

## Paper 7

As a Housing Association operating across north Wales and north Powys, we are delighted to give evidence to this inquiry by the Local Government and Housing Committee. We also welcome the recent work and consultations aimed at tackling the housing crisis in rural communities.

Grŵp Cynefin welcomes Dr Simon Brooks' report "Second homes: developing new policies in Wales" and our comments on the recommendations in line with the Inquiry's Terms of Reference are as follows:

### **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.

**Response:** Support the recommendation. Policy solutions should not only look at the second homes issue, but also look at the overall housing solutions including the private rented sector and increasing access to more social and affordable housing. Policy solutions should also look at economic development and proposals to attract good quality employment which would increase the household incomes enabling people to afford to continue to live and work in the local communities affected by the rural housing crisis. Every area is different, and no one set of regional or national policy will offer the bespoke solutions required locally which addresses the housing related issues faced by individual communities.

#### **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.

**Response:** Support the recommendation. Evidence and experience shows that the fabric of communities begin to fray when young people and their families are unable to afford to rent or buy affordable homes within the communities where they were brought up. When you have examples of ex-Council houses on the market for over £385k, what hope does this give to local people? Also, according to CACI Paycheck and Land Registry Price Paid data, in villages such as Abersoch, 95.3% of the population are priced out of the housing market, unable to afford their first home. However, further research is required into public policy on how to work out what the tipping point will be of when too many second homes have been achieved in a particular community, village or hamlet. Any policy would need to be

- flexible,
- tuned to tackle local circumstances,
- non-bureaucratic to administer and
- easy to understand.

#### **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.

**Response:** Support the recommendation. There is a need to adopt a simple definition, which will not be interpreted differently. Introducing a mandatory licensing scheme for holiday homes would require adequate resources to register properties in the first instance followed by resources to monitor compliance with inspections to ensure compliance with fire regulations, health and safety etc.

#### **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

**Response:** Support the recommendation. The ability of people to be able to work from home has been facilitated by technology and makes hybrid working an attractive offer of employment. Increasingly we have seen that more people are moving from urban areas to live in rural and coastal communities to get a better quality of life. This inward migration has undoubtedly led to the rural housing crisis we now face.

#### **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.

**Response:** Support the recommendation. Policy intervention is also required to support the Welsh language and culture.

#### **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%.

**Response:** Support the recommendation. To date, some local authorities have been more proactive than others in how they have used council tax premium from second homes. Some have targeted medium – long-term empty properties, and bringing them back into use, through a variety of methods; others have earmarked money towards enabling first time homeowners to purchase their new homes through Homebuy, shared equity etc. It is not clear exactly how local authorities have been using the additional money received through the premium – how much is spent in housing, and how much goes into the Council's central coffers. The income raised through the additional taxation powers should be directed towards addressing the local housing needs and not be used towards funding other council priorities.

On its own, this recommendation will not achieve the expected outcome of curbing the number of second home ownership, as the purchasers quite often have the disposable income already to cover the increased Council Tax Premium. To make a real difference, the intervention to the local housing market will need to be through changes in planning law.

#### **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.

**Response:** Support the recommendation. The argument that some would make is why self-catering accommodation should be excluded from the rate relief system and differentiated from other sectors. All businesses should contribute some tax, but would it be possible for self-catering accommodation providers to work on a system based on either:

- levels of tenure and will therefore provide another level of accountability in terms of use; and/or

- a tourism tax where a % tax is charged on top of each night the property is rented.

We recommend that additional research is undertaken in one of the pilot areas.

### **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.

**Response:** Supportive of both recommendations, whereby the decision is applied locally. It would be expected that a granular level of data would be required to come to a decision whether to trigger such a decision. A consistent approach would be required across all the local authorities where second homes is a severe issue. Over the last 10 years or so, there has been an erosion of strategic housing functions across local authorities, in particular those where the Council housing stock has been transferred, this capacity and skills gap would need to be addressed.

### **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.

**Response:** We are familiar with and supportive of the ‘Local Market Housing Scheme’ operated in Gwynedd and Anglesey. However, there are some issues around the availability of mortgages, which require addressing. We administer the **Tai Teg** Affordable Housing Register across north Wales and Powys and have experienced issues with individuals trying to access mortgages for affordable units that have a S106 restriction on the property. The number of lenders that lend on affordable properties appears to be low, therefore purchasers are limited in choice when looking for a mortgage. In addition, mortgage companies who would lend will not take the risk of offering mortgages on several units on one

development. Discussions with leading mortgage lenders would be useful, facilitated by Welsh Government.

**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.

**Response:** Support 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.

**Response:** Support the recommendation that there should be a feasibility study as part of the pilot, possibly targeting a specific community in the first instance before widening the geographical area.

**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

**Response:** Support the recommendation. We welcome the consultation document around a proposed Welsh Language Community Housing Plan issued December 2021 which looks into the possibility of establishing a Commission and will respond in full to the proposals included within the paper. See also response to recommendation 4.

Grŵp Cynefin appreciates the opportunity to present evidence to the inquiry into second homes by the Local Government and Housing Committee. It is vitally important that these interventions are implemented and supported at National, Regional and Local level.

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**14/01/22**