



RTPI Cymru
Royal Town Planning Institute
Sefydliad Cynllunio Trefol Brenhinol

HOLIDAY HOMES IN WALES:

How can planning support the management
of holiday homes

**RTPI
Research
Paper**

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Contents

Contents.....	3
Introduction	4
What are the issues?	4
How do we define holiday and second homes?	6
Scale	6
Solutions	7
Potential Planning Solutions	7
Non Planning Solutions.....	9
Conclusions and Recommendations.....	10

Introduction

Pressure on housing in Wales is a well-documented issue and there are many factors contributing to this. The spiralling use of housing for short-term holiday lets and second homes, particularly in rural areas, is one such factor and has become the subject of controversy across Wales, evoking strong opinions for and against.

The impact on rural areas is felt more intensely because it is these areas which are most in demand for tourism accommodation and because these areas feel the impact more given the relative scale. They tend also to be the heartlands of Welsh speaking communities and to sustain the Welsh language there needs to be a threshold of the population to maintain its live usage.

This paper has been published by RTPI Cymru to explore the issues and potential solutions with specific relevance to planning. This is a complex matter and as such will require multi-faceted solutions, many of which will not be planning such as taxation and licensing.

Planning has a key role in managing the development of place and supporting vibrant and sustainable communities. The paper explores what role the planning system can play in managing the use of market housing as holiday lets or second homes i.e. homes that would otherwise be occupied by people living in the community and the balance needed to sustain communities.

What are the issues?

The facts are well documented which clearly demonstrate the complexity of the issues involved. There are a number of research projects underway or published which help explore the issues and impacts, including:

- Gwynedd Council: Managing the use of dwellings as holiday homes¹, both within its own boundaries and within a national context;
- Simon Brookes²: Second homes: Developing new policies in Wales;
- Wavehill: Second Homes Research³, which is due to report to Welsh Government in autumn 2021.

Whilst we are uncertain of the full effect of the pandemic, it has been suggested that the issue of second homes has intensified as a result. In March 2021, Welsh Government commented: “Since the pandemic, we’ve seen growing concerns about the effects that large numbers of second homes can have on some of our communities and, in particular, on the long-term sustainability of our Welsh-speaking heartlands. We are concerned for the future of these communities”⁴.

¹ Managing the use of dwellings as holiday homes December 2020 [Appendix 2.pdf \(llyw.cymru\)](#)

² [WG42058 \(gov.wales\)](#)

³ “The Welsh Government has commissioned Wavehill to undertake research on second homes. The aim of this research is to explore and synthesise the existing evidence in relation to the impact of second homes upon communities, and policy options that seek to address, limit or affect homes and their impact”. [Second Homes Research Wavehill Privacy Notice](#)

⁴ [Written Statement: Publication of ‘Second homes – Developing new policies in Wales’ report \(2 March 2021\) | GOV.WALES](#)

We know this is a regional and local issue, not a single national issue, it is felt differently across different parts of Wales. There are coastal issues versus inland issues. Traditionally coastal areas have been accepted places for holiday / second homes. Coastal areas have become busier, and we have witnessed a creep into inland locations, which are becoming new hot spots but which do not always benefit from the tourism economy. The coastal tourism business environment was more accepted, but it is now spreading to the periphery where it is less accepted because it has a greater impact.

There is a growing concern amongst many regarding the **impact on the Welsh language** spoken in communities and the impact on the viability of rural communities for local services, including schools.

The loss of homes puts pressure for more rural housing in sites which are often located within **sensitive landscapes** or close to sensitive landscapes, which are popular for the tourism market.

Second homes have been blamed for **increasing house prices** in areas outside the reach of people who live in the locality because they have a higher income when compared to local earning potential. They are also characterised by limited occupation and in these cases offer limited support to the local economy or support for local services e.g. school and community facilities.

There are **difficulties in establishing the direct impact attributable to second homes and properties for holiday lets**. There are questions if they are solely responsible for increasing house prices, or a decline in local services⁵. A key question is who owns the second homes and holiday lets i.e. who benefits from them? In some case it is local residents seeking to make an income through holiday lets and this in turn contributes to the vitality of communities. Some second homes are owned by people who are originally from the locality but have moved away (sometimes temporarily) for work but wish to retain a local presence.

Holiday lets play an **important role in supporting the local tourism economy** and the benefits this provides both to the tourism sector more widely and to local property owners who use holiday lets as an additional income cannot be ignored.

There are examples where holiday letting 'hot spots' can **attract shops and businesses** which would otherwise not have been present in a small community, adding local benefit and employment. An example of this is Benllech, Anglesey which has new convenience stores, a range of smaller shops (and businesses), a health centre, several restaurants, pubs, and takeaways etc.

It is not so clear cut that either second homes and holiday lets are negative for a local community; any solutions need to carefully balance the benefits with the negative impacts they are trying to solve and any planning tool will need to be carefully designed to be able to make these balanced decisions.

⁵ [Research on second homes: evidence review summary | GOV.WALES](#)

How do we define holiday and second homes?

This is an important aspect of defining the problem we are trying to solve.

The social rented housing sector is not considered in this paper. There is no evidence there is a problem and if there is an issue for these properties, it would be more effectively dealt with via tenancy agreements. There is evidence in areas elsewhere in the UK, where there is an issue around homes that have been bought under the right to buy, being used short-term lets, however this is not currently perceived to be an issue in Wales.

Associated with the issue is the increasing trend in the use of ancillary buildings within the curtilage of the dwelling, such as tents, shepherd huts, yurts, etc offering bed and breakfast and short-term let accommodation. Again, this is not included in the scope of this paper because there are existing tools within the planning system relating to the scale of use of the house.

In some cases planning permission has been granted specifically for the use of properties as holiday accommodation. These have therefore already been considered by the planning process and conditions applied, as appropriate. These are deemed outside the remit of this paper because the planning system already has an element of control.

This leaves the matter of the use of market housing as either second homes i.e. they are generally used by a single owner intermittently and not as the primary residence, or as short-term lets i.e. for holiday purposes, and are not part of the rented housing sector.

The use of market housing for these purposes poses a problem because there is a housing shortage and in some areas a shortage of houses which are affordable by many local people; this then leads to pressures to build more housing and the need for more social housing. The need for the provision of additional housing – both market and affordable – in these areas is still required, but this need should not be exacerbated by the use of housing for tourism purposes.

Scale

There is a need to consider the scale of the use and the proportion of houses used for these purposes within a locality.

Short-term lets can be on a small scale, for example a single room in a house, and if this use cannot be discerned from the dwelling use, then it suggests there is no material change of use and there is no harm.

On the other hand, there are reported cases where blocks of housing, even whole terraces, have been purchased for holiday lets in the heart of communities, which will have a significant impact on a community.

Solutions

In July 2021, the Minister for Climate Change, Julie James MS, set out a three-pronged approach to address the impact of second home ownership and holiday lets on Wales' communities, which would focus on:

- “support - addressing affordability and availability of housing,
- “regulatory framework and system - covering planning law and the introduction of a statutory registration scheme for holiday accommodation; and
- “a fairer contribution - using national and local taxation systems to ensure second home owners make a fair and effective contribution to the communities in which they buy.”

Plaid Cymru has published its own proposals which are summarised as:

1. Changing planning laws to allow councils to impose a cap on the number of second homes, refuse permission for changing a dwelling from being from a primary to a secondary residence and disallow new properties from being purchased in areas where second homes make up to 20% of the local market;
2. Allowing council to charge council tax premiums of up to 200% on second homes and having the Welsh Government bring forward regulations to treble the LTT (Land Transaction Tax) charge on the purchase of second properties.
3. Close the loophole that allows second home owners to register their property as “businesses” in order to avoid paying the council tax premium.
4. Look at bringing in a licencing scheme for renting properties through companies such as AirBnB to control the amount of properties that can be used as a cash cow in popular holiday destinations where house prices are high.
5. Proposals to empower councils to build houses with a local conditions on them, make it easier to bring empty properties back into use and redefine the term ‘affordable home’ (which currently includes properties worth over £250,000).

Potential Planning Solutions

Any solutions which are brought forward must follow principles that are: legal, enforceable, and can be clearly applied through policies and development plans.

Change of Use

Implementing changes to the Use Classes Order (UCO) by introducing a new sub-section under the C3 Dwellinghouses Class, have been discussed widely, and under current legislation is the most straightforward change available to planning.

A significant difficulty for the planning system is proving if there is a change in the intensity of use from what is considered acceptable for the C3 use versus holiday use i.e. what change is there in the intensity of use of the property. This is compounded by the resources available to Local Planning Authorities (LPAs).

It is questionable whether a change to the UCO could be applied retrospectively. It would be difficult to apply it retrospectively, proving a date in the change of the use, and could also be subject to significant legal challenge by property owners. If retrospection is not possible it would be too late in some areas and therefore what value would it provide?

Any changes must be based on robust evidence to clearly identify where the problem lies both in terms of the impact and intensity of use and geographically. Coastal and 'hot spot' areas will be different to other parts of Wales and therein lies a problem in applying an amended UCO for the whole of Wales. The UCO has only ever been applied uniformly across the jurisdiction and would prove difficult to apply only in specified areas.

Whilst introducing a new use class would provide a solution, it would not be a wholly effective tool to remedy the situation.

In particular, it would have a significant impact in terms of LPA development management and enforcement services, and therefore its implementation may be constrained by already beleaguered planning services.

The Definition of Development

s.55 of the Town and Country Planning Act 1990 defines the meaning of 'development' and is a crucial part of planning legislation. The use of a dwelling as a second home or a holiday let does not constitute development under the Act. It is therefore difficult to introduce planning tools or interventions to address second homes or holiday lets.

In the Planning (Scotland) Act 2019 the definition of development has been amended. The Regulations for applying this are currently being consulted on. This new clause will allow a planning authority to designate all or part of their area as a 'short-term let control area' allowing for differences in the impact felt. In a short-term let control area, the use of a property for providing short-term lets will be deemed to involve a material change of use of the dwelling house and so require planning permission.

This is reinforced with a parallel licencing scheme which will address issues not controlled by planning, including environmental health considerations such as noise. Planning permission for a short-term let in a control area is very likely to be a pre-requisite for obtaining a licence (to be confirmed by the regulations). This would therefore address the issue of those houses already being used for short-term let, as they would need to apply for planning permission through a planning application or establish existing use that meet the legislative time limits through a Lawful Development Certificate (LDC).

Occupancy Restrictions

Occupancy restrictions is a tool which can be applied to new housing, tying the occupancy of a property to those living in the community. Some LPAs have used this approach, including Anglesey and Gwynedd, where there is a primary residence condition.

These have not been favoured by some authorities, including Pembrokeshire Coast National Park Authority for a variety of reasons. They are considered likely to impact on viability and limit other requirements, including affordable housing provision. Experience from the Lake District, where local occupancy conditions help, has found they do not have a significant impact on price.

A planning condition, or a planning obligation in a section 106 agreement, is only valid if enforceable and only enforceable if a breach is capable of proof. The enforceability of occupancy restrictions would be resource intensive for an LPA and therefore could be of limited effect in addressing the problem.

Whilst occupancy restrictions can be part of a solution, overall they have limited impact because they can only address new properties and would not be able to provide a solution to the vast majority of the housing stock.

Resourcing of planning services

Expenditure on planning services has fallen by 50% in Wales since 2008-09. Compounding these budget cuts, LPAs are under pressure to quickly address applications and deliver housing targets.

The resourcing of planning services is a significant consideration and any planning solutions need to be mindful of being as effective as possible. Without resourced planning (particularly enforcement) services, any solutions will be meaningless.

Non Planning Solutions

The impact of the proliferation of second homes and holiday lets, as discussed, can lead to a range of problems many of which are not planning related. They are linked to environmental health and a general impact on local public services, including noise and waste collections. These services are therefore an integral part of finding the right solution.

Taxation

Taxation is considered by many to be the fairest solution. As part of its three-pronged approach, Welsh Government are consulting on proposals for local taxes for second homes and self-catering accommodation, proposing discretionary powers which allow local authorities to levy a higher rate of council tax on second homes and long-term empty properties.

Local taxation needs to be structured in such a way that it does not penalise local people who may depend on it for a sole or partial income. It could also be graded depending on the intensity of the use.

Cyngor Gwynedd Council and Pembrokeshire County Council have implemented the second homes Council Tax premium, but what appears to be happening to overcome the 100% increase is for the property own to pay set up as a business and pay business rates, which is significantly lower, as an alternative. Any proposal must therefore look to overcome any loopholes and undermine the spirit of the proposals.

RTPI Cymru is currently developing its response to the consultation on taxation.

Licensing

Many areas, including Barcelona and Paris and proposed in Scotland, have taken action to manage short-term holiday lets and have implemented licensing measures. These address wider issues aimed at environmental health factors and have benefits for those using the holiday lets, as well as local communities. Licensing measures also have the benefit of tying into taxation arrangements and if any planning controls are put in place i.e. an operator would need to have all measures in place to be able to market the properties, thus strengthening the approach.

Conclusions and Recommendations

RTPI Cymru supports the Welsh Government's three pronged approach incorporating taxation measures, a registration scheme and planning measures. We also support ongoing actions to address housing supply and affordability.

As discussed, the planning measures which could be taken forward are not straightforward and none offer quick solutions to effectively managing the use of market homes for holiday use, whether second homes or short-term lets. In any solution, it is easier for planning to restrict new homes in relation to becoming second homes or holiday lets, but not the older housing stock.

Whilst an amendment to the Use Classes Order could offer a relatively quick change and appear to offer the solution, this would be difficult to evidence and enforce. It would also need to be applied across the whole of Wales in a blanket approach and not provide the targeted approach needed.

Our recommendation to Welsh Government would be to focus their efforts on the planning measures to amend legislation to change the definition of development, to include short-term holiday lets. This however would not be a quick solution. In September 2021, the Counsel General and Minister for the Constitution announced the legislative programme which would include a draft consolidation Bill to bring the law on planning into a single statute, and RTPI Cymru welcomes this. This would provide the opportunity to also include the change in the definition of development and we would recommend this is brought forward at the earliest opportunity. Regulations to implement this legislative change would also need to be brought forward and would therefore require investment in time by Welsh Government.

This proposal for planning would however, only be effective if accompanied by a licencing scheme and taxation changes, as well as resourcing LPAs to be able to implement the changes.

For more information about the RTPI's Wales policy work

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