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Welsh Government



Second homes: Developing new policies in Wales

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Academi
Hywel Teifi



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Audience

Welsh Government departments; public bodies in Wales; community councils; third sector organisations in Wales; private sector companies in Wales; organisations working with communities; and other interested parties.

Overview

This report was initiated following the award of a small grant by the Coleg Cymraeg Cenedlaethol to Dr Simon Brooks, Associate Professor in the School of Management at Swansea University, to scrutinise policy on second homes in Wales and Cornwall. The original aim was to prepare a brief report focussing on the comparison between public policy solutions based on taxation policy (Wales) and planning policy (Cornwall). However, due to the increasing interest in this subject area, the Welsh Government's Minister for Mental Health, Well-being and Welsh Language asked if the research could be expanded in order to scrutinise some wider issues regarding second homes and to make policy recommendations.

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This document is available on the Welsh Government website at gov.wales/welsh-language

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Terms of Reference

A small grant was received from the Coleg Cymraeg Cenedlaethol to scrutinise policy on second homes in Wales and Cornwall. The purpose of the grant was to fund one research trip to Cornwall and hold a seminar in the Senedd to discuss conclusions and findings from that trip. The funding did not pay for the researcher's time and the aim therefore was to prepare a brief report focussing on the comparison between Wales and Cornwall only, with attention given to the difference between public policy solutions based on taxation policy (Wales) and planning policy (Cornwall).

However, due to the increasing interest in the area, the Welsh Government Minister for Mental Health, Well-being and Welsh Language asked the researcher whether it would be possible to expand the research in order to scrutinise some wider issues regarding second homes, and make policy recommendations. The researcher agreed after seeking advice from the Coleg Cymraeg Cenedlaethol and deciding that this would be beneficial.

The research does not cover every aspect of the field and, in these cases, reference is made to the need for further research, or existing research is noted.

The Researcher

The author of the report is Dr Simon Brooks, Associate Professor at the School of Management at Swansea University. He is also a Member of the Welsh Language Partnership Council which advises Welsh Ministers on matters regarding the Welsh language.

1. Context

At the beginning of 2020, it was estimated that there would be 24,423 second homes in Wales which could be taxed on that basis during the 2020-21 financial year (Welsh Government, 2020a, p. 9). This total does not include holiday units (of different types) which are registered for non-domestic rates (business rates).

Second homes form a not insignificant part of the housing stock in several parts of rural Wales, which often 'correspond with the traditional Welsh-speaking heartland' (Tewdwr-Jones *et al.*, 2002, p. 5). Their presence is therefore a matter of interest from a language planning perspective as well as for town and country planning.

There is a regional pattern to the distribution of second homes in Wales, with a very high number in some rural counties, relatively high numbers but smaller percentages in some cities, and some post-industrial and urban areas have hardly any second homes at all.

Table 1: The number of second homes estimated to be chargeable with a council tax premium during 2020-21 by county council area (Source: Welsh Government, 2020a, p. 9)

Gwynedd	4,900
Pembrokeshire	4,072
Cardiff	3,188
Swansea	2,125
Anglesey	2,112
Ceredigion	1,735
Powys	1,313
Conwy	1,182
Carmarthenshire	1,125
Vale of Glamorgan	535

Neath Port Talbot	522
Denbighshire	422
Flintshire	268
Caerphilly	263
Rhondda Cynon Taf	226
Merthyr Tydfil	214
Monmouthshire	200
Newport	11
Torfaen	7
Bridgend	3
Blaenau Gwent	0
Wrexham	0

It should also be noted that properties which are used or registered as businesses (holiday units, houses which are let out, AirBnb etc) are a significant part of the housing stock in areas where the number of second homes is also high. In Gwynedd, as of mid-summer 2020, in addition to the 4,873 second homes which were registered for council tax, 1,976 holiday accommodation units were identified (Gwynedd Council, 2020c, p. 25). There were therefore at least 6,849 'holiday homes' in the county, 10.76% of the total housing stock.

Therefore, it might be assumed that figures which count the number of 'second homes' in Wales based on council tax underestimate how much of the housing stock is used for recreational or holiday purposes, and is subsequently unavailable for residential use.

When holiday lets are counted in addition to second homes which are liable for council tax, the regional nature of the second homes problem appears even more pronounced than before. In the table below, 'holiday homes' defined in this way are listed as a percentage of the housing stock in Welsh counties. The phenomenon is limited in its most extreme form to the four coastal counties of west Wales (Gwynedd, Pembrokeshire, Ceredigion and Anglesey). Although there are smaller areas in other counties (such as the Gower Peninsula in Swansea) which also have a high concentration of second homes, these too tend to be in parts of Wales frequented for holiday and leisure purposes. When we look at second homes as a

percentage of the housing stock, the difference between areas frequented for tourism and the rest of Wales is substantial.

Table 2: Second Homes and Holiday Lets in Wales as a percentage of the housing stock by county council area (Source: Gwynedd Council, 2020c, p. 27)

Gwynedd	10.76%
Pembrokeshire	9.15%
Anglesey	8.26%
Ceredigion	5.91%
Powys	3.14%
Conwy	2.97%
Monmouthshire	2.32%
Cardiff	2.29%
Swansea	1.92%
Carmarthenshire	1.58%
Denbighshire	1.23%
Neath Port Talbot	0.91%
Merthyr Tydfil	0.87%
Vale of Glamorgan	0.5%
Wrexham	0.5%
Flintshire	0.35%
Rhondda Cynon Taf	0.21%
Bridgend	0.06%
Newport	0.03%
Caerphilly	0.02%
Blaenau Gwent	0.02%
Torfaen	0.02%

From the point of view of this report, it is important to note that holiday lets were not included within the initial terms of reference, which aimed to compare public policy with regards to second homes in Wales and Cornwall. They were also not part of the terms of reference when it was decided to expand the study to discuss public policy in relation to second homes more generally.

There were two reasons for this. Firstly, holiday accommodation has as much to do with economic policy as it does with housing policy. It could be argued that it promotes prosperity in a way which is not the case for 'second homes', and that it contributes to the local economy, either because it is owned by local people or because visitors who stay in holiday lets spend money locally. It is difficult to think of 'second homes' as being part of a coherent economic strategy in the same way.

The second reason was Gwynedd Council's announcement in 2019 that it would provide up to £80,000 for 'research work on holiday homes for Gwynedd but with a national context' (Gwynedd Council, 2019b). 'Holiday homes' were defined by the Council as second homes as well as houses 'that are let as self-catering holiday lets, such as AirBnB' (Gwynedd Council, 2019c). In the end, the research work was not undertaken by an external body but rather by the Anglesey and Gwynedd Joint Planning Policy Service working on behalf of Gwynedd Council and Cardiff Council. The report, *Managing the use of dwellings as holiday homes*, was published in December 2020 and all of the recommendations it made concerned commercial holiday accommodation and tourism (Gwynedd Council, 2020c).

As there was only a small amount of funding available for this study financed by the Coleg Cymraeg Cenedlaethol (£2,085 for a trip to Cornwall and costs associated with the seminar at the Senedd), it was decided it would not be cost-effective to duplicate research undertaken by the Anglesey and Gwynedd Joint Planning Policy Service. However, this study does make reference to the recommendations in *Managing the use of dwellings as holiday homes* as there is a clear correlation between the presence of both types of 'holiday home' (second homes for personal use and short term holiday lets) in the same communities.

2. A regional and local problem – not a national problem

Second homes are unevenly distributed across Wales and the numbers shift quite dramatically between holiday destinations, where they are a genuine problem, and other parts of Wales where they are far less common. Although there are concentrations of second homes in a number of traditionally English-speaking communities – in parts of Pembrokeshire, for example – their impact on Welsh-speaking communities is also striking.

But as well as being a regional problem, concentrations of second homes can also be a *local* problem within regions and counties. Within counties such as Gwynedd, Anglesey, Ceredigion and Pembrokeshire, the distribution of second homes is uneven with some coastal communities facing a serious problem and many urban areas with hardly any second homes at all. The same unequal distribution is also seen within counties where it might appear that there are relatively few second homes. In Swansea, for example, second homes and holiday accommodation only account for 1.92% of the total housing stock. However, the situation is far more pronounced in the Gower Peninsula (Swansea Council, 2019; Tewdwr-Jones *et al.*, 2002, pp. 27-9).

To illustrate more clearly the uneven nature of their distribution, table 3 indicates the percentage of second homes in community council areas in Gwynedd and Anglesey (many community councils within Snowdonia National Park are not included in the table as the Park is the planning authority there) (Anglesey Council and Gwynedd Council, 2016, p. 103). The definition of second homes in this table is based on information about council tax (Anglesey Council and Gwynedd Council, 2016, t. 12).

The table focuses on statistics from Gwynedd and Anglesey because these two counties form the core of the Welsh-speaking region with the highest density of second homes.

The researcher has added to these statistics information about the location and character of these communities within Gwynedd and Anglesey. They are broadly described and placed in different categories (coastal, urban, heartland, mountains, commuter and post-industrial).

This categorisation is not based on a 'scientific' description as the empirical research required to establish such a categorisation is not possible within the confines of a short report, and the description of a particular community should not be regarded as definitive in that sense, rather it is an attempt to show the outline of a general trend.

Table 3: Second homes in communities in Gwynedd and Anglesey as a percentage of the housing stock (excluding some communities in Snowdonia National Park)
 (Source of statistics for the first two columns: Anglesey Council and Gwynedd Council, 2016, pp. 95-8)

Community Council	Percentage of second homes	Area	Description
Llanengan	39.8%	Dwyfor	coastal
Llanfaelog	25.5%	Anglesey	coastal
Trearddur	25.3%	Anglesey	coastal
Aberdaron	24.5%	Dwyfor	coastal
Beddgelert	23.1%	Dwyfor	mountains
Betws Garmon	22.7%	Arfon	mountains
Rhoscolyn	21.6%	Anglesey	coastal
Llanbedrog	21.1%	Dwyfor	coastal
Arthog	19.6%	Meirionnydd	coastal
Nefyn	18.6%	Dwyfor	coastal
Moelfre	18.1%	Anglesey	coastal
Pistyll	16.6%	Dwyfor	coastal
Buan	15.9%	Dwyfor	heartland
Tudweiliog	15.9%	Dwyfor	coastal
Llangelynnin	14%	Meirionnydd	coastal
Mawddwy	13.5%	Meirionnydd	heartland
Porthmadog	13.3%	Dwyfor	coastal
Clynnog	12.4%	Dwyfor	coastal
Corris	12.2%	Meirionnydd	heartland
Cylch y Garn	11.8%	Anglesey	coastal
Dolbenmaen	11.4%	Dwyfor	heartland

Llaneugrad	11.4%	Anglesey	coastal
Tywyn	10.9%	Meirionnydd	coastal
Llanddona	10.8%	Anglesey	coastal
Llanfaethlu	10.6%	Anglesey	coastal
Barmouth	10.5%	Meirionnydd	coastal
Llangoed	10.2%	Anglesey	coastal
Llanbadrig	10%	Anglesey	coastal
Botwnnog	9.9%	Dwyfor	heartland
Aberffraw	9.4%	Anglesey	coastal
Llanfair-Mathafarn-Eithaf	9.3%	Anglesey	coastal
Beaumaris	8.8%	Anglesey	coastal
Bodorgan	8.6%	Anglesey	coastal
Cricieth	8.6%	Dwyfor	coastal
Llanaelhaearn	8.4%	Dwyfor	post-industrial
Llanfrothen	7.6%	Meirionnydd	heartland
Y Felinheli	7.4%	Arfon	commuter
Llandderfel	7.3%	Meirionnydd	heartland
Penmynydd	7.1%	Anglesey	heartland
Llanycil	7%	Meirionnydd	heartland
Tref Alaw	6.7%	Anglesey	heartland
Llaneilian	6.1%	Anglesey	coastal
Llanegryn	5.6%	Meirionnydd	heartland
Ffestiniog	5.5%	Meirionnydd	post-industrial
Llanystumdwy	5.1%	Dwyfor	heartland
Bodffordd	5%	Anglesey	heartland
Cwm Cadnant	4.9%	Anglesey	heartland

Llanidan	4.8%	Anglesey	coastal
Llanddaniel	4.7%	Anglesey	heartland
Rhosybol	4.5%	Anglesey	heartland
Mechell	4.4%	Anglesey	heartland
Aber	4.2%	Arfon	heartland
Llandwrog	4%	Arfon	commuter
Penrhyndeudraeth	4%	Meirionnydd	urban
Llanberis	3.8%	Arfon	mountains
Llanddyfnan	3.8%	Anglesey	heartland
Pwllheli	3.7%	Dwyfor	urban
Llannor	3.5%	Dwyfor	heartland
Bryngwran	3.5%	Anglesey	heartland
Llanfair-yn-Neubwll	3.5%	Anglesey	heartland
Menai Bridge	3.3%	Anglesey	commuter
Llanllyfni	3.1%	Arfon	post-industrial
Amlwch	3.0%	Anglesey	urban
Bodedern	2.9%	Anglesey	heartland
Valley	2.7%	Anglesey	heartland
Llangristiolus	2.6%	Anglesey	heartland
Llannerch-y-medd	2.6%	Anglesey	heartland
Llandygai	2.4%	Arfon	commuter
Llanfihangel Ysgeifiog	2.4%	Anglesey	heartland
Llanddeiniolen	2.3%	Arfon	commuter
Llanwnda	2.3%	Arfon	commuter
Llanfachraeth	2.0%	Anglesey	heartland
Llanrug	1.9%	Arfon	commuter

Trewalchmai	1.9%	Anglesey	heartland
Llanllechid	1.7%	Arfon	post-industrial
Waunfawr	1.6%	Arfon	commuter
Llanfairpwllgwyngyll	1.6%	Anglesey	commuter
Holyhead	1.5%	Anglesey	urban
Pentir	1.5%	Arfon	urban
Llangefni	1.1%	Anglesey	urban
Bethesda	1.0%	Arfon	post-industrial
Bangor	0.8%	Arfon	urban
Bontnewydd	0.8%	Arfon	commuter
Caernarfon	0.5%	Arfon	urban

From studying the table, it is clear that the percentage of second homes in the housing stock varies greatly between different communities in Gwynedd and Anglesey. Furthermore, these patterns are not arbitrary but reflect factors such as landscape, the tourism industry, socio-economic patterns and the location of employment and industry in both counties.

The percentage varies from 39.8% in Llanengan, which is the community council for the Abersoch area, to 0.5% in Caernarfon.

The range between both these ends of the spectrum shows the *local* nature of the second homes problem. There are a large number of communities in Dwyfor, Anglesey and Meirionnydd where second homes form a significant percentage of the housing stock. Specifically, coastal communities in these three areas have a high percentage of second homes. These communities are often those where the tourism industry is most visible. A number of 'mountain' communities and communities within Snowdonia National Park also come under this category.

There are also many communities in the mainly rural heartland which are affected by second homes. These are not coastal communities and are often characterised by an agricultural economy and they are largely Welsh-speaking. Although this table does not always include them, other statistics confirm that the impact can be quite severe in many rural communities in Meirionnydd that lie within the boundaries of the National Park (Gwynedd Council, 2020c, p. 37).

Although most 'heartland' communities are not affected by second homes to the same extent as the coastal and mountain communities, second homes can be present in sufficient numbers to be a meaningful factor in the local housing market. Evident too is a broad correlation between natural beauty and the density of second homes, as not all parts of the heartland are affected to the same extent. As a rule of thumb, the more industrialised or 'urban' a community in the largely rural or semi-rural inland communities to which the term 'heartland' refers, the less likely it is to have a high proportion of second homes.

There are also a number of post-industrial communities, which are usually associated in the case of Gwynedd with former quarrying communities. Here, the percentage of second homes is considerably lower but there are exceptions to this pattern (possibly due to proximity to the sea or mountains).

Finally, there are a number of communities where second homes are *not* a significant presence in the local housing stock. These include many commuter villages surrounding Caernarfon and Bangor. Many of these are amongst the most Welsh-speaking communities in Wales.

In addition, except for some towns that could be considered seaside destinations (Porthmadog, Barmouth, Tywyn etc.), second homes are not a meaningful presence in most towns in either county. Of the seven communities with the smallest percentage of second homes, four are large or moderately sized towns (Holyhead, Llangefni, Bangor and Caernarfon), another is a small post-industrial town (Bethesda), and one of the other two communities includes part of suburban Bangor and its hinterland (Pentir).

As there are different ways of defining what constitutes a 'second home', it should be noted that the recorded percentages of second homes in these communities are higher when commercial holiday lets are also included in the definition.

In 2020, for example, 46% of the housing stock in Abersoch, 43% in Aberdyfi, 34% in Beddgelert, 31% in Aberdaron, 22% in Nefyn, and 21% in Harlech were second homes according to the wider definition that includes commercial holiday lets.

Of the 12 community council areas in Gwynedd (including communities within the National Park) where the percentage of second homes according to this definition was higher than 20%, nine were coastal communities, two were mountain communities and one was in the heartland. There were 23 other communities where the percentage was between 10% and 20% and, of these communities, 11 were on the coast and 12 were in the heartland. With the exception of seaside towns, not one urban area in Gwynedd had a percentage of above 10% (Gwynedd Council, 2020c, pp. 40-1). Therefore this method of measuring the distribution of second homes also confirms the general pattern already identified.

Considerations for public policy

The geographical distribution of second homes in Wales, in whatever way they are defined, is characterised by two crucial factors:

- The distribution of second homes in Wales is extremely uneven, with thousands of second homes in some counties, and other county council areas having virtually no second homes at all.
- The distribution of second homes in specific counties is also extremely uneven, with some communities overwhelmed by a very high percentage of second homes, and others in the same county with virtually no second homes at all.

This all raises a central question from a public policy perspective. If it is true that the second homes problem is a regional and local problem, would it not be sensible to try and find policy solutions at a regional and local level?

This is not a new assumption. One of the conclusions of the only comprehensive study of second homes in Wales to date is that policies should be developed at a regional as well as a national level:

given that this research has uncovered a range of local and regional problems unique to different parts of Wales, we do not believe that national solutions and policies alone are appropriate to solve problems.

(Tewdwr-Jones *et al.*, 2002, p. 60)

Furthermore, the study recommended that action be taken at a local level too, at the level of named communities within regions and counties:

We recommend that local planning authorities identify particular communities in their Development Plans where it is proven that the combined impacts caused by such matters as a defined and unmet housing need, a lack of economic diversification, linguistic and cultural sensitivity, and external housing pressure, are undermining the sustainability of these communities.

(Tewdwr-Jones *et al.*, 2002, p. 53)

On this basis, it could be argued that second homes are best dealt with by encouraging the development of regional and local policy solutions facilitated by permitting policy variation within a national framework.

It is quite possible for example that Policy X might be appropriate in county A, or in community A, as these are places where radical steps are needed in order to deal with a serious second homes problem. But such a policy might not be appropriate in county B, or in community B, as second homes are not a meaningful factor in the local housing market and introducing measures on second homes would not only be unnecessary but also possibly counter-productive.

For this reason, this report will argue that public policy for second homes should be drafted in a way that allows for local and regional policy variation, both within counties as well as within Wales.

The Welsh Government has established a national framework for levying a local council tax premium on second homes, but allows individual county councils to decide whether the levy should be applied, and if so to what extent. The Government should expand on this precedent in other relevant policy fields by encouraging the development of local and regional policy variation.

Recommendation 1 – develop regional and local variation in public policy

Second homes are primarily 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.

3. The impact of second homes on the sustainability of communities and the Welsh language

Much current discourse surrounding second homes and their impact on the sustainability of Welsh communities and the Welsh language is anecdotal and not based on detailed research. It is 19 years since the publication of the last comprehensive study of the field, *Second and Holiday Homes and the Land Use Planning System Research Report (2002)* by Mark Tewdwr-Jones, Nick Gallent and Alan Mace of the Bartlett School of Planning, University College London, a report commissioned by the Welsh Government.

As a result, many assumptions and claims made in public debate in Wales today about second homes require further consideration.

In the short sections below, there is a brief discussion exploring some of these assumptions:

Assumption 1: Second homes are responsible for the increase in house prices in specific communities

Second homes are very often located in attractive and beautiful communities where house prices are high. As a result there is a perception that the density of second homes in some communities is linked to high house prices.

This is bound to be the case to some extent, as second homes limit housing stock availability, but it is impossible to say that second homes are primarily responsible for house price inflation. Second homes are often common in communities to which people often move to live permanently from other parts of the United Kingdom, and there is little evidence that second homes are the main cause of high house prices as opposed to buyers moving to these areas to reside there.

The *Second and Holiday Homes and the Land Use Planning System Research Report* concluded that retirement and commuting are 'the more significant components of the external housing pressure' in rural communities (Tewdwr-Jones *et al.*, 2002, p. 6). A similar opinion is expressed in *The Impact of Empty, Second and Holiday Homes on the Sustainability of Rural Communities: A Systematic Literature Review (2005)*, a report by researchers from the University of York which summarises the findings of every study in the field in the United Kingdom before 2005: 'isolating the effects of second homes from other factors that impact on any housing market is a considerable challenge.' (Centre for Housing Policy, 2005, p. 51). There is no evidence to suggest that the situation has since changed.

Uncertainty regarding the true impact of second homes can also be detected in the recent report by the Anglesey and Gwynedd Joint Planning Policy Service, *Managing the use of dwellings as holiday homes*, although here there is more of an attempt to assert the presence of a direct link between second homes and high house prices:

The Welsh Government's Report 'Second and Holiday Homes and the Land Use Planning System' 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 [a map showing the percentage of second homes and holiday accommodation in the housing stock of communities, as well as a map showing median house prices] 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.

(Gwynedd Council, 2020c, p. 38)

Evidence which supports the hypothesis of Gwynedd and Anglesey planners that buying a second home could eventually lead to permanent migration has been identified in studies of Caernarfonshire in 1973 and Norfolk in 1982 (Centre for Housing Policy, 2005, p. 59), and also in a recent study of Sweden (Marjavaara and Lundholm, 2016). Obviously this is significant in terms of language planning, and suggests that many second homes will lead to Anglicisation in the future as well as having an Anglicising effect in the present.

And although the extent of the link remains unproven, the Welsh Government study of 2002 does not contradict the Gwynedd and Anglesey report in its implicit assertion that second homes are linked to high house prices in some communities. Although the Welsh Government report did not establish a 'national relationship between second home concentrations and house prices', it did note 'however, that local variations are linked to high concentrations of second homes' (Tewdwr-Jones *et al.*, 2002, p. 24).

That is to say, although house prices in communities which are heavily affected by second homes are not always high in a British context, they are often high in the context of the regional housing market and in relation to the local economy. This

inevitably affects the ability of local people to purchase property in these communities.

It is probably fair to assert that second homes raise house prices in general, and do so in communities where average wages are often quite low.

Assumption 2: If there were fewer second homes, local people would move to these communities to live

An assumption is often made that restricting the number of second homes in particular communities would allow more local people to reside there. If there were fewer second homes, it is claimed that house prices would fall and, as a result, more local people would be able to afford to buy houses in these communities. It is fair to assume that there is an element of truth in this, as any reduction in prices makes houses more affordable.

However, as previously stated, we must remember that these communities often have a high percentage of permanent residents who have moved there to live from other parts of the United Kingdom.

In Dwyfor, for example, there is a concentration of second homes in local government wards such as Abersoch, Llanbedrog, Porthmadog West and Morfa Nefyn which had, according to the 2011 census, a high percentage of residents born outside Wales, 55.3%, 51.3%, 45% and 33.4% respectively (Gwynedd Council, 2020e), compared with the percentage for Gwynedd, 33.2%, and Wales, 27.3%.

In communities like these, the housing market appears to be dependent to a large extent on buyers from outside Wales who intend to live there permanently. If there were fewer second homes, this would not change the fact that local buyers would have to compete with buyers from outside the area, who would generally have more capital. Due to low wages locally, and also the difference between house prices in England and Wales (which means that local people often have less capital than buyers from outside), it cannot be assumed that second homes which might be sold on the open market (as a result of public policy intervention) would be bought by local people.

This also means that it is difficult, from a language planning perspective, to solve the problem of affordability in these communities by focusing wholly on building new houses. Unless there were restrictions on the ownership of these houses, or some other mechanism put in place, an expansion of the housing stock without due diligence would be bound to encourage significant population movement from other parts of the United Kingdom to linguistically sensitive areas.

Building too many houses could have a detrimental impact on the Welsh language, and given that concerns about the future of the Welsh language are largely responsible for the debate on second homes in the first place, this is an important factor for the Welsh Government to consider.

Assumption 3: Reducing house prices is desirable

Claims that reducing house prices would be desirable are often voiced in public discussion about second homes as if they were an unquestionable truth, but it is possible that home owners in the communities concerned would not agree. Housing is the main source of wealth for much of the population. Specifically, it might be assumed that there would be considerable nervousness regarding any steps that would cause the local housing market to fall sharply, especially if that were to lead to negative equity.

From a public policy perspective, the fundamental problem is that we do not know to what degree house prices would fall, if indeed at all, were measures taken to limit the second homes market. Due to other factors, such as counter-urbanisation as a result of Covid-19, it is quite possible that permanent migration would compensate for any decline in prices if second home ownership was restricted. It is also possible of course that prices would not fall at all but that there would be less of an increase than there would have been otherwise (i.e. if measures had not been taken). We must also remember that public opinion in the counties concerned is strongly in favour of taking measures to control the growth of second homes, and there may be little opposition to regulation as long as any potential reduction in house prices is moderate.

Assumption 4: Second homes harm the Welsh language

Many properties purchased in villages affected by the second homes problem are bought by new residents wishing to move to the area in order to live there permanently. As a result, it is not possible to assert unambiguously that second homes are primarily responsible for the decline of the Welsh language in these communities. It could even be claimed that the presence of second homes in some Welsh-speaking communities is like a sponge 'absorbing' houses that would otherwise be bought by new residents unable to speak Welsh.

In some communities therefore, it is possible that second homes reduce the extent of non-Welsh-speaking in-migration. From a language planning perspective, this is significant because, as the *Second and Holiday Homes and the Land Use Planning System Research Report* notes, the 'effect of second and holiday homes on the

Welsh language was, however, seen as less significant than permanent immigration.’ (Tewdwr-Jones *et al.*, 2002, p. 6)

Policy planners must always ask, what would happen to second homes if they were not second homes?

If the answer to this question is that it is probable that they would be bought on the open market by relatively wealthy new permanent residents from outside the community who do not speak Welsh, then, logically, we cannot conclude that significantly reducing the number of second homes in a community would automatically be beneficial for the Welsh language.

A hypothetical example of this may be given. Let us assume that there is a community of 100 houses where 70% of the population speak Welsh and 20 of these houses are second homes. In this community, there are 56 Welsh-speaking households, 24 English-speaking households and 20 houses that are empty for much of the year.

As a result of public policy intervention which makes second home ownership unattractive, the number of second homes in the community falls over ten years from 20 to 10. The 10 houses are sold on the open market, and the trend in this attractive village is that 70% of houses on the open market are bought by non-Welsh speakers from outside the area. With the 10 holiday homes having been returned to use as dwelling houses, there are 59 Welsh-speaking households in the village, 31 English-speaking households and 10 empty houses. Although there is a slight increase in the number of Welsh-speaking households, the percentage of Welsh speakers has decreased from 70% to 65.5% and the percentage of English speakers has increased from 30% to 34.5%.

Of course, Welsh and English speakers do not always live in households where only Welsh or English is spoken. Clearly too, there are local non-Welsh speakers resident in these communities. But this does not change the fundamental argument. In some communities, it is not impossible that a substantial reduction in the number of second homes would result in making the area more Anglicised rather than less so. This could be particularly true if, as a result of Brexit and Covid-19, there were to be a large increase in the number of people wishing to relocate to coastal and rural communities in order to live there permanently.

The assumption that second homes are detrimental to the language derives from the perception that they were bought in competition against local Welsh speakers who then leave the community as they have not been able to buy property. This has happened many times, and is what makes the subject so emotive.

This then is the root of the matter.

The linguistic impact of second homes which are currently in use as second homes is relatively neutral as they are normally empty. But the conversion of *more* dwelling

houses into second homes could be very detrimental to the Welsh language as well as being unacceptable from a social justice perspective.

Conclusion

Setting a public policy goal in relation to the number of second homes

The complete elimination of second homes would not be the best solution for communities where they form a significant part of the housing stock. For the reasons noted, it is probable that suddenly reverting second homes to use as principal residences would lead to a significant increase in permanent population movement to rural Wales which could have a harmful effect on the Welsh language.

In Welsh-speaking coastal communities in an area such as Dwyfor where 20% and more of the housing stock are second homes, converting second homes into principle residences in an uncontrolled manner could be catastrophic.

In Abersoch, for example, the average median price of a house in September 2019 was £365,275 (Gwynedd Council, 2020c, p. 40). With 46% of the housing stock in Abersoch being 'holiday homes' (Gwynedd Council, 2020c, p. 39) and unaffordable to all but the most affluent in the local community, returning holiday homes to use as principle residences in large numbers would surely encourage permanent migration which would not only be detrimental to the Welsh language in Abersoch, but possibly in Llŷn in general.

However increasing the percentage of second homes in these communities would also be detrimental as it would reduce the absolute numbers of Welsh speakers locally.

The cruelty of the situation facing the Welsh-speaking community is that converting more dwelling houses into second homes is detrimental to the Welsh language, but a large or sudden reduction in the number of second homes would also be detrimental. Both things are true as they are associated with the same phenomenon, which is the inability of local people to compete in the housing market against buyers from outside the community.

There is an argument therefore for drafting public policy which aims to ensure stability in the number of second homes in affected communities, or which aims to reduce the number of second homes *gradually over a number of years*.

But this does not mean keeping the *status quo*. Indeed, if we were to keep the *status quo*, it is highly likely that the number of second homes in rural Wales would increase. The problem, as is argued in the next section, is that Britain, and therefore rural Wales, is about to face one of the most turbulent periods in its history. It can be

safely presumed that these changes will be detrimental to the Welsh language as a community language.

In coastal communities, such as those in Anglesey and along Cardigan Bay, if the number of second homes was to increase uncontrollably, what is left of the Welsh-speaking population locally could be displaced. And there is always a risk that the problem would spread and escalate in nearby communities in the rural heartland which are currently strongholds of the Welsh language, undermining them linguistically.

The need for accurate information

From the point of view of language planning therefore the case for policy intervention is clear, but with Wales and Britain facing an uncertain future, accurate information about second homes must be made available to avoid unintentional harm.

Unfortunately, not enough objective information of this type exists. Historically, this has been a stumbling block for academics and others working in the field. According to *The Impact of Empty, Second and Holiday Homes on the Sustainability of Rural Communities: A Systematic Literature Review*:

Estimating the number of second homes is problematic as various definitions are used in the literature relating to ownership, primary use, construction, permanence and distance from first home. Problems find expression crucially in the types of dwelling included as second homes and the use made of these dwellings. ... Similarly, the boundaries between the uses of second homes for leisure by one family and the same property let on a holiday basis to defray costs of ownership are indistinct. Also problematic in national estimates are the blurred distinctions between second homes, holiday homes, empty homes, homes held ready for resale, whether initially purchased by the owner or inherited, or merely homes whose occupants were absent on Census night.

(Centre for Housing Policy, 2005, pp. 42-3)

In particular, it is not known how many second homes in Wales are retained for personal use and how many are businesses offering short-term holiday lets. Nor do we know how many second homes are bought every year.

This is because although the number of properties charged for the council tax second homes premium is known, as well too as the number of property transactions liable for higher rates of land transaction tax, these figures do not correspond to the actual number of second homes in Wales nor do they correspond to the number of

second homes bought each year. It would be useful to make good this deficiency by having far more detailed information about second homes in Wales, and to have some way of monitoring this information effectively when introducing policy measures.

There is considerable merit in one of the suggestions made in the recent *Managing the use of dwellings as holiday homes* report, namely that a mandatory licensing scheme for commercial holiday homes should be adopted. Such a licensing scheme is already in place in Scotland. This would ensure that it would be possible to differentiate between second homes retained for personal use and holiday homes which are let to visitors. This would be extremely helpful when drafting public policy as

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.

(Gwynedd Council, 2020c, p. 60)

Gwynedd Council emphasises holiday accommodation here as managing such accommodation is the primary aim of their report. However, establishing a clear distinction between the two types of 'holiday homes' which are currently mixed in public policy (second homes for personal use and second homes for short-term holiday lets) would provide more accurate information about both types of 'holiday homes' and help facilitate public policy decisions about them.

Recommendation 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.

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.

4. Brexit and Covid-19 – a reason to act

We now come to the fundamental justification for taking action on second homes, which is also a reason for policy intervention with regards to the sustainability of Welsh-speaking communities in general.

Since the 2008 financial crisis, Welsh-speaking communities like a number of other fragile communities in Britain have faced testing socio-economic changes. One example of this is the shrinking public sector (for example, in local government) as a result of austerity. This has disproportionately affected the Welsh language because of the tendency in Welsh-speaking communities for Welsh speakers to be more concentrated in this sector than in some parts of the private sector (tourism, for example).

With the vote in 2016 to leave the European Union, it became clear that rural areas where the second homes problem is most acute would undergo a socio-economic and societal restructuring on a very wide level. As well as losing regional European support, we can predict the weakening of the agricultural economy, further austerity affecting the public sector, and indeed a host of economic threats. Many of these will impact on sectors where a very high percentage of Welsh speakers are employed.

It is likely that economic restructuring will present challenges to community sustainability in these areas, and therefore to the Welsh language. The likelihood is that structural problems, such as young Welsh-speakers leaving rural communities due to a lack of economic opportunities, will deepen.

However, this will not happen in a vacuum. Due to economic and cultural changes in the wake of Brexit, and also as a result of the Covid-19 pandemic, these communities, which are already particularly vulnerable linguistically, and which will become more vulnerable for the reasons noted, will face stiff competition for resources in the housing market. This will be as a result of an increase in the second homes market on the one hand, and permanent migration on the other.

Brexit and second homes

The cultural experiences that the British middle class used to enjoy in continental Europe will not be as accessible post-Brexit as they once were. Restrictions on the 'freedom of movement' will limit the ability of British citizens to travel freely to continental Europe. It will only be possible to stay in the European Union for 90 days in every 180 days, and it will not be possible to stay for two consecutive periods of 90 days. It will therefore be difficult to spend the entire winter or summer on the

continent. It will also become more difficult to move to the European Union to retire (to Spain, for example) as this will be subject to immigration rules. It is also possible that the process of purchasing property will become more complex. It is very likely that all of these factors will make buying a second home on the continent far less attractive than it has been, and the British middle class practice of buying a house or a flat in France or Spain may begin to draw to a close.

It is possible of course that this will make buying second properties less common in general, but it is far more likely that the desire to own a second property will continue but that these properties will now be purchased in Britain. This change will mainly be driven by legal and practical considerations and it will affect many parts of rural and coastal Britain, including Wales. The numbers in question are not small. In the year 2013-14, for example, British residents had 70,000 second homes in France and 66,000 second homes in Spain alone (Statista, 2020).

But for psychological and cultural reasons too, there will be an increasing desire to enjoy leisure time in a British rather than European context. Part of the appeal of having a second home for the middle class is that it is a reassuring 'home from home', but also different enough to be interesting. Before Brexit, this aspiration was partially met by buying property in France or Spain. But in the post-Brexit period, it is likely that the ideal will be realised within the United Kingdom and resurrected in the form of fantasies about different parts of rural Britain.

Even though 'Romanticising' the countryside in this way may occur in many parts of rural England, the likelihood is that the trend will be strongest in the old Brythonic fringes (the Lake District, Cornwall, Snowdonia etc.) of England and Wales. The Scottish Highlands are too far away for most people to travel there for the weekend, but Wales and the fringes of England are nearer.

It is not evidence-free speculation to assume that this may happen. Processes of 'Romanticisation' are well-known in cultural theory, and historically there is evidence that this has happened in Wales previously.

At the beginning of the 19th century, in the wake of the French Revolution and Napoleonic wars, the 'Grand Tour' – the 'Romantic' trip to Italy, the Alps and the rest of the continent, which was a fashionable undertaking for the English gentry – was no longer possible. The continent's borders were closed. As a result, the 'Celtic fringes' began to be thought of as 'Romantic' locations that young Englishmen and women could access, and for a time at the beginning of the century Snowdonia in particular became a very fashionable place, and Romantic poets such as Wordsworth and Shelley would visit the area.

It is probable that Brexit will lead to a similar 'Romanticisation' of Wales. This could lead to some economic benefits, such as a tourism boom. But it is also inevitable that an increase in the purchase of second homes will be part of the same phenomenon.

Although we cannot predict to what extent this demand for second homes in Wales will increase, it will probably be significant.

Since the Brexit vote in 2016, the percentage of houses sold as second homes in Gwynedd and Anglesey has been consistently high (Welsh Government, 2019 and 2020d). It is not impossible that this is the beginning of a long-term cultural shift. If so, this will only increase as restrictions on freedom of movement in Europe only came into force on 1 January 2021.

The effects of Covid-19 and second homes

It is also highly likely that the Covid-19 crisis will increase pressure on the housing stock. In 2020, Covid-19 led to a situation where the urban population imagined the countryside as a 'haven' to which it would like to escape, and during the summer crowds flocked to Snowdonia and the Welsh coastline (Gallent, 2020). It is possible that this mindset will continue even after the end of the pandemic, contributing to the demand for second homes.

The pandemic has also accelerated a shift which had begun already, the move from an economic world where workers are expected to travel to the office every day to one where there is more flexibility and freedom to work from home. Due to technological advances, it is very unlikely that work practices like these will be abandoned at the end of the pandemic. There will be far more working from home in the future.

This could be beneficial to rural areas in some ways. For example, it could provide a way for people who have left rural Wales due to a lack of economic opportunities to return. If the Welsh Government were to establish a scheme to encourage Welsh speakers who have moved to other parts of Britain to 'come home' and take advantage of this new mode of living, it could be advantageous in terms of the future of the Welsh language as a community language.

However, there are obvious risks too. Competition for housing in the countryside is likely to increase because an individual employed by a company in Manchester or Bristol or London could spend their weekends in rural Wales, and a fair amount of the week too, choosing to commute to the main office as required. It would not be necessary to be in the city office from nine to five, Monday to Friday. It might be possible to enjoy 'long weekends' in Wales, working on a computer in the second home on days adjacent to the weekend proper. Establishing working patterns like these would increase the demand for second homes in rural Wales significantly.

As in the case of Brexit, there is evidence that some of these probable long-term social changes have already begun. Last summer was one of the busiest ever seen

for tourism in counties with a high number of second homes, such as Pembrokeshire, Ceredigion, Gwynedd and Anglesey. There were anecdotal reports that houses on the open market in attractive seaside villages were purchased very quickly; many as second homes. It is probable that some of the upheaval during the summer of 2020 was due to temporary factors associated with Covid-19. However, it would be naive to think that at least some of these supposedly 'short-term' changes will not continue in the future.

It is important to emphasise therefore that public policy on second homes is not being drawn up at a time of social stability. Welsh society is about to enter a period of great uncertainty.

As already noted in Section 3 ('The impact of second homes on the sustainability of communities and the Welsh language'), suddenly reducing the number of second homes in Welsh-speaking communities could be detrimental to the language. But due to the long-term impact of Brexit and Covid-19, it is all but impossible to foresee even strict measures leading to a significant reduction in their numbers. As workplaces move 'online', demand for second homes in some of Wales' most scenic locations may become insatiable.

The most likely result of introducing new measures on second homes will be to slow down an increase in their numbers which would otherwise have been far greater. Perhaps it might be possible to arrive at some form of stability. It is very difficult to see numbers falling significantly.

Due to the linguistically sensitive nature of communities where there is a high density of second homes, the best outcome for the future of the Welsh language would be stability or a gradual decline in numbers over several years. However, this will not happen without policy intervention. Due to the transformative nature of the long-term impact of Brexit and Covid-19, the risk of not taking action will be far greater than any risks that might be associated with the introduction of new policies.

Recommendation 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 which are heavily impacted 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.

5. A theoretical model for policy intervention

This report uses a theoretical model outlined by Nick Gallent, Alan Mace and Mark Tewdwr-Jones in their article, 'Second homes: A new framework for policy' (Gallent *et al.*, 2004). The article was an attempt to update D. M. Shucksmith's formative article, 'Second Homes: A Framework for Policy' (Shucksmith, 1983), the first comprehensive academic attempt to try and offer public policy solutions to the second homes 'problem' in Britain.

To an extent, the model was influenced by Welsh needs. Shucksmith's article refers to Wales and acknowledges its central importance in policy discussions about second homes. Gallent, Mace and Tewdwr-Jones are the authors of the *Second and Holiday Homes and the Land Use Planning System Research Report*, the comprehensive study of second homes in Wales published by the Welsh Government in 2002. Although 'Second homes: A new framework for policy' was written within the context of policy in England, it is in many respects a theoretical model that has been framed in the shadow of Welsh considerations.

The model's main weakness is that it does not discuss language planning and subsequently, in the Welsh context at least, some of its conclusions must be qualified.

One specific feature in the framework is a desire to take action across a range of policy areas in order to address the issue of second homes. There is no *single* 'policy' which will solve the problem, and both direct and indirect action must be taken in order to have an impact. Social justice is the ethical driver of policy goals, and second homes are considered as 'part of a gentrifying process that needs to be checked through socially progressive policy tools' (Gallent *et al.*, 2004, 295).

In 'Second homes: A new framework for policy', the problem of second homes is set against the backdrop of rural disadvantage, which suggests a context for the Welsh debate. The Welsh language in Welsh communities could be thought of as an attribute of a society which is disadvantaged in the property market. Therefore, language planning in the field of second homes could also be thought of in terms of equality.

According to Gallent, Mace and Tewdwr Jones:

Our own policy framework for addressing second homes and broader housing pressures in the countryside has a similar mix of direct and indirect measures [to those developed by Shucksmith]. This similarity is indicative of the almost static nature of the second home issue over the last two decades; outside

housing demand within many rural communities continues to be driven by the imbalance between urban and rural incomes, by the prestige attached to a home in the country, and by the scarcity value that planning confers on rural housing. The wider context is also largely unchanged; rural economies endure the same structural weaknesses; the planning system adheres to an almost identical raft of guidelines and objectives; and there continues to be little appetite among politicians – or society at large – for banning second homes or seriously infringing on private property rights. There is also a continued recognition that second homes – and retirement – are merely symptomatic of broader social and economic trends, marked for centuries by an exchange of people and wealth between town and country.

In this context, the policy framework set out below represents a consideration of how:

1. the planning system might be used to make this exchange less painful for certain rural areas, and promote balanced communities above social exclusivity in large parts of the countryside; and
2. how monetary and taxation policy might contribute to meeting the same aim by decreasing the attraction of second home ownership and also by releasing additional funds to assist in the provision of more affordable homes in rapidly gentrifying parts of the English countryside.

(Gallent *et al.*, 2004, 295)

If this theoretical model were to be applied to Wales, it could be expressed in the following way:

- The theoretical justification for policy intervention is social justice, which is expressed in public policy in three ways:
 1. Planning policy which deals *directly* with second homes, for example by placing restrictions on the use of dwelling houses as second homes.
 2. Planning policy which deals *indirectly* with second homes, for example by adopting policies regarding affordable housing or by placing local ownership restrictions on property.
 3. Taxation policy relating to second homes.

As it follows this model, this report will make policy recommendations across all three areas: direct planning policies, indirect planning policies and taxation policies.

As will be seen, there is greater emphasis in this report on direct intervention than in the model proposed by Shucksmith and Gallent *et al.* The reason for this is that the existence of the Welsh language as a community language makes it more difficult to overcome the housing problem through solely indirect means (for example, by building more and more houses until local need has been met).

Recommendation 5 – the need for policy intervention across a range of policy areas

Policies should be implemented across a range of policy areas, and in the following three fields in particular: direct planning policies, indirect planning policies and taxation policies.

6. Taxation policy

Public policy in Wales on second homes is expressed primarily through taxation policy at present.

This happens in two ways, namely a council tax premium county councils can charge on second homes, and also higher rates of land transaction tax which must be paid when buying a second property.

Non-domestic rates (business rates) will also be discussed in this section as this is also relevant to the policy discussion.

i. Local Council Tax Premium

Under the Housing Act (Wales) 2014, local authorities have the right to charge a local council tax premium of up to 100% on second homes. During the 2020-21 financial year, eight county councils in Wales were using this right (Welsh Government 2020a, p. 9). Two councils (Conwy and Ceredigion) were charging a premium of 25% (with Conwy due to increase the premium to 50% in the following year), one council (Anglesey) was charging a premium of 35%, and five councils (Gwynedd, Denbighshire, Flintshire, Powys and Pembrokeshire) were charging a premium of 50%. In the autumn of 2020, one of these councils, Powys, was consulting on the possibility of increasing the premium to 75%. By January 2021 (when this report was finalised) Anglesey had decided to consult on raising the premium to at least 50%, and Gwynedd was consulting on charging 100%. Also, another council, Swansea, had decided to charge the premium for the first time, at a rate of 100% for the 2021-22 financial year. Swansea Council is therefore the first council in Wales (and the only council to date) to make a definitive decision to use its taxation powers in full.

This is a strange situation because local government has complained vociferously about the situation regarding second homes, and has called for the problem to be urgently addressed through the planning system, for example by making the conversion of a dwelling house into a second home a 'change of use' which might be subject to planning permission.

This would be quite a fundamental change to public policy. Of course such changes could be considered, and yet the argument made by councils would be stronger if they themselves used their taxation powers in full. To date, that has not happened.

The reason often given by local councils for not using their taxation powers in full is a so-called legislative 'loophole' which allows second home owners to avoid paying

council tax altogether by registering for non-domestic rates instead. This is an oft-repeated claim.

However, there is no evidence that there is a loophole in the sense that people are breaking the law. If people were breaking the law then it would be in the public interest for them to be prosecuted. The word 'loophole' is unfortunate as it creates confusion as to what is actually taking place.

In January 2020, the Welsh Local Government Association wrote to the Welsh Government confirming that there is no 'loophole':

To be clear, we agree with you that there is no loophole – what is happening on the ground is completely in accordance with the legislative provisions. Our contention is that it is creating a situation which seems at odds with the Government's aims in respect of housing supply.

(Welsh Local Government Association, 2020)

What then is happening on the ground in communities impacted by second homes?

If a second home is *available* for commercial letting as self-catering accommodation for periods amounting to 140 days or more in a year, and if this is *actually* the case for at least 70 days, the second home can then be registered to qualify for non-domestic rates (business rates) rather than council tax.

This provides many tax benefits which are not available to owners who have registered their property for local council tax. 'The result', according to the Welsh Local Government Association, 'is that these properties are then eligible for the Small Business Rate Relief, which effectively means that owners end up paying no taxes at all into the public purse in Wales in respect of those properties.' (Welsh Local Government Association, 2020)

When they began to introduce the council tax premium for the first time, some councils noticed that a significant number of second homes were being transferred from the council tax list to the non-domestic rates list, 'by virtue of being classified by the Valuation Office Agency as being Self-Catering Accommodation pursuant to Section 66(2BB) of the Local Government Finance Act 1988.' (Gwynedd Council, 2020b, [t. 4.])

In Gwynedd alone, there were 454 transfers in 2018-19, and 397 transfers in 2019-20, from the council tax list to the non-domestic rates list. This compared with 167 transfers in 2015-16 and 188 transfers in 2014-15, during the period before Gwynedd Council decided in December 2016 that it would introduce a second home premium for the first time (the decision came into effect in 2018/19).

The claim therefore is that there is a link between charging the premium and a tendency to transfer properties out of the council tax list altogether, and this is recognised as a risk which ‘has been recorded on the Council’s corporate risk register.’ (Gwynedd Council, 2020b, [t. 4.])

This report acknowledges that increasing the premium on second homes is not risk-free. However, instead of employing this argument as a reason not to do so, it would be more sensible for the premium to be increased, and for the Welsh Government to adopt parallel policies at the same time to try to persuade owners not to transfer their property from the council tax list to non-domestic rates.

Much recent public debate about second homes has proposed making far-reaching changes to planning law. However, from a public policy perspective, it becomes more difficult to justify a change to planning legislation if existing taxation powers are not used.

By not charging the full premium for second homes, county councils that are concerned about the situation are weakening their case.

It is in the public interest therefore that county councils in areas where there is a high number of second homes use their taxation powers fully. There are indications that some local authorities in relevant parts of Wales are about to do this, and others are moving in that direction. This, in turn, justifies an appropriate response by the Welsh Government including full consideration of other policy options, including those discussed in this report.

Recommendation 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%.

ii. Short-term holiday accommodation and small business rates

As noted, there has been a tendency recently for properties to be moved from the council tax list to non-domestic rates and, as a result, some county councils are reluctant to use their taxation powers in full.

This is a significant development as short-term holiday accommodation also puts pressure on the housing stock in communities where there are a large number of second homes. In taxation matters at least, it appears that there is a fair amount of flipping between categories of ‘holiday homes’ (second homes for personal use, and

short-term holiday accommodation). Thus, in order to deal with second homes, policy intervention in relation to short-term holiday accommodation should also be considered. This is particularly true given that an unintended consequence of taxation policy is that second homes are being converted to, or redefined as, short-term holiday accommodation.

One of the main recommendations made in the report by the Anglesey and Gwynedd Joint Planning Policy Service, *Managing the use of dwellings as holiday homes*, is that the financial incentive for moving second homes from the local council tax list to the non-domestic rates list should be reduced. The suggestion is that this could be done by making short-term holiday accommodation exempt from being eligible for small business 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.

(Gwynedd Council, 2020c, p. 64)

The *Managing the use of dwellings as holiday homes* report also comments:

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.

(Gwynedd Council, 2020c, p. 64)

The question of whether planning permission should be required to convert a dwelling house into short-term holiday accommodation is discussed in Section 8 ('Planning policy and the existing housing stock'), and discussion in this section is confined to the debate on whether holiday accommodation should be exempt from being eligible for small business rates relief. Although this report sympathizes with

that view, such a step raises wider questions than about housing alone, namely the economic contribution of the tourism industry and the role of this type of accommodation within that industry. From a language planning perspective, it should be noted that local people also benefit economically from such activity.

It should be noted too however that the *Managing the use of dwellings as holiday homes* report nevertheless claims that its recommendation would boost tourism as well as protecting the housing stock, because

By identifying the premises that have been properly developed as part of the tourism industry, the 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.

(Gwynedd Council, 2020c, p. 64)

The Welsh Government should give serious consideration to the proposal that short-term holiday accommodation be exempted from eligibility for small business rates relief. It is true that the exact economic contribution of some of these units, which are often in villages where there is generally a high density of second homes, is ambiguous. However, because of the economic importance of the tourism industry, it would be unfair to introduce such a change without wider consultation.

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 rates relief.

iii. Land transaction tax

Further use is made in Wales of the taxation system to address the holiday homes problem in that additional tax is charged when a second property is purchased (Welsh Government, 2020b). The land transaction tax was introduced in April 2018, and it was amended on 22 December 2020.

Currently in Wales, when buying a first property, tax must be paid which corresponds to the value of the property according to the following rates:

Table 4: Land transaction tax (Welsh Government, 2020c)

portion between	percentage of property price
£0-£180,000	0%
£180,000-£250,000	3.5%
£250,000-£400,000	5%
£400,000-£750,000	7.5%
£750,000-£1,500,000	10%
over £1,500,000	12%

As a result of the Covid-19 pandemic, the payment due for that part of a property worth between £180,000 and £250,000 was reduced temporarily from 3.5% to 0%.

However, if someone buys a residential property and they already own one or more properties, they have to pay land transaction tax at a higher rate. Up to 22 December, these rates were as follows:

Table 5: Higher rates land transaction tax before 22 December, 2020 (Welsh Government, 2020c)

portion between	percentage of property price
£0-£180,000	3%
£180,000-£250,000	6.5%
£250,000-£400,000	8%
£400,000-£750,000	10.5%
£750,000-£1,500,000	13%
over £1,500,000	15%

In the case of higher rates land transaction tax, it was decided not to change these rates in response to Covid-19.

Therefore in practice, up to 22 December 2020, those buying second homes have had to pay a tax premium of 3% of the value of the property they were buying in addition to the main rate of land transaction tax. (Following the decision to reduce the main rate in response to Covid-19, the gap between the amount paid by a buyer for a first property and a second property exceeded 3% in some cases, but this is a temporary measure.)

However, since the introduction of land transaction tax in 2018, it is clear that this has not led to a significant reduction in the number of second home purchases. Welsh Revenue Authority statistics for the 2019-20 financial year show that the two counties in Wales with the highest percentage of higher rates of land transaction tax are Gwynedd and Anglesey (Welsh Government, 2020d). The percentage in Gwynedd was 38% and in Anglesey it was 36%. There were similar percentages in 2018-19 also, at 37% in Gwynedd and 33% in Anglesey (Welsh Government, 2019).

Although higher rates are payable in the case of some other types of residential transactions as well as second homes (such as buy-to-let properties and properties purchased by companies), it is impossible to explain Gwynedd and Anglesey's position at the top of this list except in terms of the second homes market.

As a result of this, and against a background of protests about second homes in 2020, land transaction tax rates were reviewed.

In England and Northern Ireland, stamp duty is paid when buying property and a premium of 3% must be paid on second properties (United Kingdom Government, 2020), a situation which corresponds to that which existed in Wales.

In Scotland, on the other hand, land and buildings transaction tax is paid when buying property and a premium of 4% must be paid on second properties (additional dwelling supplement). The premium was set at a rate of 3% when the tax was first introduced replacing stamp duty in 2016. However, the rate was increased to 4% in 2019 (Revenue Scotland, 2020). Therefore the premium on second homes was higher in Scotland than it was in Wales.

The basis of the Scottish Government's decision to raise the premium from 3% to 4% in its budget for 2019-20 was a desire 'to protect those who are buying their first home and those who are progressing through the property market' (Scottish Parliament, 2018). The premium was raised even though the second homes problem is less serious in Scotland than in Wales. In 2018, there were 24,983 second homes in Scotland (Scottish Parliament, 2019, p. 17). This is slightly higher than the estimated 24,423 taxable second homes in Wales in 2020-21 (Welsh Government, 2020a, p. 9). However, according to the latest estimates approximately 5,463,000

people live in Scotland compared with roughly 3,153,000 in Wales (Welsh Government, 2020h).

One obvious way of responding to the second homes crisis in Wales would be to raise the premium on the higher rates of land transaction tax from 3% to 4%, and the Welsh Government made such a change on 22 December 2020 (Welsh Government, 2020i).

Table 6: Higher rates land transaction tax after 22 December, 2020

portion between	percentage of property price
£0-£180,000	4%
£180,000-£250,000	7.5%
£250,000-£400,000	9%
£400,000-£750,000	11.5%
£750,000-£1,500,000	14%
over £1,500,000	16%

Such a step is to be welcomed, but how much difference will it make to the housing market in those communities where second homes are a genuine problem? These communities are in rural and coastal areas of west and north Wales where average wages are low. The income to house price affordability ratio in Gwynedd in 2019, for example, was 5.9:1 but this increased in communities where there is a concentration of second homes. For example in Abersoch and Aberdaron, the ratio was 10.7:1 (Gwynedd Council, 2020c, p. 39).

In Abersoch, the average median price for a house in September 2019 was £365,275 (Gwynedd Council, 2020c, p. 40). House prices have since risen. Increasing the premium on second homes from 3% to 4% would on average come to an additional tax burden for the buyer of a typical house in Abersoch as a second home of around £3,000-£4,000. In other communities with a concentration of second homes, it would be lower. The average median price of a house in Gwynedd in September 2019 was £155,000 and by that benchmark increasing the premium from 3% to 4% would only come to an average payment of £1,550 additional tax.

Although the increase in higher rates of land transaction tax is both prudent and sensible, it is hard to believe that an increase of 1% will make a meaningful

difference in a county such as Gwynedd. Is the answer therefore to raise the premium higher, from 4% to 5%, 6%, 7%, or to 8% perhaps?

The problem of course is that second homes are a regional phenomenon. The area that had the lowest number of higher rates transactions in 2019-20 was Torfaen. Only 16% of property transactions in that county were in this higher category. We have already seen that only seven homes were identified as second homes in Torfaen in the Welsh Government's estimate as to the number of homes liable to pay council tax premium in 2020-21. It is highly unlikely that higher rates of land transaction tax in Torfaen have a connection with the second homes market.

Raising the higher rates of land transaction tax by 1% in Torfaen could probably be justified using the type of arguments that have been put forward in Scotland. However, it is difficult to see any justification for increasing the tax rate further in an area like Torfaen where there is no local second homes problem. Increasing higher rates of land transaction tax again could impact on the availability of other types of properties, such as accommodation to rent.

The Welsh Government is clearly aware of this argument. In a letter from the Welsh Treasury to Councillor Rhys Tudur, a member of Nefyn Town Council, 27 October 2020, it was noted that there are

higher rates LTT [Land Transaction Tax] payers in different proportions in terms of intended use in different parts of Wales and any short-term measures that are right for one part of Wales may not meet the needs of other areas. As always, a balance must be struck when setting rates so that they are right for Wales.

(Welsh Government, 2020g, p. 2)

It is difficult to disagree with the Welsh Government's analysis here (despite the reference to 'short-term measures', the argument is valid in the case of long-term measures too). Increasing higher rates of land transaction tax across Wales to a level high enough to assist communities such as Nefyn would have a disproportionate and unfair impact on individuals in areas where second homes are not a social problem.

But not raising the tax significantly in a community like Nefyn reduces the effectiveness of the public policy response to second homes. As noted previously, the best way of tackling second homes is action across a range of policy areas (taxation and planning). Without a firm response via taxation, the burden falls on the planning system alone.

As Wales to date has tended to use taxation rather than the planning system in its second homes approach, using higher rates of the land transaction tax in order to regulate second homes more effectively (and provide funding for building affordable housing) is a natural step for the Welsh Government. It is consistent with the public policy approach in Wales more generally.

Developing a regional taxation policy

So how can this problem be solved? The regional nature of the second homes problem poses the question of whether a regional taxation policy should be adopted in Wales.

There is already precedent for this in taxation policy. Local government rather than the Welsh Government decides whether the council tax premium is levied on second homes. As a result, there is to all extents and purposes a regional tax on existing second homes in some parts of Wales.

By devolving this decision to local government, the Welsh Government has avoided the problem of how to balance the interests of counties where there are thousands of second homes with the interests of those regions where there are hardly any second homes at all. Devolving this decision to local councils has created public policy which meets local needs and priorities fairly in every part of Wales.

There is a strong argument therefore to adopt the same principle in relation to the land transaction tax.

There could be a national scale for the higher rates of the land transaction tax but with flexibility for government (national or local) to vary chargeable rates of tax in different parts of Wales depending on local circumstances. The decision as to whether a local variation should be applied could be devolved to county councils. This would follow the principle of the council tax premium, which allows for second homes to be taxed more heavily in counties where they have a detrimental impact.

The precedent of the local council tax premium could also be followed when deciding the extent to which variations might be permitted. Local councils are allowed to levy on second homes a premium of up to 100% of the standard rate of council tax. It would be consistent therefore to permit local councils to levy a variation of up to 100% of the difference between the main and higher rates of land transaction tax, which is 4%.

If this were done, the transaction tax on second homes in counties where the county council had decided to make a variation would be as follows:

Table 7: Land transaction tax for second homes where the county council has decided to vary the higher rates up to an additional 4%

portion between	higher rates land transaction tax national rate (percentage of property value)	higher rates following local or county variation
£0-£180,000	4%	4% - 8%
£180,000-£250,000	7.5%	7.5% - 11.5%
£250,000-£400,000	9%	9% - 13.5%
£400,000-£750,000	11.5%	11.5% - 15.5%
£750,000-£1,500,000	14%	14% - 18%
over £1,500,000	16%	16% - 20%

If such a policy were adopted, the proposed land transaction tax in its entirety could be summarised as follows (this does not include the temporary reduction in the main rates that was introduced for the period of the Covid-19 epidemic):

Table 8: Proposed land transaction tax for second properties as a percentage of the price paid

portion between	main rates (first property)	higher rates (for second property)	county or local variation	Total charged for second property
£0-£180,000	0%	4%	up to + 4%	4% - 8%
£180,000-£250,000	3.5%	7.5%	up to + 4%	7.5% – 11.5%
£250,000-£400,000	5%	9%	up to + 4%	9% - 13.5%
£400,000-£750,000	7.5%	11.5%	up to + 4%	11.5% - 15.5%

£750,000- £1,500,000	10%	14%	up to + 4%	14% -18%
over £1,500,000	12%	16%	up to + 4%	16% - 20%

Although levying additional tax in this way would not stop prospective buyers from buying dwelling houses in vulnerable communities and turning them into second homes, it would help curb the market. Returning to the example of Abersoch, allowing a variation of 4% of the median house price in September 2019 of £365,275 would incur an additional tax liability of £14,611.

Based on the average median price of a house in Gwynedd in September 2019, which was £155,000, the additional tax liability for a typical property in the county would be £6,200.

Allowing county councils to vary land transaction tax in this way might, however, create one problem which would be difficult to solve. Higher rates of land transaction tax are levied on the purchase of properties to rent as well as second homes. There are communities in counties with a second homes problem (Caernarfon or Bangor in Gwynedd, Llangefni or Holyhead in Anglesey, Milford Haven or Haverfordwest in Pembrokeshire, for example) where providing a sufficient supply of rented accommodation is more important than limiting the numbers of second homes.

If this drawback were deemed to be so problematic that it would be difficult to justify devolving delegated rights to county councils to vary the land transaction tax, an alternative means of achieving this aim could be sought.

Given that the second homes problem is a *local* problem within the counties most affected, there is an argument for applying the tax variation on the basis of local government wards rather than whole counties. There are many coastal villages at present where the rental market does not form a meaningful part of the local housing stock. These villages are often characterised by a particularly high density of second homes and holiday lets. These are the types of communities where varying the higher rates of the land transaction tax would not be to the detriment of an important rented housing sector used by local people.

In this model, the Welsh Government would decide on the variation rather than county councils. Based on objective national benchmarks, the Welsh Government could decide to vary the higher rates of the tax in specific communities.

This has a public policy precedent, namely Gordon Brown's decision as Chancellor to vary stamp duty based on the needs of named communities. In 2001, the United Kingdom Government abolished stamp duty in 2,000 deprived wards in order to promote investment and housing provision (Gallent *et al.*, 301). The Welsh Government could follow this principle by varying tax levied on property purchases in

wards affected by second homes. Varying the higher rates of the land transaction tax in these wards would make permanent residents far more competitive in the housing market against prospective second home owners.

This would not have the benefit of ensuring local accountability and allowing regional planning and taxation policies to be jointly developed in a holistic manner by county councils. On the other hand, taking action on a ward-by-ward basis would allow for taxation powers to be varied in a far more strategic manner at a local level.

Recommendation 8 – Land transaction tax

It should be possible to vary the higher rates of the land transaction tax in either counties or local government wards in order to reflect local circumstances. To achieve this:

- 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 the second property in some parts of Wales.
- ii. *Or*, 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.

7. Planning policy – a comparative study of planning policy and regulation of second homes in new housing in Wales and Cornwall

This section is a comparative study of two approaches to planning that are relevant to the discussion about second homes. This is the part of the research work which was funded by the Coleg Cymraeg Cenedlaethol through its small grants scheme. The research application was prompted by press reports that the seaside town of St Ives in the far west of Cornwall had ‘banned’ second homes (BBC News, 2016). This prompted an enthusiastic response in some Welsh circles and yet, amongst language planners, information about the nature of the ‘ban’, whether it was effective and whether it could (or indeed should) be applied in Wales was fragmented and incomplete.

An example of public policy in England – St Ives’ ‘Principal Residence’ Scheme

St Ives is a town that shares some of the characteristics of some towns of similar size that have been severely impacted by second homes on the west coast of Wales. It is largely dependent on tourism, there is a low wage economy, and demand for housing by people from outside the community has led to an affordability crisis. In 2011, 25% of dwelling houses in the St Ives Town Council area did not have owners who lived there permanently (Cornwall Council, no date, [p. 1]).

St Ives Town Council was the first authority in Cornwall to draft a policy ‘banning’ second homes in new housing in response to such a crisis. However, the policy was then adopted by a number of other seaside town and parish councils in Cornwall, such as Mevagissey Parish Council and Fowey Town Council (Mevagissey Parish Council, 2018, p. 31; Fowey Town Council, 2020, p. 27). Although the move broke new ground in Cornwall, it was not new in either a British or European context. The parish of Lynton and Lynmouth on the coast of Exmoor National Park introduced a similar restriction in 2013 (Lynton and Lynmouth Town Council, 2013, p. 28). And on the continent, Switzerland voted in a referendum in 2012 in favour of banning new second homes in neighbourhoods where second homes constitute more than 20% of the housing stock (Schuler and Dessemontet, 2013). Nevertheless, St Ives represents the most high-profile attempt in Britain to date to tackle the second homes crisis in this manner.

As part of this research, the researcher visited Cornwall. He spoke to the leader of Cornwall Council’s Neighbourhood Planning group, the Chair of St Ives Town Council’s Neighbourhood Plan steering group, an individual employed by St Ives Town Council to assist in writing the council’s Neighbourhood Plan, and others in the

community, such as a local architect. He thanks them all for their help and co-operation.

The core element of St Ives Town Council's policy on second homes is that it is not possible to use a new unit for which planning permission is given as a second home. The restriction is enforced via a neighbourhood plan which facilitates planning at a parish level. The policy is made at the most devolved level possible, at a community level, a reflection of the fact that town and parish councils in England have a far-reaching statutory power in an important area.

This is enabled by a legislative context in England, the *Localism Act 2011*, which differs to the legislative context in Wales. One of the core principles of the *Localism Act 2011* is 'Neighbourhood Planning'. The aim of 'Neighbourhood Planning' was summarised by the United Kingdom Government as follows:

Instead of local people being told what to do, the Government thinks that local communities should have genuine opportunities to influence the future of the places where they live. The Act introduces a new right for communities to draw up a neighbourhood plan.

Neighbourhood planning will allow communities, both residents, employees and business, to come together through a local parish council or neighbourhood forum and say where they think new houses, businesses and shops should go – and what they should look like.

These plans can be very simple and concise, or go into considerable detail where people want. Local communities will be able to use neighbourhood planning to grant full or outline planning permission in areas where they most want to see new homes and businesses, making it easier and quicker for development to go ahead.

Provided a neighbourhood development plan or order is in line with national planning policy, with the strategic vision for the wider area set by the local authority, and with other legal requirements, local people will be able to vote on it in a referendum. If the plan is approved by a majority of those who vote, then the local authority will bring it into force.

Local planning authorities will be required to provide technical advice and support as neighbourhoods draw up their proposals. The Government is funding sources of help and advice for communities. This will help people take advantage of the opportunity to exercise influence over decisions that make a big difference to their lives.

(Department for Communities and Local Government, 2011, p. 12)

Neighbourhood plans are facilitated by the *Neighbourhood Planning Regulations 2012*, which were amended in 2016. A neighbourhood must be defined, and then a

body ('neighbourhood forum') established that meets the requirements of the *Localism Act 2011*. In St Ives, the town council facilitated the establishment of a 'neighbourhood forum' in order to prepare a neighbourhood plan. In the case of St Ives, professional support was received, after the award of a grant provided by a charity specialising in the field. There was considerable collaboration between Cornwall Council and St Ives Town Council when preparing the plan also. The work was based on the principle of community development. Central to this was the sense that St Ives is a community that needs to be 'nurtured, protected and guided into the future', a feeling common in many Welsh-speaking communities in Wales too.

St Ives area is beautiful, has significant cultural heritage and a network of strong communities. It is also a globally recognised holiday destination, with tens of thousands of visitors every year. All of these factors explain the decision to develop a Neighbourhood Development Plan (NDP). There was deep feeling locally that the area needed to be nurtured, protected and guided into the future – and that the best people to do this are those who live here. From the start the aim was for the Plan to be led by the community, with support from St Ives town council. Volunteers were selected to chair the topic groups, and they in turn comprised the steering group along with five town councillors. The topic groups collated evidence, had cross-pollination discussions with each other and drew up policies. Extensive wider consultation was undertaken at every key stage of the process. This ensured that the policies flowed directly out of the aspirations and desires of the local community.

(St Ives Area Neighbourhood Plan Steering Group, on behalf of St Ives Town Council, 2016, p. 3)

What then is the process that leads to the authorisation of a Neighbourhood Plan? After a plan has been prepared, it goes through a pre-submission consultation where responses are considered before deciding whether or not the Plan should be amended. The Plan is then submitted to the local planning authority and if it is compliant with all relevant legislation, it will be referred to an Examiner for an Independent Examination. The Plan might be amended following publication of the Examiner's report, and providing the local planning authority concurs, a local referendum will be held on the final Neighbourhood Plan (Ministry of Housing, Communities and Local Government, 2020).

St Ives Town Council followed all these steps. The referendum on their Plan was successful, but was followed by a legal challenge in October 2016. However, St Ives

Town Council successfully defended the policy in court and it has been in operation since December 2016.

The *St Ives Neighbourhood Development Plan 2015-2030* is a comprehensive document. It includes policies across a wide range of areas including culture, economic development, housing, land allocation, open spaces, well-being, sport and recreation, transport and the environment. The document states clearly that one of its priorities is housing, and specifically 'To support the provision of affordable and principal residence housing so that [the] St Ives area continues to be a place where people of all ages can live and work.' (St Ives Area Neighbourhood Plan Steering Group, on behalf of St Ives Town Council, 2016, p. 13)

The condition to require new housing to be a principal residence is implemented under policy H2 in the Plan, the 'Principal Residence Requirement', which is defined as follows:

Due to the impact upon the local housing market of the continued uncontrolled growth of dwellings used for holiday accommodation (as second or holiday homes) new open market housing, excluding replacement dwellings, will only be supported where there is a restriction to ensure its occupancy as a Principal Residence.

Sufficient guarantee must be provided of such occupancy restriction through the imposition of a planning condition or legal agreement. New unrestricted second homes will not be supported at any time.

Principal Residences are defined as those occupied as the residents' sole or main residence, where the residents spend the majority of their time when not working away from home. The condition or obligation on new open market homes will require that they are occupied only as the primary (principal) residence of those persons entitled to occupy them.

Occupiers of homes with a Principal Residence condition will be required to keep proof that they are meeting the obligation or condition, and be obliged to provide this proof if/when Cornwall Council requests this information. Proof of Principal Residence is via verifiable evidence which could include, for example (but not limited to) residents being registered on the local electoral register and being registered for and attending local services (such as healthcare, schools etc).

(St Ives Area Neighbourhood Plan Steering Group, on behalf of St Ives Town Council, 2016, p. 26)

It is important to note that there is no local connection requirement associated with these properties, nor is the policy an affordable housing policy:

This is new housing which has to be used as the principal residence of the household living in it, but does not have the price controls that affordable housing does, or any local connection requirement.

(Cornwall Council, undated, [p. 1.]

This is significant in a Welsh context because it has been argued that in-migration can be more detrimental to the Welsh language than the presence of second homes. It is important to realise therefore that St Ives' second homes policy does nothing from a local ownership perspective. Language planning is not a factor in Cornwall as the Cornish language is no longer a community language.

Another significant matter in the St Ives policy is its relevance to human rights and specifically debate regarding Article 8 of the European Convention on Human Rights which might be relevant to policy in this area in Wales.

Article 8 of the Convention states:

1. Everyone has the right to respect for his private and family life, his home and his correspondence.
2. There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.

(Royal Court of Justice, 2016, [p. 20])

Cornwall Council's interpretation of the Article is that it is possible to justify the St Ives policy from a human rights perspective as the 'restriction' on second homes in new housing is proportionate to the need to avoid harming the social fabric of the community:

Article 8 requires that the restriction [Principal Residence condition] be justified in terms of necessity and proportionality. In the St Ives Area NDP,

evidence has been presented of the harm that excessive levels of second homes has on the social fabric of the community. It was considered that this harm will continue unabated if no such restriction is imposed to prevent the use and occupation of new homes by the second home and holiday home market and that it is therefore contrary to sustainable development. This conclusion was accepted by the Examiner. (Cornwall Council, undated, [p. 1.]

The Examiner stated the following in supporting notes on her report:

I do not consider that the Policy H2 is incompatible with the Human Rights Act 1998. Just as for the restrictions placed on agricultural occupancy or affordable housing it can be argued in the case of St Ives that it is in the interests of the economic well-being of St Ives and does protect the rights and freedoms of others who are currently being affected by the unrestricted occupancy of houses as second homes. In addition, it only applies to new housing development therefore not placing a restriction on the entire housing market.

(Royal Court of Justice, 2016, [p. 5])

The whole issue was explored during the legal challenge to policy H2 in October 2016. In his judgement, Mr Justice Hickinbottom sided with St Ives and ruled that 'article 8 does not extend to a home which has not yet been built'. (Royal Court of Justice, 2016, [p. 20])

As a result, 'Policy H2, if adopted, will give rise to, not a breach of article 8, but merely the risk of a future breach of article 8'. (Royal Court of Justice, 2016, [p. 23])

It is possible that compatibility with human rights legislation might also have to be tested in a Welsh context too. However given the St Ives' judgement, it appears very unlikely that a principle residence restriction on new properties in Welsh communities introduced in order to maintain the social fabric of the local community would be illegal from a human rights perspective.

We will now turn briefly to some objections to the 'principle residence' policy which were expressed to the researcher in conversation with people in Cornwall, including:

- Concern that the policy of designating new housing for permanent residents could move the 'second homes problem' to the existing housing stock.
- Concern regarding the possible creation of two housing markets locally.
- Arguments that the majority of new homes are built in estates on the outskirts of towns and that they would not appeal to second home buyers anyway.

- Claims that the policy could reduce the desire of developers to build new housing.

It is important to note that these are all theoretical objections. As the policy is relatively new, there is no empirical evidence to support any of these concerns.

Perhaps the most significant issue is the possible creation of two housing markets locally. In the context of new housing, however, this is a theoretical problem for the future, and is offset by the need to achieve sustainability in the present. Furthermore, and critically, as the St Ives policy concerns new housing, no one would lose value on their current property, a matter to which Mr Justice Hickinbottom's judgement refers:

He will know, when he purchases and/or occupies a dwelling with the restriction that, if he chooses to move away – or, by dint of circumstance, is required to do so – then that restriction will require him to sell the St Ives dwelling. Any claim that his article 8 rights will be infringed by enforcement of the restriction will have to be considered through that glass. Any purchase price he may have paid will have reflected that risk.

(Royal Court of Justice, 2016, [p. 28])

The price paid for a house which has restrictions attached to it will be reflected in the initial purchase, and it cannot be said that there would then be a loss in value as the restrictions were known when buying the property for the first time. This reasoning is also true with regards to the policy with which the St Ives policy is compared in this study, Gwynedd and Anglesey's Local Market Housing policy.

Unfortunately, there is no evidence to date to be able to tell how effective the St Ives policy is at present. After all, it is a relatively new policy. Anecdotal evidence suggests that it is having some positive impact, but it is not possible to verify this at the current time. In correspondence with the researcher in June 2020, Councillor Rita Lait, the Chair of St Ives Town Council's Neighbourhood Plan Steering Group, noted:

Developments are continuing to take place in the area – a mix of open market and affordables on greenfield sites (allocated for development in the NDP) and 'knock one down build several' in place of houses with large gardens. The principal residence condition has not stopped development but it has prevented the building of more blocks of apartments which were aimed at the holiday market (either as second homes or holiday lets).

An example of public policy in Wales: Anglesey and Gwynedd Councils' 'Local Market Housing' Scheme

Planning policies in relation to second homes in Wales have not attracted the same public interest as St Ives Town Council's 'principal residence' policy. Part of the appeal of the St Ives story is that a small town council successfully got to grips with the second homes problem (in part at least) and won an important test case in the courts. It's a David versus Goliath story.

It would not be possible for a town or community council in Wales to create a new policy in the same way as St Ives Town Council as the *Localism Act 2011*, which provides the legislative context for English councils to create neighbourhood plans, is not in force in Wales. Town and community councils in Wales do not have the same powerful role in the planning process as town and parish councils in England.

It is true that opportunities exist for town and community councils in Wales to produce 'Place Plans' which give local communities the opportunity to express their views and influence some planning decisions locally. However, there are key differences between the 'Neighbourhood Plans' used in England, and 'Place Plans' in Wales. A Neighbourhood Plan is an important statutory document which is examined by an Examiner and which can lead to the establishment of new policies, as seen in Cornwall. But 'Place Plans' are Supplementary Planning Guidance (SPG). According to Planning Aid Wales:

it is important to review what an SPG can and can't do. In summary, SPGs are not part of the development plan; they cannot introduce new policy; they cannot set out the type, scale and quantum of new development; and, must be tied to a policy in the LDP [Local Development Plan] upon which they provide further guidance.

(Planning Aid Wales, undated.)

In Wales the problem of second homes is best addressed via policy made by planning authorities such as county councils and national parks. It is interesting therefore that one of the policies in the *Anglesey and Gwynedd Joint Local Development Plan: 2011-2026*, 'Policy TAI 5: Local Market Housing' solves the second homes problem just as effectively as St Ives and does so in a way that brings additional benefits too.

The 'Local Market Housing' policy is a policy which applies to a number of coastal communities in Anglesey and Gwynedd: Aberdaron, Abersoch, Beaumaris, Borth-y-

gest, Four Mile Bridge, Moelfre, Morfa Bychan, Mynytho, Llanbedrog, Llangian, Rhoshirwaun, Rhosneigr, Sarn Bach, Trearddur and Tudweiliog. In these communities, which are characterised by a high percentage of second homes and high house prices, it is not possible to build a new residential unit unless that unit will be occupied by a *local* resident ‘in the first place and in perpetuity’ (Anglesey Council and Gwynedd Council, 2017, p. 133).

The policy ‘applies when there is a proposal to develop new residential unit(s) that will add to the current stock of permanent residential units within the development boundaries of the settlements named in the Policy. It applies to all types of proposals that create new residential units ... regardless of the scale and type of the development.’ (Anglesey Council and Gwynedd Council, 2019a, p. 6).

Only affordable housing and local market housing can be built in these communities. In its affordable housing policy, the *Anglesey and Gwynedd Joint Local Development Plan* also identifies these villages (as well as others) as being settlements where local occupancy restrictions should be placed on new housing: ‘Within Local, Rural and Coastal Villages the affordable housing provision should only be for affordable housing for local need’ (Anglesey Council and Gwynedd Council, 2017, p. 156). As a result, local occupancy conditions apply to every new build in the villages identified in the ‘Local Market Housing’ policy, and ‘open market housing will not be permitted in the settlements that are named in this policy.’ (Anglesey Council and Gwynedd Council, 2017, p. 134).

In the ‘Local Market Housing’ policy, ‘local’ is defined as an individual who has a ‘connection with the ward’, which is defined in turn as an individual who has lived permanently in the ward for five years, or who has ‘a long and established connection with the local community’, someone who needs to live close to relatives who have lived there for five years and ‘who need support because of age or infirmity reasons’, or people who need support because of reasons relating to age or infirmity and who need to move to live close to relatives who have lived there for five years (Anglesey Council and Gwynedd Council, 2017, p. 136).

The policy is guaranteed by a planning obligation through a section 106 legal agreement. If there were to be a ‘genuine failure’ over a period of three months to sell a residential unit to another local individual, the definition of ‘local’ could then be expanded to include the whole of Gwynedd and Anglesey for a further three months, and only then could the property be sold on the open market. However, if the property were to be bought on the open market, the condition regarding local occupancy would be restored the next time the property was sold. That is, the property would not become part of the open market permanently (Anglesey Council and Gwynedd Council, 2019a, p. 15).

Also, importantly, 'a local market unit has to be occupied as the principle [*sic*] home of the eligible household.' (Anglesey Council and Gwynedd Council, 2019a, p. 10) It could not be a second home.

The *Anglesey and Gwynedd Joint Local Development Plan* justifies the policy based on paragraph 9.2.4 of Planning Policy Wales (7th Edition, July 2014) which reads as follows:

Local planning authorities, in partnership with the community, including the private sector, must develop policies to meet the challenges and particular circumstances evident in their areas in specific locations. If these policies need to diverge from national policies in order to meet *specific local housing needs for market housing* (which normally would have no occupancy restriction), local planning authorities will need carefully to justify the variation with robust evidence that they deem appropriate.

(Anglesey Council and Gwynedd Council, 2016, p 2)

Reference is also made to a number of other policies including Strategic Objective 15 in Planning Policy Wales which notes that 'it is necessary to provide a mixture of good quality and affordable housing units, of a range of types and tenures to meet the housing requirements of all sections of the population' (Anglesey Council and Gwynedd Council, 2016, p. 3).

As an affordable housing policy is already in operation in the villages mentioned, the Local Market Housing policy is not an affordable housing policy. Rather, it is a reflection of the fact that there are local people in these communities who earn too much income to be eligible for an affordable house, but who cannot compete on the open market due to house prices.

The policy is also justified in terms of the Welsh language:

It is believed that directly linking such a policy with the Welsh language is not possible, i.e. it is not possible to restrict the occupancy of housing units to only Welsh speakers. This is noted based on the wording of paragraph 3.7.4 of Technical Advice Note 20 'Planning and the Welsh Language' (October 2013) which states "LDP policies which take into account the needs and interests of the Welsh language should not seek to introduce any element of discrimination between individuals on the basis of their linguistic ability. Planning policies should not seek to control housing occupancy on linguistic grounds". However, it is likely that the side-effect of the objective of this policy would have a positive impact on the area's language and culture, by providing opportunities for people who are economically active to stay or return to the area.

(Anglesey Council and Gwynedd Council, 2016, p. 6)

While the 'Local Market Housing' policy is commendable, one disadvantage is that it only applies to a relatively small number of coastal communities. Gwynedd and Anglesey's 'Affordable Housing' policy, which also includes strict local occupancy conditions, covers a far greater number of communities (Anglesey Council and Gwynedd Council, 2019c, pp. 20-1). It might not be necessary of course for both policies to be implemented in the same communities on every occasion as different communities have different needs. But it is striking that a number of coastal communities which have been greatly impacted by second homes are not included within the 'Local Market Housing' policy.

Communities where the 'Local Market Housing' policy is applicable are therefore fewer in number than they might be. The 'Local Market Housing' policy was a new policy when it was included within the *Anglesey and Gwynedd Joint Local Development Plan*. Perhaps it was regarded as potentially controversial and perhaps there was a concern too that the Inspector might need to be persuaded that it was justified.

In that context, accepting the policy in principle was key and perhaps it was felt that this would be easier were the policy implemented initially in communities where the crisis regarding lack of access to the local housing market was most evident. As a result, it could be argued that some communities that could have been included in the policy were excluded, possibly for tactical reasons.

The *Anglesey and Gwynedd Joint Local Development Plan* will be reviewed in 2021, and this is an opportunity to consider whether the 'Local Market Housing' policy should be 'rolled out' to include more communities.

Comparing St Ives Town Council's 'Principal Residence' Scheme with Gwynedd and Anglesey Councils' 'Local Market Housing' Scheme

The difference between St Ives 'Principal Residence' policy and Gwynedd and Anglesey's 'Local Market Housing' policy is revealing. From a language planning perspective, they reflect the fact that no minority *community* language exists in St Ives whilst the presence of a minority *community* language is central to the *raison d'être* of much public policy in Gwynedd and Anglesey.

In St Ives the emphasis on a 'principal residence' policy reflects concern about depopulation in a community where local sustainability is interpreted as the need to retain a permanent population. In Gwynedd and Anglesey, the condition that a new house must be a principal residence also forms part of the 'Local Market Housing' plan, but it is fair to say that the main focus is on local occupancy conditions.

If a 'principal residence' policy were in operation in attractive coastal villages in Gwynedd and Anglesey without the 'Local Market Housing' restriction, there would be very little certainty that new dwelling houses would be bought by local people as buying patterns on the open market in these villages favour buyers from outside the area who have more capital. This could have a detrimental impact on the Welsh language locally.

The St Ives policy uses a direct approach of banning second homes in new build, and although the Gwynedd and Anglesey policy includes a direct clause which does the same thing, the main emphasis is on an indirect response to the second homes problem, via the provision of housing with local occupancy and/or affordability conditions. It is the combination of direct and indirect mechanisms that ensures that the Gwynedd and Anglesey policy excels.

It is important to note that excluding new residents is neither the intent nor the effect in practice of the 'Local Market Housing' policy as buyers from outside the area have the means to purchase houses within the existing housing stock on the open market. But by ensuring that local buyers have unequivocal access to new housing, the policy is beneficial in terms of community sustainability and hence the Welsh language. This is because local buyers reflect the linguistic make-up of the local community.

For all of these reasons, Gwynedd and Anglesey Councils' 'Local Market Housing' policy is a more suitable model for Welsh-speaking communities than the 'principal residence' policy favoured by St Ives Town Council.

Recommendation 9 – Gwynedd and Anglesey Councils' 'Local Market Housing' Scheme

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 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.

8. Planning policy and the existing housing stock

The planning policies discussed so far do not relate to the existing housing stock. The policy proposals discussed in the previous section apply only to new housing.

However, in some communities which are heavily impacted by second homes, it is necessary to ask whether excluding the existing housing stock from the policy debate is sensible.

From a public policy perspective, if providing homes for local people is the sole aim of housing policy, this could be addressed by building new housing until local need has been met. However, this strategy has a clear weakness, namely that the villages which are most severely impacted by the second homes problem are very picturesque – and often in areas of outstanding natural beauty or in national parks – and building dozens of new houses would have a detrimental impact on the environment. There is often too a lack of building land in these communities.

An equally important and indeed more important argument from the perspective of language planning is that Welsh-speaking communities are very linguistically sensitive. If a policy of meeting local need led to building a substantial number of new houses, in order to compensate for the fact that much of the existing housing stock is being converted into second homes, the potential housing stock and therefore the potential population of these areas would increase greatly. Given the issue of depopulation amongst the local population due to a lack of economic opportunities, these areas would inevitably become Anglicised.

This paradox has been at the heart of discussion, and indeed disputes, between language campaigners and professional planners in rural Wales for decades. The ‘housing crisis’ could be solved by building hundreds or perhaps thousands of new houses, but this would encourage significant Anglicisation. But if local people are unable to buy houses, they may well leave which also leads to Anglicisation.

It is not the intention of this report to revisit these debates which will be familiar to anyone who has followed public discussions around housing policy and the Welsh language. Scrutinising how many new houses should be built in Welsh-speaking communities does not fall within the terms of reference of this report.

However, it should be noted that one of the reasons there is a paradox is that not enough attention is paid to the existing housing stock as offering at least a partial solution to the housing crisis in rural Wales. If more local needs could be met through the existing housing stock, then it would not be necessary to increase it in a way that would probably result in significant harm to the Welsh language, either now or in the future.

We will now turn to two potential changes in planning law which according to their supporters would result in better use of the existing housing stock.

Creating a new use class for short-term holiday accommodation

One of the main concerns expressed by policy makers in the Anglesey and Gwynedd Joint Planning Policy Service's document, *Managing the use of dwellings as holiday homes*, is recent uncontrolled growth of holiday accommodation in a county where investors have bought properties in the existing housing stock in order to convert them into short-term holiday accommodation (holiday units, Airbnb etc.).

The document recommends that this be addressed by making a change in planning law which could make the conversion of dwelling houses into holiday accommodation in some communities subject to planning permission. This would be done by 'amending the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 by introducing a new use class' for short-term holiday accommodation (Gwynedd Council, 2020c, p. 61-3).

Although planning permission is currently needed when there is such a 'material change of use', 'the uncertainty around determining based on fact and degree, when a significant change of use has occurred is time consuming and complex for a Local Planning Authority to prove.' (Gwynedd Council, 2020c, p. 62) In the planners' view, introducing a new use class would be 'a means of overcoming any doubt as to when a change of use has occurred' (Gwynedd Council, 2020c, p. 62).

A precedent for this is identified in another part of the United Kingdom:

In Scotland, amendments [were] 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 ... [a licensing scheme for holiday accommodation]. 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 [be] considered individually on its own merit (fact and degree).

(Gwynedd Council, 2020c, p. 62)

The report's suggestion is that similar control areas could be established in Wales.

It is clear that the management of houses in multiple occupation could set a precedent to achieve this as a chapter in *Managing the use of dwellings as holiday homes* discusses 'Planning and Regulation (Good Practice) – Houses in Multiple Occupation (HMOs)'. (Gwynedd Council, 2020c, pp. 13-17)

It draws attention to the fact that an amendment to the Town and Country Planning (Use Classes) (Amendment) (Wales) Order 2016 introduced a new use class for houses in multiple occupation. The existence of a licensing scheme is also noted.

This national policy has been applied in Gwynedd and Anglesey in a way which limits the uncontrolled growth of houses in multiple occupation in wards where the housing stock is under particular pressure for this reason. In Gwynedd, these wards are in the city of Bangor:

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) limits the number of permissions for HMO's which will be granted. In the wards of Deiniol and Menai (Bangor) the proportion of HMO's should not exceed 25% and 10% in the remaining wards in the Plan area.

(Gwynedd Council, 2020c, pp. 16-17)

It is easy to see how this principle could be applied in order to manage the growth of short-term holiday accommodation in specific communities. After all, the situation regarding houses in multiple occupation and short-term holiday accommodation is very similar in two key ways that make a similar policy response sensible.

Firstly, in both cases, policies can be implemented in communities on the basis of objective evidence of the pressure on the housing stock. As has been argued throughout this report, the second homes and short-term holiday accommodation problem is, above all else, a *local* problem and particular wards could be targeted in a similar manner to how particular wards are targeted by policy on houses in multiple occupation.

Secondly, both cases usually involve converting property from being a residence to a commercial enterprise, by renting or letting out accommodation for a fee. This means that human rights considerations, and the right to a home in particular, do not apply

in the same way as some would argue are relevant (erroneously in the view of this report) to the debate on the use of second homes for personal use.

It appears to be completely reasonable therefore that the Welsh Government gives very serious consideration to Gwynedd Council's proposal to establish a new use class for short-term holiday accommodation, and it is difficult to see a reason not to do so.

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 short-term holiday accommodation.

Should planning permission be required in order to convert a dwelling house into a second home in some communities?

Despite the interest of policy makers in creating a new use class for short-term holiday accommodation, this was not the main focus of the policy discussion among local politicians and language campaigners during 2020 but rather the more radical suggestion that conversion of a dwelling house into a second home for personal use should be subject to planning permission in some communities.

Such calls are not new. As far back as 1982, Dafydd Wigley, the then MP for Caernarfon, presented a Private Member's Bill in the House of Commons which would have made the conversion of a dwelling house into a second home a 'change of use' and therefore subject to planning permission. The Bill was not successful although the Opposition did promise that a future Westminster Labour Government would introduce the legislation itself (Shucksmith, 1983, p. 189).

It should be noted that the policy has also been seriously considered by planning authorities in England as well. Indeed, the Exmoor National Park Authority went so far as to include a similar policy in a local plan draft in the early 2000s for neighbourhoods where more than 10% of the housing stock were second homes. But the policy was removed in 2003 'after comments from [the] Government Office for the South West' (Centre for Housing Policy, 2005, pp. 68-9).

The perception of a sudden growth in the second homes market in Wales in 2020 as a result of Covid-19 has brought debate about this possible policy solution to the fore

once again. Since the middle of 2020, both planning authorities and language campaigners have been calling for planning legislation to be used to stop dwelling houses being converted into second homes in areas where the percentage of second homes in the housing stock has reached a particular threshold.

In a full meeting of Gwynedd Council on 1 October 2020, the following resolution was adopted:

That Gwynedd Council calls on the Welsh Government to change the Planning Act in order that it is compulsory to have planning permission to convert a dwelling house into a holiday home/holiday unit, and adapts the policy framework to allow thresholds to be set regarding the maximum numbers of holiday homes in any area.

(Gwynedd Council, 2020d, [p. 9])

The proposal was unanimously adopted. It received cross-party support, and a fair assumption would be that it reflects the view of civil society in Gwynedd.

Snowdonia National Park decided to adopt a similar policy in December 2020 following a proposal by the Authority's Chair, Councillor Elwyn Edwards, that it should be necessary to seek 'planning permission before a house can be turned into a second home or a summerhouse.' (Snowdonia National Park, 2020a, p. 18; Snowdonia National Park, 2020b)

Also, in January 2021, a full meeting of Carmarthenshire County Council passed a similar motion, to 'change planning laws to ensure that planning permission must be sought for the change of use of a primary dwelling into a second home/holiday accommodation' (Carmarthenshire County Council, 2021).

But how practicable would it be to introduce such a measure?

Defining second homes

It is revealing perhaps that the policy is not among those recommendations made in the report commissioned by Gwynedd Council, *Managing the use of dwellings as holiday homes*. This is partly because that report addresses the growth of holiday lets rather than the regulation of second homes for personal use. But it is also clear that the reluctance reflects a perceived difficulty, namely that dwelling houses, whether they are principal residences or second homes, fall into the same planning category, C3 (Gwynedd Council, 2020c, p. 8).

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.

(Gwynedd Council, 2020c, p. 59)

In 2002, the report commissioned by the Welsh Government, *Second and Holiday Homes and the Land Use Planning System Research Report*, also drew attention to the perceived problem of impracticality:

No change to the Use Classes Order is recommended. To require planning permission for change of use from a first home to a second home would result in fundamental problems in terms of definition and so of enforcement. For these reasons, we do not consider this to be a practical option.

(Tewdwr-Jones *et al.*, 2002, p. 63)

The concern here is how to define a second home. It is interesting to note that part of the perceived problem in 2002 was an assumption that technological advances would allow more working from home and therefore blur the boundary between a principal residence and a second home. This is clearly relevant to the situation today too:

7.56 One problem associated with amendments to the Use Classes Order relates to questions of geography. As a consequence of technological advancements, it is now perfectly possible to use a small cottage in an isolated location as a residence for work purposes (via internet, video conferencing etc.) and so the distinction between what is primary and what is secondary becomes blurred; what constitutes a first and second home, is now more difficult to distinguish than it was 20 years ago. This is the crux of the issue for the planning system: how one can define primary and secondary in statutory planning terms. The Use Classes Order is not normally intended to differentiate between different occupiers, only to allow changes of use were it not for the fact that the Order exists. Exceptions could be made to those people who need two residences for work purposes, those who retire, or those who live in tied accommodation. These might constitute acceptable secondary home uses (even in sensitive landscapes) but all would require strict legal definition and in turn, interpretation. However, the fact remains that

there would be fundamental problems in terms of definition and therefore enforcement. For these reasons, we do not consider this to be a practicable option.

(Tewdwr-Jones *et al.*, 2002, p. 63.)

This argument is not as strong as it was in 2002, however. Town and parish councils in England that have 'banned' the use of new housing as second homes have managed to successfully distinguish between a principal residence and a second home. Why then would this not be possible in Wales?

Human Rights

However, there are other objections too. The right of a property owner to use their own property as they wish goes to the heart of private property rights. This is the fundamental reason why the Conservative government was unwilling to take action in the 1980s when second homes in Wales were high on the political agenda.

If Wales were to attempt to 'restrict' any change of use from a dwelling house to a second home within the existing housing stock, it is also almost inevitable that there would be some sort of legal challenge based on Article 8 of the European Convention on Human Rights.

As we have already seen, St Ives Town Council succeeded in overcoming such a challenge to its 'restriction' on using new build as second homes. However, that does not necessarily mean that a similar policy within the existing housing stock would overcome a legal challenge. But nor should it be assumed that a court would inevitably rule the policy unlawful. It is worth noting again some of Mr Justice Hickinbottom's reasoning in his judgement in the case of St Ives Town Council:

iv) Where article 8 rights are in play in a planning control context, they are a material consideration. Any interference in such rights caused by the planning control decision has to be balanced with and against all other material considerations, the issue of justification for interference with article 8 rights effectively being dealt with by way of such a fair balance analysis.

v) That balancing exercise is one of planning judgement. Consequently, it may be amenable to more than one, perfectly lawful, result; and this court will only interfere if the decision is outside the legitimate range. Indeed, in any challenge, the court will give deference to the decision of the primary decision-maker, because he has been assigned the decision-making task by Parliament, and he will usually have particular expertise and experience in the

relevant area. Such a decision-maker will be accorded a substantial margin of discretion. The deference and margin of discretion will be the greater if he has particular expertise and experience in the relevant area, and/or if he is acting in a quasi-judicial capacity (such as an inspector).

vi) If the decision-maker has clearly engaged with the article 8 rights in play, and considered them with care, it is unlikely that the court will interfere with his conclusion. Article 8 rights are, of course, important: but it is not to be assumed that, in an area of social policy such as planning, they will often outweigh the importance of having coherent control over town and country planning, important not only in the public interest but also to protect the rights and freedoms of other individuals. In practice, cases in which this court will interfere are likely to be few.

(Royal Court of Justice, 2016, [pp. 21-22])

A legal challenge to a 'ban' on the conversion of a dwelling house into a second home when that dwelling house had been purchased *before* such the introduction of such a restriction would be stronger than the challenge in St Ives. However, that does not necessarily invalidate points made in the St Ives judgement that address the wider policy context in what is a complex matter.

The author of this report is not a lawyer and perhaps the Welsh Government should indeed seek legal advice on the matter. But it does not appear that it can be automatically assumed that the introduction of a restriction into the existing housing stock would be defeated by legal challenge. It must be remembered too that the policy in question is one that enjoys wide support across civil society in parts of Wales. This strengthens the argument for continuing to consider this option even if legal advice were to be ambiguous.

'Two housing markets'

However, it is not only the human rights of individuals that need to be considered but also the social impact of the policy, and in particular, perhaps, a potential unintended consequence.

In communities where converting a dwelling house into a second home would be a planning matter, we can imagine that two housing markets might develop. On the one hand, a market would exist with houses that could not be sold as second homes, and a market with houses that could be sold as second homes. There is a strong possibility that house prices in the first 'market' would fall, and house prices in the second 'market' increase.

This would have implications for the local population. One would be beneficial, which is that houses would become more affordable. But there would be a potential

disadvantage too, which is that *existing* dwelling houses might lose a significant amount of value while *existing* second homes might rise considerably in value. This would have a disproportionate impact on different groups. On the whole, local people would be the owners of property in the first market and people from outside the community would own property in the second market. The financial burden of the new policy would fall disproportionately on home owners from within the local community.

It is worth noting that such an objection was raised by the former Welsh Office in 1981 when responding to a request from the former Gwynedd Council to address the second homes problem by introducing such a policy:

Those with existing use right as second homes would benefit, especially as supply contracted in relation to demand, while those without would find their prospects of disposal (and the price) affected, since they would no longer be selling in a normal housing market. The Government can see no way of introducing controls which would not lead to significant distortion in the market and to what would be seen as injustice between individual owners.

(Shucksmith, 1983, p. 189)

This report is not in a position to measure the long term impact of developing 'two housing markets' in parts of Wales. Due to migration patterns, it is perfectly possible that some buyers from outside the community could compete with second home buyers for property currently in use as second homes, and it is possible that some wealthier local people might be able to do so as well. As long as planning law allowed for second homes to be returned to use as dwelling houses, perhaps some second homes might be used as a principal residence once again. But it is also possible of course that creating two housing markets would mean that a large number of second homes in some of the most picturesque parts of Wales would be lost to local ownership forever.

The creation of 'two housing markets' is not unusual in countries or territories where considerable demand for housing exists. A similar arrangement exists in the Channel Islands, for example. In Jersey, so-called 'entitled' residents gain this status if they were born in Jersey, or moved to Jersey before the age of 16, or moved to Jersey before the age of 20 and a parent was born in Jersey, or if they are not from Jersey but have lived on the island for more than ten years. In most cases, additional conditions on length of residence also have to be satisfied. Only 'entitled' residents can buy every type of property on the island (Government of Jersey, 2019 and 2021).

There are two housing markets on Guernsey too, a 'local market' and an 'open market'. Houses in the 'local market' are retained for those who have a right to reside in Guernsey, or who have permission to work on the island, or who are closely related to a local market resident. Other housing is part of the open market.

According to the Government of Guernsey:

Open Market is one of two 'Housing Markets'. Anyone can live in the Open Market but in most cases time spent living in the Open Market is not time counted towards a Local Market. Typically, properties within the Open Market are considerably more expensive.

(Government of Guernsey, 2021)

However, it is difficult to compare the situation in parts of Wales with the situation in the Channel Islands. Jersey and Guernsey are not part of the United Kingdom, and they have a citizenship system in place which limits the rights of people from the United Kingdom to live, work and buy property there. It is not possible to limit the rights of people from other parts of the United Kingdom to live or work in Wales, or buy property (except in some particular circumstances where there are local occupancy conditions which also affect non-local Welsh residents too of course).

Therefore it would be unwise to attempt to model a housing market in Wales on the housing model in the Channel Islands. Nevertheless, it should be noted that the existence of 'two housing markets' has led there to two outcomes: firstly, the ability of local people to live in their communities; secondly, a substantial increase in the value of properties which are not part of the local market.

It is quite possible that a similar situation would develop in Welsh communities if 'two housing markets' were to come into existence. If so, the local planning authority would have to weigh the public benefit of preventing further loss of the housing stock to the second homes market against the likelihood that many properties which are already second homes could be lost to local ownership forever.

The risk of displacing the second homes problem into neighbouring communities

Another significant objection is that placing a restriction on second homes within the existing housing stock in some communities might not eliminate the problem but simply displace it.

For example, if it became harder to buy a second home in an attractive coastal community, some might consider buying a second home in a nearby inland

community or town. From a language planning perspective, the problem is that while many coastal communities have already undergone significant Anglicisation, towns and inland villages are often still very Welsh-speaking. Displacing second homes might have a detrimental linguistic impact on viable Welsh-speaking communities currently largely unaffected by second homes, whose linguistic character it is important to protect.

The argument in favour of introducing a new use class for second homes

Clearly there are strong arguments against introducing a new use class for second homes, but a case can also be made in favour of such a policy.

The main argument in favour would be that Brexit and Covid-19 are likely to lead to further uncontrolled growth in second homes. Action is needed to prevent losing more and more of the housing stock in vulnerable communities. Although it's likely that the taxation measures recommended in this report would reduce the demand for second homes within the existing housing stock, they would not eliminate it. A change in the planning system is the only way to achieve this.

It is the Welsh language which has made this whole subject so sensitive in many parts of Wales. This explains in part the difference of view between academic experts on the one hand, and that of civil society in parts of Wales on the other, when arguments about introducing a new use class for second homes are advanced.

In international academic literature about second homes, they are often discussed not as a 'problem' but rather as a phenomenon that represent a type of mobility that can be theorised (see, for example, Hall and Müller, 2004; Rye, 2011; Halfacree, 2012).

Although Wales has been discussed in the academic literature, the impact of second homes on a minority language is seldom referred to as a major issue; probably, it would seem, for the empirical reason that no minority language is present in most parts of Europe and America where second homes are common. In Wales however the existence of a minority language means that the presence of second homes must be considered in a different light. From a Welsh perspective, much academic writing on second homes is deficient as it does not pay sufficient attention to language planning.

Professional town and country planners in local planning authorities are more familiar with the Welsh context. They have created innovative policies, such as Gwynedd and Anglesey's 'Local Market Housing' policy, and they are committed to protecting the interests of the Welsh language and community sustainability. However, all town and country planners must prepare policy within the context of national guidance that arose in the first instance within a British planning tradition where language planning is wholly marginal.

From scrutinising academic literature, it is clear that there is not much enthusiasm for creating an additional use class for second homes. However, it is also clear from the literature that there are no firm theoretical reasons for assuming that this would not be beneficial, especially when the matter is considered from a language planning perspective. References to 'difficulties' and 'impracticalities' are vague at times, and since the policy has never been introduced, there is no empirical evidence to suggest how impractical in practice these impracticalities might be.

As noted previously, this lack of enthusiasm can be contrasted with the desire of Welsh-speaking civil society to see the introduction of this policy.

Perhaps we could think of the view on second homes in Welsh-speaking communities as a kind of 'democratic knowledge'. It is rooted in public discourse. It is democratic in the sense that firstly it is the 'settled will' of the community: the view on second homes in some Welsh-speaking parts of Wales has been well-known for half a century and more. Secondly, it is a view which is often produced by the democratic system itself (by county councils, for example).

No consensus exists about the way forward. On the one hand, there is the academic view which warns that following this path would be unwise. On the other hand, there is a democratic view rooted in civil society which argues that the policy should be introduced as long as practical problems can be overcome. Crucially, this latter viewpoint is the opinion of the communities concerned as expressed by their elected representatives.

In the field of public policy, democracy is not irrelevant. When a reasonable view is expressed democratically over a sustained period of time, it must be taken seriously.

This is a difficult issue in which to reach a final conclusion. It would be irresponsible to make changes to the law creating a new use class for second homes throughout Wales without due diligence. Too many valid concerns are raised in the literature by academic experts and practitioners in town and country planning.

However, since the arguments about 'impracticalities' do not always convince, and given the democratically expressed view of relevant councils and planning authorities that such an approach should be taken, and considering too the likely impact of Covid-19 and Brexit on the housing market, to reject this option completely would seem too to be irresponsible.

In the article, 'Second Homes: a new Framework for Policy', a possible compromise is suggested:

Trialling of experimental options

Much attention has focused in recent years – and in the more distant past – on the way the planning system could limit second home ownership, possibly by differentiating between second and first homes. Generally, planners and policy makers are wary of such a move, believing it to be unwarranted and/or inoperable. However, in some areas where there is a demonstrable concentration of second homes (e.g. in some National Parks), there is often greater support for a more radical approach. Such was the case in some of the case studies explored during this research, where it was believed that neither greater tax burdens nor the provision of additional affordable housing would address the social and economic difficulties created by second homes. Although the general view emerging from the research was that radical or punitive approaches may be unwarranted, and that effective use of existing planning tools (to control occupancy or deliver affordable housing) is the best way of managing second home and general migration pressure, there may be a case for exploring other options in specific localities. Case study work in the Scilly Isles suggested that this is one location that may provide a useful test bed for more radical approaches as the Isles are exempt from standard legislative instruments (primary legislation must refer separately to the Isles of Scilly) and any experiments in the islands would not set a precedent for the rest of England.

(Gallent *et al.*, 2004, p. 299)

If issues of the kind referred to in the reference to the Isles of Scilly can be overcome (namely practical arrangements about how to run such a trial within the context of national policy and guidance), there is a case for conducting such a 'trial' in Wales. This could be done in a community or a cluster of communities heavily impacted by second homes. The trial should be monitored in terms of local people's access to the housing market, changes in the number of second homes in the neighbourhood compared to other areas where the trial is not being implemented, impact on the Welsh language locally, and the impact on house prices. Such a trial would have to be run in a community where the policy enjoyed extensive support, and perhaps a local referendum could be held in order to test this.

Gwynedd would probably be the most appropriate location for a trial. It seems clear too that the best location in Gwynedd would be a coastal community, or cluster of communities, where factors such as concern about the Welsh language, high house

prices, a high density of second homes, and local support for radical actions coincide.

Recommendation 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.

9. The future of Welsh as a community language

This report has presented evidence that the second home problem in Wales is a regional problem affecting four county councils more than any other, namely Gwynedd, Pembrokeshire, Anglesey and Ceredigion. Three of these councils are among the four county councils considered to form the territorial 'core' of traditional Welsh-speaking Wales, and Pembrokeshire also includes linguistically sensitive neighbourhoods in the north of the county. Parts of rural Welsh-speaking Wales in adjacent counties are also affected by the second homes issue.

It is therefore appropriate that the Welsh Government recognises that second homes are a significant problem from a language planning perspective.

However, there is also evidence that concentrations of second homes are only found in very specific locations within these counties. The problem is most severe along the coast and in some mountainous areas and within the National Parks. The problem is not as severe in commuter villages, non-coastal towns and post-industrial areas.

The second homes problem is central to the future of the Welsh language in the communities affected, but it is not of central importance in other communities. Although the growth of second homes is harmful to the Welsh language in all parts of traditional Welsh-speaking Wales where they constitute a significant percentage of the housing stock, many Welsh-speaking communities are relatively unaffected and this is likely to be true in the future too. It is very unlikely that there will be a significant increase in second homes on housing estates in Caernarfon, for example.

The strongly Welsh-speaking area where second homes pose the greatest direct threat to the Welsh language is probably Dwyfor. Many of the communities with the highest proportion of second homes are in this part of Wales. Dwyfor is socio-economically and linguistically vulnerable due to its distance from the A55 corridor and employment opportunities, over-reliance on tourism, and the potential for the agricultural industry to be harmed as a result of Brexit. It is no coincidence that protests against second homes are often led by communities in Dwyfor.

In large parts of the traditional Welsh-speaking heartland, however, and in Dwyfor itself in that regard, tackling the problem of second homes will not be enough to stabilise the Welsh language in the wake of far-reaching socio-economic changes which are likely to occur as a result of Covid-19 and Brexit.

Historically, second homes in Welsh-speaking Wales have risen to the top of the political agenda for two reasons. Firstly, they harm the Welsh language as a community language. Secondly, they are a symbol that represent economic, social and linguistic injustice on a broader level. But new policies will be required in a range

of areas, including but not confined to second homes, if Welsh-speaking communities are to be stabilised over the next few decades.

The assumption that Brexit and Covid-19 will result in increased demand for second homes in the next few years means that public policy intervention is required in order to prevent uncontrolled growth in their numbers. Addressing this will be beneficial to the Welsh language in every Welsh-speaking community where second homes now constitute a substantial part of the housing stock, and is also important in terms of social justice. In some areas of Wales, this latter point cannot be over-emphasised.

However, when we consider the traditionally Welsh-speaking areas of Wales as a region that share many similar socio-economic, social and cultural characteristics, we can see that the challenges are much broader than the threat of second homes. They include:

- further depopulation of Welsh-speakers in Welsh-speaking communities due to economic restructuring following Covid-19 and Brexit.
- an increase in counter-urbanisation as a result of the growth of economic practices such as ‘working from home’ that subsequently change the linguistic balance of communities.
- further shrinkage in the public sector due to likely budget cuts as a result of Covid-19 and Brexit, and the disproportionate impact of this on the Welsh-speaking population due to the tendency of Welsh speakers to be concentrated in some sectors more than others (local government, for example).
- possible shrinkage in the agricultural sector in the wake of Brexit and the long-term possibility that the nature of land ownership in the countryside could fundamentally change rupturing the social fabric of Welsh-speaking society.

From a language planning perspective, it is quite possible that Welsh-speaking areas will face the biggest challenge to their linguistic and cultural integrity for decades. Indeed, it is no exaggeration to say that the entire future of the Welsh language as a community language in large parts of the country could be at stake.

It is important that the Welsh Government recognises this threat, and develops appropriate policies to address it.

Recommendation 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.

10. Recommendations

Recommendation 1 – develop regional and local variation in public policy

Second homes are primarily 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.

Recommendation 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.

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.

Recommendation 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 which are heavily impacted 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.

Recommendation 5 – the need for policy intervention across a range of policy areas

Policies should be implemented across a range of policy areas, and in the following three fields in particular: direct planning policies, indirect planning policies and taxation policies.

Recommendation 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%.

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 rates relief.

Recommendation 8 – Land transaction tax

It should be possible to vary the higher rates of the land transaction tax in either counties or local government wards in order to reflect local circumstances. To achieve this:

- 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 the second property in some parts of Wales.
- ii. Or, 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.

Recommendation 9 – Gwynedd and Anglesey Councils’ ‘Local Market Housing’ Scheme

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 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.

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 short-term holiday accommodation.

Recommendation 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.

Recommendation 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.

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