

## **Inquiry into second homes**

### **Local Government and Housing Committee**

Adra's response to the recommendations from Dr Simon Brooks report and Welsh Government's response are highlighted in yellow below:

## **1. Recommendations from Dr Simon Brooks report**

### **Recommendation 1 – develop regional and local variation in public policy**

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

Supportive of the recommendation, but recognise the complexity of setting up a policy framework that is flexible enough to be able to respond to necessary differences between regions and localities within those regions. Whichever revised policy framework is introduced, there will be a need to ensure that decision making and approvals are not overly complicated, bureaucratic and time consuming and do not, inadvertently, contribute to or exacerbate inefficiencies that exist within the current framework (e.g. Planning). This could lead to further delays and increased costs associated with bringing forward solutions or development schemes to address the local housing need, which evidently would be counter-productive.

### **Recommendation 2 – control of the numbers of second homes**

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

Supportive of the recommendation, especially the principle of ensuring stability of numbers of second homes in communities affected by them. Any restrictions brought in to curb numbers of second homes, needs to be complemented with policies that increase access to more affordable homes in those affected communities and increase wealth of those living in those affected communities and who wish to remain in those communities. Examples being pro-active and coherent economic development, planning and sustainable communities policy that over time secure higher average earnings for those living in those affected communities.

### **Recommendation 3 – the definition of second homes**

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

Supportive of the recommendation and the definition should cover those homes let on a business basis, not just those for personal use. However, implementation of other recommendations and development of appropriate policy solutions should not be unduly delayed pending improvement in data that implementing this particular recommendation would bring.

#### **Recommendation 4 – responding to Brexit and Covid-19**

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

Supportive of the recommendation but would also add that the acceleration of flexible working and the ability to work from home brought about by the Covid pandemic, now adds to the likelihood of an increase in second homes. 2021 house prices were fuelled in some parts of the UK by an increase in migration from urban areas to more rural areas (e.g from the South East to the South West) with some of these house purchases being second homes.

**Recommendation 5 – the need for policy intervention across a range of policy areas** Policies should be implemented across a range of policy areas, and in the following three fields in particular: direct planning policies, indirect planning policies and taxation policies.

Supportive of the recommendation but need to see Welsh language policy feature more prominently in the recommendation.

#### **Recommendation 6 – Local Council Tax Premium**

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

Supportive of the recommendation. However, consideration should also be given to the framework placed on Local Authorities for using the income received through raising the council tax premium on second homes to ensure that that money does go towards activity that addresses the local housing need and not towards other Council priorities.

#### **Recommendation 7 – Short-term holiday accommodation and business rates**

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

Supportive of this recommendation

#### **Recommendation 8 – Land transaction tax**

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

- 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.
- 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.

Supportive of the principle of the recommendations put forward here. Whichever recommendation is followed an important principle which should not be understated is not to inadvertently disadvantage investment by landlords in the Private Rented Sector (PRS). The PRS serves an important function in

housing supply in any area and must be maintained and quality accommodation provided. Both recommendations address this point in different ways by delegating where to apply the differential increase in tax to a more local geography. However, any move in the direction of either recommendation should take into account the impact austerity has had on weakening capacity of many strategic housing functions within Local Authorities and the capacity within Welsh Government to determine such granular housing data i.e. the very departments which would probably provide the data upon which such important decisions would be made. There are links here to conclusions drawn as part of the Affordable Housing Review where a more consistent approach to Local Housing Market Assessments, traditionally carried out by Local Authorities, was recommended with a level of oversight from Welsh Government.

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

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

Supportive of the recommendation. It would be beneficial in support of the recommendation to review the number of new homes first developed under the Local Market Housing policy and later sold on, to determine the smooth flow of housing sale transactions for this category of property especially in less buoyant housing market conditions. In particular, the conditions whereby the original S106 is ‘waived’ when a ‘genuine failure’ over a period of three months to sell a residential unit to another local individual is experienced and the options available. Inability to effect smooth flow of housing sale transactions for this category of property would detract buyers from the attractiveness of the product. It would also be beneficial to review the availability of mortgages offered to purchasers of housing with this type of S106 planning condition attached and any additional constraints and costs placed on mortgagee compared to purchase of a similar property on the open market. This would be useful to establish any differences that exist and to influence mortgage providers to provide more of a level playing field should this not be the case and thereby promote the sustainability of the housing product itself.

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

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

Supportive of the recommendation

### **Recommendation 11 – trialling a new use class for second homes**

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

Supportive of the recommendation to conduct a trial to evaluate the feasibility and impact of introducing a new use class for second homes. The results of the trial should provide recent experiences which can be compared and contrasted with historical concerns around inadvertent creation of a two tier housing market that disadvantages primary home residents.

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

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

Supportive of the recommendation but would extend its scope to also include the acceleration of flexible working and the ability to work from home brought about by the Covid pandemic, which adds to the likelihood of an increase in second homes with a likely detrimental effect on the Welsh language.

## **2. Welsh Government activity/response to proposals**

### **Second homes pilot**

Starting in January 2022, Welsh Government will run a phased pilot to test a number of interventions in Dwyfor, in Gwynedd. This will be the first time that Welsh Government has intervened in the market to support local people to live in their local communities in this way.

The first phase of the pilot will include a range of practical support to help people access affordable housing and will link to existing and new interventions. Welsh Government are keen to look at shared equity schemes, rental solutions and empty homes, but will announce further details after the draft budget on 20th December 2021.

Phase two we will look at the planning system itself.

Adra are keen to learn more around the detail of the pilot.

### **Consultations**

#### **1. [Local taxes for second homes and self-catering accommodation](#) - Closed**

Sought views on:

- the discretionary powers which allow local authorities to levy a higher rate of council tax on second homes and long-term empty properties.
- should the criteria for defining properties as non-domestic self-catering accommodation be strengthened?

Responses appear to be in line with recommendations made in Dr Simon Brooks' report.

#### **2. [Planning legislation and policy for second homes and short-term holiday lets](#) - closes 22nd Feb 2022**

Consulting on:

Amendments to the Town and Country Planning (Use Classes) Order 1987 to:

- amend the current use class for 'Dwelling houses',
- create new use classes for 'Second Homes' and for 'Short-term Holiday Lets'
- related amendments to the Town and Country Planning (General Permitted Development) Order 1995
- related amendments to Planning Policy Wales.

Responses appear to be in line with recommendations made in Dr Simon Brooks' report. Adra will endeavour to respond to the consultation within the timescale set either through Community Housing Cymru or individually (or both)

### 3. [Proposed Welsh Language Communities Housing Plan](#) - closes 22nd Feb 2022

Proposals include to:

- Develop a package of support to help create community-led social enterprises that can:
  - Create job opportunities
  - Secure services within a community.
  - Explore small community led housing interventions under the co-operative model
- Support an existing or newly-established community-based social enterprise to develop a business where a short-term holiday accommodation business can provide sufficient revenue to purchase stock for social rent.
- Establish an Estate Agents' Steering Group to explore the potential for creating innovative approaches to local housing sales. The aim would be to develop these in collaboration with all stakeholders, identifying practical steps to support local buyers to gain fair access to local housing.
- Explore with relevant stakeholders, developing a voluntary plan which allows local people to have a first chance to buy or rent a property.
- Create a commission on Welsh language communities which will look at the different factors that affect the ability of the language to be sustained as a community language.
- Extend the scope of the Economy and Welsh Language Roundtable to include Housing with a role of overseeing the progress of the Welsh Language Communities Housing Plan.

Adra will endeavour to respond to the consultation within the timescale set either through Community Housing Cymru or individually (or both)

### 4. [Second homes: local variation to land transaction tax rates](#) - closes 28th March 2022

Consulting on the following issues:

- the size of areas in which local variations could take place
- the procedure for identifying the areas where different rates may apply
- the types of transactions that could be subject to different rates in local areas.

Responses appear to be in line with recommendations made in Dr Simon Brooks' report. Adra will endeavour to respond to the consultation within the timescale set either through Community Housing Cymru or individually (or both)