

# Second Homes

June 2022



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# Second Homes

June 2022



# About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:  
[www.senedd.wales/SeneddHousing](http://www.senedd.wales/SeneddHousing)

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Current Committee membership:



**Committee Chair:  
John Griffiths MS**  
Welsh Labour



**Mabon ap Gwynfor MS**  
Plaid Cymru



**Jayne Bryant MS**  
Welsh Labour



**Joel James MS**  
Welsh Conservatives



**Sam Rowlands MS**  
Welsh Conservatives



**Carolyn Thomas MS**  
Welsh Labour

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The following Member was also a member of the Committee during this inquiry.



**Alun Davies MS**  
Welsh Labour

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## Chair's foreword

Second homes are a contentious issue in many communities across Wales. Although not all areas of the country are affected, many of our coastal and rural areas have high numbers of second homes. Combined with formerly residential properties switching to short-term holiday accommodation and a more widespread shortage of affordable homes, many communities feel their sustainability is under threat.

Second homes are not a new phenomenon in Wales, but as house prices and the cost of living increase, coupled with more people taking holidays in Wales, people who have grown up or lived in affected communities are often unable to buy or rent homes in those areas. Some areas have seen such a reduction in permanent residents that public services are no longer viable, including the closure of schools. The seasonal nature of the visitor economy has also turned some communities into Winter ghost towns, with many amenities closing during the quieter months.

Other parts of the UK have experienced similar issues due to high numbers of second homes, particularly Cornwall and the Lake District. In Wales, we also have to consider the impact on the Welsh language, especially as many of the affected communities are located in the traditional Welsh speaking heartlands.

As second homes are impacting many communities in Wales, we decided that it would be the focus of our first inquiry. Although this report primarily refers to second homes, we acknowledge there are other types of properties which are not used as permanent homes. We explore this issue in greater detail and the importance of being able to better define the various properties.

Our inquiry has taken place in an evolving context, when the issue of second homes has been more prominent than ever and the Welsh Government has announced a series of consultations and measures to assist affected communities, including a pilot scheme currently underway in Dwyfor. In this report we consider the recommendations made by Dr Simon Brooks in his report, *Second homes: developing new policies in Wales*, the Welsh Government's response to the report and the opportunities presented by the pilot in Dwyfor to gain a better understanding of the impact any policy and legislative changes may have. We will return to this important issue during the term of the Sixth Senedd to see how interventions have progressed.

We would like to thank everyone who has assisted us with our work, particularly those who took the time to respond to our consultation and those who gave oral evidence. Diolch yn fawr.

**John Griffiths MS**

Chair, Local Government and Housing Committee

## Recommendations

- Recommendation 1.** The Welsh Government should consider how it defines second homes clearly for the purposes of policy development. The proposed new planning use class definitions provide an opportunity to provide consistency. Combined with a registration or licensing scheme for holiday accommodation, this will ensure a clear distinction is drawn between second homes for personal use and properties used as short-term lets.....Page 16
- Recommendation 2.** The Welsh Government should provide updates to the Senedd every six months on developments in the Dwyfor pilot, including its assessment of the effectiveness of the measures and the basis of that assessment. The updates should include how the effectiveness is being evaluated.....Page 28
- Recommendation 3.** The Welsh Government should set out how it intends to monitor the long term impact of the interventions happening as part of the Dwyfor pilot, including any impact on the visitor economy. ....Page 31
- Recommendation 4.** The Welsh Government should commission further research on the impact tourism has on the sustainability of communities.....Page 31
- Recommendation 5.** In assessing the interventions put in place as part of the Dwyfor pilot, the Welsh Government should include how the Well-being of Future Generations Act has influenced policy development.....Page 39
- Recommendation 6.** The Welsh Government should provide an update to the Senedd on taking forward recommendations from the Equality, Local Government and Communities Committee 2019 report on empty properties. The update should be provided by December 2022.....Page 41
- Recommendation 7.** The Welsh Government should clarify how local and national strategies will ensure a sufficient supply of housing that is of the appropriate type to meet local requirements and affordable in the context of local earnings. ....Page 45
- Recommendation 8.** The Welsh Government should provide an update to the Senedd on how it intends to achieve its target of building 20,000 new social homes within the term of this Senedd. We would like the update to include a breakdown of where it intends these new homes to be built, according to the demand and need of communities. ....Page 45

**Recommendation 9.** The Welsh Government should lead by example and ensure that suitable land it owns is made available for housing development, including seeking opportunities to do so as part of the Dwyfor pilot. Details of how the Welsh Government achieve this should be included in the regular updates we have requested on the Dwyfor pilot. .... Page 45

**Recommendation 10.** The Welsh Government should outline how it proposes to work with private sector landlords and letting agents within the Dwyfor pilot area to increase the supply of homes for rent..... Page 49

**Recommendation 11.** The Welsh Government should provide clarity on how a commission on Welsh speaking communities would work with and enhance the work of the Welsh Language Commissioner..... Page 53

**Recommendation 12.** The Welsh Government should ensure a commission on Welsh speaking communities prioritises obtaining improved data on the correlation between communities with high numbers of second homes and the number of Welsh speakers, starting with analysing the 2021 census as a matter of urgency. .... Page 53

**Recommendation 13.** The Welsh Government should commission research on the impact of Brexit and the Covid-19 pandemic on housing trends to assess the scale of movement from urban to rural and coastal areas..... Page 54

**Recommendation 14.** The Welsh Government should ensure the Dwyfor pilot is subject to thorough independent evaluation to inform future national, regional and local policy. .... Page 61

**Recommendation 15.** The Welsh Government should work with the Welsh Revenue Authority to ensure that data on second homes and buy to let properties is clearly separated and available at a community level to help inform policy development..... Page 76

## Background

- 1.** Dr Simon Brooks, an Associate Professor at Swansea University, received grant funding from the Coleg Cymraeg Cenedlaethol to scrutinise policy on second homes in Wales and Cornwall. The Welsh Government subsequently asked for the research project to be widened and for it to make policy recommendations. The report, ***Second homes: developing new policies in Wales***, was published in March 2021. It made 12 recommendations which are directed primarily at the Welsh Government but also local authorities. Recommendations included controlling the number of second homes, making full use of the powers to levy a council tax premium on second homes and changes to the planning system.
- 2.** The Minister for Climate Change and the Minister for Education and Welsh Language **wrote** to Dr Brooks on 6 July 2021 responding to his report and outlined how his recommendations had informed the Welsh Government's proposed approach to this issue.
- 3.** At our meeting on 6 October 2021, the Committee agreed that our first formal inquiry would focus on second homes. The terms of reference for the inquiry are:

  - To examine the recommendations made by Dr Simon Brooks in his report, *Second homes: developing new policies in Wales*, and the Welsh Government's response to those proposals.
  - To evaluate the evidence base for policy change in this area and to identify any gaps in knowledge and data.

## 1. Defining second homes

The term “second homes” can mean different things to different people. Simon Brooks called for a clear definition of second homes “in order to facilitate policy decisions based on objective information”.

4. Simon Brooks’ recommendation stated that a better definition of second homes is needed, and “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”. His proposal was that a licensing scheme for commercially let properties would be a way of helping define what a second home is. He notes in his report that “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.”<sup>1</sup>

5. The Welsh Government’s November 2021 consultation, ***Planning legislation and policy for second homes and short-term holiday lets***, proposes definitions of primary homes, secondary homes and short-term lets for planning purposes. The consultation period ended on 23 February 2022. The proposed changes to the planning system are discussed in more detail later in this report. The consultation sets out the intention around changing a property from being a secondary home or a short-term let dwelling to being a primary home:

*“The intention is that planning permission would not be required to change from a C5 (Secondary Homes) or C6 (Short-term Let) dwelling to a C3 (Primary Homes) in any case. This ensures properties in use as second homes or short-term holiday lets can return to general C3 housing supply without impediment, particularly in areas where there are localised housing pressures.”*

6. A second home may be used as a holiday home or weekend home by its owner, their friends and family. It could also be a second home for work purposes - for example, where a person’s employment location is beyond commuting distance from their main residence. The distinction between second homes and holiday homes that are let commercially is not always clear where there is mixed usage of a property.

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<sup>1</sup> Dr Simon Brooks, *Second homes: developing new policies in Wales*, Recommendation 3

**7.** For council tax purposes, *Section 12B of the Local Government Finance Act 1992* (“the 1992 Act”), refers not to second homes but *dwellings occupied periodically*. To meet that definition there are two conditions that must be met. There must be no resident of the dwelling and the dwelling must be substantially furnished. ‘Resident’ means an individual who has attained the age of 18 years and has their sole or main residence in the dwelling (Section 6(5) of the 1992 Act).

**8.** In a letter to the Senedd’s Petitions Committee in June 2019, the then Minister for Finance and Trefnydd outlined the types of property that could be captured by that council tax definition:

*“Within the context of the council tax system, the term ‘second home’ refers to a variety of dwellings which are not somebody’s sole or main residence. It is not confined to dwellings being used as private holiday or weekend homes. For example, the definition includes properties being marketed for sale or let, properties owned by people whose job requires them to work elsewhere, purpose-built seasonal homes, and caravans. Many of these would not be available or suitable for year-round occupation.”<sup>2</sup>*

**9.** Witnesses generally agreed with the need to be able to better define the various types of accommodation branded as ‘second homes’. Professor Nick Gallent commented that the division between a second home and a holiday home is “quite opaque and difficult to disentangle”, adding his suggestion as to how they could be differentiated:

*“I think that when we talk about second homes, we’re often talking about properties that have been drawn from the mainstream stock, and those properties are not subject to any occupancy restriction. So, they were built with the intention that they should be occupied full time and, subsequently, they’re occupied seasonally or for fewer days than one might expect, but by private individuals, and they’re not commercially let. That’s how I think, personally, about second homes.*

*When I think about holiday homes, obviously that then includes a whole raft of types of accommodation that are provided with the intent that they should be used for holiday periods and should not be occupied full time, and they may be subject to an occupancy restriction. But properties that are drawn from the mainstream stock, when they are offered for commercial let, for*

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<sup>2</sup> Letter from the Minister for Finance and Trefnydd to the Petitions Committee, 5 June 2019

*example, on platform-based lettings, I think they then move from being second homes or primary homes to becoming commercial holiday lets.”<sup>3</sup>*

**10.** Professor Mark Tewdwr-Jones suggested that holiday homes are easier to define. He said:

*“with the proliferation of holiday homes and certainly Airbnb short-term lets, I think they are easier to define in planning law; I’m not saying it’s easy, but it’s slightly easier to define in planning terms, and it’s also maybe easier to enforce. So, maybe it’s time that the definition of short-term holiday lets is embraced within the planning system and that will be the start of, if you like, the beginnings of a definition and pulling apart of the phraseology.”<sup>4</sup>*

**11.** The Royal Institution of Chartered Surveyors (“RICS”) commented on the need for clear definitions:

*“I think that it’s also important, just from a definition perspective, to note two points. One is understanding specifically what types of property we’re talking about. When we talk holiday lets, for example, are we talking bricks and mortar kind of properties or are we talking, for example, large static caravans? That’s something that needs a clear definition as well, because they do make up a significant proportion of holiday lets in different parts of Wales.”<sup>5</sup>*

**12.** RICS went on to make the case for “universal Wales-wide” definitions, stating:

*“We talk about, and Dr Brooks mentioned, the need for a localised and regional approach. That is great, but I think that only works if there is a consistent definition of what a second home and holiday let is, implemented at a national level. I think that’s important to make sure.”<sup>6</sup>*

*“I think it’s important for the Welsh Government to create succinct definitions of property types and that will help any local or regional policy deviations to be implemented.”<sup>7</sup>*

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<sup>3</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p88 - 89

<sup>4</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p91

<sup>5</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p48

<sup>6</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p48

<sup>7</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p75

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**13.** Cllr Rhys Tudur from Nefyn Town Council also emphasised the importance of clear definitions. In his view, the Welsh Government’s proposals do not provide enough clarity around defining what is classed as a second home. He told us:

*“In terms of the definitions, it is vital to set them out, because it isn't clear at the moment what the difference is between them. You have some kind of definition in terms of taxation, but not in terms of clear use classes. What has been proposed in the consultations is satisfactory in terms of the clarity that they provide, but I agree that they don't go far enough in terms of setting out the criteria for a second home. As Dyfrig said, a primary residence should be defined as somewhere that you live full time, and that definition then would make it easier for county councils to be able to decide what counts as a primary residence and what counts as a holiday residence. That's vital.”<sup>8</sup>*

**14.** As noted earlier in our report, Simon Brooks suggested that a mandatory licensing scheme for holiday accommodation was one way to help provide a better definition of second homes. In a statement to the Senedd on 6 July 2021, the Minister for Climate Change committed to introducing a registration scheme (rather than a licensing scheme) for all holiday accommodation, including short-term lets.<sup>9</sup> The witnesses we heard from were generally supportive of such a scheme.

**15.** Cllr Dafydd Meurig from Gwynedd Council referred to the difficulties faced by local authorities in enforcing the requirement for short-term lets to be available to let, and actually let, for a minimum number of days per year where self-catering accommodation is registered for business rates. He suggested that a registration or licensing system for such accommodation could help.<sup>10</sup> The Assistant Head of Economic Development at Gwynedd Council, added that local authorities were currently in a “weak position in terms of having any control of short-term holiday lets, and second homes, too”. He went on to say:

*“we refer to a key part of the change that we see as necessary, and that is the statutory registration, which would be specifically for short-term holiday lets, which are the commercial element here. That is crucial, that we have that in place so that we can then take action on any changes that might emerge from any amendments to planning regulation.”<sup>11</sup>*

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<sup>8</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p52

<sup>9</sup> Plenary, [Record of Proceedings](#), 6 July 2021, p211

<sup>10</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p128

<sup>11</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p131

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**16.** The Wales Tourism Alliance (“WTA”) said a registration scheme for holiday lets would help with data gathering and “put the thick black line between commercial lets and the grey economy, if you like, of some of the casual letting.”<sup>12</sup>

**17.** The UK Short Term Accommodation Association (“UKSTAA”) concurred, adding that a registration scheme would help to understand the scale of activity around short lets and capture data to assist with “the right prescriptions”. The UKSTAA also added that a registration scheme would assist in identifying properties that should be subject to business rates.<sup>13</sup>

**18.** The WTA commented that revenue raised through a registration scheme should be used to improve quality and for enforcement, adding that enforcement should be targeted towards the “bad guys” rather than “good guys making small mistakes”.<sup>14</sup>

**19.** Grŵp Cynefin welcomed the proposal but also raised issues around the enforcement of a scheme:

*“You need to police it, if you like, and ensure that the standards are being met in terms of the housing provided. And also you need to ensure that the scheme is being implemented properly. I am aware, having spoken to those in charge of housing in local authorities, that those resources aren’t available at the moment, so we would need that additional capacity to run such a programme. But I would certainly welcome such a programme.”<sup>15</sup>*

**20.** The UKSTAA told us that it would favour one national registration scheme rather than multiple local schemes and went on to say that it should be an online system:

*“It should be easy to use, it should be cheap—a small sort of fee. And that will allow the Welsh Government to collect as much data as possible.*

*In terms of who should be on the registration scheme, I think our idea would be that it should be every property and they should be given a simple registration number so that it can be identified. But it should be done at the property level rather than at a firm level, for instance.”<sup>16</sup>*

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<sup>12</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p65

<sup>13</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p62 - 63

<sup>14</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p116

<sup>15</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p240

<sup>16</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p122 - 123

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- 21.** Cllr Dyfrig Siencyn, representing the WLGA Rural Forum, emphasised the importance of a compulsory registration scheme, rather than a voluntary one and believed this to be the “most powerful tool that we have in order to control this issue.”<sup>17</sup>
- 22.** Cllr Rhys Tudur referred to the existing licensing scheme for landlords operating in the private rented sector and called for a similar scheme for people who let out holiday accommodation.<sup>18</sup>
- 23.** The National Residential Landlords Association (“NRLA”) thought that “some sort of licensing or registration scheme for holiday lets is potentially a good thing” but that it needed to be “implemented correctly and effectively, and appropriately resourced”.<sup>19</sup>
- 24.** The Minister for Climate Change told us that responses to the consultation on new use class definitions are being considered.<sup>20</sup> In a letter to us following the evidence session, the Minister confirmed:

*“the intention is that planning permission would not be required to change from a C5 (Secondary Homes) or C6 (Short-term Let) to a C3 use (Primary Homes) where an Article 4 direction is in place. This ensures properties in use as second homes or short-term holiday lets can return to general C3 housing supply without impediment, particularly in areas where there are localised housing pressures.”<sup>21</sup>*

- 25.** The Minister also referred to the voluntary registration scheme being run as part of the Dwyfor pilot, she acknowledged the differences between a voluntary and compulsory scheme, and told us “it would be interesting to see what information we get back from that.”<sup>22</sup> The Minister also said it would be important to understand the differences between a registration scheme and a licensing scheme, so the information gathered through the voluntary scheme will be useful in shaping how a scheme could be rolled out in future. The Minister added:

*“there’s plenty of evidence from around the world about those schemes working and what effect they have. So, it will be interesting to see what the data tells us coming back.”<sup>23</sup>*

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<sup>17</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p40

<sup>18</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p44

<sup>19</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p242 - 243

<sup>20</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p138

<sup>21</sup> [Letter from the Minister for Climate Change, 19 May 2022](#)

<sup>22</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p183

<sup>23</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p184

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## **Our view**

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**26.** We recognise the importance of being able to effectively distinguish between the various types of property often referred to as ‘second homes’ or ‘holiday homes’ and we therefore welcome the proposals for new use class definitions in the Welsh Government’s consultation, *Planning legislation and policy for second homes and short-term holiday lets*.

**27.** Should the proposals in the consultation be taken forward, we note the Minister’s confirmation that, where an Article 4 direction is place, the owners of properties classed as a secondary home or a short-term let would not require planning permission in order to change the dwelling into a primary home. We welcome this approach.

**28.** We note the support from witnesses for the registration scheme proposed by the Welsh Government and believe this could be an effective tool in monitoring the number of properties available for short-term let across Wales. It will also allow second homes not let commercially to be identified and help improve the data on both second and holiday homes. Whilst we welcome this, we agree that enforcement will be key to its effectiveness. We note that some stakeholders voiced a preference for a national scheme, however whether it is run at a national level or locally, additional enforcement responsibilities could be placed on local authorities. It is therefore crucial that local authorities have the necessary resources if they are to undertake this function, including the necessary finance and staff.

**Recommendation 1.** The Welsh Government should consider how it defines second homes clearly for the purposes of policy development. The proposed new planning use class definitions provide an opportunity to provide consistency. Combined with a registration or licensing scheme for holiday accommodation, this will ensure a clear distinction is drawn between second homes for personal use and properties used as short-term lets.

## 2. Where are second homes located?

**29.** In August 2021 the Office for National Statistics (“ONS”) published **datasets reporting the count of all dwellings charged council tax and the number of those that are classed as second homes**. The data, which only uses council tax data and does not include properties registered for business rates, are available at local authority and middle layer super output area (“MSOA”) in Wales. ONS explain the data are calculated using council tax data that has been supplied by Welsh local authorities.

**30.** Chargeable dwellings are domestic dwellings in an area for which council tax is payable. It excludes dwellings which are exempt from paying council tax. Each chargeable dwelling is counted as one dwelling, whether or not a full council tax bill is payable for it.

**31.** The data shows a total of 1,397,387 chargeable dwellings in Wales of which 19,818 were classed as second homes. Data was not available for Swansea and Pembrokeshire. Wrexham, Blaenau Gwent and Torfaen had fewer than five second homes in their areas. Figure 1: Percentage and number of chargeable dwellings that are classed as second homes, by local authority. August 2021 shows the percentage and number of chargeable dwellings that are classed as second homes by local authority; August 2021. It shows that Gwynedd (9.5 per cent), Isle of Anglesey (8.1 per cent) and Ceredigion (5.2 per cent) had the highest percentage of chargeable dwellings that are classed as second homes.

# Local authorities

## Percentage chargeable dwellings: Second homes

No data (2)

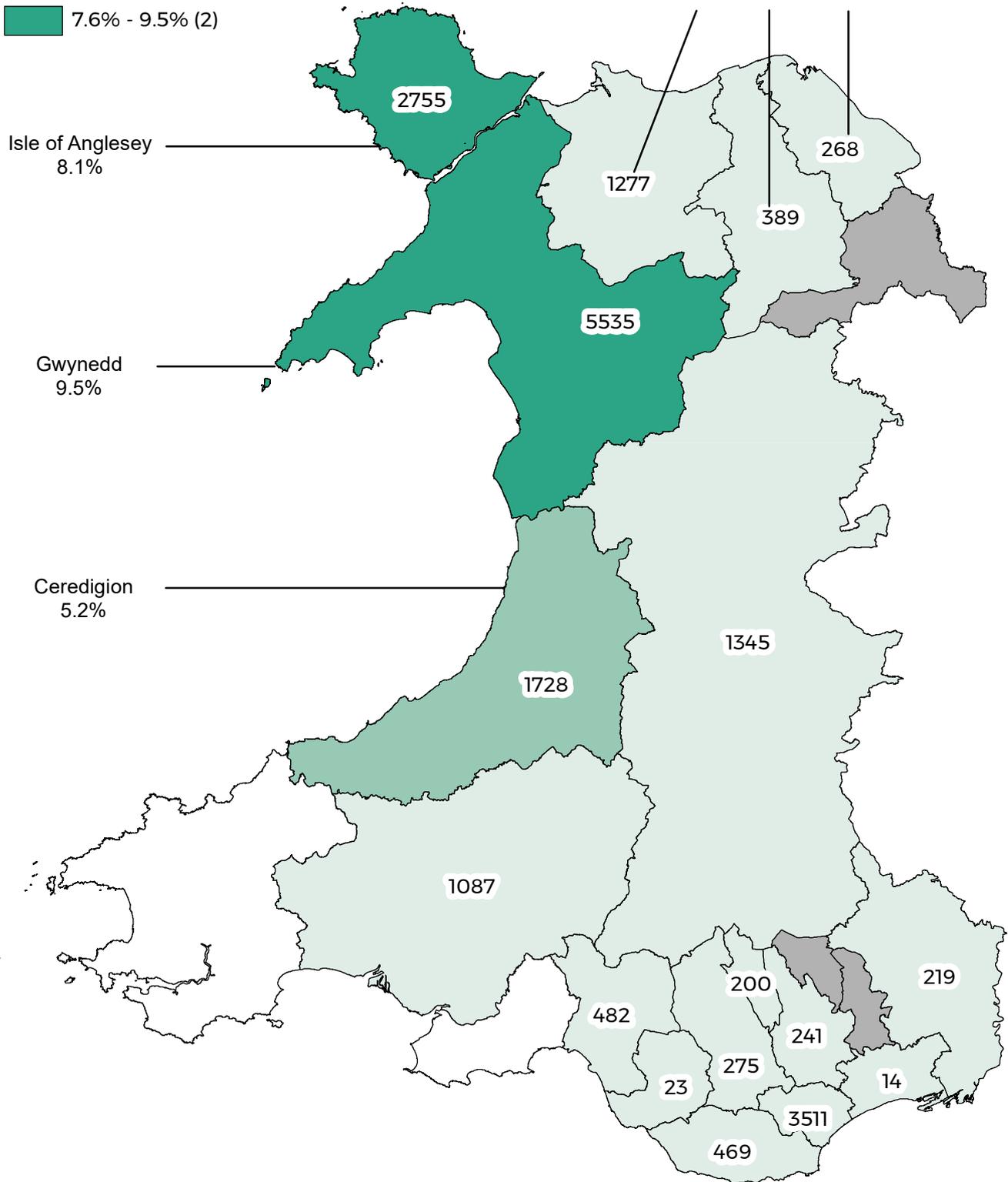
Fewer than 5 second homes (3)

0.0% - 5.0% (14)

5.1% - 7.5% (1)

7.6% - 9.5% (2)

Number of second homes shown in each local authority.



**32.** ONS also published the data at MOSA level. There are 410 MOSAs in Wales, each with a population of between 5,000 and 15,000. The House of Commons Library have **assigned names to each MOSA** to help users understand their geographical locations. Figure 2: Percentage of chargeable dwellings that are classed as second homes by MOSA shows the percentage of chargeable dwellings that are classed as second homes by MOSA.

**33.** Table 1: Percentage of chargeable dwellings classed as second homes by top 10 MOSAs; August 2021 below shows the 10 MOSAs with the highest percentage of chargeable dwelling classed as second homes for council tax purposes.

**Table 1: Percentage of chargeable dwellings classed as second homes by top 10 MOSAs; August 2021<sup>24</sup>**

<b>MOSA name</b>	<b>Local authority</b>	<b>Total number of chargeable dwellings</b>	<b>Total number of chargeable dwellings classed as second homes</b>	<b>Percentage of chargeable dwellings classed as second homes</b>
<b>Abersoch &amp; Aberdaron</b>	Gwynedd	3,629	1,085	29.9
<b>Tywyn &amp; Llangelynnin</b>	Gwynedd	4,766	1,016	21.13
<b>Cathays Park &amp; Bute Park</b>	Cardiff	2,590	444	17.1
<b>Bodedern &amp; Rhosneigr</b>	Ynys Môn	3,343	475	14.2
<b>Blaenau Ffestiniog &amp; Trawsfynydd</b>	Gwynedd	3,492	489	14.0
<b>New Quay &amp; Penbryn</b>	Ceredigion	3,470	466	13.4
<b>Harlech &amp; Llanbedr</b>	Gwynedd	3,288	428	13.0
<b>Porthmadog</b>	Gwynedd	3,733	481	12.9
<b>Llain-goch &amp; Valley</b>	Ynys Môn	3,882	495	12.8
<b>Beaumaris &amp; Benllech</b>	Ynys Môn	4,498	572	12.7

<sup>24</sup> Office for National Statistics, [Council Tax chargeable second homes in Wales: August 2021](#)

# Middle Layer Super Output Areas (MSOAs)

## Percentage chargeable dwellings: Second homes

No data (47)

Fewer than 5 second homes (93)

0.0% - 5.0% (242)

5.1% - 10.0% (14)

10.1% - 20.0% (12)

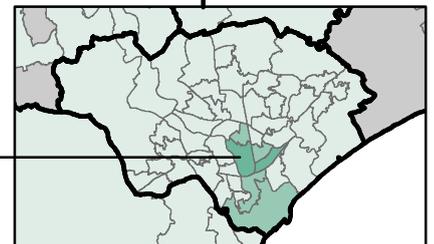
20.1% - 29.9% (2)

Local authorities

Abersoch & Aberdaron  
29.9%

Tywyn & Llangelynnin  
21.3%

Cathays South & Bute Park  
17.1%



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### 3. Welsh Government policy

**34.** In his report, Simon Brooks identified the need for interventions across a range of policy areas and in the following three in particular: direct planning, indirect planning and taxation.

**35.** Since the publication of Simon Brooks' report, the Welsh Government has made several policy announcements as to how it intends to address his findings and the concerns expressed by affected communities.

**36.** The Minister for Climate Change has been taking forward a 'three pronged approach' focusing on addressing the affordability and availability of housing, regulation (including registration or licensing of holiday accommodation and planning reform) and taxation.

**37.** The Minister for Education and Welsh Language told us that, although the Minister for Climate Change has cross-cutting responsibility for second homes, he and the Minister for Finance and Local Government are also heavily involved in developing policy. He also emphasised that all Ministers had a responsibility to promote use of the Welsh language.

**38.** The **Programme for Government** issued on 17 June 2021 made a series of commitments likely to impact on areas with significant numbers of second homes, including to:

- Create a Welsh Language Communities Housing Plan;
- Explore and develop effective tax, planning and housing measures – which could include local rates of Land Transaction Tax – to ensure the interests of local people are protected; and to
- Keep the 1 per cent increase in Land Transaction Tax charged on second home purchases.

#### **Responding to Simon Brooks' report**

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**39.** The Minister for Climate Change and the Minister for Education and Welsh Language **wrote** to Simon Brooks on 6 July 2021 responding to his report and setting out how his recommendations had informed the Welsh Government's proposals. In the letter, the Welsh Government said it had developed an approach to second homes that sought to:

*"make the requisite system and regulatory change, to ensure a fairer contribution that benefits communities, and, on a direct and practical level, to*

*develop further our support for young people to live affordably in their local communities."*

### **Statement on 6 July 2021**

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**40.** Also on 6 July, the Minister for Climate Change made a statement to the Senedd on Affordability, second homes and the Welsh language. The statement committed to "developing effective tax, planning and housing measures to ensure that the interests of local people are protected." The statement made a number of specific commitments, including:

- Support to address affordability, targeting and tailoring existing programmes across tenures. Welsh Government officials were to put together a package of measures over summer 2021 ready to start a trial;
- Changes to regulation, including a registration scheme for all holiday accommodation, including short-term lets. Changes to the planning system, and how they can be tested, would also be considered;
- Reviewing taxation arrangements and bringing forward options for consultation over summer 2021. This included looking at the ability of properties to be transferred to the non-domestic rating list where they then may be eligible for small business rates relief.<sup>25</sup>

### **The Co-operation Agreement**

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**41.** On 22 November 2021, the **Co-operation Agreement** between the Welsh Government and the Plaid Cymru Senedd Group was published. An updated **Programme for Government** was issued on 7 December 2021. The Co-operation Agreement includes the following commitments on second homes:

*"Working together we will:*

*[...]*

***Second homes** - Take immediate and radical action to address the proliferation of second homes and unaffordable housing, using the planning, property and taxation systems. Actions being planned include a cap on the number of second and holiday homes; measures to bring more homes into common ownership;*

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<sup>25</sup> Plenary, Record of Proceedings, 6 July 2021, p205 - 275

*a statutory licensing scheme for holiday lets; greater powers for local authorities to charge council tax premiums and increasing taxes on second homes. We will explore local authority mortgages."*

**42.** The Co-operation Agreement also includes a commitment to "introduce local tourism levies using local government finance reform legislation" and to bring forward a White Paper with proposals for a right to adequate housing and issues relating to affordability.

### **Statements on 23 November 2021**

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**43.** The Minister for Climate Change made a statement on *Second homes and affordability* on 23 November 2021. The statement confirmed:

- Starting in January 2022, a phased pilot scheme would be run in Dwyfor, Gwynedd to test a number of interventions. Phase 1 will include "a range of practical support to help people access affordable housing"; Phase 2 will look at the planning system;
- A **consultation** sought views on whether local planning authorities should be able to require planning permission where a primary home changes to a second home or short-term holiday home;
- The Welsh Government would work with a contractor on the "feasibility and shape of a statutory licensing or registration scheme for all holiday accommodation"; it is proposed that a voluntary scheme will be established in the pilot area to inform a statutory scheme;
- Funding will be made available to a number of local authorities so empty properties can be purchased for social rent.<sup>26</sup>

**44.** On the same day, the Minister for Education and Welsh Language made a statement on the Welsh Language Communities Housing Plan ("WLCHP"). The statement outlined a range of measures that would be consulted on, including:

- support for community-led co-operative and social enterprises, and community-owned social businesses in the tourism sector;
- establishing an Estate Agent Steering Group to consider possible projects and research;

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<sup>26</sup> Plenary, *Record of Proceedings, 23 November 2021*, p217 - 289

- establishing a voluntary “fair chance” scheme where properties are available to local people only for a limited time; and
- establishing a Commission on Welsh language communities to better understand the challenges facing Welsh-speaking communities.<sup>27</sup>

**45.** The Minister for Education and Welsh Language referred to “the influence of Dr Brooks’ work” on the WLCHP and the measures announced by the Minister for Climate Change:

*“I think it’s at the heart of the vision that is here. It’s had a significant impact on what we are announcing.”<sup>28</sup>*

### **Statement on 2 March 2022**

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**46.** On 2 March 2022, the Minister for Finance and Local Government made a written statement, *Summary of responses: consultation on local taxes for second homes and self-catering accommodation*. The statement confirmed:

- New legislation would be introduced to set the maximum level at which local authorities can set council tax premiums on second homes and long-term empty properties at 300 per cent, effective from 1 April 2023;
- Legislation to amend the criteria used in classifying self-catering accommodation within the local taxation system will be brought forward as soon as possible, with it having practical effect from 1 April 2023. It was proposed the *Non-Domestic Rating (Amendment of Definition of Domestic Property) (Wales) Order 2022* will amend the length of time a property is required to be actually let, increasing it from 70 days to 182 days. The proposed Order would also amend the length of time a property is required to be available to let, increasing it from 140 days to 252 days;
- The Minister also said she is considering proposals for a package of work to reform aspects of the non-domestic rates system in Wales. This “could encompass the eligibility of self-catering properties and other businesses for Small Business Rates Relief, ensuring support is targeted appropriately.”<sup>29</sup>

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<sup>27</sup> Plenary, [Record of Proceedings, 23 November 2021](#), p292 - 347

<sup>28</sup> Plenary, [Record of Proceedings](#), 23 November 2021, p342

<sup>29</sup> Welsh Government, Cabinet Statement, [Summary of responses: consultation on local taxes for second homes and self-catering accommodation](#), 2 March 2022

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## Evidence from stakeholders

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**47.** Several witnesses shared their observations on the Welsh Government's approach. The Welsh Language Commissioner's office called for greater clarity on the Welsh Government's intentions and long-term vision.<sup>30</sup> RICS questioned whether some of the measures proposed were intended to be deterrents to having a second or holiday home; to generate extra revenue; or to support local communities and home ownership:

*"I think from RICS's perspective, it's not as clear as we would like. We've just discussed wider economic impacts of second homes and holiday lets, so are we looking at the wider economic and tourism industry in Wales, or, if you were to take up the Brooks report as it is, are we reading it to be—? Is it a deterrent on second home and holiday lets? Is it seen as an extra revenue generator from second home and holiday lets, or is it about supporting local communities already in place, helping them with getting on the housing market? That's what, from RICS's perspective, we've struggled to understand what exactly what the Welsh Government wants to get out of this investigation into second homes, and what their policy priority should be."<sup>31</sup>*

**48.** With regards to the Welsh Government's existing policies, the WTA commented:

*"you need a really long period of time to assess whether existing policies, such as the council tax premium, are having any material effect on the policy area that the Government's interested in at the moment. And my worry is that, actually, some of these, even the pilots in Dwyfor Meirionnydd, may just be too short in their length of time."<sup>32</sup>*

**49.** RICS also commented on the length of time needed to evaluate the impact of interventions:

*"when we talk about planning reform and we talk about taxation reforms, these are things that take years. So, using what policy levers we've got now, such as the pilot scheme in discussion, I think is a good first step and is something that, yes, if done correctly, like Suzy mentioned, in terms of making sure it's done at a suitable length and that suitable time is given to analyse it, is a good first step."<sup>33</sup>*

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<sup>30</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p18

<sup>31</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p16

<sup>32</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p29

<sup>33</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p33

**50.** Cymdeithas yr Iaith told us that the proposals in the WLCHP were not appropriate to the scale of the problem and some of its ideas are not really evidence based in terms of the difference that they would make on the ground.<sup>34</sup>

### **Evidence from the Welsh Government**

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**51.** The Minister for Education and Welsh Language told us he believed the housing market is failing and that is why the government is intervening<sup>35</sup>. The Minister for Climate Change explained that there are “acute problems” in the housing market across Wales, but that different places face different problems, as such the Welsh Government was “trying to take a range of broad actions across the piece in what is a difficult housing market for various different reasons in various different parts of Wales”. She said that the Welsh Government was trying to tailor its work and:

*“work closely with our local authority colleagues to make sure that we have a solution that fits areas of Wales, not a one-size-fits-all.”<sup>36</sup>*

**52.** The Minister for Climate Change added that the Welsh Government had been “working with our local authorities to make sure that the local developments plans are fit for purpose”.<sup>37</sup>

**53.** The Minister for Education and Welsh Language told us that the WLCHP is intended to complement the “three pronged approach” being taken forward by the Minister for Climate Change, extending it beyond housing. He outlined its objectives as being:

*“Ensuring that, when people move into an area, they are given an explanation of the wider context and also giving people economic opportunities to stay in their communities and also creating spaces where the Welsh language can prosper.”<sup>38</sup>*

**54.** The Minister for Education and Welsh Language also told us that the WLCHP is a toolkit that can take account of local circumstances. In discussing the proposed commission, the Minister for Education and Welsh Language said that it will be a group of experts advising the government. It will look at the evidence base, including census data being released this year. He also said that its work will be “entirely different” from existing Commissioners.<sup>39</sup>

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<sup>34</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p24

<sup>35</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p113 - 115

<sup>36</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p96

<sup>37</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p97

<sup>38</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p35

<sup>39</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p58

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**55.** The Minister for Education and Welsh Language acknowledged the need to evaluate the success of the interventions, but did not believe that targets would be the most effective way of demonstrating this:

*"But I do accept the point that evaluation is needed as to whether we've succeeded or not. I don't, myself, think that targets in this specific area are very useful.*

...

*Because how are you going to explain to people—? For example, you could say the increase in the use of the language after an annual survey. You could use that, and that would be a valid way of measuring that. But what's challenging is linking one intervention with the result."<sup>40</sup>*

*"I believe that the Government has shown ambition in responding to this in a swift manner, swifter than many would have expected. Some, of course, expect greater speed, but I'm sure that the ambition that we are showing as a Government reflects how important this issue is."<sup>41</sup>*

## **Our view**

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**56.** We welcome the commitment shown by the Welsh Government in recent months to address the issues faced by many people, particularly young people, who find it difficult to find an affordable home in the popular coastal and rural areas of Wales where they grew up. Whilst we acknowledge the frustration voiced by some at the perceived lack of pace in implementing proposals, we understand that the Welsh Government has to consult on changes to legislation and ensure none of the proposals have unintended consequences that could negatively impact on the communities they are intended to help.

**57.** We heard concerns from some stakeholders that the objectives behind some of the interventions were not entirely clear and we would like to see greater clarity from the Welsh Government around the aims of the measures being proposed and how the success of these will be evaluated and monitored.

**58.** The measures being piloted in the Dwyfor area are an important step forward in understanding whether interventions such as those proposed by the Welsh Government can have a real impact and make a difference to communities affected by a high number of second

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<sup>40</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p41 - 43

<sup>41</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p127

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homes. People living in Dwyfor and other affected areas will be eager to know how the policies are progressing and whether the interventions are effective. It will be important to measure the impact, learn lessons from the pilot area and assess how successful policies can be implemented in other areas quickly. We therefore recommend that the Welsh Government provides an update to the Senedd every six months on the developments in the Dwyfor pilot.

**Recommendation 2.** The Welsh Government should provide updates to the Senedd every six months on developments in the Dwyfor pilot, including its assessment of the effectiveness of the measures and the basis of that assessment. The updates should include how the effectiveness is being evaluated.

## 4. Second homes within communities

The impact (both positive and negative) of second homes, and holiday homes more generally, on the economy of Wales and specific local communities was highlighted across much of the evidence we received.

### Contribution to the visitor economy

**59.** Many of those who gave evidence referred to the economic benefits of tourism to Wales, particularly in rural and coastal areas where a significant proportion of people rely on the tourist and hospitality industries for their livelihoods. Discussing self-catering accommodation, the WTA highlighted figures from the recent [Economic Impact of Self-Catering Sector to the Welsh Economy](#) report which found 7,895 properties accounted for £173m worth of spend. WTA also noted the wider economic benefits of short-term lets. It said that “50% of self-catering properties, many located on the same property as the owner’s home dwelling are owned by people in Wales.” The WTA said that this may also support employment locally such as housekeeping and maintenance in addition to providing an income for the owner. It noted the contribution made by staying visitors to shops and businesses “without high levels of demand being made on local health, education and social services.”<sup>42</sup>

**60.** Pembrokeshire County Council referenced one of its own consultations, commenting:

*“Evidence from the recent consultation conducted by Pembrokeshire County Council, however, suggests that the renovation, maintenance and use of second homes and self-catering accommodation draws in, what is often external, investment and, as such, both types of property use can result in substantial contributions to local businesses and to the local economy overall.”<sup>43</sup>*

**61.** The Home Owners of Wales Group, using its own survey data, suggested that second home owners contribute £235m per year to the Welsh economy.<sup>44</sup> Barmouth Town Council was

<sup>42</sup> Written evidence, [SH10, Wales Tourism Alliance](#)

<sup>43</sup> Written evidence, [SH18, Pembrokeshire County Council](#)

<sup>44</sup> Written evidence, [SH15, Home Owners of Wales Group](#)

critical of Dr Brooks' report, commenting that "there is no data in the report into the economic impact of holiday lets."<sup>45</sup>

**62.** The UKSTAA highlighted the economic contribution of short-term lets, referring to a study by Oxford Economics on behalf of Airbnb, which estimated that guests using the platform had contributed a total of £107m to the Welsh economy in 2019. It said every 100 listings are estimated to have supported seven jobs.<sup>46</sup>

**63.** UKHospitality told us it was important to look at the wider economy that was supported by tourism, in particular the hospitality sector:

*"the vast core of our members are building based, and we provide services into those areas and we employ local people and we keep those communities not only thriving economically but thriving socially in community terms, and certainly help the culture and introduce visitors to the culture from those locations."<sup>47</sup>*

**64.** Dr Bob Smith of Cardiff University acknowledged both the benefits and negative impact of second and holiday homes on communities:

*"There are benefits from investment in second and holiday homes for local economies, but where in certain circumstances the concentration may be such that the negative impacts (not least in terms of restricting access to housing opportunities for local people and the outward migration of local households) may far outweigh any benefits."<sup>48</sup>*

**65.** Cllr Dafydd Meurig set out how the economic benefits to an area of second homes and holiday accommodation can vary significantly:

*"if you have commercial holiday accommodation that is available throughout the year and there are people coming there on holiday for a week or a fortnight at a time and spending their holiday money, if you like, locally in shops and cafes and local attractions, then clearly that brings income that wouldn't otherwise come into the local area, and brings economic benefits to the area. But there is a very great difference between that and somebody who has a second home for their personal use, for the use of a single family*

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<sup>45</sup> Written evidence, [SH07, Barmouth Town Council](#)

<sup>46</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p8

<sup>47</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p27

<sup>48</sup> Written evidence, [SH12, Dr Bob Smith, Cardiff University](#)

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*who might visit every weekend, every other weekend, or maybe just in the summer months—and clearly there's anecdotal evidence of this—who arrive for a weekend with a car that is full of food bought in a supermarket before they arrive, and they spend nothing locally. They might buy a pint of milk and a newspaper on a Sunday morning before returning home. So, that is the scenario that brings no financial benefit. And it's important to differentiate between the tourist element that we welcome, sustainable tourism in Gwynedd, of course, which is an integral part of our economy, but second homes, for me, are something entirely different, which are destructive to the local economy and the local community.”<sup>49</sup>*

## **Our view**

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**66.** There is little doubt that tourists visiting coastal and rural locations across Wales spend money in those areas and generate employment opportunities in sectors supporting those visitors. However, we are concerned that the economic benefits are being outweighed by negative impacts in some areas. The visitor economy is vital to Wales. It is therefore important that interventions aimed at protecting communities are targeted correctly to prevent unintended consequences. Despite the economic importance of tourism, it must be done in a sustainable way that does not adversely affect or displace communities. Living communities should not be displaced for the benefits of tourism. It will be important to monitor the impact of the interventions happening as part of the Dwyfor pilot.

**67.** We realise that there is insufficient data on the benefits brought by tourism compared to the detrimental impact of affected communities, and we would like to see further research on the impact tourism has on the sustainability of communities. Robust data is needed to inform policy development.

**Recommendation 3.** The Welsh Government should set out how it intends to monitor the long term impact of the interventions happening as part of the Dwyfor pilot, including any impact on the visitor economy.

**Recommendation 4.** The Welsh Government should commission further research on the impact tourism has on the sustainability of communities.

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<sup>49</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p120

## **Community sustainability and the Well-being of Future Generations Act**

**68.** We received a range of evidence on how second homes were impacting on community sustainability. A fundamental question that arose was whether people should have a right to live in the community they were from. Professor Nick Gallent discussed this issue in oral evidence. He said there was a need to develop an approach that “identifies the real needs of people to live in particular places”, not an “absolute right to live in a particular place”.<sup>50</sup>

**69.** Professor Mark Tewdwr-Jones suggested family ties, caring responsibilities, the availability of sustainable transport and employment needs should be factors to consider.<sup>51</sup>

**70.** The Minister for Education and Welsh Language noted:

*“The whole purpose of the policy that I'm discussing today..., is that we acknowledge and recognise that there is a need for intervention in the market to ensure that people have the right to live in the communities where they grew up.”<sup>52</sup>*

*“for those people who would like to be able to continue to live in the community where they were raised, and to earn a living and to be able to afford a house there, I think it is the job of the Government to do everything we can to support that, and that is what this range of interventions is intended to do.”<sup>53</sup>*

**71.** Professor Nick Gallent noted that second homes reflect people’s desire to access amenity, but are also a form of housing investment. Whilst recognising that second homes can “scaffold” local house prices, bringing investment to rural communities, he believes a point comes when the concentration can be so high the good can be outweighed by the harm they do “in terms of the displacement of people who struggle to get into the mainstream housing market.” He went on to say there’s a need to understand the point at which they do harm.<sup>54</sup>

**72.** Professor Gallent also highlighted some of the impacts on the local economy including potential movements in house prices that may bring some benefit to existing home owners, although that is a disbenefit to people already locked out of the market. He noted, while the

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<sup>50</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p111

<sup>51</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p110

<sup>52</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p127

<sup>53</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p130

<sup>54</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p76

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visitor economy can bring economic benefits, it can also be disruptive with “neighbourhood effects” as visitors come and go.<sup>55</sup>

**73.** Professor Tewdwr-Jones addressed the issue from a planning perspective, noting that planners need to understand the relationship of what second homes will do to wider community attributes and services. He believed that the “tipping point” would be when second homes are impacting essential community services.<sup>56</sup>

**74.** We heard from Gwynedd Council how it had tried to “define what ‘too much’ looks like” in its own planning policies, but that national guidance would be useful to assist in considering planning applications.<sup>57</sup>

**75.** A number of witnesses talked about the impact on local services in areas with high numbers of second homes. However, many communities were also heavily dependent on tourism. This was emphasised by Cllr Jano Williams from Newport (Pembrokeshire) Town Council, who said that while the town had been adversely impacted by the number of second homes and holiday lets, she also acknowledged that restricting or reducing the number of second homes or holiday homes would affect the town’s economy.<sup>58</sup> Cllr Williams went on to say:

*“People who have a lovely second home and just use it for their family are obviously not going to be bringing in so much money to the economy as people who have holiday lets, because there’s a constant turnover. Newport becomes alive, I could say, packed, in the summer, but that’s what keeps our businesses going. So, they do have a huge benefit. Obviously, I think there is a tipping point. I think we might have reached the tipping point in Newport; we have, possibly, 50 per cent.”<sup>59</sup>*

**76.** Cllr Dafydd Meurig set out the impact that he believes a high number of second homes can have on communities:

*“Small numbers, I suppose, can be dealt with, and lower percentages can also be dealt with, but, of course, every area is different, every village is different, every community is different in nature, but once you reach a certain point, then it has an impact on everything in having those empty homes, and I*

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<sup>55</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p93

<sup>56</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p78

<sup>57</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p160

<sup>58</sup> Local Government and Housing Committee, 26 January 2022, Record of Proceedings p38

<sup>59</sup> Local Government and Housing Committee, 26 January 2022, Record of Proceedings p58

*think there is more of a problem in terms of second homes—which are empty for most of the year—as compared to commercial holiday lets, which are managed through the planning system. I think you can have some control in that area. But, with second homes, where they are left empty for most of the year, they are removed from the local housing stock and we lose that stock for people who want to live locally within their communities and, of course, services disappear as a result of that. We've seen an extreme example of that in Abersoch recently, where the school only has seven pupils and will have to close as a result. So, the impacts are certainly far-reaching.”<sup>60</sup>*

**77.** Gwynedd Council referred to research by Anglesey and Gwynedd Joint Planning Policy Service on the impact of house prices, which was undertaken for its report, **Managing the use of dwellings as holiday homes:**

*“The research then looked in detail at the impact of a high number or high concentration of holiday accommodation on communities. The research suggests that the demand for holiday homes impacts the ability of local people on lower incomes to buy homes in popular holiday destinations. For example, the average median price of homes in Gwynedd back in 2019 was £155,000, with an average income of £26,000. This means that, on average, 59 per cent of the population were priced out of the housing market. This statistic increases significantly in those wards where there are a high number of holiday units. For example, in Abersoch ward, where 46 per cent of the homes in the community council area are holiday accommodation, the average median house price is £365,000. With an average household income of £34,000 the ratio of house prices to affordability is almost double the average for the county as a whole, which means that 92 per cent of local people are priced out of the housing market.”<sup>61</sup>*

**78.** Local government representatives raised concern at the increase in house prices in desirable locations and the impact that has on the ability of young people, in particular, to buy or rent homes in those areas. We also heard of the consequential impact this is having on maintaining community services and on the Welsh language. Cllr Rhys Tudur explained the impact on his local area:

*“What we see here in Morfa Nefyn is that there's a percentage of 30 per cent of the housing stock that are now second homes, and that's had a huge*

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<sup>60</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p95

<sup>61</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p110

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*impact on house prices. It's a very attractive place for those who want summer properties. The village is called 'the next Abersoch', which has a higher percentage still of second homes. What it means is that young people can't live there at all, and they're local young people, of any profession—they find it difficult to live in that area.*"<sup>62</sup>

**79.** Cllr Tudur went on to explain that those people often have to move away from the areas where they have grown up to live in more affordable areas. He cited that similar houses in villages eight miles apart can vary in price by around £100,000. We heard that consequentially, the number of children attending the school in Nefyn has declined in recent years, and is forecast to decline further. He described it as “a huge hit to the community and the confidence it has in sustaining itself”.<sup>63</sup>

**80.** A number of consultation responses highlighted the impact on local services such as schools closing. Pembrokeshire County Council commented:

*“A high proportion of second homes in a community poses a threat to the viability of local schools and opportunities to nurture and grow the Welsh language within these communities.”*<sup>64</sup>

**81.** Cllr Dyfrig Siencyn told us of the impact on the number of Welsh speakers in affected areas:

*“In the town where I grew up, Dolgellau, there are entire streets almost that are now summer homes or short-term holiday lets, which, of course, transforms the nature of the society and our communities. It empties out our villages and towns. And, of course, that does have a far-reaching impact on the nature of the society. Because we are an area where the Welsh language is the primary language, then it naturally has an impact on the Welsh language, as others have referred to. It's significant: if you look at the percentages of Welsh speakers in Gwynedd, for example, the areas where tourism is the primary industry, so those coastal areas, are where the Welsh language is at its weakest. I think that is relatively robust evidence that there is significant damage being done to the Welsh language and our culture.”*<sup>65</sup>

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<sup>62</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p20

<sup>63</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p21

<sup>64</sup> Written evidence, [SH18, Pembrokeshire County Council](#)

<sup>65</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p24

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**82.** Bro Machno Housing Partnership said the centre of their village had been “hollowed-out through a mixture of empty, second and holiday homes.”<sup>66</sup> It said there were clear links to delivering the well-being goals laid out in the Well-being of Future Generations Act.

**83.** A number of others also referred to the Well-being of Future Generations Act; the WLGA Rural Forum made a direct link, commenting:

*“urgent action is required to alleviate the impact associated with the scale of second homes to ensure sustainable communities for future generations that offer opportunities for people to live, work and enjoy. This is vital in meeting the Well-Being of Future Generations Act goals of A Wales of Cohesive Communities and A Wales of Vibrant Culture and Thriving Welsh Language.”*<sup>67</sup>

**84.** Similarly, Shelter Cymru said:

*“more needs to be done to create a self-catering accommodation sector that is sustainable in line with the spirit of the Future Generations (Wales) Act 2015”.*<sup>68</sup>

**85.** In her written submission to us, the Future Generations Commissioner noted:

*“The situation is indeed dire and urgent action is necessary to address it before it further impacts the well-being of our current and future generations.”*<sup>69</sup>

**86.** The Commissioner said that second homes was not just a Welsh language and rural issue; it impacts on other issues too including the climate and nature emergencies, health and equality. The Commissioner is keen to see how the Future Generations Act is considered as part of the pilot in Dwyfor.

**87.** Second home owners (who, in this case, did not make use of their properties for holiday letting purposes) had responded to a Pembrokeshire County Council consultation and “were keen to stress that their use of their properties was much more widespread throughout the year.” Pembrokeshire County Council went on to say that “Many argued that this was in contrast

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<sup>66</sup> Written evidence, [SH02, Bro Machno Housing Partnership](#)

<sup>67</sup> Written evidence, [SH43, WLGA Rural Forum](#)

<sup>68</sup> Written evidence, [SH42, Shelter Cymru](#)

<sup>69</sup> Written evidence, [SH17, Future Generations Commissioner for Wales](#)

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to self-catering accommodation, for which they felt usage was much more limited to peak summer months.<sup>70</sup>

**88.** The Minister for Education and Welsh Language noted that one of the main challenges facing rural, coastal and Welsh-speaking communities is the “constant outmigration of young people”; he referred to this as:

*“a complex, multifactorial issue and is not because of the lack of job opportunities or affordable homes alone – it includes the social and educational aspiration of people needing to explore and gain new experiences.”<sup>71</sup>*

**89.** The Minister did not see a tension between encouraging Wales as a tourist destination and protecting the Welsh language:

*“I don't think there's a tension, actually, between being a welcoming, outward-looking country and wanting to ensure that we organise our economy and our society in a way that protects one of our key national assets, which is our language. I don't think any nation would regard those things as being in tension. And actually, at the heart of the Welsh language communities housing plan is, as we touched on a little earlier, that idea of sustainable communities and sustainable Welsh speaking communities. And that means communities where people can afford to live, if that is their choice—local people who want to continue living in their area can do that. That's important from a community sustainability and a language sustainability perspective, but also that it's economically sustainable. So, in parts of this plan and in other work that we are doing, you'll see those two things coming together. I don't think those two things are in tension. I think the challenge of imagination is to try and see how the interventions that we have can deliver both those objectives.”<sup>72</sup>*

**90.** The Minister for Climate Change acknowledged that communities containing disproportionate numbers of a particular type of accommodation are not sustainable, saying that they become “out of touch and out of reach for other sectors”. The Minister emphasised

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<sup>70</sup> Written evidence, [SH18, Pembrokeshire County Council](#)

<sup>71</sup> Local Government and Housing Committee, 23 March 2022, [Paper 2 – Minister for Education and Welsh Language](#)

<sup>72</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p66

that successful communities have a “good mix” of different types of tenure and set out that the Welsh Government’s policies:

*“are designed to get as much mixed tenure sustainability into our places as possible, and also to introduce all the other things that we know make for a good place—so, good access to services, good access to the right kind of infrastructure, good access to green space.”<sup>73</sup>*

## **Our view**

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**91.** As noted above, the visitor economy contributes to the sustainability of many rural and coastal communities. However, we are concerned by the impact a high concentration of second homes, and holiday homes more generally, is having on the sustainability of communities in affected areas.

**92.** Much of the evidence we received placed second homes within a wider discussion about the availability of affordable housing. It is clear that a lack of affordable homes is an issue making some people, particularly young people, move away from the communities where they have grown up, and live further from their families and support networks. With fewer people of working age living in these areas, we are concerned that a dwindling workforce is impacting the ability of employers across public and private sectors to fill essential roles. We note the comments by the Minister for Education and Welsh Language that there are multiple reasons why many young people do not live in the town or area where they grew up. Some will choose to move away, however for those who wish to remain, it is clear that a lack of affordable housing is preventing many from doing so.

**93.** Communities need people to survive. If high numbers of homes within towns and villages lie empty for large parts of the year, it is inevitable that a lack of customers will force businesses to close during the quieter periods, leaving remaining residents without those amenities. We are concerned that public services will also suffer; without key workers living in those areas, it will either be impossible to provide essential services such as health and social care or the cost of doing so could make them unsustainable. It is likely to be the elderly and vulnerable most adversely affected. We are aware that some of the local authority areas with the highest numbers of second homes also have relatively low average incomes, and this can make affordability issues more acute.

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<sup>73</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p114

**94.** We heard that falling numbers of pupils has already caused the closure of rural schools. We are concerned by the impact of this on the Welsh language and on people's ability to access services close to where they live.

**95.** We believe that increasing the availability of affordable housing is key to preventing the disappearance of sustainable, living communities. We do not believe that building new homes is the only solution and recognise that providing new-build homes in communities with limited opportunities for development is a challenge. Better use can be made of existing properties including schemes to help local people buy or rent existing private sector homes and bringing empty homes back into use. However, additional social housing is needed, as is ensuring new homes are affordable in the context of local earnings.

**96.** The Well-being of Future Generations Act was raised in evidence on multiple occasions. However, it was unclear what tangible impact the Act was having in communities with high numbers of second and holiday homes. The Dwyfor pilot provides an opportunity for the Welsh Government to demonstrate how the Act is influencing policy development.

**Recommendation 5.** In assessing the interventions put in place as part of the Dwyfor pilot, the Welsh Government should include how the Well-being of Future Generations Act has influenced policy development.

## Empty properties

**97.** A number of responses to our consultation highlighted the number of empty properties in their communities. An individual noted that "Ceredigion is littered with abandoned farmhouses."<sup>74</sup> Another individual suggested the "Welsh Government should develop schemes to buy and renovate empty houses for local people."<sup>75</sup> Similarly, the NRLA suggested that private landlords could be incentivised to invest in properties that have been empty for a long period of time.<sup>76</sup>

**98.** Pembrokeshire County Council has developed an Empty Property Action Plan which has been submitted to the Welsh Government. They hope to access financial support to help enforcement action on prominent, empty town centre properties. They also note that it is the Welsh Government's intention to develop a national Tackling Empty Property Action Plan.

**99.** Cwmpas (formerly the Wales Co-operative Centre) drew attention to a **publication** by the Chartered Institute of Housing ("CIH") which proposes community led approaches to empty

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<sup>74</sup> Written evidence, [SH01. Individual](#)

<sup>75</sup> Written evidence, [SH44. Individual](#)

<sup>76</sup> Written evidence, [SH14. NRLA](#)

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homes. Shelter Cymru also referred to the CIH report and highlighted that not all local authorities have dedicated empty property officers.

**100.** Bro Machno Housing Partnership highlighted the significant number of empty properties in Penmachno:

*"The empty homes strategy is not working, because we've got 14 long-term empties in our village, and although the council have tried to get them changed, they're not able to, so that policy, within Penmachno, isn't working, at least."<sup>77</sup>*

**101.** Grŵp Cynefin told us that much more use should be made of empty homes and empty properties:

*"If there are 14 empty homes in Penmachno, we need to try to find out what the reasons are why they're empty, what we can do working with the local community to solve that problem."<sup>78</sup>*

**102.** The Equality, Local Government and Communities Committee in the Fifth Senedd undertook a specific **inquiry into empty properties**. Its **report**, published in October 2019, made thirteen recommendations to the Welsh Government with the aim of bringing empty properties back into use. In **responding** to the report, the Welsh Government accepted 10 of the recommendations in full and agreed two in principle.

**103.** The Welsh Government is making funding available to buy empty properties and turn them into social rented homes. We heard from the Minister for Climate Change that the Welsh Government has been working with local authorities to better define empty properties and to empower them to take action. The Minister referred to "a series of incentives", including "loan finance, grant finance to the equitable owners of those homes to bring them back into use" and working with the authorities to use their compulsory purchase powers, including training packages for officers.<sup>79</sup>

**104.** The Minister elaborated that there were conditions attached to the funding for empty properties and owners would need to reside in their property or make it available as a long-term social let in order to access the grants, emphasising "they're not grants to put the house

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<sup>77</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p232

<sup>78</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p234

<sup>79</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p141

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on the market for sale". She also explained that the loan finance was available "where £20,000 isn't sufficient to bring a house up to standard to live in".<sup>80</sup>

## **Our view**

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**105.** We are concerned that high numbers of empty properties in communities are contributing to the lack of affordable housing, and believe that addressing this should be an urgent priority for the Welsh Government. It is unacceptable that people are living in unsuitable or temporary accommodation or struggling to secure affordable homes to buy or rent whilst thousands of properties lie empty across Wales. Revitalising empty properties is also a more sustainable way of increasing housing stock than building new properties. We are aware that our predecessor committee, the Equality, Local Government and Communities Committee, published a report on empty properties in October 2019, and believe that it would be timely to receive an update from the Welsh Government on the progress it has made in implementing the recommendations of that report.

**106.** Our predecessor committee recommended that the Welsh Government pressed ahead with providing training for local authority officers and members on the enforcement options available to assist them in tackling empty properties. We are therefore pleased to hear that Welsh Government officials are working with local authorities to provide training for officers, however we remain concerned at their capacity to pursue enforcement procedures. We appreciate that work to tackle empty properties may have been put on hold since the start of the pandemic, however it is now crucial to re-prioritise this work in order to bring these valuable assets back into use.

**Recommendation 6.** The Welsh Government should provide an update to the Senedd on taking forward recommendations from the Equality, Local Government and Communities Committee 2019 report on empty properties. The update should be provided by December 2022.

## **Housing affordability**

**107.** Many witnesses commented on housing affordability in some of the rural and coastal communities with high numbers of second and holiday homes. However, it is clear that there is a wider housing affordability issue across Wales. Registered Social Landlords told us of the pressures within their communities due to a lack of affordable housing. Barcud referred to private landlords selling their properties due to the increase in house prices thereby giving

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<sup>80</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p187

notice to tenants, or turning their properties into short-term lets in order to generate more income, with the result being:

*"And then that put pressure on local housing waiting lists. I think there are some 1,500 in Ceredigion at the moment on the list, and there aren't enough homes available for those people."<sup>81</sup>*

**108.** Grŵp Cynefin commented that "affordability of rent, affordability in terms of purchasing homes, a lack of homes on the market" were all pressures faced in its local areas. We heard:

*"There is a lack of rental properties in the open market too. We've undertaken many surveys through the rural enablers team, and there are no homes for rent available now. There's a great deal of pressure and demand for social rental properties, and statistics are available, I'm sure, from local authorities in terms of how many people are waiting for those."<sup>82</sup>*

**109.** Noting some of the steps being proposed by the Welsh Government to address issues associated with second homes, Adra said that while some of the proposed changes would slow growth in the number of second homes they would not increase supply on their own:

*"I think the three levels of intervention will help in slowing the growth of second homes, and in that regard, that should assist in terms of the decline in the Welsh language in those areas. But it isn't necessarily going to respond to the supply issue in the housing system on its own. We need more homes within these communities, so we also need a strategy to provide affordable homes in these areas, and, of course, the Government has invested a lot in this area, and we welcome that, but we need to target more towards the communities that are suffering as a result of this problem."<sup>83</sup>*

**110.** Jonathan Morrison from Home Owners of Wales Group suggested that local planning authorities should have made provision for more homes, and said that "it looks as though second home owners are being blamed" because there is a shortage of affordable housing.<sup>84</sup>

**111.** The Minister for Climate Change emphasised that the Welsh Government was "on track"<sup>85</sup> to meet its target of building 20,000 new low carbon social homes, although she acknowledged difficulties with the global supply chain and price increases. The Minister also outlined that the

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<sup>81</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p180

<sup>82</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p184

<sup>83</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p156

<sup>84</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p130

<sup>85</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p103

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Welsh Government had enabled councils and registered social landlords to buy properties off plan<sup>86</sup> and had changed procedures around the Social Housing Grant and other funding schemes “to enable the affordability envelopes on particular sites to be adjusted” in order to bring forward more new social housing.<sup>87</sup> The Minister explained:

*“what we’ve been doing is developing a different system for the way that we support social housing, so that we look at the affordability of the site overall, rather than a single intervention rate. So, for many years, we’ve had a single intervention rate, but obviously there are some areas in Wales that have a high enough land value to not need that intervention and there are other areas that need a higher intervention rate to make the houses buildable. So, we’ve been pulling all the levers we can to do that.”<sup>88</sup>*

**112.** In relation to the availability of land for development, the Minister told us of the ‘Lle’ system which maps available land. We also heard that the Welsh Government was working with local authorities to ensure that land identified for housing development in local development plans “is in fact available to build housing.” The Minister added:

*“Very specifically, though, we’ve been working with them to make sure that the local development plans reflect the availability of land properly, and we don’t have sites brought forward that have ‘housing’ written on them where no house has been built for the last 50 years but the plan looks good.”<sup>89</sup>*

**113.** The Minister explained that some brownfield sites may require remediation work before being suitable for development, adding to the cost, and that a large number of housing developments across Wales were being held up by the habitat directive and “the phosphate—shortly to be also nitrate—issues around river flood catchment areas”.<sup>90</sup>

**114.** The Minister for Climate Change noted in her letter of 19 May:

*“As outlined in **Planning Policy Wales** (PPW), the supply of land to meet the housing requirement proposed in a development plan must be deliverable. To achieve this, development plans must include a supply of land which delivers the identified housing requirement figure and makes a locally*

<sup>86</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p101

<sup>87</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p102

<sup>88</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p154

<sup>89</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p105

<sup>90</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p101

*appropriate additional flexibility allowance for sites not coming forward during the plan period.*

*The ability to deliver the identified housing requirement must be demonstrated through a housing trajectory. The trajectory will illustrate the expected rate of housing delivery for both market and affordable housing for the plan period. To be 'deliverable', sites must be free, or readily freed, from planning, physical and ownership constraints and be economically viable at the point in the trajectory when they are due to come forward for development, in order to support the creation of sustainable communities.*

*Planning authorities must use their housing trajectory as the basis for monitoring the delivery of their housing requirement identified in their plan. Accurate information on housing delivery assessed against the trajectory is necessary to form part of the evidence base for development plan Annual Monitoring Reports (AMRs) and for subsequent plan review. Under-delivery against the trajectory can itself be a reason to review a development plan. The monitoring of housing delivery for AMRs must be undertaken by planning authorities in accordance with the guidance set out in the **Development Plans Manual**.<sup>91</sup>*

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## **Our view**

**115.** We are very concerned at the lack of affordable housing, particularly social housing, across Wales, but especially in areas where there are high proportions of second homes or short-term let properties. We realise that the Welsh Government acknowledges that more homes are needed and intends to build 20,000 new low carbon social homes for rent across Wales.

**116.** We believe there should be more focus on delivering affordable housing of all tenures in the rural and coastal communities with high numbers of second homes and short-term lets. This does not just mean building new homes, but making better use of the existing stock, including empty properties and working with the private sector. Many of the communities we are focusing on have relatively low average incomes and affordability must be seen in that local context. With that in mind, in addition to social rented homes, schemes to help people buy a home should be appropriately targeted using robust local data. The Minister for Education and Welsh Language told us that the housing market is failing. Whilst we are encouraged by the initiatives proposed

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<sup>91</sup> [Letter from the Minister for Climate Change, 19 May 2022](#)

as part of the Welsh Language Communities Housing Plan to intervene in the housing market, we recognise that many of the interventions rely on goodwill to succeed.

**117.** We note the comments by the Minister for Climate Change that, despite a number of challenges, the Welsh Government remains on track to achieving its target of building 20,000 new social homes by the end of the Senedd term. However, we are concerned by difficulties being experienced due to the global supply chain problems and increasing costs. We would like a better understanding of how the Welsh Government intends to achieve its target and request that the Minister provides an update to the Senedd on this. We would like the update to include a breakdown of where it intends these new homes to be built, according to the demand and need of communities.

**Recommendation 7.** The Welsh Government should clarify how local and national strategies will ensure a sufficient supply of housing that is of the appropriate type to meet local requirements and affordable in the context of local earnings.

**Recommendation 8.** The Welsh Government should provide an update to the Senedd on how it intends to achieve its target of building 20,000 new social homes within the term of this Senedd. We would like the update to include a breakdown of where it intends these new homes to be built, according to the demand and need of communities.

**118.** We appreciate that building new housing estates will not provide a simple solution on its own, but more new homes, which are appropriate to meet the needs of communities, are needed urgently. While not all vacant land will be suitable for housing and the remediation costs of some brownfield sites may make them unviable for development, it is important that land both suitable and available for development can be fully utilised to meet local housing needs. Working with local planning authorities, developers and other stakeholders the Welsh Government needs to ensure that data on land available and suitable for development in the public and private sectors is robust and used effectively to enable development in areas that need it most. The Welsh Government needs to ensure that where it or the wider public sector owns land that is suitable for development, that land is used to its full potential.

**119.** We note the Minister's letter and the mechanisms currently in place for monitoring the delivery of each local planning authority's housing requirement.

**Recommendation 9.** The Welsh Government should lead by example and ensure that suitable land it owns is made available for housing development, including seeking opportunities to do so as part of the Dwyfor pilot. Details of how the Welsh Government achieve this should be included in the regular updates we have requested on the Dwyfor pilot.

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## Private rented sector

**120.** In addition to a lack of affordable accommodation for purchase, we also heard of limited stock available for long term rental through the private rented sector (“PRS”). We heard that some property owners may see the short-term lettings market as a more attractive option than letting in the PRS, which could reduce the supply of residential accommodation.

**121.** A number of responses to our consultation suggested that some PRS landlords had decided to enter the short-term lettings market where they could make more profit or sell and benefit from increased property prices. Some evidence suggested existing tenants had been given notice so this could happen. Pembrokeshire County Council noted that its recently completed Local Housing Market Assessment found that:

*“The size of the private rented sector in the National Park area of the county has notably reduced in the last decade in response to the growth in popularity of peer-to-peer accommodation websites such as Airbnb. Research has shown that landlords in Pembrokeshire are increasingly choosing to make their property available for use for short-term holiday lets rather than as a long-term private rented home. The consequence of this reduction in the availability of private rented homes in the National Park part of the county is that there is now no longer sufficient supply of residences in this tenure within this area.”<sup>92</sup>*

**122.** An individual who responded to our consultation stated that their family would be forced to leave their rented accommodation in St Dogmaels as their landlord intended to turn it into “their fourth holiday let in the village”.<sup>93</sup>

**123.** Another individual wrote of her endless search for a long-term rental property in the Tywyn area:

*“There are none, the long-term rental market is dead. Anyone who owns properties here has realised they can make the same money off tourists in a week, as what I pay in rent for a month. In the block of 6 houses including mine, I’m the only person here from October to March, the rest are all short-term holiday lets and second homes.”<sup>94</sup>*

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<sup>92</sup> Written evidence, [SH18, Pembrokeshire County Council](#)

<sup>93</sup> Written evidence, [SH32, Individual](#)

<sup>94</sup> Written evidence, [SH49, Individual](#)

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**124.** Generation Rent referred to data it collected on the number of properties available to rent through rental listings Zoopla between February 2020 and October 2021:

*"In Wales, rental listings on Zoopla fell from 7,237 properties in February 2020 to 4,240 by October – a 40% drop – before rising to 5,805 by the end of 2020. [ ] In 2021, listings started falling from the start of the year until a low of 2,087 in October, 71% down on February 2020."*<sup>95</sup>

**125.** The lack of PRS accommodation in popular tourist areas was also referred to by the NRLA in oral evidence:

*"I did a search on Rightmove last night. Anglesey has two one- and two-bedroomed properties available at the moment. The Llŷn peninsula has two one- and two-bedroomed properties available at the moment. Gwynedd has 38 one- and two-bedroomed properties available right now. Only six of them are outside of Bangor. That's horrendous. How are people supposed to find affordable rental properties?"*<sup>96</sup>

**126.** A number of respondents talked about increased regulation of the PRS when compared to short-term holiday lets. The NRLA made a number of comments, highlighting that grants from the Welsh Government to reduce the impact of the pandemic on businesses were made available to self-catering accommodation, but not to PRS landlords.<sup>97</sup>

**127.** Propertymark called for the Welsh Government to encourage investment in the PRS through tax relief or rebates. It also called for VAT exemption on refurbishments and a range of other measures to stop the loss of homes to short-term lets from the PRS. Propertymark said its own research has "highlighted that letting agents are concerned about losing long-term rental properties to the short-term rental sector."<sup>98</sup>

**128.** The NRLA commented on the factors they believe have led to landlords withdrawing from the sector:

*"But this transition into Airbnb, shall we say, to short-term holiday lets, has been partly pushed by a lot of the implementation of policies that have been happening. So, the increase in the stamp duty has meant that coming into the market is much more expensive, so therefore people that do that are*

<sup>95</sup> Written evidence, [SH39, Generation Rent](#)

<sup>96</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p191

<sup>97</sup> Written evidence, [SH14, NRLA](#)

<sup>98</sup> Written evidence, [SH31, Propertymark](#)

*looking for higher returns. The increase in legislation in the private rented sector, much, much of which is positive, but sometimes is a little bit heavy handed and not done sympathetically, is increasing costs.*<sup>99</sup>

**129.** The NRLA went on to say:

*"The difference with the private rented sector versus the short-term lets sector at the moment is the standards within the properties are completely different that you have to achieve. So, therefore, your cost base of running these properties, a long-term rental versus a short-term rental property, is completely different. Also, your taxation base is completely different. So, you start ticking all these boxes and you start to see that this is the reason why so many people are shifting from one to another. And I'm not saying it's necessarily to avoid hitting certain standards, it's just so much cheaper to do it."*<sup>100</sup>

**130.** The Minister for Climate Change emphasised that the Welsh Government was "very keen" to "encourage home owners across Wales to go into the private rented sector rather than the tourist sector in areas where there's a shortage of affordable housing". The Minister acknowledged that private sector landlords had to "jump through quite a number of hoops to do that, rightly so, to ensure that you're doing the right thing", which was not the case for holiday let accommodation, and told us:

*"I'm not sure that our policy levers are heading us in the direction we'd actually like to go."*

**131.** The Minister added:

*"one of the things the Welsh Government is currently doing is looking at that right across the piece, and making sure that we're actually trying to encourage—that our levers are having the effect of encouraging the behaviour we'd actually like to see on the ground, and not having unintended consequences."*

**132.** The Minister undertook to provide further details on the work when more information is available.<sup>101</sup>

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<sup>99</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p190

<sup>100</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p243

<sup>101</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p185

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## Our view

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**133.** The private rented sector plays an important role in ensuring that a mix of housing accommodation is available to meet different needs and circumstances. We are very concerned by the anecdotal evidence that landlords are increasingly moving their properties from this sector to the short-term lets market. We are aware that there are long waiting lists for people needing social housing and a shortage of private rented sector accommodation in some areas is exacerbating the problem.

**Recommendation 10.** The Welsh Government should outline how it proposes to work with private sector landlords and letting agents within the Dwyfor pilot area to increase the supply of homes for rent.

## Impact on the Welsh language and establishing a commission on Welsh-speaking communities

**134.** The impact of second homes on the Welsh language was noted across a range of issues raised in the consultation responses. Aberystwyth Town Council noted:

*"The percentage of Welsh speakers has fallen dramatically in Aberystwyth, with the town council area falling by 5 percentage points between the 2001 census and the 2011 census (and 8.1 percentage points in one ward)."*<sup>102</sup>

**135.** Pembrokeshire County Council provided some information on the linguistic skills of second home owners, gathered through the recent council tax premium consultation, saying they were less likely to be able to speak more than a few words of Welsh than other respondents or the general population. The report by Anglesey and Gwynedd Joint Planning Policy Service, *Managing the use of dwellings as holiday homes*, highlights the relatively low number of Welsh speakers in Aberdyfi and Abersoch (35.5 per cent and 43.5 per cent respectively) compared with the overall Gwynedd figure of 65.4 per cent.<sup>103</sup>

**136.** Simon Brooks recommended that a commission be established 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*

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<sup>102</sup> Written evidence, [SH04. Aberystwyth Town Council](#)

<sup>103</sup> Anglesey and Gwynedd Joint Planning Policy Service, *Managing the use of dwellings as holiday homes*, p8.18 – 8.22

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*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.*"<sup>104</sup>

**137.** In its **written response** to Simon Brooks, the Welsh Government confirmed that it will establish a commission to safeguard the future of the Welsh language as a community language. The Minister for Education and Welsh Language explained the Welsh Government's definition of a community language:

*"what I believe and what we as a Government believe is that it's those geographical opportunities to speak Welsh face-to-face with people in your town or village locally, or in your city. Which language do you speak in the shop? Which language do you speak at the rugby club, or wherever you are? It's the geographical opportunity to speak the Welsh language face to face that I have in mind in that respect."*<sup>105</sup>

**138.** While supporting the "positive" and "promising" response of the Welsh Government to the proposal for a commission, the Welsh Language Commissioner's office said:

*"We would like to know what the Government's intention is in terms of monitoring and evaluating the success of its actions and accordingly we urge the Committee to keep the matter under consideration during this Senedd term."*<sup>106</sup>

**139.** There was support for a commission from the housing association sector. Barcud said:

*"The Commission should protect, stabilise and nurture Welsh Language in Welsh speaking heartlands and also develop new strategies for increasing the use of Welsh language in other areas. There is already evidence of socio-economic and social restructuring taking place post-Brexit and post-Covid."*<sup>107</sup>

**140.** While the Snowdonia Society said it welcomed any initiative that supports the "use and protection of the language", it did raise concerns that only one recommendation from Simon Brooks explicitly referred to the Welsh language "rather than explicitly integrated across all the others." It called for a "more detailed analysis of the anticipated impacts on the Welsh language of each of the proposed measures and the interactions between them." Snowdonia National

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<sup>104</sup> Dr Simon Brooks, *Second homes: developing new policies in Wales*, Recommendation 12

<sup>105</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p62

<sup>106</sup> Written evidence, *SH37, Welsh Language Commissioner*

<sup>107</sup> Written evidence, *SH13, Barcud Cyf*

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Park Authority suggested that a commission offered an opportunity to enhance the available data on the Welsh language:

*"In addition to this, a lack of data and evidence regarding use of the Welsh language in our communities makes it difficult to develop policy and assess the impact of developments on the Welsh language. It would be beneficial if the Commission could look at the possibility of undertaking linguistic surveys in communities to support officers and members in the decision-making process."<sup>108</sup>*

**141.** Llansteffan and Llanybri Community Council were supportive of the recommendation noting "We are in total agreement with protecting and nurturing the Welsh language but would want a Commission with 'teeth'".<sup>109</sup>

**142.** Dyfodol i'r laith noted that it was "essential for local authorities to collect and monitor data on house sales and house prices by community, and for them to share that information with the Commission". Dyfodol thought this the only way to monitor the situation and also "a means of ensuring that the interventions do not result in the problem being transferred from one community to another".<sup>110</sup>

**143.** Cymdeithas yr laith on the other hand told us it did not support the recommendation to establish a commission. It was not of the opinion that a new commission should be established to consider the Welsh language's future as a community language. It stated that the Welsh Government, as well as other external agencies such as the Office of the Welsh Language Commissioner and the Office of the Future Generations Commissioner, already has responsibilities in this area, as well as access to wide-ranging sources of evidence and policy expertise among individuals and organisations.<sup>111</sup>

**144.** Cymdeithas yr laith instead called for a Property Act that would, amongst other things, impose a cap on the percentage of second homes or holiday homes in any given community; provide stronger and more explicit guidance on undertaking language impact assessments; and give specific support to young people to enable them to stay in their communities.<sup>112</sup>

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<sup>108</sup> Written evidence, [SH11, Snowdonia National Park Authority](#)

<sup>109</sup> Written evidence, [SH08, Llansteffan and Llanybri Community Council](#)

<sup>110</sup> Additional written evidence, [SH16a, Dyfodol i'r laith](#)

<sup>111</sup> Written evidence, [SH33, Cymdeithas yr laith](#)

<sup>112</sup> Written evidence, [SH33, Cymdeithas yr laith](#)

**145.** Opposition to the proposal for a commission also came from Hay Town Council who said that establishing a commission could be a form of discrimination that might bring unintended consequences.<sup>113</sup>

**146.** The Home Owners of Wales Group is also opposed to a commission. It does not believe that second homes negatively impact the Welsh Language, stating that:

*"any assumption that these homes dilute the Welsh Language is unproven in Gwynedd. The current evidence suggests the opposite and that it is not a factor in threatening the preservation of the Welsh Language."*<sup>114</sup>

**147.** The Minister for Education and Welsh Language told us that the work of a commission will be "entirely different" from existing Commissioners.<sup>115</sup>

**148.** The Minister acknowledged that data on the effect of second homes directly on the Welsh language is "a challenging subject and is complex"<sup>116</sup>. He explained that a commission would also be expected to address the lack of data:

*"They will need to look at the results of the census this year and assist us as a Government in responding to that in terms of the trajectory of 'Cymraeg 2050' in general, and develop a model that will dovetail with this idea of areas of linguistic sensitivity, namely, not a Gaeltacht, where you have specific boundaries, but communities across Wales that are in a different place in their journey in terms of their relationship with the Welsh language. That enables us as a Government, if there is an evidence base that is dependable, to enable different policy interventions in different communities."*<sup>117</sup>

## **Our view**

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**149.** We are concerned by the evidence that high numbers of second homes, particularly in Welsh speaking heartlands, is having a detrimental impact on the number of Welsh speakers and on the viability of Welsh as a community language in those areas. We therefore welcome the commitment by the Welsh Government in responding positively to Simon Brooks' recommendation to establish a commission on Welsh-speaking communities. However, we note the comments and concerns raised by stakeholders that there are already mechanisms in place

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<sup>113</sup> Written evidence, [SH36, Hay Town Council](#)

<sup>114</sup> Written evidence, [SH15, Home Owners of Wales Group](#)

<sup>115</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p58

<sup>116</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p90

<sup>117</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p58

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and that such work should already be underway. We would welcome clarity on how a commission will work with and enhance the work of the Welsh Language Commissioner.

**150.** We acknowledge that definitive data on the correlation between communities with high numbers of second homes and the number of Welsh speakers needs to be improved in order to fully understand the changes in language use, and we hope that data from the 2021 Census will help this. We welcome the fact the Minister for Education and Welsh Language has confirmed that an aim of a commission will be to address gaps in the data in order to provide a clearer assessment of the situation.

**Recommendation 11.** The Welsh Government should provide clarity on how a commission on Welsh speaking communities would work with and enhance the work of the Welsh Language Commissioner.

**Recommendation 12.** The Welsh Government should ensure a commission on Welsh speaking communities prioritises obtaining improved data on the correlation between communities with high numbers of second homes and the number of Welsh speakers, starting with analysing the 2021 census as a matter of urgency.

## Impact of Brexit and the Covid-19 pandemic

**151.** Professor Nick Gallent suggested that the number of second homes may “creep up” as a consequence of Brexit, particularly due to “the tendency to reshore second home investment portfolios here in the UK because of the difficulties of spending long periods in Europe, or the visa restrictions”.<sup>118</sup>

**152.** Although we heard limited evidence on the impact of Brexit, a number of consultation responses noted the potential impact of Covid-19 and the move to homeworking increasing demand for homes in some areas.

**153.** Dr Bob Smith of Cardiff University noted:

*“There is also at least anecdotal evidence that the covid-19 pandemic, and the increase in working from home for some households, has added to the demand for housing in some more rural/coastal locations (placing additional pressures on affordability).”<sup>119</sup>*

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<sup>118</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p103

<sup>119</sup> Written evidence, [SH12, Dr Bob Smith, Cardiff University](#).

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**154.** Similarly, Snowdonia National Park Authority commented that it is thought the Covid-19 pandemic and Brexit have accelerated current trends, meaning that more homes are being purchased as second homes or rented as holiday homes, leading to an increase in prices and local competition for homes.<sup>120</sup>

**155.** Gwynedd Council also told us that it appeared “the impacts of the pandemic have highlighted issues related to holiday accommodation even further”<sup>121</sup> and that it would welcome further research on the impact of the pandemic and people moving from urban to rural areas.<sup>122</sup>

### **Our view**

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**156.** We note that the evidence we heard around the impact of Brexit and the pandemic on the number of second homes is anecdotal. However, it is a fair assumption that the increase in the number of people regularly working from home and the demand for holidays in Wales has or will result in more people buying property in rural and coastal locations. We would like to see greater research conducted on the broader impact of Brexit and the pandemic, including the impact of more holidays being taken in Wales, on housing trends.

**Recommendation 13.** The Welsh Government should commission research on the impact of Brexit and the Covid-19 pandemic on housing trends to assess the scale of movement from urban to rural and coastal areas.

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<sup>120</sup> Written evidence, [SH11, Snowdonia National Park Authority](#)

<sup>121</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p101

<sup>122</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p201

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## 5. National, Regional and Local policy

Simon Brooks' report argued that public policy for second homes should allow for local and regional policy variation.

### Develop regional and local variation in public policy

**157.** Simon Brooks recommended in his report:

*"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."<sup>123</sup>*

**158.** We heard from Professor Nick Gallent that he favoured a national approach to taxation interventions and that local interventions need to be evidence based.<sup>124</sup> Professor Mark Tewdwr-Jones added that it is important to "differentiate between the financial tools, the housing policy and the planning policy". Professor Tewdwr-Jones elaborated, stating that the Welsh Government's **Future Wales: The National Plan 2040** and **Planning Policy Wales** enable local responses through the planning system and that he would "encourage local planning authorities to take a much more proactive line in gathering the evidence base of local change across all aspects of things that are affecting individual communities".<sup>125</sup>

**159.** We heard from Gwynedd Council about the localised approach it has taken in some communities. Representatives from Gwynedd Council referred to its **local market housing policy**, which is operational in specific areas within the county where there is high density of second homes and short-term let accommodation, including Beaumaris and Abersoch. Local Market Housing is defined in the Gwynedd and Anglesey Joint Local Development Plan as:

*"Housing units either to rent or that are for sale within the defined settlements listed in Policy TAI 5. A planning mechanism, e.g. a planning condition, is used to control the occupancy of a house to households that*

<sup>123</sup> Dr Simon Brooks, *Second homes: developing new policies in Wales*, Recommendation 1

<sup>124</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p100 - 101

<sup>125</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p105 - 106

*have a specific local connection but a mechanism is not used to control the price of the house."*

**160.** We heard that the process of gathering evidence to implement the policy was "quite burdensome" on the authority and that further guidance within *Planning Policy Wales* on setting out local market housing policies would be beneficial.<sup>126</sup>

**161.** Simon Brooks recommended that consideration should be given to extending its use to other parts of Gwynedd, Anglesey and across Wales:

*"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."*<sup>127</sup>

**162.** The Anglesey and Gwynedd Joint Planning Policy Service report, *Managing the use of dwellings as holiday homes*, recommended effective implementation of planning policy on a local level. The research notes that 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".<sup>128</sup> We were told by Gwynedd Council:

*"There are examples of policies that could be developed, including expanding the local housing market plan that already exists within the joint Gwynedd and Anglesey local development plan."*<sup>129</sup>

**163.** Cymdeithas yr Iaith suggested that such a scheme should apply to all properties that come on the market in an area, not just newbuilds.<sup>130</sup> Undod made the same suggestion.<sup>131</sup> Barmouth Town Council, on the other hand, said it needed more evidence to say whether the Local

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<sup>126</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p145

<sup>127</sup> Dr Simon Brooks, *Second homes: developing new policies in Wales*, Recommendation 9

<sup>128</sup> Anglesey and Gwynedd Joint Planning Policy Service, *Managing the use of dwellings as holiday homes*, p10.42

<sup>129</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p117

<sup>130</sup> Written evidence, [SH33, Cymdeithas yr Iaith](#)

<sup>131</sup> Written evidence, [SH40, Undod](#)

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Market Housing Scheme in Gwynedd and Anglesey had made a difference; it also queried how many homes had been sold.<sup>132</sup>

**164.** Although RICS said that it would support a decision to protect new homes, it voiced caution:

*"given the limited number of new build properties expected in these communities, this might shift second home buyer and holiday-let interest into an even smaller market – resulting in increased competition and values."*<sup>133</sup>

**165.** Adra suggested further data would be useful, and the impact that occupancy restrictions had on the "smooth flow of housing sales transactions."<sup>134</sup>

**166.** Grŵp Cynefin noted it was aware of people experiencing difficulties accessing mortgages where occupancy restrictions, imposed through a section 106 agreement, are in place. It advocated discussions between the Welsh Government and lenders.<sup>135</sup>

**167.** Barcud called for planning guidance from the Welsh Government to be strengthened to support or facilitate the process of extending the local market housing scheme or similar policies.<sup>136</sup> Snowdonia National Park Authority echoed calls for Welsh Government guidance to be strengthened to support local market housing schemes. It also suggested that the Welsh Government should ensure that Banc Cambria offers mortgages that support homes with local section 106 obligations attached to them to overcome any barriers to the provision of local market housing for the benefit of our rural communities.<sup>137</sup>

**168.** Conwy County Borough Council noted that its existing affordable housing has local ownership restrictions in place, linked to affordable eligibility criteria and are also prevented from being used as second or holiday homes. Conwy is proposing a new policy approach through its Replacement Local Development Plan ("RLDP"). This will apply a local ownership restriction in some parts of the county. However, given it will only apply to new build properties, and the council said it will have a "limited impact".<sup>138</sup>

**169.** Gwynedd representatives also discussed having a 'main residence' condition for new-build homes in some communities, as used in St Ives and highlighted by Simon Brooks. While they

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<sup>132</sup> Written evidence, [SH07, Barmouth Town Council](#)

<sup>133</sup> Written evidence, [SH46, RICS](#)

<sup>134</sup> Written evidence, [SH26, Adra](#)

<sup>135</sup> Written evidence, [SH29, Grŵp Cynefin](#)

<sup>136</sup> Written evidence, [SH13, Barcud Cyf](#)

<sup>137</sup> Written evidence, [SH11, Snowdonia National Park Authority](#)

<sup>138</sup> Written evidence, [SH38, Conwy County Borough Council](#)

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told us this could also be implemented at a local level, the impact of such a policy was likely to be limited given few new-build homes are used as second or holiday homes. However, they supported the principle of having national policy with local flexibility.<sup>139</sup> Whilst recognising the need for consistency across Wales, they said that systems should have enough flexibility to allow local authorities to implement policies should there be sufficient evidence to demonstrate the need for local intervention.<sup>140</sup>

**170.** We heard town council representatives call for a greater role for town councils in determining policy at a local level. Cllr Jeff Smith of Aberystwyth Town Council told us that “town and community councils feel that they don’t have sufficient power over the planning system.” Cllr Smith added:

*“Decisions are made on higher levels, and sometimes it feels as though they are far away and removed from local people, and that’s where this subsidiarity principle comes in. I think that many town and community councils would welcome having more of a say in terms of policy, but also in terms of decisions, as you mentioned, and how we deal with planning applications.”<sup>141</sup>*

**171.** Cllr Jano Williams said that the Welsh Government should enable planning authorities to treat individual communities differently based on their own needs:

*“Pembrokeshire has got many different kinds of communities, with very many different needs and different solutions, but we have this one-size-fits-all solution at the moment that, in order to finance the affordable housing, you finance it with market housing. That is the rule. The proportions are fixed. And this is what is actually devastating our town.*

...

*The local community has to have more power and a closer relationship with the planners, because at the moment the power lies with the developers. The developers can push and push and push and push, and they get their way, and the town councils can do nothing, and the community gets angry. [...] So, putting power into the local communities and the town councils taking the lead in those communities is absolutely essential to all of this.”<sup>142</sup>*

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<sup>139</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p139 - 146

<sup>140</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p1148

<sup>141</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p71

<sup>142</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p75 - 77

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**172.** Propertymark also felt that a national framework with local flexibility is needed:

*"I think there has to be the framework, starting with the Government, and then local authorities being allocated powers. I think everybody realises that it's not a one-size-fits-all, so, throughout the country, you can't have a national policy; there needs to be some kind of flexibility, I would say, and local authorities being handed these powers."*<sup>143</sup>

**173.** The UKSTAA shared this view. It said:

*"our preferred approach is for a national-level baseline accompanied by optional additional measures—again set at the national level—which can be applied where there's clear evidence of their need. And in such cases, local authorities should have to present evidence of the necessity of additional measures and seek permission from the national authorities."*<sup>144</sup>

**174.** RICS said that taking decisions at an "ultra" local level such as at community council level would take "an incredible amount of resource."<sup>145</sup>

**175.** The Minister for Education and Welsh Language noted that, depending on the type of intervention, local authorities should have responsibility for implementation in some areas. Responding to a question on what more the Welsh Government can do to support local authorities on the issue of second homes, the Minister said:

*"Well, it depends what you mean, in terms of what intervention you want to make. There are things that we could do on a national level. [ ] There is a diversity, isn't there, across Wales in terms of the impact of second homes, for example, and in order to reflect the local circumstances, I think it should be the responsibility of local government to do that."*<sup>146</sup>

**176.** The Minister for Climate Change told us of the importance of enabling local authorities "to do what works for them in their area", and that the Welsh Government was "trying to develop a suite of policies that give people the levers locally to understand what the issue is locally and what will solve it."<sup>147</sup> The Minister went on to say:

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<sup>143</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p79

<sup>144</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p82

<sup>145</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p75

<sup>146</sup> Local Government and Housing Committee, Record of Proceedings, 23 March 2022, p52

<sup>147</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p132

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*"We need to look at those kinds of levers for second homes and holiday lets in areas where they are a problem, without discouraging them where they're not a problem, because, actually, they also bring vibrancy, jobs and so on."<sup>148</sup>*

## **Our view**

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**177.** We note that most witnesses supported a degree of local flexibility so that policy implementation can be tailored to local circumstances.

**178.** Many witnesses discussed recommendation nine from Dr Brooks, relating to local market housing schemes. We note that this does not require any legislative changes; such schemes already operate in parts of Gwynedd and Anglesey and could be used elsewhere if the circumstances warrant it. However, we also note some of the evidence we received suggested schemes restricting occupation of new build homes to local people can have limited impact in the rural and coastal communities we have focused our inquiry on, given the relatively low number of new homes being built. Furthermore, we heard that new-build homes are not generally sought-after as second or holiday homes in those areas.

**179.** We note the evidence we heard favoured greater local involvement in influencing policies to ensure they meet communities' needs. We agree with this principle and believe that policies should be flexible and tailored to take account of local needs and circumstances. We recognise the merits of a national framework to ensure consistency across Wales, however we also recognise that this should have sufficient flexibility to implement policies in ways that best meet the requirements of individual communities.

**180.** We believe that local authorities are best placed to implement local measures. We acknowledge the call for greater involvement by town and community councils in the implementation of policies, however we appreciate the significant resource and expertise required to implement this effectively. The voice of town and community councils needs to be heard, and we were concerned to hear that they felt helpless in trying to prevent unwanted development. We therefore believe that town and community councils should have a greater role in influencing how policies addressing second homes and holiday homes are implemented by local authorities. To achieve this, we see an opportunity for greater collaboration and involvement between local authorities and town and community councils in accordance with the sustainable development principle in the Well-being of Future Generations Act. We note that Public Service Boards are currently preparing new local Well-being Plans and see this as an

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<sup>148</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p151

opportunity to reflect concerns about second and holiday homes, and also wider related issues such as the availability of affordable housing.

**181.** Where opportunities to test local policy flexibility are taken forward as part of the Dwyfor pilot, it will be crucial to ensure they are properly evaluated so there is a robust evidence base ahead of any wider roll-out.

**182.** There are a number of Rural Housing Enablers working across Wales. They are an invaluable resource and are in a good position to understand the needs of the communities in which they operate. They can gather evidence and provide a valuable insight into how policies could impact their specific areas. We believe it would be beneficial for Rural Housing Enablers to have a greater input when policies are being designed.

**183.** We note that the Welsh Government published updated **Local Housing Market Assessment (LHMA) guidance** in March 2022 and that the impact of second homes, and implications for the Welsh language, will be part of those assessments. We welcome the emphasis in the guidance on a collaborative approach in producing these LHMA's. It is important that local authorities engage with key stakeholders such as Rural Housing Enablers and there should also be meaningful engagement with community groups and other local organisations when developing a LHMA. We see a role for town and community councils in that process.

**184.** Regional Strategic Development Plans will be developed by Corporate Joint Committees and will sit between Local Development Plans at local authority level and the national development framework, *Future Wales*<sup>149</sup>, at a national level. It is important that all these plans reflect the potential impact of second homes and short-term holiday lets on our communities.

**Recommendation 14.** The Welsh Government should ensure the Dwyfor pilot is subject to thorough independent evaluation to inform future national, regional and local policy.

## **Controlling the number of second homes**

**185.** Simon Brooks recommended:

*"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."<sup>150</sup>*

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<sup>149</sup> Welsh Government, *Future Wales: The National Plan 2040*

<sup>150</sup> Dr Simon Brooks, *Second homes: developing new policies in Wales*, Recommendation 2

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**186.** Setting a limit on the number of second homes was supported by many who responded to our consultation. Ceredigion County Council stated “it should also be possible to declare a maximum number of second homes in any community/area” and that “planning should allow this.”<sup>151</sup> Former Senedd candidate Dawn McGuinness also said there should be caps on numbers “not only within the county but also on a street.”<sup>152</sup>

**187.** As for the precise thresholds for second homes and holiday homes that would determine an intervention, Snowdonia National Park Authority suggested that the Welsh Government could amend national policy, possibly through a ‘Dear Chief Planning Officer’ letter, to enable Local Planning Authorities to formulate interim planning policies for second homes and holiday homes.<sup>153</sup>

**188.** Similarly Cymdeithas yr Iaith said that planning authorities should have the ability to impose a cap on the number of second homes and holiday accommodation and that they should have the flexibility to vary this cap within their local authority areas.<sup>154</sup>

**189.** Not all respondents who addressed this issue of caps were supportive. Barmouth Town Council asked “Who determines how many homes is *too many*”?<sup>155</sup> It was also noted that there could be challenges in identifying what that limit should be, and the ‘threshold’ that affects community sustainability. While supporting the recommendation in Simon Brooks’ report regarding caps on numbers of second homes, the Snowdonia Society said it also noted the author’s concerns over “unintended consequences”.<sup>156</sup>

**190.** Adra said that restrictions to curb the number of second homes need to be “complemented with policies that increase access to more affordable homes in those affected communities” and which also increase the wealth of people living in those affected communities and those who wish to remain living there.<sup>157</sup>

**191.** RICS said it was “important to acknowledge exactly what could and could not happen by controlling the number of second homes.” It noted that many communities already had significant numbers of second homes, therefore new measures “will likely only have a minimal

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<sup>151</sup> Written evidence, [SH06, Ceredigion County Council](#)

<sup>152</sup> Written evidence, [SH30, Dawn McGuinness](#)

<sup>153</sup> Written evidence, [SH11, Snowdonia National Park Authority](#)

<sup>154</sup> Written evidence, [SH33, Cymdeithas yr Iaith](#)

<sup>155</sup> Written evidence, [SH07, Barmouth Town Council](#)

<sup>156</sup> Written evidence, [SH34, Snowdonia Society](#)

<sup>157</sup> Written evidence, [SH26, Adra](#)

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impact on communities already witnessing significant levels of second home ownership today.”<sup>158</sup>

**192.** The potential difficulties in identifying a threshold were also noted by Llansteffan and Llanybri Community Council who said they “recognise that there may be some difficulty in determining the toleration level and that this may vary between purchased and inherited property.”<sup>159</sup>

**193.** Newport (Pembrokeshire) Town Council recognised the “essential part [holiday homes] play in the economy of Newport”. However, it also said that “there is a discussion to be had about how many there should be and whether there is a tipping point.” It noted house prices in Newport were already out of reach for many.<sup>160</sup>

**194.** The Bro Machno Housing Partnership said:

*“There are 446 household spaces in Bro Machno, but with over a third of the houses now being unavailable for the next generation the threshold of community viability is rapidly approaching.”<sup>161</sup>*

## **Our view**

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**195.** It is clear from the evidence we heard that many communities affected by a high number of second homes are calling for a cap on numbers to be implemented. Some communities may already have a large proportion of second and holiday homes threatening community sustainability, and others could soon reach that point if there is no government intervention. However, it is also clear that some communities derive economic benefits from the visitor economy so it is important that interventions, through the tax and planning systems in particular, are made in such a way so as to avoid unintended consequences. This includes not simply displacing the problem to neighbouring areas.

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<sup>158</sup> Written evidence, [SH46, RICS](#)

<sup>159</sup> Written evidence, [SH08, Llansteffan and Llanybri Community Council](#)

<sup>160</sup> Written evidence, [SH27, Newport Town Council](#)

<sup>161</sup> Written evidence, [SH02, Bro Machno Housing Partnership](#)

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## 6. Taxation

Simon Brooks made a number of recommendations relating to the use of taxation measures to alleviate pressure on the housing stock.

**196.** Representatives from the local government sector told us they believe that taxation measures were key to increasing the amount of revenue collected locally and to act as a disincentive to purchasing a second home.<sup>162</sup>

**197.** RICS voiced a different viewpoint, commenting that increasing taxes would not reduce the number of second homes:

*"when we're talking about second home owners, when we're talking about holiday let home owners and the demographics of these people, these are people with above average levels of disposable income. So, paying 100 per cent more council tax or higher rates of transaction tax or removing business rates relief—business rates relief, admittedly, is a separate argument to have here—you've got to think what is the actual impact of it. Being honest, I don't think this is going to disincentivise many second home owners or put off people wanting to purchase a second home. What it might do is shut out a few, but those homes will go to second home owners with an even higher level of disposable income. So, I don't think it's going to disincentive people from purchasing their second home; I think you just get a different demographic of individuals moving into those properties."<sup>163</sup>*

### Council Tax Premium

**198.** Local authorities in Wales have discretionary powers to charge higher rates of council tax in respect of second homes. Currently, the maximum increase is an additional 100 per cent of the standard council tax charge, i.e. a 100 per cent council tax premium. Simon Brooks recommended:

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<sup>162</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p95, 96, 99

<sup>163</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p97

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*"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%."*<sup>164</sup>

**199.** During the inquiry, the Welsh Government **announced** that it intended to increase the maximum council tax premium from 100 per cent to 300 per cent from April 2023. This applies to empty properties and second homes. The Motion to approve the Council Tax (Long-term Empty Dwellings and Dwellings Occupied Periodically) (Wales) Regulations 2022 was **agreed by the Senedd on 22 March 2022**.

**200.** Guidance issued by the Welsh Government in 2016 states:

*"A local authority will be able to retain any additional funds generated by implementing the premiums and amendments to the calculation of the tax base will be made to facilitate this. However, authorities are encouraged to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premiums."*<sup>165</sup>

**201.** We heard that Gwynedd Council charges the maximum 100 per cent premium and allocates the whole of the revenue raised through the council tax premium towards supporting its Housing Action Plan. Cllr Dafydd Meurig told us that despite using all of the revenue collected from the premium, it is not sufficient to tackle the problem. He said:

*"we are talking, on an annual basis, between £2.5 million and £3 million comes from that premium. Well, that's not going to build many affordable homes compared to what's been lost from the stock, so we're doing what we can under the circumstances, and it is a priority of ours, but we're not going to be able to tackle the shortage of affordable housing through that mechanism alone."*<sup>166</sup>

**202.** Professor Nick Gallent commented on needing to change the view of council tax being a charge for local services only to also being an "impact" charge:

*"I personally think that it would be beneficial to make it clear that council tax can be for services used or impact caused. And that goes back to local evidence to show that this pattern of consumption by second home owners is having a detrimental impact on rural communities, which are being costed*

<sup>164</sup> Dr Simon Brooks, *Second homes: developing new policies in Wales*, Recommendation 6

<sup>165</sup> Welsh Government, *Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales*, paragraph 58

<sup>166</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p122

*within this council tax, perhaps renamed, or perhaps with an element bolted on which is more of an impact charge.*<sup>167</sup>

**203.** Professor Gallent added that he would like to see further research undertaken on “the way in which these tax interventions affect the pattern of housing consumption in rural areas.”<sup>168</sup> He went on to say that research should also assess the impact that short-term lets have on established businesses like bed and breakfasts; and the economic impact of second homes, whether they are supporting the local economy.<sup>169</sup>

**204.** The potential to implement a 300 per cent council tax premium was described as “punitive” by Jonathan Morrison of the Home Owners of Wales Group. Mr Morrison told us that “the vast majority” of his membership “can’t afford 200 per cent council tax, let alone 300 per cent”. He added that “what would be fair is one council tax, one property”.<sup>170</sup>

**205.** The Minister for Climate Change stressed that implementing a 300 per cent premium was not a mandate from the Welsh Government. We heard from the Minister that the purpose of allowing local authorities to impose a premium, rather than the Welsh Government imposing it, was to ensure that each authority gets “gets the evidence base together to understand what impact that would have in its local area.” The Minister added:

*“One of the reasons that we’re keen on running a pilot with Gwynedd Council is to understand what that evidence base looks like and how much effort for the local authority it is to get it together, and also what enforcement and other provisions look like afterwards.”*<sup>171</sup>

**206.** The Minister did not anticipate that “very many” places in Wales would implement a 300 per cent premium, stating that some may wish to if they believe their communities are unsustainable, however areas of Wales where there are few second homes would be unlikely to do so, adding:

*“what we’re trying to do here is give people the levers that will help them to solve the problem in their area, and they’re very different problems in different areas.”*<sup>172</sup>

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<sup>167</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p124

<sup>168</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p126

<sup>169</sup> Local Government and Housing Committee, Record of Proceedings, 17 November 2021, p130

<sup>170</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p135

<sup>171</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p162

<sup>172</sup> Local Government and Housing Committee, Record of Proceedings, 11 May 2022, p162

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## Our view

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**207.** Although some Members have concerns about local authorities being able to charge a premium of up to 300 per cent council tax on second homes, the Motion to approve the necessary regulations has been agreed by the Senedd. Increasing the maximum premium to 300 per cent will enable local authorities to collect a significant amount of revenue for their own use, however it will be a decision for individual authorities as to whether they charge a premium. We welcome the retention of this discretion for local authorities to decide whether to implement a premium based on the needs of their local areas.

**208.** We are aware that Gwynedd Council has committed to using the revenue it currently collects to fund housing projects, and whilst we welcome this approach, we support giving local authorities discretion as to how to use any additional revenue. Although the guidance issued by the Welsh Government encourages local authorities to use the revenue for housing purposes, we agree that any decisions should be made by individual authorities, as is currently the case.

## Short-term holiday accommodation and business rates

**209.** Gwynedd Council told us that, since the introduction of the council tax premium, a number of properties previously regarded as second homes, changed their classification to short-term lets. As a result, these properties have been subject to non-domestic rates (commonly known as business rates) rather than council tax. Owners of many self-catering lets who are liable to pay business rates will generally be able to claim Small Business Rates Relief. We heard:

*"one characteristic pattern that's emerged since the introduction of the council tax premium is the slow transfer in the number of homes that are transferring over to pay non-domestic business rates. Since the introduction of the premium originally back in 2018, the number of second homes across Gwynedd has fallen, with the number of holiday accommodation paying non-domestic rates increasing. As is noted in the research, back in June 2018 there were 5,100 second homes in Gwynedd and 1,193 self-catering holiday lets that were paying non-domestic business rates. By October this year, the number of second homes has reduced to a rate of 4,713 and the number of units paying non-domestic rates has increased to 2,448."<sup>173</sup>*

**210.** Simon Brooks recommended that:

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<sup>173</sup> Local Government and Housing Committee, Record of Proceedings, 1 December 2021, p107

*"The Welsh Government should consult on the possibility of making short-term holiday accommodation exempt from being eligible for small business rates relief."<sup>174</sup>*

**211.** The Welsh Government announced on 2 March 2022 its intention that, through the Non-Domestic Rating (Definition of Domestic Property) (Wales) Order 2022, from April 2023, properties will have to be available for let for 252 days a year (up from the current 140 days) and actually let for 182 days (up from the current 70 days). A **consultation on the Draft Order** closed on 12 April 2022. In making the announcement, the Minister for Finance and Local Government stated:

*"Increasing the thresholds will provide a clearer demonstration that the properties concerned are being let regularly as part of genuine holiday accommodation businesses and are making a substantial contribution to the local economy."<sup>175</sup>*

**212.** Cllr Dyfrig Siencyn told us that it is currently "too easy a process" to change from being a second home to being a short-term let, adding that the money that would have been payable to the local authority is lost to the public purse. He made it clear that the position of Gwynedd Council is that it should not be possible to move a residential dwelling from the council tax list to the non-domestic rates list. Those properties would always be liable for council tax (and any premium) if that was the case. He said:

*"I don't believe that second homes or holiday accommodation should have any kind of tax relief. But I think that the solution is, as we've proposed, to revise section 66 of the local government Act so that every dwelling, without exception, pays council tax and any premium that a local council decides to levy. So, any dwelling that hasn't received planning permission for another use—every dwelling—should pay council tax. So, that means there is no question with regard to how many days the property is let, and the valuation office doesn't come into it."<sup>176</sup>*

**213.** Cllr Rhys Tudur told us that the current qualification criteria for business rates was too low:

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<sup>174</sup> Dr Simon Brooks, *Second homes: developing new policies in Wales*, Recommendation 7

<sup>175</sup> Welsh Government, Cabinet Statement, *Summary of responses: consultation on local taxes for second homes and self-catering accommodation*, 2 March 2022

<sup>176</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p96

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*"In my view, holiday accommodation should be accommodation that is used for over 200 days a year, or more possibly, so that that is a minimum."*<sup>177</sup>

**214.** Cllr Tudur added that it "allows, perhaps, a family who actually uses it as a summer home, for example, to get tax relief because of that use."<sup>178</sup> He also believed that any property previously classed as a primary residence should be unable to change its classification to non-domestic business rates.<sup>179</sup>

**215.** The Welsh Language Commissioner's office said that changes to taxation could have a positive impact on the Welsh language:

*"if changes to the local taxation system meant fewer houses being changed into second homes or self catering accommodation, and if more local people were able to rent or buy those houses, the steps being considered by the Government could have a positive impact on the Welsh language."*<sup>180</sup>

**216.** The UKSTAA is of the view that short-term lets should not be treated as a category on their own, but rather the nature of their use should be considered. According to The UKSTAA:

*"There's an existing precedent for this in tax law. Any home that is let out for 140 nights in a year or more we believe should be classified as a business, as is the case in tax law, and they should be subject to business regulations, business rates et cetera. And homes that are let out for less than that should be classified as homes irrespective of whether they're primary or secondary homes."*<sup>181</sup>

**217.** In additional written evidence to us, the WTA, UKHospitality Cymru and PASC Wales branch commented that the increases announced by the Welsh Government "came as a shock to the tourism industry in Wales". They state that the consultation carried out by the Welsh Government between 25 August and 17 November 2021 "only secured **nine** responses which agreed with the proposal of 182 days" and that the majority of respondents proposed an increase to 105 days occupancy. The organisations therefore recommended a threshold of 105 days occupancy. Based on survey responses they received from "almost a quarter of Wales's estimated 6000 self-catering operators", they state:

<sup>177</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p64

<sup>178</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p64

<sup>179</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p100

<sup>180</sup> Written evidence, [SH37, Welsh Language Commissioner](#)

<sup>181</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p41

*"the proposal to raise the thresholds will cause genuine hardship, particularly to those families whose properties are restricted to commercial use only."*

**218.** The organisations go on to say:

*"The evidence we have collated, from over 1500 responses, demonstrates the disproportionate and damaging economic impact the proposed new occupancy threshold will have on the self-catering sector, both on individual livelihoods as well as collectively on communities.*

*It also demonstrates that a change that applies across the whole of Wales will not achieve the Welsh Government's stated aim of achieving a greater pool of affordable housing in those communities where a high proportion of second homes has contributed to purchase prices beyond the reach of local people."*

**219.** The organisations highlighted a specific concern for short-term let properties that are restricted by planning permission from being used as permanent homes:

*"Policy consultation clearly outlined the policy objectives, none of which have any bearing on properties that are legally unable to be used as permanent accommodation, such as properties restricted by planning conditions to holiday only use. Whilst planning is a different area to taxation, Welsh Government have a duty to consider the presence and impacts of the market and wider legislation. Welsh Government have shown no evidence linking such properties to the stated policy objectives. There is therefore no reasonable justification for including such properties within the scope of this legislation."<sup>182</sup>*

**220.** The Minister for Finance and Local Government confirmed in a written statement on 24 May that the Welsh Government will proceed with the Non-Domestic Rating (Definition of Domestic Property) (Wales) Order 2022 as drafted. The Minister confirmed that the Order will come into force on 14 June 2022 and have practical effect from 1 April 2023, applying the amended criteria from that day onwards. The statement notes:

*"The Welsh Government recognises that some self-catering properties are restricted by planning conditions preventing permanent occupation as someone's main residence. The Council Tax (Exceptions to Higher Amounts)*

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<sup>182</sup> Written evidence, [SH10a, additional information from Wales Tourism Alliance, UKHospitality and PASC Wales Branch](#)

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*(Wales) Regulations 2015 provide for an exception from a council tax premium for properties restricted by a planning condition preventing occupation for a continuous period of at least 28 days in any one-year period. In light of the changes we are introducing to the letting criteria, I am also exploring whether further amendments to these regulations are necessary in advance of the changes taking practical effect.*

*I will also be issuing revised guidance to local authorities on additional options that are available in the event that self-catering properties restricted by planning conditions do not meet the letting criteria.*<sup>183</sup>

## Our view

**221.** We heard that an increasing number of properties are switching from a council tax classification to business rates and are subsequently eligible for rate relief, meaning that many do not pay any form of local taxation. We acknowledge the different viewpoints we heard on this, ranging from those who felt that a residential property should always be liable for council tax to those who saw no problem with genuine self-catering businesses paying business rates and subsequently claiming any reliefs they were entitled to.

**222.** The increased letting thresholds announced by the Welsh Government during our inquiry go further than the witnesses we heard from suggested. Moreover, we note that, the Welsh Government will be going further than many of the respondents to its own consultation had suggested.

**223.** We welcome the commitment from the Welsh Government to address the issue of switching between classifications. However, we note the concern raised around the impact on properties which are restricted by planning conditions from being used as permanent homes. We note the statement by the Minister for Finance and Local Government that the Welsh Government will explore whether further amendments to the Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015 are necessary and that the Minister has committed to issuing revised guidance to local authorities on additional options that are available in the event that self-catering properties restricted by planning conditions do not meet the letting criteria.

## Land Transaction Tax

**224.** Land Transaction Tax ("LTT") replaced Stamp Duty in Wales on 1 April 2018. Rates of LTT payable are determined by the purchase price of a property. Higher rates of LTT apply in some

<sup>183</sup> Welsh Government, Cabinet Statement, [The classification of self-catering accommodation for local tax purposes](#), 24 May 2022

circumstances, as an additional percentage of the purchase price over and above the main residential rate. This includes where an individual buys a property that is not to be their main residence. The higher rate was increased from 3 per cent to 4 per cent in December 2020.

**225.** Data collected by the Welsh Revenue Authority allows an approximation of how many properties were bought by individuals where the property was not to be used as their own main residence. This data includes buy-to-let investment properties as well as properties that may be classed as second homes or holiday lets, but excludes purchases by companies and bridging cases.

**Table 2: Approximate percentage of residential transactions where property was bought by an individual and was not to be a main residence, 2020-21**

Area	Percentage of all residential transactions
Flintshire	12%
Monmouthshire	12%
Torfaen	13%
Newport	13%
Caerphilly	13%
Neath Port Talbot	14%
Wrexham	14%
Vale of Glamorgan	15%
Powys	15%
Denbighshire	15%
Bridgend	15%
Cardiff	15%
Carmarthenshire	16%
Merthyr Tydfil	16%
Wales	17%
Ceredigion	17%
Rhondda Cynon Taf	17%

Area	Percentage of all residential transactions
Swansea	18%
Blaenau Gwent	19%
Conwy	20%
Pembrokeshire	24%
Isle of Anglesey	27%
Gwynedd	31%

**Source: Welsh Revenue Authority**

**226.** Simon Brooks recommended that “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”. In order to achieve this, he suggested:

*“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.”<sup>184</sup>*

**227.** On 20 December 2021, the Welsh Government published a consultation document, ***Second homes: local variation to land transaction tax rates***. The consultation is focused on possible changes to LTT “to support other work to manage the impact of second homes and short-term holiday lets.” The consultation document notes that the aim of these potential changes would be to contribute to policy outcomes not to increase revenues. The consultation closed on 28 March 2022.

**228.** Cllr Rhys Tudur told us that LTT “is the strongest and most powerful tool for the effective regulation of second homes”, he elaborated:

*“What land tax offers is a kind of disincentive for people from buying a holiday home and seeing it as an investment. If the land tax is going to be put forward specifically for those people who buy homes with a view to using*

<sup>184</sup> Dr Simon Brooks, *Second homes: developing new policies in Wales*, Recommendation 8

*them as holiday accommodation or a second home, then it will make all the difference."*

**229.** Cllr Tudur commented that the Welsh Government's consultation on LTT is "very significant" because:

*"there is an even higher rate being proposed for those who buy a house with a view to using it as holiday accommodation or a second home. And, if they buy with the intention of using a property as a permanent dwelling but then in future use it as a second home or a holiday home, they will be included in the higher rate of tax. I think that's a very good idea, and it will decrease the rate at which second homes and holiday homes are being purchased at present."*<sup>185</sup>

**230.** Conversely, PropertyMark did not believe that increasing the higher rate of LTT would deter many buyers:

*"It doesn't seem to be putting many purchasers off. Just having a quick look at the last figures, from October to December 2021, £28.3 million was brought in just from the higher residential tax rates, so that's people buying additional properties—I won't call them homes—additional properties, which is a 52 per cent increase on 2019. They didn't compare 2020 figures for the obvious reason."*<sup>186</sup>

**231.** We heard concerns from the NRLA that increasing the higher rate of LTT would be more likely to deter investors from purchasing property to let through the private rented sector than it would purchasers of second homes or investors in the short-term lettings market. It said:

*"It will affect investing choices, but it won't affect it if you're looking for a nice place elsewhere to live. It's less likely to affect your second home, but it's much more likely to affect whether you're going to invest in an area as a buy-to-let property. So, we need to encourage this. We need to look at mechanisms also about how we can encourage landlords either back to the private rental market—or why they bought purely for Airbnb in the first place."*<sup>187</sup>

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<sup>185</sup> Local Government and Housing Committee, Record of Proceedings, 26 January 2022, p101

<sup>186</sup> Local Government and Housing Committee, Record of Proceedings, 9 February 2022, p102

<sup>187</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p219

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**232.** The NRLA suggested a reduced rate of LTT for properties that are being bought to offer long-term rentals, adding:

*"we can put stipulations around that. So, ultimately, if they end up being moved to the short-term market within five years or whatever it is, then that's an amount that needs to be paid. [...] This is why we need to separate the distinctions, because at the moment, we're being all caught up together in whatever changes you're making without those distinctions."*<sup>188</sup>

**233.** Adra emphasised the importance of the private rented sector in ensuring a sustainable mix of affordable housing options in communities, adding a need to be "mindful of any indirect or direct impact from an intervention on that sector".<sup>189</sup>

**234.** Community Housing Cymru commented that it would like further detail on what level of data would be required to trigger the decision for a higher rate of LTT and further evidence that raising taxation in this way would act as a disincentive for second home ownership. It stated:

*"Where higher variable rates of LTT exist (dependent on the local authority), they should be used to fund housing solutions in that specific area."*<sup>190</sup>

## **Our view**

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**235.** We recognise the importance of taxation as a useful tool to address local housing pressures. It can act both as a means of disincentivising the purchases of second homes and properties for use in the short-term lettings market, and as an opportunity to raise additional revenue for affordable housing. We therefore welcome the consultation undertaken by the Welsh Government.

**236.** We also acknowledge the concerns raised by stakeholders that increasing the higher rate of LTT for all properties not purchased as a main residence could prevent potential landlords purchasing property for the private rented sector. We would be concerned at this unintended consequence, as ensuring a sufficient supply of long-term private rented sector properties is a crucial element of enabling people to secure stable homes in communities close to their families and work.

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<sup>188</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p220

<sup>189</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p229

<sup>190</sup> Written evidence, [SH35, Community Housing Cymru](#)

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**Recommendation 15.** The Welsh Government should work with the Welsh Revenue Authority to ensure that data on second homes and buy to let properties is clearly separated and available at a community level to help inform policy development.

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## 7. Changes to the planning system

Simon Brooks recommended a new use class for short-term holiday accommodation and trialling a new use class for second homes.

**237.** We have already noted how local planning authorities can place occupation restrictions on homes. In his report, Simon Brooks noted these existing policies could be used more widely but he also called for more fundamental changes that would enable tighter controls on how properties are used.

### Proposed new use classes

**238.** Simon Brooks' report made two recommendations relating to new planning use classes. Firstly he recommended the creation of a new use class for short-term holiday accommodation. He suggested that:

*"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."<sup>191</sup>*

**239.** Secondly, Simon Brooks recommended that the Welsh Government should trial a new use class for second homes. He said:

*"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."<sup>192</sup>*

**240.** On 23 November 2021, the Welsh Government launched a consultation on proposals to amend the development management system and planning policy in Wales to help local

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<sup>191</sup> Dr Simon Brooks, *Second homes: developing new policies in Wales*, Recommendation 10

<sup>192</sup> Dr Simon Brooks, *Second homes: developing new policies in Wales*, Recommendation 11

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planning authorities manage second homes and short-term holiday lets. The **consultation**, which ended on 23 February 2022, outlined proposals to:

- amend the Town and Country Planning (Use Classes) Order 1987 to create new use classes for 'Primary Homes', 'Secondary Homes' and 'Short-term Holiday Lets';
- make related amendments to the Town and Country Planning (General Permitted Development) Order 1995 to allow permitted changes between the new use classes for Primary Homes, Secondary Homes and Short-term Holiday Lets. These permitted development rights can be disapplied within a specific area by an Article 4 Direction made by a local planning authority; and
- amend Planning Policy Wales (PPW) to make it explicit that, where relevant, the prevalence of second homes and short-term holiday lets in a local area must be taken into account when considering the housing requirements and policy approaches in Local Development Plans (LDP). In addition, it makes clear where the local planning authority imposes an Article 4 Direction, a condition could be placed on all new dwellings restricting their use to primary residential where such conditions would meet the relevant tests.

**241.** Many of the responses to our consultation voiced support for new use classes. Community Housing Cymru noted that discussions with its members showed "a large consensus that changes to planning regulations would be the most effective solution in tackling second homes."<sup>193</sup>

**242.** The Snowdonia Society welcomed the recommendation to trial a change of use for second homes. It noted:

*"Whilst we share the author's concerns about creating a two-market housing system –and the likely legal challenges to such a move –we also note that there is little or no empirical evidence that this system would have a detrimental impact. We therefore support the report's recommendation to trial this approach in a community where there is majority support. Robust objective monitoring and evaluation of the trial would be essential."*<sup>194</sup>

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<sup>193</sup> Written evidence, [SH35, Community Housing Cymru](#)

<sup>194</sup> Written evidence, [SH34, Snowdonia Society](#)

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**243.** The WLGA Rural Forum was also supportive of new use classes for short-term holiday accommodation and said that its creation should be a priority.<sup>195</sup> Barcud saw an opportunity to link a new use class for second homes or holiday lets with affordable housing. It noted:

*"Where there is a new class of use for second homes being introduced for certain ward areas (or even micro locations within each ward), the need for social housing and affordable housing should also be considered and possible legislation should be introduced that is then protected in law, where this should then be contemplated at every change of use to holiday let or where it is known that a residential property is used as a second home."<sup>196</sup>*

**244.** The NRLA agreed planning permission should be required "to convert a dwelling house into a second home in some communities where there is a perceived problem with second homes." However, it also saw justification for exceptions so that PRS landlords could undertake short-term letting for short periods:

*"there should be a caveat for homes where their primary purpose is to be let on the private rented sector. This would enable PRS landlords to use their property as a short-term let to avoid the property from becoming void. This option should only be open for small periods of time and the primary purpose of the property should be as a private rented property. There is a concern that if PRS properties did not have this option, then PRS landlords could sell up and further reduce housing options for vulnerable people."<sup>197</sup>*

**245.** Cymdeithas yr Iaith, which is supportive of the new use classes, said that the Welsh Government's proposals do not "go far enough", stating that all houses should, by default, be primary residences:

*"if a second home or holiday accommodation were to go back on the market, we think that the default should be that that should be a primary residence. As we understand it from the Government's plans, that isn't part of the plan, so it doesn't go far enough."<sup>198</sup>*

**246.** We also received evidence from some who opposed Simon Brooks' recommendations, or who questioned how effective they might be. A second home owner who responded to the consultation said they did not agree with existing second homes being included within the

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<sup>195</sup> Written evidence, [SH43, WLGA Rural Forum](#)

<sup>196</sup> Written evidence, [SH13, Barcud Cyf](#)

<sup>197</sup> Written evidence, [SH14, NRLA](#)

<sup>198</sup> Local Government and Housing Committee, Record of Proceedings, 9 March 2022, p87

proposed changes.<sup>199</sup> Barmouth Town Council is also opposed to new use classes, stating that a new use class for second homes would lead to a “two-tier housing market with potentially negative consequences to a community”.<sup>200</sup>

**247.** Newport (Pembrokeshire) Town Council queried whether a new use class for second homes would make a difference given the value of properties in Newport and “would just increase the number of affluent retirees.”<sup>201</sup>

**248.** Snowdonia National Park Authority saw a role for local planning authorities to identify specific communities where second homes and holiday homes are having an impact on the language, culture and community fabric. It also highlighted that care must be taken to avoid shifting the problem from one area to another.<sup>202</sup>

**249.** The Home Owners of Wales Group was against the proposed changes to planning use classes.<sup>203</sup>

**250.** Propertymark referred to the pilot area and said it would provide helpful insight to planning changes. However, referring to research from Dr Tom Simcock, *Home or hotel? A contemporary challenge in the use of housing stock*, it said:

*“we remain sceptical about the ability of such an approach as it would be extremely difficult to monitor and enforce, a view that is backed up by the evidence to date.”<sup>204</sup>*

**251.** Snowdonia National Park Authority noted the potential impact on resources of planning authorities from the proposed changes. It said that if such a change is made, it is important that additional resources are provided to planning authorities to support them with implementation, as success would be dependent on sufficient staffing resources being available to manage developments and monitoring, as well as for enforcement. It believes that to ensure that the creation of a new use class for short-term holiday accommodation works effectively, planning authorities will need additional staff to deal with the additional research, administration, management of developments and enforcement required.<sup>205</sup>

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<sup>199</sup> Written evidence, [SH44, Individual](#)

<sup>200</sup> Written evidence, [SH07, Barmouth Town Council](#)

<sup>201</sup> Written evidence, [SH27, Newport Town Council](#)

<sup>202</sup> Written evidence, [SH11, Snowdonia National Park Authority](#)

<sup>203</sup> Written evidence, [SH15, Home Owners of Wales Group](#)

<sup>204</sup> Written evidence, [SH31, Propertymark](#)

<sup>205</sup> Written evidence, [SH11, Snowdonia National Park Authority](#)

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**Our view**

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**252.** We note the broad support for the recommendations made by Simon Brooks regarding new planning use classes. We welcome the Welsh Government's recent consultation proposing that the current use class for Dwellinghouses is amended, and that new use classes for second homes and short-term holiday lets are created, as well as making related amendments to Planning Policy Wales.

**253.** We recognise that implementing the proposals is likely to result in additional responsibilities being placed on local planning authorities, therefore the Welsh Government should ensure additional resources are available to enable them to adequately fulfil any new obligations. The Welsh Government should ensure that additional resources are made available to local planning authorities to enable them to adequately fulfil any new obligations relating to the implementation of new planning use classes.

## Annex A: List of oral evidence sessions.

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the Committee's website.

Date	Name and Organisation
<p><b>17 November 2021</b></p>	<p><b>Professor Nick Gallent, Professor of Housing and Planning,</b> The Bartlett School of Planning, Faculty of the Built Environment, University College London (UCL)</p> <p><b>Professor Mark Tewdwr-Jones, Professor of Cities and Regions,</b> Centre for Advanced Spatial Analysis, Faculty of the Built Environment, University College London (UCL)</p>
<p><b>1 December 2021</b></p>	<p><b>Councillor Dafydd Meurig, Deputy Leader,</b> Gwynedd Council</p> <p><b>Gareth Jones, Assistant Head of Department, Environment Department,</b> Gwynedd Council</p> <p><b>Heledd Fflur Jones, Planning Policy Team Leader,</b> Anglesey and Gwynedd Joint Planning Policy Unit</p>
<p><b>26 January 2022</b></p>	<p><b>Councillor Dyfrig Siencyn, Joint Chair of the WLGA Rural Forum and Joint WLGA Spokesperson on Rural Affairs,</b> WLGA Rural Forum</p> <p><b>Councillor Jeff Smith,</b> Aberystwyth Town Council</p> <p><b>Councillor Rhys Tudur,</b> Nefyn Town Council</p> <p><b>Councillor Jano Williams,</b> Newport Town Council</p>
<p><b>9 February 2022</b></p>	<p><b>David Chapman, Executive Director for Wales,</b> UKHospitality</p> <p><b>Suzy Davies, Chairman,</b> Wales Tourism Alliance</p>

Date	Name and Organisation
	<p><b>Daryl Mcintosh, Policy Manager,</b> Propertymark</p> <p><b>Shomik Panda, Director General,</b> UK Short Term Accommodation Association</p> <p><b>Sam Rees, Senior Public Affairs Officer – Wales,</b> Royal Institution of Chartered Surveyors</p>
9 March 2022	<p><b>Douglas Haig, Non-executive Director,</b> National Residential Landlords' Association</p> <p><b>Keith Henson, Rural Housing Enabler,</b> Barcud Cyf</p> <p><b>Karen Holt,</b> Bro Machno Housing Partnership</p> <p><b>Shan Lloyd Williams, Chief Executive,</b> Grŵp Cynefin</p> <p><b>Mabli Siriol Jones, Chair,</b> Cymdeithas yr Iaith</p> <p><b>Professor Rhys Jones, Department of Geography and Earth Sciences,</b> Aberystwyth University</p> <p><b>Jonathan Morrison,</b> The Home Owners of Wales Group</p> <p><b>Ruth Richards, Chief Executive,</b> Dyfodol i'r Iaith</p> <p><b>Lowri Williams, Senior Policy Officer,</b> Welsh Language Commissioner</p> <p><b>Ffrancon Williams, Chief Executive,</b> Adra</p>
23 March 2022	<p><b>Jeremy Miles MS,</b> Minister for Education and Welsh Language</p> <p><b>Amelia John, Deputy Director, Housing Policy</b> Welsh Government</p> <p><b>Bethan Webb, Deputy Director, Welsh Language</b> Welsh Government</p> <p><b>Iddon Edwards, Head of Language Planning, Project 2050,</b> Welsh Government</p>

<b>Date</b>	<b>Name and Organisation</b>
<b>11 May 2022</b>	<p><b>Julie James MS,</b> Minister for Climate Change</p> <p><b>Debra Carter, Deputy Director Local Government Finance Reform,</b> Welsh Government</p> <p><b>Neil Hemington, Chief Planner,</b> Welsh Government</p> <p><b>Huw Maguire, Head of Second Homes Policy,</b> Welsh Government</p>

## Annex B: List of written evidence

The following people and organisations provided written evidence to the Committee. All Consultation responses and additional written information can be viewed on the Committee's website.

Reference	Organisation
SH 01	Anonymous individual
SH 02	Bro Machno Housing Partnership
SH 03	Tredegar Town Council
SH 04	Aberystwyth Town Council
SH 05	St Donats Town Council
SH 06	Ceredigion County Council
SH 07	Barmouth Town Council
SH 08	Llansteffan and Llanybri Community Council
SH 09	Gwynedd Council
SH 10	Wales Tourism Alliance
SH 11	Snowdonia National Park Authority
SH 12	Dr Bob Smith, Cardiff University
SH 13	Barcud Cyf
SH 14	National Residential Landlords' Association
SH 15	The Home Owners of Wales Group
SH 16	Dyfodol i'r Iaith
SH 17	Future Generations Commissioner for Wales
SH 18	Pembrokeshire County Council
SH 19	Isle of Anglesey County Council

Reference	Organisation
SH 20	Wales Cooperative Centre
SH 21	Anonymous individual
SH 22	Llanllwchaearn Community Council
SH 23	Anonymous individual
SH 24	CIH Cymru
SH 25	Caerphilly County Borough Council
SH 26	Adra
SH 27	Newport Town Council
SH 28	Bevan Foundation
SH 29	Grŵp Cynefin
SH 30	Dawn McGuinness
SH 31	Propertymark
SH 32	Anonymous individual
SH 33	Cymdeithas yr Iaith
SH 34	Snowdonia Society
SH 35	Community Housing Cymru
SH 36	Hay Town Council
SH 37	Welsh Language Commissioner
SH 38	Conwy County Borough Council
SH 39	Generation Rent
SH 40	Undod
SH 41	Councillor Carys Jones, Llansteffan Ward, Carmarthenshire County Council
SH 42	Shelter Cymru
SH 43	WLGA Rural Forum
SH 44	Anonymous individual

Reference	Organisation
SH 45	Wales Young Farmers' Clubs
SH 46	RICS
SH 47	UKHospitality Cymru
SH 49	Anonymous individual

### Additional Information

Title	Date
Wales Tourism Alliance, UKHospitality Cymru and PASC (UK) (Wales branch)	8 April 2022
Cymdeithas yr Iaith	8 April 2022
Dyfodol i'r Iaith	12 April 2022