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Y Gweinidog Newid Hinsawdd
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Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref JJ/2340/22

John Griffiths MS,
Chair,
Local Government & Housing Committee

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Dear John,

Thank you for the Local Government and Housing Committee report, following on from your enquiry into second homes in Wales. As you will have seen and heard, this is a multidimensional and complex issue. I and other Ministers have been clear that the Welsh Government does not have all the answers as we seek to counter the effects that large numbers of second homes and short-term holiday lets have on our communities in some areas of Wales. I welcome the Committee's very broad and helpful enquiry and its report as they provide important additional information and evidence.

I and my Ministerial colleagues have reviewed your recommendations and provide our responses below.

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.

Accept

The Welsh Government is currently considering opportunities to harmonise, as far as possible, the definition of a second home across its various uses (for example for national and local taxes, planning and tourism purposes). Our decision to bring forward subordinate legislation drawing clear distinctions in a Use Class context between primary homes, second homes and short-term holiday lets offers one such opportunity. A consultation exercise on statutory licensing for all holiday accommodation (including short-term holiday lets) will commence later in 2022.

While a single definition is not without challenge, given the multiple applications across taxation, planning and other domains, we will continue to consider where greater alignment can be achieved.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Financial implications: None. Any additional costs will be drawn from existing programme budgets.

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.

Accept

We will be pleased to provide ongoing six-monthly updates as to developments within the Dwyfor pilot and its evaluation.

Financial implications: None. Any additional costs will be drawn from existing programme budgets.

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.

Accept

Independent evaluation of the pilot is being commissioned and it will be designed to enable analysis of some of the long-term impacts of the interventions. However, the quality and availability of data to monitor impacts continues to be explored and the evaluation needs to be able to draw on appropriate high quality data sources. Where feasible, this will include impacts on the visitor economy and further exploratory work will need to be undertaken to determine how this will be done.

Financial implications: None. Any additional costs will be drawn from existing programme budgets.

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

Accept

There is already work underway on understanding resident attitudes to tourism, as part of a commitment in our tourism strategy 'Welcome to Wales: priorities for the visitor economy 2020-25' to listen to the views of local residents, visitors and businesses.

Resident perspectives will be crucial in understanding the impact of tourism on communities. We will run the survey with residents this year and review the findings and consider whether further research would add value to this topic.

Financial implications: None. Any additional costs, beyond work in train, will be drawn from existing programme budgets.

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.

Accept

The Well-being of future Generations Act has underpinned our policy development. The well-being goals are at the heart of what we wish to achieve, in particular: a Wales of vibrant culture and thriving Welsh language; a Wales of cohesive communities; a more equal Wales; and a more Prosperous Wales. The five ways of working are integral to our approach – collaboration with partners and integration are fundamental, as is prevention in achieving our long-term aspirations for communities, and involving people, communities and partner organisations in Dwyfor and across Wales. This will continue to be the case as we seek to ensure that local people, including young people, can continue to access affordable local housing across tenures; the pilot will play a critical role in this.

Financial implications: None. Any additional costs will be drawn from existing programme budgets .

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.

Accept

The Welsh Government will provide an update by December 2022.

Financial implications: None. Any additional costs will be drawn from existing programme budgets .

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.

Accept

Housing Need estimates show that 7,400 additional homes are needed across Wales per year. Under the central estimate, this additional housing need estimate of 7,400 is split into 3,900 additional market housing units (52% of the additional housing need) and 3,500 additional affordable housing units (48% of the additional housing need). From these estimates, it is clear there is a need for all types of housing across Wales. This level of need, and the requirement to address it, is clearly referenced in Future Wales and therefore forms a key component of the planning system in Wales.

It is the responsibility of Local Authorities to undertake periodical reviews of housing need, discharged through the Local Housing Market Assessment (LHMA) process. The quality and currency of the outputs from the assessments are particularly important to the evidence base for Local Development Plans and play

a vital part in delivering market and affordable housing and in meeting housing need.

A new approach to undertaking LMHAs was published on 31 March 2022. This new approach provides more consistency in how LHMAAs are undertaken by providing a pre-populated tool. The new approach also includes Welsh Government review and sign-off of LHMAAs.

Not every community will face the same challenges. Where evidence demonstrates that second homes present a challenge to the supply of affordable housing we expect to see this reflected in LHMAAs, including consideration of the impact on the Welsh language. The LHMA will also identify specific housing needs provision.

LHMAAs are vital in determining local housing requirements and form a key part of Local Development Plans (LDPs). Local authorities are required to undertake an LHMA every five years and refresh their LHMA every two years. This assessment in turn informs local authorities' LDPs, which include targets for the number of affordable homes the authority aims to deliver over the plan period. LDPs must also set out how and where the authority intends to provide the affordable homes to meet the target they have established.

Financial implications: None. Any additional costs will be drawn from existing programme budgets.

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.

Accept in Principle

From the Housing Need Estimates, it is clear that housing is needed across the whole of Wales. Whilst Welsh Government remains committed to delivering 20,000 new low carbon homes for rent in the social sector, the government does not build homes itself. Partners within the housing sector are relied upon to build the homes that Wales needs in line with the Local Housing Market Assessment (LHMA) process. Local authorities are best placed to understand the local housing need they face and the location of these homes needed, from the LHMA and Local Development Plan process.

To support the commitment to deliver 20,000 new low carbon homes for rent in the social sector, record levels of funding have been provided. £250m in 2021-22 was allocated to the Social Housing Grant, doubling the budget from 2020-21. Record levels of funding have also been set through the budget in this current year (2022-23) with £300m and indicative draft budget allocations of £330m in 2023-24 and £325m in 2024-25.

This budget is allocated to local authorities using a formula and each local authority is responsible for bringing forward schemes to meet its strategic housing priorities. Welsh Government formally approve Local Authority Programme Delivery Plans (PDPs).

Work has been undertaken to align the Social Housing Grant funding process more closely with evidence of local housing need. Local authorities are required to produce a “prospectus” which outlines their strategic housing priorities for SHG. Local authorities will be encouraged to utilise evidence from their LHMA’s to inform their funding prospectus going forward.

The first data showing progress towards delivering the target is expected in the Autumn and a further update can be provided following this.

Financial implications: None. Any additional costs will be drawn from existing programme budgets .

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.

Accept

Welsh Government land which is suitable for housing is being advanced for this purpose. The Welsh Government is actively seeking land to develop all over Wales (including Dwyfor) and will provide updates on progress as requested.

Financial implications: Any additional, further, costs will be drawn from existing programme budgets .

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.

Accept

The pilot offers an opportunity to work with the private rental sector. Beyond the pilot, Leasing Scheme Wales was launched in January 2022, it is a key Programme for Government commitment, worth £30 million over five years. The scheme will improve access to longer term affordable housing in the private rental sector. Delivering security for tenants and confidence for landlords. Gwynedd Council has signed up to offering the scheme.

Property owners will be encouraged to lease their properties to local authorities in return for a rent guarantee of Local Housing Allowance (LHA) rate. Additional funding of up to £5K is available to meet the standards necessary and/or to improve the EPC rating to a C. Up to £25K grant funding is available for empty properties. Payments for void periods will be made to the Landlord, and repairs to the property are covered during the term of the lease at no cost to the Landlord. The Landlord can sign up to the scheme for between 5 and 20 years helping to give them confidence and certainty as to the income that will be secured over the period.

Financial implications: Any additional activity and costs will be drawn from existing programme budgets, subject to Ministerial approval .

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.

Accept

The main aim of the Commission on Welsh-speaking communities is to make recommendations to strengthen policy in relation to the linguistic sustainability of those communities. This includes use of Welsh as a community/social language within different areas and situations. The Welsh language belongs to us all, and this work will take place within the context of national strategy.

However, we believe that the continuation of Welsh as a community language in areas where it is widely used as the main language of the community, or where this has been the case until relatively recently, is essential to those communities and also for the Welsh as a national language. This is vital too to achieving a target of one million speakers by 2050. Reaching the million will be much more difficult if there is a significant linguistic decline of Welsh speaking areas.

The commission will lead on a socio-linguistic analysis of the health of the language in our communities. This will provide a better understanding of the linguistic, socio-economic and social restructuring challenges facing our communities. This includes analysing the 2021 Census results when they are published later this year.

The detailed work carried out by the Commission will ensure that Public Authorities including the Welsh Language Commissioner will further enhance their work and understanding of the linguistic context and perspective of Welsh-speaking communities which we all serve.

Financial implications: None. Any additional costs will be drawn from existing programme budgets .

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.

Accept

The Commission on Welsh-Speaking Communities will analyse in detail the results of the 2021 Census and other relevant data as and when they are released. This will ensure that the Commission and Government are better informed in creating a robust evidence base.

Such work will involve analysis of correlations between density of second homes in particular communities and the percentage of Welsh-speakers in those communities, and the relevance of this within a policy framework. This will take place within the context of a wider analysis of correlations between the Welsh

language at a community level and a number of societal and socio-economic indicators with possible public policy considerations.

Financial implications: None. Any additional costs will be drawn from existing programme budgets .

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.

Accept

It is unknown if there is high quality data that would enable analysis on these topics at an appropriate geographic scale. Officials will explore the feasibility of undertaking this research, including exploring the availability and quality of data required.

Financial implications: Any additional costs, post-exploration of feasibility will be drawn from existing programme budgets .

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

Accept

The pilot will be subject to a robust independent evaluation. Preparatory work on the evaluation has already commenced.

Financial implications: None as previously approved and in train. Any additional costs will be drawn from existing programme budgets .

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.

Accept

We recognise the potential for access to this type of data – and data more generally on land and property in Wales – to open a range of opportunities to support both policy development and the delivery of Welsh public services. As the Welsh Government and Welsh Revenue Authority progress the range of initiatives in this area, including a statutory licensing scheme for short term holiday lets and developing a national framework for local variation of LTT rates for second homes and holiday lets, we will consider how these initiatives can help to support meeting wider data requirements and opportunities to inform future policy development.

Financial implications: None. Any additional costs will be drawn from existing programme budgets .

Once again, please accept our thanks for the Committee's careful consideration of this patently complex area. I and colleagues will look forward to updating Members as we continue to apply our resources to effect the necessary balanced interventions.

Yours sincerely

A handwritten signature in blue ink that reads "Julie James". The signature is written in a cursive, flowing style.

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