# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Second Homes and Affordability and the Associated Pilot: six-month update** |
| **DATE**  | **26 January 2023** |
| **BY** | **Julie James MS, Minister for Climate Change** |

The Welsh Government is committed to providing updates to the Senedd every six months on developments in the Dwyfor pilot, as recommended by the Local Government and Housing Committee. This includes an assessment of the effectiveness of the measures and the basis of that assessment.

Firstly, however, I will provide some context within the breadth of our commitments and activities aimed at creating more leverage to balance and manage the numbers of second homes and short-term lets. This work reflects and responds to our commitments within the Welsh Government’s programme for government and the Co-operation Agreement with Plaid Cymru.

The Welsh Government has consulted extensively on proposals in respect of changes to local taxation on second homes, the planning framework, a Welsh Language Communities Housing Plan, Land Transaction Tax and, last December, has launched a consultation on proposals for a statutory licensing scheme for all visitor accommodation, including short-term lets.

In the course of the year, the Welsh Government has, on the back of these consultations, brought forward legislative and other changes to address the large numbers of second homes and unaffordable housing affecting many communities in Wales and set out a radical programme to ensure that everyone has the opportunity to live affordably in their local community – whether that is buying or renting a home.

Thresholds for Non-Domestic Rates

The Non-Domestic Rating (Amendment of Definition of Domestic Property) (Wales) Order 2022 has been made law. It amends the minimum length of time a property is required to be actually let in order to be listed for non-domestic rates rather than council tax. The threshold increases from the current 70 days to 182 days within any 12-month period. It also amends the minimum length of time a property is required to be made available to let, increasing it from 140 days to 252 days. The new criteria will apply to all assessments for the NDR list, from 1 April 2023.

The Welsh Government has taken the position that properties providing self-catering accommodation should be classed as non-domestic only if they are being let on a commercial basis for the majority of the year and that properties let out on an infrequent basis should be liable for council tax. As well as ensuring that such properties make a fair contribution to their communities and local economies, the increased letting criteria are intended to help ensure that the properties concerned are being let regularly. This is to help address the impact of large numbers of second homes and holiday lets, including the impact of underused properties, on the availability of local housing.

Updated draft guidance on the application of council tax premiums which has been issued to local authorities for consultation also confirms the discretion available in the event that holiday lets fail to meet the new letting criteria.

Council Tax Premiums on Second Homes and Long-term Empty Properties

The Welsh Government is currently the only UK administration to provide local authorities with the discretionary power to charge a council tax premium on second homes and long-term empty properties. We introduced new legislation to increase the maximum premium which local authorities may choose to charge from the current 100% limit to 300% from 1 April 2023.  The current exceptions to the council tax premiums will continue to apply but the Welsh Government has also issued for

consultation draft legislation and guidance on additional exceptions to the premium.

This is to ensure the package of measures we are taking forward can be implemented as effectively as possible, whilst mitigating unintended consequences.  The consultation closed on 22 December - we are analysing the responses and a summary will be published in due course. The additional exceptions would apply to other planning conditions when the Non-Domestic Rating (Amendment of Definition of Domestic Property) (Wales) Order 2022 takes practical effect in 2023.

Local authorities may tailor the use of these powers to take account of the circumstances in their areas. We have encouraged local authorities to use the additional revenue they generate from premiums to help fund affordable housing solutions.

Empty Homes

Beyond this, we are also taking further measures to bring a higher proportion of existing homes, and especially empty homes, into common ownership at local level.

Planning

The Welsh Government has created three new use classes: ‘main home’, ‘secondary home’ and short-term holiday let. These new use classes will enable local planning authorities, where they have evidence, to make local amendments to the planning system allowing them to consider if a material change of use has occurred and, therefore, whether planning permission is required to change from one use class to another. This is unprecedented in a UK context.

We have also introduced complementary changes to national planning policy requiring local authorities, where relevant, to take account of the numbers of second homes and short-term lets when developing their local policies.

Land Transaction Tax (LTT)

Following on from the consultation undertaken last year, work is progressing on developing a national framework within which local authorities can request for increased rates of LTT to apply to second homes and short-term lets in their areas. The work includes addressing the various policy and legal considerations and engaging with stakeholders, most notably local authorities.

Welsh Language Communities Housing Plan (WLCHP)

The WLCHP was published on 11 October. It established a Commission for Welsh-speaking Communities. The Commission will undertake an in-depth study of communities which include the effects of high densities of second homes. It will provide a report within two years.

The WLCHP also brings together a number of practical interventions across economic, housing, community development and language planning issues to ensure that Welsh-speaking communities can continue to thrive.

A central theme is to provide support and empower communities to develop solutions in line with their particular needs.This includes support to establish social enterprises and cooperatives, as well as community led-housing initiatives.

Together, these actions form part of the most comprehensive and radical package of measures to ensure the Welsh Government and local authorities have the appropriate leverage to manage second home and short-term let numbers.

The Dwyfor Pilot: progress update

The pilot in Dwyfor, Gwynedd provides an opportunity to test the individual and cumulative impact of these (and further) initiatives and to assess their application and effect on affordability in the pilot area.

The pilot continues to be developed through close working with Cyngor Gwynedd, Eryri National Park, Registered Social Landlords and local communities.

Since announcing our intention to locate the pilot in Dwyfor, two full-time appointments have been made, both based in Penllyn, to administer it and engage with local people. They have both been working inclusively and doing excellent work.

We have established both strategic and operational multi-stakeholder groups aimed at ensuring strategic coherence and effectiveness – and to work through options for further inclusion in the pilot.

We have launched a website for the pilot, as well as having briefed local politicians, community and county councillors in Dwyfor, the Gwynedd Leadership Team and the Isle of Anglesey Council on the scope of recent (and intended future) changes and the work of the pilot.

The Arfor Board which meets quarterly is also a vehicle for sharing lessons learned and co-ordinating good practice in relation to the work taking place in housing across the region. This forum provides an opportunity to discuss and disseminate best practice on how the four Arfor authorities are going about implementing new powers and the connection between the local need for housing, creating job opportunities and supporting the language.

One example of our joined-up approach is the changes we have together agreed to the HomeBuy product and how it now responds to local circumstances in Dwyfor.

The Dwyfor scheme now has more flexibility in terms of maximum family income, the percentage equity that can be sought, and the price ceiling that can be agreed without recourse to the Welsh Government. We have supported this flexibility with up to £8.5m over the next three years and have already seen to date, 4 Dwyfor Homebuy applications having received Welsh Government approval, of which, 3 sales have completed. Grwp Cynefin have a further 7 applicants in the pipeline, all of which are currently looking for a suitable property. This is promising and is testament to the work of all involved.

One of the commitments as part of the Co-operation Agreement is to work with Plaid Cymru on the scope for local authority mortgage scheme (LAMS).

Initial investigations have begun on LAMS to establish the gap in the market, the current products available and its feasibility. We will explore the possibility of enabling local authorities to provide mortgages, particularly to first-time buyers, to help people to afford a home in their local area.

As part of the pilot work, we have engaged Cyngor Gwynedd to ascertain their appetite for LAMS and to explore potential delivery options for its application.

We are working closely with Cyngor Gwynedd and Eryri National Park Planning Authorities to support the development of a suitably robust evidence base for potential Article 4 directions within the pilot area. Given the unprecedented nature of the changes to the Use Class Order, I have offered Cyngor Gwynedd financial support for the operational costs.  This will help us understand the practice application and resource implications for developing and rolling-out Article 4 directions in other parts of Wales.

There is also a wide range of work ongoing across partners and in conjunction with the Welsh Language Communities Housing Plan. The focus of these workstreams include further developments in the Private Rental Sector, support for local social enterprise activity, Self-Build Wales and land acquisition for development. Some of this activity is at an early stage, but we intend to identify good practice and flexible application; I will share more with Members in my next update.

Finally, I have approved the scope and aims of an independent evaluation for the pilot. This will run for the duration of the pilot, but also draw and share more broadly the lessons we take from the pilot’s implementation.

Our approach here in Wales, both nationally and via the levers we have given to local government, is ground-breaking and forms part of a coherent package better to manage the sustainable number of second homes and short-term lets. Both types of property use can and do, when balanced, play an important role economically and in employment terms. Achieving that balance is key and the pilot will tell us much about the impact of our actions and what more we need to do.

As we continue to progress the package of measures and drawing on the latest evidence base, we will keep under constant review the range of levers available to use and how they can be deployed.