

Dirprwy Arweinydd ac Aelod Cabinet Oedolion, Iechyd a Llesiant
Deputy Leader and Cabinet Member for Adults, Health and Wellbeing
Y Cynghorydd / Councillor Dafydd Meurig



SH 09

Ymgynghoriad ar ail gartrefi
Consultation on second homes
Ymateb gan: Cyngor Gwynedd
Response from: Gwynedd Council

Ein Cyf / Our Ref: **DM**
Eich Cyf / Your Ref:

7 January 2022

John Griffiths MS
Chairman
Local Government and Housing Committee,
Welsh Parliament

Dear Mr Griffiths,

Firstly, we wish to thank you for conducting this investigation and for the opportunity to submit relevant evidence.

In the correspondence sent to us, it is noted that the Terms of Reference for the research is as follows:-

- *"Look in detail at the recommendations made by Dr Simon Brooks in his report "Second Homes: Developing New Policies in Wales", and the response of the Welsh Government to those proposals.*
- *Consider the policy aims and evaluate the evidence-base to change policy in this field and note any gaps in terms of information and data."*

Gwynedd Council has been pioneering in this field, campaigning and pressing on the Government to respond and act on the matter. Gwynedd is the county with the highest percentage of second homes/self-service holiday accommodation in the whole of Wales. As a result of the general concern in relation to the increase in the numbers of holiday accommodation across the county and its wider impact, research was conducted by the Anglesey and Gwynedd Joint Planning Policy Service to investigate possible mechanisms that could be implemented to get to grips and have control of this matter. This research is appended for your attention (Appendix 1).

In January 2021, a research report was published "Second Homes: Developing New Policies in Wales" by Dr Simon Brooks. It is noted that some of the data/statistics used within this research was based on Gwynedd Council's research. Furthermore, the research has reviewed and included an overview of the research undertaken by the Council.

See appended report (Appendix 2) submitted to a meeting of the Gwynedd Council Cabinet in response to Dr Simon Brooks' Report. Please note from the report that the Council is totally supportive of the recommendations included in the document and this is specifically as these recommendations generally correspond to the recommendations included in the Council's research. The only exception, is the Council's viewpoint in terms of Recommendation 7 of the Research, that states:-

"7 - Short-term Holiday Accommodation and Business Rates

The Welsh Government should consult regarding the possibility of excluding short-term holiday accommodation from being eligible for small businesses rates relief."

As highlighted in the attached report although it agrees with the aim of this recommendation, the opinion of Gwynedd Council - that has been expressed to Welsh Ministers for years - is that residential dwellings should not be able to transfer to a non-domestic system at all.

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As the recommendation stands, even if small business levy relief is eliminated, the majority of owners would continue to pay less tax, and as income from non-domestic tax is distributed nationally based on the population of individual Authorities, the income of Gwynedd Council would remain considerably lower than if the dwelling was subject to Council Tax. This means that it would lead to less tax for authorities to re-invest in housing matters and as non-domestic taxes are cheaper than the Council tax premium, more and more will transfer to non-domestic tax while this is possible. This means that the effectiveness of the policy to allow raising the Council tax premium has been significantly weakened.

The effective answer is to enforce every second home owner to pay the Council tax premium (that is collected locally and is therefore available for councils to re-invest in local housing matters) and the means of delivering this is by amending Section 66 of the Local Government Finance Act, so that every dwelling house is considered under the Council Tax system whatever use is made of it.

Amending the recommendation in this way would entail that the policy of allowing the raising of Council tax premium would be effective and fulfil its purpose. The response submitted recently by the Council to the consultation 'Local Taxation on Second Homes and Holiday Accommodation' reflects this viewpoint.

Regarding the second matter highlighted as part of the scope of your research, it is believed that the appended research (Appendix 1) is an extremely useful evidence base that can be applied as part of your investigation, and clearly highlights the Council's view regarding which mechanism should be applied to seek to get to grips and have control over the use of dwellings as holiday homes.

As you are aware, Council Officers together with the Deputy Leader have already submitted evidence to you on the research for the purposes of your investigation.

It is emphasised that the main aim of the research is to suggest a mechanism that can be implemented to control the use of dwellings as holiday homes. Only by having the effective managerial tool in force will it be possible to seek to alleviate the impact associated with holiday homes, and to ensure sustainable communities for future generations that offer opportunities for people to live, work and enjoy.

I trust that appropriate consideration will be given to the evidence submitted.

Yours sincerely,



Y Cyng/Cllr. Dafydd Meurig
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Managing the use of dwellings as holiday homes

December 2020

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1.0 Background

1.1 The issue of second homes and short-term holiday lets has evolved significantly over recent years along with their associated economic, environmental and cultural impacts. Recent growth in the holiday home (see definition below, paragraph 1.2) sector is largely attributed to the accessibility of online marketing websites, rise in holiday rental as a financial investment, improvements in information technology infrastructure that enables people to work remotely and the growth of the Welsh tourism industry.

1.2 For the purpose of this paper, the term 'holiday homes' includes the following:-

- Short-term holiday let: Dwelling house (C3 Use Class) which is not permanently occupied and let for holiday use on a commercial basis.
- Second homes: Dwelling house (C3 Use Class) which is used by the owner on an occasional basis (but not their main place of residence) as well as other visitors for holiday purposes.

1.3 It should be noted that when referring to short-term holiday lets, the figure includes residential dwellings that are let out on a commercial basis for holiday purposes as well as short-term holiday let that have received planning permission for that specific use. In terms of the overall figure, it is not possible to distinguish between the two.

1.4 Within this research paper reference will be made to 'holiday homes' when referring to the combined provision of 'short-term holiday let' and 'second homes'. Where an issue specifically relates to either second homes or short-term holiday let this will be made explicit.

1.5 The supply and choice of housing available is a critical issue for local communities. The planning system has a direct role to play in ensuring that sufficient land is available to meet the housing needs of local communities. However, there are communities across Wales that face significant pressures due to the use of residential dwellings as holiday homes which has resulted in a housing stock which does not currently fully meet the requirements of local communities. This increased pressure on housing stock, has resulted in calls for regulatory mechanisms to be implemented. Implementing effective control mechanisms would possibly alleviate the associated cultural, social, environmental and economic impacts of holiday homes.

1.6 The aim of this research paper is to explore the possible options for controlling / managing the use of a dwelling as a holiday home. The research paper will explore possible mechanisms specifically within the planning system, drawing upon other examples across the UK and beyond. Other mechanisms beyond the control of the planning system will also be explored. The research paper will specifically look at:-

- a) establishing the number and location of holiday homes in Gwynedd, Cardiff and Wales;
- b) establishing trends – how the holiday home industry has evolved over the past 30 years;
- c) assessing the impact of holiday homes on local communities;
- d) exploring possible solutions and regulatory control mechanisms.

1.7 The research paper will concentrate on the Gwynedd Council Local Authority Area and Cardiff Council Local Authority Area. Using both authorities as case studies within the report will allow for comparisons to be made between the rural and urban issues associated with holiday homes.

1.8 The original scope of this report included conducting primary research involving gathering the opinions of communities and the industry on the potential negative and positive effects of holiday homes. Unfortunately, due to restrictions relating to the Covid-19 pandemic this has not been possible.

2.0 Previous Research

- 2.1 In 2001 the Welsh Assembly Government (now Welsh Government) commissioned and funded a research project as part of the Welsh Assembly Governments' Wales Planning Research programme. The Programme was established to meet the need for evidence based land use planning policy development within the context of the Assembly Government's principles and priorities. The overall focus of the study was to consider the role of the land use planning system in controlling new housing development, its occupancy and its use, together with the regulation and occupancy of existing dwellings.
- 2.2 The study, 'Second and Holiday Homes and the Land Use Planning System'¹ recognised that the geography of second and holiday homes in Wales followed a clear pattern and are generally clustered in coastal locations. From 1991 to 2001 it also appeared that the number of second/holiday homes had grown in non-traditional second home ownership areas. The study concluded that the number of second home ownership within the 'traditional' second home locations on the west coast and in North West Wales appeared to be reducing whereas there was new growth in Carmarthenshire and Vale of Glamorgan due to transport improvements making them more accessible.
- 2.3 The study did not recognise a relationship between house prices and high levels of holiday home ownerships. However, the study recognised that in a local setting, it is likely that retirement, commuting patterns and second homes will influence local patterns of house prices pushing some locations out of the price range of local buyers. Overall, the study concluded that retirement and commuting are perceived to be more significant components of the external housing pressure facing rural areas.
- 2.4 The study concluded with 22 specific recommendations. The recommendations include a range of issues from ensuring that there is a sufficient supply of affordable housing and for local authorities to explore the possibility of developing sites specifically for second and holiday homes in less sensitive areas and for an improved system for collecting information relating to second and holiday homes data.
- 2.5 Of greater significance to the planning system is a recommendation not to change the 'Use Classes Order' as it would result in fundamental problems in terms of definition and enforcement.
- 2.6 The study was commissioned nearly twenty years ago by the Welsh Government and since then the number and potential impacts of holiday homes within local communities have

¹ [Second and Holiday Homes and the Land Use Planning System Research Report – prepared by the Welsh Assembly Government](#)

changed significantly, resulting in growing pressure from local communities and opposition political parties for the Welsh Government to act on the issue.

- 2.7 The following paper (where appropriate) will draw comparison between the current situation and the evidence provided in the Welsh Government Research Paper. As well as drawing comparison, the study provides a useful baseline to assess the evolution, frequency and impact of holiday home ownership.
- 2.8 Research work has also been undertaken in other areas of the UK on the subject matter. A review relating to the impact of second homes 'Review of Second Home Data and Assessment of Effects Second Homes are Having on Rural Communities'² was undertaken on behalf of the Lake District National Park Authority, South Lakeland District Council, Cumbria Rural Housing Trust and Eden District Council. The aim of this report was to review second home data and assess the effects that second homes were having on rural communities. It included details on the ways in which second home data was collected and the wide variety of definitions used to establish what determines a second home.
- 2.9 The report concludes with a series of ten recommendations ranging from modifications to the taxation system, creating a new use class for short-term holiday lets, for local authorities to purchase empty properties and bring them back to use, and developing sites specifically for holiday and second homes purposes.
- 2.10 In 2019, the Scottish Government commissioned research work, 'Research into the impact of short-term lets on communities across Scotland'³. The aim of the research paper was to gather opinions from communities in relation to the impact which short term lets (STL) is having on neighbourhoods and housing in Scotland. The research paper concluded with five key impacts in relation to the rise of the STL industry:-
- Local economic benefit – some areas benefit economically from having increased STL offer as it attracts tourists to the area due to the range of choice and affordability. The benefits were related to increased spend, increased availability of jobs, often all year round, and direct jobs and trade for the STLs supply chain including property managers, cleaners and the property maintenance industry.
 - Increased household income and STLs business earnings;
 - Reduced availability of residential housing with the negative impact on affordability, sustaining communities and the negative impact on the wider local economy and local public services;

² [Review of Second Home Data and Assessment of Effects Second Homes are Having on Rural Communities](#)

³ [Research into the impact of short-term lets on communities across Scotland](#)

- Negative impact on quality of life and well-being - disruption and stress caused by constant 'visitor use', rather than residential use, noise, disturbance, buzzers, door knocking, littering, anti-social behaviour, the loss of a sense of community and security;
- Congestion and changing communities.

2.11 The research work which has been referenced above recognise that high levels of short-term holiday lets and second home ownership within communities has an adverse impact on social cohesion, house prices and culture. This paper will further discuss these impacts with specific reference to Gwynedd, Cardiff and the national context.

3.0 Role of the Planning System

- 3.1 The planning system controls the use of land and property, ensuring that development is in the public interest having considered the economic, environmental and social benefits. The planning system attempts to create balanced, sustainable communities by creating vibrant places for people to live and work. Planning applications are assessed against the Development Plan for that area. Control mechanisms through the planning system ensures economic growth whilst protecting the environment for future generations and ensuring that communities have a better quality of life.

Holiday homes – Use Class

- 3.2 In accordance with the Town and Country Planning Act 1990⁴ planning permission is required for the carrying out of any development (section 55). The Act defines development (including material change of use) as:

“The carrying out of building, engineering, mining or other operations in, on, over or under land, or making of any material change of use of any buildings or other land.”

- 3.3 Thus, where a change of use is regarded as material, planning permission will be required. The Town and Country (Use Classes) Order 1987 (as amended)⁵ puts uses of land and buildings into various categories known as ‘Use Classes’. The Order states:

“...where a building or other land is used for a purpose of any class specified in the Schedule, the use of that building or that other land for any other purpose of the same class shall not be taken to involve development of the land.”

- 3.4 A residential dwelling falls into the C3 Use Class Category , the definition of the C3 Use Class as defined by the Town and Country Planning (Use Classes) order 1987 (as amended) is as follows: -

“Class C3. Use as a dwelling house (whether or not as a sole or main residence) by -

- a) a single person or by people to be regarded as forming a single household;*
- b) not more than six residents living together as a single household where care is provided for residents; or*
- c) not more than six residents living together as a single household where no care is provided to residents (other than a use within class C4).”*

⁴ [Town and Country Planning Act \(1990\)](#)

⁵ [The Town and Country \(Use Classes\) \(Amendment\) \(Wales\) Order 2016](#)

- 3.5 Within the current land use planning system in Wales there is no specific limit on the number of days a property can be let out on a short-term basis. Determining if a dwelling house (C3 Use Class) has changed its use is a matter for each Local Planning Authority based on fact and degree as whether the holiday letting amounts to a material change of use.

Case Law

- 3.6 There are recent case laws relating to the unlawful use of residential dwellings as holiday accommodation. Although the examples which are referred to within this paper relate to case law in England, the same principle/consideration would apply in Wales.

Moore v Secretary of State for Communities and Local Government (2012)⁶

- 3.7 The most notable case law in which considered if a material change of use has occurred through the letting of a dwelling house for holiday purposes is the Court of Appeal case of Moore v Secretary of State for Communities and Local Government (2012).

- 3.8 The appeal was in relation to whether the use of a dwelling house for commercial letting accommodation, constituted material change of use in planning terms. The appeal site (known as St Audry's) was a former hospital which had been granted permission as an eight bedroom dwelling (C3 use). For a period of eight years the property was occupied as a dwelling, however from May 2008 the property was let by its owner for short-term holiday lets. Suffolk Coastal District Council issued an enforcement notice alleging a breach of planning control. The breach was stated to be a change of use without planning permission from C3 dwelling house to commercial leisure accommodation (sui generis). The enforcement notice was appealed however the appeal was dismissed and the enforcement notice upheld. The Inspector considered that there were a number of distinct differences, including the pattern of arrivals and departures with associated traffic movements, likely frequency of party type activities and the potential lack of consideration for neighbours with the current use. As a matter of fact and degree the Inspector considered that the use of the property for holiday let purpose was distinctively different in character from that of a private dwelling. This change in character resulted in material change of use that was development requiring planning permission. The decision was appealed against in the High Court. The Court of Appeal found in favour of the secretary of state. The Court of Appeal determined that:

“It was not correct to say either that using a dwelling for commercial holiday lettings would never amount to a material change of use or that it would always amount to a material change of use. Rather, in each case it would be a matter of fact and degree and would depend on the characteristics of the use as holiday accommodation.”

⁶ [Moore v Secretary of State for Communities and Local Government \(2012\)](#)

3.9 There are examples of Planning Appeal decisions which have followed and applied the Moore case. These include the following:-

Appeal Decision (APP/Q0505/C/18/3193261), 17 Richmond Road, Cambridge⁷

3.10 The property was a three storey 3 bed terraced town house on a residential street. In 2016 it was reported that the house was being advertised as a holiday let (entire dwelling) on Airbnb. Due to the fact that the dwelling house was being used commercially as short-term visitor accommodation rather than a dwelling house, a planning enforcement investigation was undertaken which included the service and completed return of a Planning Contravention Notice (PCN). The site was initially referred to the Planning Enforcement Team by local residents concerned with noise disturbance resulting from increased comings and goings from the property (mainly due to late night arrivals and early morning departures). Following undertaking a case review, it became apparent that the premises was let out and available to be let as a whole rather than individual rooms for some or all days of the week. With reference to the Moore v Secretary of State for Communities and Local Government (2012) Court of Appeal case the Authority sought to provide a working definition for defining when a material change of use has occurred. The key issues are considered to be the frequency of the arrivals and departures, since it is this that can cause noise and disturbance and change the character and impact of the use of the property; and the length of time the property is available for let throughout the year, which can impact on amenity and the permanent nature of the residential occupation.

3.11 The Inspector concluded that evidence indicates that the character of the use in question, in particular the notably transient pattern of occupancy, together with the pattern of related arrivals and departures, is significantly different to that associated with a dwelling house. Therefore, as a matter of fact and degree, it was determined that change of use had occurred.

3.12 Following the successful enforcement notice imposed on 17 Richmond Road, to date Cambridge Council have issued a further 20 enforcement notices all of which have been successfully upheld at appeal.

Appeal Decision (APP/F0114/C/18/3217514), 3 Greenway Lane, Lyncome, Bath⁸

3.13 The appeal case involves a semi-detached 7 bedroom dwelling house which sleeps up to 17 people. The appeal was made as a result of an enforcement notice issued for the alleged change of use of the property from C3 residential dwelling to a sui generis use (commercial holiday let). The Inspector considered whether the property was being let out on an occasional basis and whether the dwelling remains as the appellant's usual residence. The Council

⁷ [Appeal Decision \(APP/Q0505/C/18/3193261\), 17 Richmond Road, Cambridge](#)

⁸ [Appeal Decision \(APP/F0114/C/18/3217514\), 3 Greenway Lane, Lyncome, Bath](#)

provided evidence in the form of neighbouring log books and information from online marketing platforms that the property is being let out for holiday purposes on a midweek/weekend basis.

- 3.14 The Inspector concluded that the unauthorised use of the property as a commercial holiday let had introduced an unacceptable level and pattern of activity into the residential area to the detriment of residential amenity. It was concluded that there was a demonstrable increase in noise, traffic and other disturbance that had occurred because of the unauthorised use of the property. The Enforcement Notice was upheld.

Effectiveness of enforcement

- 3.15 Although there are examples of case law as referenced above which based on fact and degree conclude that the use of a dwelling house as a short-term holiday let involves a material change of use and therefore require planning permission, undertaking enforcement action on operators can be time consuming and laborious for a Local Planning Authority to pursue.
- 3.16 Pursuing an enforcement notice in relation to the misuse of a residential dwelling as a short-term holiday let would involve in the first instance having to recognise what the breach is, i.e. for what purpose is the dwelling house being used. If the alleged breach is identified work will then be required in relation to gathering evidence and information relating to the breach. In most cases, identifying if a breach has occurred is dependent on receiving information from a third party source (neighbours). Following gathering the information it is then necessary to determine if a material change of use has occurred based on fact and degree. It is likely that determining if a material change of use has occurred will be based on the churn of people coming and going from the site and the impact of the use on residential amenity.
- 3.17 If it is determined that a material change of use has occurred, consideration will then need to be given to whether or not it is expedient to take action. Within the Anglesey and Gwynedd Joint Local Development Plan⁹, Policy TWR 2 (Holiday Accommodation) resists the loss of permanent housing stock for holiday accommodation purposes. However, within the Cardiff Local Development Plan¹⁰ there isn't a policy which prohibits the loss of a residential dwelling for holiday accommodation purposes, therefore the expediency of taking enforcement action could be questioned.
- 3.18 Serving enforcement notices on holiday homes is likely to be dependent on the Local Planning Authority having received a complaint in relation to the use. Enforcement teams within Local Planning Authorities are unlikely to have the resources (due to increasing work load and reduced resources) to proactively and effectively pursue enforcement notices in relation to

⁹ [Anglesey and Gwynedd Joint Local Development Plan](#)

¹⁰ [Cardiff Local Development Plan](#)

the misuse of residential dwelling houses for holiday home purposes. Successful enforcement are dependent on obtaining third party evidence from neighbours as to the effects in order to assess the impacts. In some cases, the use of the residential dwelling as a short-term holiday let may have taken place for a number of years, if this can be evidenced by the operator (for a period of 10 years or more) a Certificate of Lawful Use Development could be issued which would mean that planning permission wasn't required. Enforcement is sporadic and pursued on a case-by-case basis, which is unsustainable and unfair, a practical working solution to control the misuse of residential dwellings as a short-term holiday let must be sought.

- 3.19 There aren't any current examples of case law which relate to the use of a dwelling-house (C3) as a second home. This is likely to be because the use of a dwelling house as a second home (which is never let out on a commercial basis) would undoubtedly fall within the C3 use class. Traditionally a means of regulating the use of a dwelling house as a second home has been through financial penalties, i.e. increase premium on the Council Tax and increased tax on the purchase of second properties (i.e. second homes and buy to lets).

4.0 Planning and Regulation (Good Practice) – Houses in Multiple Occupation (HMOs)

Definition

4.1 In Wales the definition of Houses in Multiple Occupation (HMO) for the purposes of enforcement of housing standards and HMO licensing has been clearly defined in Part 7 of the Housing Act 2004¹¹ and regulations made under the Act. It includes houses and flats where facilities are shared or are not self-contained and specifically includes premises shared by 3 or more unrelated persons not forming one household even though they may be living as a cohesive group.

4.2 Following the amendment to the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016¹² there was a introduction of a new use class relating to HMOs (C4 Use Class) which is defined as follows:-

“Class C4. Houses in multiple occupation:

Use of a dwellinghouse by not more than six residents as a house in multiple occupation.”

HMOs - Mandatory and Additional Licensing

4.3 The Housing Act 2004 aims to improve housing standards for tenants renting accommodation in the private rented sector as well as regulating the use. The legislation introduced a number of measures that impact on the private rented sector and in particular the licensing of Houses in Multiple Occupation (HMOs).

4.4 The law requires that certain types of rented property are licensed in order to meet standards that ensure a house is safe for the occupants and that the landlord is competent, qualified and the most appropriate person to manage it.

4.5 Part 2 of the Housing Act 2004 introduced two types of licensing scheme for HMOs:

1. The Mandatory Scheme (which all local authorities must operate)

The mandatory licencing scheme is intended to be the primary method of controlling housing standards in higher risk HMOs, i.e. those with the highest risk of death or injury by fire.

¹¹ [Housing Act 2004](#)

¹² [Town and Country Planning \(Use Classes\) \(Amendment\) \(Wales\) Order 2016](#)

Mandatory licensing covers HMOs which are those with three or more storeys occupied by 5 or more residents forming 2 or more households.

2. The Additional Licencing Scheme

Part 2 of the Act¹³ gives local authorities a discretionary power to designate the whole of their district or areas within it as an additional licensing area for specified types (or all types) of HMO, if certain conditions are met. Part 3 of the Act also gives local authorities selective licensing powers to deal with accommodation where there are concerns over low housing demand or a need to take measures to improve the social or economic condition because of significant and persistent anti-social behaviour with some private sector landlords failing to take action to combat such behaviour.

- 4.6 HMO licensing regimes (whether mandatory or additional) are intended to secure satisfactory management and physical standards. Before granting a licence, an authority must be satisfied with a number of matters, in particular that the licence holder is a “fit and proper person” and that the HMO is being managed effectively.
- 4.7 On the grant of every licence certain mandatory conditions must be imposed, including gas, fire and electrical safety together with a statement of occupation terms. In addition, authorities have the discretion to impose further conditions which may relate to issues such as taking reasonable and practicable steps to prevent anti-social behaviour, restrictions on the use of part of a property or number of occupants, to undertake any remedial works to bring the property up to standard or a requirement for the licence holder to attend relevant training.
- 4.8 In order to adopt additional licensing, a local authority must consider that a significant proportion of the relevant type of HMO in the whole or specified area of their district is “being managed sufficiently ineffectively as to give rise, or to be likely to give rise, to one or more particular problems either for those occupying the HMOs or for members of the public”. Accordingly, the authority may take into account not only the housing conditions of the occupiers of HMOs but also the effect of HMOs on the community at large, e.g. anti-social behaviour of occupiers and their visitors.
- 4.9 The introduction of additional licensing does not tend to restrict the growth of HMOs, but it does have a positive effect in driving up standards and dealing with unsatisfactory management.

¹³ [Housing Act 2004](#)

- 4.10 Gwynedd Council decided to make the additional HMO licence a requirement for all of Gwynedd in order to maintain standards. Cardiff Council on the other hand have declared two areas as requiring Additional Licensing Schemes, namely Cathays and Plasnewydd. Both areas have a high student population, therefore imposing the licensing scheme will help control the HMO concentration in these pressurised areas.
- 4.11 One major benefit of imposing the additional licencing scheme is ensuring that the property meets the required standards in terms of health and safety and that the property is managed properly. Further the licencing scheme provides a useful information source in relation to the number and location for each HMO within the Local Authority area.

Planning Controls

- 4.12 In 2015 the Welsh Government commissioned a research study in relation to Houses in Multiple Occupation (HMOs)¹⁴ due to increased concerns relating to their effect on the stability of local communities. Concentrations of HMOs had historically grown in university city/towns where there was an increase need/demand to house large numbers of students. Subsequently family homes were being acquired and rented out as shared student houses.
- 4.13 Concerns can arise with the management of HMOs because of the transient nature of many tenancies, with many residents on low incomes and/or from vulnerable groups, the intensive use of shared facilities and lack of interaction between residents who may be complete strangers to each other. Consequently, HMO use of a house will generally be more intensive than single household use. This may have an impact not just on the residents in an HMO but on the wider neighbourhood.
- 4.14 The Review showed that the incidence of HMO concentrations across the whole of Wales is relatively limited with concentrations mainly found in the four university cities and towns (Cardiff, Swansea, Aberystwyth and Bangor).
- 4.15 The review confirmed that the common problems in relation to HMOs include:-
- Damage to social cohesion with higher levels of transient residents and fewer long term households and established families, leading in the long term to communities which are not balanced and self-sustaining;
 - Access to the area for owner occupiers and first time buyers becoming much more difficult because of increased house prices and competition from landlords, with a reduction in the number of family homes;
 - Increases in anti-social behaviour, noise, burglary and other crime;

¹⁴ [Houses in Multiple Occupation: Review & Evidence Gathering](#)

- Reduction in the quality of the local environment and street scene as a consequence of increased litter, refuse and fly tipping, increased levels of disrepair and prevalent letting signs;
 - A change of character in an area through a tendency for increased numbers of takeaways, discount food stores and letting agencies;
 - Increased pressure on parking;
 - Reduction in provision of community facilities for families and children, in particular pressure on schools through falling enrolment.
- 4.16 As is evident from above, the impact of high levels of HMOs are therefore akin to the impact which high concentrations of holiday home ownership have on local communities, which has been highlighted elsewhere in this paper.
- 4.17 Following the review, on 25th February 2016, the Welsh Government created a new use class (C4)¹⁵ for smaller HMOs, which previously were classed as Dwelling Houses (C3). Further Guidance on the matter was also produced by the Welsh Government in 2017¹⁶.
- 4.18 For 'planning' purposes Houses in Multiple Occupation fall within two different use:
- A small HMO - A tenanted property occupied by 3-6 unrelated persons who live in property and share one or more basic amenities, which falls within Use Class C4.
 - A large HMO: A tenanted property occupied by 7 or more unrelated persons who live in a property and share one or more basic amenities, which is a '*Sui Generis*' (meaning 'of their own kind) use.
- 4.19 Small HMO's which were able to evidence that they were operational before 2016 can apply for a Certificate of Lawful Use Development, meaning that Local Planning Authorities haven't been able to retrospectively enforce established small HMO's.
- 4.20 Therefore, since 2016 the use of a dwelling house as a small HMO (up to 6 unrelated people) requires planning permission. Consequently, Local planning Authorities have the ability to draw up suitable local planning policies which help control and regulate the number of HMOs within specific 'under pressure' areas.
- 4.21 Within the Anglesey and Gwynedd Joint Local Development Plan policy TAI 9: Subdivision of existing properties to self-contained flats & houses in multiple occupation (HMOs)¹⁷ limits the number of permissions for HMO's which will be granted. In the wards of Deiniol and Menai

¹⁵ [Town and Country Planning \(Use Classes\) \(Amendment\) \(Wales\) Order 2016](#)

¹⁶ [Houses in Multiple Occupation: Practice Guidance \(2017\)](#)

¹⁷ [Anglesey and Gwynedd Joint Local Development Plan](#)

(Bangor) the proportion of HMO's should not exceed 25% and 10% in the remaining wards in the Plan area.

- 4.22 Cardiff Council's Local Development Plan¹⁸ (adopted January 2016) includes a policy that indicates that impact upon amenity and/or the character of the area will be considered when assessing HMO applications. This means that when the Council receives a planning application for a smaller (C4) or larger (Sui Generis) HMO, then the density of existing HMOs in the local area will be considered alongside other issues. To complement this policy, the Council has produced a Supplementary Planning Guidance (SPG¹⁹) on HMOs. This expands upon the policy included in the Local Plan, and provides guidance on the issues that will be taken into account with regards to planning applications for HMOs.

¹⁸ [Cardiff Local Development Plan](#)

¹⁹ [Houses in Multiple Occupation \(HMOs\): Supplementary Planning Guidance](#)

5.0 Financial Incentives

- 5.1 Over the past twenty years, there has been an enormous growth in the holiday home sector in Wales. This burgeoning market, together with other contributing factors, have created an ideal environment for positive potential letting income and revenue. For those considering investing in a property as a short-term holiday let, there could be a lucrative return on investment. Although short-term holiday let incur more expenses on utility cost, property management fees and general maintenance, generally the gross revenue per annum of a holiday home is significantly higher than a traditional long-term rental.
- 5.2 Letting a property as a short-term holiday let is considered a trade rather than an investment. This allows for the benefits from offsetting mortgage interest costs against the revenue, as well as reconciling council tax and other bills against the income.

Council Tax

- 5.3 Section 139 of the Housing Act (Wales) 2014²⁰ amends the Local Government Finance Act 1992²¹ and enables a billing authority (a County Council or County Borough Council) in Wales to dis-apply any discount granted to long-term empty dwellings and dwellings occupied periodically and apply a higher amount of council tax (a premium). The powers given to local authorities are discretionary.
- 5.4 From 1 April 2017, local authorities have been able to charge a premium of up to 100% of the standard rate of council tax on properties where no one has their sole or main residence and either the property is furnished (second home) or unfurnished and unoccupied for over 12 months (long term empty). The previous Regulations provided Council's with the discretion to charge full Council Tax, or to allow a 25% or 50% discount, to classes of second homes, and to allow a 50% discount (or a lower percentage discount), or no discount at all, to long-term empty properties that have been empty for 6 months or more.
- 5.5 A Council must make its first determination to raise a "premium" at least one year before the start of the financial year to which it relates. Gwynedd Council decided on 8 December 2016 that a 50% premium will be raised on (class B) furnished properties where no one has their sole or main residence from 1 April 2018 onwards and 50% on unfurnished and unoccupied properties where no one has their sole or main residence. Cardiff Council, have not, as yet introduced a premium, and second homes pay the full standard Council Tax rate.

²⁰ [Housing \(Wales\) Act 2014](#)

²¹ [Local Government Finance Act 1992](#)

5.6 The all Wales position relating to which Council Tax Premium is shown in the following table:-

Local Authority	Premium	Date implemented	Rate	Additional Comments
Blaenau Gwent County Borough Council	No	-	-	
Bridgend County Council	No	-	-	
Caerphilly County Borough Council	No	-	-	
Carmarthenshire County Council	No	-	-	
Ceredigion County Council	Yes	-	25%	
Cardiff Council	No	-	-	
Conwy County Borough Council	Yes	01/04/2020	25%	Conwy County Borough Council, made the determination to recommend a level of 50% Council Tax Premium on Long-Term Empty Homes and Second Homes from 1 April 2021 (subject to review during 2021/2022).
Denbighshire Council	Yes	01/04/2018	50%	
Flintshire County Council	Yes	01/04/2017	50%	
Gwynedd Council	Yes	01/04/2018	50%	
Isle of Anglesey Cuncy Council	Yes	01/04/2019	35%	

Merthyr Tydfil County Borough Council	No	-	-	
Monmouthshire County Council	No	-	-	
Neath Port Talbot Council	No	-	-	
Newport City Council	No	-	-	
Pembrokeshire County Council	Yes	01/04/2017	50%	
Powys County Council	Yes	01/04/2017	50%	Powys County Council on 24/09//2020 considered a notice of motion to increase the Council Tax premium for periodically occupied properties to 75%, and are undertaking a consultation on the mater.
Rhonddda Cynon Taf County Borough Council	No	-	-	
Swansea Council	No	-	-	The Council will be introducing a 100% premium from 01/04/2021
Torfaen County Borough Council	No	-	-	
Vale of Glamorgan Council	No	-	-	
Wrexham County Borough Council	Yes	01/04/2017	50%	

Table 1: Welsh Local Authorities Council Tax Premium

5.7 Additional funding through raising council tax on second homes could be used to (examples only)²²:

- Provide exemptions and discounts on Council Tax and other taxes which would enable taxpayers to access their first home. For example extending a Council Tax Class A exemption on a property.
- Improve energy efficiency of homes.
- Business grants to help local SME and entrepreneurs – for example - housing options for older people, enhancing properties to lifetime homes standards, dealing with debts and housing support.
- Finance language plans in those areas where there has been a decline in the use of the Welsh language

5.8 A major issue associated with granting the power to increase council tax on second homes is that some qualifying properties let as self-catering holiday accommodation can transfer to the non-domestic rate system as a business premises. Due to the availability of Small Business Rate Relief on Non Domestic Rates they make no contribution to local taxes. The tax income from these properties is accrued at a national level and is lost both from the council tax income available to contribute directly to the budgetary requirements of the authorities concerned. It also increases the funds required to be allocated to small business rate relief reducing Welsh Governments capacity to fund such schemes on a par with England.

Non-domestic rates - self-catering properties

5.9 All Property is listed for local taxation purposes into one of two Lists. Domestic property is ascribed a Band and listed for Council Tax whilst all other non domestic property has its Rateable Value calculated and is placed on the Non Domestic Rating List (colloquially referred to as Business Rates). The Rateable Value and property description are calculated and determined respectively by the Valuation Office, an agency of the Inland Revenue.

5.10 Since 1 April 2010 in Wales, commercially available properties to let as a self-catering holiday accommodation can be valued for non-domestic rates, provided the Valuation Office Agency (VOA)²³ is satisfied that:

- it will be available for letting commercially as self-catering accommodation for short periods totaling 140 days or more in the following 12 month period;
- the ratepayer's interest in the property enables them to let it for such periods;

²² [Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales](#)

²³ [Guidance for ratepayers: Non-domestic rates for self-catering Properties in Wales](#)

- in the 12 months prior to assessment it has been available for letting commercially as self-catering accommodation for short periods totaling 140 days or more;
- the short periods it has actually been commercially let for amounted to at least 70 days during that period.

5.11 From 1 April 2016 in Wales, the criteria above will continue to apply but there is also a new provision so that:

- businesses consisting of several self-catering properties at the same location or within very close proximity have the option to average the number of lettings days of the properties to meet the 70-day criterion where they are let by the same or connected businesses

5.12 Full guidance and advice on the rating of self-catering properties in Wales is available in the Welsh Government's 'Guidance for Ratepayers Non-Domestic Rates for Self-Catering Properties in Wales'.²⁴

Business Rates Relief in Wales

5.13 Non Domestic Rates (NDR) have been fully devolved to Wales since April 2015, they are collected by Local Authorities and paid into a national 'pool' administered by the Welsh Government. They are redistributed to Welsh Authorities via a Local Government Settlement formula, based on their proportion of the population aged 18 and over, regardless of the income raised by each Authority.

5.14 A new permanent scheme came into force on 1 April 2018. The Welsh Government provides non-domestic rates relief to eligible small businesses:

- eligible business premises with a rateable value of up to £6,000 will receive 100% relief; and
- those with a rateable value between £6,001 and £12,000 will receive relief on a tapered basis from 100% to zero

5.15 Rateable value is the value assigned to non-domestic premises by the Valuation Office Agency, and is based on a property's annual market rent, its size and usage. The Valuation Office Agency reviews these values every five years.

5.16 Small Business Rates Relief (SBRR) in Wales is entirely funded by the Welsh Government and is the largest NDR relief scheme operating in Wales, providing mandatory rates relief to properties according to their rateable value and broad category of use.

²⁴ [Guidance for ratepayers: Non-domestic rates for self-catering Properties in Wales](#)

- 5.17 Local authorities are responsible for providing ratepayers with clear and accessible information on the details and administration of the scheme. If, for any reason, an authority is unable to provide this relief to eligible ratepayers within a reasonable time period, consideration should be given to notifying eligible ratepayers that they qualify for the relief and that their bills will be recalculated.
- 5.18 Local Authorities will be asked to identify the total amount of relief provided under the scheme in their NDR Returns (NDR1 and NDR3).

Furnished Holiday Let (FHL)

- 5.19 There are special tax rules for rental income from properties that qualify as furnished holiday lettings (FHLs), provided that they meet the criteria listed below. These include:
- Re-claiming 'Capital Allowances' back - Capital allowances can be claimed for capital expenditure e.g. cookers, fridges, televisions, sofas, tables, carpets, curtains etc. Currently, the first £200,000 of capital expenditure incurred can qualify for 100% Capital Allowances.
 - Tax-advantaged pension contributions - Income from a Furnished Holiday Let counts as 'relevant earnings' for pension contribution purposes. This means that tax-advantaged pension contributions can be made.
 - Capital Gains Tax relief - CGT relief can be claimed on an FHL; these include:
 - a. Entrepreneurs' Relief - only pay tax at 10% on all gains on qualifying assets rather than 18% or 28%.
 - b. Roll-over relief - allows specific chargeable gains to be deferred if new trading assets are acquired. Gains on the sale of FHLs can be deferred using this relief and the acquisition of an FHL property can count as a new trading asset allowing gains on the other assets to be deferred.
 - c. Hold-over relief - Allows chargeable gains that would otherwise arise on a gift of the property to be deferred.
 - d. Split the Tax between partner - If the holiday home is owned jointly with a partner or spouse the profits can be split however you like for tax purposes, irrespective of the actual shares in their ownership of the FHL property.
- 5.20 To qualify as a FHL the property must be:
- Commercially let - the holiday home must be let on a commercial basis and with the view to making a profit.
 - Furnished - there must be sufficient furniture provided for normal occupation and your visitors must be entitled to use the furniture

- 5.21 Accommodation can only qualify as a FHL if it conforms with occupancy conditions which specifically relate to the pattern of occupation, the availability and the letting condition.
- 5.22 Additionally, FHLs are treated in a similar way to that of a business when it comes to expenses. This means expenses can be offset against the income on the holiday let, so long as they are claimed against the expenses and are not capital.

Overview

- 5.23 There are significant financial advantages for home owners, as outlined above, relating to the letting of a property as a holiday accommodation. Holiday homes used as short-term holiday let incur a greater rental value, are eligible for small business rates relief and qualify for beneficial income tax breaks. Coupled with the existing financial climate (low interest rates and a relatively static stock market), means that the purchasing/renting of residential properties as short term holiday lets in popular tourist destinations are increasingly seen attractive business investments; the added benefit being that the owner can still use the property for personal holiday use as and when required. Therefore, not only is the existing local housing stock being bought as second homes, it is now becoming increasingly under threat from 'short term holiday let'. Figures would indicate that once a domestic property is 'lost' very few ever return to the Council Tax list.
- 5.24 Whilst it is accepted that the Councils are reimbursed for residential properties being registered for NDR, the fundamental issue is whether existing residential properties should be permitted to be used as 'business investments' without due process being followed. Furthermore, since this type of business use is generally considered to be permissible within a C3 use class, it raises an issue as to whether the existing use class order, as it pertains to C3 dwellings, is fundamentally flawed. Local Authorities should be able to regulate the numbers moving from domestic to non domestic use through the approval of a formal 'change of use'.
- 5.25 Consequently, it is considered that no existing residential dwelling (that does not have lawful planning permission to be used as 'short term holiday lets') should be allowed to be registered as a 'business' and be valued for 'non domestic rates'.

6.0 Current Situation

- 6.1 A key part of the research work involves collating information relating to the baseline data on the numbers of holiday homes that exist in Gwynedd, Cardiff and Wales. This includes gathering information in relation to short-term holiday lets as well as second homes. Gathering accurate information in relation to the number and location of holiday homes can be difficult as there isn't a single information source. Private accommodation rented out on an ad hoc basis, typically through peer-to-peer websites such as AirBnb are much harder to quantify as they can pop up from time to time and cease to be holiday lets without any formal notification. Assessing the severity of the situation is therefore difficult, and has to be based on the best available information. A request has been made to each individual Local Authority in Wales Council Tax department to receive information relating to the number of second homes and non-domestic self-catering holiday accommodation within their Local Authority Area.
- 6.2 Each Authority has provided the following information:-
- Number of residential properties within the Local Authority Area
 - Number of second homes
 - Number of self-catering units liable for non-domestic business rates
- 6.3 Information was not available from Wrexham County Borough Council. The data in relation to Wrexham CBC for the self-catering units is based on information available from the Valuation Office Agency²⁵ by conducting an advanced search and using the special category code for self-catering holiday accommodation (131). Information for Wrexham CBC in relation to the number of second homes within the authority area is obtained from the Stats Wales website²⁶. It should be noted that Stats Wales figures should not be considered as accurate information as they are based solely on estimates provided by each Local Authority.
- 6.4 Data has been provided by each authority in relation to the number of second homes within the authority area. In accordance with the Housing (Wales) Act 2014²⁷ a "second home" is defined as a home that is not a person's sole or main residence and which is substantially furnished.
- 6.5 It should also be noted that the number of self-catering holiday accommodation which are liable to pay non-domestic business rates will include residential dwelling houses which have transferred over to pay the non-domestic rates tariff along with purpose built holiday

²⁵ [Valuation Office Agency – Holiday Homes \(Self Catering\), Non-domestic Business Rates](#)

²⁶ [Stats Wales, Council tax dwellings by local authority](#)

²⁷ [Housing \(Wales\) Act 2014](#)

accommodation, i.e. those which have received planning permission as holiday accommodation.

6.6 The following table notes the Council Tax information in relation to the numbers of holiday accommodation within the case study areas of Gwynedd and Cardiff. Information is also provided on a national context:-

	Gwynedd	Cardiff	Wales
Number of residential units	61,645	159,193	988,418
Number of second homes	4,873	3,588	18,547
Total holiday accommodation (non-domestic business units)	1,976	54	6,906
Combined total	6,849	3,642	25453
Combined percentage of holiday homes	10.76%	2.2%	2.56%

Table 2: Information source - Council Tax, summer 2020

6.7 The following chart and map provides a visual snapshot of the current holiday homes provision in Wales:-

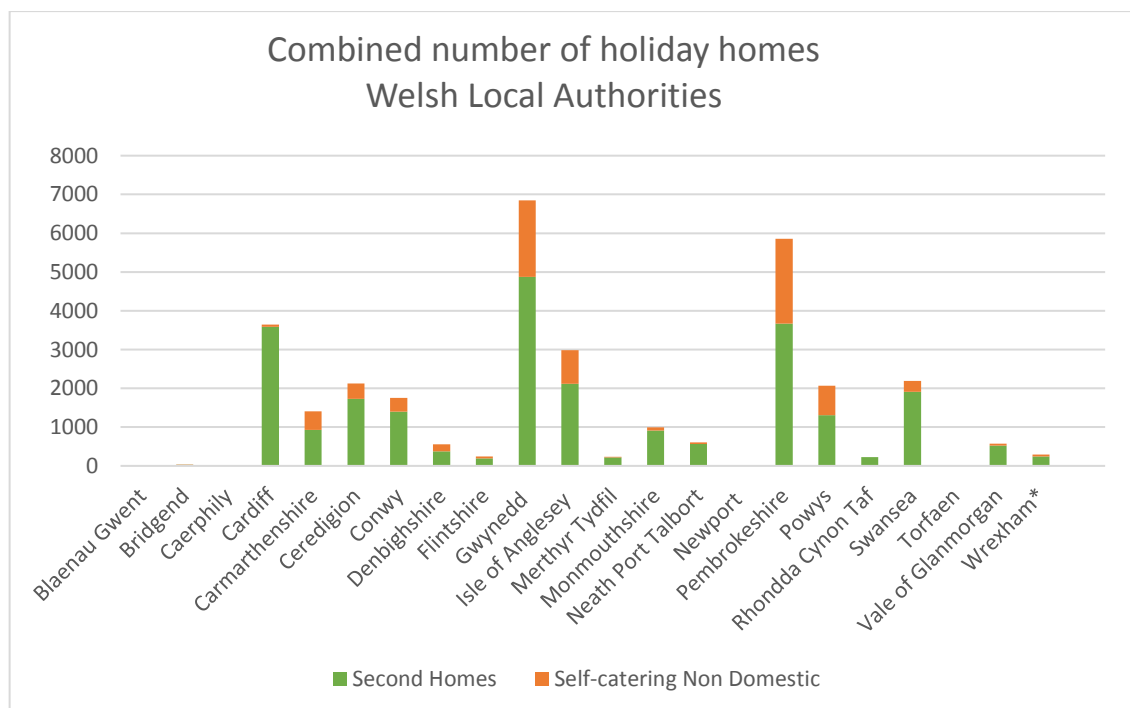
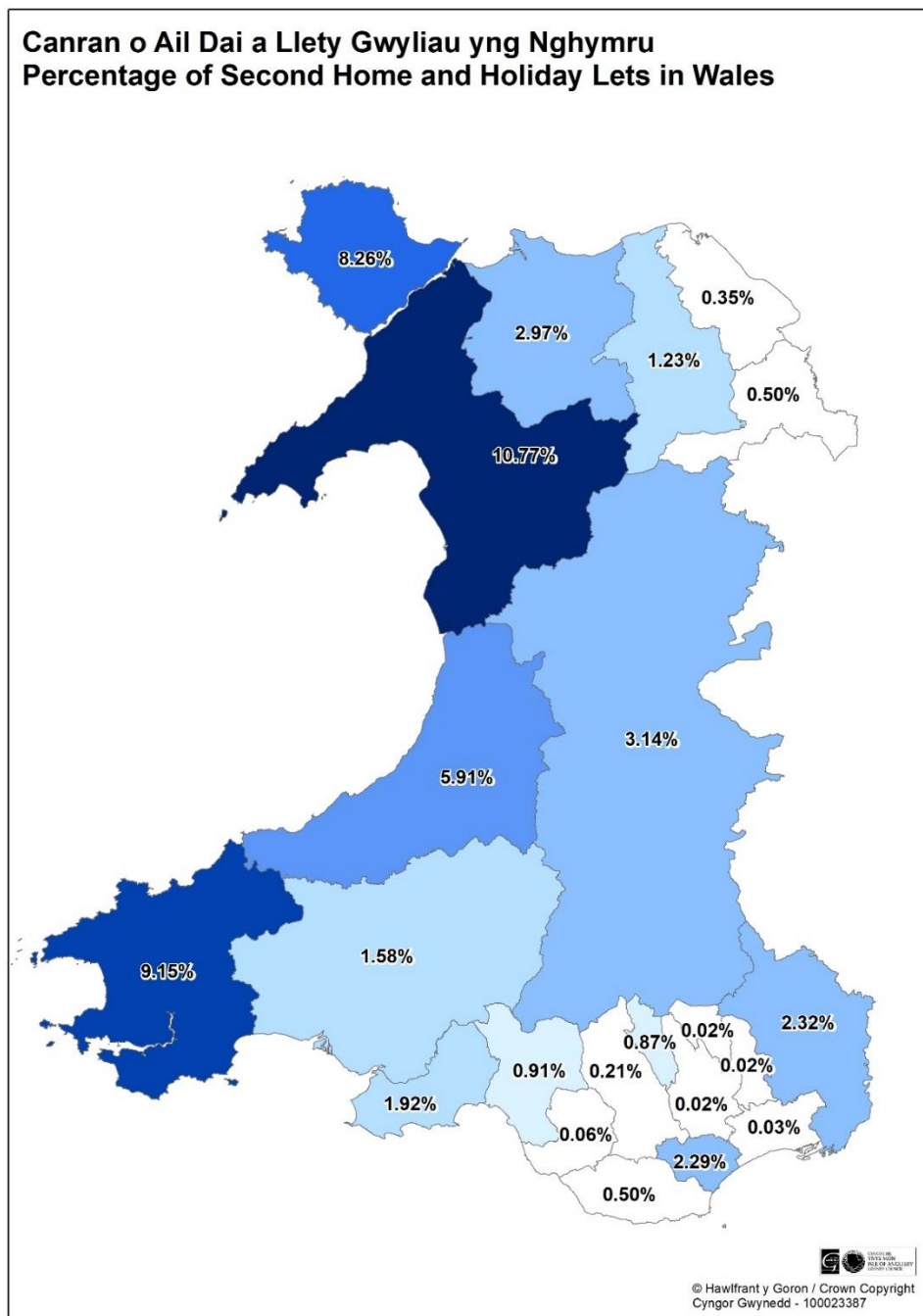


Chart 1: Information source - Council Tax, summer 2020

6.8 The chart clearly demonstrates that the Welsh Local Authorities with the highest number of holiday homes are Gwynedd (6,849), Pembrokeshire (5,857) and Cardiff (3,642). It is noted that the number of second home properties seems noticeably high in Cardiff, however it's unknown how many are vacant furnished properties as opposed to second homes. Providing the information as a proportion of the housing stock provides a true reflection of the situation for each Local Authority. The following chart and map clearly demonstrates that the traditional rural coastal authorities of Gwynedd (10.76%), Pembrokeshire (9.15%) and Anglesey (8.26%) proportionally have the highest number of holiday homes:-



Map 1: Holiday home provision in Wales

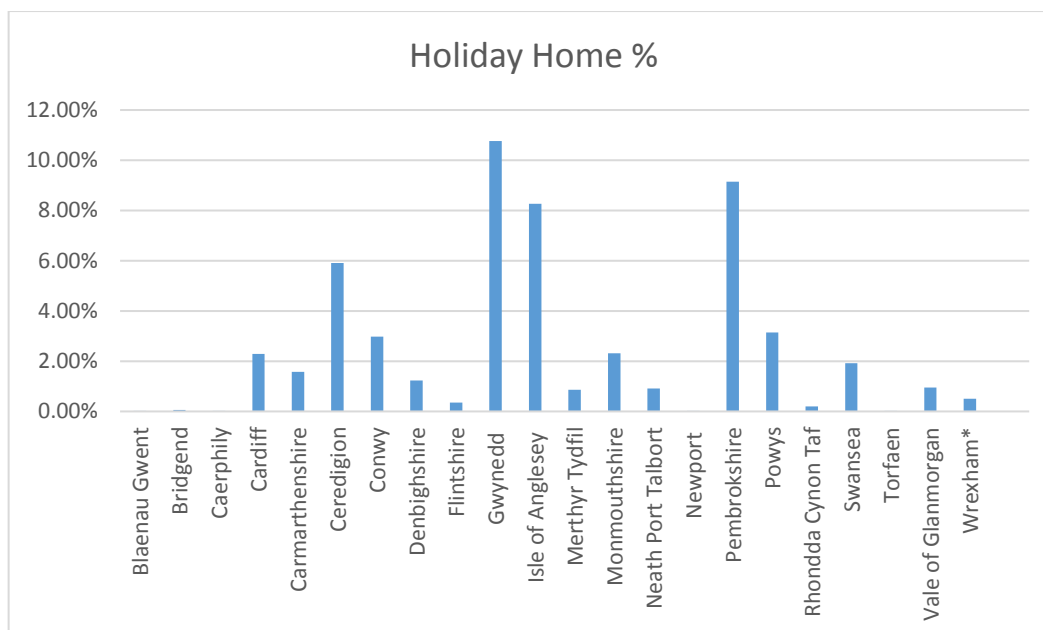


Chart 2: Information source - Council Tax, summer 2020

- 6.9 A recent 'Bedstock Survey' has been undertaken in the Gwynedd Local Authority Area. The purpose of the survey is to calculate the number of tourism accommodation available for visitors in Gwynedd. Between June 2018 and February 2019, Gwynedd Council's Tourism, Marketing and Events Service, in partnership with Visit Wales, conducted county-based research on the visitor accommodation provision that was available. This was done using information from key partners e.g. planning, licensing, grading, accommodation agencies etc, along with internet research and telephone interviews.
- 6.10 The 'Bedstock Survey' found that there were a total of 2,424 self-catering holiday accommodation units available during the survey period and an additional 745 units advertised on AirBNB. The number of short-term holiday lets available on the AirBNB platform represents a snapshot only, in terms of the accommodation that was actually available at the time of conducting the survey. The total amount of short-term holiday lets, according to this survey, is 3,169. It is unknown how many of these units are residential dwellings which are being used for holiday purposes, some of the units may have received planning permission specifically as holiday accommodation. The figure also includes all types of holiday accommodation units, for example chalets and caravans. Information from the Council Tax department relating to the number of properties which pay the Self-Catering Non-domestic Business rates for the same period (July 2018) was a total of 1,193. It is clear that the number of units which are available do not fully reflect the number of units which paid the non-domestic business rates in Gwynedd. It can therefore be assumed that some of the available short-term holiday lets are either liable to paying the second home premium or pay standard Council Tax.

- 6.11 Based on the definitions used for the purposes of Council tax, in Gwynedd there are currently 4,873 residential units which are liable to the second home premium. It is difficult to gather information relating to how many of these residential units are either permanently or occasionally let on a commercial short-term holiday let basis. The disparities between the Council tax figures and Second Homes figures would suggest that a proportion of second home are used as short-term holiday lets.
- 6.12 The above evidence proves that gathering accurate information in relation to the number of holiday homes is difficult because the holiday home market is unregulated (see paragraph 6.1). Although Council tax figures are considered the most accurate source of information, they are not totally reliable and dependent on holiday home operators applying the correct council tax/non-domestic business rates category for their property. The disparities between the Gwynedd Bedstock Survey and Council tax figures highlight this problem.

7.0 Recent trends

Growth of peer-to- peer platforms

- 7.1 There is evidence that the number of short-term lettings has increased significantly in recent years, in particular due to the development and growth of the ‘sharing economy’ or ‘peer-to-peer’ accommodation services. These online platforms essentially provide marketplaces which connect people who want to rent out their properties or spare rooms with people seeking short-term accommodation. Some popular peer-to-peer platforms include HomeAway, Booking.com and Airbnb.
- 7.2 As previously discussed in section 6, there is no single, definitive source of data on short-term lettings. This is because of the diverse nature of the sector, which can range from commercial visitor accommodation, such as hotels and Bed and Breakfast accommodation, to individuals letting spare rooms through sharing economy platforms, and the fact that providers can offer accommodation across multiple platforms. The growth of peer-to-peer platforms represents a challenge when collating information, as the traditional methods of collecting data about staying visitors - such as occupancy and bed stock surveys - are not gathering information on this market. It is likely that this has resulted in an increasing gap in estimates for the volume and value of tourism.
- 7.3 To tackle this problem, GTS (UK) Ltd, in partnership with twelve unitary authorities in Wales, have set up a pilot study to devise a robust methodology for evaluating the peer-to-peer market and produce volume and value estimates for the impact of this market in Wales. The study provides a useful source of information in relation to the growth of the industry in Wales.²⁸
- 7.4 The participating areas in the pilot study area are the Isle of Anglesey, Bridgend, Caerphilly, Cardiff, Carmarthenshire, Ceredigion, Conwy, Gwynedd, Monmouthshire, Pembrokeshire, Powys and the Vale of Glamorgan. All of the participating Local Authorities have purchased data from AirDNA. This company specialises in producing market reports for Airbnb and HomeAway, giving monthly data on a range of variables including room and place listings, bookings, occupancy, and average daily rates.
- 7.5 The following chart (which includes all types of accommodation available, for example, static caravans, chalets and residential dwelling houses) provides information in relation to entire place listings and the trends from 2016 to 2019:-

²⁸ [Peer to peer accommodation in Wales: an interim review \(GTS\)](#)



Chart 3: Source, Peer to peer accommodation in Wales: an interim review (GTS)

- 7.6 The chart clearly highlights that there has been a continued growth in entire place listings since December 2018. The lower growth rate for Cardiff is indicative of the city being an early adopter of Airbnb, with other areas catching up over time. The spike in listings on this chart for Cardiff in June 2017 coincided with when the UEFA Champions League Final was held in the city.
- 7.7 What is also demonstrated in the above chart is that in July/August 2019, circa 5,000 units for entire place listings were available in Gwynedd compared with circa 1,500 in Cardiff. The chart also shows the growth of the sector in Gwynedd. According to AirDNA between January 2017 and September 2019 there was an increase in available entire place listings of 915% and of available private room listings of 197%, compared with the averages across the entire pilot study area of 555% and 99%.
- 7.8 The following chart provides an overview of private room booked listings during the study period. Private room booked listings are a significantly more important element of the Cardiff region peer-to-peer offer than in other areas. This is likely to be attributed to homeowners taking advantage of the rental income which they can achieved when events are taking place in the city and demand for accommodation is high.

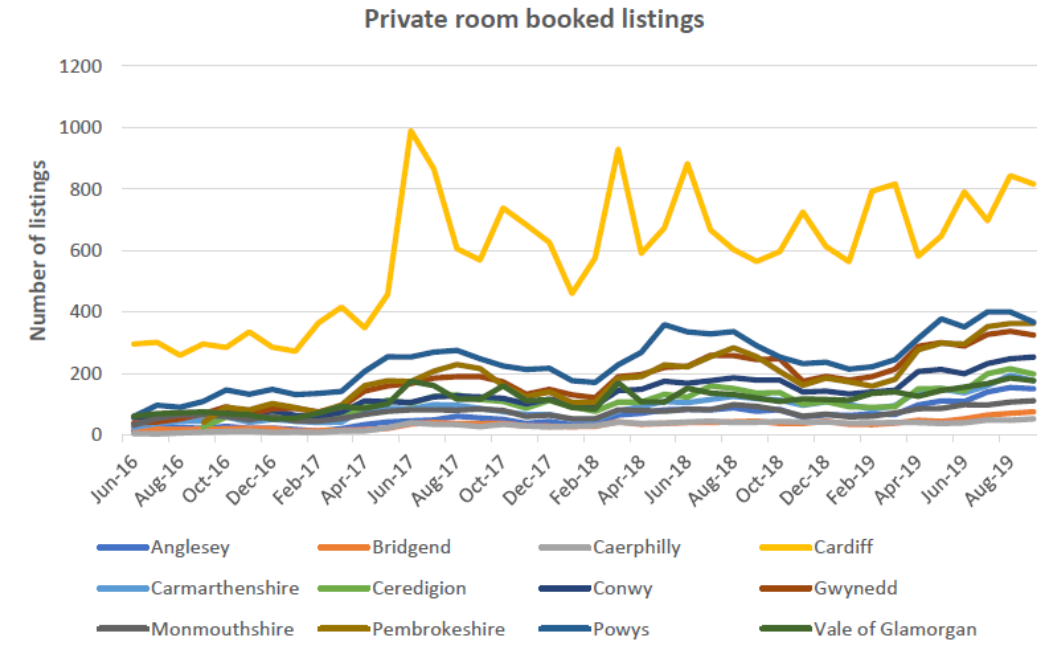


Chart 4: Source, Peer to peer accommodation in Wales: an interim review (GTS)

Overall comparison in figures

7.9 The following table shows the figures in relation to the combined numbers of second homes and holiday accommodation for the past 30 years based on Council Tax records. Data for 1991 and 2001 are sourced from the ‘Second and Holiday Homes and the Land Use planning System’ study by the Welsh Government. It is clear that there has been a contraction in the number of holiday homes in Wales between 1991 to 2001. The Study states that 1991 represented a peak in the national housing market and a corresponding peak in the number of holiday homes. The number of such properties then decreased over a ten year period up to 2001.

7.10 Data for 2020 is based on information provided by each Welsh Local Authority Council Tax Department.

Wales

	1991	%	2001	%	2020	%
Standard Number	18,800	1.58	16,800	1.31	32,692	2.24

Table 3: Information source - [‘Second and Holiday Homes and the Land Use Planning System’](#) and Local Authority Council Tax

Gwynedd

	1991	%	2001	%	2020	%

Standard Number	5704	10.45	4415	7.78%	6,849	10.77%
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Table 4: Information source - ['Second and Holiday Homes and the Land Use Planning System'](#) and Gwynedd Council Council Tax

Cardiff

	1991	%	2001	%	2020	%
Standard Number	128	0.11%	150	0.12	3,642	2.29%

Table 5: Information source - ['Second and Holiday Homes and the Land Use Planning System'](#) and Cardiff Council Council Tax

7.11 The following chart provides an overview of how the numbers of holiday accommodation units have changed over the past 30 years in each Local Authority. The chart shows an overall fall across the country between 1991 and 2001 with a gradual increase between 2001 and 2020, with the numbers by 2020 exceeding the 1991 numbers:-

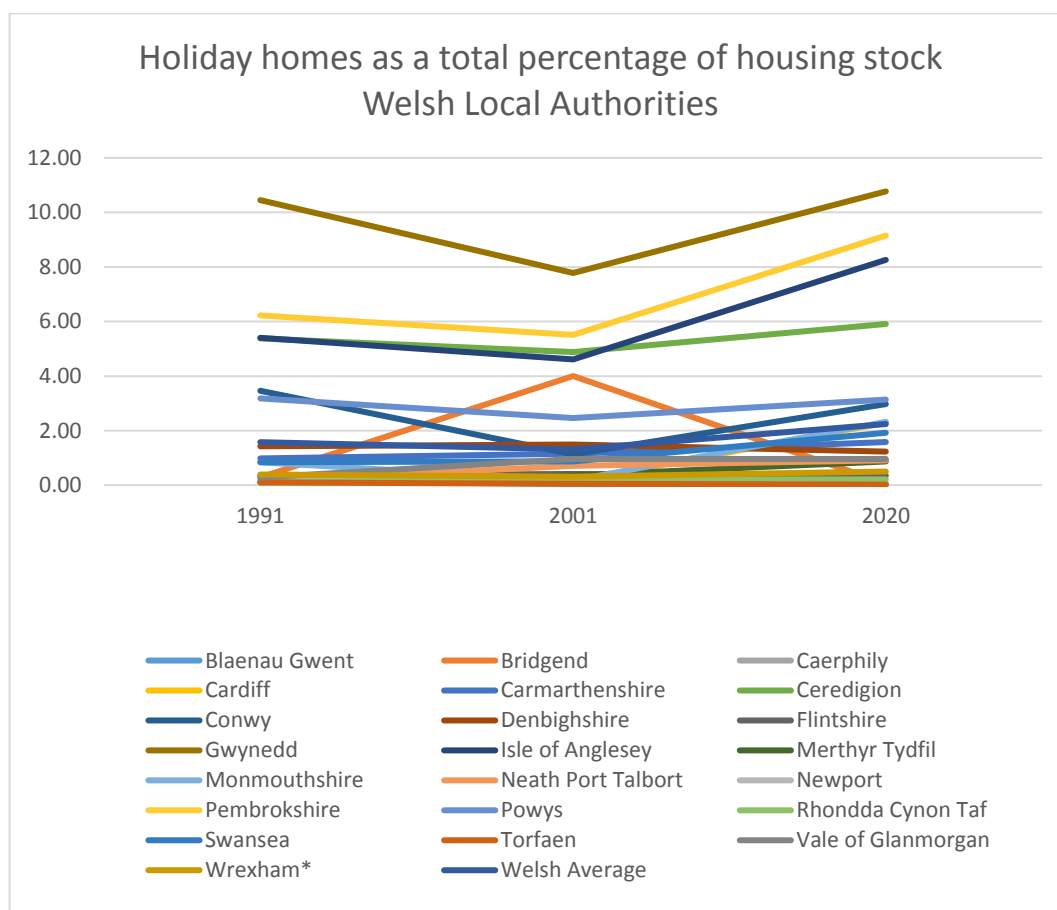


Chart 5: ['Second and Holiday Homes and the Land Use Planning System'](#) and Local Authority Council Tax

Decreasing Second Homes

7.12 In Gwynedd, since the introduction of the council tax premium on second homes in 2018 and the introduction of the relief scheme for qualifying self-catering holiday accommodation which pay the non-domestic rates the number of second homes has fallen steadily with the number of properties paying the non-domestic rates steadily increasing, as the following chart demonstrates:-

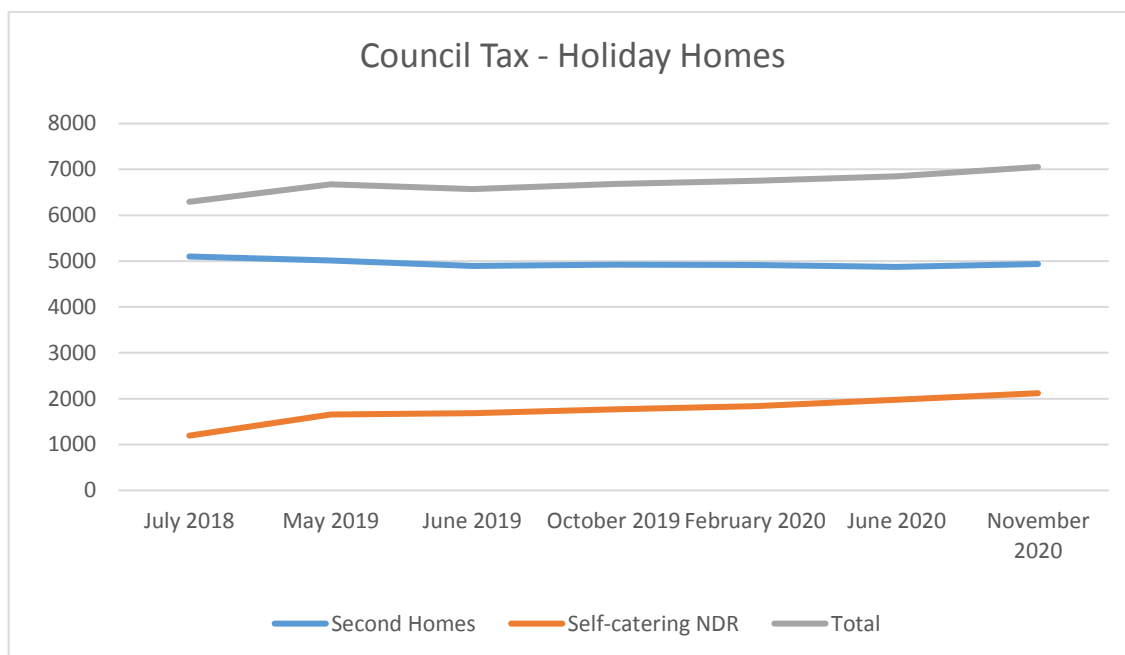


Chart 6: Gwynedd Council Tax trend since 2018

7.13 The chart suggests that second home owners are steadily transferring over to pay the non-domestic business rates. The premium on second homes compounded with the business rates relief available for self-catering holiday accommodation means that it is financially advantageous for second home owners to do so. In order to qualify for the non-domestic business rates, evidence must be provided that the property is available for letting for at least 140 days of the year and has been let for a minimum period of 70 days. The trend demonstrated in the above chart therefore reinforces the assumption that a proportion of second homes are either occasionally or permanently let on a commercial basis as short-term holiday let.

Land Transaction Tax

7.14 Another indicator of current trends in the holiday home market is Land Transaction Tax (LTT) information. Land Transaction Tax (LTT)²⁹ is a tax that is paid when a residential property or piece of land is purchased in Wales. Currently in Wales, LTT will not be applied until 31 March

²⁹ [Land Transaction Tax, Welsh Government](#)

2021 for properties that cost up to £250,000. Properties that cost more than £250,000 will be subject to LTT. Higher Rate LTT will apply under the following circumstances:-

- the residential property costs more than £40,000 and
- the individual purchasing the property already owns one or more properties.

7.15 Therefore a number of factors can mean a residential transaction is subject to higher rates. These include:

- purchasing buy-to-let properties
- buying a second home or holiday home
- buying a new property while trying to sell an existing one
- companies like social housing providers buying properties

7.16 During the financial year of April 2019 to March 2020, 38% of all residential sales in Gwynedd paid Higher Rate LTT. The figure for Cardiff was 27%, with the Welsh average at 25%. The following table provides information for the top ranking 5 Local Authorities in Wales where higher rate LTT applies as a percentage of all residential transactions:-

	2018 - 2019 ³⁰	2019 - 2020 ³¹
Gwynedd	37%	38%
Isle of Anglesey	33%	36%
Swansea	28%	30%
Pembrokeshire	26%	29%
Conwy	26%	28%

Table 6: Land Transaction Tax Statistics 2018 and 2019 (Welsh Government)

7.17 Although a proportion of the properties which have been subject to the Higher Rate LTT will have been for buy to let purposes (especially for Swansea, with the growth of the University and other economic regeneration initiatives), it is likely that a high proportion of the residential units within the traditional popular second home ownership areas (i.e. Gwynedd, Isle of Anglesey, Pembrokeshire and Conwy) will have been for second home purposes which inevitably has an impact on the availability of permanent housing within the Local Authority Area and subsequently affordability.

³⁰ [Land Transaction tax Statistics 2018](#)

³¹ [Land Transaction tax Statistics 2019](#)

8.0 Impact of Holiday Homes

8.1 This section of the report aims to identify what impacts, if any, holiday home ownership may have on communities. When considering the impact which high levels/concentration of holiday home ownership have on local communities, it is important to consider the impact of self-catering holiday accommodation (including purpose built) along with second homes. Matters associated with the impact of second homes on communities often correspond to matters associated with self-catering holiday accommodation, for example:-

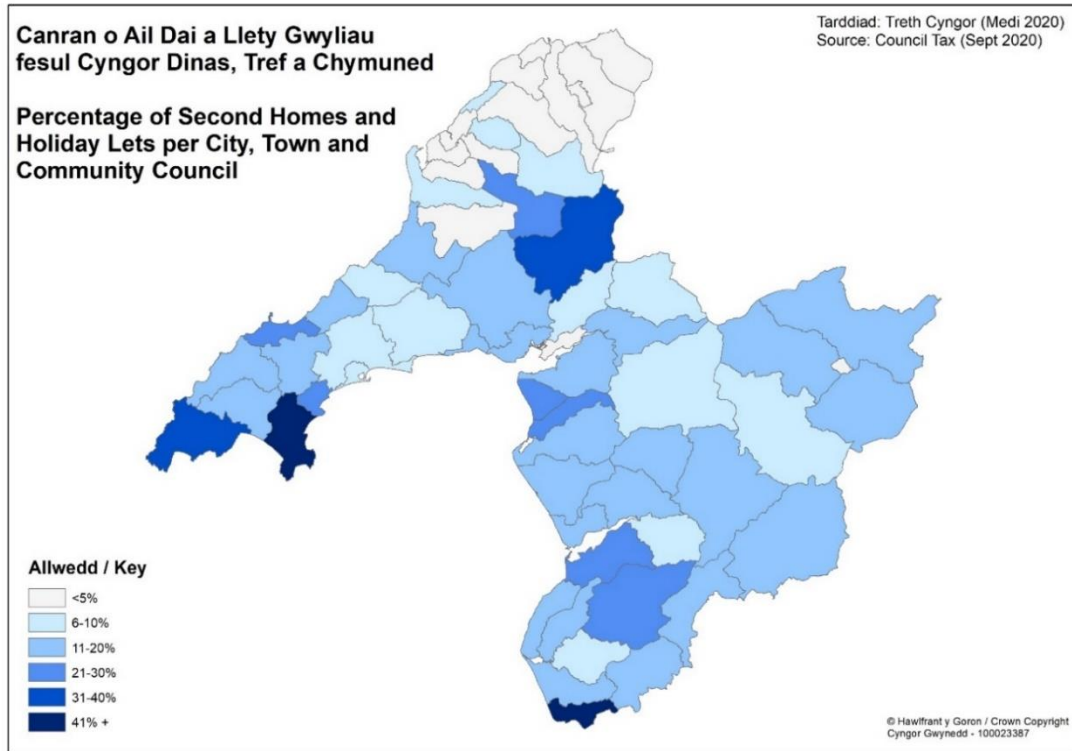
- A lack of housing supply in order to meet the local need;
- Impact on local services, the amenities of local residents and the community;
- A lack of permanent population in order to maintain and support local community facilities;
- Seasonal employment opportunities only;
- Impact on local house prices.

Gwynedd

8.2 Rural communities across Wales face many challenges ranging from the outward migration of young people and an inward migration of older people leading to an ageing population, demand for affordable housing, and the closure of rural services and facilities to name a few. This section of the report aims to ascertain whether the rise in holiday home ownership is the reason for some of these problems, helps exacerbate the situation (along with other issues) or does not have an effect on these communities at all.

8.3 The map below shows the distribution of holiday homes across the county of Gwynedd. It shows that the highest levels of holiday home ownership can be found along the coastline and parts of the Snowdonia National Park.

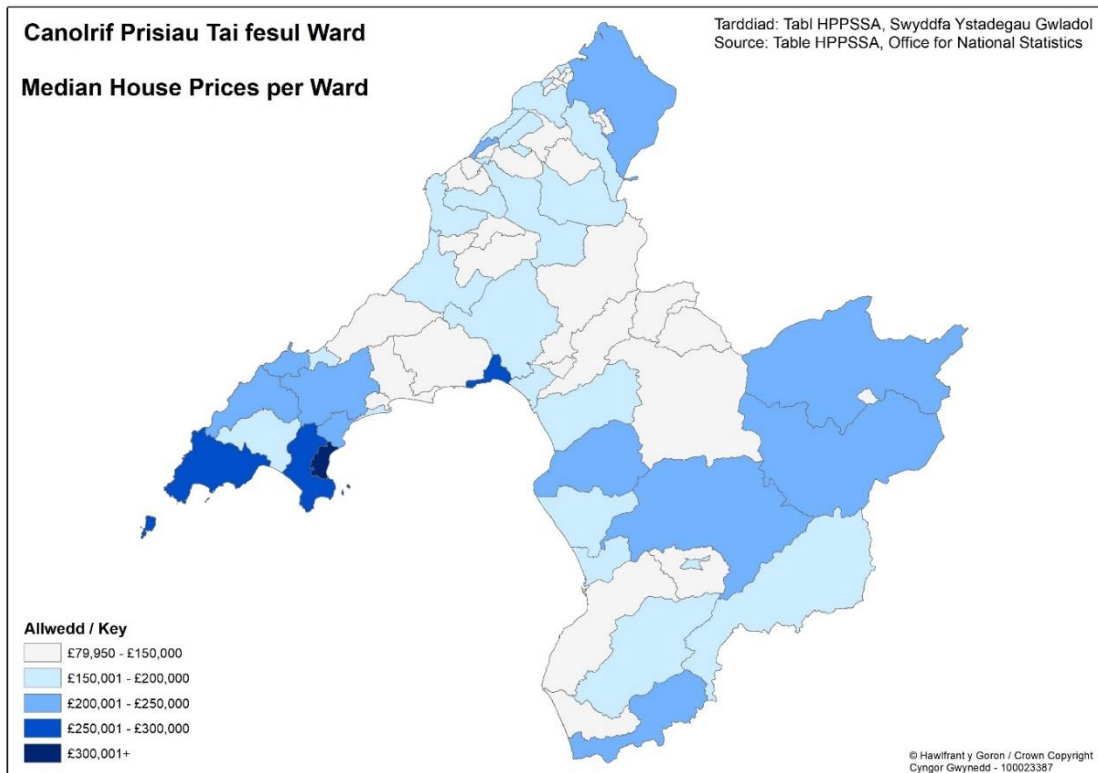
8.4 It is noted however that the information is mapped on city, town and community council areas which may not reflect the real situation and disguises the true nature of the problem as some settlements within these areas have much higher levels of holiday home ownership than others.



Map 2: Distribution of holiday homes in Gwynedd

Impact on House Prices and Affordability

8.5 Low wage rural economies, restrictions on the supply of new housing and external demand for houses are all factors which when combined raise house prices and disadvantage many local people in rural housing markets. The map below shows the median house price per Ward in Gwynedd.



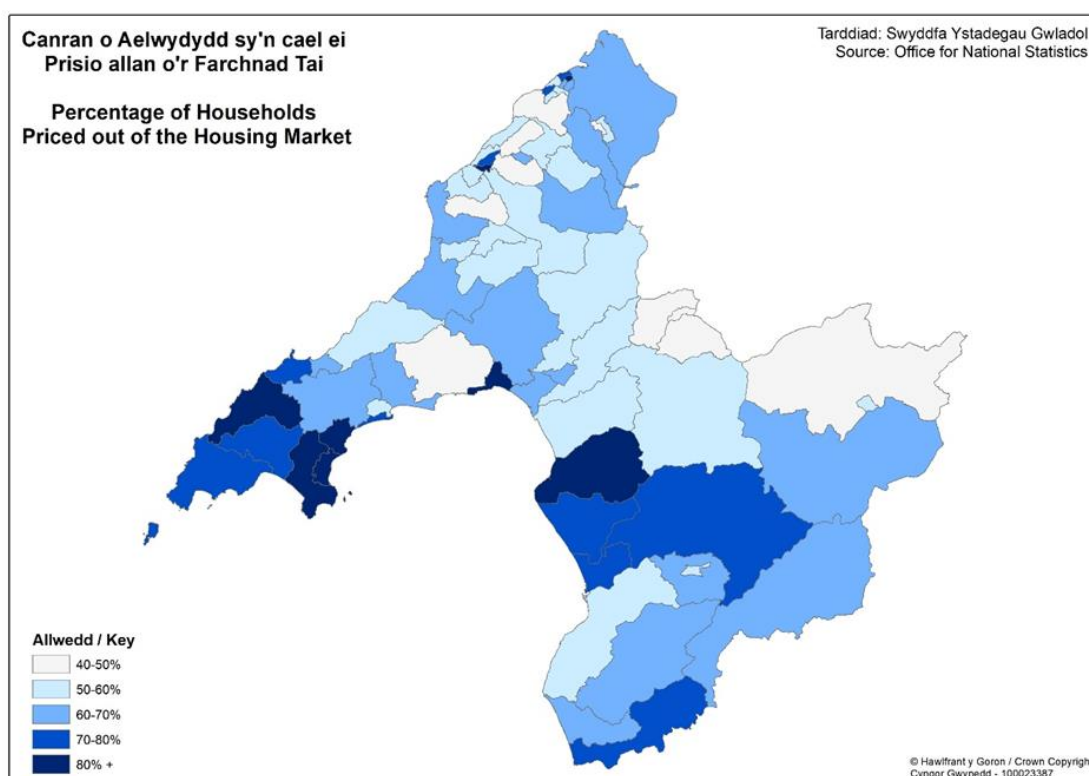
Map 3: Median House Prices per Ward in Gwynedd

- 8.6 The average median house price for the whole of Gwynedd in Sept 2019 was £155,000. The map clearly shows that in the areas with higher level of holiday home ownership the house prices are greater than the county's average.
- 8.7 The Welsh Government's Report 'Second and Holiday Homes and the Land Use Planning System'³² did not recognise a clear pattern between the location of holiday homes and house prices and that the evidence suggested that migration from urban to rural areas on a permanent basis is the primary driver of demand for housing and consequently unaffordable house prices. Although this report does not dispute the findings, the map does show a clear correlation between the two therefore it could be argued, especially with some areas in the county experiencing more than 40% holiday home ownership, that holiday home ownership does contribute to much higher than average house prices. Another issue, which is not covered in the Welsh Government's report is that people who migrate/retire to the area may be moving into a second home they may have purchased pre-retirement.
- 8.8 It can also be argued though that those wanting to purchase a holiday home in rural communities may be competing with those wealthy enough to retire to or relocate to these settlements and are exacerbating the problem and pushing house prices up even higher.
- 8.9 The high demand for holiday homes (or retirement homes) undoubtedly impacts on the ability of local people on lower wages to purchase homes in these areas. The average median house

³² [Second and Holiday Homes and the Land Use Planning System Research Report – prepared by the Welsh Assembly Government](#)

price in Gwynedd (2019) was £155,000 and with an average income of £26,191 the income to house price affordability ratio in the county is 5.9:1. This means on average that 59.6% of local people are priced out of the housing market.

- 8.10 This statistic increases greatly in the wards where there are high numbers of holiday homes. For instance in the Abersoch ward where 46.36% of the houses in the community council area are holiday homes, the median average house price is £365,275. With an average household income of £34,133 the house price to affordability ratio in the area is almost double the county’s average at 10.7:1 and means that 91.6% of local people are priced out of the market. The map below shows the percentage of households priced out of the housing market per ward.



Map 4: Percentage of Households Priced out of the Housing market in Gwynedd

- 8.11 The map shows the affordability ratio is much higher in the more desirable rural and coastal areas which correlates with the pattern shown in map 1 which shows the distribution of holiday homes.
- 8.12 The table below shows the top 5 wards where the house price to affordability ratio is highest. Four out of the five wards are located on the Llyn where holiday home ownership is high. The 5th ward is Peblig, Caernarfon where the ratio is high because the ward contains areas which are deprived where wages are lower than the county average. New private housing developments in Peblig have also pushed up house prices.

Ward	Median House Price	Median Household Income	Affordability Ratio	% Priced out of Market
Abersoch	£365,275	£34,133	10.7:1	91.6
Aberdaron	£293,625	£27,525	10.7:1	79
Llanengan	£298,500	£29,679	10.1:1	90.2
Peblig	£199,995	£19,923	10.0:1	87.7
Llanbedrog	£235,750	£25,914	9.1:1	83.8

Table 7: Top 5 Wards – House price to affordability ratio in Gwynedd

Impact on Rural services

- 8.13 One of the main impacts that purchasing a property as a second home or as a holiday let is simply that these properties are no longer available to be used by permanent residents. Where there are large numbers of holiday homes it may mean fewer families in the village year round to use services like schools, buses and post offices and their viability may be threatened by low usage. Businesses providing a service for local people may be replaced by businesses aimed at the non-resident/tourist population and, along with homes that stand empty much of the year, can undermine the sustainability of the community.
- 8.14 Although there is no definitive figure on when the level of holiday homes effects the sustainability of a community, the Lake District National Park Authority as part of their evidence base for the housing policies of their Local Development Plan referred to two reports that tackled this issue. The first is the report ‘Housing: An Effective Way to Sustain our Rural Communities’ states that ‘the percentage of holiday homes should not be more than 20 per cent as this appears to affect the sustainability of any village.’ The second report ‘The Cumbria Housing Strategy 2006/2011’ goes a step further through its ‘Balanced Indicators’, suggesting the percentage should not be more than 10 per cent³³. The National Park Authority uses this information as a guide when examining the effects that second homes are having on the sustainability of any community.
- 8.15 These reports were used as evidence to formulate Policy CS18³⁴ of the Lake District National Park’s Local Plan Part One Core Strategy which seeks to help redress the imbalances in the local housing market by permitting new dwellings where they contribute towards meeting an identified local need or local affordable need. In all cases the policy states that all new houses will be restricted to be the person’s main residence.
- 8.16 The table below highlights the city, town and community council areas in Gwynedd that would be above these thresholds if we used the same principle as a guide when examining the effects

³³ [Review of Second Home Data and Assessment of the Effects Second Homes are Having on Rural Communities](#)

³⁴ [Lake District Local Plan](#)

that holiday homes are having on communities. 36 out of 64 Community/Town/ City Council areas would reach the 10% threshold whereas 12 out of 64 Community/Town and City Councils would reach the 20% threshold.

Town, City or Community Council	No of Dwellings and Holiday Lets	No of Holiday Homes	% of holiday homes which effect the sustainability of any settlement	
			10%	20%
Aberdaron	601	189 (31.45%)	✓	✓
Aber	120	5 (4.17%)		
Aberdyfi	986	427 (43.31%)	✓	✓
Abermaw	1438	243 (16.89%)	✓	✓
Arthog	744	166 (22.31%)	✓	✓
Bala	1043	41 (3.93%)		
Bangor	6376	95 (1.49%)		
Beddgelert	368	125 (33.97%)	✓	✓
Bethesda	2215	52 (2.35%)		
Betws Garmon	151	35 (23.18%)	✓	✓
Bontnewydd	482	19 (3.94%)		
Botwnnog	486	63 (12.96%)	✓	
Brithdir & Llanfachraeth	435	78 (17.93%)	✓	
Bryncrug	380	31 (8.16%)		
Buan	236	36 (15.25%)	✓	
Caernarfon	4717	65 (1.38%)		
Clynnog	515	75 (14.78%)	✓	
Corris	379	56 (14.78%)	✓	
Criccieth	1021	162 (15.87%)	✓	
Dolbenmaen	685	101 (14.74%)	✓	
Dolgellau	1541	149 (9.67%)		
Dyffryn Ardudwy	907	121 (13.34%)	✓	
Ffestiniog	2634	251 (9.53%)		
Harlech	918	190 (20.70%)	✓	✓
Llanaelhaearn	567	51 (8.99%)		
Llanbedr	366	66 (18.03%)	✓	
Llanbedrog	740	197 (26.62%)	✓	✓
Llanberis	1011	64 (6.33%)		
Llanddeiniolen	2233	71 (3.18%)		
Llandderfel	537	57 (10.61%)	✓	
Llandwrog	1249	66 (5.28%)		
Llandygai	1114	34 (3.14%)		
Llanegryn	174	22 (12.64%)	✓	
Llanelltyd	297	52 (17.51%)	✓	
Llanengan	1784	827 (46.36%)	✓	✓
Llanfair	324	89 (27.14%)	✓	✓
Llanfihangel y Pennant	249	70 (28.11%)	✓	✓
Llanfrothen	249	24 (9.64%)		

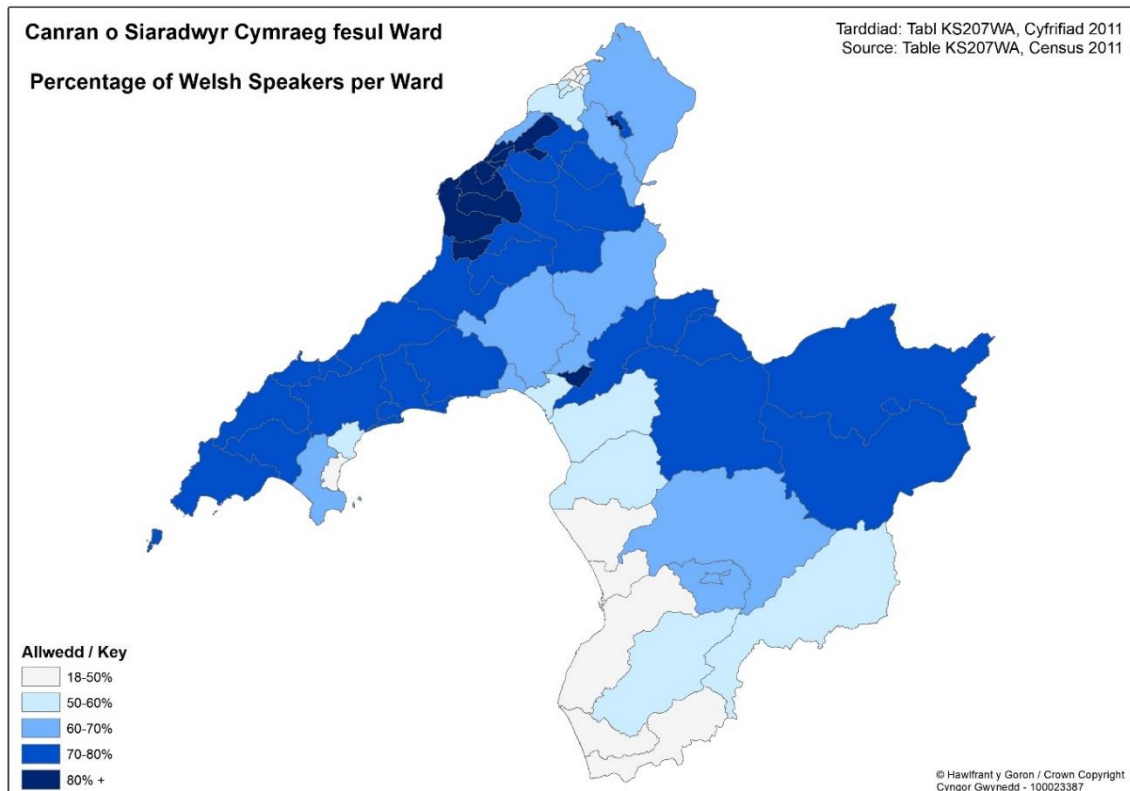
Town, City or Community Council	No of Dwellings and Holiday Lets	No of Holiday Homes	% of holiday homes which effect the sustainability of any settlement	
			10%	20%
Llangelynin	413	71 (17.19%)	✓	
Llangywer	132	18 (13.64%)	✓	
Llanllechid	366	13 (3.55%)		
Llanllyfni	1999	75 (3.75%)		
Llannor	1035	62 (5.99%)		
Llanrug	1417	73 (5.15%)		
Llanuwchllyn	333	29 (8.71%)		
Llanwnda	708	26 (2.86%)		
Llanycil	205	22 (10.73%)	✓	
Llanystumdwy	967	93 (9.62%)		
Maentwrog	346	59 (17.05%)	✓	
Mawddwy	386	61 (15.80%)	✓	
Nefyn	1617	364 (22.51%)	✓	✓
Pennal	261	52 (19.92%)	✓	
Penrhyndeudraeth	1001	49 (4.90%)		
Pentir	1366	33 (2.42%)		
Pistyll	305	59 (19.34%)	✓	
Porthmadog	2473	447 (18.08%)	✓	
Pwllheli	2152	129 (5.99%)		
Talsarnau	365	68 (18.63%)	✓	
Trawsfynydd	801	69 (8.94%)		
Tudweiliog	482	84 (17.43%)	✓	
Tywyn	1989	258 (12.97%)	✓	
Waunfawr	685	31 (4.50%)		
Y Felinheli	1273	119 (9.35%)		
Y Ganllwyd	97	19 (19.59%)	✓	

Table 8: Wards with 10% and 20% holiday homes

8.17 Over the years a number of schools in Gwynedd have closed due to dwindling pupil numbers. Aberdyfi (where the percentage of holiday homes in the community is 46.36%) closed in 2010. Other rural schools are currently at risk of closure such as Ysgol Gynradd Abersoch. The school has a capacity for 34 pupils and has had, in the past, a steady number of pupils of around 20 but recently this figure has been in decline. In 2019 there were only 9 pupils in the school.

Impact on the Welsh Language

8.18 According to the 2011 Census on average 65.4% of people in Gwynedd speak Welsh. The numbers of Welsh speakers vary greatly with the greatest percentage in Llanrug with 87.8% of Welsh speakers and Peblig (Caernarfon) with 87.4% Welsh speakers. The percentage of holiday homes in these areas are 5.15% and 1.38% respectively. The map below shows the percentage of Welsh speakers per ward.

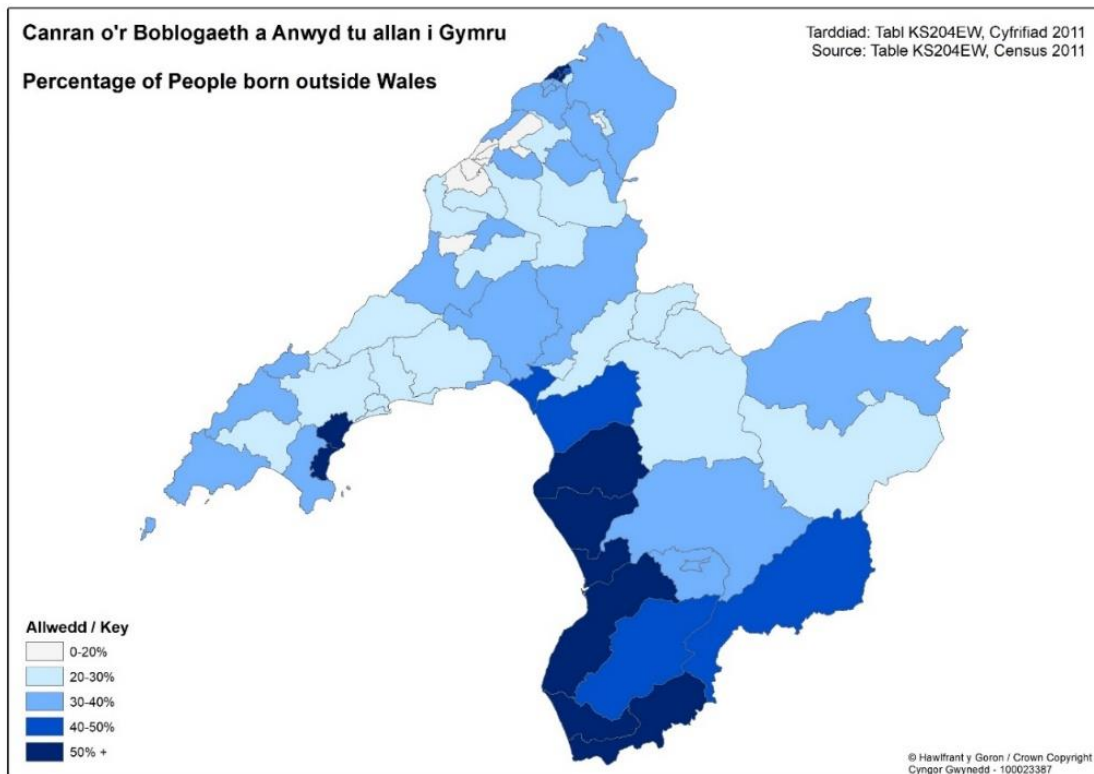


Map 5: Percentage of Welsh speakers per Ward in Gwynedd

- 8.19 In areas where there is a high proportion of holiday homes the figure is as low as 35.5% in Aberdyfi, where holiday homes ownership is 43.31%, and 43.5% in Abersoch where holiday homes is 46.36%.
- 8.20 Although the Census collects information about the resident population and it is the case that, similar to house prices, the Welsh language is suffering as a result of increased migration of people from outside Wales to rural areas, there is a noticeable pattern between high levels of holiday home ownership and the ability to speak Welsh. This is likely to be attributed to the fact that there is a reduction in the number of housing available for the local population. Subsequently a deficiency in supply of available housing will result in increased house prices resulting in the local population being priced out of the housing market.
- 8.21 With respect to the Welsh language, creating sustainable communities where the Welsh language is fully immersed within communities and providing and replicating the necessary social context to use the Welsh language as part of the normal fabric of society is imperative in protecting and encouraging the growth of the Welsh language.
- 8.22 With the Welsh Government's pledge to achieve 1 million Welsh Speakers by 2050 it could be argued that tackling the holiday home issue by providing mechanisms for control of the holiday home sector would help with this goal.

Ageing Population

- 8.23 At the turn of the century the problems facing rural communities was rural depopulation and decaying villages. Now the picture is generally one of increasing affluence with more people wanting to move to the countryside and as the demand is greater than supply it pushes house prices beyond the reach of many.
- 8.24 Older people from more affluent areas will have more disposable income to spend on a property, either as a full time home or a second home with plans to move into permanently after retiring.
- 8.25 This has resulted in outward migration of young people and a net inward of migration of older people. According to the 2011 Census over 50% of the population in most of the areas with high levels of second homes and holiday lets were born outside of Wales which is shown in the map below.



Map 6: Percentage of people born outside of Wales per ward in Gwynedd

- 8.26 The table below shows the top 5 wards in Gwynedd, outside of Bangor, with the largest percentage of the resident population born outside Wales. The Bangor wards have not been included in the table because the presence of the University has resulted in a large student population, some of which are born outside Wales.

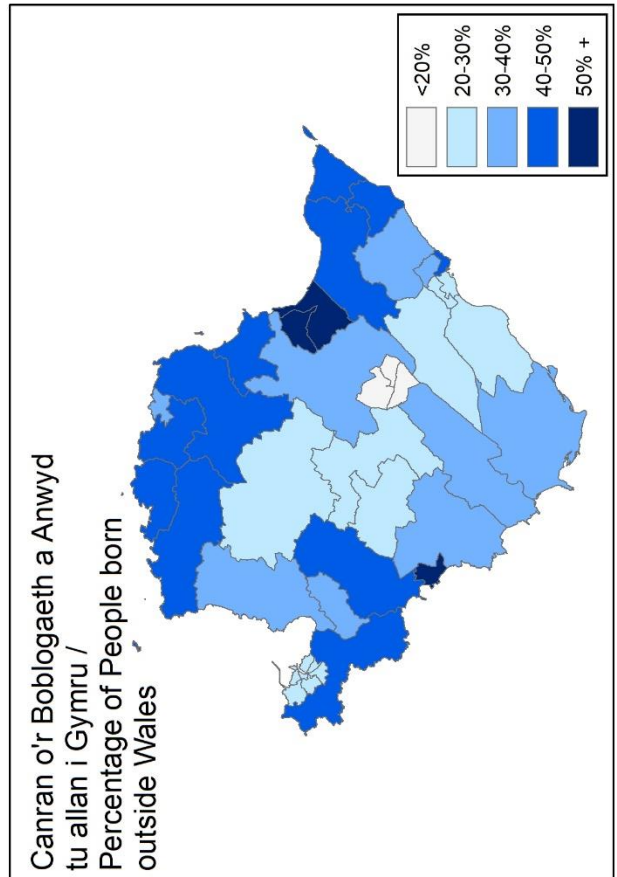
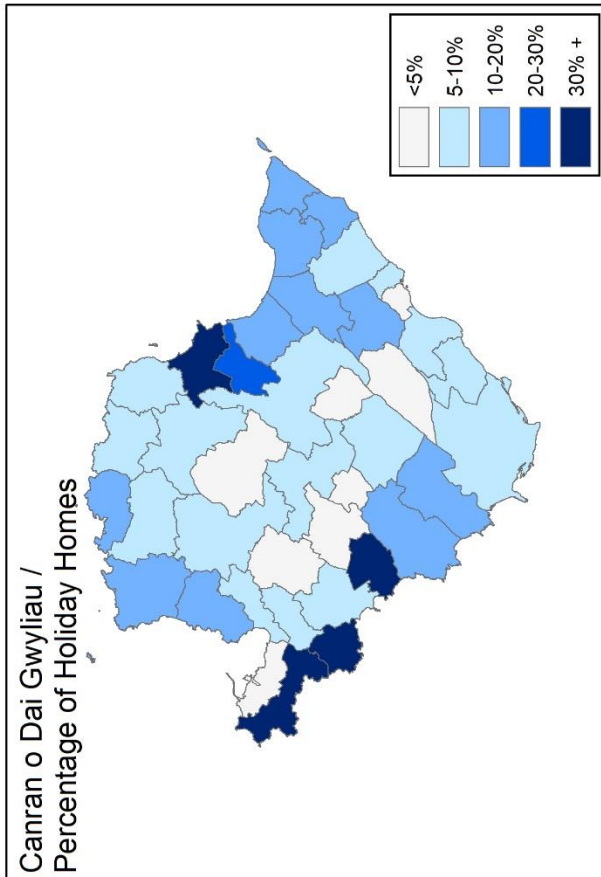
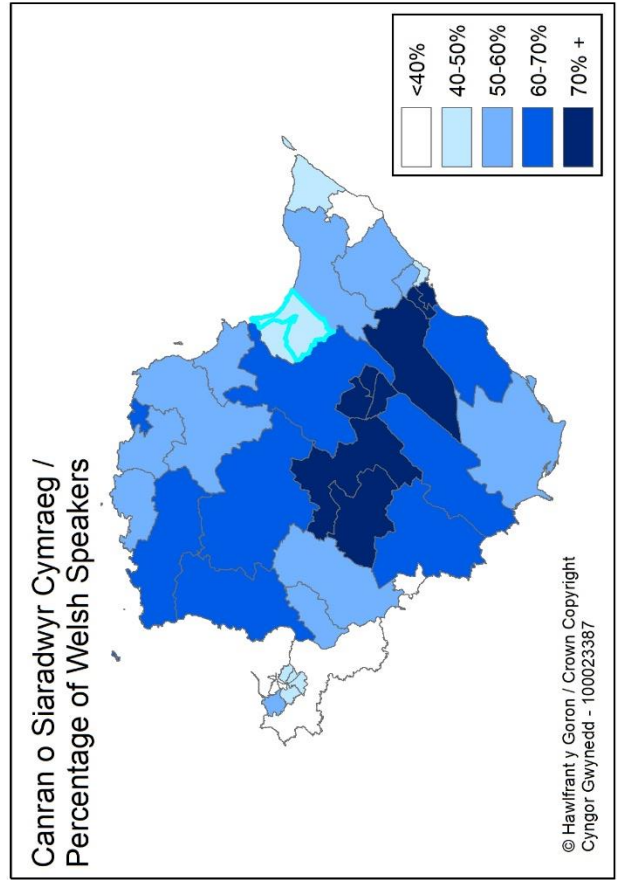
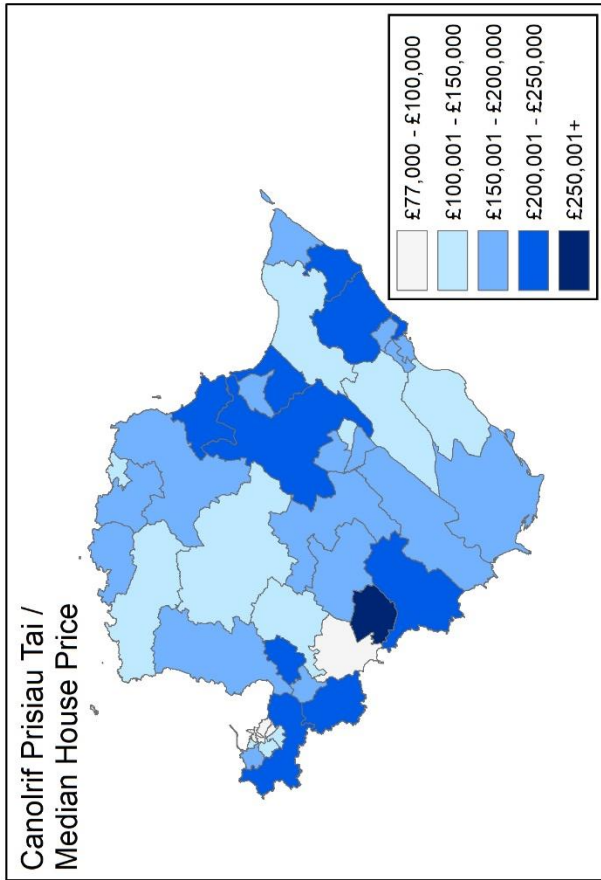
Ward	Percentage of People born outside Wales
Llangelynin	63.2%
Aberdyfi	59.4%
Tywyn	56.1%
Abersoch	55.3%
Dyffryn Ardudwy	52.9%

Table 9: Top five wards with the largest percentage of the population born outside Wales

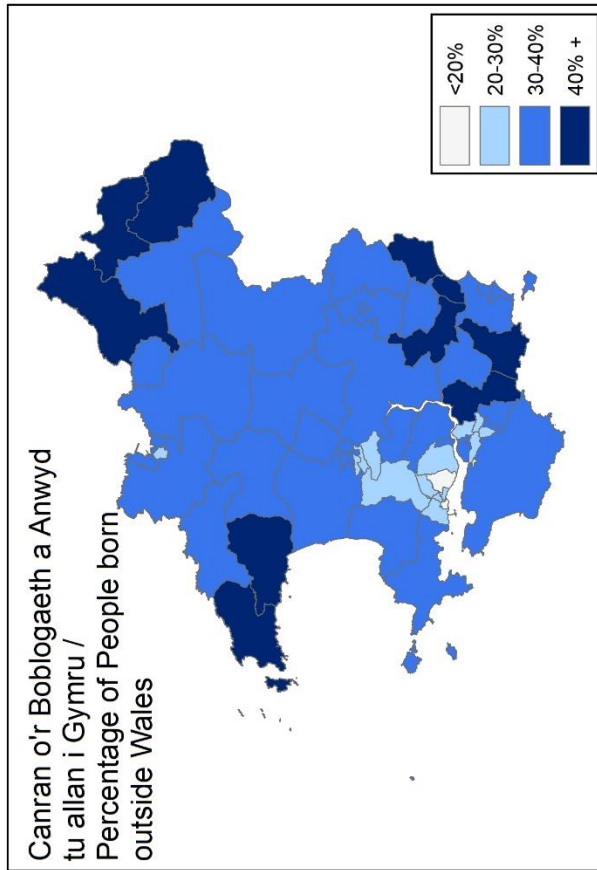
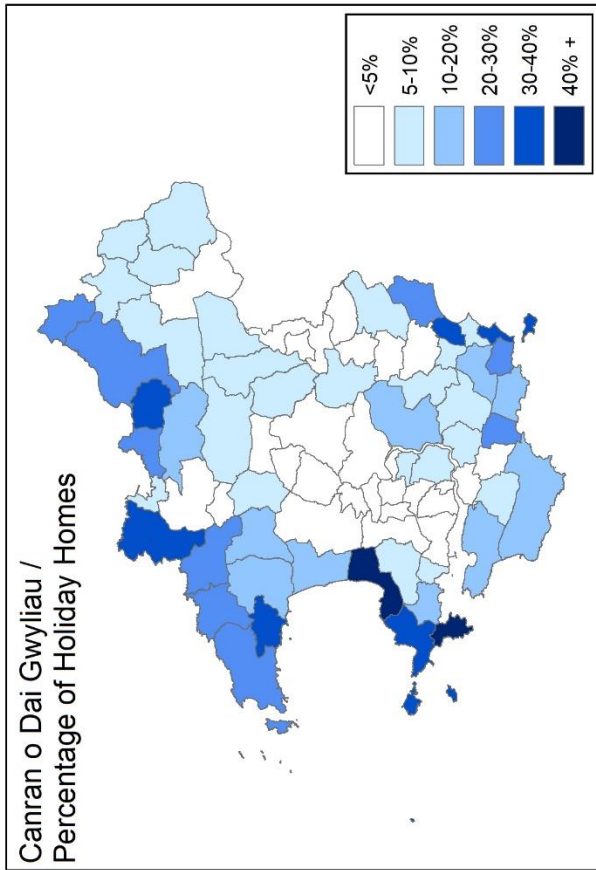
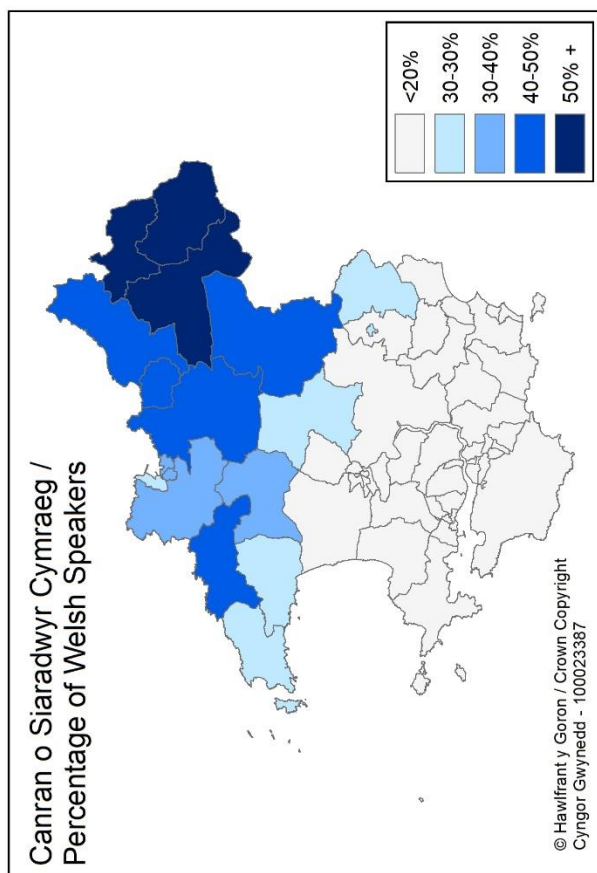
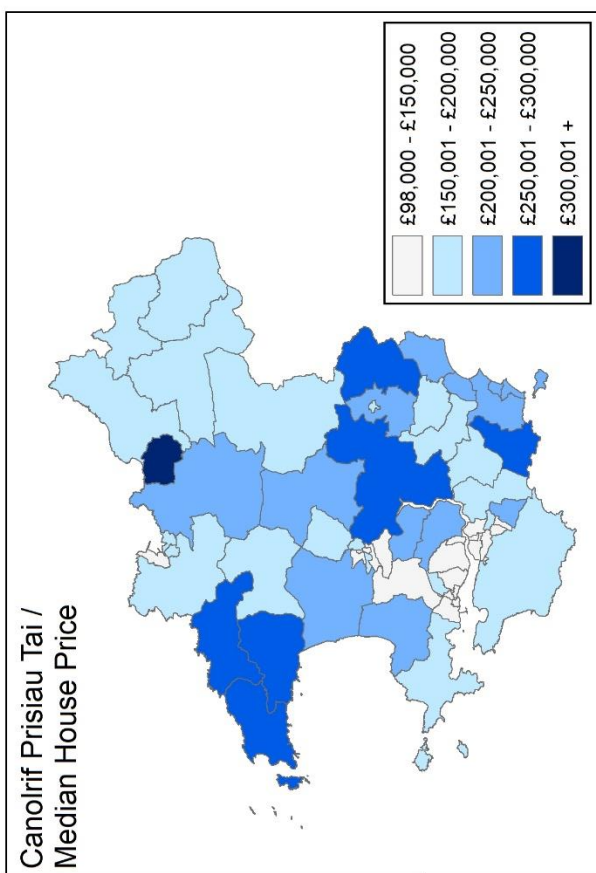
Comparison with Other Rural Authorities

8.27 The issues which have previously been highlighted above in relation to the impact which high levels of holiday home ownership has on communities is not unique to Gwynedd. Other rural authorities which also have a high proportion of holiday homes, face similar issues as can be seen in the maps of the Isle of Anglesey and Pembrokeshire on the following pages:-

The Isle of Anglesey



Pembrokeshire



The Visitor Economy

- 8.28 The Welsh Government’s aim is for tourism to grow in a sustainable way and to make an increasing contribution to the economic, social and environmental well-being of Wales. Paragraph 5.5.2 of Planning Policy Wales (PPW) (ed 10, Dec 2018)³⁵ states that the planning system should encourage tourism where it contributes to economic development, conservation, rural diversification, urban regeneration and social inclusion, while recognising the needs of visitors and those of local communities.
- 8.29 Gwynedd Council is in the process of reviewing its Destination Management Plan (2020-2030). The Destination Management plan sets out the priorities for sustainable tourism in the county. By setting out a wide-angle vision for the future, exploring the connections between various elements related to the experience of visitors and residents, and mapping out a positive common direction.
- 8.30 The tourism industry provides jobs, services and facilities that are essential to the sustainability of local communities and residents of Gwynedd. According to the STEAM Report 2019 there are 18,244 job supported by tourism expenditure in the county (this is the second highest concentration of such jobs in England and Wales by resident population – 15%). The table below shows the importance of tourism to the county.

Total economic impact of tourism	£1.35 billion (+9.6% from 2018)
Total number of visitors (millions)	7.81 (+3.9%)
Number of staying visitors (millions)	3.97 (+6.9%)
Number of day visitors (millions)	3.84 (+0.9%)
Number of FTE 2³⁶ jobs supported by tourism expenditure	18,244 (+6.0%)

Table 10: Tourism Statistics for Gwynedd (STEAM 2019)

- 8.31 The chart below breaks down the economic impact per sector.

³⁵ <https://gov.wales/sites/default/files/publications/2018-12/planning-policy-wales-edition-10.pdf>

³⁶ FTE = Full-time Equivalent

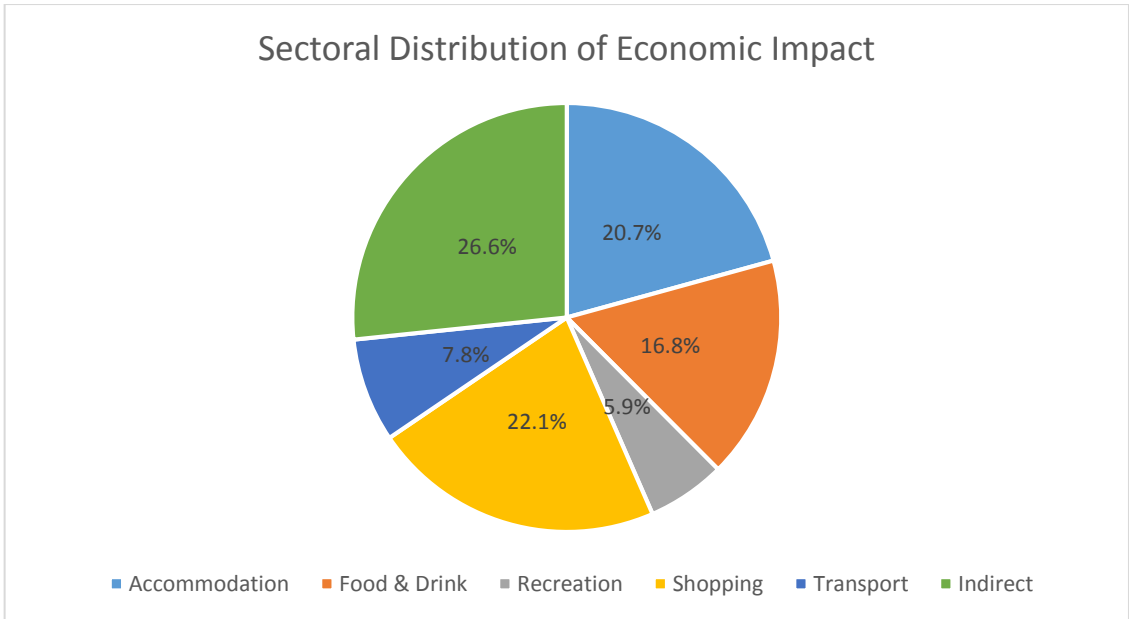


Chart 7: Sectoral Distribution of Economic Impact (STEAM 2019)

The chart shows that 22.1% of tourism expenditure in 2019 was on accommodation. According to the STEAM Report there was a 14% growth since 2011 in the number of accommodation businesses in Gwynedd. Gwynedd has the highest percentage of tourism accommodation businesses in Wales providing an estimated 136,585 tourism bed-spaces.

8.32 The chart below shows tourism related employment per sector.

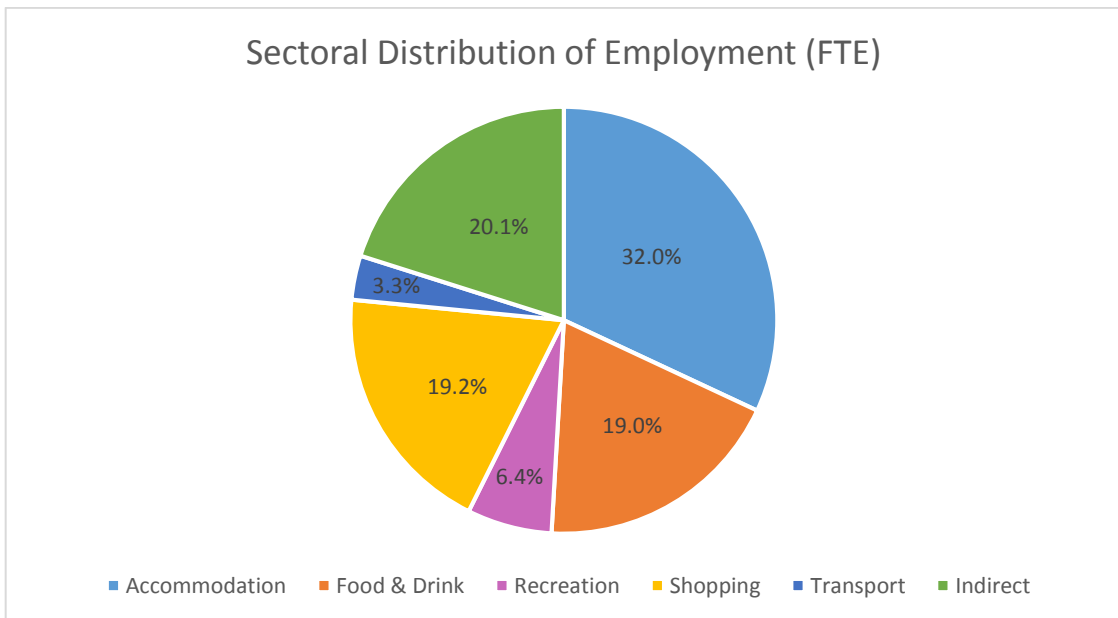


Chart 8: Sectoral Distribution of Employment (FTE) (STEAM 2019)

The chart shows that 32% of tourism related workforce work in the accommodation sector, which reinforces how important this sector is to the tourism economy. Statistics from Nomis'

Official Labour Market Statistics for Gwynedd in 2019³⁷ highlights how important that the jobs related to the tourism industry are to Gwynedd’s overall economy. A breakdown of employee jobs per sector shows that the jobs in the Accommodation and Food Service Activities is responsible for 17.9% of the workforce, compared to 9.4% nationally.

8.33 Information on the different types of holiday accommodation can be found on the Visit Snowdonia website³⁸. The graph below shows that the self-catering sector is by far the largest sector.

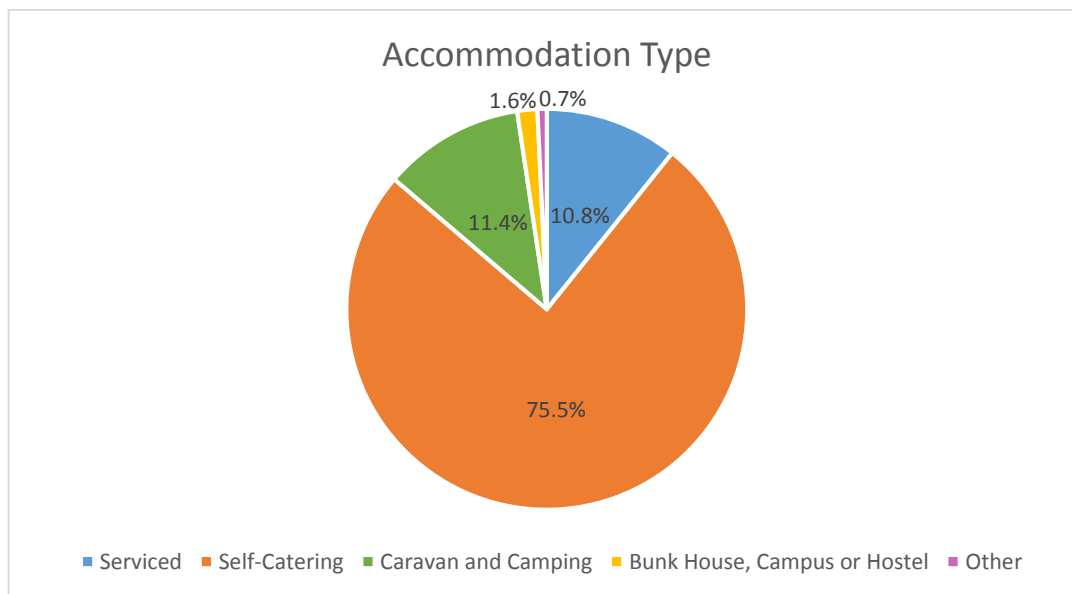


Chart 9: Accommodation Type (STEAM 2019)

8.34 The chart shows that self-catering is the largest tourist accommodation type in the county. The figure does not include AirBNB properties which is estimated by the Tourism Service to be around 745 properties.

8.35 It is important to note, as this report covers both short term holiday lets and second homes, that holiday lets are likely to generate more local income than second homes because they will attract holiday makers who have never visited the region before and therefore may spend on visiting tourist attractions and the hospitality industry. Holiday lets that are frequently used throughout the year can help the rural economy by providing important local income, especially where holiday lets are owned locally. This is not true if the holiday lets are not owned locally because the income they generate may well go to owners who live outside the county.

8.36 Agriculture is also an important industry in Gwynedd but there are fewer people earning their living from agriculture than in the past. Both national and local policy are supportive of farm

³⁷ [Nomis Report](#)

³⁸ [Gwynedd Destination KPI's](#)

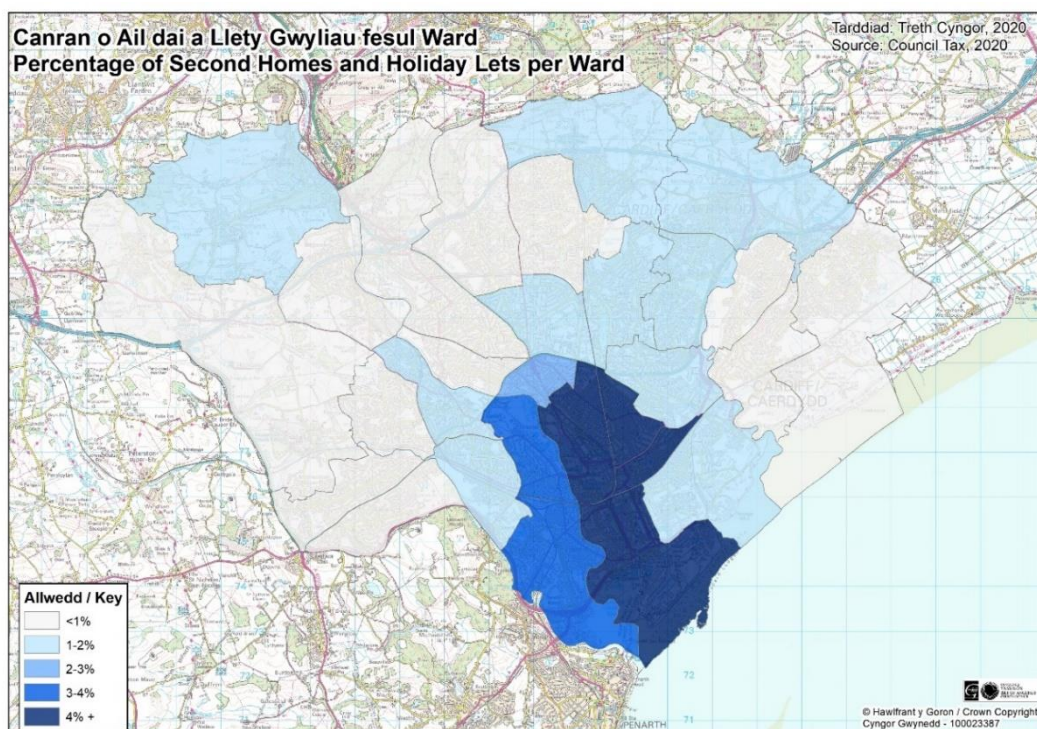
diversification in order to safeguard their future and to improve their viability. A number of farms are choosing to diversify into the tourism sector by converting outbuildings to holiday lets or establishing campsites on their land.

- 8.37 There are many self-catering holiday accommodation providers across the county who have received planning permission for the specific use (i.e. that a residential dwelling is not being used for the holiday purposes). Many of these self-catering holiday accommodation providers have gone through the formal channels of gaining planning permission for the specific use, ensured that the property reaches a specific standard and is accredited by the Visit Wales grading system. Some of the operators might have diversified as a mean of generating additional income which helps support the rural economy. The lack of regulation of the short-term holiday let market, means that those whom have taken the formal steps to operate a short-term holiday let are being disadvantaged due to the constant increased supply and competition with the unregulated market.

Cardiff

- 8.38 In Cardiff, whilst the percentage of holiday home ownership levels are much lower than Gwynedd the map below shows that the city centre and the Bay area are the locations with the highest levels of holiday homes.

- 8.39 It is noted however that the information used in the map below comes directly from Council Tax records and that gathering accurate information in relation to the number of holiday homes is difficult because so much of the holiday home market is unregulated and therefore harder to quantify.



- 8.40 The relatively low percentage of holiday homes means that the effects of the holiday home market in Cardiff, like most cities, tends to be more localised to neighbourhoods. The most commonly recognised impact of holiday homes in cities is anti-social behaviour.
- 8.41 Whereas traditional holiday accommodation such as hotels and guest houses are required to adhere to a regulatory regime, problems that may arise from private accommodation rented out on an ad hoc basis, typically through peer-to-peer websites such as AirBnb are much harder to tackle, as they can pop up from time to time and cease to be holiday lets without any formal notification, especially when the city hosts large events.
- 8.42 A number of 13 official complaints relating to holiday accommodation have been logged by Cardiff Council's Planning Service since 2018, although they acknowledge that the number of informal complaints may be much higher as only complaints that are worthy of further investigation (i.e. possible change of use) are logged by the Planning Service.
- 8.43 These complaints have focussed on anti-social behaviour, noise and disruption to neighbours.
- 8.44 The Council has been successful in one planning appeal where they argued that there had been a material change of use of a large house that was used as a short-term letting business from dwelling to commercial leisure business and that its use resulted in significant noise and disturbance for the adjoining occupiers.
- 8.45 The council experience more complaints when the city host specific events such as music concerts and sporting events. Chart 3 on page 31 shows a peak in entire place listings around the same time as Cardiff was host city to the Champions League final.

9.0 Examples from Other Regions

- 9.1 There are examples of cities and countries in the UK and beyond that have been proactive in seeking a solution to the problem of the misuse of residential units as short-term holiday lets. The regulatory approaches vary and are likely to be dependent upon contextual factors relating to how short-term holiday lets are affecting the local area.

United Kingdom

London

- 9.2 The regulations in London since the 1970s have been different to the rest of England in relation to the management of the use of open market housing as holiday homes. The regulations in London used to prevent the use of residential properties in the 32 boroughs of London as temporary holiday lets. This was done through regulations that required planning permission to change the use, and the main purpose of this was to protect the housing stock in London.
- 9.3 As a result of the development of arrangements for sharing accommodation in light of businesses such as AirBnB, and changes to the ways people wished to use their homes, there was a call to relax the regulations for short term holiday lets. Consequently, changes were introduced through the Deregulation Act 2015 (which reformed the previous legislation) that relaxed the rules. This allowed short term holiday lets for a maximum of 90 nights in a calendar year, without the need for planning permission. It is therefore noted that home owners in London, who wish to have holiday lets for longer than 90 nights per year, need to obtain planning permission.
- 9.4 Since legislation came into force to relax the rules, over a short period of time, there has been an significant increase in the number of properties being let as short term holiday lets in London, with over 70,000 properties (including houses with rooms being let, and entire houses being let) listed as short term holiday lets. This has been the subject of a discussion at the House of Commons recently, with concerns regarding the impact on the housing stock and on communities etc., as well as the difficulties in enforcing the limit of 90 nights in a calendar year.
- 9.5 It currently appears that the Central Government (England) is not eager to introduce any change in legislation, as this could prevent households from letting their properties for short periods of time. Rather, they favour a non-statutory approach that supports good practice with regard to standards, etc.

St Ives and Northumberland National Park Authority

- 9.6 In a referendum on their Neighbourhood Development Plan (NDP)³⁹, residents of St Ives overwhelmingly supported a policy (Policy H2 Full-time Principal Residence Housing) to allow only full-time residents to own new-build properties in St Ives and Carbis Bay. Under the plan, new-build housing projects would only be given planning permission if they are reserved for people who live in St Ives and surrounding areas full-time.
- 9.7 The St Ives Area NDP makes it clear that the aim of Policy H2: Full-time Principal Residence Housing, is not simply to ensure that people who wish to live in the area as full-time residents are able to obtain housing, but crucially to safeguard the sustainability of development by reducing the proportion of dwellings that are not used as a principal residence. The purpose of this is to support a sustainable community.
- 9.8 The referendum was subsequently subject to a high court judgement⁴⁰ where the complainant sought to challenge the making of the NDP on the basis that there had been inadequate consideration of reasonable alternatives to the plan's policies, contrary to the Strategic Environment Assessment (SEA) Directive. The complainant also argued that the "principal residence requirement" was an unjustified interference with Article 8 of the European Convention on Human Rights (ECHR), that being the right to a home, which could be enjoyed by future occupiers of dwellings subject to restriction.
- 9.9 The High Court judgement considered the policy to be in pursuit of legitimate public interests identified in Article 8, namely the interests of the economic well-being of the country, and for the protection of the rights and freedoms of others.
- 9.10 A similar policy has also been included in the Northumberland National Park Authority Local Plan⁴¹ through their policy ST5: New Housing which restricts all new housing developments as providing principal residence or affordable housing.

Northern Ireland

- 9.11 Northern Ireland is currently the only region in the United Kingdom that regulates short term holiday accommodation providers. All premises offering tourist accommodation must be certified under the Tourism (NI) Order 1992. Tourism NI is required by this legislation to inspect tourist accommodation every four years (statutory inspection) to ensure properties comply with the minimum criteria set and prohibits anyone from providing or offering to provide tourist accommodation as a business without a valid certificate. Enforcement action could lead to a fine of up to £2500 or imprisonment.

³⁹ [St Ives Area Neighbourhood Plan 2015 – 2030](#)

⁴⁰ [High Court Judgement R \(RLT Environment LTD v Cornwall Council\)](#)

⁴¹ [Northumberland National Park Local Plan](#)

- 9.12 The procedure identifies eight various categories of holiday accommodation, including self-catering accommodation - which means letting a house for holiday purposes. There is a statutory requirement to make a formal request to Tourism NI (at the cost of £40 to £350) before a house can be used as a holiday let, and the process includes an inspection of the property to ensure that it complies with the requirements of the certification.
- 9.13 Tourism NI is a body equivalent to Visit Wales, but that operates and enforces the requirements of the Tourism Act with holiday property inspections looking at the standards of the properties and the methods of managing the holiday properties. It appears that the process does not consider whether there is an excess of holiday accommodation in a relevant area as part of the process of dealing with a certification application.

Scotland

- 9.14 Short-term lets have become the subject of controversy in Scotland with their impacts evoking strong opinions. To address the issues and concerns the Scottish Government have carried out a wide range of work streams to establish facts and opinions from a variety of sources.
- 9.15 In 2019, the Scottish Government, launched a consultation on short term lets (Planning (Scotland) Act 2019). The results revealed wide support for regulation with over 1,000 responses from communities, landlords and businesses raising several concerns about the effects of short term lets, including anti-social behaviour, safety features and impact on the housing market.
- 9.16 In January 2020 the Scottish Government announced that local authorities would be given new powers to regulate short-term lets where they decide this is in the interests of local communities. Local authorities should have the ability to implement a licensing scheme for short-term lets from spring 2021.
- 9.17 The licensing scheme will include a new mandatory safety requirement that will cover every type of short-term let to ensure a safe, quality experience for visitors. It will also give councils the discretion to apply further conditions to address the concerns of local residents. Local Authorities will be able to designate 'short-term let control areas'. In these designated areas, the use of a dwelling for short-term letting would constitute a 'material change of use' – meaning that planning permission would be required.
- 9.18 Home sharing (renting a room in your own home or allowing others to stay in your own home whilst on holiday) will not be affected by control areas.
- 9.19 During September 2020 the Scottish Government issued a further consultation paper on regulating short-term holiday lets. The consultation was seeking views on the Scottish Government's detailed proposals for the regulation of short-term lets which will form the basis

for secondary legislation to be laid in Parliament in December. The consultation document outlines the Scottish Government's intention to:-

- introduce licencing for short-term lets, under the Civic Government (Scotland) Act 1982, with a mandatory safety component which will apply to all short-term lets across Scotland. Local authorities will also be given the discretion to put in place further conditions.
- prioritise work to give local authorities the power to introduce short-term let control areas under powers in the Planning (Scotland) Act 2019.
- undertake a review of the tax treatment of short-term lets, to ensure they make an appropriate contribution to the communities they operate in.

9.20 Another proactive step which the Scottish Government are taking in the introduction of a tourist tax levy. A consultation has been undertaken⁴² with the intention of introducing a 'tourist tax'. Every local authority would be responsible for deciding whether they wish to implement the tourist tax levy. The ability for each authority to raise the new tax will not come into effect until the Scottish Parliament has passed enabling legislation, which is unlikely to happen until at least some time during 2021 at the earliest.

9.21 Edinburgh is likely to become the first city in the UK to introduce a tourist tax. The levy would apply to all paid accommodation across Edinburgh, including hotels, B&Bs, short-term lets and hostels (excluding campsites). The Transient Visitor Levy (TVL) would be a flat £2 per night room charge and not calculated on any percentage base. The fee would be capped after seven consecutive nights meaning the most a tourist could pay for one trip would be £14. If successful, it could prove a template for other cities across the UK

9.22 Another example of 'Tourism Tax/Transient Levy' scheme in progress is that being developed by the Highlands Council (Scotland). On 9 December 2019, the Highland Council approved the findings of a public consultation supporting the introduction of a TVL and committed to further work to develop the best scheme for Highland.

9.23 During 2020 the Highlands Council will continue work to consider how a TVL scheme might be designed and implemented to reflect the consultation findings and to lessen potential negative impacts. This includes progressing key design principles approved by Full Council on 9 December 2019:

- A Highland TVL should be able to be applied in ways other than just a 'bed tax' on those staying in paid overnight accommodation
- Highland residents should be exempted from paying a Highland TVL

⁴² [Consultation on the principles of a Local Discretionary Transient Visitor Levy or Tourist Tax, Scottish Government](#)

- Revenue should be ring-fenced to 'tourism uses', with continued work to determine what constitutes 'tourism uses' and how these are defined for Highland
- Options be explored for how some TVL revenue might be ring-fenced for use in the area of Highland in which it is raised

Europe

Barcelona

- 9.24 In order to let a property as a short term holiday let, a tourist licence must be obtained. The licence is required for properties being let as short term holiday lets for tourists for consecutive periods of less than 31 days. There are various requirements to apply for a licence, which include:
- i. That the property meets appropriate standards / living conditions and that it is furnished
 - ii. It may only be used for tourism purposes, and the number of people staying in the property must be noted
 - iii. There must be contact numbers for the owner and the local emergency services
 - iv. An official complaint form must be in place
 - v. The property must be maintained appropriately
 - vi. Permission must be granted by the regional government that determines the application for a licence before the property may be used as a short term holiday let.
- 9.25 If permission for a licence is granted, the owner must register the property on-line with all relevant information. Through this, information about all licensed properties is on the city's register, which facilitates enforcement arrangements. The efforts and the resources put towards the enforcement of the legislation to disqualify / penalise owners who operate without a licence are highlighted. Licensees are no longer being granted in parts of the city such as the Old Town where there is a large concentration of holiday lets.
- 9.26 There is an agreement between Airbnb and the city to give access to new listings on the website. The city has fined Airbnb and Home Away for listing unlicensed apartments.
- 9.27 As well as managing the use, it is also noted that Barcelona has introduced the need to pay a tourist tax on the income generated from these businesses.

Paris

- 9.28 Paris is one of the most popular locations for AirBnB, and under legislation in France, formal permission was required for holiday lets of longer than 120 days in a year. Since March 2016, the law has changed which means that those who let properties must register this with the Council, and anyone who lets for longer than 120 days of the year must register the property

as a commercial property, which is costly. Enforcement powers were also introduced as part of this.

Berlin

- 9.29 Licensing arrangements have been operational in Berlin since 2018 in order to manage the use of AirBnB and, more recently, they have prevented any further increase due to the impact of the affordable housing stock in the city. Enforcement powers and substantial fines were introduced as part of the regulations.

Amsterdam

- 9.30 Since 2019 Amsterdam have introduced regulations that restrict the period of time that properties may be let for holiday use from 60 days down to 3 days per year.

10.0 Conclusions and Recommendations

- 10.1 After undertaking the research work relating to the increased numbers of holiday homes as a local trend in Gwynedd, Cardiff and nationally in Wales and the associated detrimental social, environmental and cultural impacts, the need for greater control relating to the misuse of residential dwellings as holiday homes is unquestionable. Local authorities need appropriate regulatory powers to balance the needs and concerns of local communities whilst balancing the wider economic benefit which the tourism economy provides.
- 10.2 The research work identifies certain areas in the UK and countries/cities on the continent where measures to control short-term holiday accommodation have been implemented or are in the process of being introduced. The methods of control vary and are often dependent on contextual factors in terms of the impact of holiday homes on the local and wider area.
- 10.3 Within the research, consideration has been given to the use of the planning system as a means of regulating the industry. However consideration has also been given to other regulatory approaches, which, although not directly related to the planning system could have an indirect benefit through associated local plan polices.
- 10.4 The research work conducted has assessed the impact of both short-term holiday lets and second homes. Changes to planning legislation in order to regulate the use of a 'genuine' second home, i.e. a home which is used by the same family/household on a regular basis for their own personal reasons/enjoyment is difficult, as the use would unquestionably fall within the C3 use class in its current form. The changes in planning and licencing legislation in Scotland are specific to the use of dwellings that are let for short term holiday use and the examples of control measures introduced in other countries are also specific to this purpose. Scotland has introduced high taxes on the purchase of additional dwellings, which has seen the reduction of properties listed as second homes from approximately 40,000 in 2012 to 25,000 in 2018. However, during that time there has also been a growth in the short- term holiday let market.
- 10.5 Although it is fully acknowledged that genuine second homes, i.e. those which are not let out on an occasional commercial basis, pose a threat to affordability, local services and social cohesion, it is suggested that greater regulatory mechanism of the short-term holiday let industry needs to be implemented in the first instance given their numbers and that the evidence shows that this is the area of growth. Implementing a regulatory mechanism for short-term holiday lets through a suggested compulsory licencing system and a specific use class (see recommendations below) would allow control and clarity in terms of the actual

number of units which are either permanently or occasionally let on a commercial basis and ensure that the properties meet a required specified standard.

10.6 The following section will provide further details in relation to mechanisms, which it is suggested could be implemented on a local and national level as a means of regulating the holiday home industry. The recommendations specifically refer to mechanisms relating to residential dwellings (C3 use) which are let on a permanent as well as occasional basis. The recommendations include-

- **Recommendation 1: Mandatory Licencing Scheme for Holiday Homes.**
- **Recommendation 2: Amending the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 to include a specific use class for short-term holiday let.**
- **Recommendation 3: Reviewing the taxation system – short-term holiday accommodation to be exempt from small businesses rates relief.**
- **Recommendation 4: Requirement for short-term holiday accommodation to be graded**
- **Recommendation 5: Tourist Tax**
- **Recommendation 6: Effective implementation of planning policy on a local level**

Recommendation 1: Mandatory Licencing Scheme for Holiday Homes.

10.7 Local authorities in Wales have no powers to regulate short-term holiday accommodation through a licensing procedure. Section 4 discussed the HMO licencing schemes relating to residential property operational in Wales. Traditional holiday accommodation such as hotels and guest houses are required to adhere to a regulatory regime and short-term holiday lets should also follow a regulatory regime.

10.8 It is suggested that a mandatory 'licensing scheme' for short term holiday-let (including where applicable second homes), which are let out on a commercial basis (either permanently or occasionally), similar to the HMO licensing system, should be introduced. The licensing system would regulate parts of the industry (such as private accommodation let out via peer-to-peer websites) by addressing health and safety concerns and enable local authorities to better understand how and where short-term lets are operating in their area. The licensing system would be the responsibility of each Local Authority to operate. In a similar manner to HMOs, holiday homes would have to achieve a specific standard in terms of health and safety before obtaining a licence. Further by obtaining a licence it would mean that information is collated through one data source in relation to the number of short-term holiday lets within the authority area. Achieving a single catch all data source allows for greater control and clarity in relation to the number and concentration of holiday lets within specific areas.

- 10.9 Consequently local planning polices through the Local Development Plan and associated Supplementary Planning Guidance could address the issue of high numbers of holiday homes in pressurised areas through the implementation of a policy which limits the number of short-term holiday lets, in a similar manner to the policy which is currently operational in relation to HMO's within the Anglesey and Gwynedd Joint Local Development Plan.
- 10.10 In order to implement a licencing regime a clear definition regarding what constitutes a 'short term holiday let' would be required. It is noted that any property, which is let on a commercial basis regardless of the number of nights per year, will require a licence. Furthermore, consideration would have to be given to the need for retrospective licences for existing short-term holiday accommodation.
- 10.11 There are examples of other areas that implement and favour a licensing procedure in order to have better control of short-term holiday accommodation, including Scotland⁴³ which has previously been discussed in section 9. From the spring of 2021, Scottish Local Authorities will have powers to implement a licensing scheme for short-term holiday accommodation. The licensing scheme will include:
- A new mandatory safety requirement that will encompass all types of short-term accommodation in order to ensure that visitors have a safe and high quality holiday experience.
 - Discretion for councils to apply further conditions to address local residents' concerns.
 - The ability to designate control areas (to address areas under pressure, and in order to ensure that planning permission is always a requirement for changing the use of an entire property for short term lets).
- 10.12 The licencing scheme will be introduced in Scotland through the amendment of the Civic Government (Scotland) Act 1982. This Act covers many aspects, some of which are devolved matters in Wales whilst others aren't. Although it should be noted that the powers to introduce a Licencing Regime for Short-term Holiday lets in Wales is a devolved matter.

Recommendation 2: Amending the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 by introducing a new use class

- 10.13 A residential house falls within use class C3; the definition of a residential unit as defined by the amended Town and Country Planning (Use Classes) Order 2016⁴⁴ is as follows:-

"Class C3. Use as a dwelling house (whether or not as a sole or main residence) by -

43 [Short-term lets – licencing scheme and planning control areas: consultation \(Scottish Government\)](#)

44 [The Town and Country \(Use Classes\) \(Amendment\) \(Wales\) Order 2016](#)

- a) *a single person or by people to be regarded as forming a single household;*
- b) *not more than six residents living together as a single household where care is provided for residents; or*
- c) *not more than six residents living together as a single household where no care is provided to residents (other than a use within class C4)."*

10.14 As previously discussed in section 3, within the current land use planning system in Wales, the period of time/days for which a property can be let as short-term holiday accommodation is not defined. The decision as to whether a residential house (Use Class C3) has changed in use is a matter for each Local Planning Authority based on fact and degree, and depends on whether the holiday let amounts to a significant change of use. If it is determined that a material change of use has occurred then planning permission should be sought.

10.15 The uncertainty around determining based on fact and degree, when a significant change of use has occurred can take is time consuming and complex for a Local Planning Authority to prove. The majority of legal cases that have concluded that a significant change of use has occurred have included evidence to support that decision, both in terms of turnover (length and frequency) of use and evidence of the noise and disruption caused to the amenities of the local community. Proactively pursuing enforcement cases can therefore be time consuming for Local Planning Authorities to undertake, especially when resources are already limited.

10.16 As a means of overcoming any doubt as to when a change of use has occurred, it is suggested that the Town and Country Planning (Use Classes) Order be amended to include an additional use class for short-term holiday accommodation. By having a specific use class for holiday accommodation planning permission would have to be granted for the use; in turn, this would make it possible to tailor planning policies to ensure better control of use/numbers.

10.17 As noted above in relation to the implementation of a licensing system, it would be necessary to ensure that the definition of the use is completely clear. Ideally, the definition of holiday accommodation should be generic (i.e. the same definition for any proposed licensing procedure). Furthermore, it will be necessary to consider how the arrangement is to be implemented for existing holiday accommodation units

10.18 In Scotland, amendments made to the Planning (Scotland) Act 2019 to give Local Authorities the right to identify short term holiday accommodation control areas, along with the licensing procedure referred to above. Within the designated area (the control area), it is considered that the use of a residential house as a short-term holiday let constitutes a change of use, and as a result planning permission would be required for the use. However, outside the control areas, each case will considered individually on its own merit (fact and degree). Scotland have

recently consulted on secondary legislation regarding the regulatory framework related to the licensing procedure and short-term holiday accommodation control areas. The consultation includes the following recommended definition of short-term holiday accommodation:-

“a) The accommodation is made available for the use of letting for a cumulative period of 28 days or more in any rolling period of 365 days. This might mean, for example, that it is being advertised as being available to let.

b) At least one of the lets commencing in the same rolling period is not a private residential tenancy in terms of section 1 of the Private Housing (Tenancies) (Scotland) Act 2016.”

10.19 In Scotland it is proposed that the permission for a short-term holiday let will be made for a period of 10 years, with Local Planning Authorities having the power to revoke the permission after that period. Without the ability to revoke a planning permission for a short-term holiday let after a period of time, it is considered that the process of granting permission becomes a one way ratchet, in which the numbers of properties which can be used for the purpose would only ever increase.

10.20 Furthermore the consultation paper states the intention that a dwelling house which receives permission as a short-term lets can revert back to residential use without planning permission.

Recommendation 3: Reviewing the taxation system - short term holiday accommodation to be exempt from small businesses rates relief

10.21 Non-domestic rates, also known as Business Rates, are local taxes on property that contribute to the funding of local services. Any property used for commercial purposes is to be liable for Non Domestic Rates and Welsh Government can aid categories or sectors of businesses through discounts, reliefs and exemptions.

10.22 In Wales, since 1 April 2010, all commercial property available to let as self-catering holiday accommodation which reaches the minimum thresholds of letting detailed in Part 5, can be evaluated for non-domestic business rates. As a means of directly aiding small businesses, whilst promoting business growth and sustainability, a new permanent Small Business Rate Relief scheme came into force on 1 April 2018. With most Self Catering Holiday Units having a low Rateable Value, there are examples of properties valued at over £1,000,000 having a Rateable Value of below £12,000 and therefore benefit from 100% relief or are generously subsidised.

10.23 Due to the current relief, the present framework gives financial incentive for:

- Second home owners to transfer their property from Council Tax to 'non-domestic rates', thus benefiting from the Small Businesses Rates Relief Scheme.
- Current/prospective owners to use/buy residential property for permanent use as 'Short Term Holiday Accommodation' only.
- Second Home owners to lawfully let their property for the minimum period to escape Council Tax (and a premium) qualifying then for Small Business Rate Relief, having nothing to pay and subsidising their overheads.

10.24 It is suggested that short-term holiday accommodation should be excluded from being eligible for small businesses rates relief. By excluding short term holiday accommodation from being eligible for small businesses rates relief, there would be no incentive to avoid having to pay the Council tax premium on second homes. Another possible option could be to prohibit short-term holiday accommodation from qualifying as business premises. This would mean that the property would not be eligible for the Business Rates Relief and the owner would pay Council Tax on the property. Further, properties moving from Council Tax to Non Domestic Rates are also responsible for their own refuse collection; unlike Council Tax, refuse collection is not included in Non Domestic Rates. However, there is no compulsion on them to agree to pay for Local Authority trade refuse. This leads to unauthorised use of Local Authority waste collections, use of public bins and even fly tipping. Friction can be created where there is mixed residential and commercial properties and the second homeowners and guests place refuse in adjacent properties wheelie bins and recycling boxes.

10.25 Furthermore, it is noted that there is a need to further examine the possibility of ensuring cohesion between the planning system and the Council tax system. If a residential unit (use class C3) is transferred to the non-domestic rates system, it is suggested that by doing so those responsible for the action acknowledge that the residential use of the property no longer exists. As a result, no property without legal permission for use as short-term holiday accommodation should be eligible for evaluation to pay non-domestic business tax rates. Self Catering Holiday Units, in relation to Non Domestic Rates - should be a term reserved for use for properties that have been granted planning permission to be used for that specific purpose.

10.26 By identifying the premises that have been properly developed as part of the tourism industry Welsh Government can target assistance whilst at the same time ensuring that properties benefiting the owners but not the wider economy or community can be excluded from any relief scheme and asked to contribute to local taxes.

Recommendation 4: Requirement for short-term holiday accommodation to be graded

- 10.27 A system has been introduced in Northern Ireland to manage holiday accommodation, whereby it is a statutory requirement for all holiday accommodation providers to obtain a 'Tourism Accommodation Certificate'. The Tourism (Northern Ireland) Order 1992⁴⁵ prohibits anyone from providing or offering to provide tourist accommodation as a business (that is, overnight sleeping accommodation for tourists provided by way of a trade or business) unless there is a valid certificate issued by Tourism NI in force in respect of the premises. These regulations apply to all tourist accommodation categories including self-catering holiday accommodation.
- 10.28 Any person who provides or offers to provide tourist accommodation that does not have a valid certificate issued by Tourism NI is guilty of an offence and may be liable, upon conviction, to a fine of up to £2,500 or imprisonment for a term not exceeding six months or both.
- 10.29 Upon receipt of an application a Quality Standards Officer is appointed to carry out a site visit of the premises. After conducting the visit Tourism NI will either refuse or issue a certificate. The certificate is issued based on specific criteria for the accommodation category in respect of self-catering holiday accommodation, they include the following factors:-⁴⁶
- Appearance of the exterior
 - Structural and safety requirements
 - Car parking
 - Tourist literature
 - Instructions and inventory
 - Visitor Register
- 10.30 If the premises meets the minimum requirement standards, the premises will become a certified tourist establishment and the operator may begin trading. The certificate must be clearly placed on display around the entrance of the property. To maintain the certification, Tourism NI will carry out a statutory inspection of the premises at least once every four years.
- 10.31 In a similar manor to what is currently operational in Northern Ireland, introducing a mandatory 'Tourist Accommodation Certification' scheme in Wales could provide the following benefit:-

⁴⁵ [Tourism \(Northern Ireland\) Order 1992](#)

⁴⁶ [Basic Guide to Starting Self-Catering Accommodation](#)

- Will help business owners to engage directly with Visit Wales and obtain access to a wide range of services including start-up advice, direction on operational issues, marketing guidance, social media support and free listings on Visit Wales website.
- Ensures that business owners can operate on a level playing field, not compromise on quality and give confidence to consumers about the quality of the product on offer.
- Will help identify the location and concentration of all different types of visitor accommodation providers.

10.32 Visit Wales currently operate an optional 'Star Quality Grading'⁴⁷ scheme, similar to the Tourism NI scheme. Receiving a Star Quality Grading is considered to be beneficial for holiday accommodation providers as it provides reassurance for customers in terms of the quality of the holiday accommodation. Further, it provides guidance for operators by outlining their strengths and areas for improvement.

10.33 With regard to the Planning System the benefit of implementing a certification is similar to that of a licencing system (Recommendation 1). The implementation of either a certification or a licencing system should therefore be considered, not necessarily both.

Recommendation 5: Tourist Tax

10.34 Many destinations across the world have introduced or intend on introducing a 'Tourist Tax'⁴⁸ as a way of pooling funds that can be used to mitigate the negative impact of excessive tourism and, possibly, to reduce the number of visitors to the area.

10.35 A 'Tourist Tax' is usually a levy raised through the holiday accommodation providers, and the sum can vary depending on the time of year (i.e. peak season) and the standard of holiday accommodation.

10.36 Implementing a 'Tourist Tax' is dependent on changes to national legislation. Since devolution, the Welsh Parliament (previously Welsh Assembly Government) has been permitted to legislate on local taxation such as council tax and business rates, as well as setting grant levels. The introduction of the Wales Act 2014⁴⁹ gives the Welsh Parliament powers over a range of taxes. The Wales Act 2014 also grants the Parliament the power to introduce new taxes with the approval of the UK Parliament.

⁴⁷ Star Quality Grading, Business Wales

⁴⁸ [Tourist Tax Map](#)

⁴⁹ [Wales Act 2014](#)

10.37 Following the shortlist of new tax ideas announced in 2018, the Welsh Government set out in its Tax Policy Work-plan⁵⁰ that it would consider ways in which local authorities could be given permissive powers to develop and implement a tourism tax.

10.38 Gwynedd Council through their 'Benefiting from tourism' programme have already considered the possibility of introducing a Tourist Tax this will also receive further consideration within the Authorities Destination Management Plan

10.40 Arguments against a 'Tourism Tax' include:-

- The UK tourism industry has one of the world's highest tax burdens. Most European countries have significantly reduced VAT on their tourism industries to encourage growth, employment and revenue. Caution should be exercised in imposing any further tax burden on a sector which is already disproportionately taxed compared to its international competitors-vis its competitors
- Tourism tax would threaten the competitiveness of the area and of individual businesses, leading to reduced visitor numbers and spend, and thus a loss of income from this industry vital to the local economy.
- The tax would undermine work encouraging people to visit Wales.

10.41 Arguments in favour of introducing 'Tourism Tax' include:-

- The creating a sustainable locally-controlled additional revenue stream for maintaining and increasing investment in the area.
- Improvements funded by the 'tax' could sustain and enhance visitor and resident experience, and destination competitiveness.
- Help to ensure that the areas tourism is sustainable and services, infrastructure and environment will not be degraded through increased use.
- A greater sense of equity and residents' acceptance of tourism if visitors and residents both invest in public services used.
- Support for the Council to manage the impact of a successful tourism industry.

Recommendation 6: Effective implementation of planning policy on a local level

10.42 Within the current planning system/planning policy framework there are measures which could be implemented as a means of alleviating the issues relating to high concentrations of holiday homes and their impact on the local community.

10.43 The local market housing policy included in the Anglesey and Gwynedd Joint Local Development Plan is ground breaking in that it is the first of its kind in Wales. The purpose of

⁵⁰ [Tax Policy Work-plan, Welsh Government](#)

Policy TAI 5 is to tackle imbalance within specific housing markets within the Plan area and to maintain and strengthen vulnerable communities. It responds to recognised factors that influence the relevant housing markets (including second homes/holiday accommodation). It expands opportunities within housing markets where there are severe problems and ensures a provision housing which meets local needs. The policy's objective is to ensure the social sustainability of communities, especially vulnerable communities, where severe problems exist within the housing market.

- 10.44 Policy TAI 5 is relevant to proposals relating to new build residential dwelling houses within the settlements of Abersoch, Aberdaron, Borth-y-gest, Llanbedrog, Llangian, Morfa Bychan, Mynytho, Rhoshirwaun, Sarn Bach and Tudweiliog. When undertaking the formal review of the LDP, consideration will need to be given to the effectiveness of policy TAI 5 and the possibility of applying the policy across a wider area.
- 10.45 Another regulatory method relating to restricting the occupancy of new build dwellings in pressurised areas could be through the implementation of a primary residency policy for new housing developments. This approach is currently being advocated in St Ives, Cornwall, the Lake District National Park Authority, Northumberland County Council along with the Northumberland National Park Authority.
- 10.46 The primary residency (also commonly referred to as principal residency) policy included within the Northumberland County Council draft Local Plan (which is currently subject to an independent public review) along with the Lake District National Park's Local Plan attempt to impose a primary residency condition for new residential dwellings in areas where holiday homes account for more than 20% of the current housing stock. The application of the policy would mean that any new houses in those settlements would have to be occupied in the first instance and forever as a 'main residence'.
- 10.47 Furthermore the Northumberland National Park Authority and St Ives, Cornwall also have a policy within their Local Development Plan which relates to a primary residence condition for all new housing development, based on the high volumes of holiday homes within the area. Both areas intend on imposing the restriction through a planning condition.

GWYNEDD COUNCIL CABINET

Date of meeting:	15 June 2021
Relevant Cabinet Member:	Councillor Dyfrig Siencyn
Contact Officer:	Dafydd Gibbard – Chief Executive
Title of Item:	Responding to the report "<i>Second Homes – Developing New Policies in Wales</i>"

Decision sought

The Cabinet is requested to:

- a) Agree the Council's response to the report "*Second Homes - Developing New Policies in Wales*" as set out in part 9 of this report and in particular highlighting the need to modify recommendation number 7.
- b) Ask the Leader of the Council to formally communicate the response to the Welsh Government and call on them to adopt and implement the most effective recommendations as a matter of urgency in order to respond to the housing crisis facing the communities of Gwynedd.

Background

1. Members will be aware that one of the main challenges for Gwynedd's communities is the continued rise in house prices mainly due to the number of second homes and holiday accommodation which are continuing to increase daily. This means that the ability of local residents to live within their communities is under significant threat.
2. The Council has already made it clear that the housing crisis is one of its main priorities and intends to do everything in our power to support the ability of our county's residents to live within their local area.
3. In March this year a comprehensive report titled "*Second Homes - Developing New Policies in Wales*" was published in response to a commission from the Coleg Cymraeg Cenedlaethol and the Welsh Government's Minister for Mental Health, Well-being and the Welsh Language. The author of the report is Dr Simon Brooks.
4. A full copy of the report can be found at Appendix A. In summary, the report investigates the current situation regarding second homes and makes a number of policy recommendations that could be used to try to respond to the steady increase in numbers in our communities.

5. It is a very useful report and given that Gwynedd has the highest percentage of holiday homes in Wales (11%) any recommendations that could help us to try to achieve our priority of supporting local residents to live within their communities are welcomed by us as a Council.
6. It is appropriate to highlight that this report is largely a response to a previous report commissioned by Gwynedd Council. We published the report "*Managing the use of dwellings as holiday homes*", in December, 2020, by the Anglesey and Gwynedd Joint Planning Policy Service. This report was the result of comprehensive research into the holiday home situation in Gwynedd in the context of the national holiday home situation.
7. The report made six policy recommendations, which would improve our ability to manage the number of holiday homes in the county. It is pleasing to see that four of these recommendations are part of Dr Brooks' recommendations in his report.
8. A full copy of the original report we commissioned as a Council can be found at Annex B.

"Second Homes - Developing New Policies in Wales" report recommendations

9. Dr Brooks' report contains 12 recommendations and below is our response as a Council to the individual recommendations:

Recommendation	Gwynedd Council's Response
<p>1 - Develop regional and local variation in public policy Second homes are largely 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.</p>	<p>Agree that this makes sense as it would enable a solution to the problem that exists in each local area rather than trying to find one universal solution for each specific problem throughout the country.</p>
<p>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.</p>	<p>Completely agree with this aim.</p>
<p>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</p>	<p>Agree. This recommendation was included in the report "<i>Managing the use of dwellings as</i></p>

<p>Government could consider several ways of doing this but, with this in mind, a Mandatory Licensing Scheme for Holiday Homes should be introduced.</p>	<p><i>holiday homes"</i>, December 2020, commissioned by Gwynedd Council.</p>
<p>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 that are heavily affected 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.</p>	<p>Agree that proactive action is needed, as a matter of urgency.</p>
<p>5 - the need for policy intervention across a range of policy areas Policies should be introduced across a range of policy fields in particular: direct planning policies, indirect planning policies, and taxation policies.</p>	<p>Agree. This recommendation was included in the report "<i>Managing the use of dwellings as holiday homes"</i>, December 2020, commissioned by Gwynedd Council.</p>
<p>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%.</p>	<p>Agree, and Gwynedd Council has already adopted a 100% council tax premium. However, for this recommendation to lead to effective delivery the legislative change highlighted in the response to recommendation 7 below is required. Otherwise, there is a risk that owners of second homes will be able to continue trying to avoid paying the Council tax premium.</p>
<p>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 rate relief.</p>	<p>Although in agreement with the objective of this recommendation, Gwynedd Council's strong view - which has been expressed to Welsh Ministers for many years - is that residential dwellings should not be able to transfer to the non-domestic system at all.</p> <p>As the recommendation stands, even if small business rate relief were abolished, the majority of owners would still pay less tax, and as non-domestic tax income is apportioned nationally on basis of population of individual Authorities Gwynedd Council income would remain significantly lower than if the dwelling were subject to Council Tax.</p> <p>Therefore, this would result in fewer taxes for authorities to reinvest in housing matters and as the non-domestic rates are cheaper than the Council tax premium, there will be an increasing transfer to the non-domestic tax</p>

	<p>wherever possible. This means that the effectiveness of the policy of allowing a Council tax premium to be raised has been significantly weakened.</p> <p>The effective solution is to force all second home owners to pay the Council tax premium (which is collected locally and is therefore available for councils to reinvest in local housing issues) and the way to achieve this is by changing Section 66 of the Local Government Act so that all dwelling houses are considered under the Council Tax rating system regardless of their use.</p> <p>Adjusting the recommendation in this way would mean that the policy of allowing a Council tax premium to be raised is effective and fulfils its purpose.</p>
<p>8 - Land transaction tax</p> <p>It should be possible to vary the higher rates of the land transaction tax in either counties or local government wards to reflect local circumstances. To achieve this:</p> <ul style="list-style-type: none"> i. 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 second property in some parts of Wales. ii. <i>Or</i>, 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. 	<p>Agree that this could make a positive contribution but may be less effective than some of the other recommendations as it will be a one off payment and possibly an insufficient amount to persuade potential buyers not to buy a second home.</p>
<p>9 – Gwynedd and Anglesey Councils’ ‘Local Market Housing’ Scheme</p> <p>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</p>	<p>Agree. This recommendation was included in the report "<i>Managing the use of dwellings as holiday homes</i>", December 2020, commissioned by Gwynedd Council. We have work in hand already to consider this.</p>

<p>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.</p>	
<p>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 shortterm holiday accommodation.</p>	<p>Agree. This recommendation was included in the report <i>“Managing the use of dwellings as holiday homes” December 2020</i>, commissioned by Gwynedd Council.</p>
<p>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.</p>	<p>Agree that this would make a positive contribution though our research to date has highlighted practical challenges in trying to introduce such arrangements. However, the Council would support all efforts to try and overcome these obstacles.</p>
<p>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.</p>	<p>Agree that a Commission could make a positive contribution but would like to emphasise that this should not lead to a delay in realising the issues set out in the other practical recommendations.</p>

Conclusions

10. Gwynedd Council's clear and firm desire is to ensure that every possible measure is used to try and respond to the housing crisis facing the county's residents in their communities today. It is clear that the increase in the number of second homes in our communities is making a significant contribution to pushing house prices beyond

the reach of local residents and it is our priority to do everything within our power to respond to the situation here.

11. That is what has led to the implementation of the following over the past 12 months:

- a) Complete detailed research into the second home situation and make clear policy recommendations that would address the increase in the number of second homes.
- b) Adoption of new Local Lettings Policy for letting social housing.
- c) Increase the council tax premium to 100%.
- d) Using all of the premium income, £15M of Council funding, and borrowing a further £15M to shape our innovative new Housing Action Plan - 33 specific projects that include investing:
 - £30M on social housing where needed - all to be let through the new Local Lettings Policy.
 - £15M for purchasing houses on the open market and letting to local people who need a home in their community but fall outside the priorities of the social housing register.
 - £4M to subsidise the construction of 100 houses for sale through a shared ownership scheme to local residents.
 - £4M to give grants to local first time buyers to renovate empty homes
 - £3M to provide financial grants to give local first time buyers a better chance to compete in the housing market.

12. We are confident that these measures will contribute to improving the current situation. However, we believe that we have now achieved all that is within our current Local Authority power, and it is clear that action beyond this power will be necessary if we are to fully respond to the threat to local residents' ability to live in their communities.

13. Therefore, the prompt implementation of the recommendations highlighted in the "*Second Homes - Developing New Policies in Wales*" report is absolutely essential and we as a Council therefore urgently request the Welsh Government to adopt them, incorporating the modification to recommendation no. 7 set out in the table in part 9 of this report.

14. As a Council we always want to see measures that will achieve the best outcomes for the county's residents and to that end we request that the Government prioritise those recommendations that are likely to have the most positive impact, namely:

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 rate relief.

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 shortterm holiday accommodation.

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.

(Recommendations 10 and 3 need to be implemented simultaneously to be successful)

Views of the Statutory Officers:

i. The Monitoring Officer:

Having regard to the to the Councils previous decisions in response to the housing situation in Gwynedd it is appropriate that the Brookes report is formally considered by the Cabinet. It also allows the Council which, as a local authority would have a central role in implementing a number of the recommendations contributes to the discussion by highlighting any specific drawbacks.

ii. Statutory Finance Officer:

I have had an opportunity to provide input to this report and I support the contents.

The transfer of holiday units from the Council Tax system to non-domestic rates remains a financial risk. The Finance Department's work programme in the Council's Plan for 2021/22 notes that we will aim to meet with the Minister in order to place pressure on the Government to change the legislation relating to holiday homes and holiday units, and we will hold a broader campaign to promote suitable legislation.

Appendices

Appendix A: *"Second Homes - Developing New Policies in Wales", Dr Simon Brooks, March 2021*

Appendix B: *"Managing the use of dwellings as holiday homes", Anglesey and Gwynedd Joint Planning Policy Service, December 2020*