

## GWYNEDD COUNCIL CABINET

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

### 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:

<b>Recommendation</b>	<b>Gwynedd Council's Response</b>
<p><b>1 - Develop regional and local variation in public policy</b>            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><b>2 - control of the numbers of second homes</b>            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><b>3 – the definition of second homes</b>            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><b>4 - responding to Brexit and Covid-19</b> 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><b>5 - the need for policy intervention across a range of policy areas</b> 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><b>6 - Local Council Tax Premium</b> 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><b>7 - Short-term holiday accommodation and business rates</b> 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><b>8 - Land transaction tax</b></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"> <li>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.</li> <li>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.</li> </ul>	<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><b>9 – Gwynedd and Anglesey Councils’ ‘Local Market Housing’ Scheme</b></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><b>10 – the creation of a new use class for short-term holiday accommodation</b>  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><b>11 – trialling a new use class for second homes</b>  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><b>12 – establish a Commission to make recommendations regarding the future of the Welsh language as a community language</b>  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.

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**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*