

# Affordable housing

Y Pwyllgor Deisebau | 15 Rhagfyr 2020  
Petitions Committee | 15 December 2020

Reference: RS20/14687-1

**Petition Number:** P-05-1056

**Petition title:** Give Local Authorities powers to control the housing market in rural and tourist areas of Wales

**Text of petition:** In a number of rural and tourist areas, a large proportion of local inhabitants are deprived of homes as house prices have been inflated by demand for second homes and holiday homes. The First Minister could direct the relevant Ministers to engage in urgent discussions with Local Authorities to draw up a strategy to ensure community control of the housing market mainly through amendments to the planning system.



## 1. Background

There is a shortage of affordable housing in Wales. To address this, the Welsh Government committed to delivering 20,000 new affordable homes during the current Senedd term. This includes delivering rented social housing through housing associations and local authorities, as well as owner occupied homes through the [Help to Buy Wales](#) scheme.

In some rural and coastal areas of Wales there are significant numbers of second homes and properties used as holiday lets. This can increase property prices in communities making homes unaffordable to local residents. While holiday lets in particular support the visitor economy, there are concerns about the long-term impact they could have on communities as younger local people have to leave the area they were raised in to buy or rent a home of their own. In some areas, there are specific concerns about the impact this could have on the Welsh language.

In some communities, the planning system has been used to impose conditions or obligations on new development to enable access to affordable housing. This could, for example, restrict occupation of a property to people who live or work in the area. However, changing an existing residential dwelling to a second home or holiday let would not generally require planning permission.

These issues have been highlighted in the Senedd and recent developments are outlined below.

## 2. Welsh Government action

The Welsh Government brought forward changes to the law through the [Housing \(Wales\) Act 2014](#) which gave local authorities the power to charge a council tax premium on second homes. It is up to individual local authorities whether to charge a premium. The premium can be up to 100% of the standard rate of council tax. The discretion given to local authorities to charge a premium is intended to be a tool to support local authorities in increasing the supply of affordable housing and enhancing the sustainability of local communities. Some self-catering holiday accommodation is subject to non-domestic rates, rather than council tax. This has proved controversial as owners of holiday lets will then not be subject to the council tax premium and may also be able to claim [small business rates relief](#).

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A higher rate of Land Transaction Tax is charged when you buy a residential property, and you already own one or more residential properties. This would include purchases of second homes or holiday lets.

The Minister for Housing and Local Government, Julie James MS wrote to the Chair of the Petitions Committee on 27 November 2020 and confirmed that she will make a statement on issues related to second homes in January 2021.

In her letter she highlights that any changes to the planning system would require new legislation. The Minister notes:

...will actively consider any necessary changes that support the whole system approach. In any event, changes to the planning system would require primary legislation and are not something that could or should be considered as a 'quick fix'.

### 3. Welsh Parliament action

On 23 September 2020, a Plaid led debate on second homes was held in the Senedd. Following the debate, the motion that was agreed by the Senedd called on the Welsh Government to:

...undertake an evidenced, thorough review of second home ownership in Wales and the measures that might be necessary to ensure the needs of individuals, communities and the economy, in particular the visitor economy, are well balanced. Such a review should look at the role of taxation, planning, local regulation and the supply and access to affordable housing of all tenures.

On 18 November 2020, Sian Gwenllian asked the Minister for Housing and Local Government, Julie James MS, what plans the Welsh Government had to tackle the issue of second homes across Wales. The Minister said:

We are taking an evidence-based, holistic approach, giving proper consideration to the broad range of interests involved. Across Government, we continue to review all the available evidence. Ministerial colleagues, my officials and I have met with a number of Senedd Members, local authorities and academics to further develop our whole-system response to the issues.

At the same meeting, Adam Price MS asked the Minister what efforts is the Welsh Government making to ensure young people in rural areas are not priced out of their local housing markets? Mr Price went on to say that:

Without doubt, and to build upon the responses to the previous question, a huge increase in second homes does undermine any other work that the Government is doing in terms of ensuring that young people in rural areas can access the housing market. What was a problem already, and had been for decades, has now become a huge crisis.

In response, the Minister confirmed that her officials were looking at the issue of second homes, but highlighted the risk of unintended consequences. The Minister stated:

... we've been looking with interest at the example of capping numbers, for example, in other areas, and they have had some very serious downsides, especially if you go into a recession. So, we have had local people stuck in negative equity and other things as a result of such caps. I'm very actively looking at it, just to be clear, but we just want to be sure that there aren't any unintended consequences. .

The Senedd's Petitions Committee has also recently considered a petition that called for Welsh Councils to apply a minimum 100% Council Tax surcharge on second homes.

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.