



## **Shelter Cymru's response to the Welsh Government's consultation on local taxes for second homes and self-catering accommodation**

### **About Shelter Cymru**

We exist to defend the right to a safe home because **home is everything**. We help thousands of people across all of Wales every year who have been affected by the housing emergency by offering free, confidential, and independent advice. When necessary, we constructively challenge on behalf of people to ensure they are properly assisted and to improve practice and learning.

We work with people who use our services as equals. We provide information, advice, and support to help people identify the best options to prevent homelessness, to find and keep a home and to help them take back control of their own lives.

We fight the devastating impact the housing emergency has on our people and communities with campaigning, advice, and support – and we never give up.

### **Our Response**

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

Shelter Cymru agrees that the Welsh Government should develop regional and local variation in public policy, we believe that this is one of the best way to engage communities about the housing emergency in their area. We also believe that regional variation could be a good catalyst and incubator to develop good practice across the board as a one-size fits all doesn't work always reach its intended purpose. One successful example of this can be shown through the use of localised premiums, which have been helpful in lessening the democratic deficit within the decision-making process by bringing the decision of premiums into the remit of local authorities. This decision has allowed the premium to be decided by each local authority as it recognises the varying rate in each local authority of long-term empty homes and dwellings occupied periodically in their areas.

We know that through the cooperation agreement between the Welsh Government and Plaid Cymru that there are commitments to support the creation of a national building company<sup>1</sup> and

<sup>1</sup> <https://gov.wales/co-operation-agreement-full-policy-programme-html>

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to control the numbers of second homes.<sup>2</sup> We welcome the proposed actions but warn that second homes are only a symptom of the wider housing emergency and we urge the committee to look at additional tools and options to work in conjunction with controlling the number of second homes.

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

Shelter Cymru agrees that more proactive steps need to be taken to address the number of second homes in communities across Wales. We welcome policy commitments within the cooperation agreement, such as bringing a higher proportion of second homes and empty homes back into common ownership at the local level.<sup>3</sup> We also welcome the proposed policy of providing greater powers to local authorities to charge council tax premiums on second homes.<sup>4</sup>

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

Shelter Cymru welcomes and supports this proposal to change the definition in law as it will help create data, which can be used to monitor the true number of second homes in Wales, which would be helpful to communities with large numbers of second home ownership. We also believe that improved definitions will also provide a good tool to hold government and policies aimed to tackle the number of second homes accountable, as the data produced will help paint a more accurate picture of the wider housing emergency across Wales.

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

Shelter Cymru believes that self-catering accommodation can provide a benefit to the tourism sector and economy more broadly in Wales but in its current state of proliferation is unsustainable. We believe that 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>5</sup> Wales is in the midst of a housing emergency, and self-catering accommodation further exacerbates local housing emergencies in honeypot sites, which has been further entrenched by Covid and Brexit pressures.

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<sup>2</sup> <https://gov.wales/co-operation-agreement-full-policy-programme-html>

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> <https://www.futuregenerations.wales/about-us/future-generations-act/>

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We also believe that if unchecked growth of self-catering accommodation continues that it could hinder the Welsh Government's goal of a million Welsh speakers by 2050.<sup>6</sup> The impact of increased concentrations of self-catering accommodation in parts of Wales is having a distortive impact on local housing markets, driving up prices and rents in a manner fast outpacing local salary growth. This is particularly worrying, especially when you consider that data from the Principality Building Society has shown that house prices in Gwynedd, Anglesey and Conwy have risen by an average of 10.13%,<sup>7</sup> despite the average wages in the area being £26,625.66 before housing costs<sup>8</sup> - whilst the average house price in the area has reached £221,212 over the last year.<sup>9 10 11 12</sup>

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

Shelter Cymru agrees that the housing emergency needs interventions across a range of policy areas. We urge the committee to hold the Welsh Government accountable to use all of its powers at its disposal within existing legislation to strengthen the financial levers available to local authorities to be able to address the housing emergency in their communities.

We know that the Welsh Government could introduce new taxes using Section A1 of the Wales Act 2017,<sup>13</sup> which allows the introduction of new taxes without Westminster consent, on the condition that the tax is administered by local authorities and that the money raised goes towards funding local government expenditure. Meaning, it would be possible – for instance – to introduce a vacant land tax without consent from Westminster. Therefore, we encourage the committee to explore this option as a matter of urgency to help develop additional action forward to ease the housing emergency.

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

Shelter Cymru welcomes the Welsh Government's decision, which has allowed the premium to be decided by each local authority as it recognises the varying rate in each local authority of long-

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<sup>6</sup> <https://gov.wales/sites/default/files/publications/2018-12/cymraeg-2050-welsh-language-strategy.pdf>

<sup>7</sup> Data from <https://www.principality.co.uk/mortgages/house-price-index> and figure is based on author's calculation

<sup>8</sup> Data from <https://www.walesonline.co.uk/news/wales-news/income-wales-housing-costs-ons-17873270> and figure is based on author's calculation

<sup>9</sup> <https://www.rightmove.co.uk/house-prices/gwynedd.html>

<sup>10</sup> <https://www.rightmove.co.uk/house-prices/conwy-county-of.html>

<sup>11</sup> <https://www.rightmove.co.uk/house-prices/gwynedd.html>

<sup>12</sup> Data comes from the sources above. Figure based on author's calculations

<sup>13</sup> <https://www.legislation.gov.uk/ukpga/2017/4/contents/enacted/data.htm>

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term empty homes and dwellings occupied periodically in their areas. We believe the Welsh Government has a key role to play in coordinating efforts with partners, such as local authorities and community-led schemes. This can help to provide better understanding within local authorities of what fiscal levers they have at their disposal and how they may be best deployed to tackle our shared housing emergency. The variation in the use of the premium can pose issues of consistency, when you consider that Cardiff Council has the third highest number of second homes (3,188) behind Gwynedd (4,900) and Pembrokeshire (4,072) but has chosen not to set a premium percentage.<sup>14</sup> This is a stark difference compared to Gwynedd, and Pembrokeshire, which have both set a premium on second homes at a rate of 100% and 50%.<sup>15</sup> While inconsistencies may be a fair reflection of differing local priorities, the budgetary pressures faced by many local authorities mean any support that the Welsh Government is able to offer in making the application of local rules simple and straightforward will be welcome. This will make it less onerous and burdensome to initiate distinctly local approaches, to reflect local need.

Therefore, we urge the committee to hold the Welsh Government accountable to deliver additional resources to local authorities to maximise good practice and knowledge across the sector to help tackle the housing emergency.

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

Shelter Cymru does not agree that the Welsh Government should consult on the possibility of making short-term holiday accommodation exempt from being eligible for small business rates relief. We argue that the Welsh Government needs to implement this policy as a matter of urgency because it has the political will and cross-party support.<sup>16 17</sup>

The Welsh Government has committed to closing the tax loophole within the cooperation agreement.<sup>18</sup> We urge the committee to explore the possibility of doing a review of the policy after implementation rather than a consultation approach in this instance as there is potential for the issue to become even more ingrained in honeypot sites, which in turn will further exacerbate the housing emergency in these areas.

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<sup>14</sup> <https://gov.wales/sites/default/files/publications/2021-03/second-homes-developing-new-policies-in-wales.pdf>

<sup>15</sup> <https://gov.wales/consultation-local-taxes-second-homes-and-self-catering-accommodation-html>

<sup>16</sup> <https://www.itv.com/news/westcountry/2021-03-23/government-to-close-second-homes-tax-loophole>

<sup>17</sup> <https://nation.cymru/news/government-urged-to-close-second-homes-tax-loophole/>

<sup>18</sup> <https://gov.wales/co-operation-agreement-full-policy-programme-html>

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

Shelter Cymru agrees 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. We believe that this approach will be an additional tool that can be used to strengthen and empower local democratic institutions and communities to tackle the housing emergency in their area.

We also believe that if a land transaction tax were to be introduced it should be up to local authorities how they set it because of the varying levels of housing need within every local authority.<sup>19</sup> It may be more appropriate to raise the tax on an incremental basis to avoid penalising those who are asset rich but income poor to allow time to adjust financial circumstances and avoid putting people at risk of homelessness. An incremental approach may help avoid penalising people who are having issues selling a property due no fault of their own, such as inheriting a property which is not liveable or saleable.

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

Shelter Cymru agrees with the recommendation to extend the ‘Local Market Housing policy’ in Gwynedd and Anglesey Joint Local Development Plan to other coastal and vulnerable communities. We also agree with the suggestion that every planning authority should scrutinise their Local Market Housing policy as it will help spread and improve good practice, but we do again caution that second homes and holiday homes are a symptom of the wider emergency and additional measures need to be taken to tackle the root cause of the problem. We also recognise that for many people in Wales, the planning system can appear complicated, inaccessible and sometimes adversarial. As such, more should be done to support a greater understanding and engagement within local communities.

We urge the committee to also consider options to improve access to housing in areas that are struggling with affordability and a lack of suitable housing. We know that the Welsh Government has committed to exploring a potential cap on the number of second homes.<sup>20</sup> We welcome the steps outlined within the cooperation agreement to tackle the number of second homes but we believe that more should be done to, for example, tackle the number of empty homes in each

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<sup>19</sup> <https://www.walesonline.co.uk/news/homes-property/part-wales-highest-number-empty-21360295#:~:text=Carmarthenshire%20has%20been%20revealed%20as,25%2C000%20of%20those%20in%20Wales.>

<sup>20</sup> <https://gov.wales/co-operation-agreement-full-policy-programme-html>

# CARTREF YW POPETH HOME IS EVERYTHING



area and stabilise house prices and private rents, and ensure that the right types of accommodation are being built to meet housing need, such as single persons' accommodation.

We also believe that there are many ways that local authorities can use the premiums and local development plans to help bring empty or underused properties back into use to improve the supply of local communities. Not all local authorities have dedicated empty homes officers, for example, and a CIH Cymru report found that the biggest issue in bringing empty and underused housing back into use was the lack of human resources.<sup>21</sup> This demonstrates a lost opportunity to tackle the number of empty homes in Wales, especially when 63% of respondents to CIH's report felt that community-led housing solutions could be an effective solution.

Therefore greater capacity and resource at local authority level will also have a beneficial impact on people's understanding of our shared housing emergency, empowering more people to become involved and creating more locally-led solutions within a national mission to tackle the housing emergency.

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

Shelter Cymru agrees with the proposed plan to create a new class for short-term holiday accommodation as part of the wider "branch and root" reform<sup>22</sup> of council tax as outlined within the cooperation agreement.<sup>23</sup> We also support the proposed plan to create a new class for short-term holiday lets, as it will allow for better data which could be used to measure the impact against our housing emergency and better help local service delivery providers with accurate numbers to be able to plan services more efficiently.

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

Shelter Cymru welcomes trials of a new class for second homes in communities that are severely impacted by second homes and where there is community support for doing so, as this will allow local voices to be heard in communities. We urge the committee to explore other forms instead of a consultation and trial, since any delay in action will deepen the housing emergency in these communities.

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<sup>21</sup> <file:///C:/Users/dewij/Downloads/what-is-the-role-of-community-led-housing-solutions-in-addressing-empty-homes-in-wales.pdf>

<sup>22</sup> <https://ifs.org.uk/publications/2347>

<sup>23</sup> <https://gov.wales/co-operation-agreement-full-policy-programme-html>

# CARTREF YW POPETH HOME IS EVERYTHING



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

Shelter Cymru agrees with the recommendation to establish a commission regarding the future of the Welsh Language as a community language. We know that the Welsh Government has committed to a million Welsh speakers by 2050.<sup>24</sup> We also know that the Welsh Government has reaffirmed commitments to expand the presence and status of the Welsh Language within the cooperation agreement.<sup>25</sup> We urge the committee to explore the possibility of co-working with the Welsh Language Commissioner and the Culture, Communications, Welsh Language, Sport, and International Relations Committee to gather data on the impact of the housing emergency has on the Welsh language.

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<sup>24</sup> <https://gov.wales/sites/default/files/publications/2018-12/cymraeg-2050-welsh-language-strategy.pdf>

<sup>25</sup> <https://gov.wales/sites/default/files/publications/2021-11/cooperation-agreement-2021.pdf>