

## **Cost Benefit Analysis for Subordinate Legislation Proposed by Helen Mary Jones AM**

### **Introduction**

Helen Mary Jones AM tabled a No-Named Day Motion on 1 April 2004 that instructs the Minister for Environment, Planning and Countryside to bring forward draft subordinate legislation to amend the Town and Country Planning (Use Classes Order) 1987. This accompanying document provides an assessment of the costs and benefits of implementing this motion.

### **A. Objective**

The objective to be achieved by this order is the creation of a separate class use specifically for second homes.

### **B. Context.**

In 2000, the National Assembly's Task Group on the National Housing Strategy reported: *'Immigration and the purchase of second homes by more affluent households has been one of the most influential factors on community structures in rural and coastal tourist areas of Wales. This has led to distortions in the housing market which, combined with the impact of the Right to Buy sales, has had a significant impact on local peoples' ability to access affordable housing in these areas.'*

This trend throughout the UK has shown that as some areas experience the benefits of economic prosperity, others are being relegated to more peripheral positions as their economic bases decline. Purchasers from these more prosperous regions have had their economic advantage accentuated by increasing incomes and rising house prices. They are often commuters, retirees or those seeking a change of quality of life. The purchase of second homes in areas where real incomes and house prices are stagnant has led to serious social problems for local people who then find access to local housing restricted.

This is a problem in many areas, for example, Exmoor National Park and the Lake District. In Wales, however, there is the additional issue of the effect on the language. Many of these areas, such as the Llyn Peninsula which has a high concentration of second homes, are in the traditional heartlands of the Welsh language. This has led to real challenges to the viability and sustainability of many rural communities along with a decline in the proportion of Welsh speakers and an increase in the outward migration of young people.

Concentrations of second homes in Wales are located in Penarth, Llanwit Major, Swansea, South and West Gower, the National Parks, the Llyn Peninsula, Abersoch, Nefyn, Aberdaron, along with smaller concentrations along the North Wales coast. New growth areas have emerged in the Vale of Glamorgan, and eastern Carmarthenshire (due to extension of M4) According to census 2001 figures, 1.22% of housing stock in Wales are second homes.

Evidence received from Gwynedd Council shows that in 2003, 7% of the total housing stock in Gwynedd were second homes. In some areas, the level was significantly higher. In Llanengan (which includes Abersoch) it was 33%; in Aberdyfi it was 25%.

In Pembrokeshire Coast National Park, 18.24% of household spaces were second and holiday homes (Census 2001) In Pembrokeshire the figure is 6.12%.

## **Current Situation**

### **Use Classes Order**

The Town and Country Planning (Use Classes) Order 1987 puts uses of land and buildings into various categories, planning permission not being required for changes of use within the same use class. In practice changes between use classes are likely to require planning permission.

Currently, class C3 is the only class for dwelling-houses. There is therefore no distinction between second homes and main residences. The proposed legislation creates a separate class for second homes, where planning permission would be required to change a house from a main residence to a second home. This would enable Local Authorities to restrict the proportion of second homes to levels appropriate to local circumstances.

The majority of the planning system deals with new buildings and only deals with a very small percentage of housing stock. The Use Classes Order on the other hand deals with existing housing stock. The proposed action, in amending the Use Classes order, will affect the existing market, making the existing housing stock more accessible to local people.

## **C. Options and Assessments of Benefits**

### **Options**

Objective	Option 1- Do nothing	Option 2 - Preferred Option
	To rely on existing orders that include second homes and residential homes in the same class use. This would be referred to as the "do nothing option"	To require that a separate class use be created for second homes where a planning application would be required in order to change a house from a main residence to a second home. This would require an amendment of the Town and Country Planning (Use Classes Order ) 1987.
The creation of a separate class use specifically for second homes.		To enable local authorities to limit the number of second homes according to local circumstances.
		To make existing housing stock more accessible to local people.
		To alleviate social problems associated with high proportion of second homes.
		To create more balanced and sustainable rural communities.

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#### D. Assessments of Costs

Cost Category (Total costs except where stated)	Option 1 - Do nothing/do minimum	Option 2 –
<p>Direct costs (Costs falling on the Assembly which are directly attributable to the option).</p>	<p>None – would have been incurred anyway.</p>	<p>Staff costs approx. £15,500 (around 90 days), for consulting on draft legislation and preparing legislation for consideration by the Assembly.</p> <p>Translation, printing and publicity costs unquantified but limited, likely to be less than £5,000.</p> <p>Possible unquantifiable costs if the Planning Decision Committee need to meet to consider any applications. There will be minimal direct costs associated with publishing the results of the meeting.</p> <p>Possible costs of financing any appeals process and potential associated public inquiry if the cost of the appeal is not fully covered by any fees paid by those making the appeal. Limited marginal additional staff costs and expenditure on external venues for public debates. Costs may be more substantial if the legislation is applied retrospectively. Costs are not fully quantifiable, but would be expected to include the services of a planning inspector at £645 per day.</p>
<p>Indirect costs (Costs falling on the Assembly which cannot be directly attributed).</p>	<p>None – would have been incurred anyway.</p>	<p>Accommodation costs. In-house copying, telephones, lighting etc.</p>

Cost Category (Total costs except where stated)	Option 1 - Do nothing/do minimum	Option 2 –
Other costs (including costs falling on other bodies and unquantified costs)	None identified – would be incurred in any event.	Application costs will need to be paid by potential owners of the properties. These should cost in the region of £120 each. It is not possible to quantify the possible number of applications that might be submitted in a year.
Total costs (including unquantified costs)	None identified – would be incurred in any event.	<p>Approximately £20,500 in direct costs for drafting legislation. Unquantifiable minimal direct costs thereafter.</p> <p>Unquantifiable minimal indirect costs.</p> <p>Unquantifiable opportunity costs, should be fairly minimal.</p> <p>Unquantifiable other costs. Actual costs will be determined by how the legislation is applied and the number of applications.</p>

### **E. Justification of Proposed Option**

The motion proposes that the Assembly instructs the Assembly Environment, Planning and Countryside Minister to bring forward draft subordinate legislation to deliver Option 2 above. Local evidence provided by Local Authorities have demonstrated the real pressures and social problems, high levels of second home ownership have created in their communities. The proposed legislation would enable local authorities to restrict the number of second homes in communities to more sustainable levels.

### **F. Course of Action**

If the motion is approved in Plenary, the Assembly Minister for Environment, Planning and Countryside shall bring forward the draft legislation as soon as reasonably practicable. But in any event, will report to plenary within 3 months of the date of this resolution.