot be said that there would then be a loss in value as the restrictions were known when buying the property for the first time. This reasoning is also true with regards to the policy with which the St Ives policy is compared in this study, Gwynedd and Anglesey's Local Market Housing policy.

Unfortunately, there is no evidence to date to be able to tell how effective the St Ives policy is at present. After all, it is a relatively new policy. Anecdotal evidence suggests that it is having some positive impact, but it is not possible to verify this at the current time. In correspondence with the researcher in June 2020, Councillor Rita Lait, the Chair of St Ives Town Council's Neighbourhood Plan Steering Group, noted:

Developments are continuing to take place in the area – a mix of open market and affordables on greenfield sites (allocated for development in the NDP) and 'knock one down build several' in place of houses with large gardens. The principal residence condition has not stopped development but it has prevented the building of more blocks of apartments which were aimed at the holiday market (either as second homes or holiday lets).

An example of public policy in Wales: Anglesey and Gwynedd Councils' 'Local Market Housing' Scheme

Planning policies in relation to second homes in Wales have not attracted the same public interest as St Ives Town Council's 'principal residence' policy. Part of the appeal of the St Ives story is that a small town council successfully got to grips with the second homes problem (in part at least) and won an important test case in the courts. It's a David versus Goliath story.

It would not be possible for a town or community council in Wales to create a new policy in the same way as St Ives Town Council as the *Localism Act 2011*, which provides the legislative context for English councils to create neighbourhood plans, is not in force in Wales. Town and community councils in Wales do not have the same powerful role in the planning process as town and parish councils in England.

It is true that opportunities exist for town and community councils in Wales to produce 'Place Plans' which give local communities the opportunity to express their views and influence some planning decisions locally. However, there are key differences between the 'Neighbourhood Plans' used in England, and 'Place Plans' in Wales. A Neighbourhood Plan is an important statutory document which is examined by an Examiner and which can lead to the establishment of new policies, as seen in Cornwall. But 'Place Plans' are Supplementary Planning Guidance (SPG). According to Planning Aid Wales:

it is important to review what an SPG can and can't do. In summary, SPGs are not part of the development plan; they cannot introduce new policy; they cannot set out the type, scale and quantum of new development; and, must be tied to a policy in the LDP [Local Development Plan] upon which they provide further guidance.

(Planning Aid Wales, undated.)

In Wales the problem of second homes is best addressed via policy made by planning authorities such as county councils and national parks. It is interesting therefore that one of the policies in the *Anglesey and Gwynedd Joint Local Development Plan: 2011-2026*, 'Policy TAI 5: Local Market Housing' solves the second homes problem just as effectively as St Ives and does so in a way that brings additional benefits too.

The 'Local Market Housing' policy is a policy which applies to a number of coastal communities in Anglesey and Gwynedd: Aberdaron, Abersoch, Beaumaris, Borth-y-

gest, Four Mile Bridge, Moelfre, Morfa Bychan, Mynytho, Llanbedrog, Llangian, Rhoshirwaun, Rhosneigr, Sarn Bach, Trearddur and Tudweiliog. In these communities, which are characterised by a high percentage of second homes and high house prices, it is not possible to build a new residential unit unless that unit will be occupied by a *local* resident ‘in the first place and in perpetuity’ (Anglesey Council and Gwynedd Council, 2017, p. 133).

The policy ‘applies when there is a proposal to develop new residential unit(s) that will add to the current stock of permanent residential units within the development boundaries of the settlements named in the Policy. It applies to all types of proposals that create new residential units ... regardless of the scale and type of the development.’ (Anglesey Council and Gwynedd Council, 2019a, p. 6).

Only affordable housing and local market housing can be built in these communities. In its affordable housing policy, the *Anglesey and Gwynedd Joint Local Development Plan* also identifies these villages (as well as others) as being settlements where local occupancy restrictions should be placed on new housing: ‘Within Local, Rural and Coastal Villages the affordable housing provision should only be for affordable housing for local need’ (Anglesey Council and Gwynedd Council, 2017, p. 156). As a result, local occupancy conditions apply to every new build in the villages identified in the ‘Local Market Housing’ policy, and ‘open market housing will not be permitted in the settlements that are named in this policy.’ (Anglesey Council and Gwynedd Council, 2017, p. 134).

In the ‘Local Market Housing’ policy, ‘local’ is defined as an individual who has a ‘connection with the ward’, which is defined in turn as an individual who has lived permanently in the ward for five years, or who has ‘a long and established connection with the local community’, someone who needs to live close to relatives who have lived there for five years and ‘who need support because of age or infirmity reasons’, or people who need support because of reasons relating to age or infirmity and who need to move to live close to relatives who have lived there for five years (Anglesey Council and Gwynedd Council, 2017, p. 136).

The policy is guaranteed by a planning obligation through a section 106 legal agreement. If there were to be a ‘genuine failure’ over a period of three months to sell a residential unit to another local individual, the definition of ‘local’ could then be expanded to include the whole of Gwynedd and Anglesey for a further three months, and only then could the property be sold on the open market. However, if the property were to be bought on the open market, the condition regarding local occupancy would be restored the next time the property was sold. That is, the property would not become part of the open market permanently (Anglesey Council and Gwynedd Council, 2019a, p. 15).

Also, importantly, 'a local market unit has to be occupied as the principle [*sic*] home of the eligible household.' (Anglesey Council and Gwynedd Council, 2019a, p. 10) It could not be a second home.

The *Anglesey and Gwynedd Joint Local Development Plan* justifies the policy based on paragraph 9.2.4 of Planning Policy Wales (7th Edition, July 2014) which reads as follows:

Local planning authorities, in partnership with the community, including the private sector, must develop policies to meet the challenges and particular circumstances evident in their areas in specific locations. If these policies need to diverge from national policies in order to meet *specific local housing needs for market housing* (which normally would have no occupancy restriction), local planning authorities will need carefully to justify the variation with robust evidence that they deem appropriate.

(Anglesey Council and Gwynedd Council, 2016, p 2)

Reference is also made to a number of other policies including Strategic Objective 15 in Planning Policy Wales which notes that 'it is necessary to provide a mixture of good quality and affordable housing units, of a range of types and tenures to meet the housing requirements of all sections of the population' (Anglesey Council and Gwynedd Council, 2016, p. 3).

As an affordable housing policy is already in operation in the villages mentioned, the Local Market Housing policy is not an affordable housing policy. Rather, it is a reflection of the fact that there are local people in these communities who earn too much income to be eligible for an affordable house, but who cannot compete on the open market due to house prices.

The policy is also justified in terms of the Welsh language:

It is believed that directly linking such a policy with the Welsh language is not possible, i.e. it is not possible to restrict the occupancy of housing units to only Welsh speakers. This is noted based on the wording of paragraph 3.7.4 of Technical Advice Note 20 'Planning and the Welsh Language' (October 2013) which states "LDP policies which take into account the needs and interests of the Welsh language should not seek to introduce any element of discrimination between individuals on the basis of their linguistic ability. Planning policies should not seek to control housing occupancy on linguistic grounds". However, it is likely that the side-effect of the objective of this policy would have a positive impact on the area's language and culture, by providing opportunities for people who are economically active to stay or return to the area.

(Anglesey Council and Gwynedd Council, 2016, p. 6)

While the 'Local Market Housing' policy is commendable, one disadvantage is that it only applies to a relatively small number of coastal communities. Gwynedd and Anglesey's 'Affordable Housing' policy, which also includes strict local occupancy conditions, covers a far greater number of communities (Anglesey Council and Gwynedd Council, 2019c, pp. 20-1). It might not be necessary of course for both policies to be implemented in the same communities on every occasion as different communities have different needs. But it is striking that a number of coastal communities which have been greatly impacted by second homes are not included within the 'Local Market Housing' policy.

Communities where the 'Local Market Housing' policy is applicable are therefore fewer in number than they might be. The 'Local Market Housing' policy was a new policy when it was included within the *Anglesey and Gwynedd Joint Local Development Plan*. Perhaps it was regarded as potentially controversial and perhaps there was a concern too that the Inspector might need to be persuaded that it was justified.

In that context, accepting the policy in principle was key and perhaps it was felt that this would be easier were the policy implemented initially in communities where the crisis regarding lack of access to the local housing market was most evident. As a result, it could be argued that some communities that could have been included in the policy were excluded, possibly for tactical reasons.

The *Anglesey and Gwynedd Joint Local Development Plan* will be reviewed in 2021, and this is an opportunity to consider whether the 'Local Market Housing' policy should be 'rolled out' to include more communities.

Comparing St Ives Town Council's 'Principal Residence' Scheme with Gwynedd and Anglesey Councils' 'Local Market Housing' Scheme

The difference between St Ives 'Principal Residence' policy and Gwynedd and Anglesey's 'Local Market Housing' policy is revealing. From a language planning perspective, they reflect the fact that no minority *community* language exists in St Ives whilst the presence of a minority *community* language is central to the *raison d'être* of much public policy in Gwynedd and Anglesey.

In St Ives the emphasis on a 'principal residence' policy reflects concern about depopulation in a community where local sustainability is interpreted as the need to retain a permanent population. In Gwynedd and Anglesey, the condition that a new house must be a principal residence also forms part of the 'Local Market Housing' plan, but it is fair to say that the main focus is on local occupancy conditions.

If a 'principal residence' policy were in operation in attractive coastal villages in Gwynedd and Anglesey without the 'Local Market Housing' restriction, there would be very little certainty that new dwelling houses would be bought by local people as buying patterns on the open market in these villages favour buyers from outside the area who have more capital. This could have a detrimental impact on the Welsh language locally.

The St Ives policy uses a direct approach of banning second homes in new build, and although the Gwynedd and Anglesey policy includes a direct clause which does the same thing, the main emphasis is on an indirect response to the second homes problem, via the provision of housing with local occupancy and/or affordability conditions. It is the combination of direct and indirect mechanisms that ensures that the Gwynedd and Anglesey policy excels.

It is important to note that excluding new residents is neither the intent nor the effect in practice of the 'Local Market Housing' policy as buyers from outside the area have the means to purchase houses within the existing housing stock on the open market. But by ensuring that local buyers have unequivocal access to new housing, the policy is beneficial in terms of community sustainability and hence the Welsh language. This is because local buyers reflect the linguistic make-up of the local community.

For all of these reasons, Gwynedd and Anglesey Councils' 'Local Market Housing' policy is a more suitable model for Welsh-speaking communities than the 'principal residence' policy favoured by St Ives Town Council.

Recommendation 9 – Gwynedd and Anglesey Councils' 'Local Market Housing' Scheme

Gwynedd and Anglesey Councils should consider extending the 'Local Market Housing' policy in the *Gwynedd and Anglesey Joint Local Development Plan* to other coastal and vulnerable communities in both counties where there is a concentration of second homes alongside an affordability problem. Other planning authorities in Wales should scrutinise the 'Local Market Housing' policy to consider whether such a policy might be beneficial for some of their communities. The Welsh Government should consider whether planning guidance should be amended or strengthened in order to support or facilitate the process of extending this or similar policies.

8. Planning policy and the existing housing stock

The planning policies discussed so far do not relate to the existing housing stock. The policy proposals discussed in the previous section apply only to new housing.

However, in some communities which are heavily impacted by second homes, it is necessary to ask whether excluding the existing housing stock from the policy debate is sensible.

From a public policy perspective, if providing homes for local people is the sole aim of housing policy, this could be addressed by building new housing until local need has been met. However, this strategy has a clear weakness, namely that the villages which are most severely impacted by the second homes problem are very picturesque – and often in areas of outstanding natural beauty or in national parks – and building dozens of new houses would have a detrimental impact on the environment. There is often too a lack of building land in these communities.

An equally important and indeed more important argument from the perspective of language planning is that Welsh-speaking communities are very linguistically sensitive. If a policy of meeting local need led to building a substantial number of new houses, in order to compensate for the fact that much of the existing housing stock is being converted into second homes, the potential housing stock and therefore the potential population of these areas would increase greatly. Given the issue of depopulation amongst the local population due to a lack of economic opportunities, these areas would inevitably become Anglicised.

This paradox has been at the heart of discussion, and indeed disputes, between language campaigners and professional planners in rural Wales for decades. The ‘housing crisis’ could be solved by building hundreds or perhaps thousands of new houses, but this would encourage significant Anglicisation. But if local people are unable to buy houses, they may well leave which also leads to Anglicisation.

It is not the intention of this report to revisit these debates which will be familiar to anyone who has followed public discussions around housing policy and the Welsh language. Scrutinising how many new houses should be built in Welsh-speaking communities does not fall within the terms of reference of this report.

However, it should be noted that one of the reasons there is a paradox is that not enough attention is paid to the existing housing stock as offering at least a partial solution to the housing crisis in rural Wales. If more local needs could be met through the existing housing stock, then it would not be necessary to increase it in a way that would probably result in significant harm to the Welsh language, either now or in the future.

We will now turn to two potential changes in planning law which according to their supporters would result in better use of the existing housing stock.

Creating a new use class for short-term holiday accommodation

One of the main concerns expressed by policy makers in the Anglesey and Gwynedd Joint Planning Policy Service's document, *Managing the use of dwellings as holiday homes*, is recent uncontrolled growth of holiday accommodation in a county where investors have bought properties in the existing housing stock in order to convert them into short-term holiday accommodation (holiday units, Airbnb etc.).

The document recommends that this be addressed by making a change in planning law which could make the conversion of dwelling houses into holiday accommodation in some communities subject to planning permission. This would be done by 'amending the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 by introducing a new use class' for short-term holiday accommodation (Gwynedd Council, 2020c, p. 61-3).

Although planning permission is currently needed when there is such a 'material change of use', 'the uncertainty around determining based on fact and degree, when a significant change of use has occurred is time consuming and complex for a Local Planning Authority to prove.' (Gwynedd Council, 2020c, p. 62) In the planners' view, introducing a new use class would be 'a means of overcoming any doubt as to when a change of use has occurred' (Gwynedd Council, 2020c, p. 62).

A precedent for this is identified in another part of the United Kingdom:

In Scotland, amendments [were] made to the Planning (Scotland) Act 2019 to give Local Authorities the right to identify short term holiday accommodation control areas, along with the licensing procedure referred to ... [a licensing scheme for holiday accommodation]. Within the designated area (the control area), it is considered that the use of a residential house as a short-term holiday let constitutes a change of use, and as a result planning permission would be required for the use. However, outside the control areas, each case will [be] considered individually on its own merit (fact and degree).

(Gwynedd Council, 2020c, p. 62)

The report's suggestion is that similar control areas could be established in Wales.

It is clear that the management of houses in multiple occupation could set a precedent to achieve this as a chapter in *Managing the use of dwellings as holiday homes* discusses 'Planning and Regulation (Good Practice) – Houses in Multiple Occupation (HMOs)'. (Gwynedd Council, 2020c, pp. 13-17)

It draws attention to the fact that an amendment to the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 introduced a new use class for houses in multiple occupation. The existence of a licensing scheme is also noted.

This national policy has been applied in Gwynedd and Anglesey in a way which limits the uncontrolled growth of houses in multiple occupation in wards where the housing stock is under particular pressure for this reason. In Gwynedd, these wards are in the city of Bangor:

4.20 Therefore, since 2016 the use of a dwelling house as a small HMO (up to 6 unrelated people) requires planning permission. Consequently, Local Planning Authorities have the ability to draw up suitable local planning policies which help control and regulate the number of HMOs within specific 'under pressure' areas.

4.21 Within the Anglesey and Gwynedd Joint Local Development Plan policy TAI 9: Subdivision of existing properties to self-contained flats & houses in multiple occupation (HMOs) limits the number of permissions for HMO's which will be granted. In the wards of Deiniol and Menai (Bangor) the proportion of HMO's should not exceed 25% and 10% in the remaining wards in the Plan area.

(Gwynedd Council, 2020c, pp. 16-17)

It is easy to see how this principle could be applied in order to manage the growth of short-term holiday accommodation in specific communities. After all, the situation regarding houses in multiple occupation and short-term holiday accommodation is very similar in two key ways that make a similar policy response sensible.

Firstly, in both cases, policies can be implemented in communities on the basis of objective evidence of the pressure on the housing stock. As has been argued throughout this report, the second homes and short-term holiday accommodation problem is, above all else, a *local* problem and particular wards could be targeted in a similar manner to how particular wards are targeted by policy on houses in multiple occupation.

Secondly, both cases usually involve converting property from being a residence to a commercial enterprise, by renting or letting out accommodation for a fee. This means that human rights considerations, and the right to a home in particular, do not apply

in the same way as some would argue are relevant (erroneously in the view of this report) to the debate on the use of second homes for personal use.

It appears to be completely reasonable therefore that the Welsh Government gives very serious consideration to Gwynedd Council's proposal to establish a new use class for short-term holiday accommodation, and it is difficult to see a reason not to do so.

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

The Welsh Government should amend the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 by introducing a new use class for short-term holiday accommodation.

Should planning permission be required in order to convert a dwelling house into a second home in some communities?

Despite the interest of policy makers in creating a new use class for short-term holiday accommodation, this was not the main focus of the policy discussion among local politicians and language campaigners during 2020 but rather the more radical suggestion that conversion of a dwelling house into a second home for personal use should be subject to planning permission in some communities.

Such calls are not new. As far back as 1982, Dafydd Wigley, the then MP for Caernarfon, presented a Private Member's Bill in the House of Commons which would have made the conversion of a dwelling house into a second home a 'change of use' and therefore subject to planning permission. The Bill was not successful although the Opposition did promise that a future Westminster Labour Government would introduce the legislation itself (Shucksmith, 1983, p. 189).

It should be noted that the policy has also been seriously considered by planning authorities in England as well. Indeed, the Exmoor National Park Authority went so far as to include a similar policy in a local plan draft in the early 2000s for neighbourhoods where more than 10% of the housing stock were second homes. But the policy was removed in 2003 'after comments from [the] Government Office for the South West' (Centre for Housing Policy, 2005, pp. 68-9).

The perception of a sudden growth in the second homes market in Wales in 2020 as a result of Covid-19 has brought debate about this possible policy solution to the fore

once again. Since the middle of 2020, both planning authorities and language campaigners have been calling for planning legislation to be used to stop dwelling houses being converted into second homes in areas where the percentage of second homes in the housing stock has reached a particular threshold.

In a full meeting of Gwynedd Council on 1 October 2020, the following resolution was adopted:

That Gwynedd Council calls on the Welsh Government to change the Planning Act in order that it is compulsory to have planning permission to convert a dwelling house into a holiday home/holiday unit, and adapts the policy framework to allow thresholds to be set regarding the maximum numbers of holiday homes in any area.

(Gwynedd Council, 2020d, [p. 9])

The proposal was unanimously adopted. It received cross-party support, and a fair assumption would be that it reflects the view of civil society in Gwynedd.

Snowdonia National Park decided to adopt a similar policy in December 2020 following a proposal by the Authority's Chair, Councillor Elwyn Edwards, that it should be necessary to seek 'planning permission before a house can be turned into a second home or a summerhouse.' (Snowdonia National Park, 2020a, p. 18; Snowdonia National Park, 2020b)

Also, in January 2021, a full meeting of Carmarthenshire County Council passed a similar motion, to 'change planning laws to ensure that planning permission must be sought for the change of use of a primary dwelling into a second home/holiday accommodation' (Carmarthenshire County Council, 2021).

But how practicable would it be to introduce such a measure?

Defining second homes

It is revealing perhaps that the policy is not among those recommendations made in the report commissioned by Gwynedd Council, *Managing the use of dwellings as holiday homes*. This is partly because that report addresses the growth of holiday lets rather than the regulation of second homes for personal use. But it is also clear that the reluctance reflects a perceived difficulty, namely that dwelling houses, whether they are principal residences or second homes, fall into the same planning category, C3 (Gwynedd Council, 2020c, p. 8).

Changes to planning legislation in order to regulate the use of a 'genuine' second home, i.e. a home which is used by the same family/household on a regular basis for their own personal reasons/enjoyment is difficult, as the use would unquestionably fall within the C3 use class in its current form.

(Gwynedd Council, 2020c, p. 59)

In 2002, the report commissioned by the Welsh Government, *Second and Holiday Homes and the Land Use Planning System Research Report*, also drew attention to the perceived problem of impracticality:

No change to the Use Classes Order is recommended. To require planning permission for change of use from a first home to a second home would result in fundamental problems in terms of definition and so of enforcement. For these reasons, we do not consider this to be a practical option.

(Tewdwr-Jones *et al.*, 2002, p. 63)

The concern here is how to define a second home. It is interesting to note that part of the perceived problem in 2002 was an assumption that technological advances would allow more working from home and therefore blur the boundary between a principal residence and a second home. This is clearly relevant to the situation today too:

7.56 One problem associated with amendments to the Use Classes Order relates to questions of geography. As a consequence of technological advancements, it is now perfectly possible to use a small cottage in an isolated location as a residence for work purposes (via internet, video conferencing etc.) and so the distinction between what is primary and what is secondary becomes blurred; what constitutes a first and second home, is now more difficult to distinguish than it was 20 years ago. This is the crux of the issue for the planning system: how one can define primary and secondary in statutory planning terms. The Use Classes Order is not normally intended to differentiate between different occupiers, only to allow changes of use were it not for the fact that the Order exists. Exceptions could be made to those people who need two residences for work purposes, those who retire, or those who live in tied accommodation. These might constitute acceptable secondary home uses (even in sensitive landscapes) but all would require strict legal definition and in turn, interpretation. However, the fact remains that

there would be fundamental problems in terms of definition and therefore enforcement. For these reasons, we do not consider this to be a practicable option.

(Tewdwr-Jones *et al.*, 2002, p. 63.)

This argument is not as strong as it was in 2002, however. Town and parish councils in England that have 'banned' the use of new housing as second homes have managed to successfully distinguish between a principal residence and a second home. Why then would this not be possible in Wales?

Human Rights

However, there are other objections too. The right of a property owner to use their own property as they wish goes to the heart of private property rights. This is the fundamental reason why the Conservative government was unwilling to take action in the 1980s when second homes in Wales were high on the political agenda.

If Wales were to attempt to 'restrict' any change of use from a dwelling house to a second home within the existing housing stock, it is also almost inevitable that there would be some sort of legal challenge based on Article 8 of the European Convention on Human Rights.

As we have already seen, St Ives Town Council succeeded in overcoming such a challenge to its 'restriction' on using new build as second homes. However, that does not necessarily mean that a similar policy within the existing housing stock would overcome a legal challenge. But nor should it be assumed that a court would inevitably rule the policy unlawful. It is worth noting again some of Mr Justice Hickinbottom's reasoning in his judgement in the case of St Ives Town Council:

iv) Where article 8 rights are in play in a planning control context, they are a material consideration. Any interference in such rights caused by the planning control decision has to be balanced with and against all other material considerations, the issue of justification for interference with article 8 rights effectively being dealt with by way of such a fair balance analysis.

v) That balancing exercise is one of planning judgement. Consequently, it may be amenable to more than one, perfectly lawful, result; and this court will only interfere if the decision is outside the legitimate range. Indeed, in any challenge, the court will give deference to the decision of the primary decision-maker, because he has been assigned the decision-making task by Parliament, and he will usually have particular expertise and experience in the

relevant area. Such a decision-maker will be accorded a substantial margin of discretion. The deference and margin of discretion will be the greater if he has particular expertise and experience in the relevant area, and/or if he is acting in a quasi-judicial capacity (such as an inspector).

vi) If the decision-maker has clearly engaged with the article 8 rights in play, and considered them with care, it is unlikely that the court will interfere with his conclusion. Article 8 rights are, of course, important: but it is not to be assumed that, in an area of social policy such as planning, they will often outweigh the importance of having coherent control over town and country planning, important not only in the public interest but also to protect the rights and freedoms of other individuals. In practice, cases in which this court will interfere are likely to be few.

(Royal Court of Justice, 2016, [pp. 21-22])

A legal challenge to a 'ban' on the conversion of a dwelling house into a second home when that dwelling house had been purchased *before* such the introduction of such a restriction would be stronger than the challenge in St Ives. However, that does not necessarily invalidate points made in the St Ives judgement that address the wider policy context in what is a complex matter.

The author of this report is not a lawyer and perhaps the Welsh Government should indeed seek legal advice on the matter. But it does not appear that it can be automatically assumed that the introduction of a restriction into the existing housing stock would be defeated by legal challenge. It must be remembered too that the policy in question is one that enjoys wide support across civil society in parts of Wales. This strengthens the argument for continuing to consider this option even if legal advice were to be ambiguous.

'Two housing markets'

However, it is not only the human rights of individuals that need to be considered but also the social impact of the policy, and in particular, perhaps, a potential unintended consequence.

In communities where converting a dwelling house into a second home would be a planning matter, we can imagine that two housing markets might develop. On the one hand, a market would exist with houses that could not be sold as second homes, and a market with houses that could be sold as second homes. There is a strong possibility that house prices in the first 'market' would fall, and house prices in the second 'market' increase.

This would have implications for the local population. One would be beneficial, which is that houses would become more affordable. But there would be a potential

disadvantage too, which is that *existing* dwelling houses might lose a significant amount of value while *existing* second homes might rise considerably in value. This would have a disproportionate impact on different groups. On the whole, local people would be the owners of property in the first market and people from outside the community would own property in the second market. The financial burden of the new policy would fall disproportionately on home owners from within the local community.

It is worth noting that such an objection was raised by the former Welsh Office in 1981 when responding to a request from the former Gwynedd Council to address the second homes problem by introducing such a policy:

Those with existing use right as second homes would benefit, especially as supply contracted in relation to demand, while those without would find their prospects of disposal (and the price) affected, since they would no longer be selling in a normal housing market. The Government can see no way of introducing controls which would not lead to significant distortion in the market and to what would be seen as injustice between individual owners.

(Shucksmith, 1983, p. 189)

This report is not in a position to measure the long term impact of developing 'two housing markets' in parts of Wales. Due to migration patterns, it is perfectly possible that some buyers from outside the community could compete with second home buyers for property currently in use as second homes, and it is possible that some wealthier local people might be able to do so as well. As long as planning law allowed for second homes to be returned to use as dwelling houses, perhaps some second homes might be used as a principal residence once again. But it is also possible of course that creating two housing markets would mean that a large number of second homes in some of the most picturesque parts of Wales would be lost to local ownership forever.

The creation of 'two housing markets' is not unusual in countries or territories where considerable demand for housing exists. A similar arrangement exists in the Channel Islands, for example. In Jersey, so-called 'entitled' residents gain this status if they were born in Jersey, or moved to Jersey before the age of 16, or moved to Jersey before the age of 20 and a parent was born in Jersey, or if they are not from Jersey but have lived on the island for more than ten years. In most cases, additional conditions on length of residence also have to be satisfied. Only 'entitled' residents can buy every type of property on the island (Government of Jersey, 2019 and 2021).

There are two housing markets on Guernsey too, a 'local market' and an 'open market'. Houses in the 'local market' are retained for those who have a right to reside in Guernsey, or who have permission to work on the island, or who are closely related to a local market resident. Other housing is part of the open market.

According to the Government of Guernsey:

Open Market is one of two 'Housing Markets'. Anyone can live in the Open Market but in most cases time spent living in the Open Market is not time counted towards a Local Market. Typically, properties within the Open Market are considerably more expensive.

(Government of Guernsey, 2021)

However, it is difficult to compare the situation in parts of Wales with the situation in the Channel Islands. Jersey and Guernsey are not part of the United Kingdom, and they have a citizenship system in place which limits the rights of people from the United Kingdom to live, work and buy property there. It is not possible to limit the rights of people from other parts of the United Kingdom to live or work in Wales, or buy property (except in some particular circumstances where there are local occupancy conditions which also affect non-local Welsh residents too of course).

Therefore it would be unwise to attempt to model a housing market in Wales on the housing model in the Channel Islands. Nevertheless, it should be noted that the existence of 'two housing markets' has led there to two outcomes: firstly, the ability of local people to live in their communities; secondly, a substantial increase in the value of properties which are not part of the local market.

It is quite possible that a similar situation would develop in Welsh communities if 'two housing markets' were to come into existence. If so, the local planning authority would have to weigh the public benefit of preventing further loss of the housing stock to the second homes market against the likelihood that many properties which are already second homes could be lost to local ownership forever.

The risk of displacing the second homes problem into neighbouring communities

Another significant objection is that placing a restriction on second homes within the existing housing stock in some communities might not eliminate the problem but simply displace it.

For example, if it became harder to buy a second home in an attractive coastal community, some might consider buying a second home in a nearby inland

community or town. From a language planning perspective, the problem is that while many coastal communities have already undergone significant Anglicisation, towns and inland villages are often still very Welsh-speaking. Displacing second homes might have a detrimental linguistic impact on viable Welsh-speaking communities currently largely unaffected by second homes, whose linguistic character it is important to protect.

The argument in favour of introducing a new use class for second homes

Clearly there are strong arguments against introducing a new use class for second homes, but a case can also be made in favour of such a policy.

The main argument in favour would be that Brexit and Covid-19 are likely to lead to further uncontrolled growth in second homes. Action is needed to prevent losing more and more of the housing stock in vulnerable communities. Although it's likely that the taxation measures recommended in this report would reduce the demand for second homes within the existing housing stock, they would not eliminate it. A change in the planning system is the only way to achieve this.

It is the Welsh language which has made this whole subject so sensitive in many parts of Wales. This explains in part the difference of view between academic experts on the one hand, and that of civil society in parts of Wales on the other, when arguments about introducing a new use class for second homes are advanced.

In international academic literature about second homes, they are often discussed not as a 'problem' but rather as a phenomenon that represent a type of mobility that can be theorised (see, for example, Hall and Müller, 2004; Rye, 2011; Halfacree, 2012).

Although Wales has been discussed in the academic literature, the impact of second homes on a minority language is seldom referred to as a major issue; probably, it would seem, for the empirical reason that no minority language is present in most parts of Europe and America where second homes are common. In Wales however the existence of a minority language means that the presence of second homes must be considered in a different light. From a Welsh perspective, much academic writing on second homes is deficient as it does not pay sufficient attention to language planning.

Professional town and country planners in local planning authorities are more familiar with the Welsh context. They have created innovative policies, such as Gwynedd and Anglesey's 'Local Market Housing' policy, and they are committed to protecting the interests of the Welsh language and community sustainability. However, all town and country planners must prepare policy within the context of national guidance that arose in the first instance within a British planning tradition where language planning is wholly marginal.

From scrutinising academic literature, it is clear that there is not much enthusiasm for creating an additional use class for second homes. However, it is also clear from the literature that there are no firm theoretical reasons for assuming that this would not be beneficial, especially when the matter is considered from a language planning perspective. References to 'difficulties' and 'impracticalities' are vague at times, and since the policy has never been introduced, there is no empirical evidence to suggest how impractical in practice these impracticalities might be.

As noted previously, this lack of enthusiasm can be contrasted with the desire of Welsh-speaking civil society to see the introduction of this policy.

Perhaps we could think of the view on second homes in Welsh-speaking communities as a kind of 'democratic knowledge'. It is rooted in public discourse. It is democratic in the sense that firstly it is the 'settled will' of the community: the view on second homes in some Welsh-speaking parts of Wales has been well-known for half a century and more. Secondly, it is a view which is often produced by the democratic system itself (by county councils, for example).

No consensus exists about the way forward. On the one hand, there is the academic view which warns that following this path would be unwise. On the other hand, there is a democratic view rooted in civil society which argues that the policy should be introduced as long as practical problems can be overcome. Crucially, this latter viewpoint is the opinion of the communities concerned as expressed by their elected representatives.

In the field of public policy, democracy is not irrelevant. When a reasonable view is expressed democratically over a sustained period of time, it must be taken seriously.

This is a difficult issue in which to reach a final conclusion. It would be irresponsible to make changes to the law creating a new use class for second homes throughout Wales without due diligence. Too many valid concerns are raised in the literature by academic experts and practitioners in town and country planning.

However, since the arguments about 'impracticalities' do not always convince, and given the democratically expressed view of relevant councils and planning authorities that such an approach should be taken, and considering too the likely impact of Covid-19 and Brexit on the housing market, to reject this option completely would seem too to be irresponsible.

In the article, 'Second Homes: a new Framework for Policy', a possible compromise is suggested:

Trialling of experimental options

Much attention has focused in recent years – and in the more distant past – on the way the planning system could limit second home ownership, possibly by differentiating between second and first homes. Generally, planners and policy makers are wary of such a move, believing it to be unwarranted and/or inoperable. However, in some areas where there is a demonstrable concentration of second homes (e.g. in some National Parks), there is often greater support for a more radical approach. Such was the case in some of the case studies explored during this research, where it was believed that neither greater tax burdens nor the provision of additional affordable housing would address the social and economic difficulties created by second homes. Although the general view emerging from the research was that radical or punitive approaches may be unwarranted, and that effective use of existing planning tools (to control occupancy or deliver affordable housing) is the best way of managing second home and general migration pressure, there may be a case for exploring other options in specific localities. Case study work in the Scilly Isles suggested that this is one location that may provide a useful test bed for more radical approaches as the Isles are exempt from standard legislative instruments (primary legislation must refer separately to the Isles of Scilly) and any experiments in the islands would not set a precedent for the rest of England.

(Gallent *et al.*, 2004, p. 299)

If issues of the kind referred to in the reference to the Isles of Scilly can be overcome (namely practical arrangements about how to run such a trial within the context of national policy and guidance), there is a case for conducting such a 'trial' in Wales. This could be done in a community or a cluster of communities heavily impacted by second homes. The trial should be monitored in terms of local people's access to the housing market, changes in the number of second homes in the neighbourhood compared to other areas where the trial is not being implemented, impact on the Welsh language locally, and the impact on house prices. Such a trial would have to be run in a community where the policy enjoyed extensive support, and perhaps a local referendum could be held in order to test this.

Gwynedd would probably be the most appropriate location for a trial. It seems clear too that the best location in Gwynedd would be a coastal community, or cluster of communities, where factors such as concern about the Welsh language, high house

prices, a high density of second homes, and local support for radical actions coincide.

Recommendation 11 – trialling a new use class for second homes

The Welsh Government should conduct a trial in a community or cluster of communities severely impacted by second homes, and where there is community support for doing so, to evaluate the feasibility and impact of introducing a new use class for second homes. This would make the conversion of a dwelling house into a second home subject to planning permission when the percentage of second homes in the housing stock of a specified community crosses a particular threshold.

9. The future of Welsh as a community language

This report has presented evidence that the second home problem in Wales is a regional problem affecting four county councils more than any other, namely Gwynedd, Pembrokeshire, Anglesey and Ceredigion. Three of these councils are among the four county councils considered to form the territorial 'core' of traditional Welsh-speaking Wales, and Pembrokeshire also includes linguistically sensitive neighbourhoods in the north of the county. Parts of rural Welsh-speaking Wales in adjacent counties are also affected by the second homes issue.

It is therefore appropriate that the Welsh Government recognises that second homes are a significant problem from a language planning perspective.

However, there is also evidence that concentrations of second homes are only found in very specific locations within these counties. The problem is most severe along the coast and in some mountainous areas and within the National Parks. The problem is not as severe in commuter villages, non-coastal towns and post-industrial areas.

The second homes problem is central to the future of the Welsh language in the communities affected, but it is not of central importance in other communities. Although the growth of second homes is harmful to the Welsh language in all parts of traditional Welsh-speaking Wales where they constitute a significant percentage of the housing stock, many Welsh-speaking communities are relatively unaffected and this is likely to be true in the future too. It is very unlikely that there will be a significant increase in second homes on housing estates in Caernarfon, for example.

The strongly Welsh-speaking area where second homes pose the greatest direct threat to the Welsh language is probably Dwyfor. Many of the communities with the highest proportion of second homes are in this part of Wales. Dwyfor is socio-economically and linguistically vulnerable due to its distance from the A55 corridor and employment opportunities, over-reliance on tourism, and the potential for the agricultural industry to be harmed as a result of Brexit. It is no coincidence that protests against second homes are often led by communities in Dwyfor.

In large parts of the traditional Welsh-speaking heartland, however, and in Dwyfor itself in that regard, tackling the problem of second homes will not be enough to stabilise the Welsh language in the wake of far-reaching socio-economic changes which are likely to occur as a result of Covid-19 and Brexit.

Historically, second homes in Welsh-speaking Wales have risen to the top of the political agenda for two reasons. Firstly, they harm the Welsh language as a community language. Secondly, they are a symbol that represent economic, social and linguistic injustice on a broader level. But new policies will be required in a range

of areas, including but not confined to second homes, if Welsh-speaking communities are to be stabilised over the next few decades.

The assumption that Brexit and Covid-19 will result in increased demand for second homes in the next few years means that public policy intervention is required in order to prevent uncontrolled growth in their numbers. Addressing this will be beneficial to the Welsh language in every Welsh-speaking community where second homes now constitute a substantial part of the housing stock, and is also important in terms of social justice. In some areas of Wales, this latter point cannot be over-emphasised.

However, when we consider the traditionally Welsh-speaking areas of Wales as a region that share many similar socio-economic, social and cultural characteristics, we can see that the challenges are much broader than the threat of second homes. They include:

- further depopulation of Welsh-speakers in Welsh-speaking communities due to economic restructuring following Covid-19 and Brexit.
- an increase in counter-urbanisation as a result of the growth of economic practices such as ‘working from home’ that subsequently change the linguistic balance of communities.
- further shrinkage in the public sector due to likely budget cuts as a result of Covid-19 and Brexit, and the disproportionate impact of this on the Welsh-speaking population due to the tendency of Welsh speakers to be concentrated in some sectors more than others (local government, for example).
- possible shrinkage in the agricultural sector in the wake of Brexit and the long-term possibility that the nature of land ownership in the countryside could fundamentally change rupturing the social fabric of Welsh-speaking society.

From a language planning perspective, it is quite possible that Welsh-speaking areas will face the biggest challenge to their linguistic and cultural integrity for decades. Indeed, it is no exaggeration to say that the entire future of the Welsh language as a community language in large parts of the country could be at stake.

It is important that the Welsh Government recognises this threat, and develops appropriate policies to address it.

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

The Welsh Government should establish a Commission to make recommendations in response to the linguistic challenges facing areas where the Welsh language is currently a community language in the face of likely socio-economic and social restructuring. In particular, the Commission should address the challenges of the

post-Brexit and post-Covid environment with the aim of protecting, stabilising and nurturing the future of the Welsh language as a community language in Wales.

10. Recommendations

Recommendation 1 – develop regional and local variation in public policy

Second homes are primarily a regional and local phenomenon, and the Welsh Government should encourage the development of regional and local policy solutions facilitated by permitting policy variation within a national framework. Public policy solutions should be flexible enough to be applied in different ways in different counties and communities according to regional and local need.

Recommendation 2 – control of the numbers of second homes

Public policy should aim to ensure stability as regards the numbers of second homes in communities affected by them, or it should aim to reduce their numbers gradually over a number of years.

Recommendation 3 – the definition of second homes

In order to facilitate policy decisions based on objective information, a better definition of second homes is needed. The Welsh Government could consider several ways of doing this but, with this in mind, a Mandatory Licensing Scheme for Holiday Homes should be introduced.

Recommendation 4 – responding to Brexit and Covid-19

In an attempt to mitigate the inevitable effects of Brexit and Covid-19 on the housing market in communities which are heavily impacted by second homes, the Welsh Government should adopt a more proactive approach, and more radical steps should be taken, than would otherwise have been the case.

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

Policies should be implemented across a range of policy areas, and in the following three fields in particular: direct planning policies, indirect planning policies and taxation policies.

Recommendation 6 – Local Council Tax Premium

County councils that consider second homes to be a serious social problem should use their taxation powers fully, raising the council tax premium on second homes to 100%.

Recommendation 7 – Short-term holiday accommodation and business rates

The Welsh Government should consult on the possibility of making short-term holiday accommodation exempt from being eligible for small business rates relief.

Recommendation 8 – Land transaction tax

It should be possible to vary the higher rates of the land transaction tax in either counties or local government wards in order to reflect local circumstances. To achieve this:

- i. The Welsh Government could delegate to county councils a right to vary the higher rates of the land transaction tax, potentially adding a further rate to the tax of up to 4% of the value of the second property in some parts of Wales.
- ii. Or, the Welsh Government could vary the higher rates of the land transaction tax in this manner in specific local government wards heavily affected by the second homes problem.

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

Gwynedd and Anglesey Councils should consider extending the ‘Local Market Housing’ policy in the *Gwynedd and Anglesey Joint Local Development Plan* to other coastal and vulnerable communities in both counties where there is a concentration of second homes alongside an affordability problem. Other planning authorities in Wales should scrutinise the ‘Local Market Housing’ policy to consider whether such a policy might be beneficial for some of their communities. The Welsh Government should consider whether planning guidance should be amended or strengthened in order to support or facilitate the process of extending this or similar policies.

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

The Welsh Government should amend the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 by introducing a new use class for short-term holiday accommodation.

Recommendation 11 – trialling a new use class for second homes

The Welsh Government should conduct a trial in a community or cluster of communities severely impacted by second homes, and where there is community support for doing so, to evaluate the feasibility and impact of introducing a new use class for second homes. This would make the conversion of a dwelling house into a second home subject to planning permission when the percentage of second homes in the housing stock of a specified community crosses a particular threshold.

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

The Welsh Government should establish a Commission to make recommendations in response to the linguistic challenges facing areas where the Welsh language is currently a community language in the face of likely socio-economic and social restructuring. In particular, the Commission should address the challenges of the post-Brexit and post-Covid environment with the aim of protecting, stabilising and nurturing the future of the Welsh language as a community language in Wales.

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GWYNEDD COUNCIL CABINET

Date of meeting:	15 June 2021
Relevant Cabinet Member:	Councillor Dyfrig Siencyn
Contact Officer:	Dafydd Gibbard – Chief Executive
Title of Item:	Responding to the report "<i>Second Homes – Developing New Policies in Wales</i>"

Decision sought

The Cabinet is requested to:

- a) Agree the Council's response to the report "*Second Homes - Developing New Policies in Wales*" as set out in part 9 of this report and in particular highlighting the need to modify recommendation number 7.
- b) Ask the Leader of the Council to formally communicate the response to the Welsh Government and call on them to adopt and implement the most effective recommendations as a matter of urgency in order to respond to the housing crisis facing the communities of Gwynedd.

Background

1. Members will be aware that one of the main challenges for Gwynedd's communities is the continued rise in house prices mainly due to the number of second homes and holiday accommodation which are continuing to increase daily. This means that the ability of local residents to live within their communities is under significant threat.
2. The Council has already made it clear that the housing crisis is one of its main priorities and intends to do everything in our power to support the ability of our county's residents to live within their local area.
3. In March this year a comprehensive report titled "*Second Homes - Developing New Policies in Wales*" was published in response to a commission from the Coleg Cymraeg Cenedlaethol and the Welsh Government's Minister for Mental Health, Well-being and the Welsh Language. The author of the report is Dr Simon Brooks.
4. A full copy of the report can be found at Appendix A. In summary, the report investigates the current situation regarding second homes and makes a number of policy recommendations that could be used to try to respond to the steady increase in numbers in our communities.

5. It is a very useful report and given that Gwynedd has the highest percentage of holiday homes in Wales (11%) any recommendations that could help us to try to achieve our priority of supporting local residents to live within their communities are welcomed by us as a Council.
6. It is appropriate to highlight that this report is largely a response to a previous report commissioned by Gwynedd Council. We published the report "*Managing the use of dwellings as holiday homes*", in December, 2020, by the Anglesey and Gwynedd Joint Planning Policy Service. This report was the result of comprehensive research into the holiday home situation in Gwynedd in the context of the national holiday home situation.
7. The report made six policy recommendations, which would improve our ability to manage the number of holiday homes in the county. It is pleasing to see that four of these recommendations are part of Dr Brooks' recommendations in his report.
8. A full copy of the original report we commissioned as a Council can be found at Annex B.

"Second Homes - Developing New Policies in Wales" report recommendations

9. Dr Brooks' report contains 12 recommendations and below is our response as a Council to the individual recommendations:

Recommendation	Gwynedd Council's Response
<p>1 - Develop regional and local variation in public policy Second homes are largely a regional and local phenomenon, and the Welsh Government should encourage the development of regional and local policy solutions facilitated by permitting policy variation within a national framework. Public policy solutions should be flexible enough to be applied in different ways in different counties and communities according to regional and local need.</p>	<p>Agree that this makes sense as it would enable a solution to the problem that exists in each local area rather than trying to find one universal solution for each specific problem throughout the country.</p>
<p>2 - control of the numbers of second homes Public Policy should aim to ensure stability as regards the numbers of second homes in communities affected by them, or it should aim to reduce their numbers gradually over a number of years.</p>	<p>Completely agree with this aim.</p>
<p>3 – the definition of second homes In order to facilitate policy decisions based on objective information, a better definition of second homes is needed. The Welsh</p>	<p>Agree. This recommendation was included in the report "<i>Managing the use of dwellings as</i></p>

<p>Government could consider several ways of doing this but, with this in mind, a Mandatory Licensing Scheme for Holiday Homes should be introduced.</p>	<p><i>holiday homes"</i>, December 2020, commissioned by Gwynedd Council.</p>
<p>4 - responding to Brexit and Covid-19 In an attempt to mitigate the inevitable effects of Brexit and Covid-19 on the housing market in communities that are heavily affected by second homes, the Welsh Government should adopt a more proactive approach, and more radical steps should be taken, than would otherwise have been the case.</p>	<p>Agree that proactive action is needed, as a matter of urgency.</p>
<p>5 - the need for policy intervention across a range of policy areas Policies should be introduced across a range of policy fields in particular: direct planning policies, indirect planning policies, and taxation policies.</p>	<p>Agree. This recommendation was included in the report "<i>Managing the use of dwellings as holiday homes"</i>, December 2020, commissioned by Gwynedd Council.</p>
<p>6 - Local Council Tax Premium County councils that consider second homes to be a serious social problem should use their taxation powers fully, raising the council tax premium on second homes to 100%.</p>	<p>Agree, and Gwynedd Council has already adopted a 100% council tax premium. However, for this recommendation to lead to effective delivery the legislative change highlighted in the response to recommendation 7 below is required. Otherwise, there is a risk that owners of second homes will be able to continue trying to avoid paying the Council tax premium.</p>
<p>7 - Short-term holiday accommodation and business rates The Welsh Government should consult on the possibility of making short-term holiday accommodation exempt from being eligible for small business rate relief.</p>	<p>Although in agreement with the objective of this recommendation, Gwynedd Council's strong view - which has been expressed to Welsh Ministers for many years - is that residential dwellings should not be able to transfer to the non-domestic system at all.</p> <p>As the recommendation stands, even if small business rate relief were abolished, the majority of owners would still pay less tax, and as non-domestic tax income is apportioned nationally on basis of population of individual Authorities Gwynedd Council income would remain significantly lower than if the dwelling were subject to Council Tax.</p> <p>Therefore, this would result in fewer taxes for authorities to reinvest in housing matters and as the non-domestic rates are cheaper than the Council tax premium, there will be an increasing transfer to the non-domestic tax</p>

	<p>wherever possible. This means that the effectiveness of the policy of allowing a Council tax premium to be raised has been significantly weakened.</p> <p>The effective solution is to force all second home owners to pay the Council tax premium (which is collected locally and is therefore available for councils to reinvest in local housing issues) and the way to achieve this is by changing Section 66 of the Local Government Act so that all dwelling houses are considered under the Council Tax rating system regardless of their use.</p> <p>Adjusting the recommendation in this way would mean that the policy of allowing a Council tax premium to be raised is effective and fulfils its purpose.</p>
<p>8 - Land transaction tax</p> <p>It should be possible to vary the higher rates of the land transaction tax in either counties or local government wards to reflect local circumstances. To achieve this:</p> <ul style="list-style-type: none"> i. The Welsh Government could delegate to county councils a right to vary the higher rates of the land transaction tax, potentially adding a further rate to the tax of up to 4% of the value of second property in some parts of Wales. ii. <i>Or</i>, the Welsh Government could vary the higher rates of the land transaction tax in this manner in specific local government wards heavily affected by the second homes problem. 	<p>Agree that this could make a positive contribution but may be less effective than some of the other recommendations as it will be a one off payment and possibly an insufficient amount to persuade potential buyers not to buy a second home.</p>
<p>9 – Gwynedd and Anglesey Councils’ ‘Local Market Housing’ Scheme</p> <p>Gwynedd and Anglesey Councils should consider extending the ‘Local Market Housing’ policy in the Gwynedd and Anglesey Joint Local Development Plan to other coastal and vulnerable communities in both counties where there is a concentration of second homes alongside an affordability problem. Other planning authorities in Wales should scrutinise the ‘Local Market Housing’ policy to consider whether such a policy might be beneficial for some of their communities. The Welsh</p>	<p>Agree. This recommendation was included in the report "<i>Managing the use of dwellings as holiday homes</i>", December 2020, commissioned by Gwynedd Council. We have work in hand already to consider this.</p>

<p>Government should consider whether planning guidance should be amended or strengthened in order to support or facilitate the process of extending this or similar policies.</p>	
<p>10 – the creation of a new use class for short-term holiday accommodation The Welsh Government should amend the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 by introducing a new use class for shortterm holiday accommodation.</p>	<p>Agree. This recommendation was included in the report <i>“Managing the use of dwellings as holiday homes” December 2020</i>, commissioned by Gwynedd Council.</p>
<p>11 – trialling a new use class for second homes The Welsh Government should conduct a trial in a community or cluster of communities severely impacted by second homes, and where there is community support for doing so, to evaluate the feasibility and impact of introducing a new use class for second homes. This would make the conversion of a dwelling house into a second home subject to planning permission when the percentage of second homes in the housing stock of a specified community crosses a particular threshold.</p>	<p>Agree that this would make a positive contribution though our research to date has highlighted practical challenges in trying to introduce such arrangements. However, the Council would support all efforts to try and overcome these obstacles.</p>
<p>12 – establish a Commission to make recommendations regarding the future of the Welsh language as a community language The Welsh Government should establish a Commission to make recommendations in response to the linguistic challenges facing areas where the Welsh language is currently a community language in the face of likely socio-economic and social restructuring. In particular, the Commission should address the challenges of the post-Brexit and post-Covid environment with the aim of protecting, stabilising and nurturing the future of the Welsh language as a community language in Wales.</p>	<p>Agree that a Commission could make a positive contribution but would like to emphasise that this should not lead to a delay in realising the issues set out in the other practical recommendations.</p>

Conclusions

10. Gwynedd Council's clear and firm desire is to ensure that every possible measure is used to try and respond to the housing crisis facing the county's residents in their communities today. It is clear that the increase in the number of second homes in our communities is making a significant contribution to pushing house prices beyond

the reach of local residents and it is our priority to do everything within our power to respond to the situation here.

11. That is what has led to the implementation of the following over the past 12 months:

- a) Complete detailed research into the second home situation and make clear policy recommendations that would address the increase in the number of second homes.
- b) Adoption of new Local Lettings Policy for letting social housing.
- c) Increase the council tax premium to 100%.
- d) Using all of the premium income, £15M of Council funding, and borrowing a further £15M to shape our innovative new Housing Action Plan - 33 specific projects that include investing:
 - £30M on social housing where needed - all to be let through the new Local Lettings Policy.
 - £15M for purchasing houses on the open market and letting to local people who need a home in their community but fall outside the priorities of the social housing register.
 - £4M to subsidise the construction of 100 houses for sale through a shared ownership scheme to local residents.
 - £4M to give grants to local first time buyers to renovate empty homes
 - £3M to provide financial grants to give local first time buyers a better chance to compete in the housing market.

12. We are confident that these measures will contribute to improving the current situation. However, we believe that we have now achieved all that is within our current Local Authority power, and it is clear that action beyond this power will be necessary if we are to fully respond to the threat to local residents' ability to live in their communities.

13. Therefore, the prompt implementation of the recommendations highlighted in the "*Second Homes - Developing New Policies in Wales*" report is absolutely essential and we as a Council therefore urgently request the Welsh Government to adopt them, incorporating the modification to recommendation no. 7 set out in the table in part 9 of this report.

14. As a Council we always want to see measures that will achieve the best outcomes for the county's residents and to that end we request that the Government prioritise those recommendations that are likely to have the most positive impact, namely:

Recommendation 7 – Short-term holiday accommodation and business rates

The Welsh Government should consult on the possibility of making short-term holiday accommodation exempt from being eligible for small business rate relief.

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

The Welsh Government should amend the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 by introducing a new use class for shortterm holiday accommodation.

Recommendation 3 – the definition of second homes

In order to facilitate policy decisions based on objective information, a better definition of second homes is needed. The Welsh Government could consider several ways of doing this but, with this in mind, a Mandatory Licensing Scheme for Holiday Homes should be introduced.

(Recommendations 10 and 3 need to be implemented simultaneously to be successful)

Views of the Statutory Officers:

i. The Monitoring Officer:

Having regard to the to the Councils previous decisions in response to the housing situation in Gwynedd it is appropriate that the Brookes report is formally considered by the Cabinet. It also allows the Council which, as a local authority would have a central role in implementing a number of the recommendations contributes to the discussion by highlighting any specific drawbacks.

ii. Statutory Finance Officer:

I have had an opportunity to provide input to this report and I support the contents.

The transfer of holiday units from the Council Tax system to non-domestic rates remains a financial risk. The Finance Department’s work programme in the Council’s Plan for 2021/22 notes that we will aim to meet with the Minister in order to place pressure on the Government to change the legislation relating to holiday homes and holiday units, and we will hold a broader campaign to promote suitable legislation.

Appendices

Appendix A: *“Second Homes - Developing New Policies in Wales”, Dr Simon Brooks, March 2021*

Appendix B: *“Managing the use of dwellings as holiday homes”, Anglesey and Gwynedd Joint Planning Policy Service, December 2020*

Managing the use of dwellings as holiday homes

December 2020

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1.0 Background

1.1 The issue of second homes and short-term holiday lets has evolved significantly over recent years along with their associated economic, environmental and cultural impacts. Recent growth in the holiday home (see definition below, paragraph 1.2) sector is largely attributed to the accessibility of online marketing websites, rise in holiday rental as a financial investment, improvements in information technology infrastructure that enables people to work remotely and the growth of the Welsh tourism industry.

1.2 For the purpose of this paper, the term ‘holiday homes’ includes the following:-

- Short-term holiday let: Dwelling house (C3 Use Class) which is not permanently occupied and let for holiday use on a commercial basis.
- Second homes: Dwelling house (C3 Use Class) which is used by the owner on an occasional basis (but not their main place of residence) as well as other visitors for holiday purposes.

1.3 It should be noted that when referring to short-term holiday lets, the figure includes residential dwellings that are let out on a commercial basis for holiday purposes as well as short-term holiday let that have received planning permission for that specific use. In terms of the overall figure, it is not possible to distinguish between the two.

1.4 Within this research paper reference will be made to ‘holiday homes’ when referring to the combined provision of ‘short-term holiday let’ and ‘second homes’. Where an issue specifically relates to either second homes or short-term holiday let this will be made explicit.

1.5 The supply and choice of housing available is a critical issue for local communities. The planning system has a direct role to play in ensuring that sufficient land is available to meet the housing needs of local communities. However, there are communities across Wales that face significant pressures due to the use of residential dwellings as holiday homes which has resulted in a housing stock which does not currently fully meet the requirements of local communities. This increased pressure on housing stock, has resulted in calls for regulatory mechanisms to be implemented. Implementing effective control mechanisms would possibly alleviate the associated cultural, social, environmental and economic impacts of holiday homes.

1.6 The aim of this research paper is to explore the possible options for controlling / managing the use of a dwelling as a holiday home. The research paper will explore possible mechanisms specifically within the planning system, drawing upon other examples across the UK and beyond. Other mechanisms beyond the control of the planning system will also be explored. The research paper will specifically look at:-

- a) establishing the number and location of holiday homes in Gwynedd, Cardiff and Wales;
 - b) establishing trends – how the holiday home industry has evolved over the past 30 years;
 - c) assessing the impact of holiday homes on local communities;
 - d) exploring possible solutions and regulatory control mechanisms.
- 1.7 The research paper will concentrate on the Gwynedd Council Local Authority Area and Cardiff Council Local Authority Area. Using both authorities as case studies within the report will allow for comparisons to be made between the rural and urban issues associated with holiday homes.
- 1.8 The original scope of this report included conducting primary research involving gathering the opinions of communities and the industry on the potential negative and positive effects of holiday homes. Unfortunately, due to restrictions relating to the Covid-19 pandemic this has not been possible.

2.0 Previous Research

- 2.1 In 2001 the Welsh Assembly Government (now Welsh Government) commissioned and funded a research project as part of the Welsh Assembly Governments' Wales Planning Research programme. The Programme was established to meet the need for evidence based land use planning policy development within the context of the Assembly Government's principles and priorities. The overall focus of the study was to consider the role of the land use planning system in controlling new housing development, its occupancy and its use, together with the regulation and occupancy of existing dwellings.
- 2.2 The study, 'Second and Holiday Homes and the Land Use Planning System'¹ recognised that the geography of second and holiday homes in Wales followed a clear pattern and are generally clustered in coastal locations. From 1991 to 2001 it also appeared that the number of second/holiday homes had grown in non-traditional second home ownership areas. The study concluded that the number of second home ownership within the 'traditional' second home locations on the west coast and in North West Wales appeared to be reducing whereas there was new growth in Carmarthenshire and Vale of Glamorgan due to transport improvements making them more accessible.
- 2.3 The study did not recognise a relationship between house prices and high levels of holiday home ownerships. However, the study recognised that in a local setting, it is likely that retirement, commuting patterns and second homes will influence local patterns of house prices pushing some locations out of the price range of local buyers. Overall, the study concluded that retirement and commuting are perceived to be more significant components of the external housing pressure facing rural areas.
- 2.4 The study concluded with 22 specific recommendations. The recommendations include a range of issues from ensuring that there is a sufficient supply of affordable housing and for local authorities to explore the possibility of developing sites specifically for second and holiday homes in less sensitive areas and for an improved system for collecting information relating to second and holiday homes data.
- 2.5 Of greater significance to the planning system is a recommendation not to change the 'Use Classes Order' as it would result in fundamental problems in terms of definition and enforcement.
- 2.6 The study was commissioned nearly twenty years ago by the Welsh Government and since then the number and potential impacts of holiday homes within local communities have

¹ [Second and Holiday Homes and the Land Use Planning System Research Report – prepared by the Welsh Assembly Government](#)

changed significantly, resulting in growing pressure from local communities and opposition political parties for the Welsh Government to act on the issue.

- 2.7 The following paper (where appropriate) will draw comparison between the current situation and the evidence provided in the Welsh Government Research Paper. As well as drawing comparison, the study provides a useful baseline to assess the evolution, frequency and impact of holiday home ownership.
- 2.8 Research work has also been undertaken in other areas of the UK on the subject matter. A review relating to the impact of second homes 'Review of Second Home Data and Assessment of Effects Second Homes are Having on Rural Communities'² was undertaken on behalf of the Lake District National Park Authority, South Lakeland District Council, Cumbria Rural Housing Trust and Eden District Council. The aim of this report was to review second home data and assess the effects that second homes were having on rural communities. It included details on the ways in which second home data was collected and the wide variety of definitions used to establish what determines a second home.
- 2.9 The report concludes with a series of ten recommendations ranging from modifications to the taxation system, creating a new use class for short-term holiday lets, for local authorities to purchase empty properties and bring them back to use, and developing sites specifically for holiday and second homes purposes.
- 2.10 In 2019, the Scottish Government commissioned research work, 'Research into the impact of short-term lets on communities across Scotland'³. The aim of the research paper was to gather opinions from communities in relation to the impact which short term lets (STL) is having on neighbourhoods and housing in Scotland. The research paper concluded with five key impacts in relation to the rise of the STL industry:-
- Local economic benefit – some areas benefit economically from having increased STL offer as it attracts tourists to the area due to the range of choice and affordability. The benefits were related to increased spend, increased availability of jobs, often all year round, and direct jobs and trade for the STLs supply chain including property managers, cleaners and the property maintenance industry.
 - Increased household income and STLs business earnings;
 - Reduced availability of residential housing with the negative impact on affordability, sustaining communities and the negative impact on the wider local economy and local public services;

² [Review of Second Home Data and Assessment of Effects Second Homes are Having on Rural Communities](#)

³ [Research into the impact of short-term lets on communities across Scotland](#)

- Negative impact on quality of life and well-being - disruption and stress caused by constant 'visitor use', rather than residential use, noise, disturbance, buzzers, door knocking, littering, anti-social behaviour, the loss of a sense of community and security;
- Congestion and changing communities.

2.11 The research work which has been referenced above recognise that high levels of short-term holiday lets and second home ownership within communities has an adverse impact on social cohesion, house prices and culture. This paper will further discuss these impacts with specific reference to Gwynedd, Cardiff and the national context.

3.0 Role of the Planning System

- 3.1 The planning system controls the use of land and property, ensuring that development is in the public interest having considered the economic, environmental and social benefits. The planning system attempts to create balanced, sustainable communities by creating vibrant places for people to live and work. Planning applications are assessed against the Development Plan for that area. Control mechanisms through the planning system ensures economic growth whilst protecting the environment for future generations and ensuring that communities have a better quality of life.

Holiday homes – Use Class

- 3.2 In accordance with the Town and Country Planning Act 1990⁴ planning permission is required for the carrying out of any development (section 55). The Act defines development (including material change of use) as:

“The carrying out of building, engineering, mining or other operations in, on, over or under land, or making of any material change of use of any buildings or other land.”

- 3.3 Thus, where a change of use is regarded as material, planning permission will be required. The Town and Country (Use Classes) Order 1987 (as amended)⁵ puts uses of land and buildings into various categories known as ‘Use Classes’. The Order states:

“...where a building or other land is used for a purpose of any class specified in the Schedule, the use of that building or that other land for any other purpose of the same class shall not be taken to involve development of the land.”

- 3.4 A residential dwelling falls into the C3 Use Class Category, the definition of the C3 Use Class as defined by the Town and Country Planning (Use Classes) order 1987 (as amended) is as follows: -

“Class C3. Use as a dwelling house (whether or not as a sole or main residence) by -

- a) a single person or by people to be regarded as forming a single household;*
- b) not more than six residents living together as a single household where care is provided for residents; or*
- c) not more than six residents living together as a single household where no care is provided to residents (other than a use within class C4).”*

⁴ [Town and Country Planning Act \(1990\)](#)

⁵ [The Town and Country \(Use Classes\) \(Amendment\) \(Wales\) Order 2016](#)

- 3.5 Within the current land use planning system in Wales there is no specific limit on the number of days a property can be let out on a short-term basis. Determining if a dwelling house (C3 Use Class) has changed its use is a matter for each Local Planning Authority based on fact and degree as whether the holiday letting amounts to a material change of use.

Case Law

- 3.6 There are recent case laws relating to the unlawful use of residential dwellings as holiday accommodation. Although the examples which are referred to within this paper relate to case law in England, the same principle/consideration would apply in Wales.

Moore v Secretary of State for Communities and Local Government (2012)⁶

- 3.7 The most notable case law in which considered if a material change of use has occurred through the letting of a dwelling house for holiday purposes is the Court of Appeal case of Moore v Secretary of State for Communities and Local Government (2012).

- 3.8 The appeal was in relation to whether the use of a dwelling house for commercial letting accommodation, constituted material change of use in planning terms. The appeal site (known as St Audry's) was a former hospital which had been granted permission as an eight bedroom dwelling (C3 use). For a period of eight years the property was occupied as a dwelling, however from May 2008 the property was let by its owner for short-term holiday lets. Suffolk Coastal District Council issued an enforcement notice alleging a breach of planning control. The breach was stated to be a change of use without planning permission from C3 dwelling house to commercial leisure accommodation (sui generis). The enforcement notice was appealed however the appeal was dismissed and the enforcement notice upheld. The Inspector considered that there were a number of distinct differences, including the pattern of arrivals and departures with associated traffic movements, likely frequency of party type activities and the potential lack of consideration for neighbours with the current use. As a matter of fact and degree the Inspector considered that the use of the property for holiday let purpose was distinctively different in character from that of a private dwelling. This change in character resulted in material change of use that was development requiring planning permission. The decision was appealed against in the High Court. The Court of Appeal found in favour of the secretary of state. The Court of Appeal determined that:

"It was not correct to say either that using a dwelling for commercial holiday lettings would never amount to a material change of use or that it would always amount to a material change of use. Rather, in each case it would be a matter of fact and degree and would depend on the characteristics of the use as holiday accommodation."

⁶ [Moore v Secretary of State for Communities and Local Government \(2012\)](#)

3.9 There are examples of Planning Appeal decisions which have followed and applied the Moore case. These include the following:-

Appeal Decision (APP/Q0505/C/18/3193261), 17 Richmond Road, Cambridge⁷

3.10 The property was a three storey 3 bed terraced town house on a residential street. In 2016 it was reported that the house was being advertised as a holiday let (entire dwelling) on Airbnb. Due to the fact that the dwelling house was being used commercially as short-term visitor accommodation rather than a dwelling house, a planning enforcement investigation was undertaken which included the service and completed return of a Planning Contravention Notice (PCN). The site was initially referred to the Planning Enforcement Team by local residents concerned with noise disturbance resulting from increased comings and goings from the property (mainly due to late night arrivals and early morning departures). Following undertaking a case review, it became apparent that the premises was let out and available to be let as a whole rather than individual rooms for some or all days of the week. With reference to the Moore v Secretary of State for Communities and Local Government (2012) Court of Appeal case the Authority sought to provide a working definition for defining when a material change of use has occurred. The key issues are considered to be the frequency of the arrivals and departures, since it is this that can cause noise and disturbance and change the character and impact of the use of the property; and the length of time the property is available for let throughout the year, which can impact on amenity and the permanent nature of the residential occupation.

3.11 The Inspector concluded that evidence indicates that the character of the use in question, in particular the notably transient pattern of occupancy, together with the pattern of related arrivals and departures, is significantly different to that associated with a dwelling house. Therefore, as a matter of fact and degree, it was determined that change of use had occurred.

3.12 Following the successful enforcement notice imposed on 17 Richmond Road, to date Cambridge Council have issued a further 20 enforcement notices all of which have been successfully upheld at appeal.

Appeal Decision (APP/F0114/C/18/3217514), 3 Greenway Lane, Lyncome, Bath⁸

3.13 The appeal case involves a semi-detached 7 bedroom dwelling house which sleeps up to 17 people. The appeal was made as a result of an enforcement notice issued for the alleged change of use of the property from C3 residential dwelling to a sui generis use (commercial holiday let). The Inspector considered whether the property was being let out on an occasional basis and whether the dwelling remains as the appellant's usual residence. The Council

⁷ [Appeal Decision \(APP/Q0505/C/18/3193261\), 17 Richmond Road, Cambridge](#)

⁸ [Appeal Decision \(APP/F0114/C/18/3217514\), 3 Greenway Lane, Lyncome, Bath](#)

provided evidence in the form of neighbouring log books and information from online marketing platforms that the property is being let out for holiday purposes on a midweek/weekend basis.

- 3.14 The Inspector concluded that the unauthorised use of the property as a commercial holiday let had introduced an unacceptable level and pattern of activity into the residential area to the detriment of residential amenity. It was concluded that there was a demonstrable increase in noise, traffic and other disturbance that had occurred because of the unauthorised use of the property. The Enforcement Notice was upheld.

Effectiveness of enforcement

- 3.15 Although there are examples of case law as referenced above which based on fact and degree conclude that the use of a dwelling house as a short-term holiday let involves a material change of use and therefore require planning permission, undertaking enforcement action on operators can be time consuming and laborious for a Local Planning Authority to pursue.
- 3.16 Pursuing an enforcement notice in relation to the misuse of a residential dwelling as a short-term holiday let would involve in the first instance having to recognise what the breach is, i.e. for what purpose is the dwelling house being used. If the alleged breach is identified work will then be required in relation to gathering evidence and information relating to the breach. In most cases, identifying if a breach has occurred is dependent on receiving information from a third party source (neighbours). Following gathering the information it is then necessary to determine if a material change of use has occurred based on fact and degree. It is likely that determining if a material change of use has occurred will be based on the churn of people coming and going from the site and the impact of the use on residential amenity.
- 3.17 If it is determined that a material change of use has occurred, consideration will then need to be given to whether or not it is expedient to take action. Within the Anglesey and Gwynedd Joint Local Development Plan⁹, Policy TWR 2 (Holiday Accommodation) resists the loss of permanent housing stock for holiday accommodation purposes. However, within the Cardiff Local Development Plan¹⁰ there isn't a policy which prohibits the loss of a residential dwelling for holiday accommodation purposes, therefore the expediency of taking enforcement action could be questioned.
- 3.18 Serving enforcement notices on holiday homes is likely to be dependent on the Local Planning Authority having received a complaint in relation to the use. Enforcement teams within Local Planning Authorities are unlikely to have the resources (due to increasing work load and reduced resources) to proactively and effectively pursue enforcement notices in relation to

⁹ [Anglesey and Gwynedd Joint Local Development Plan](#)

¹⁰ [Cardiff Local Development Plan](#)

the misuse of residential dwelling houses for holiday home purposes. Successful enforcement are dependent on obtaining third party evidence from neighbours as to the effects in order to assess the impacts. In some cases, the use of the residential dwelling as a short-term holiday let may have taken place for a number of years, if this can be evidenced by the operator (for a period of 10 years or more) a Certificate of Lawful Use Development could be issued which would mean that planning permission wasn't required. Enforcement is sporadic and pursued on a case-by-case basis, which is unsustainable and unfair, a practical working solution to control the misuse of residential dwellings as a short-term holiday let must be sought.

- 3.19 There aren't any current examples of case law which relate to the use of a dwelling-house (C3) as a second home. This is likely to be because the use of a dwelling house as a second home (which is never let out on a commercial basis) would undoubtedly fall within the C3 use class. Traditionally a means of regulating the use of a dwelling house as a second home has been through financial penalties, i.e. increase premium on the Council Tax and increased tax on the purchase of second properties (i.e. second homes and buy to lets).

4.0 Planning and Regulation (Good Practice) – Houses in Multiple Occupation (HMOs)

Definition

4.1 In Wales the definition of Houses in Multiple Occupation (HMO) for the purposes of enforcement of housing standards and HMO licensing has been clearly defined in Part 7 of the Housing Act 2004¹¹ and regulations made under the Act. It includes houses and flats where facilities are shared or are not self-contained and specifically includes premises shared by 3 or more unrelated persons not forming one household even though they may be living as a cohesive group.

4.2 Following the amendment to the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016¹² there was a introduction of a new use class relating to HMOs (C4 Use Class) which is defined as follows:-

“Class C4. Houses in multiple occupation:

Use of a dwellinghouse by not more than six residents as a house in multiple occupation.”

HMOs - Mandatory and Additional Licensing

4.3 The Housing Act 2004 aims to improve housing standards for tenants renting accommodation in the private rented sector as well as regulating the use. The legislation introduced a number of measures that impact on the private rented sector and in particular the licensing of Houses in Multiple Occupation (HMOs).

4.4 The law requires that certain types of rented property are licensed in order to meet standards that ensure a house is safe for the occupants and that the landlord is competent, qualified and the most appropriate person to manage it.

4.5 Part 2 of the Housing Act 2004 introduced two types of licensing scheme for HMOs:

1. The Mandatory Scheme (which all local authorities must operate)

The mandatory licencing scheme is intended to be the primary method of controlling housing standards in higher risk HMOs, i.e. those with the highest risk of death or injury by fire.

¹¹ [Housing Act 2004](#)

¹² [Town and Country Planning \(Use Classes\) \(Amendment\) \(Wales\) Order 2016](#)

Mandatory licensing covers HMOs which are those with three or more storeys occupied by 5 or more residents forming 2 or more households.

2. The Additional Licencing Scheme

Part 2 of the Act¹³ gives local authorities a discretionary power to designate the whole of their district or areas within it as an additional licensing area for specified types (or all types) of HMO, if certain conditions are met. Part 3 of the Act also gives local authorities selective licensing powers to deal with accommodation where there are concerns over low housing demand or a need to take measures to improve the social or economic condition because of significant and persistent anti-social behaviour with some private sector landlords failing to take action to combat such behaviour.

- 4.6 HMO licensing regimes (whether mandatory or additional) are intended to secure satisfactory management and physical standards. Before granting a licence, an authority must be satisfied with a number of matters, in particular that the licence holder is a “fit and proper person” and that the HMO is being managed effectively.
- 4.7 On the grant of every licence certain mandatory conditions must be imposed, including gas, fire and electrical safety together with a statement of occupation terms. In addition, authorities have the discretion to impose further conditions which may relate to issues such as taking reasonable and practicable steps to prevent anti-social behaviour, restrictions on the use of part of a property or number of occupants, to undertake any remedial works to bring the property up to standard or a requirement for the licence holder to attend relevant training.
- 4.8 In order to adopt additional licensing, a local authority must consider that a significant proportion of the relevant type of HMO in the whole or specified area of their district is “being managed sufficiently ineffectively as to give rise, or to be likely to give rise, to one or more particular problems either for those occupying the HMOs or for members of the public”. Accordingly, the authority may take into account not only the housing conditions of the occupiers of HMOs but also the effect of HMOs on the community at large, e.g. anti-social behaviour of occupiers and their visitors.
- 4.9 The introduction of additional licensing does not tend to restrict the growth of HMOs, but it does have a positive effect in driving up standards and dealing with unsatisfactory management.

¹³ [Housing Act 2004](#)

- 4.10 Gwynedd Council decided to make the additional HMO licence a requirement for all of Gwynedd in order to maintain standards. Cardiff Council on the other hand have declared two areas as requiring Additional Licensing Schemes, namely Cathays and Plasnewydd. Both areas have a high student population, therefore imposing the licensing scheme will help control the HMO concentration in these pressurised areas.
- 4.11 One major benefit of imposing the additional licencing scheme is ensuring that the property meets the required standards in terms of health and safety and that the property is managed properly. Further the licencing scheme provides a useful information source in relation to the number and location for each HMO within the Local Authority area.

Planning Controls

- 4.12 In 2015 the Welsh Government commissioned a research study in relation to Houses in Multiple Occupation (HMOs)¹⁴ due to increased concerns relating to their effect on the stability of local communities. Concentrations of HMOs had historically grown in university city/towns where there was an increase need/demand to house large numbers of students. Subsequently family homes were being acquired and rented out as shared student houses.
- 4.13 Concerns can arise with the management of HMOs because of the transient nature of many tenancies, with many residents on low incomes and/or from vulnerable groups, the intensive use of shared facilities and lack of interaction between residents who may be complete strangers to each other. Consequently, HMO use of a house will generally be more intensive than single household use. This may have an impact not just on the residents in an HMO but on the wider neighbourhood.
- 4.14 The Review showed that the incidence of HMO concentrations across the whole of Wales is relatively limited with concentrations mainly found in the four university cities and towns (Cardiff, Swansea, Aberystwyth and Bangor).
- 4.15 The review confirmed that the common problems in relation to HMOs include:-
- Damage to social cohesion with higher levels of transient residents and fewer long term households and established families, leading in the long term to communities which are not balanced and self-sustaining;
 - Access to the area for owner occupiers and first time buyers becoming much more difficult because of increased house prices and competition from landlords, with a reduction in the number of family homes;
 - Increases in anti-social behaviour, noise, burglary and other crime;

¹⁴ [Houses in Multiple Occupation: Review & Evidence Gathering](#)

- Reduction in the quality of the local environment and street scene as a consequence of increased litter, refuse and fly tipping, increased levels of disrepair and prevalent letting signs;
 - A change of character in an area through a tendency for increased numbers of takeaways, discount food stores and letting agencies;
 - Increased pressure on parking;
 - Reduction in provision of community facilities for families and children, in particular pressure on schools through falling enrolment.
- 4.16 As is evident from above, the impact of high levels of HMOs are therefore akin to the impact which high concentrations of holiday home ownership have on local communities, which has been highlighted elsewhere in this paper.
- 4.17 Following the review, on 25th February 2016, the Welsh Government created a new use class (C4)¹⁵ for smaller HMOs, which previously were classed as Dwelling Houses (C3). Further Guidance on the matter was also produced by the Welsh Government in 2017¹⁶.
- 4.18 For 'planning' purposes Houses in Multiple Occupation fall within two different use:
- A small HMO - A tenanted property occupied by 3-6 unrelated persons who live in property and share one or more basic amenities, which falls within Use Class C4.
 - A large HMO: A tenanted property occupied by 7 or more unrelated persons who live in a property and share one or more basic amenities, which is a '*Sui Generis*' (meaning 'of their own kind') use.
- 4.19 Small HMO's which were able to evidence that they were operational before 2016 can apply for a Certificate of Lawful Use Development, meaning that Local Planning Authorities haven't been able to retrospectively enforce established small HMO's.
- 4.20 Therefore, since 2016 the use of a dwelling house as a small HMO (up to 6 unrelated people) requires planning permission. Consequently, Local planning Authorities have the ability to draw up suitable local planning policies which help control and regulate the number of HMOs within specific 'under pressure' areas.
- 4.21 Within the Anglesey and Gwynedd Joint Local Development Plan policy TAI 9: Subdivision of existing properties to self-contained flats & houses in multiple occupation (HMOs)¹⁷ limits the number of permissions for HMO's which will be granted. In the wards of Deiniol and Menai

¹⁵ [Town and Country Planning \(Use Classes\) \(Amendment\) \(Wales\) Order 2016](#)

¹⁶ [Houses in Multiple Occupation: Practice Guidance \(2017\)](#)

¹⁷ [Anglesey and Gwynedd Joint Local Development Plan](#)

(Bangor) the proportion of HMO's should not exceed 25% and 10% in the remaining wards in the Plan area.

- 4.22 Cardiff Council's Local Development Plan¹⁸ (adopted January 2016) includes a policy that indicates that impact upon amenity and/or the character of the area will be considered when assessing HMO applications. This means that when the Council receives a planning application for a smaller (C4) or larger (Sui Generis) HMO, then the density of existing HMOs in the local area will be considered alongside other issues. To complement this policy, the Council has produced a Supplementary Planning Guidance (SPG¹⁹) on HMOs. This expands upon the policy included in the Local Plan, and provides guidance on the issues that will be taken into account with regards to planning applications for HMOs.

¹⁸ [Cardiff Local Development Plan](#)

¹⁹ [Houses in Multiple Occupation \(HMOs\): Supplementary Planning Guidance](#)

5.0 Financial Incentives

- 5.1 Over the past twenty years, there has been an enormous growth in the holiday home sector in Wales. This burgeoning market, together with other contributing factors, have created an ideal environment for positive potential letting income and revenue. For those considering investing in a property as a short-term holiday let, there could be a lucrative return on investment. Although short-term holiday let incur more expenses on utility cost, property management fees and general maintenance, generally the gross revenue per annum of a holiday home is significantly higher than a traditional long-term rental.
- 5.2 Letting a property as a short-term holiday let is considered a trade rather than an investment. This allows for the benefits from offsetting mortgage interest costs against the revenue, as well as reconciling council tax and other bills against the income.

Council Tax

- 5.3 Section 139 of the Housing Act (Wales) 2014²⁰ amends the Local Government Finance Act 1992²¹ and enables a billing authority (a County Council or County Borough Council) in Wales to dis-apply any discount granted to long-term empty dwellings and dwellings occupied periodically and apply a higher amount of council tax (a premium). The powers given to local authorities are discretionary.
- 5.4 From 1 April 2017, local authorities have been able to charge a premium of up to 100% of the standard rate of council tax on properties where no one has their sole or main residence and either the property is furnished (second home) or unfurnished and unoccupied for over 12 months (long term empty). The previous Regulations provided Council's with the discretion to charge full Council Tax, or to allow a 25% or 50% discount, to classes of second homes, and to allow a 50% discount (or a lower percentage discount), or no discount at all, to long-term empty properties that have been empty for 6 months or more.
- 5.5 A Council must make its first determination to raise a "premium" at least one year before the start of the financial year to which it relates. Gwynedd Council decided on 8 December 2016 that a 50% premium will be raised on (class B) furnished properties where no one has their sole or main residence from 1 April 2018 onwards and 50% on unfurnished and unoccupied properties where no one has their sole or main residence. Cardiff Council, have not, as yet introduced a premium, and second homes pay the full standard Council Tax rate.

²⁰ [Housing \(Wales\) Act 2014](#)

²¹ [Local Government Finance Act 1992](#)

5.6 The all Wales position relating to which Council Tax Premium is shown in the following table:-

Local Authority	Premium	Date implemented	Rate	Additional Comments
Blaenau Gwent County Borough Council	No	-	-	
Bridgend County Council	No	-	-	
Caerphilly County Borough Council	No	-	-	
Carmarthenshire County Council	No	-	-	
Ceredigion County Council	Yes	-	25%	
Cardiff Council	No	-	-	
Conwy County Borough Council	Yes	01/04/2020	25%	Conwy County Borough Council, made the determination to recommend a level of 50% Council Tax Premium on Long-Term Empty Homes and Second Homes from 1 April 2021 (subject to review during 2021/2022).
Denbighshire Council	Yes	01/04/2018	50%	
Flintshire County Council	Yes	01/04/2017	50%	
Gwynedd Council	Yes	01/04/2018	50%	
Isle of Anglesey Cuncy Council	Yes	01/04/2019	35%	

Merthyr Tydfil County Borough Council	No	-	-	
Monmouthshire County Council	No	-	-	
Neath Port Talbot Council	No	-	-	
Newport City Council	No	-	-	
Pembrokeshire County Council	Yes	01/04/2017	50%	
Powys County Council	Yes	01/04/2017	50%	Powys County Council on 24/09//2020 considered a notice of motion to increase the Council Tax premium for periodically occupied properties to 75%, and are undertaking a consultation on the mater.
Rhonddda Cynon Taf County Borough Council	No	-	-	
Swansea Council	No	-	-	The Council will be introducing a 100% premium from 01/04/2021
Torfaen County Borough Council	No	-	-	
Vale of Glamorgan Council	No	-	-	
Wrexham County Borough Council	Yes	01/04/2017	50%	

Table 1: Welsh Local Authorities Council Tax Premium

5.7 Additional funding through raising council tax on second homes could be used to (examples only)²²:

- Provide exemptions and discounts on Council Tax and other taxes which would enable taxpayers to access their first home. For example extending a Council Tax Class A exemption on a property.
- Improve energy efficiency of homes.
- Business grants to help local SME and entrepreneurs – for example - housing options for older people, enhancing properties to lifetime homes standards, dealing with debts and housing support.
- Finance language plans in those areas where there has been a decline in the use of the Welsh language

5.8 A major issue associated with granting the power to increase council tax on second homes is that some qualifying properties let as self-catering holiday accommodation can transfer to the non-domestic rate system as a business premises. Due to the availability of Small Business Rate Relief on Non Domestic Rates they make no contribution to local taxes. The tax income from these properties is accrued at a national level and is lost both from the council tax income available to contribute directly to the budgetary requirements of the authorities concerned. It also increases the funds required to be allocated to small business rate relief reducing Welsh Governments capacity to fund such schemes on a par with England.

Non-domestic rates - self-catering properties

5.9 All Property is listed for local taxation purposes into one of two Lists. Domestic property is ascribed a Band and listed for Council Tax whilst all other non domestic property has its Rateable Value calculated and is placed on the Non Domestic Rating List (colloquially referred to as Business Rates). The Rateable Value and property description are calculated and determined respectively by the Valuation Office, an agency of the Inland Revenue.

5.10 Since 1 April 2010 in Wales, commercially available properties to let as a self-catering holiday accommodation can be valued for non-domestic rates, provided the Valuation Office Agency (VOA)²³ is satisfied that:

- it will be available for letting commercially as self-catering accommodation for short periods totaling 140 days or more in the following 12 month period;
- the ratepayer's interest in the property enables them to let it for such periods;

²² [Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales](#)

²³ [Guidance for ratepayers: Non-domestic rates for self-catering Properties in Wales](#)

- in the 12 months prior to assessment it has been available for letting commercially as self-catering accommodation for short periods totaling 140 days or more;
- the short periods it has actually been commercially let for amounted to at least 70 days during that period.

5.11 From 1 April 2016 in Wales, the criteria above will continue to apply but there is also a new provision so that:

- businesses consisting of several self-catering properties at the same location or within very close proximity have the option to average the number of lettings days of the properties to meet the 70-day criterion where they are let by the same or connected businesses

5.12 Full guidance and advice on the rating of self-catering properties in Wales is available in the Welsh Government's 'Guidance for Ratepayers Non-Domestic Rates for Self-Catering Properties in Wales'.²⁴

Business Rates Relief in Wales

5.13 Non Domestic Rates (NDR) have been fully devolved to Wales since April 2015, they are collected by Local Authorities and paid into a national 'pool' administered by the Welsh Government. They are redistributed to Welsh Authorities via a Local Government Settlement formula, based on their proportion of the population aged 18 and over, regardless of the income raised by each Authority.

5.14 A new permanent scheme came into force on 1 April 2018. The Welsh Government provides non-domestic rates relief to eligible small businesses:

- eligible business premises with a rateable value of up to £6,000 will receive 100% relief; and
- those with a rateable value between £6,001 and £12,000 will receive relief on a tapered basis from 100% to zero

5.15 Rateable value is the value assigned to non-domestic premises by the Valuation Office Agency, and is based on a property's annual market rent, its size and usage. The Valuation Office Agency reviews these values every five years.

5.16 Small Business Rates Relief (SBRR) in Wales is entirely funded by the Welsh Government and is the largest NDR relief scheme operating in Wales, providing mandatory rates relief to properties according to their rateable value and broad category of use.

²⁴ [Guidance for ratepayers: Non-domestic rates for self-catering Properties in Wales](#)

- 5.17 Local authorities are responsible for providing ratepayers with clear and accessible information on the details and administration of the scheme. If, for any reason, an authority is unable to provide this relief to eligible ratepayers within a reasonable time period, consideration should be given to notifying eligible ratepayers that they qualify for the relief and that their bills will be recalculated.
- 5.18 Local Authorities will be asked to identify the total amount of relief provided under the scheme in their NDR Returns (NDR1 and NDR3).

Furnished Holiday Let (FHL)

- 5.19 There are special tax rules for rental income from properties that qualify as furnished holiday lettings (FHLs), provided that they meet the criteria listed below. These include:
- Re-claiming 'Capital Allowances' back - Capital allowances can be claimed for capital expenditure e.g. cookers, fridges, televisions, sofas, tables, carpets, curtains etc. Currently, the first £200,000 of capital expenditure incurred can qualify for 100% Capital Allowances.
 - Tax-advantaged pension contributions - Income from a Furnished Holiday Let counts as 'relevant earnings' for pension contribution purposes. This means that tax-advantaged pension contributions can be made.
 - Capital Gains Tax relief - CGT relief can be claimed on an FHL; these include:
 - a. Entrepreneurs' Relief - only pay tax at 10% on all gains on qualifying assets rather than 18% or 28%.
 - b. Roll-over relief - allows specific chargeable gains to be deferred if new trading assets are acquired. Gains on the sale of FHLs can be deferred using this relief and the acquisition of an FHL property can count as a new trading asset allowing gains on the other assets to be deferred.
 - c. Hold-over relief - Allows chargeable gains that would otherwise arise on a gift of the property to be deferred.
 - d. Split the Tax between partner - If the holiday home is owned jointly with a partner or spouse the profits can be split however you like for tax purposes, irrespective of the actual shares in their ownership of the FHL property.
- 5.20 To qualify as a FHL the property must be:
- Commercially let - the holiday home must be let on a commercial basis and with the view to making a profit.
 - Furnished - there must be sufficient furniture provided for normal occupation and your visitors must be entitled to use the furniture

- 5.21 Accommodation can only qualify as a FHL if it conforms with occupancy conditions which specifically relate to the pattern of occupation, the availability and the letting condition.
- 5.22 Additionally, FHLs are treated in a similar way to that of a business when it comes to expenses. This means expenses can be offset against the income on the holiday let, so long as they are claimed against the expenses and are not capital.

Overview

- 5.23 There are significant financial advantages for home owners, as outlined above, relating to the letting of a property as a holiday accommodation. Holiday homes used as short-term holiday let incur a greater rental value, are eligible for small business rates relief and qualify for beneficial income tax breaks. Coupled with the existing financial climate (low interest rates and a relatively static stock market), means that the purchasing/renting of residential properties as short term holiday lets in popular tourist destinations are increasingly seen attractive business investments; the added benefit being that the owner can still use the property for personal holiday use as and when required. Therefore, not only is the existing local housing stock being bought as second homes, it is now becoming increasingly under threat from 'short term holiday let'. Figures would indicate that once a domestic property is 'lost' very few ever return to the Council Tax list.
- 5.24 Whilst it is accepted that the Councils are reimbursed for residential properties being registered for NDR, the fundamental issue is whether existing residential properties should be permitted to be used as 'business investments' without due process being followed. Furthermore, since this type of business use is generally considered to be permissible within a C3 use class, it raises an issue as to whether the existing use class order, as it pertains to C3 dwellings, is fundamentally flawed. Local Authorities should be able to regulate the numbers moving from domestic to non domestic use through the approval of a formal 'change of use'.
- 5.25 Consequently, it is considered that no existing residential dwelling (that does not have lawful planning permission to be used as 'short term holiday lets') should be allowed to be registered as a 'business' and be valued for 'non domestic rates'.

6.0 Current Situation

- 6.1 A key part of the research work involves collating information relating to the baseline data on the numbers of holiday homes that exist in Gwynedd, Cardiff and Wales. This includes gathering information in relation to short-term holiday lets as well as second homes. Gathering accurate information in relation to the number and location of holiday homes can be difficult as there isn't a single information source. Private accommodation rented out on an ad hoc basis, typically through peer-to-peer websites such as AirBnb are much harder to quantify as they can pop up from time to time and cease to be holiday lets without any formal notification. Assessing the severity of the situation is therefore difficult, and has to be based on the best available information. A request has been made to each individual Local Authority in Wales Council Tax department to receive information relating to the number of second homes and non-domestic self-catering holiday accommodation within their Local Authority Area.
- 6.2 Each Authority has provided the following information:-
- Number of residential properties within the Local Authority Area
 - Number of second homes
 - Number of self-catering units liable for non-domestic business rates
- 6.3 Information was not available from Wrexham County Borough Council. The data in relation to Wrexham CBC for the self-catering units is based on information available from the Valuation Office Agency²⁵ by conducting an advanced search and using the special category code for self-catering holiday accommodation (131). Information for Wrexham CBC in relation to the number of second homes within the authority area is obtained from the Stats Wales website²⁶. It should be noted that Stats Wales figures should not be considered as accurate information as they are based solely on estimates provided by each Local Authority.
- 6.4 Data has been provided by each authority in relation to the number of second homes within the authority area. In accordance with the Housing (Wales) Act 2014²⁷ a "second home" is defined as a home that is not a person's sole or main residence and which is substantially furnished.
- 6.5 It should also be noted that the number of self-catering holiday accommodation which are liable to pay non-domestic business rates will include residential dwelling houses which have transferred over to pay the non-domestic rates tariff along with purpose built holiday

²⁵ [Valuation Office Agency – Holiday Homes \(Self Catering\), Non-domestic Business Rates](#)

²⁶ [Stats Wales, Council tax dwellings by local authority](#)

²⁷ [Housing \(Wales\) Act 2014](#)

accommodation, i.e. those which have received planning permission as holiday accommodation.

6.6 The following table notes the Council Tax information in relation to the numbers of holiday accommodation within the case study areas of Gwynedd and Cardiff. Information is also provided on a national context:-

	Gwynedd	Cardiff	Wales
Number of residential units	61,645	159,193	988,418
Number of second homes	4,873	3,588	18,547
Total holiday accommodation (non-domestic business units)	1,976	54	6,906
Combined total	6,849	3,642	25453
Combined percentage of holiday homes	10.76%	2.2%	2.56%

Table 2: Information source - Council Tax, summer 2020

6.7 The following chart and map provides a visual snapshot of the current holiday homes provision in Wales:-

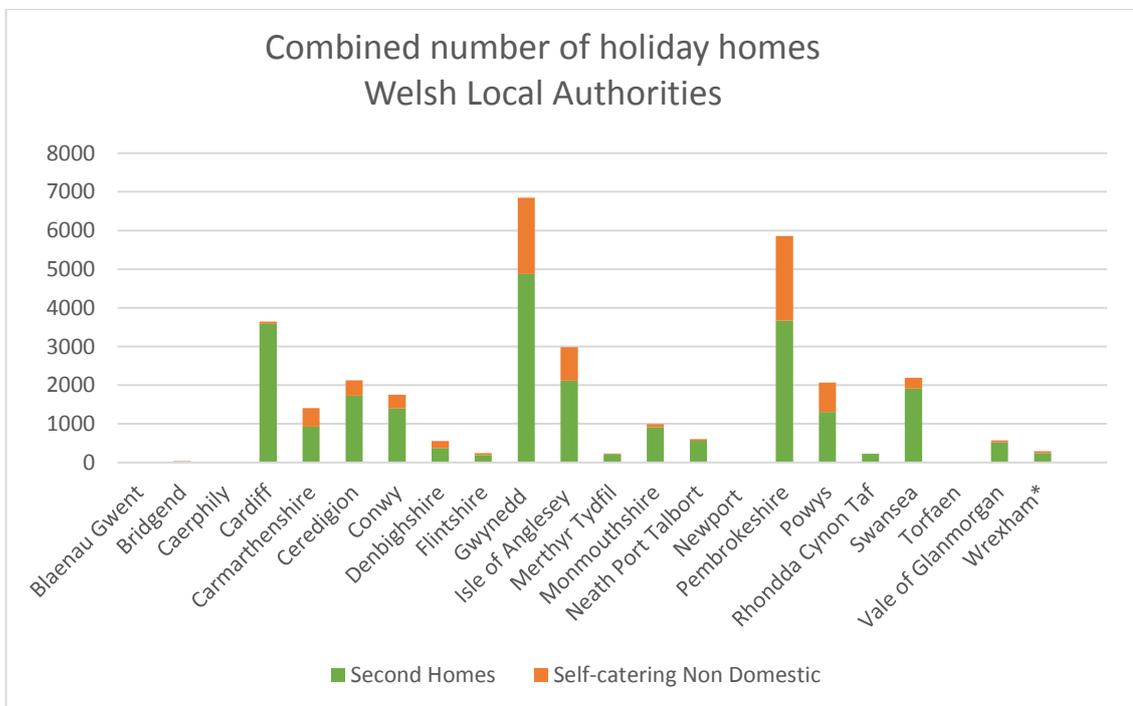
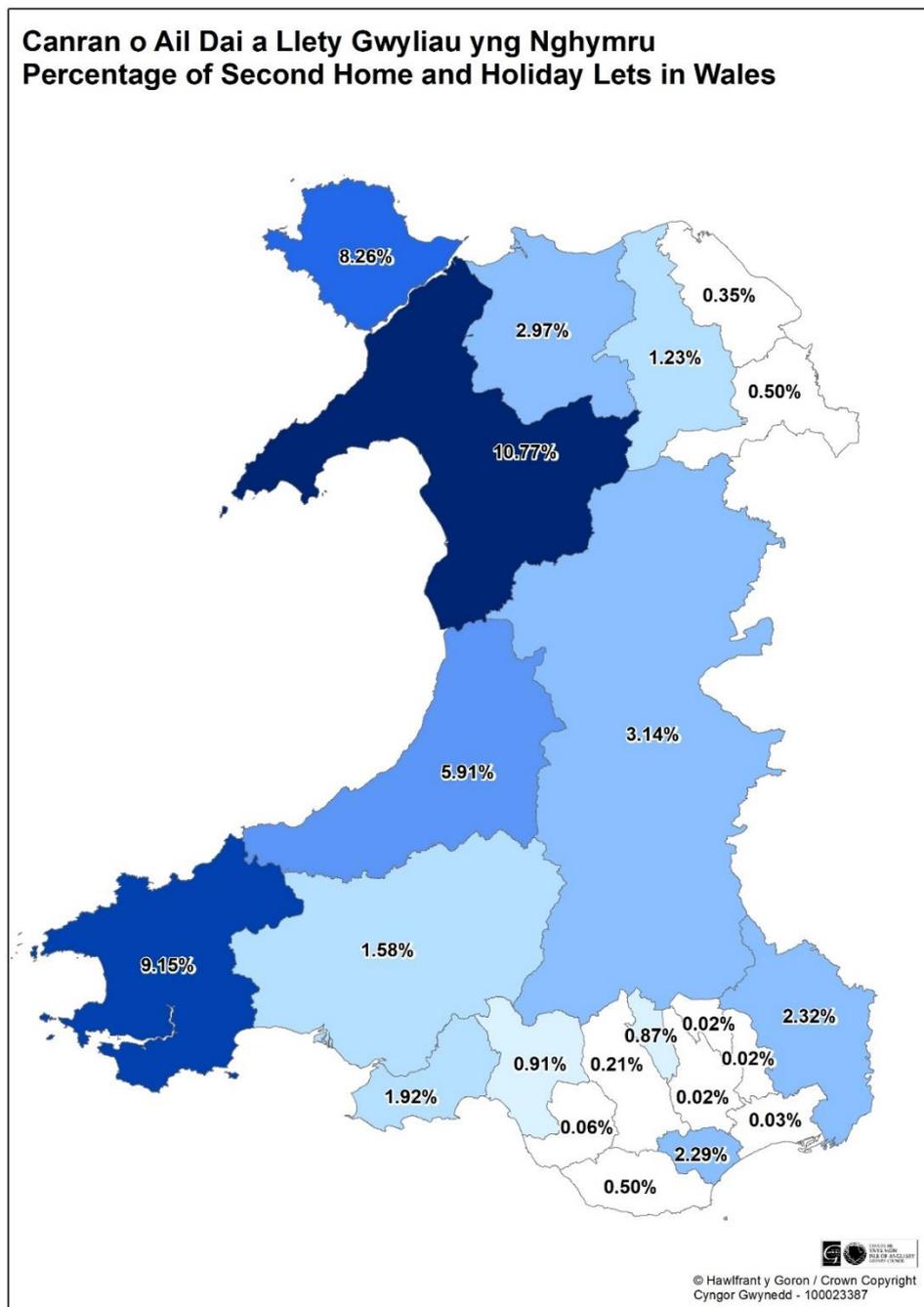


Chart 1: Information source - Council Tax, summer 2020

6.8 The chart clearly demonstrates that the Welsh Local Authorities with the highest number of holiday homes are Gwynedd (6,849), Pembrokeshire (5,857) and Cardiff (3,642). It is noted that the number of second home properties seems noticeably high in Cardiff, however it's unknown how many are vacant furnished properties as opposed to second homes. Providing the information as a proportion of the housing stock provides a true reflection of the situation for each Local Authority. The following chart and map clearly demonstrates that the traditional rural coastal authorities of Gwynedd (10.76%), Pembrokeshire (9.15%) and Anglesey (8.26%) proportionally have the highest number of holiday homes:-



Map 1: Holiday home provision in Wales

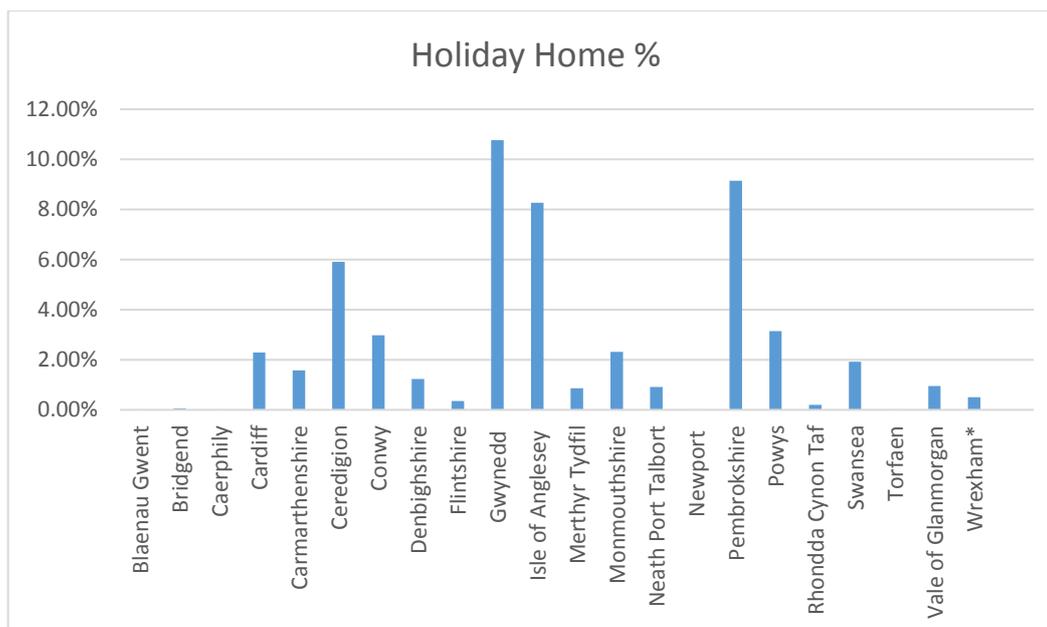


Chart 2: Information source - Council Tax, summer 2020

- 6.9 A recent 'Bedstock Survey' has been undertaken in the Gwynedd Local Authority Area. The purpose of the survey is to calculate the number of tourism accommodation available for visitors in Gwynedd. Between June 2018 and February 2019, Gwynedd Council's Tourism, Marketing and Events Service, in partnership with Visit Wales, conducted county-based research on the visitor accommodation provision that was available. This was done using information from key partners e.g. planning, licensing, grading, accommodation agencies etc, along with internet research and telephone interviews.
- 6.10 The 'Bedstock Survey' found that there were a total of 2,424 self-catering holiday accommodation units available during the survey period and an additional 745 units advertised on AirBNB. The number of short-term holiday lets available on the AirBNB platform represents a snapshot only, in terms of the accommodation that was actually available at the time of conducting the survey. The total amount of short-term holiday lets, according to this survey, is 3,169. It is unknown how many of these units are residential dwellings which are being used for holiday purposes, some of the units may have received planning permission specifically as holiday accommodation. The figure also includes all types of holiday accommodation units, for example chalets and caravans. Information from the Council Tax department relating to the number of properties which pay the Self-Catering Non-domestic Business rates for the same period (July 2018) was a total of 1,193. It is clear that the number of units which are available do not fully reflect the number of units which paid the non-domestic business rates in Gwynedd. It can therefore be assumed that some of the available short-term holiday lets are either liable to paying the second home premium or pay standard Council Tax.

- 6.11 Based on the definitions used for the purposes of Council tax, in Gwynedd there are currently 4,873 residential units which are liable to the second home premium. It is difficult to gather information relating to how many of these residential units are either permanently or occasionally let on a commercial short-term holiday let basis. The disparities between the Council tax figures and Second Homes figures would suggest that a proportion of second home are used as short-term holiday lets.
- 6.12 The above evidence proves that gathering accurate information in relation to the number of holiday homes is difficult because the holiday home market is unregulated (see paragraph 6.1). Although Council tax figures are considered the most accurate source of information, they are not totally reliable and dependent on holiday home operators applying the correct council tax/non-domestic business rates category for their property. The disparities between the Gwynedd Bedstock Survey and Council tax figures highlight this problem.

7.0 Recent trends

Growth of peer-to- peer platforms

- 7.1 There is evidence that the number of short-term lettings has increased significantly in recent years, in particular due to the development and growth of the ‘sharing economy’ or ‘peer-to-peer’ accommodation services. These online platforms essentially provide marketplaces which connect people who want to rent out their properties or spare rooms with people seeking short-term accommodation. Some popular peer-to-peer platforms include HomeAway, Booking.com and Airbnb.
- 7.2 As previously discussed in section 6, there is no single, definitive source of data on short-term lettings. This is because of the diverse nature of the sector, which can range from commercial visitor accommodation, such as hotels and Bed and Breakfast accommodation, to individuals letting spare rooms through sharing economy platforms, and the fact that providers can offer accommodation across multiple platforms. The growth of peer-to-peer platforms represents a challenge when collating information, as the traditional methods of collecting data about staying visitors - such as occupancy and bed stock surveys - are not gathering information on this market. It is likely that this has resulted in an increasing gap in estimates for the volume and value of tourism.
- 7.3 To tackle this problem, GTS (UK) Ltd, in partnership with twelve unitary authorities in Wales, have set up a pilot study to devise a robust methodology for evaluating the peer-to-peer market and produce volume and value estimates for the impact of this market in Wales. The study provides a useful source of information in relation to the growth of the industry in Wales.²⁸
- 7.4 The participating areas in the pilot study area are the Isle of Anglesey, Bridgend, Caerphilly, Cardiff, Carmarthenshire, Ceredigion, Conwy, Gwynedd, Monmouthshire, Pembrokeshire, Powys and the Vale of Glamorgan. All of the participating Local Authorities have purchased data from AirDNA. This company specialises in producing market reports for Airbnb and HomeAway, giving monthly data on a range of variables including room and place listings, bookings, occupancy, and average daily rates.
- 7.5 The following chart (which includes all types of accommodation available, for example, static caravans, chalets and residential dwelling houses) provides information in relation to entire place listings and the trends from 2016 to 2019:-

²⁸ [Peer to peer accommodation in Wales: an interim review \(GTS\)](#)



Chart 3: Source, Peer to peer accommodation in Wales: an interim review (GTS)

- 7.6 The chart clearly highlights that there has been a continued growth in entire place listings since December 2018. The lower growth rate for Cardiff is indicative of the city being an early adopter of Airbnb, with other areas catching up over time. The spike in listings on this chart for Cardiff in June 2017 coincided with when the UEFA Champions League Final was held in the city.
- 7.7 What is also demonstrated in the above chart is that in July/August 2019, circa 5,000 units for entire place listings were available in Gwynedd compared with circa 1,500 in Cardiff. The chart also shows the growth of the sector in Gwynedd. According to AirDNA between January 2017 and September 2019 there was an increase in available entire place listings of 915% and of available private room listings of 197%, compared with the averages across the entire pilot study area of 555% and 99%.
- 7.8 The following chart provides an overview of private room booked listings during the study period. Private room booked listings are a significantly more important element of the Cardiff region peer-to-peer offer than in other areas. This is likely to be attributed to homeowners taking advantage of the rental income which they can achieved when events are taking place in the city and demand for accommodation is high.

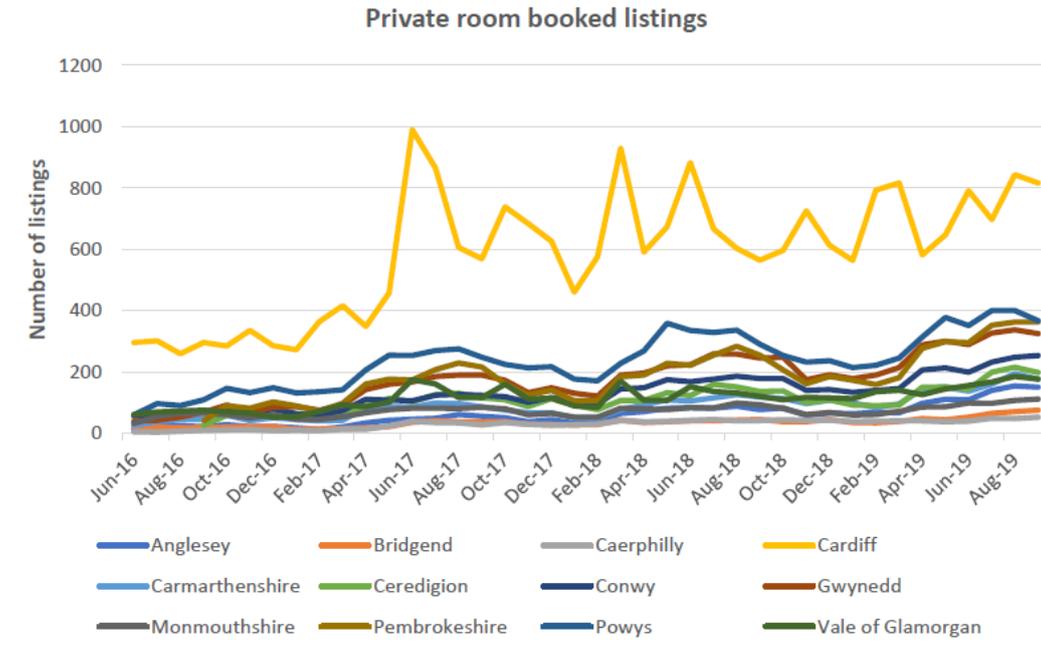


Chart 4: Source, Peer to peer accommodation in Wales: an interim review (GTS)

Overall comparison in figures

7.9 The following table shows the figures in relation to the combined numbers of second homes and holiday accommodation for the past 30 years based on Council Tax records. Data for 1991 and 2001 are sourced from the ‘Second and Holiday Homes and the Land Use planning System’ study by the Welsh Government. It is clear that there has been a contraction in the number of holiday homes in Wales between 1991 to 2001. The Study states that 1991 represented a peak in the national housing market and a corresponding peak in the number of holiday homes. The number of such properties then decreased over a ten year period up to 2001.

7.10 Data for 2020 is based on information provided by each Welsh Local Authority Council Tax Department.

Wales

	1991	%	2001	%	2020	%
Standard Number	18,800	1.58	16,800	1.31	32,692	2.24

Table 3: Information source - [‘Second and Holiday Homes and the Land Use Planning System’](#) and Local Authority Council Tax

Gwynedd

	1991	%	2001	%	2020	%

Standard Number	5704	10.45	4415	7.78%	6,849	10.77%
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Table 4: Information source - ['Second and Holiday Homes and the Land Use Planning System'](#) and Gwynedd Council Council Tax

Cardiff

	1991	%	2001	%	2020	%
Standard Number	128	0.11%	150	0.12	3,642	2.29%

Table 5: Information source - ['Second and Holiday Homes and the Land Use Planning System'](#) and Cardiff Council Council Tax

7.11 The following chart provides an overview of how the numbers of holiday accommodation units have changed over the past 30 years in each Local Authority. The chart shows an overall fall across the country between 1991 and 2001 with a gradual increase between 2001 and 2020, with the numbers by 2020 exceeding the 1991 numbers:-

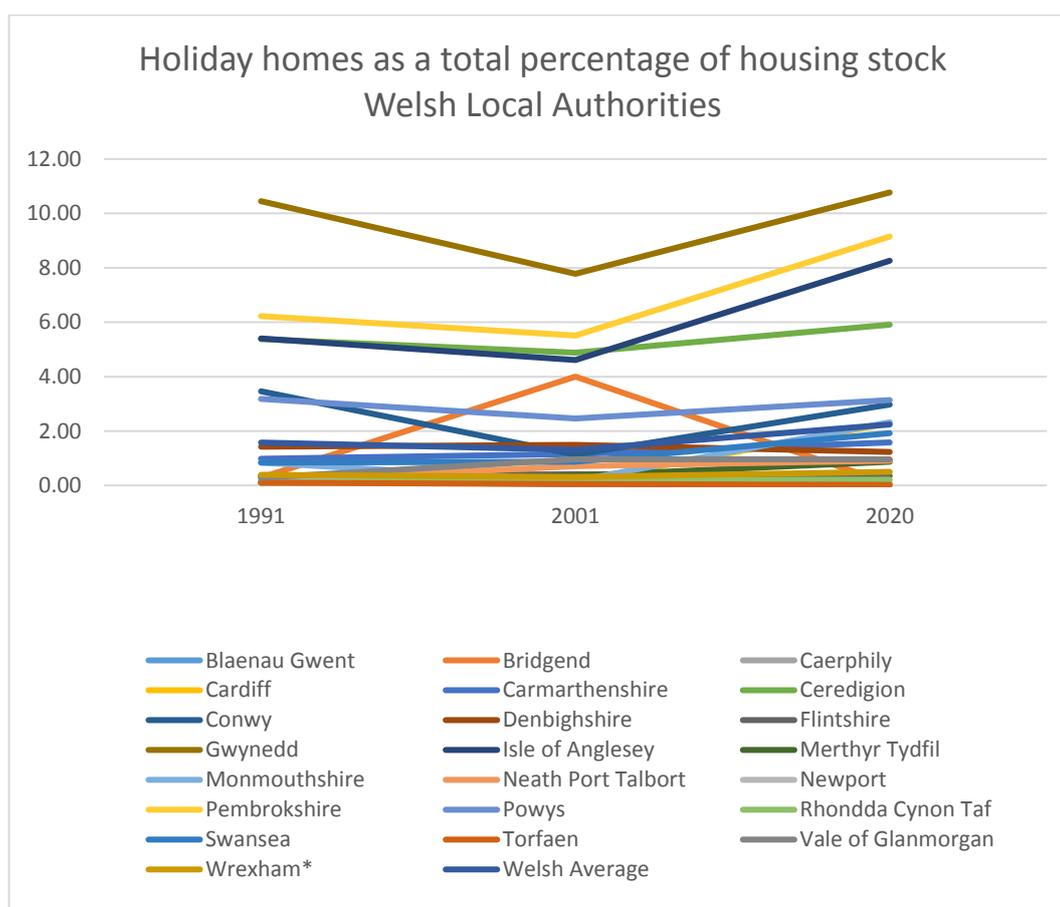


Chart 5: ['Second and Holiday Homes and the Land Use Planning System'](#) and Local Authority Council Tax

Decreasing Second Homes

7.12 In Gwynedd, since the introduction of the council tax premium on second homes in 2018 and the introduction of the relief scheme for qualifying self-catering holiday accommodation which pay the non-domestic rates the number of second homes has fallen steadily with the number of properties paying the non-domestic rates steadily increasing, as the following chart demonstrates:-

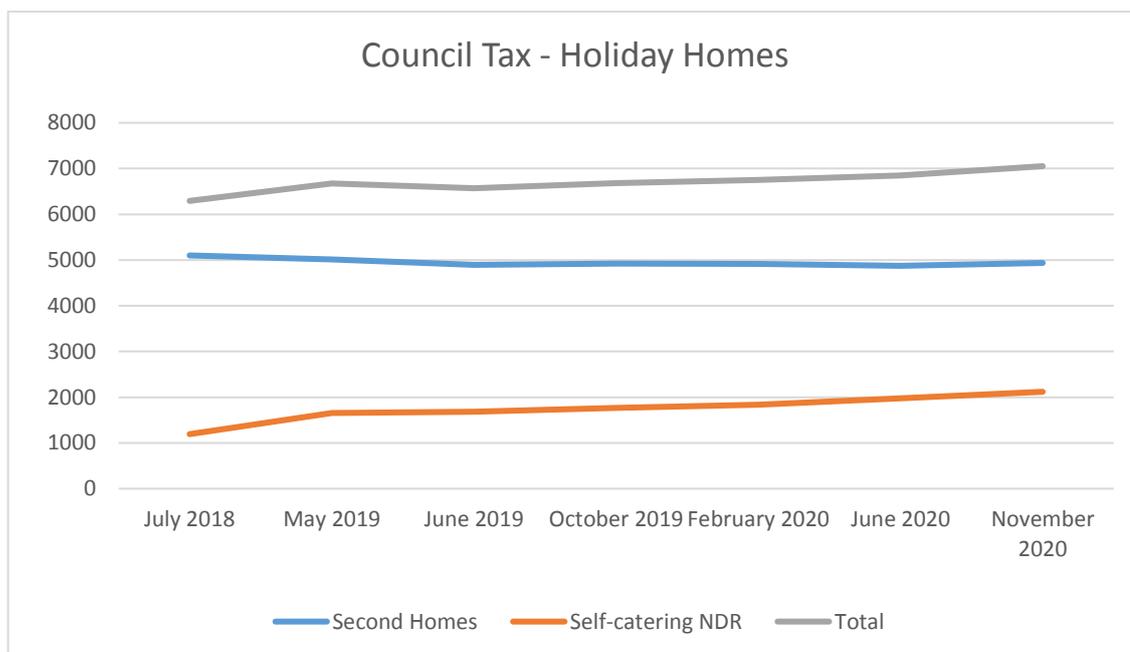


Chart 6: Gwynedd Council Tax trend since 2018

7.13 The chart suggests that second home owners are steadily transferring over to pay the non-domestic business rates. The premium on second homes compounded with the business rates relief available for self-catering holiday accommodation means that it is financially advantageous for second home owners to do so. In order to qualify for the non-domestic business rates, evidence must be provided that the property is available for letting for at least 140 days of the year and has been let for a minimum period of 70 days. The trend demonstrated in the above chart therefore reinforces the assumption that a proportion of second homes are either occasionally or permanently let on a commercial basis as short-term holiday let.

Land Transaction Tax

7.14 Another indicator of current trends in the holiday home market is Land Transaction Tax (LTT) information. Land Transaction Tax (LTT)²⁹ is a tax that is paid when a residential property or piece of land is purchased in Wales. Currently in Wales, LTT will not be applied until 31 March

²⁹ [Land Transaction Tax, Welsh Government](#)

2021 for properties that cost up to £250,000. Properties that cost more than £250,000 will be subject to LTT. Higher Rate LTT will apply under the following circumstances:-

- the residential property costs more than £40,000 and
- the individual purchasing the property already owns one or more properties.

7.15 Therefore a number of factors can mean a residential transaction is subject to higher rates. These include:

- purchasing buy-to-let properties
- buying a second home or holiday home
- buying a new property while trying to sell an existing one
- companies like social housing providers buying properties

7.16 During the financial year of April 2019 to March 2020, 38% of all residential sales in Gwynedd paid Higher Rate LTT. The figure for Cardiff was 27%, with the Welsh average at 25%. The following table provides information for the top ranking 5 Local Authorities in Wales where higher rate LTT applies as a percentage of all residential transactions:-

	2018 - 2019 ³⁰	2019 - 2020 ³¹
Gwynedd	37%	38%
Isle of Anglesey	33%	36%
Swansea	28%	30%
Pembrokeshire	26%	29%
Conwy	26%	28%

Table 6: Land Transaction Tax Statistics 2018 and 2019 (Welsh Government)

7.17 Although a proportion of the properties which have been subject to the Higher Rate LTT will have been for buy to let purposes (especially for Swansea, with the growth of the University and other economic regeneration initiatives), it is likely that a high proportion of the residential units within the traditional popular second home ownership areas (i.e. Gwynedd, Isle of Anglesey, Pembrokeshire and Conwy) will have been for second home purposes which inevitably has an impact on the availability of permanent housing within the Local Authority Area and subsequently affordability.

³⁰ [Land Transaction tax Statistics 2018](#)

³¹ [Land Transaction tax Statistics 2019](#)

8.0 Impact of Holiday Homes

8.1 This section of the report aims to identify what impacts, if any, holiday home ownership may have on communities. When considering the impact which high levels/concentration of holiday home ownership have on local communities, it is important to consider the impact of self-catering holiday accommodation (including purpose built) along with second homes. Matters associated with the impact of second homes on communities often correspond to matters associated with self-catering holiday accommodation, for example:-

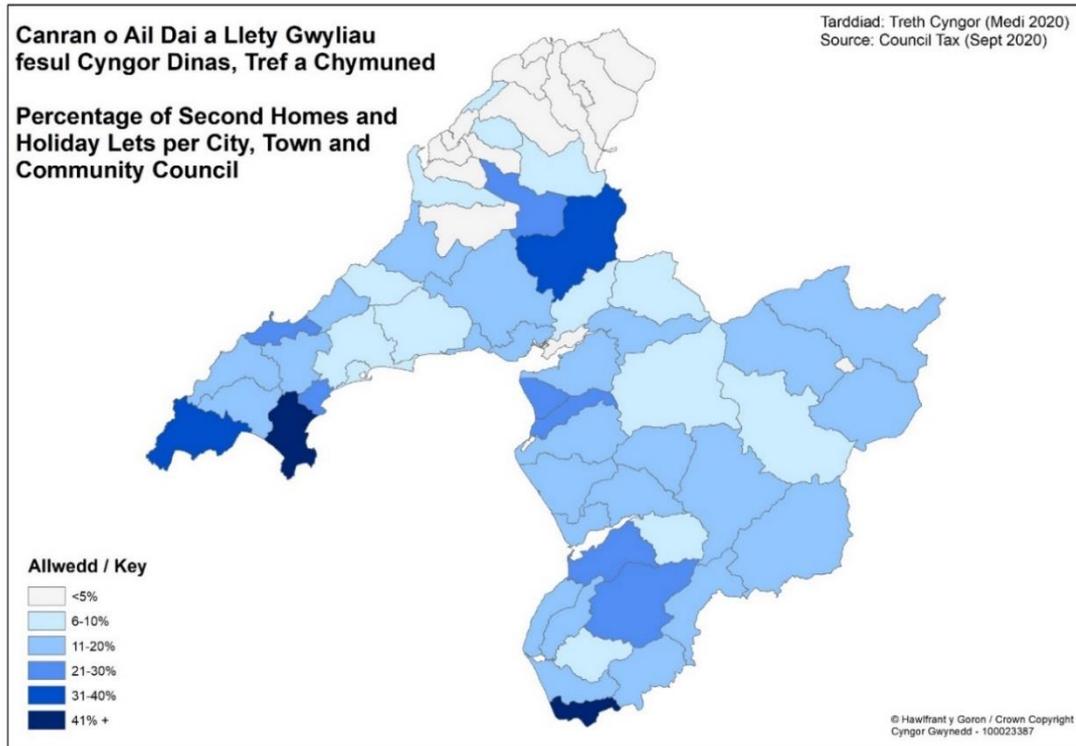
- A lack of housing supply in order to meet the local need;
- Impact on local services, the amenities of local residents and the community;
- A lack of permanent population in order to maintain and support local community facilities;
- Seasonal employment opportunities only;
- Impact on local house prices.

Gwynedd

8.2 Rural communities across Wales face many challenges ranging from the outward migration of young people and an inward migration of older people leading to an ageing population, demand for affordable housing, and the closure of rural services and facilities to name a few. This section of the report aims to ascertain whether the rise in holiday home ownership is the reason for some of these problems, helps exacerbate the situation (along with other issues) or does not have an effect on these communities at all.

8.3 The map below shows the distribution of holiday homes across the county of Gwynedd. It shows that the highest levels of holiday home ownership can be found along the coastline and parts of the Snowdonia National Park.

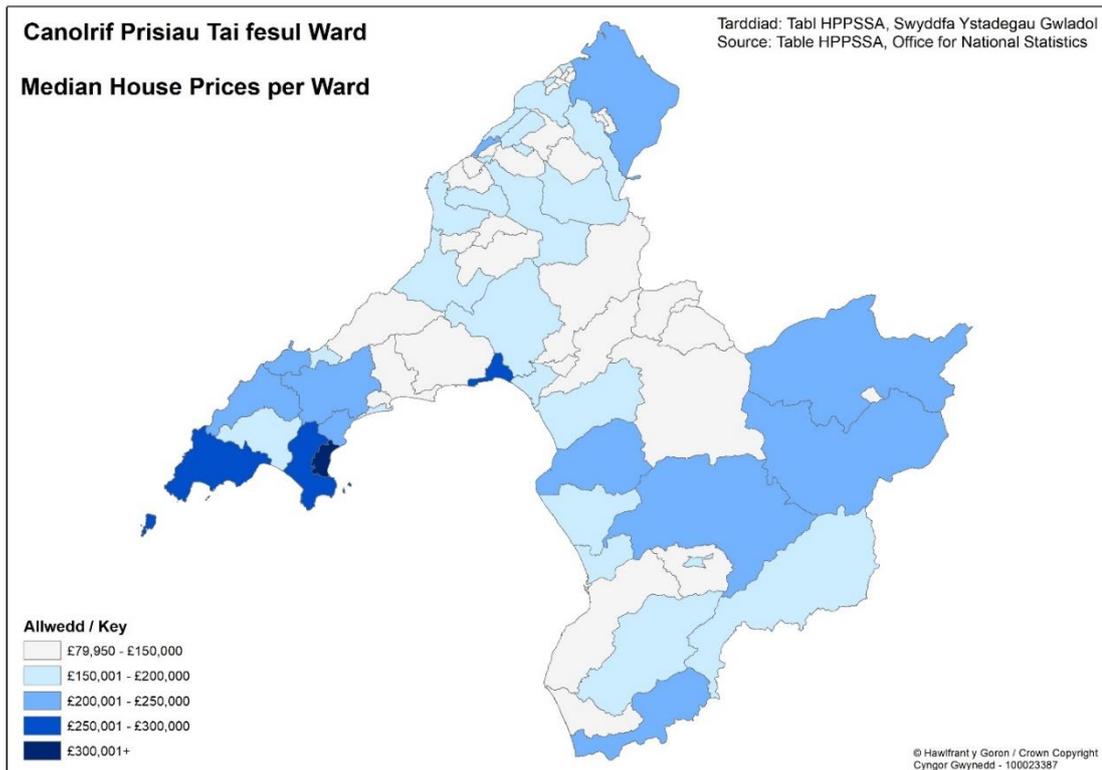
8.4 It is noted however that the information is mapped on city, town and community council areas which may not reflect the real situation and disguises the true nature of the problem as some settlements within these areas have much higher levels of holiday home ownership than others.



Map 2: Distribution of holiday homes in Gwynedd

Impact on House Prices and Affordability

8.5 Low wage rural economies, restrictions on the supply of new housing and external demand for houses are all factors which when combined raise house prices and disadvantage many local people in rural housing markets. The map below shows the median house price per Ward in Gwynedd.



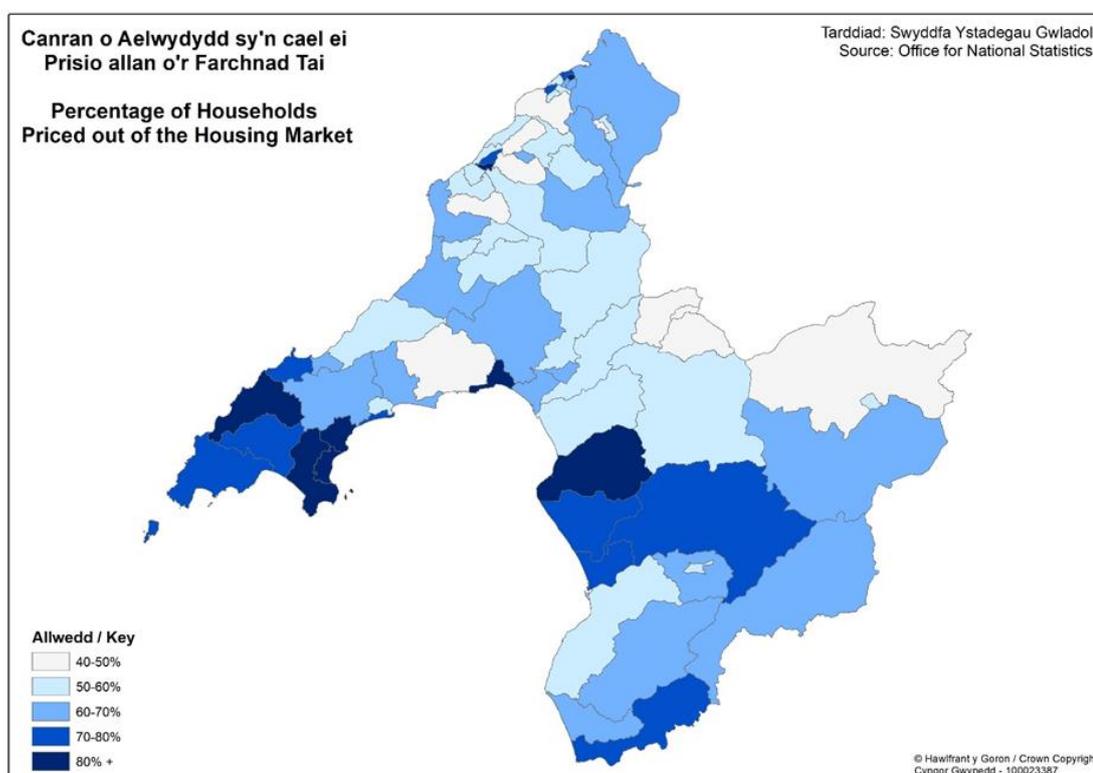
Map 3: Median House Prices per Ward in Gwynedd

- 8.6 The average median house price for the whole of Gwynedd in Sept 2019 was £155,000. The map clearly shows that in the areas with higher level of holiday home ownership the house prices are greater than the county's average.
- 8.7 The Welsh Government's Report 'Second and Holiday Homes and the Land Use Planning System'³² did not recognise a clear pattern between the location of holiday homes and house prices and that the evidence suggested that migration from urban to rural areas on a permanent basis is the primary driver of demand for housing and consequently unaffordable house prices. Although this report does not dispute the findings, the map does show a clear correlation between the two therefore it could be argued, especially with some areas in the county experiencing more than 40% holiday home ownership, that holiday home ownership does contribute to much higher than average house prices. Another issue, which is not covered in the Welsh Government's report is that people who migrate/retire to the area may be moving into a second home they may have purchased pre-retirement.
- 8.8 It can also be argued though that those wanting to purchase a holiday home in rural communities may be competing with those wealthy enough to retire to or relocate to these settlements and are exacerbating the problem and pushing house prices up even higher.
- 8.9 The high demand for holiday homes (or retirement homes) undoubtedly impacts on the ability of local people on lower wages to purchase homes in these areas. The average median house

³² [Second and Holiday Homes and the Land Use Planning System Research Report – prepared by the Welsh Assembly Government](#)

price in Gwynedd (2019) was £155,000 and with an average income of £26,191 the income to house price affordability ratio in the county is 5.9:1. This means on average that 59.6% of local people are priced out of the housing market.

- 8.10 This statistic increases greatly in the wards where there are high numbers of holiday homes. For instance in the Abersoch ward where 46.36% of the houses in the community council area are holiday homes, the median average house price is £365,275. With an average household income of £34,133 the house price to affordability ratio in the area is almost double the county’s average at 10.7:1 and means that 91.6% of local people are priced out of the market. The map below shows the percentage of households priced out of the housing market per ward.



Map 4: Percentage of Households Priced out of the Housing market in Gwynedd

- 8.11 The map shows the affordability ratio is much higher in the more desirable rural and coastal areas which correlates with the pattern shown in map 1 which shows the distribution of holiday homes.
- 8.12 The table below shows the top 5 wards where the house price to affordability ratio is highest. Four out of the five wards are located on the Llyn where holiday home ownership is high. The 5th ward is Peblig, Caernarfon where the ratio is high because the ward contains areas which are deprived where wages are lower than the county average. New private housing developments in Peblig have also pushed up house prices.

Ward	Median House Price	Median Household Income	Affordability Ratio	% Priced out of Market
Abersoch	£365,275	£34,133	10.7:1	91.6
Aberdaron	£293,625	£27,525	10.7:1	79
Llanengan	£298,500	£29,679	10.1:1	90.2
Peblig	£199,995	£19,923	10.0:1	87.7
Llanbedrog	£235,750	£25,914	9.1:1	83.8

Table 7: Top 5 Wards – House price to affordability ratio in Gwynedd

Impact on Rural services

- 8.13 One of the main impacts that purchasing a property as a second home or as a holiday let is simply that these properties are no longer available to be used by permanent residents. Where there are large numbers of holiday homes it may mean fewer families in the village year round to use services like schools, buses and post offices and their viability may be threatened by low usage. Businesses providing a service for local people may be replaced by businesses aimed at the non-resident/tourist population and, along with homes that stand empty much of the year, can undermine the sustainability of the community.
- 8.14 Although there is no definitive figure on when the level of holiday homes effects the sustainability of a community, the Lake District National Park Authority as part of their evidence base for the housing policies of their Local Development Plan referred to two reports that tackled this issue. The first is the report ‘Housing: An Effective Way to Sustain our Rural Communities’ states that ‘the percentage of holiday homes should not be more than 20 per cent as this appears to affect the sustainability of any village.’ The second report ‘The Cumbria Housing Strategy 2006/2011’ goes a step further through its ‘Balanced Indicators’, suggesting the percentage should not be more than 10 per cent³³. The National Park Authority uses this information as a guide when examining the effects that second homes are having on the sustainability of any community.
- 8.15 These reports were used as evidence to formulate Policy CS18³⁴ of the Lake District National Park’s Local Plan Part One Core Strategy which seeks to help redress the imbalances in the local housing market by permitting new dwellings where they contribute towards meeting an identified local need or local affordable need. In all cases the policy states that all new houses will be restricted to be the person’s main residence.
- 8.16 The table below highlights the city, town and community council areas in Gwynedd that would be above these thresholds if we used the same principle as a guide when examining the effects

³³ [Review of Second Home Data and Assessment of the Effects Second Homes are Having on Rural Communities](#)

³⁴ [Lake District Local Plan](#)

that holiday homes are having on communities. 36 out of 64 Community/Town/ City Council areas would reach the 10% threshold whereas 12 out of 64 Community/Town and City Councils would reach the 20% threshold.

Town, City or Community Council	No of Dwellings and Holiday Lets	No of Holiday Homes	% of holiday homes which effect the sustainability of any settlement	
			10%	20%
Aberdaron	601	189 (31.45%)	✓	✓
Aber	120	5 (4.17%)		
Aberdyfi	986	427 (43.31%)	✓	✓
Abermaw	1438	243 (16.89%)	✓	✓
Arthog	744	166 (22.31%)	✓	✓
Bala	1043	41 (3.93%)		
Bangor	6376	95 (1.49%)		
Beddgelert	368	125 (33.97%)	✓	✓
Bethesda	2215	52 (2.35%)		
Betws Garmon	151	35 (23.18%)	✓	✓
Bontnewydd	482	19 (3.94%)		
Botwnnog	486	63 (12.96%)	✓	
Brithdir & Llanfachraeth	435	78 (17.93%)	✓	
Bryncrug	380	31 (8.16%)		
Buan	236	36 (15.25%)	✓	
Caernarfon	4717	65 (1.38%)		
Clynnog	515	75 (14.78%)	✓	
Corris	379	56 (14.78%)	✓	
Criccieth	1021	162 (15.87%)	✓	
Dolbenmaen	685	101 (14.74%)	✓	
Dolgellau	1541	149 (9.67%)		
Dyffryn Ardudwy	907	121 (13.34%)	✓	
Ffestiniog	2634	251 (9.53%)		
Harlech	918	190 (20.70%)	✓	✓
Llanaelhaearn	567	51 (8.99%)		
Llanbedr	366	66 (18.03%)	✓	
Llanbedrog	740	197 (26.62%)	✓	✓
Llanberis	1011	64 (6.33%)		
Llanddeiniolen	2233	71 (3.18%)		
Llandderfel	537	57 (10.61%)	✓	
Llandwrog	1249	66 (5.28%)		
Llandygai	1114	34 (3.14%)		
Llanegryn	174	22 (12.64%)	✓	
Llanelltyd	297	52 (17.51%)	✓	
Llanengan	1784	827 (46.36%)	✓	✓
Llanfair	324	89 (27.14%)	✓	✓
Llanfihangel y Pennant	249	70 (28.11%)	✓	✓
Llanfrothen	249	24 (9.64%)		

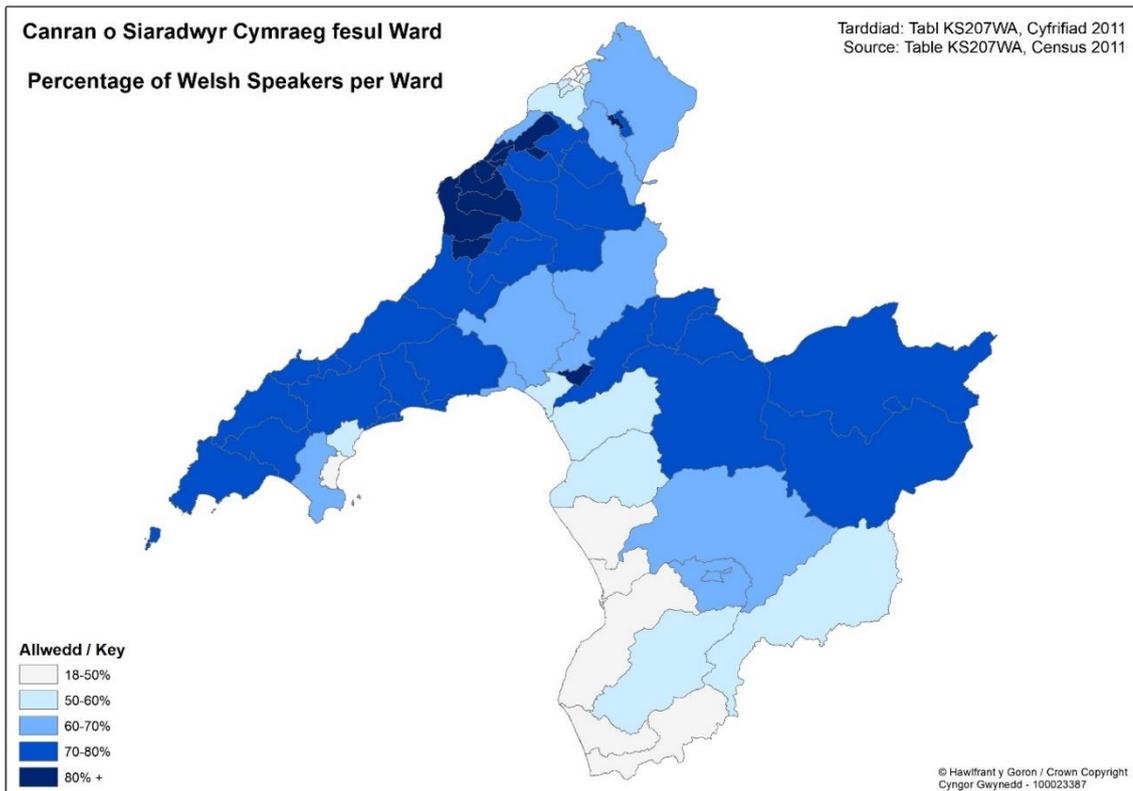
Town, City or Community Council	No of Dwellings and Holiday Lets	No of Holiday Homes	% of holiday homes which effect the sustainability of any settlement	
			10%	20%
Llangelynin	413	71 (17.19%)	✓	
Llangywer	132	18 (13.64%)	✓	
Llanllechid	366	13 (3.55%)		
Llanllyfni	1999	75 (3.75%)		
Llannor	1035	62 (5.99%)		
Llanrug	1417	73 (5.15%)		
Llanuwchllyn	333	29 (8.71%)		
Llanwnda	708	26 (2.86%)		
Llanycil	205	22 (10.73%)	✓	
Llanystumdwy	967	93 (9.62%)		
Maentwrog	346	59 (17.05%)	✓	
Mawddwy	386	61 (15.80%)	✓	
Nefyn	1617	364 (22.51%)	✓	✓
Pennal	261	52 (19.92%)	✓	
Penrhyndeudraeth	1001	49 (4.90%)		
Pentir	1366	33 (2.42%)		
Pistyll	305	59 (19.34%)	✓	
Porthmadog	2473	447 (18.08%)	✓	
Pwllheli	2152	129 (5.99%)		
Talsarnau	365	68 (18.63%)	✓	
Trawsfynydd	801	69 (8.94%)		
Tudweiliog	482	84 (17.43%)	✓	
Tywyn	1989	258 (12.97%)	✓	
Waunfawr	685	31 (4.50%)		
Y Felinheli	1273	119 (9.35%)		
Y Ganllwyd	97	19 (19.59%)	✓	

Table 8: Wards with 10% and 20% holiday homes

8.17 Over the years a number of schools in Gwynedd have closed due to dwindling pupil numbers. Aberdyfi (where the percentage of holiday homes in the community is 46.36%) closed in 2010. Other rural schools are currently at risk of closure such as Ysgol Gynradd Abersoch. The school has a capacity for 34 pupils and has had, in the past, a steady number of pupils of around 20 but recently this figure has been in decline. In 2019 there were only 9 pupils in the school.

Impact on the Welsh Language

8.18 According to the 2011 Census on average 65.4% of people in Gwynedd speak Welsh. The numbers of Welsh speakers vary greatly with the greatest percentage in Llanrug with 87.8% of Welsh speakers and Peblig (Caernarfon) with 87.4% Welsh speakers. The percentage of holiday homes in these areas are 5.15% and 1.38% respectively. The map below shows the percentage of Welsh speakers per ward.

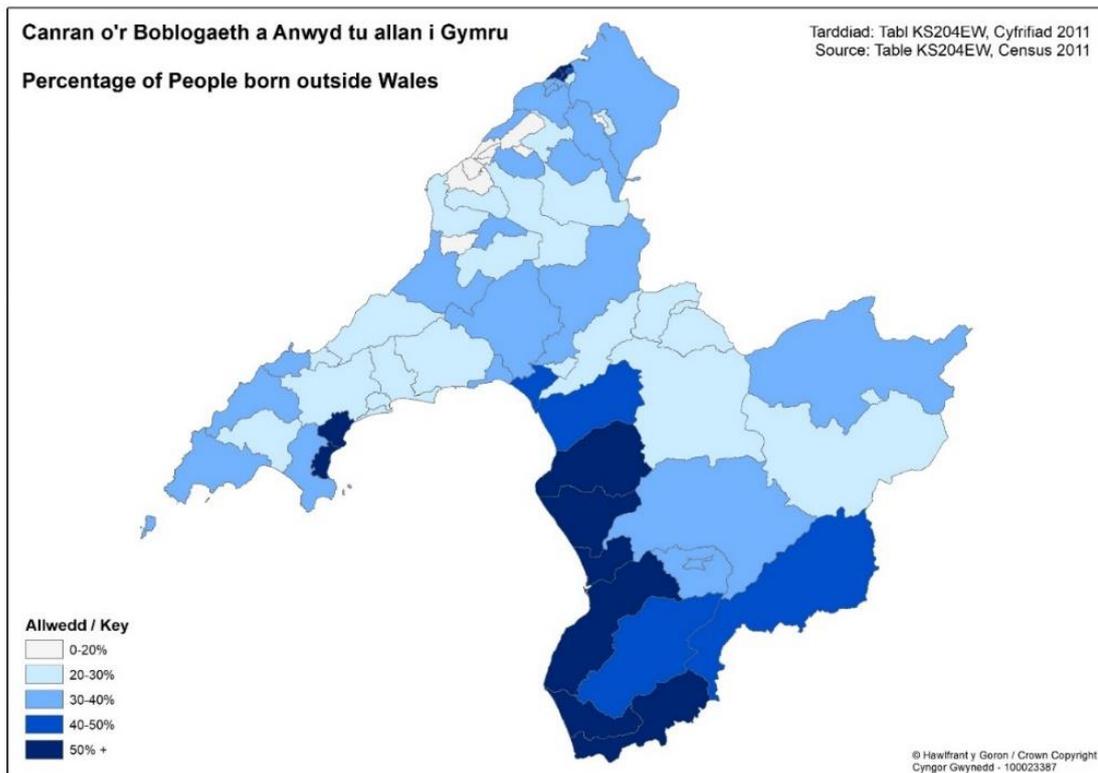


Map 5: Percentage of Welsh speakers per Ward in Gwynedd

- 8.19 In areas where there is a high proportion of holiday homes the figure is as low as 35.5% in Aberdyfi, where holiday homes ownership is 43.31%, and 43.5% in Abersoch where holiday homes is 46.36%.
- 8.20 Although the Census collects information about the resident population and it is the case that, similar to house prices, the Welsh language is suffering as a result of increased migration of people from outside Wales to rural areas, there is a noticeable pattern between high levels of holiday home ownership and the ability to speak Welsh. This is likely to be attributed to the fact that there is a reduction in the number of housing available for the local population. Subsequently a deficiency in supply of available housing will result in increased house prices resulting in the local population being priced out of the housing market.
- 8.21 With respect to the Welsh language, creating sustainable communities where the Welsh language is fully immersed within communities and providing and replicating the necessary social context to use the Welsh language as part of the normal fabric of society is imperative in protecting and encouraging the growth of the Welsh language.
- 8.22 With the Welsh Government's pledge to achieve 1 million Welsh Speakers by 2050 it could be argued that tackling the holiday home issue by providing mechanisms for control of the holiday home sector would help with this goal.

Ageing Population

- 8.23 At the turn of the century the problems facing rural communities was rural depopulation and decaying villages. Now the picture is generally one of increasing affluence with more people wanting to move to the countryside and as the demand is greater than supply it pushes house prices beyond the reach of many.
- 8.24 Older people from more affluent areas will have more disposable income to spend on a property, either as a full time home or a second home with plans to move into permanently after retiring.
- 8.25 This has resulted in outward migration of young people and a net inward of migration of older people. According to the 2011 Census over 50% of the population in most of the areas with high levels of second homes and holiday lets were born outside of Wales which is shown in the map below.



Map 6: Percentage of people born outside of Wales per ward in Gwynedd

- 8.26 The table below shows the top 5 wards in Gwynedd, outside of Bangor, with the largest percentage of the resident population born outside Wales. The Bangor wards have not been included in the table because the presence of the University has resulted in a large student population, some of which are born outside Wales.

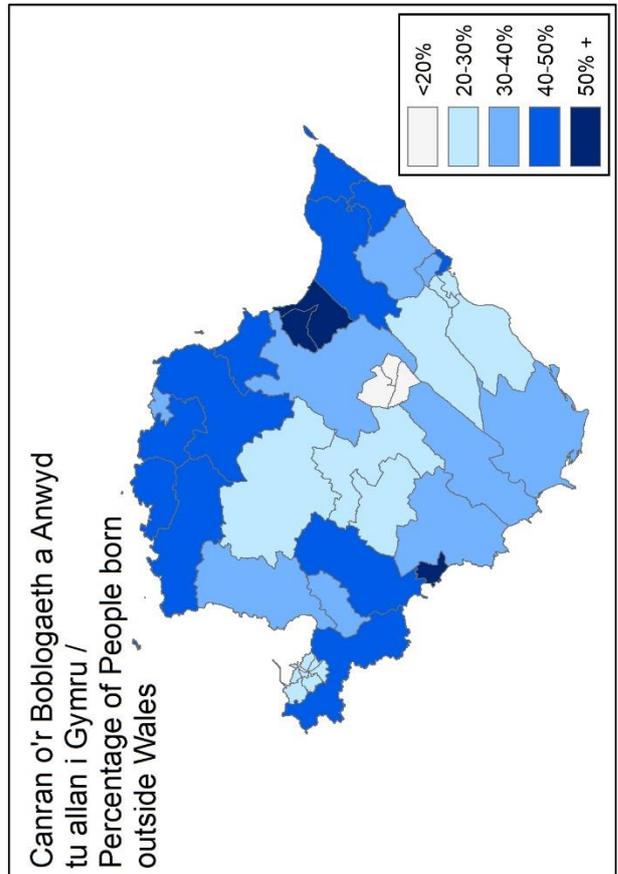
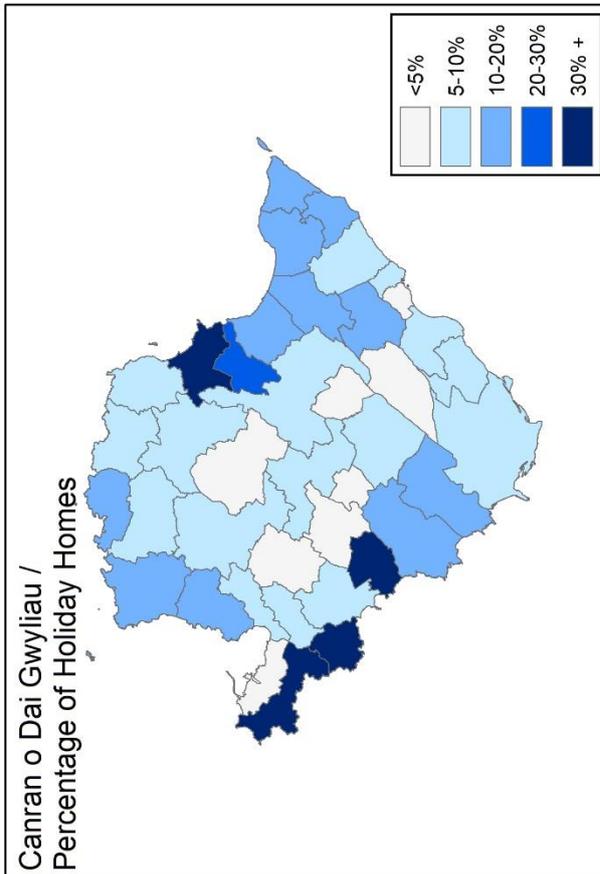
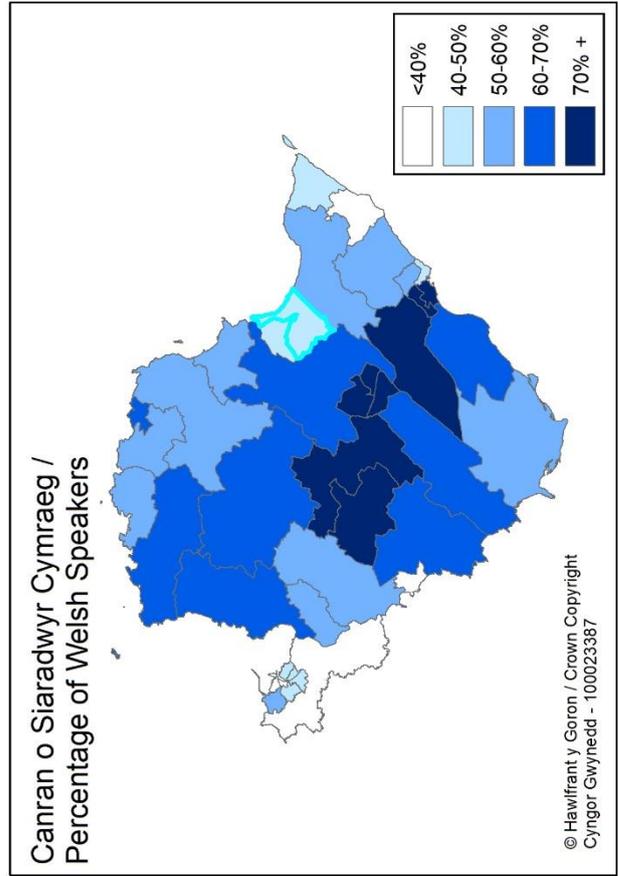
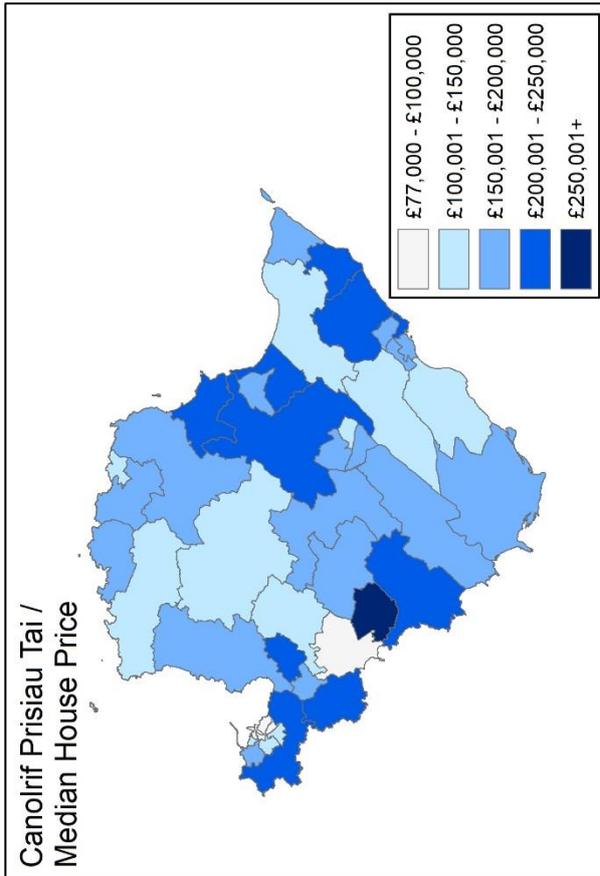
Ward	Percentage of People born outside Wales
Llangelynin	63.2%
Aberdyfi	59.4%
Tywyn	56.1%
Abersoch	55.3%
Dyffryn Ardudwy	52.9%

Table 9: Top five wards with the largest percentage of the population born outside Wales

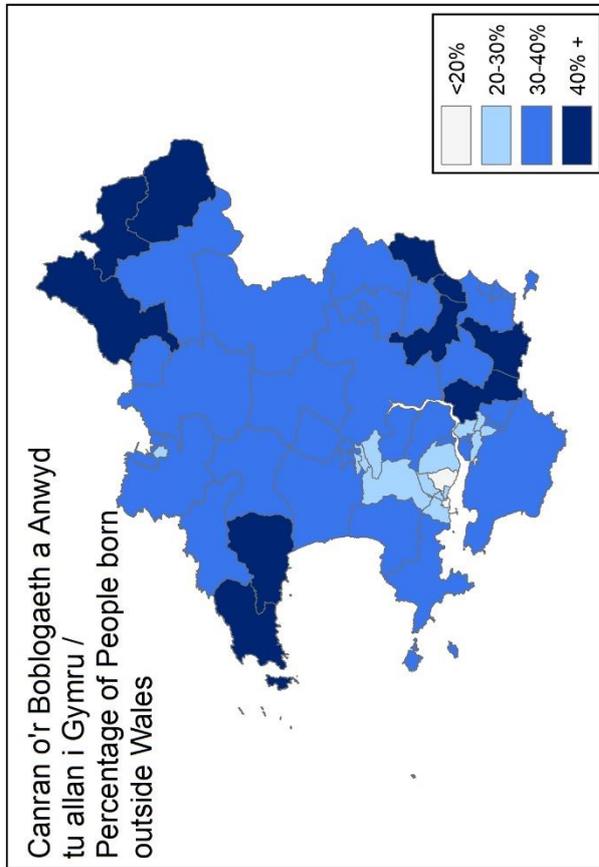
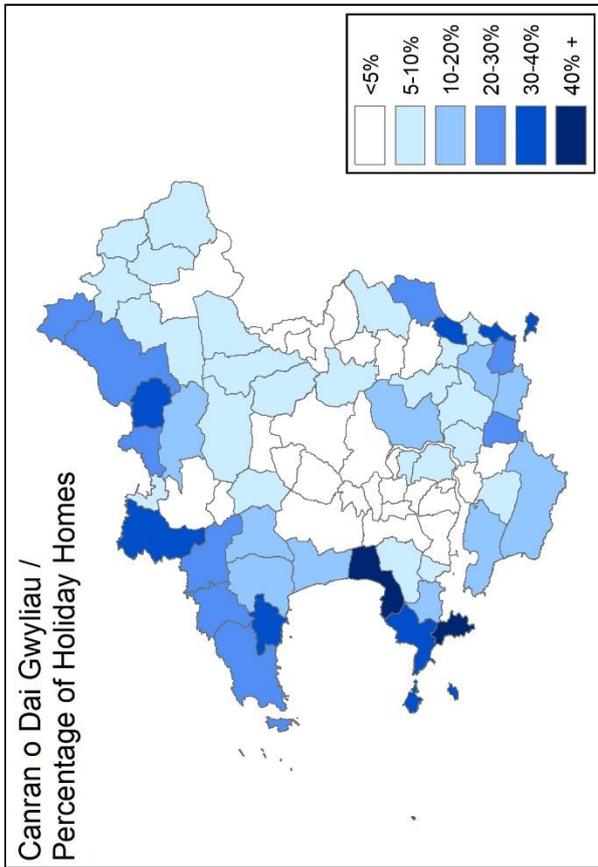
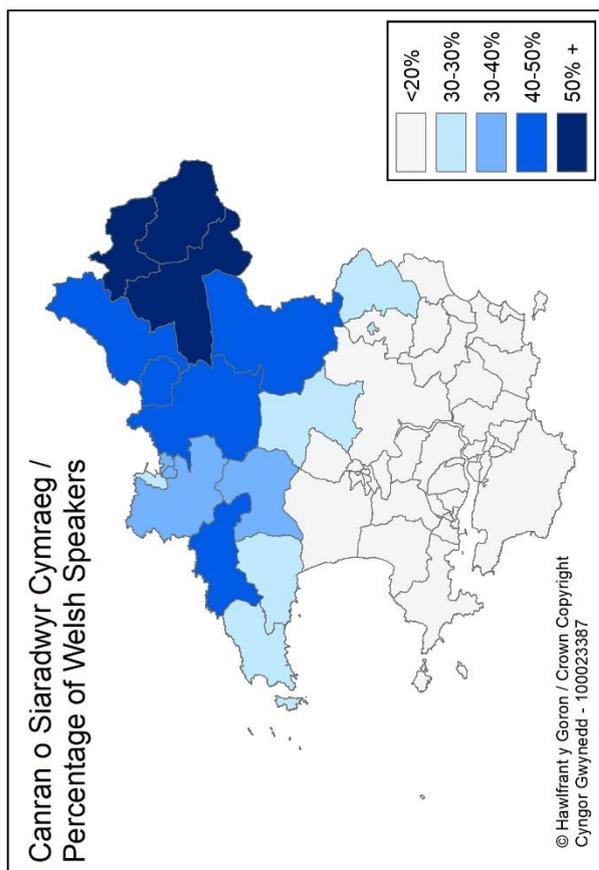
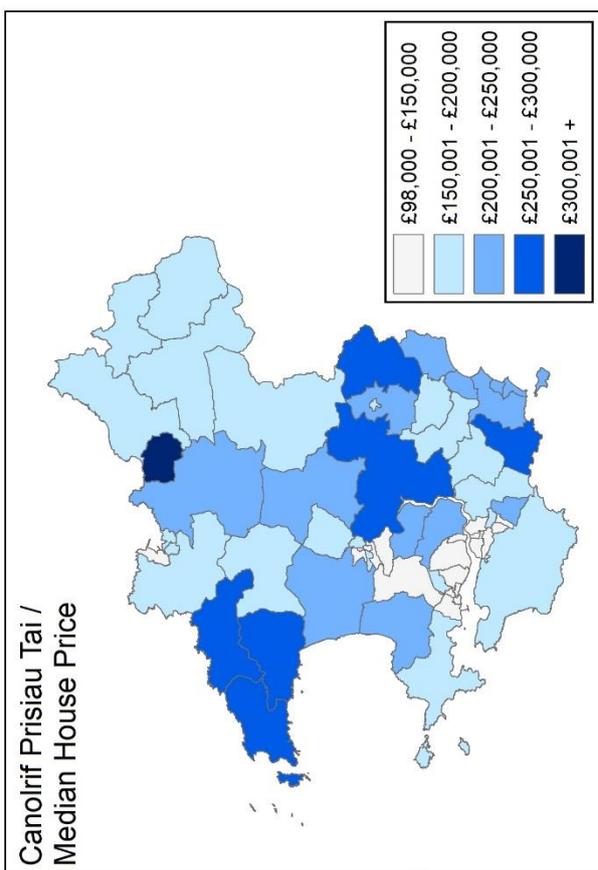
Comparison with Other Rural Authorities

8.27 The issues which have previously been highlighted above in relation to the impact which high levels of holiday home ownership has on communities is not unique to Gwynedd. Other rural authorities which also have a high proportion of holiday homes, face similar issues as can be seen in the maps of the Isle of Anglesey and Pembrokeshire on the following pages:-

The Isle of Anglesey



Pembrokeshire



The Visitor Economy

- 8.28 The Welsh Government’s aim is for tourism to grow in a sustainable way and to make an increasing contribution to the economic, social and environmental well-being of Wales. Paragraph 5.5.2 of Planning Policy Wales (PPW) (ed 10, Dec 2018)³⁵ states that the planning system should encourage tourism where it contributes to economic development, conservation, rural diversification, urban regeneration and social inclusion, while recognising the needs of visitors and those of local communities.
- 8.29 Gwynedd Council is in the process of reviewing its Destination Management Plan (2020-2030). The Destination Management plan sets out the priorities for sustainable tourism in the county. By setting out a wide-angle vision for the future, exploring the connections between various elements related to the experience of visitors and residents, and mapping out a positive common direction.
- 8.30 The tourism industry provides jobs, services and facilities that are essential to the sustainability of local communities and residents of Gwynedd. According to the STEAM Report 2019 there are 18,244 job supported by tourism expenditure in the county (this is the second highest concentration of such jobs in England and Wales by resident population – 15%). The table below shows the importance of tourism to the county.

Total economic impact of tourism	£1.35 billion (+9.6% from 2018)
Total number of visitors (millions)	7.81 (+3.9%)
Number of staying visitors (millions)	3.97 (+6.9%)
Number of day visitors (millions)	3.84 (+0.9%)
Number of FTE 2³⁶ jobs supported by tourism expenditure	18,244 (+6.0%)

Table 10: Tourism Statistics for Gwynedd (STEAM 2019)

- 8.31 The chart below breaks down the economic impact per sector.

³⁵ <https://gov.wales/sites/default/files/publications/2018-12/planning-policy-wales-edition-10.pdf>

³⁶ FTE = Full-time Equivalent

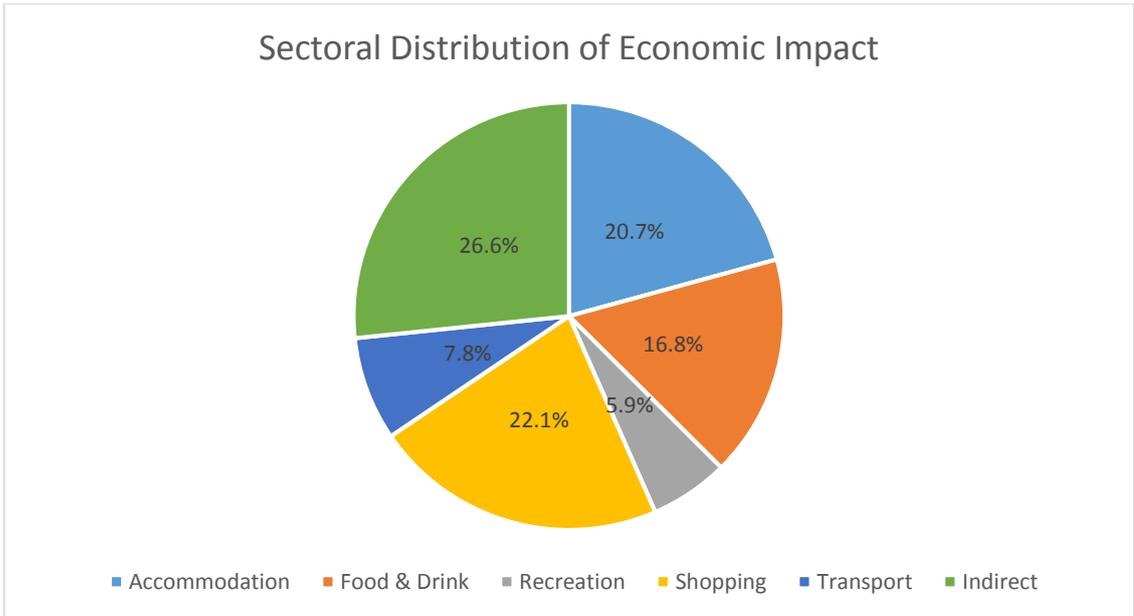


Chart 7: Sectoral Distribution of Economic Impact (STEAM 2019)

The chart shows that 22.1% of tourism expenditure in 2019 was on accommodation. According to the STEAM Report there was a 14% growth since 2011 in the number of accommodation businesses in Gwynedd. Gwynedd has the highest percentage of tourism accommodation businesses in Wales providing an estimated 136,585 tourism bed-spaces.

8.32 The chart below shows tourism related employment per sector.

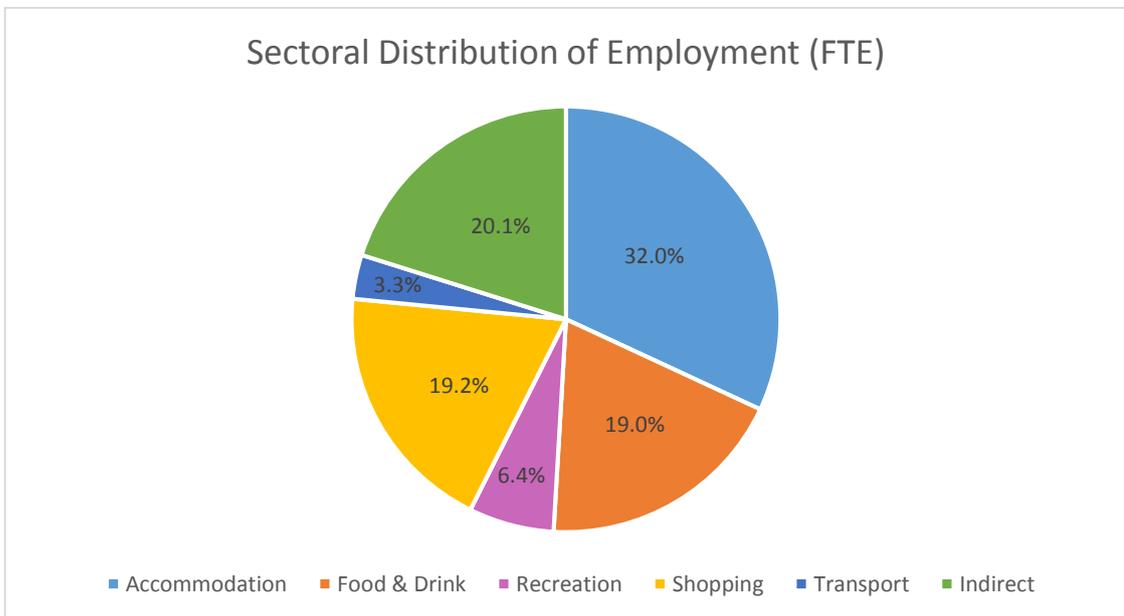


Chart 8: Sectoral Distribution of Employment (FTE) (STEAM 2019)

The chart shows that 32% of tourism related workforce work in the accommodation sector, which reinforces how important this sector is to the tourism economy. Statistics from Nomis'

Official Labour Market Statistics for Gwynedd in 2019³⁷ highlights how important that the jobs related to the tourism industry are to Gwynedd’s overall economy. A breakdown of employee jobs per sector shows that the jobs in the Accommodation and Food Service Activities is responsible for 17.9% of the workforce, compared to 9.4% nationally.

8.33 Information on the different types of holiday accommodation can be found on the Visit Snowdonia website³⁸. The graph below shows that the self-catering sector is by far the largest sector.

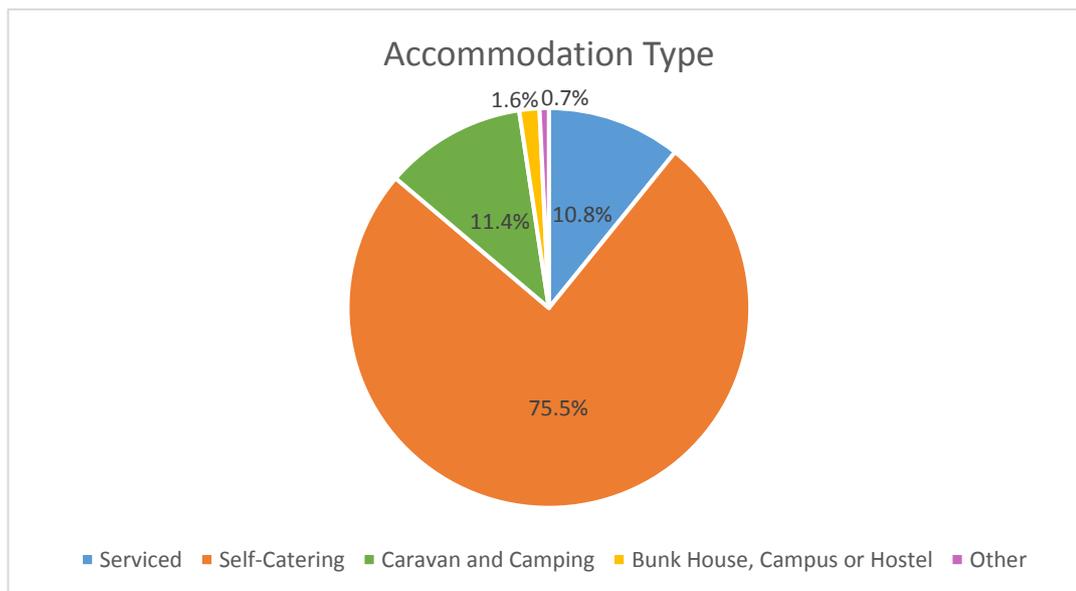


Chart 9: Accommodation Type (STEAM 2019)

8.34 The chart shows that self-catering is the largest tourist accommodation type in the county. The figure does not include AirBNB properties which is estimated by the Tourism Service to be around 745 properties.

8.35 It is important to note, as this report covers both short term holiday lets and second homes, that holiday lets are likely to generate more local income than second homes because they will attract holiday makers who have never visited the region before and therefore may spend on visiting tourist attractions and the hospitality industry. Holiday lets that are frequently used throughout the year can help the rural economy by providing important local income, especially where holiday lets are owned locally. This is not true if the holiday lets are not owned locally because the income they generate may well go to owners who live outside the county.

8.36 Agriculture is also an important industry in Gwynedd but there are fewer people earning their living from agriculture than in the past. Both national and local policy are supportive of farm

³⁷ [Nomis Report](#)

³⁸ [Gwynedd Destination KPI's](#)

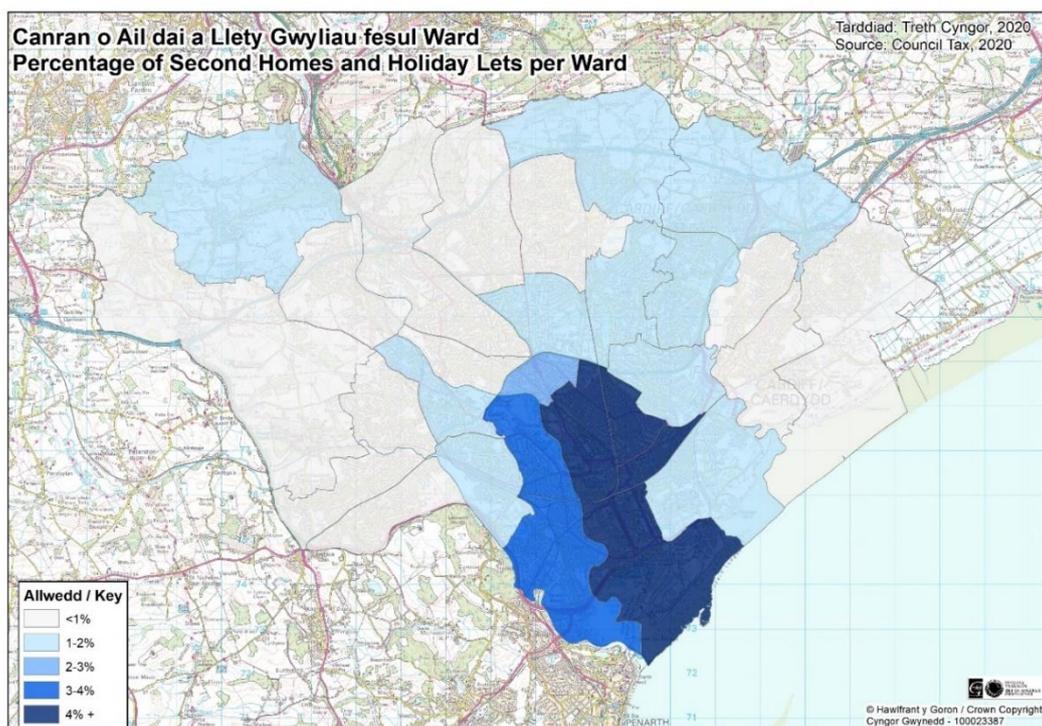
diversification in order to safeguard their future and to improve their viability. A number of farms are choosing to diversify into the tourism sector by converting outbuildings to holiday lets or establishing campsites on their land.

- 8.37 There are many self-catering holiday accommodation providers across the county who have received planning permission for the specific use (i.e. that a residential dwelling is not being used for the holiday purposes). Many of these self-catering holiday accommodation providers have gone through the formal channels of gaining planning permission for the specific use, ensured that the property reaches a specific standard and is accredited by the Visit Wales grading system. Some of the operators might have diversified as a mean of generating additional income which helps support the rural economy. The lack of regulation of the short-term holiday let market, means that those whom have taken the formal steps to operate a short-term holiday let are being disadvantaged due to the constant increased supply and competition with the unregulated market.

Cardiff

- 8.38 In Cardiff, whilst the percentage of holiday home ownership levels are much lower than Gwynedd the map below shows that the city centre and the Bay area are the locations with the highest levels of holiday homes.

- 8.39 It is noted however that the information used in the map below comes directly from Council Tax records and that gathering accurate information in relation to the number of holiday homes is difficult because so much of the holiday home market is unregulated and therefore harder to quantify.



- 8.40 The relatively low percentage of holiday homes means that the effects of the holiday home market in Cardiff, like most cities, tends to be more localised to neighbourhoods. The most commonly recognised impact of holiday homes in cities is anti-social behaviour.
- 8.41 Whereas traditional holiday accommodation such as hotels and guest houses are required to adhere to a regulatory regime, problems that may arise from private accommodation rented out on an ad hoc basis, typically through peer-to-peer websites such as AirBnb are much harder to tackle, as they can pop up from time to time and cease to be holiday lets without any formal notification, especially when the city hosts large events.
- 8.42 A number of 13 official complaints relating to holiday accommodation have been logged by Cardiff Council's Planning Service since 2018, although they acknowledge that the number of informal complaints may be much higher as only complaints that are worthy of further investigation (i.e. possible change of use) are logged by the Planning Service.
- 8.43 These complaints have focussed on anti-social behaviour, noise and disruption to neighbours.
- 8.44 The Council has been successful in one planning appeal where they argued that there had been a material change of use of a large house that was used as a short-term letting business from dwelling to commercial leisure business and that its use resulted in significant noise and disturbance for the adjoining occupiers.
- 8.45 The council experience more complaints when the city host specific events such as music concerts and sporting events. Chart 3 on page 31 shows a peak in entire place listings around the same time as Cardiff was host city to the Champions League final.

9.0 Examples from Other Regions

- 9.1 There are examples of cities and countries in the UK and beyond that have been proactive in seeking a solution to the problem of the misuse of residential units as short-term holiday lets. The regulatory approaches vary and are likely to be dependent upon contextual factors relating to how short-term holiday lets are affecting the local area.

United Kingdom

London

- 9.2 The regulations in London since the 1970s have been different to the rest of England in relation to the management of the use of open market housing as holiday homes. The regulations in London used to prevent the use of residential properties in the 32 boroughs of London as temporary holiday lets. This was done through regulations that required planning permission to change the use, and the main purpose of this was to protect the housing stock in London.
- 9.3 As a result of the development of arrangements for sharing accommodation in light of businesses such as AirBnB, and changes to the ways people wished to use their homes, there was a call to relax the regulations for short term holiday lets. Consequently, changes were introduced through the Deregulation Act 2015 (which reformed the previous legislation) that relaxed the rules. This allowed short term holiday lets for a maximum of 90 nights in a calendar year, without the need for planning permission. It is therefore noted that home owners in London, who wish to have holiday lets for longer than 90 nights per year, need to obtain planning permission.
- 9.4 Since legislation came into force to relax the rules, over a short period of time, there has been an significant increase in the number of properties being let as short term holiday lets in London, with over 70,000 properties (including houses with rooms being let, and entire houses being let) listed as short term holiday lets. This has been the subject of a discussion at the House of Commons recently, with concerns regarding the impact on the housing stock and on communities etc., as well as the difficulties in enforcing the limit of 90 nights in a calendar year.
- 9.5 It currently appears that the Central Government (England) is not eager to introduce any change in legislation, as this could prevent households from letting their properties for short periods of time. Rather, they favour a non-statutory approach that supports good practice with regard to standards, etc.

St Ives and Northumberland National Park Authority

- 9.6 In a referendum on their Neighbourhood Development Plan (NDP)³⁹, residents of St Ives overwhelmingly supported a policy (Policy H2 Full-time Principal Residence Housing) to allow only full-time residents to own new-build properties in St Ives and Carbis Bay. Under the plan, new-build housing projects would only be given planning permission if they are reserved for people who live in St Ives and surrounding areas full-time.
- 9.7 The St Ives Area NDP makes it clear that the aim of Policy H2: Full-time Principal Residence Housing, is not simply to ensure that people who wish to live in the area as full-time residents are able to obtain housing, but crucially to safeguard the sustainability of development by reducing the proportion of dwellings that are not used as a principal residence. The purpose of this is to support a sustainable community.
- 9.8 The referendum was subsequently subject to a high court judgement⁴⁰ where the complainant sought to challenge the making of the NDP on the basis that there had been inadequate consideration of reasonable alternatives to the plan's policies, contrary to the Strategic Environment Assessment (SEA) Directive. The complainant also argued that the "principal residence requirement" was an unjustified interference with Article 8 of the European Convention on Human Rights (ECHR), that being the right to a home, which could be enjoyed by future occupiers of dwellings subject to restriction.
- 9.9 The High Court judgement considered the policy to be in pursuit of legitimate public interests identified in Article 8, namely the interests of the economic well-being of the country, and for the protection of the rights and freedoms of others.
- 9.10 A similar policy has also been included in the Northumberland National Park Authority Local Plan⁴¹ through their policy ST5: New Housing which restricts all new housing developments as providing principal residence or affordable housing.

Northern Ireland

- 9.11 Northern Ireland is currently the only region in the United Kingdom that regulates short term holiday accommodation providers. All premises offering tourist accommodation must be certified under the Tourism (NI) Order 1992. Tourism NI is required by this legislation to inspect tourist accommodation every four years (statutory inspection) to ensure properties comply with the minimum criteria set and prohibits anyone from providing or offering to provide tourist accommodation as a business without a valid certificate. Enforcement action could lead to a fine of up to £2500 or imprisonment.

³⁹ [St Ives Area Neighbourhood Plan 2015 – 2030](#)

⁴⁰ [High Court Judgement R \(RLT Environment LTD v Cornwall Council\)](#)

⁴¹ [Northumberland National Park Local Plan](#)

- 9.12 The procedure identifies eight various categories of holiday accommodation, including self-catering accommodation - which means letting a house for holiday purposes. There is a statutory requirement to make a formal request to Tourism NI (at the cost of £40 to £350) before a house can be used as a holiday let, and the process includes an inspection of the property to ensure that it complies with the requirements of the certification.
- 9.13 Tourism NI is a body equivalent to Visit Wales, but that operates and enforces the requirements of the Tourism Act with holiday property inspections looking at the standards of the properties and the methods of managing the holiday properties. It appears that the process does not consider whether there is an excess of holiday accommodation in a relevant area as part of the process of dealing with a certification application.

Scotland

- 9.14 Short-term lets have become the subject of controversy in Scotland with their impacts evoking strong opinions. To address the issues and concerns the Scottish Government have carried out a wide range of work streams to establish facts and opinions from a variety of sources.
- 9.15 In 2019, the Scottish Government, launched a consultation on short term lets (Planning (Scotland) Act 2019). The results revealed wide support for regulation with over 1,000 responses from communities, landlords and businesses raising several concerns about the effects of short term lets, including anti-social behaviour, safety features and impact on the housing market.
- 9.16 In January 2020 the Scottish Government announced that local authorities would be given new powers to regulate short-term lets where they decide this is in the interests of local communities. Local authorities should have the ability to implement a licensing scheme for short-term lets from spring 2021.
- 9.17 The licensing scheme will include a new mandatory safety requirement that will cover every type of short-term let to ensure a safe, quality experience for visitors. It will also give councils the discretion to apply further conditions to address the concerns of local residents. Local Authorities will be able to designate 'short-term let control areas'. In these designated areas, the use of a dwelling for short-term letting would constitute a 'material change of use' – meaning that planning permission would be required.
- 9.18 Home sharing (renting a room in your own home or allowing others to stay in your own home whilst on holiday) will not be affected by control areas.
- 9.19 During September 2020 the Scottish Government issued a further consultation paper on regulating short-term holiday lets. The consultation was seeking views on the Scottish Government's detailed proposals for the regulation of short-term lets which will form the basis

for secondary legislation to be laid in Parliament in December. The consultation document outlines the Scottish Government's intention to:-

- introduce licencing for short-term lets, under the Civic Government (Scotland) Act 1982, with a mandatory safety component which will apply to all short-term lets across Scotland. Local authorities will also be given the discretion to put in place further conditions.
- prioritise work to give local authorities the power to introduce short-term let control areas under powers in the Planning (Scotland) Act 2019.
- undertake a review of the tax treatment of short-term lets, to ensure they make an appropriate contribution to the communities they operate in.

9.20 Another proactive step which the Scottish Government are taking in the introduction of a tourist tax levy. A consultation has been undertaken⁴² with the intention of introducing a 'tourist tax'. Every local authority would be responsible for deciding whether they wish to implement the tourist tax levy. The ability for each authority to raise the new tax will not come into effect until the Scottish Parliament has passed enabling legislation, which is unlikely to happen until at least some time during 2021 at the earliest.

9.21 Edinburgh is likely to become the first city in the UK to introduce a tourist tax. The levy would apply to all paid accommodation across Edinburgh, including hotels, B&Bs, short-term lets and hostels (excluding campsites). The Transient Visitor Levy (TVL) would be a flat £2 per night room charge and not calculated on any percentage base. The fee would be capped after seven consecutive nights meaning the most a tourist could pay for one trip would be £14. If successful, it could prove a template for other cities across the UK

9.22 Another example of 'Tourism Tax/Transient Levy' scheme in progress is that being developed by the Highlands Council (Scotland). On 9 December 2019, the Highland Council approved the findings of a public consultation supporting the introduction of a TVL and committed to further work to develop the best scheme for Highland.

9.23 During 2020 the Highlands Council will continue work to consider how a TVL scheme might be designed and implemented to reflect the consultation findings and to lessen potential negative impacts. This includes progressing key design principles approved by Full Council on 9 December 2019:

- A Highland TVL should be able to be applied in ways other than just a 'bed tax' on those staying in paid overnight accommodation
- Highland residents should be exempted from paying a Highland TVL

⁴² [Consultation on the principles of a Local Discretionary Transient Visitor Levy or Tourist Tax, Scottish Government](#)

- Revenue should be ring-fenced to 'tourism uses', with continued work to determine what constitutes 'tourism uses' and how these are defined for Highland
- Options be explored for how some TVL revenue might be ring-fenced for use in the area of Highland in which it is raised

Europe

Barcelona

- 9.24 In order to let a property as a short term holiday let, a tourist licence must be obtained. The licence is required for properties being let as short term holiday lets for tourists for consecutive periods of less than 31 days. There are various requirements to apply for a licence, which include:
- i. That the property meets appropriate standards / living conditions and that it is furnished
 - ii. It may only be used for tourism purposes, and the number of people staying in the property must be noted
 - iii. There must be contact numbers for the owner and the local emergency services
 - iv. An official complaint form must be in place
 - v. The property must be maintained appropriately
 - vi. Permission must be granted by the regional government that determines the application for a licence before the property may be used as a short term holiday let.
- 9.25 If permission for a licence is granted, the owner must register the property on-line with all relevant information. Through this, information about all licensed properties is on the city's register, which facilitates enforcement arrangements. The efforts and the resources put towards the enforcement of the legislation to disqualify / penalise owners who operate without a licence are highlighted. Licensees are no longer being granted in parts of the city such as the Old Town where there is a large concentration of holiday lets.
- 9.26 There is an agreement between Airbnb and the city to give access to new listings on the website. The city has fined Airbnb and Home Away for listing unlicensed apartments.
- 9.27 As well as managing the use, it is also noted that Barcelona has introduced the need to pay a tourist tax on the income generated from these businesses.

Paris

- 9.28 Paris is one of the most popular locations for AirBnB, and under legislation in France, formal permission was required for holiday lets of longer than 120 days in a year. Since March 2016, the law has changed which means that those who let properties must register this with the Council, and anyone who lets for longer than 120 days of the year must register the property

as a commercial property, which is costly. Enforcement powers were also introduced as part of this.

Berlin

- 9.29 Licensing arrangements have been operational in Berlin since 2018 in order to manage the use of AirBnB and, more recently, they have prevented any further increase due to the impact of the affordable housing stock in the city. Enforcement powers and substantial fines were introduced as part of the regulations.

Amsterdam

- 9.30 Since 2019 Amsterdam have introduced regulations that restrict the period of time that properties may be let for holiday use from 60 days down to 3 days per year.

10.0 Conclusions and Recommendations

- 10.1 After undertaking the research work relating to the increased numbers of holiday homes as a local trend in Gwynedd, Cardiff and nationally in Wales and the associated detrimental social, environmental and cultural impacts, the need for greater control relating to the misuse of residential dwellings as holiday homes is unquestionable. Local authorities need appropriate regulatory powers to balance the needs and concerns of local communities whilst balancing the wider economic benefit which the tourism economy provides.
- 10.2 The research work identifies certain areas in the UK and countries/cities on the continent where measures to control short-term holiday accommodation have been implemented or are in the process of being introduced. The methods of control vary and are often dependent on contextual factors in terms of the impact of holiday homes on the local and wider area.
- 10.3 Within the research, consideration has been given to the use of the planning system as a means of regulating the industry. However consideration has also been given to other regulatory approaches, which, although not directly related to the planning system could have an indirect benefit through associated local plan polices.
- 10.4 The research work conducted has assessed the impact of both short-term holiday lets and second homes. Changes to planning legislation in order to regulate the use of a 'genuine' second home, i.e. a home which is used by the same family/household on a regular basis for their own personal reasons/enjoyment is difficult, as the use would unquestionably fall within the C3 use class in its current form. The changes in planning and licencing legislation in Scotland are specific to the use of dwellings that are let for short term holiday use and the examples of control measures introduced in other countries are also specific to this purpose. Scotland has introduced high taxes on the purchase of additional dwellings, which has seen the reduction of properties listed as second homes from approximately 40,000 in 2012 to 25,000 in 2018. However, during that time there has also been a growth in the short- term holiday let market.
- 10.5 Although it is fully acknowledged that genuine second homes, i.e. those which are not let out on an occasional commercial basis, pose a threat to affordability, local services and social cohesion, it is suggested that greater regulatory mechanism of the short-term holiday let industry needs to be implemented in the first instance given their numbers and that the evidence shows that this is the area of growth. Implementing a regulatory mechanism for short-term holiday lets through a suggested compulsory licencing system and a specific use class (see recommendations below) would allow control and clarity in terms of the actual

number of units which are either permanently or occasionally let on a commercial basis and ensure that the properties meet a required specified standard.

10.6 The following section will provide further details in relation to mechanisms, which it is suggested could be implemented on a local and national level as a means of regulating the holiday home industry. The recommendations specifically refer to mechanisms relating to residential dwellings (C3 use) which are let on a permanent as well as occasional basis. The recommendations include-

- **Recommendation 1: Mandatory Licencing Scheme for Holiday Homes.**
- **Recommendation 2: Amending the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 to include a specific use class for short-term holiday let.**
- **Recommendation 3: Reviewing the taxation system – short-term holiday accommodation to be exempt from small businesses rates relief.**
- **Recommendation 4: Requirement for short-term holiday accommodation to be graded**
- **Recommendation 5: Tourist Tax**
- **Recommendation 6: Effective implementation of planning policy on a local level**

Recommendation 1: Mandatory Licencing Scheme for Holiday Homes.

10.7 Local authorities in Wales have no powers to regulate short-term holiday accommodation through a licensing procedure. Section 4 discussed the HMO licencing schemes relating to residential property operational in Wales. Traditional holiday accommodation such as hotels and guest houses are required to adhere to a regulatory regime and short-term holiday lets should also follow a regulatory regime.

10.8 It is suggested that a mandatory 'licensing scheme' for short term holiday-let (including where applicable second homes), which are let out on a commercial basis (either permanently or occasionally), similar to the HMO licensing system, should be introduced. The licensing system would regulate parts of the industry (such as private accommodation let out via peer-to-peer websites) by addressing health and safety concerns and enable local authorities to better understand how and where short-term lets are operating in their area. The licensing system would be the responsibility of each Local Authority to operate. In a similar manner to HMOs, holiday homes would have to achieve a specific standard in terms of health and safety before obtaining a licence. Further by obtaining a licence it would mean that information is collated through one data source in relation to the number of short-term holiday lets within the authority area. Achieving a single catch all data source allows for greater control and clarity in relation to the number and concentration of holiday lets within specific areas.

- 10.9 Consequently local planning polices through the Local Development Plan and associated Supplementary Planning Guidance could address the issue of high numbers of holiday homes in pressurised areas through the implementation of a policy which limits the number of short-term holiday lets, in a similar manner to the policy which is currently operational in relation to HMO's within the Anglesey and Gwynedd Joint Local Development Plan.
- 10.10 In order to implement a licencing regime a clear definition regarding what constitutes a 'short term holiday let' would be required. It is noted that any property, which is let on a commercial basis regardless of the number of nights per year, will require a licence. Furthermore, consideration would have to be given to the need for retrospective licences for existing short-term holiday accommodation.
- 10.11 There are examples of other areas that implement and favour a licensing procedure in order to have better control of short-term holiday accommodation, including Scotland⁴³ which has previously been discussed in section 9. From the spring of 2021, Scottish Local Authorities will have powers to implement a licensing scheme for short-term holiday accommodation. The licensing scheme will include:
- A new mandatory safety requirement that will encompass all types of short-term accommodation in order to ensure that visitors have a safe and high quality holiday experience.
 - Discretion for councils to apply further conditions to address local residents' concerns.
 - The ability to designate control areas (to address areas under pressure, and in order to ensure that planning permission is always a requirement for changing the use of an entire property for short term lets).
- 10.12 The licencing scheme will be introduced in Scotland through the amendment of the Civic Government (Scotland) Act 1982. This Act covers many aspects, some of which are devolved matters in Wales whilst others aren't. Although it should be noted that the powers to introduce a Licencing Regime for Short-term Holiday lets in Wales is a devolved matter.

Recommendation 2: Amending the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 by introducing a new use class

- 10.13 A residential house falls within use class C3; the definition of a residential unit as defined by the amended Town and Country Planning (Use Classes) Order 2016⁴⁴ is as follows:-

“Class C3. Use as a dwelling house (whether or not as a sole or main residence) by -

43 [Short-term lets – licencing scheme and planning control areas: consultation \(Scottish Government\)](#)

44 [The Town and Country \(Use Classes\) \(Amendment\) \(Wales\) Order 2016](#)

- a) *a single person or by people to be regarded as forming a single household;*
- b) *not more than six residents living together as a single household where care is provided for residents; or*
- c) *not more than six residents living together as a single household where no care is provided to residents (other than a use within class C4)."*

10.14 As previously discussed in section 3, within the current land use planning system in Wales, the period of time/days for which a property can be let as short-term holiday accommodation is not defined. The decision as to whether a residential house (Use Class C3) has changed in use is a matter for each Local Planning Authority based on fact and degree, and depends on whether the holiday let amounts to a significant change of use. If it is determined that a material change of use has occurred then planning permission should be sought.

10.15 The uncertainty around determining based on fact and degree, when a significant change of use has occurred can take is time consuming and complex for a Local Planning Authority to prove. The majority of legal cases that have concluded that a significant change of use has occurred have included evidence to support that decision, both in terms of turnover (length and frequency) of use and evidence of the noise and disruption caused to the amenities of the local community. Proactively pursuing enforcement cases can therefore be time consuming for Local Planning Authorities to undertake, especially when resources are already limited.

10.16 As a means of overcoming any doubt as to when a change of use has occurred, it is suggested that the Town and Country Planning (Use Classes) Order be amended to include an additional use class for short-term holiday accommodation. By having a specific use class for holiday accommodation planning permission would have to be granted for the use; in turn, this would make it possible to tailor planning policies to ensure better control of use/numbers.

10.17 As noted above in relation to the implementation of a licensing system, it would be necessary to ensure that the definition of the use is completely clear. Ideally, the definition of holiday accommodation should be generic (i.e. the same definition for any proposed licensing procedure). Furthermore, it will be necessary to consider how the arrangement is to be implemented for existing holiday accommodation units

10.18 In Scotland, amendments made to the Planning (Scotland) Act 2019 to give Local Authorities the right to identify short term holiday accommodation control areas, along with the licensing procedure referred to above. Within the designated area (the control area), it is considered that the use of a residential house as a short-term holiday let constitutes a change of use, and as a result planning permission would be required for the use. However, outside the control areas, each case will considered individually on its own merit (fact and degree). Scotland have

recently consulted on secondary legislation regarding the regulatory framework related to the licensing procedure and short-term holiday accommodation control areas. The consultation includes the following recommended definition of short-term holiday accommodation:-

“a) The accommodation is made available for the use of letting for a cumulative period of 28 days or more in any rolling period of 365 days. This might mean, for example, that it is being advertised as being available to let.

b) At least one of the lets commencing in the same rolling period is not a private residential tenancy in terms of section 1 of the Private Housing (Tenancies) (Scotland) Act 2016.”

10.19 In Scotland it is proposed that the permission for a short-term holiday let will be made for a period of 10 years, with Local Planning Authorities having the power to revoke the permission after that period. Without the ability to revoke a planning permission for a short-term holiday let after a period of time, it is considered that the process of granting permission becomes a one way ratchet, in which the numbers of properties which can be used for the purpose would only ever increase.

10.20 Furthermore the consultation paper states the intention that a dwelling house which receives permission as a short-term lets can revert back to residential use without planning permission.

Recommendation 3: Reviewing the taxation system - short term holiday accommodation to be exempt from small businesses rates relief

10.21 Non-domestic rates, also known as Business Rates, are local taxes on property that contribute to the funding of local services. Any property used for commercial purposes is to be liable for Non Domestic Rates and Welsh Government can aid categories or sectors of businesses through discounts, reliefs and exemptions.

10.22 In Wales, since 1 April 2010, all commercial property available to let as self-catering holiday accommodation which reaches the minimum thresholds of letting detailed in Part 5, can be evaluated for non-domestic business rates. As a means of directly aiding small businesses, whilst promoting business growth and sustainability, a new permanent Small Business Rate Relief scheme came into force on 1 April 2018. With most Self Catering Holiday Units having a low Rateable Value, there are examples of properties valued at over £1,000,000 having a Rateable Value of below £12,000 and therefore benefit from 100% relief or are generously subsidised.

10.23 Due to the current relief, the present framework gives financial incentive for:

- Second home owners to transfer their property from Council Tax to 'non-domestic rates', thus benefiting from the Small Businesses Rates Relief Scheme.
- Current/prospective owners to use/buy residential property for permanent use as 'Short Term Holiday Accommodation' only.
- Second Home owners to lawfully let their property for the minimum period to escape Council Tax (and a premium) qualifying then for Small Business Rate Relief, having nothing to pay and subsidising their overheads.

10.24 It is suggested that short-term holiday accommodation should be excluded from being eligible for small businesses rates relief. By excluding short term holiday accommodation from being eligible for small businesses rates relief, there would be no incentive to avoid having to pay the Council tax premium on second homes. Another possible option could be to prohibit short-term holiday accommodation from qualifying as business premises. This would mean that the property would not be eligible for the Business Rates Relief and the owner would pay Council Tax on the property. Further, properties moving from Council Tax to Non Domestic Rates are also responsible for their own refuse collection; unlike Council Tax, refuse collection is not included in Non Domestic Rates. However, there is no compulsion on them to agree to pay for Local Authority trade refuse. This leads to unauthorised use of Local Authority waste collections, use of public bins and even fly tipping. Friction can be created where there is mixed residential and commercial properties and the second homeowners and guests place refuse in adjacent properties wheelie bins and recycling boxes.

10.25 Furthermore, it is noted that there is a need to further examine the possibility of ensuring cohesion between the planning system and the Council tax system. If a residential unit (use class C3) is transferred to the non-domestic rates system, it is suggested that by doing so those responsible for the action acknowledge that the residential use of the property no longer exists. As a result, no property without legal permission for use as short-term holiday accommodation should be eligible for evaluation to pay non-domestic business tax rates. Self Catering Holiday Units, in relation to Non Domestic Rates - should be a term reserved for use for properties that have been granted planning permission to be used for that specific purpose.

10.26 By identifying the premises that have been properly developed as part of the tourism industry Welsh Government can target assistance whilst at the same time ensuring that properties benefiting the owners but not the wider economy or community can be excluded from any relief scheme and asked to contribute to local taxes.

Recommendation 4: Requirement for short-term holiday accommodation to be graded

- 10.27 A system has been introduced in Northern Ireland to manage holiday accommodation, whereby it is a statutory requirement for all holiday accommodation providers to obtain a 'Tourism Accommodation Certificate'. The Tourism (Northern Ireland) Order 1992⁴⁵ prohibits anyone from providing or offering to provide tourist accommodation as a business (that is, overnight sleeping accommodation for tourists provided by way of a trade or business) unless there is a valid certificate issued by Tourism NI in force in respect of the premises. These regulations apply to all tourist accommodation categories including self-catering holiday accommodation.
- 10.28 Any person who provides or offers to provide tourist accommodation that does not have a valid certificate issued by Tourism NI is guilty of an offence and may be liable, upon conviction, to a fine of up to £2,500 or imprisonment for a term not exceeding six months or both.
- 10.29 Upon receipt of an application a Quality Standards Officer is appointed to carry out a site visit of the premises. After conducting the visit Tourism NI will either refuse or issue a certificate. The certificate is issued based on specific criteria for the accommodation category in respect of self-catering holiday accommodation, they include the following factors:-⁴⁶
- Appearance of the exterior
 - Structural and safety requirements
 - Car parking
 - Tourist literature
 - Instructions and inventory
 - Visitor Register
- 10.30 If the premises meets the minimum requirement standards, the premises will become a certified tourist establishment and the operator may begin trading. The certificate must be clearly placed on display around the entrance of the property. To maintain the certification, Tourism NI will carry out a statutory inspection of the premises at least once every four years.
- 10.31 In a similar manor to what is currently operational in Northern Ireland, introducing a mandatory 'Tourist Accommodation Certification' scheme in Wales could provide the following benefit:-

⁴⁵ [Tourism \(Northern Ireland\) Order 1992](#)

⁴⁶ [Basic Guide to Starting Self-Catering Accommodation](#)

- Will help business owners to engage directly with Visit Wales and obtain access to a wide range of services including start-up advice, direction on operational issues, marketing guidance, social media support and free listings on Visit Wales website.
- Ensures that business owners can operate on a level playing field, not compromise on quality and give confidence to consumers about the quality of the product on offer.
- Will help identify the location and concentration of all different types of visitor accommodation providers.

10.32 Visit Wales currently operate an optional 'Star Quality Grading'⁴⁷ scheme, similar to the Tourism NI scheme. Receiving a Star Quality Grading is considered to be beneficial for holiday accommodation providers as it provides reassurance for customers in terms of the quality of the holiday accommodation. Further, it provides guidance for operators by outlining their strengths and areas for improvement.

10.33 With regard to the Planning System the benefit of implementing a certification is similar to that of a licencing system (Recommendation 1). The implementation of either a certification or a licencing system should therefore be considered, not necessarily both.

Recommendation 5: Tourist Tax

10.34 Many destinations across the world have introduced or intend on introducing a 'Tourist Tax'⁴⁸ as a way of pooling funds that can be used to mitigate the negative impact of excessive tourism and, possibly, to reduce the number of visitors to the area.

10.35 A 'Tourist Tax' is usually a levy raised through the holiday accommodation providers, and the sum can vary depending on the time of year (i.e. peak season) and the standard of holiday accommodation.

10.36 Implementing a 'Tourist Tax' is dependent on changes to national legislation. Since devolution, the Welsh Parliament (previously Welsh Assembly Government) has been permitted to legislate on local taxation such as council tax and business rates, as well as setting grant levels. The introduction of the Wales Act 2014⁴⁹ gives the Welsh Parliament powers over a range of taxes. The Wales Act 2014 also grants the Parliament the power to introduce new taxes with the approval of the UK Parliament.

⁴⁷ Star Quality Grading, Business Wales

⁴⁸ [Tourist Tax Map](#)

⁴⁹ [Wales Act 2014](#)

10.37 Following the shortlist of new tax ideas announced in 2018, the Welsh Government set out in its Tax Policy Work-plan⁵⁰ that it would consider ways in which local authorities could be given permissive powers to develop and implement a tourism tax.

10.38 Gwynedd Council through their 'Benefiting from tourism' programme have already considered the possibility of introducing a Tourist Tax this will also receive further consideration within the Authorities Destination Management Plan

10.40 Arguments against a 'Tourism Tax' include:-

- The UK tourism industry has one of the world's highest tax burdens. Most European countries have significantly reduced VAT on their tourism industries to encourage growth, employment and revenue. Caution should be exercised in imposing any further tax burden on a sector which is already disproportionately taxed compared to its international competitors-vis its competitors
- Tourism tax would threaten the competitiveness of the area and of individual businesses, leading to reduced visitor numbers and spend, and thus a loss of income from this industry vital to the local economy.
- The tax would undermine work encouraging people to visit Wales.

10.41 Arguments in favour of introducing 'Tourism Tax' include:-

- The creating a sustainable locally-controlled additional revenue stream for maintaining and increasing investment in the area.
- Improvements funded by the 'tax' could sustain and enhance visitor and resident experience, and destination competitiveness.
- Help to ensure that the areas tourism is sustainable and services, infrastructure and environment will not be degraded through increased use.
- A greater sense of equity and residents' acceptance of tourism if visitors and residents both invest in public services used.
- Support for the Council to manage the impact of a successful tourism industry.

Recommendation 6: Effective implementation of planning policy on a local level

10.42 Within the current planning system/planning policy framework there are measures which could be implemented as a means of alleviating the issues relating to high concentrations of holiday homes and their impact on the local community.

10.43 The local market housing policy included in the Anglesey and Gwynedd Joint Local Development Plan is ground breaking in that it is the first of its kind in Wales. The purpose of

⁵⁰ [Tax Policy Work-plan, Welsh Government](#)

Policy TAI 5 is to tackle imbalance within specific housing markets within the Plan area and to maintain and strengthen vulnerable communities. It responds to recognised factors that influence the relevant housing markets (including second homes/holiday accommodation). It expands opportunities within housing markets where there are severe problems and ensures a provision housing which meets local needs. The policy's objective is to ensure the social sustainability of communities, especially vulnerable communities, where severe problems exist within the housing market.

- 10.44 Policy TAI 5 is relevant to proposals relating to new build residential dwelling houses within the settlements of Abersoch, Aberdaron, Borth-y-gest, Llanbedrog, Llangian, Morfa Bychan, Mynytho, Rhoshirwaun, Sarn Bach and Tudweiliog. When undertaking the formal review of the LDP, consideration will need to be given to the effectiveness of policy TAI 5 and the possibility of applying the policy across a wider area.
- 10.45 Another regulatory method relating to restricting the occupancy of new build dwellings in pressurised areas could be through the implementation of a primary residency policy for new housing developments. This approach is currently being advocated in St Ives, Cornwall, the Lake District National Park Authority, Northumberland County Council along with the Northumberland National Park Authority.
- 10.46 The primary residency (also commonly referred to as principal residency) policy included within the Northumberland County Council draft Local Plan (which is currently subject to an independent public review) along with the Lake District National Park's Local Plan attempt to impose a primary residency condition for new residential dwellings in areas where holiday homes account for more than 20% of the current housing stock. The application of the policy would mean that any new houses in those settlements would have to be occupied in the first instance and forever as a 'main residence'.
- 10.47 Furthermore the Northumberland National Park Authority and St Ives, Cornwall also have a policy within their Local Development Plan which relates to a primary residence condition for all new housing development, based on the high volumes of holiday homes within the area. Both areas intend on imposing the restriction through a planning condition.