Paper justifying the introduction of the Article 4 Direction

Gwynedd Local Planning Authority Area

June 2023

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Part 1: Introduction

Background

1.1 With the long-term aim of creating sustainable communities, ensuring a sufficient supply and a suitable choice of housing that meets the needs of local communities is crucial. High numbers of holiday accommodation and second homes ("holiday homes") can be a real threat to the social, cultural and economic prosperity of communities across Gwynedd.

1.2 Communities throughout Gwynedd face significant pressure due to the use of dwelling houses as holiday homes. As a result of this increasing pressure, which has been further highlighted over the past few years, there has been increasing pressure to implement a mechanism to obtain better control of the existing housing stock. It is hoped that implementing a range of effective management mechanisms will be a means of mitigating the side effects of holiday homes on communities, and contribute towards meeting the housing needs of the county's communities.

1.3 For the purposes of this paper, the term 'holiday homes' includes the following:-

- Short term holiday accommodation: A dwelling house (Use Class C3) not permanently occupied and is let for holiday use on a commercial basis.
- Second homes: A dwelling house (Use Class C3) used by the owner occasionally (but is not their main place of residence), together with other visitors for holiday purposes.

1.4 Within this research paper, reference is made to 'holiday homes' when referring to the combination of 'short term holiday accommodation' and 'second homes' provisions. Where an issue specifically relates to either second homes or short term holiday accommodation, this will be clearly stated.

Purpose and Structure of Report

1.5 The aim of this report is to consider, justify and reach a conclusion regarding the possibility of introducing an Article 4 Direction in order to control the use of dwelling houses in the Gwynedd Local Planning Authority (LPA) area (or a specific area of the LPA), in accordance with the new powers introduced by the Welsh Government through a recent amendment to planning legislation. A thorough assessment has been carried out of all possible options, in order to try to identify the preferred option and reach a final conclusion regarding the need to introduce an

Article 4 Direction and (if relevant) the area where it should be implemented. The paper considers the impact and assesses options for the entire Gwynedd county area. However, it is emphasised that the conclusions of this paper are only relevant to the Gwynedd Local Planning Authority area, it will be a matter for Eryri National Park (which is the relevant Local Planning Authority) to decide which route they prefer to follow.

1.6 The Report is divided as follows:-

Part 2: Provision and location of holiday accommodation and second homes

Part 3: Assessment of impact – qualitative information

Part 4: Impact assessment - Primary/quantitative information

Part 5: Intervention options

Part 6: Article 4 Area Options

Part 7: Conclusions

Context

1.7 Following increasing pressure on the Government to respond to the challenges facing communities at the expense of holiday homes, on the 20th of October 2022, Welsh Government introduced changes to planning legislation, which meant that Local Planning Authorities could respond to the concerns, by tailoring the control measures to local circumstances. It is noted that one of a series of control measures is the amendment to planning legislation, with other measures linked to the taxation procedure, the provision of affordable housing that meets the needs of communities and the compulsory licensing of holiday accommodation being implemented, in progress or being considered.

1.8 The changes to planning legislation that have come into force include:-

- Amending the Town and Country Planning (Use Classes) Order 1987[1] to create new use classes for Main Homes, Secondary Homes and Short Term Holiday Accommodation.
- The amendment of the Town and Country Planning (General Permitted Development) Order 1995[2] to allow permitted changes between the new use classes for Main Homes, Secondary Homes, and Short Term Holiday Accommodation.

[1] Town and Country Planning (Use Classes) Order 1987 as amended

[2] Town and Country Planning (General Permitted Development) Order 1995 as amended

- The amendment of Planning Policy Wales to make it clear, when relevant, that the number of second homes and short-term holiday accommodation in a local area must be taken into account when considering the housing requirements and policies in Local Development Plans (LDPs).

1.9 The amendment to the Town and Country Planning (Use Classes) Order 1987 and the definition of the new use classes are as follows:-

Use Class	**Explanation**
Class C3. Dwelling House; Main Homes	Use of a dwelling house as a sole residence or main residence, which is occupied for more than 183 days in a calendar year by - (a) a single person or by people who are considered to form one household; (b) no more than six residents who live together as one household, where care is provided for the residents; or (c) no more than six residents who live together as one household, where care is not provided for the residents (except for use which is in class C4). Interpreting Class C3: • When calculating the 183 days, any time spent by one household in accommodation provided for occupational purposes, such as oil rigs or barracks, contributes to the 183 days
Class C5. Dwelling House; Secondary homes	Use as a dwelling house, other than as a sole or main residence, occupied for 183 days or less by – (a) one person or by people who are considered to form one household; (b) no more than six residents who live together as one household, where care is provided for the residents; or (c) no more than six residents who live together as one household, where care is not provided for the residents (except for use within class C4). Interpreting Class C5:

	• For the purposes of Class C5(a), "one household" is interpreted in accordance with section 258 of the Housing Act 2004
Class C6. Short term let accommodation	Use of a dwelling house as commercial short-term letting accommodation for a period not exceeding 31 days (for each occupation period).

Table 1: New Use Class Definitions

1.10 The associated amendment to the Town and Country Planning (General Permitted Development) Order 1995 means that it is possible to change from the use classes referred to above without restriction, that is without having to receive planning permission. For example, it is not be necessary to receive planning permission to change from being a dwelling house (main home) to being a dwelling house (secondary home) and vice versa.

1.11 In accordance with the Government's guidance, as long as it is possible for Local Authorities to justify appropriately, it is be possible to introduce an Article 4 Direction in order to revoke the permitted development rights for a defined area. The regulations in relation to Article 4 Direction, with immediate effect, state that it is possible to introduce an Article 4 Direction when the Local Planning Authority:-

"consider that the development to which the Direction relates would be prejudicial to the proper planning of their area or constitute a threat to the amenities of their area;"

1.12 Although it appears that the same legislative requirement in terms of the need to justify the Article 4 Direction does not exist for an Article 4 Direction without immediate effect, it is considered expedient to refer to the guidance as contained within Appendix D of circular 29/95 which refers to withdrawal of Permitted Development Rights only being made in exceptional circumstances[3]. This paper therefore outlines the justification for the imposition of an Article 4 Direction in accordance with the guidance contained i Circular 29/95.

1.13 The introduction of an Article 4 Direction is one of the methods available to Local Planning Authorities to enable them to respond to the specific needs of their areas. They give Local Planning Authorities the ability, when considered appropriate, to restrict 'permitted development' rights, which would otherwise apply by virtue of the General Permitted Development Order. It is emphasised that the introduction of an Article 4 Direction does not prevent development but, instead, means that planning permission must be obtained from the

[3] General Development Order Consolidation, Circular 29/95

Local Planning Authority for the proposal. By enforcing the need to receive planning permission, it means that the impacts of the development need to be considered in accordance with the local and national planning policy context.

Aim and Vision

1.14 When considering the implementation of an Article 4 Direction or any control measure, it is essential to have clarity about what is sought to be achieved through the intervention. Protecting and maintaining Welsh and Welsh-speaking communities, which offer opportunities for people to live and work in them, is a core objective of national and local strategies/legislation.

1.15 At a national level the *Well-being of Future Generations Act (Wales)*[4] provides the commitment, ability and legal ambition to improve our social, cultural, environmental and economic well-being. *The Well-being of Future Generations Act* requires public bodies in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other, and to prevent ongoing problems such as poverty, health inequalities and climate change.

1.16 The principles of the Well-being Act are reiterated in *Future Wales: the National Plan 2040*[5], specifically so in Policy 4 - Supporting Rural Communities, with the requirment to create sustainable and vibrant rural communities. The need to consider how age-balanced communities can be achieved, where depopulation should be reversed and the role of affordable and open market housing, employment opportunities, local services and greater mobility, should be emphasised when meeting these challenges.

1.17 The Gwynedd Council Plan 2018 - 2023, which is the Council's five-year Plan, identifies a range of 'Improvement Priorities'. The 'Improvement Priorities' are the areas upon which focus is believed to be needed, as there is a need to increase or improve the current situation.

1.18 *'Improvement Priority 4: Access to suitable homes'* identifies the need to develop diverse, innovative and green housing proposals that people can live in throughout their lives, as well as offering early support to those who need it. It is noted that the Council will intervene to encourage a range of support and accommodation options in order to respond to the needs of the population today, and for future generations. Hand in hand with this, it must be ensured that the steps taken respect the culture of the county's communities. Linked to achieving this

[3] Well-being of Future Generations Act Wales 2015

[4] Future Wales: the National Plan 2040, Llywodraeth Cymru

objective is the need to have control of the use of houses as holiday accommodation and second homes.

1.19 In 2020, the Gwynedd Council Housing Action Plan 2020/21-2026/27[6] was prepared and approved. The purpose of this plan was to establish specific projects, giving the residents of Gwynedd a fair chance to secure suitable homes. The overall aim of the Action Plan is to:-

"Ensure the people of Gwynedd have access to a suitable home which is of a high standard, affordable and improves their quality of life".

1.20 In order to achieve this goal, there are 5 objectives that have been included in the Plan, namely:-

- Objective 1 – To ensure that no one is homeless in Gwynedd
- Objective 2 – To increase the opportunities for Gwynedd residents to obtain a tenancy in a social house
- Objective 3 – To help Gwynedd residents to own a home in their community
- Objective 4 – Gwynedd housing is environmentally friendly
- Objective 5 - Gwynedd housing has a positive influence on the health and well-being of the county's residents

1.21 The general vision contained in the Gwynedd and Anglesey Joint Local Development Plan[7] notes:-

"By 2026, Anglesey and Gwynedd will be recognised for their vibrant and lively communities that celebrate their unique culture, heritage and environment and for being places where people choose to live, work and visit."

1.22 In order to meet this vision, the Plan area will need to better meet the housing needs of communities in terms of supply, type, quality, energy efficiency, location and affordability, as well as ensuring that the Welsh language is an integral part of the community.

1.23 The vision contained in the Gwynedd and Anglesey Local Development Plan is supported in the Eryri Local Development Plan[8], which notes:-

[6] Gwynedd Council Housing Action Plan 2020/21 – 2026/27

[7] Anglesey and Gwynedd Jopint Local Development Plan

[8] Eryri Local Development Plan 2016 - 2031

"By 2035 Snowdonia will continue to be a protected and evolving landscape, safeguarded and enhanced to provide a rich and varied natural environment; providing social, economic and well-being benefits nationally and internationally.

National Park purposes will be delivered through a diverse and prospering economy adapted to the challenges of climate change and founded on natural resources – its landscape qualities, opportunities for learning and enjoyment, cultural and natural heritage. With thriving bilingual and inclusive communities partnership working will have demonstrated that more can be achieved through working together.

Communities will have adopted innovative solutions in a changing World – a low carbon economy will have strengthened residents' link with the environment, providing a better standard of living and ensuring Snowdonia's reputation as an internationally renowned National Park and one of the nation's breathing spaces."

1.24 The current housing situation and the lack of provision of affordable housing that meets the needs of communities means that there is a need to act urgently in order to try to protect the vulnerable communities of Gwynedd and realise the vision of national legislation, national and local policy guidance and the statutory strategies referred to above.

Part 2: Provision and location of holiday accommodation and second homes

Overview

2.1 As a means of gaining a better understanding of the seriousness of the problem, it is essential to gather information relating to the baseline data regarding the number of holiday homes that exist across the county. Gathering accurate information in relation to the number and location of holiday homes can be difficult, as there is no single source of accurate/reliable information. Private accommodation let on an *ad hoc* basis, usually through marketing platforms such as AirBNB, is much harder to calculate as they become available from time to time, and their use as holiday accommodation ceases without any formal notification. As such, it is difficult to assess the seriousness of the situation, and it must therefore be based on the best information available.

2.2 Since the summer of 2018, the Planning Policy Service has been gathering council tax information regarding the numbers of second homes and holiday accommodation per community/town/city council across the county. As well as providing information regarding the specific uses in question, information is also received regarding the number of residential units for each area.

2.3 It is, therefore, noted that the information presented below is based on council tax information, i.e the units that have qualified for the payment of the following rates of taxation:

Description	**Explanation**
Domestic property	Domestic property paying council tax.
Second home	Class B property where no one lives permanently in the property and where the property is furnished.
Self catering holiday accomodation	Payment of Non-Domestic Business Rates for Self Catering Accommodation

Table 2: Definition of Uses

2.5 The information gathered by the Planning Policy Service was used to prepare a research paper, 'Controlling the Use of Houses as Holiday Homes'[9]. This research highlights the seriousness of the problem in communities accross Gwynedd, and includes a recommendation regarding the need to change planning legislation in order to obtain better control of the situation (among

[9] Controlling the Use of Houses as Holiday Homes, Joint Planning Polisi Service

other control mechanisms). Cyngor Gwynedd's Cabinet approved this research in December 2020 and the work was submitted for the attention of the Government. In response to this work, together with calls from other organisations/groups, the Government was prompted to respond to the crisis by introducing a range of appropriate control measures for holiday accommodation and second homes.

2.6 The chart below, together with the following table, summarises the information regarding the number of second homes and holiday accommodation in Gwynedd since 2018:-

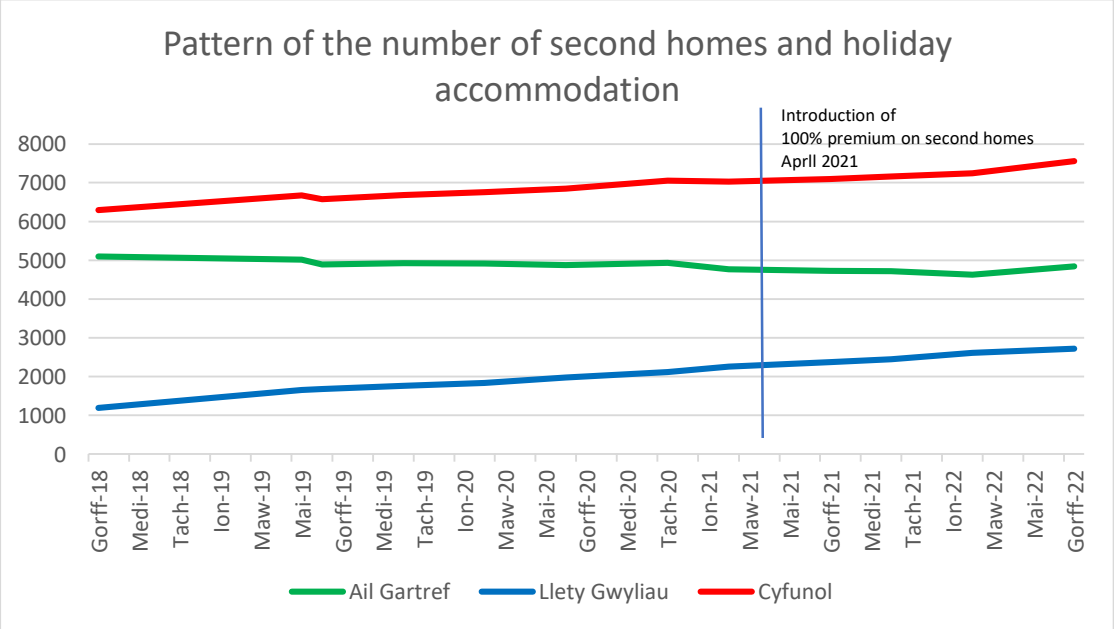


Chart 1: Pattern of holiday homes (source, Finance Department, Cyngor Gwynedd)

	No. of Domestig Properties	**No. of second homes (excluding occupancy-restricted units)**	**No. of Holiday Accommodation**	**Combined no.**
July 2018	61,679	5,100	1,193	6293
May 2019	61,616	5,013	1,658	6671
June 2019	61,591	4,891	1,681	6572
October 2019	61,562	4,920	1,764	6684
February 2020	61,617	4,912	1,838	6752
June 2020	61,645	4,873	1,976	6849
November 2020	61,946	4,933	2,119	7052
February 2021	61,534	4,768	2,261	7029
July 2021	61,463	4,729	2,369	7098
October 2021	61,312	4,713	2,448	7161

	No. of Domestig Properties	No. of second homes (excluding occupancy-restricted units)	No. of Holiday Accommodation	Combined no.
February 2022	61,296	4,627	2,612	7239
July 2022	61,335	4,840	2,719	7559
	-344	**-260**	**+1,526**	**+1266**

Table 3: Change in numbers 2018 to 2022 (source, Finance Department, Cyngor Gwynedd)

2.7 One pattern that has come to light in recent years is not only the combined increase in the number of second homes and holiday accommodation across the county but the fact that those increases are more evident in terms of the number of self-catering holiday accommodation.

2.8 Since April 2017, Local Authorities in Wales have had the right to raise a second home premium of up to 100% of the standard rate of council tax on properties where it is nobody's sole or main dwelling, and the property has either been furnished (second home) or unfurnished for over 12 months (long-term empty). Since April 2023 the second homes premium which Local Authorities are able to charge has risen to 300%. The previous regulations (pre 2017) gave the Council discretion to charge full Council Tax, or to allow a reduction of 25% or 50%, to classes of second homes, and to allow a reduction of 50% (or a reduction at a lower percentage), or no discount at all, on long-term empty properties that have been empty for six months or more.

2.9 On the 1st of April 2018, a premium rate of 50% was set on eligible second homes by Cyngor Gwynedd, with the rate rising to 100% on the 1st of April 2021, which was the highest possible rate that could be implemented at the time. Following changes to the regulations, the Council has since resolved to raise the rate to 150% from April 2023..

2.10 Due to the taxation situation linked to second homes, it appears that more residential units are now transferring over from paying the second home premium to paying non-domestic business rates on those units. Self-catering holiday accommodation is eligible to be listed for non-domestic business rate and, depending on its rateable value, could be eligible for small business rate relief, meaning that the property makes no financial contribution towards the taxation procedure.

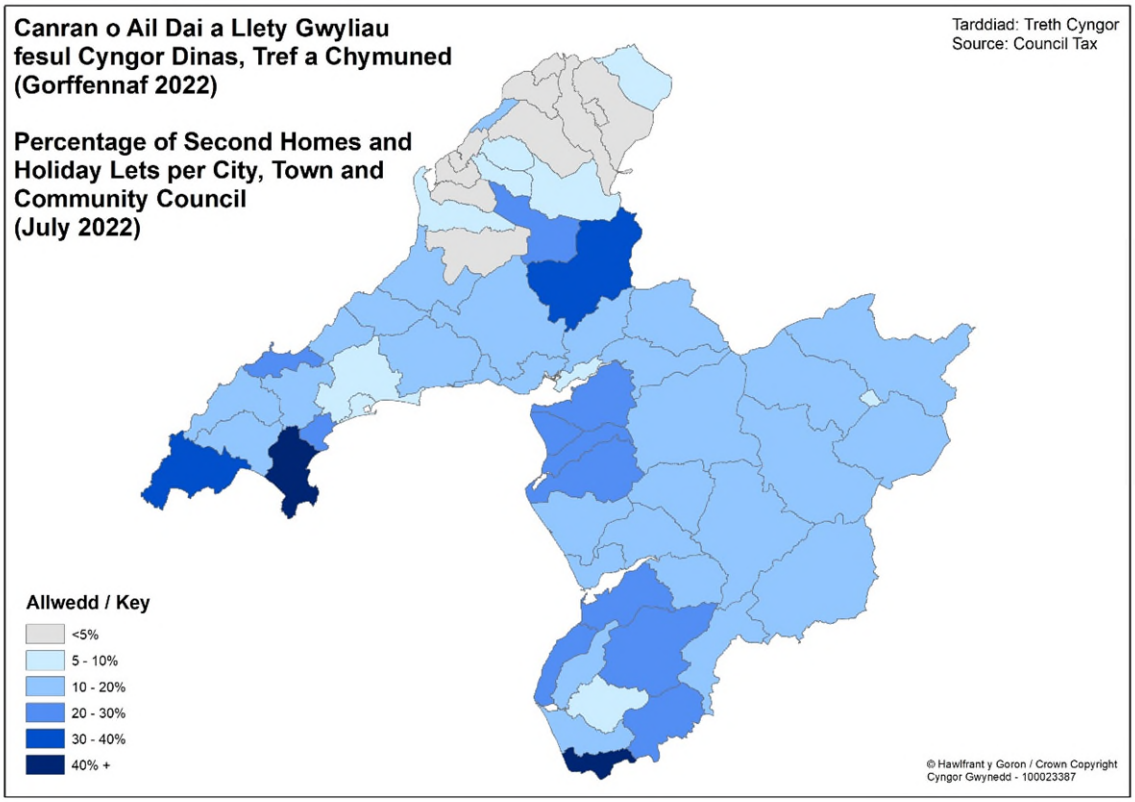
2.11 The transfer in the housing stock, with residential houses that used to pay the standard council tax or pay the council tax premium paying the non-domestic business rate, means that Gwynedd's housing stock is being eroded over a period of time and not increasing as would be an expected growth pattern.

2.12 Note from the table above (Table 3), that there is a reduction of 344 houses that used to pay domestic council tax between 2018 and July 2022. In the same period, there was a reduction of 260 units that used to pay the council tax premium (second homes). During this period, it is noted that the number of new houses completed (built) is 930 units (including the Eryri National Park Authority). Therefore, when considering the true reduction in the number of residential units in Gwynedd, it is noted that it is actually around 1,334 units. In the same period, 110 holiday accommodation units have received planning permission (although it is not known whether those permissions have been implemented or not). The housing stock that has been lost (1,334) is likely to have been attributed (to a large extent) to the growth in the number of self-catering holiday accommodation (+1,526), together with new holiday accommodation units that have received permission (+110), making a total of 1,444.

2.13 It is, therefore, emphasised that the ability to transfer easily between uses means that there is no efficient management of the existing housing stock. Furthermore, it is not possible to foresee or predict, to the best of our ability, what the local population's future housing needs will be, since the current housing stock is being eroded.

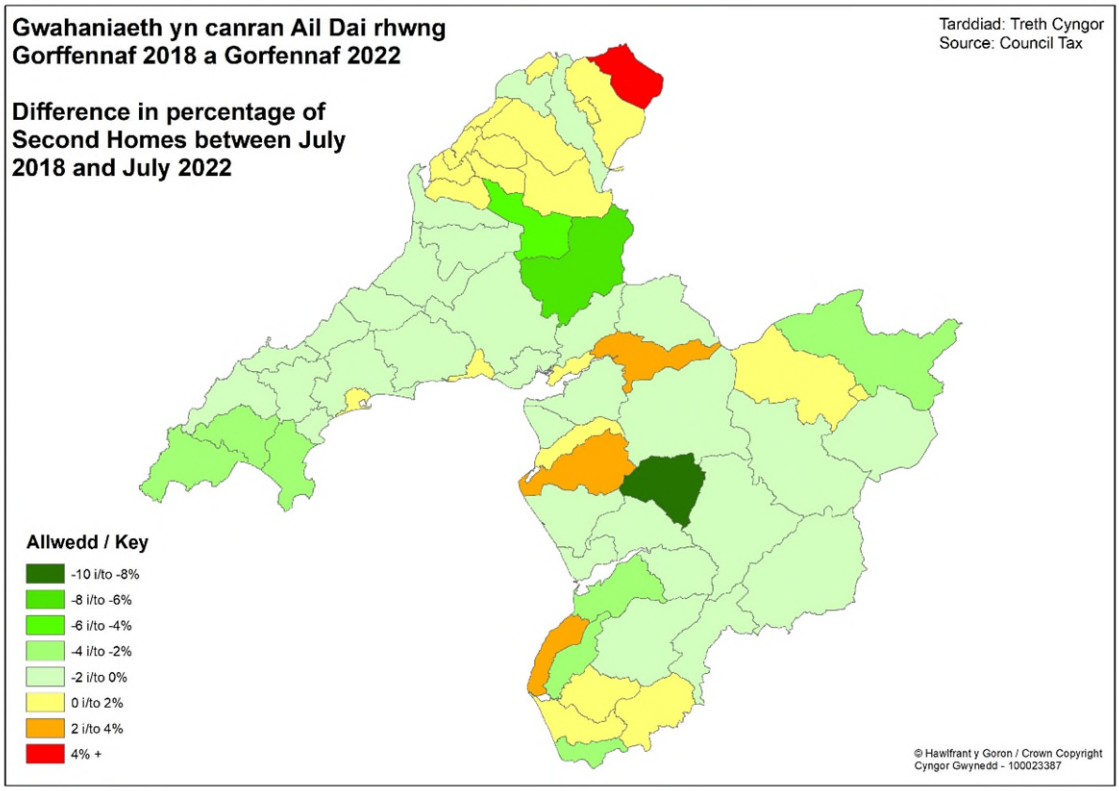
The current provision

2.14 Naturally, there are big differences in terms of the ownership of second homes and holiday accommodation across the county. Traditionally, the coastal areas of Llŷn and Meirionnydd are the areas where there is the highest density of holiday homes, as represented by the following map:-

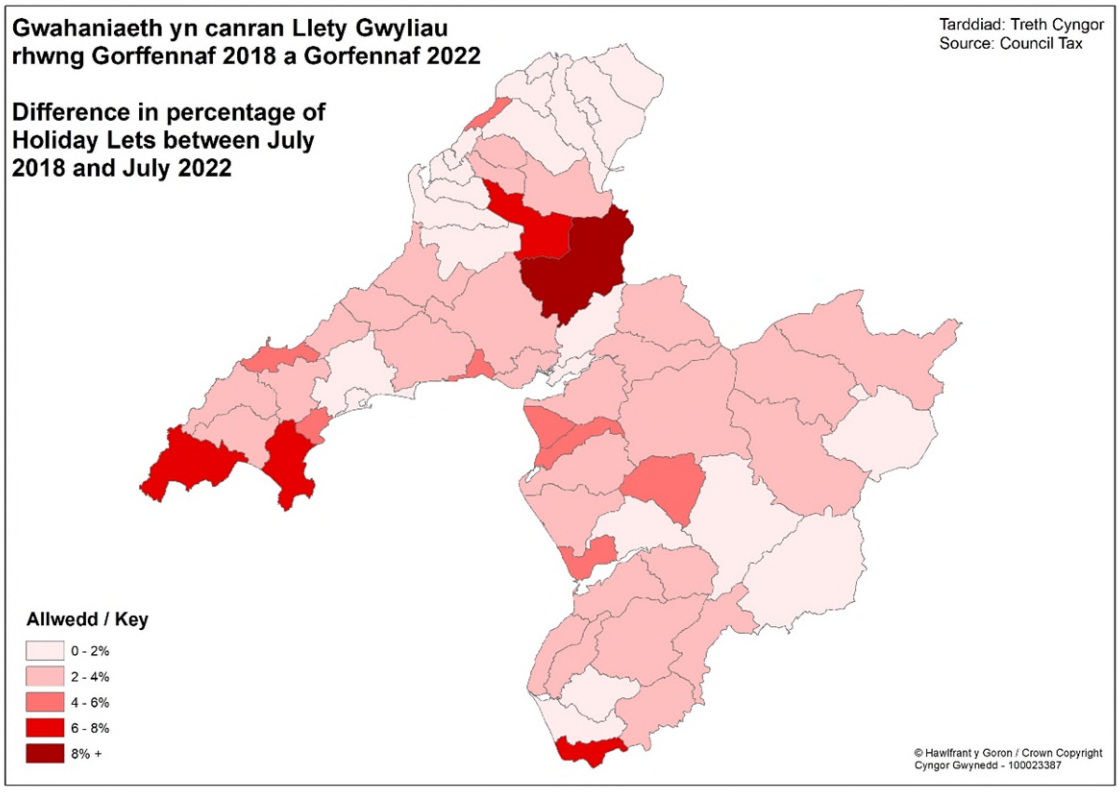


Map 1: Provision of holiday accommodation and second homes in Gwynedd (source, Finance Department, Cyngor Gwynedd)

2.15 As has already been discussed, the combined number of holiday accommodation and second homes across the county is on the rise. However, the following map represents the change in the number of second home ownership over the last four years and then the change in the number of holiday accommodation:-



Map 2: Percentage change map of second homes 2018 to 2022 (source, Finance Department, Cyngor Gwynedd)



Map 3: Percentage change map of holiday accomodation 2018 to 2022 (source, Finance Department, Cyngor Gwynedd)

2.16 Please note from the map above, (map 2), that the provision of second homes has fallen in the 'traditional' areas but that there is a slight increase in the provision of second homes in the less

traditional/urban areas. Conversely, the provision of holiday accommodation over the last four years has been on the rise in all parts of Gwynedd.

2.17 Despite the fact that there are areas of Gwynedd where the provision of holiday accommodation and second homes is relatively small, as highlighted above, the provision in the urban communities appears to be on the rise. The following chart represents the increase in the ownership of second homes and holiday accommodation in the urban centers (shown by area, Arfon, Dwyfor and Meirionnydd):-

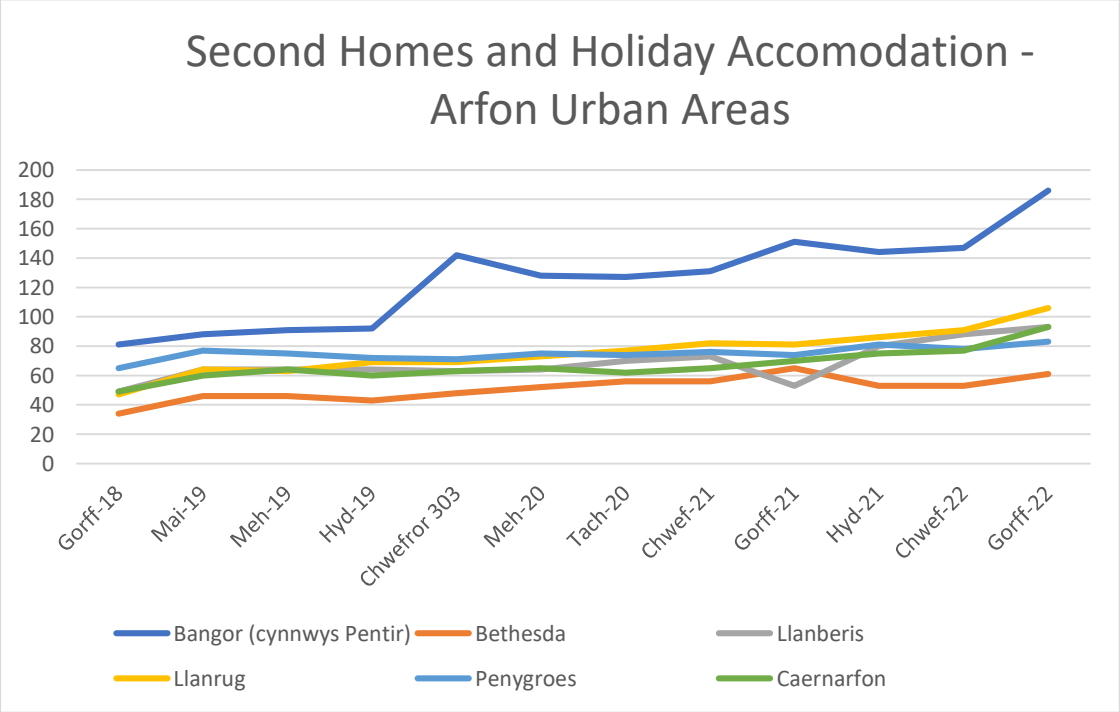


Chart 2: Pattern of Arfon Urban Areas (source, Finance Department, Cyngor Gwynedd)

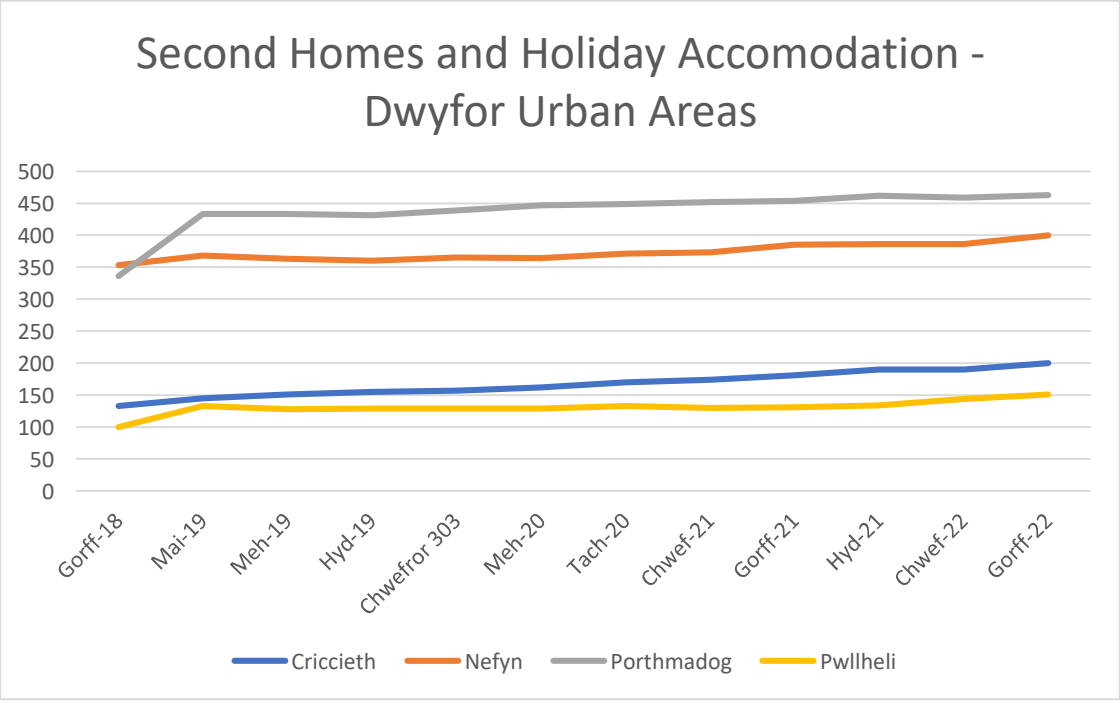


Chart 3: Pattern of Dwyfor Urban Areas(source, Finance Department, Cyngor Gwynedd)

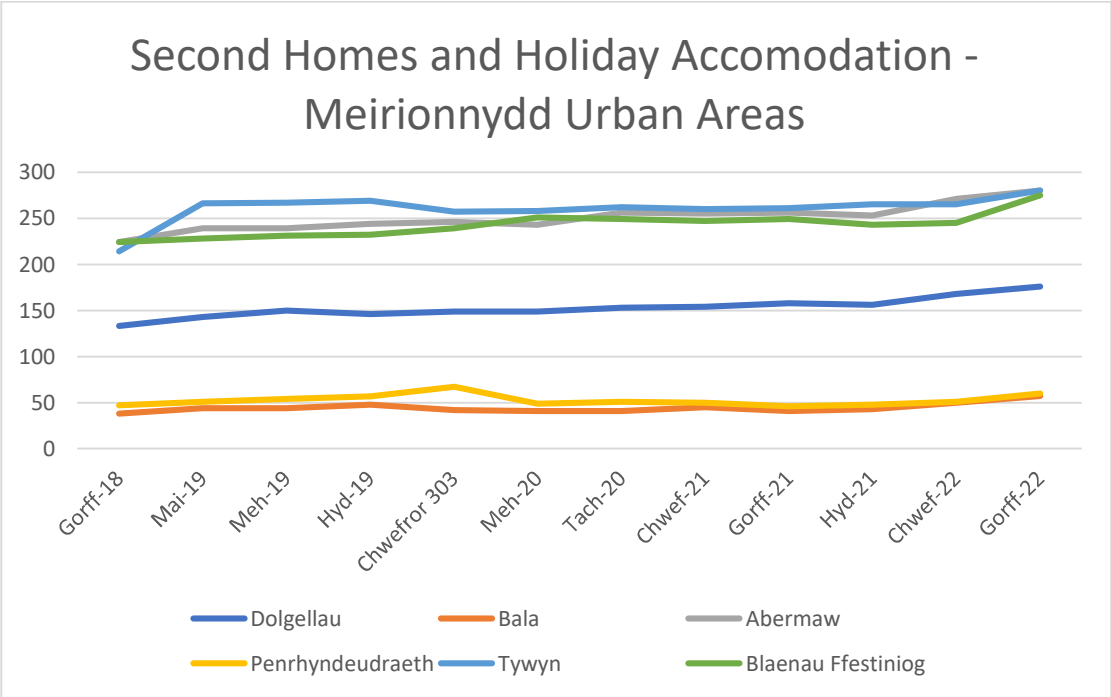


Chart 4: Pattern of Meirionnydd Urban Areas (source, Finance Department, Cyngor Gwynedd)

2.18 In the Bangor area for example (including the Pentir Community Council area), back in July 2018 there were 73 holiday homes (second homes and holiday accommodation), which is a rate of 0.97% of the housing stock. By July 2022, the figure had increased to 186, which is a rate of 2.38%. Although the percentage of housing stock that is in holiday use remains lower compared to other areas, this is a percentage increase of 141% over a period of four years. This is strong evidence that the number of holiday homes are on the rise in general but are also spreading to areas in the County that are beyond the traditional areas for holiday homes.

Inconsistency of data

2.19 A 'Bed Stock Survey' was carried out by Gwynedd Council in 2019. The purpose of the survey was to calculate the number of visitor accommodation available in Gwynedd. Between June 2018 and February 2019, Gwynedd Council's Tourism, Marketing and Events Service, in partnership with Visit Wales, carried out county research on the accommodation provision available for visitors. This was done using information from key partners, e.g. planning, licensing, grading, accommodation agencies, etc., along with internet research and telephone interviews.

2.20 The 'Bed Stock Survey' found that a total of 2,424 self-catering holiday accommodation units were available during the survey period, with an additional 745 units being advertised on Airbnb. The number of short-term holiday units available on the Airbnb platform only represents a snapshot in terms of the accommodation actually available at the time of the survey. The survey

found that the total number of short term lets holiday accommodation for the survey period was 3,169. It is not known how many of these units are residential dwellings used for holiday purposes. Some of the units may have received specific planning permission as holiday accommodation. The figure also includes all types of holiday accommodation units, e.g. chalets and caravans. Information from the Council Tax department relating to the number of properties paying Self-Catering Non-Domestic Business Rates for the same period (July 2018) totalled 1,193. It is, therefore noted that it is clear that the number of units available does not completely reflect the number of units that paid the non-domestic business rates in Gwynedd. It can, therefore, be assumed that some of the short-term holiday accommodation is either liable to pay the second home premium or to pay the standard Council Tax. The inconsistencies between the Council Tax figures and the Holiday Accommodation figures (the Bed Stock Survey) suggest that a proportion of the second homes is being used as holiday accommodation to be let for a short period (at least) .

2.21 Another useful source of information is 'Transparent Intelligence' data. 'Transparent Intelligence' is a 3rd party data supplier, appointed by Visit Wales on behalf of the Welsh Government. Data is provided in relation to short term letting accommodation marketed on the Airbnb, Vrbo, Tripadvisor and Booking.com platforms. Although this data is checked and processed by the Welsh Government, it should not be used as an accurate official calculation of the number of properties. It should, rather, only be used to highlight the potential size of the sector and trends. During July 2022, the number of houses available on the marketing platforms in Gwynedd was 4,499. It is noted that July appears to be the month where the most properties are available, with the monthly average over a period of the first 8 months of 2022 (January to August) being 3,921. As stated above in paragraph 2.6 (table 3), during the same period (July 2022), 2,719 properties paid the non-domestic business rate. It is, therefore, highlighted that the provision of holiday accommodation is actually higher than that conveyed in the Council Tax data.

2.22 The evidence above proves that gathering accurate and complete information in relation to the number of holiday homes is difficult as the holiday home market is unregulated. Although Council Tax figures are considered to be the most accurate source of information, it is not entirely reliable and is dependent on holiday home operators applying the correct council tax/non-domestic business rate category for their property. The inconsistencies between the Gwynedd Bed Stock Survey, 'Transparent Data' and the Council Tax figures highlight this problem.

Part 3: Impact Assessment - Qualitative information

3.1 A number of recent researches have been carried out in relation to investigating the impact of holiday accommodation and second homes on communities. The main general aim of this research is to try to suggest and find control measures that can be implemented in order to mitigate the effects of holiday accommodation and second homes.

3.2 The Planning Policy Service prepared a research paper, 'Managing the Use of Houses as Holiday Accommodation' in 2020. This research is referred to and is used as a basis of evidence in a number of the reports/researches referred to in the following paragraphs. Furthermore, there is an update of that work included in Part 4 of this Report.

3.3 There are obvious themes arising from the research in terms of the impact of holiday accommodation and second homes on communities. The subsequent part (Part 4) of this paper will attempt to gather information and quantitative/primary evidence in order to support these assumptions regarding the effects.

The Housing Market

3.4 One of the main general assumptions is the impact on the housing market. There is general criticism that holiday homes push house prices higher due to demand which, in turn, means a lack of supply of affordable housing to meet local need.

3.5 During 2021, research commissioned by the Government was published, 'Second homes: Developing new policies in Wales, Dr Simon Brooks (2021)[10]. This work recognised that it is impossible to say whether second homes are mainly responsible for the inflation in house prices in areas under pressure. Reference was made to the fact that the areas under pressure were the same areas that are popular with permanent migration from other parts of the United Kingdom. Therefore, it is recognised that there is actually little evidence that second homes is the main cause for *"...high house prices as opposed to buyers moving to these areas to reside there."* Nevertheless, it is recognised that it is not possible to ignore the obvious relationship between second homes and higher house prices.

3.6 Cyngor Gwynedd has recently undertaken a period of public consultation linked to the 'Ardal Ni 2035' project. The intention of the 'Ardal Ni 2035' project is to hold a conversation and discuss with local communities in order to identify what is important to residents and how they would

[10] Second Homes: Developing new policies in Wales, Dr Simon Brooks (2021)

like to see their area develop over the next 10-15 years. At the end of the engagement work, 13 unique Neighborhood Regeneration Plans will be developed, which will reflect the aspirations of the local communities of Gwynedd. Initial engagement work linked to 'Ardal Ni 2035' has tried to identify the main issues that concern communities throughout Gwynedd. Out of the 13 areas, 5 of the areas identified a lack of affordable housing as the main issue that is 'not good' in their area (Bro Dysynni, Llŷn, Pwllheli, Ffestiniog and Porthmadog).

3.7 At the expense of the increase and demand for holiday accommodation, the natural attraction is for home owners (including private landlords) to transfer their property (private rental) to the holiday accommodation market due to the additional profit that can be made by letting property to this particular market. Research by the Local Government and Housing Committee in its work 'Second Homes, (2022)[11] emphasised that,

"...the private rental sector plays an important role in ensuring that a mix of housing accomodation is available to meet different needs and circumstances. We are very concerned by the the anecdotal evidence that landlords are increasingly moving their properties from this sector to the short term lets market. We are aware that there are long waiting lists for people needing social housing, and a shortage of private rented sector accommodation in some areas is exacerbating the problem."

3.8 In an attempt to further examine and assess the impact that the loss of private rental housing is having on holiday accommodation, the Bevan Institute has published research, 'Holiday Rental Accommodation and the private rental sector, (2022)'[12]. This report offers a unique analysis of holiday rental accommodation advertised by one of the most prominent companies operating in the sector, Airbnb. The report recognises that a number of other agencies and platforms provide holiday rental accommodation and, therefore, the sector is likely to be larger than the one suggested in the report.

3.9 The report found that there are 21,718 holiday units listed in Wales on the Airbnb website, with 14,343 of them appearing to be units that would be suitable to live in permanently. It is noted that this corresponds to 31% of Gwynedd's private housing stock. If these units were to transfer back to the housing stock and to the private rental market, it would provide affordable rental

[11] Second Homes: The Local Government and Housing Committee (2022)

[12] Holiday Lets and the Private Rental Sector, Bevan Foundation (2022)

housing opportunities/options and accomodate a gap that currently exists in the housing market.

Community Facilities

3.10 A high concentration of holiday homes can have a significant effect on the vitality of communities, as recognised in the Local Government and Housing Committee's research, which states:

"Communities need people to survive. If large numbers of homes within towns and villages lie empty for large parts of the year, it is inevitable that a lack of customers will force businesses to close during the quieter periods, leaving remaining residents without those amenities. We are concerned that public services will also suffer; without key workers living in those areas, it will either be impossible to provide essential services such as health and social care, or the cost of doing so could make them unsustainable. It is likely to be the elderly and the vulnerable most adversely affected. We are aware that some of the local authority areas with the largest numbers of second homes also have relatively low average incomes, and this can make affordability issues more acute."

3.11 The Local Government and Housing Committee recognises that the visitor economy is extremely important for Wales, but is concerned that the economic benefits are outweighed by the negative effects in some areas. Emphasis is placed on the need to ensure a sustainable tourism sector that does not adversely affect communities or replace them, i.e. communities should not be displaced for the benefit of tourism.

The Welsh Language

3.12 One of the side effects that is unique to Wales, and even more so in Gwynedd, is the effect on the Welsh language. The Local Government and Housing Committee expressed concern about the evidence that a high number of second homes, especially in strongholds of the Welsh language, has a detrimental effect on the number of Welsh speakers and on the viability of the Welsh language as a community language in those areas.

3.13 On the other hand, Dr Simon Brooks points out that the assumption that second homes are harmful to the language stems from the perception that they were bought in competition with

local Welsh speakers who, as a result of them being unable to buy property, leave the community. Despite this point of view it is noted that:-

"...the linguistic impact of second homes which are currently in use as second homes is relativelyy 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."

3.14 It is, therefore, recognised that a further increase in the number of houses used as holiday accommodation and second homes can have a significant effect, not only on the Welsh language, but in terms of social injustice and local people's ability to live and work in the area they were raised.

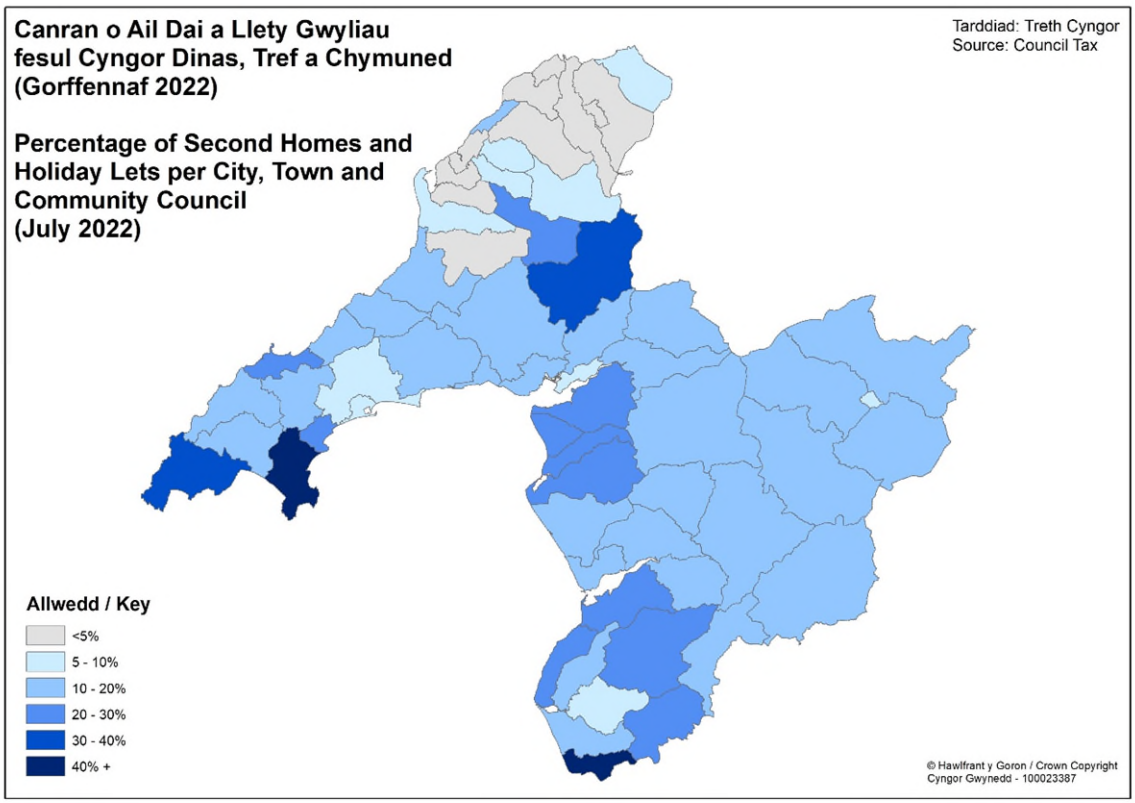
Part 4: Impact Assessment - Primary/quantitative information

Purpose

4.1 This section of the report seeks to identify what effects, if any, holiday homes can have on communities, based on primary/quantitative data. Issues related to the impact of holiday homes on communities include:-

- Lack of housing supply to meet local need;
- Impact on local services, amenities of local residents and the community;
- Lack of stable population to maintain and support local community facilities;
- Seasonal work opportunities

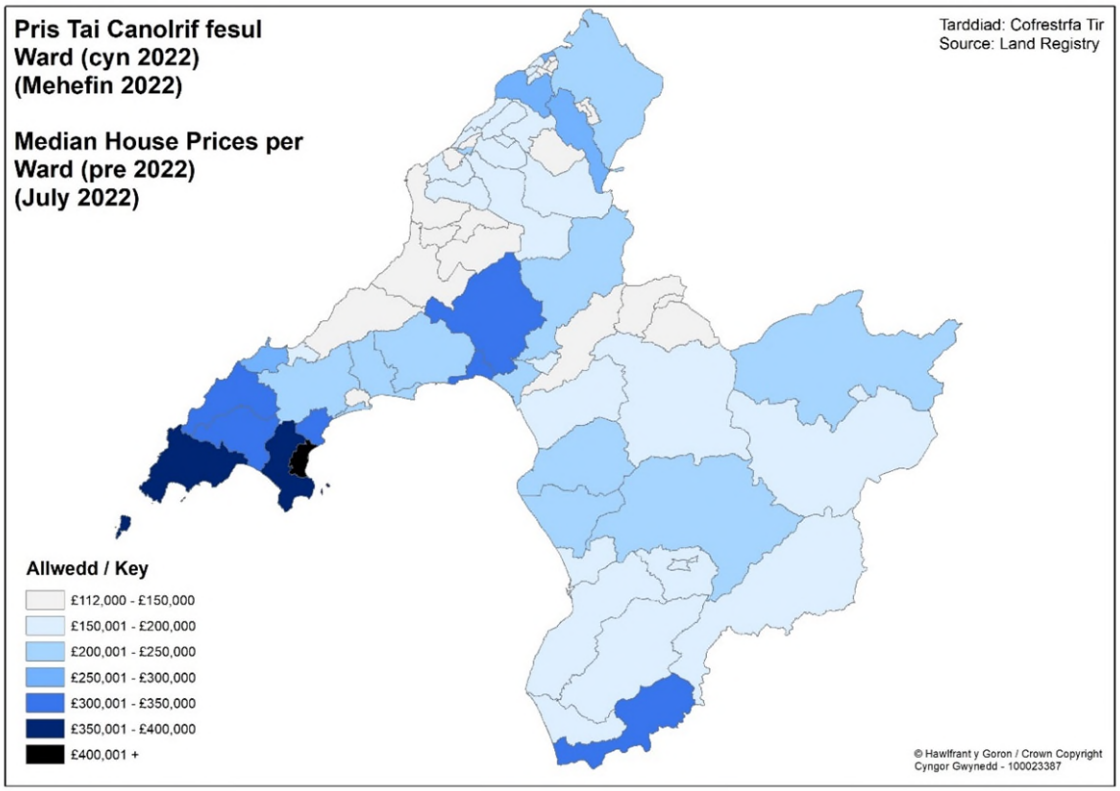
4.2 The map below shows the distribution of holiday homes throughout Gwynedd. It shows that the highest levels of holiday home ownership are along the coast, along with parts of the Eryri National Park. It is emphasised that the information has been mapped on the basis of city, town and community council areas and that may not reflect the true situation and may hide the true nature of the problem, as some settlements within these areas have much higher levels of holiday home ownership than others.



Map 4: Classification of second homes and self-catering holiday accommodation (source, Department of Finance, Cyngor Gwynedd)

Impact on House Prices and Affordability

4.3 Combined low wage rural economies, restrictions on the supply of new housing and external demand for housing are factors, which affect house prices and put many local people at a disadvantage in the local housing markets. The map below shows the median house price per ward in Gwynedd.



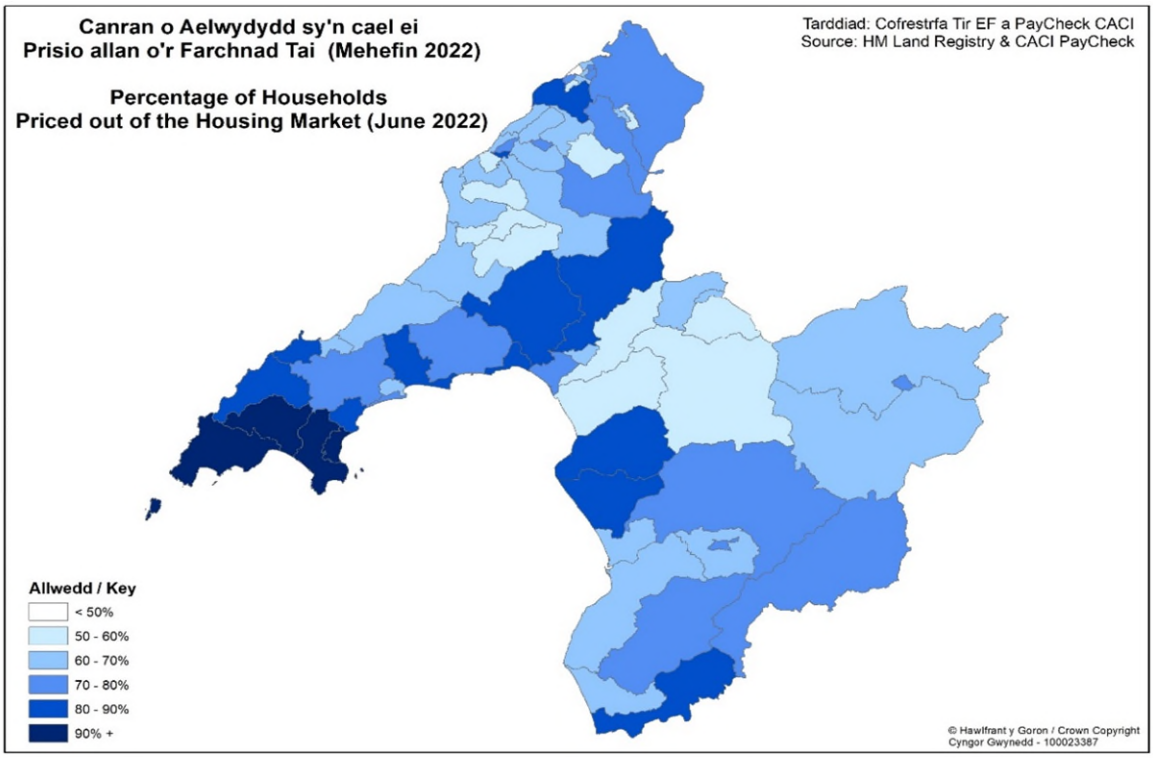
Map 5: Median Price of Gwynedd Wards (house price source, Land Register,source PayCheck income data, CACI[13])

4.4 Looking at the above map and comparing it with a map of the distribution of holiday homes across the county, there appears to be a clear relationship between holiday home ownership and affordability, with those areas with higher numbers of holiday homes facing serious challenges in terms of affordability. The median house price for Gwynedd (2021) was £175,000, and with an average income of £26,315, the ratio of income to house price affordability in the county is 6.7:1 (increased from 5.9:1 in September 2019). This means that, on average, 65.5% of the population of Gwynedd have been priced out of the housing market.

4.5 This statistic increases significantly in the wards where there are higher numbers of holiday homes. For example, in Abersoch ward where 54.08% of the housing stock is in holiday use (holiday accommodation or second home), the average median price for a house is £482,500.

[13] © 1996 – 2023 CACI Limited. This report shall be used solely for academic, personal and/or non-commercial purposes.)

With an average household income of £36,086, the ratio of house prices to affordability is well over double the county average at 13.4:1, meaning that 96.1% of local people have been priced out of the market. The map below shows the percentage of households that have been priced out of the housing market, by ward.



Map 6: Priced out of the market (house price source, Land Register, source PayCheck income data, CACI)

4.6 The map shows that the affordability ratio is much higher in the more attractive rural and coastal areas, which matches the pattern shown in map 4, which shows the distribution of holiday homes.

4.7 The table below shows the five wards where the ratio of house prices to affordability is highest, with the five wards located in Llŷn:-

Ward	Median House Price	Median Household Income	Affordability Ratio	% priced out of the market
Abersoch	£482,500	£36,086	13.4:1	96.1
Aberdaron	£380,000	£26,403	14.4:1	96.1
Botwnnog	£310,390	£24,536	12.7:1	91
Llanengan	£361,000	£30,207	12:1	90.1
Tudweiliog	£305,000	£25,842	11.8:1	90.0

Table 4: The top 5 Wards - Ratio of house prices to affordability in Gwynedd (source of house prices, Land Register source PayCheck income data, CACI)

4.8 Conversely, the following table presents information for the five wards where the ratio of house prices to affordability is the lowest:-

Ward	Median House Price	Median Household Income	Affordability Ratio	% priced out of the market
Tregarth & Mynydd Llandygai	£297,500	£32,664	9.1:1	56.3
Tudweiliog	£305,000	£25,842	11.8:1	55.8
Tywyn	£169,000	£23,206	7.3:1	54.3
Waunfawr	£186,500	£30,341	6.1:1	51.1
Y Felinheli	£181,000	£33,670	5.4:1	50.9

Table 5: The lowest 5 Wards - Ratio of house prices to affordability in Gwynedd (source of house prices, Land Register source PayCheck income data, CACI)

4.9 The data regarding the ratio of house prices to affordability clearly shows that there is a housing affordability problem across the authority's area, with over 50% of the local population being priced out of the housing market in the areas where the ratio is at its lowest.

4.10 During 2021, 6 properties in Gwynedd were sold for more than £1 million. These 6 properties were located in Abersoch. 2 of them were sold for over £2.5 million, and these were the most expensive properties to be sold throughout Wales during 2021. Over a period of 6 years (from 2015 until 2021) 18 properties have been sold for over £1 million in Gwynedd, which meant that a third of these sales took place in 2021.

Impact on rural services

4.11 One of the main impacts of houses used as holiday homes, is that that property is no longer available for use by permanent residents. Where there are high numbers of holiday homes, this can mean fewer families in the settlement throughout the year to use services such as schools, public buses and post offices. The lack of constant/regular use of these services is a threat to the viability of the communities. Furthermore, there is a threat that businesses that provide a service to local people will be changed to businesses aimed at the non-resident/tourist population and, along with houses that stand empty for much of the year, this can undermine the sustainability of the community.

4.12 Over the years, a number of schools in Gwynedd have closed as a result of a reduction in the number of pupils. Ysgol Gynradd Aberdyfi (where the percentage of holiday homes in the community is 44.59%) closed in 2010 and Ysgol Gynradd Abersoch (48.36% housing stock is holiday homes) closed in December 2021.

4.13 It is acknowledged in the 'Rural education action plan', Welsh Government[14] that *'There are significant benefits – academic, cultural and social – to learners and communities through the delivery of high-quality education in small and rural schools . This can be critical in engaging learners and families from the most disadvantaged backgrounds in rural areas and raising learner aspirations, as well as making a significant contribution to the long-term sustainability of the local community.'* It is, therefore, considered that trying to protect the rural schools and the obvious benefit that derives from them for the wider community is absolutely essential, and that ensuring that there are affordable opportunities for people to be able to live and raise a family within the communities in question is going to contribute to the prosperity of the schools in question.

4.14 Although there is no definitive figure when it is considered that the level/numbers of holiday homes affect the sustainability of a community. As part of their evidence base for their Local Development Plan's housing policies, the Lake District National Park Authority has referred to two reports which address the issue. The first is *'Housing: An Effective Way to Sustain our Rural Communities*' where it states, '*the percentage of holiday homes should not be more than 20 per cent as this appears to affect the sustainability of any village*.' The second report, '*The Cumbria Housing Strategy 2006/2011*' goes a step further through its 'Balance Indicators', suggesting that the percentage should not exceed 10 per cent. The National Park Authority uses this information as a guide when examining the impacts that second homes have on the sustainability of any community.

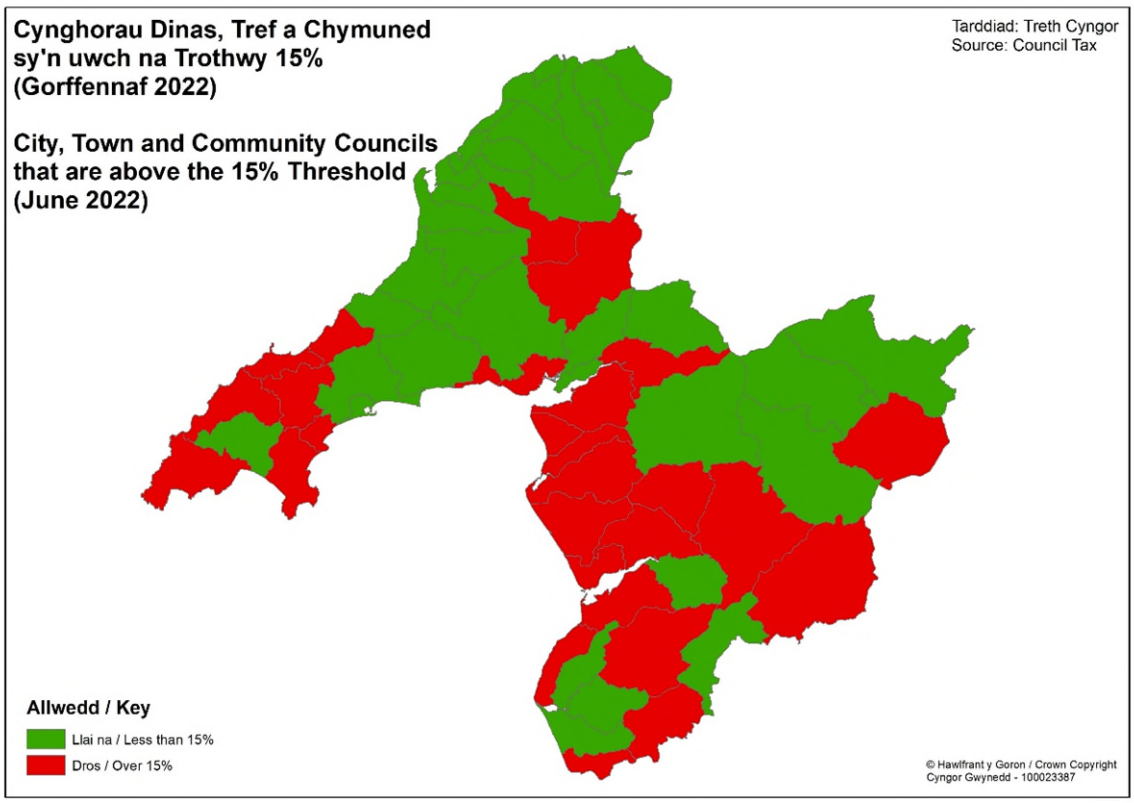
4.15 These reports were used as an evidence base to formulate planning policies in the Lake District National Park's Local Plan, in order to try to help reverse the imbalance in the local housing market, by allowing new settlements where they contribute to meeting the identified local affordable need. In all cases, the policy states that all new houses will be restricted to being the person's main residence.

4.16 Based on the Lake District research, the current Supplementary Planning Guidance: Facilities and Accommodation for Tourists, which has been prepared to support the relevant policies within the Gwynedd and Anglesey Joint Local Development Plan, provides guidance as to when

[14] Rural Education Acrion Plan, Welsh Government (2018)

it is considered that there is an oversupply of holiday accommodation in an area, meaning that there is no capacity for more. A threshold of 15% is set. That is, in the areas where 15% or more of the existing housing stock is in holiday use, favorable can not be given to applications for new holiday accommodation within the Community/Town/City Council area in question. Two exceptions to this threshold have been identified, namely applications linked to a listed building and an application linked to an established rural enterprise.

4.17 The map and the following table represent the current areas where 15% or more of the housing stock is in holiday use:-



Map 7: 15%+ Community/Town/City Councils (source, Department of Finance,Cyngor Gwynedd)

Community/Town/City Council	% Combined
Llanengan	48.36%
Aberdyfi	44.59%
Beddgelert	34.22%
Aberdaron	33.50%
Llanfair	29.05%
Llanfihangel Y Pennant	27.60%
Llanbedrog	27.30%

Community/Town/City Council	% Combined
Llangelynin	20.24%
Y Ganllwyd	19.79%
Llanelltyd	19.60%
Criccieth	19.46%
Barmouth	19.28%
Brithdir & Llanfachreth	18.96%
Maentwrog	18.86%

Nefyn	24.62%	Porthmadog	18.65%
Betws Garmon	24.50%	Pistyll	18.57%
Pennal	23.19%	Tudweiliog	18.56%
Llanbedr	22.76%	Mawddwy	16.67%
Arthog	22.75%	Llangywair	15.79%
Harlech	21.00%	Buan	15.32%
Talsarnau	20.94%	Dyffryn Ardudwy	15.01%

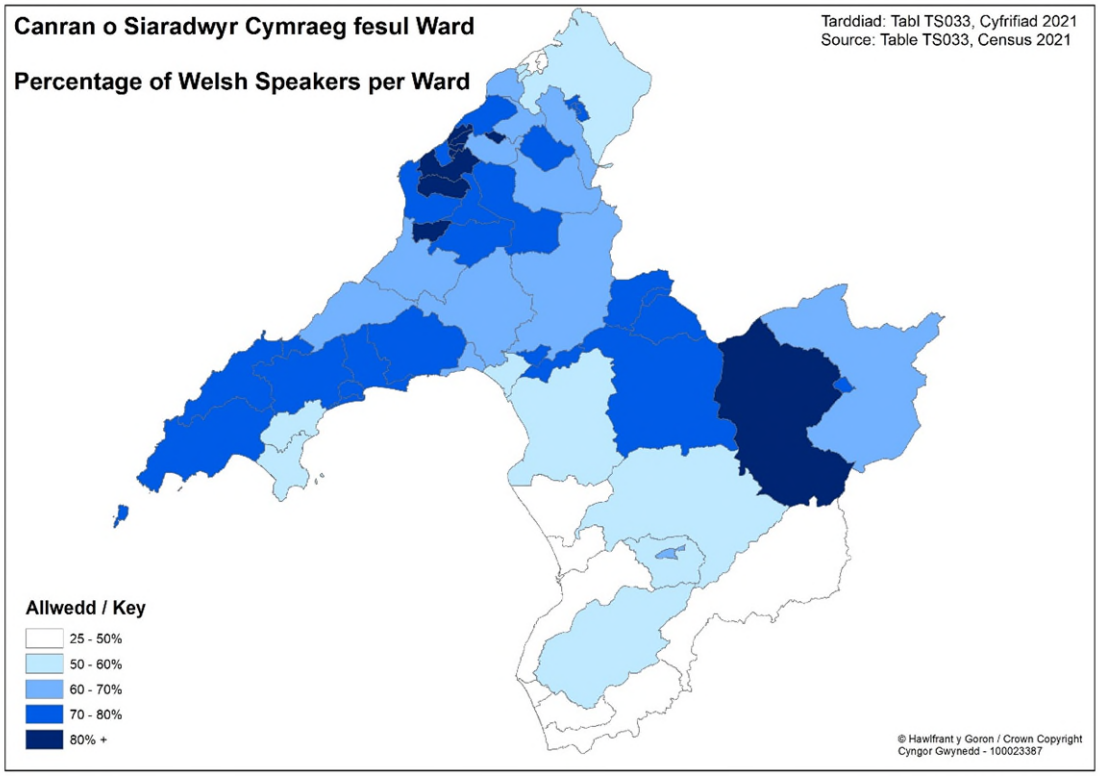
Table 6: 15+ Community/Town/City Councils (source, Department of Finance,Cyngor Gwynedd)

4.18 The concept of a threshold and that there is a critical point being reached in terms of a harmful effect, and the justification for intervention, is an important consideration. It is likely that a tipping point is reached where it can be accepted, without a doubt, that the number of second homes and holiday accommodation within communities has a detrimental effect.

4.19 It must be remembered that there are areas within a Community/Town/City Council area where there are significant differences in the ownership of second homes and holiday homes. Therefore, using data based on such wide areas does not fully convey an accurate picture in all cases.

Impact on the Welsh Language

4.20 According to the 2021 Census, 64.4% of Gwynedd's residents are Welsh speakers. The number of Welsh speakers varies greatly, with the highest percentage in Hendre (Caernarfon), which is 86.1% of Welsh speakers, Llanrug which is 86% and Peblig (Caernarfon), with 84.3% of Welsh speakers. The percentage of holiday homes in these areas is 1.95% in the Caernarfon Town Council Area and 7.44% in the Llanrug Community Council Area. The map below shows the percentage of Welsh speakers per ward (based on the new Ward boundary 2022).



Map 8: Percentage of Welsh speakers per Ward in Gwynedd (Source: Census 2021, ONS)

4.21 In areas where there is a high proportion of holiday homes, the figure drops to 39.5% in Aberdyfi, where holiday home ownership is 44.95%, and 55.2% in Abersoch (includes Llanengan), where holiday home ownership is 46.36%. It is noted that the comparison between holiday accommodation provision and language ability is based on comparing wards with a Community Council area, as such it is not an entirely accurate comparison. For example, It is noted that the provision of holiday homes is based on the Abersoch Community Council area while the language ability is based on the ward area which includes the wider area of Llanengan.

4.22 Although the Census data gathers information about the resident population and it is true to say that, similar to house prices, the Welsh language suffers as a result of more people migrating from outside Wales to rural areas, there is a notable pattern between high levels of holiday home ownership and the ability to speak Welsh. This is likely to be attributed to the fact that there is a reduction in the number of houses available for the local population. As a result, a shortfall in the supply of available housing will lead to higher house prices, resulting in the local population being priced out of the housing market.

4.23 In relation to the Welsh language, creating sustainable communities where the Welsh language has been completely immersed within communities and providing and recreating the social context necessary to use the Welsh language as part of society's normal use is essential in order to protect and encourage the growth of the Welsh language.

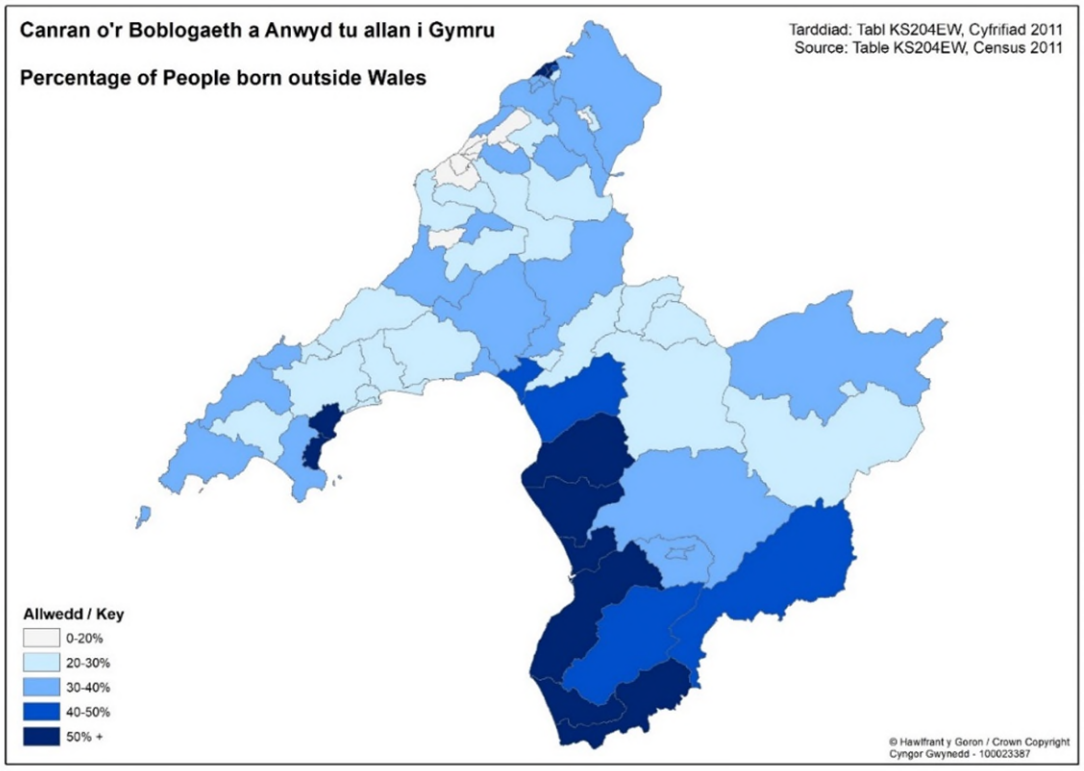
4.24 With the Welsh Government's commitment to reach one million Welsh speakers by 2050, the ability to have better control over the housing stock and, thereby, try to ensure that there is an adequate and affordable provision of housing for local people, is a means of assisting this aim.

Change in the population

4.25 At the turn of the century, the problems facing rural communities were rural depopulation and the demise of rural villages. By now, the general situation is one of increasing wealth, with more people wanting to move to the countryside. With demand higher than supply, it is pushing house prices beyond the reach of many people.

4.26 Older people from more affluent areas will have more disposable income for property, either as a full-time home or as a second home, with plans to move into it permanently after retirement.

4.27 This has led to young people moving out of the areas and older people moving in. According to the 2011 Census, over 50% of the population in the majority of areas with higher levels of second homes and holiday let accommodation, were born outside Wales, which is shown on the map below.



Map 9: Percentage of people born outside Wales by ward in Gwynedd (Source: Census 2011, ONS)

4.28 The table below shows the top five wards in Gwynedd, outside Bangor, with the highest percentage of the population of residents born outside Wales. Bangor wards have not been

included in the table as the presence of the University has led to a high population of students, with some having been born outside Wales:-

Ward	The percentage of people born outside Wales
Llangelynin	63.2%
Aberdyfi	59.4%
Tywyn	56.1%
Abersoch	55.3%
Dyffryn Ardudwy	52.9%

Table 7: Top five wards, population born outside Wales.

Part 5: Intervention options

5.1 Previously (before the Planning legislation was changed), local authorities' ability to control the housing market, i.e. who occupies houses and the use made of them, was limited to new houses. The new measures that have been introduced through the changes to planning legislation and the intervention options, enable Local Authorities to respond in a flexible manner to the challenge facing communities with a high rate of holiday homes, in accordance with requirements and the circumstances of specific areas.

5.2 It is essential that appropriate consideration is given to all of the control measures and that they can be implemented in order to obtain better control of the use of houses as holiday accommodation and second homes. It is recognised that it is necessary to act on a package of measures to ensure the success of the aim sought to be achieved.

Intervention through Planning Policies

5.3 Currently, one intervention mechanism where control of residential houses can be sought is by limiting the use made of residential developments where planning permission is necessary. The policies contained in the Gwynedd and Anglesey Joint Local Development Plan include requiring residential developments, depending on the scale and location of the development, to include affordable housing for local needs. Furthermore, a local market housing policy has been implemented for some dwellings within the Plan area (Policy TAI 5).

5.4 When appropriate, placing a condition of main residence on new housing could be a means of ensuring that those new houses are not, in turn, used for other purposes, such as a second home/holiday accommodation. The main objective of such a mechanism would be to contribute towards tackling any imbalance within specific housing markets within the Plan area and to maintain and strengthen vulnerable communities. It could also help to achieve a wider social policy goal, such as maintaining or strengthening Welsh-speaking communities.

5.5 Information available from other local planning authorities where a main place of residence policy has been introduced, suggests that imposing a main place of residence condition would mean reducing the price of a property (95% of the equivalent value on the open market) (Northumberland), as it would restrict the use made of it. It is, therefore, noted that such a restriction could be a means of securing lower cost market houses within the housing market. However, as long as the occupiers were to live in a property as a main place of residence, it would not be possible to have a restriction on who would be eligible to buy the property.

5.6 When examining information regarding the use made of new residential units that have received permission since the base date of the Joint Local Development Plan (2011) up to the summer of 2021, in Gwynedd it appears that 24 residential units, which received planning permission during this period are now in holiday use. That is, they are either used as a second home or as self catering holiday accommodation (13 units pay the second home premium and 11 pay non-domestic business rate).

5.7 This information highlights the fact that the number of new residential houses that are used for holiday purposes is, in fact, limited and that the established housing stock is, in fact, used for that use.

5.8 As part of the process of preparing a New Local Development Plan, it will be possible to give further consideration to the principle of introducing local planning policy, which would limit the use of houses as a main place of residence. However, in the meantime, the amendments to planning legislation (20 October 2022), which now define specific use classes for a main home (C3), second home (C5) and short-term accommodation (C6), enable the restriction on the use of new houses (C3) by placing a planning condition on permissions, which would remove the permitted development right. It is considered that imposing a condition restricting the use of a residential house/houses as a main dwelling only, along with removing the permitted development right for change of use, ensures that there is control over the use of the residential unit, where there is evidence that the control is necessary. This will also ensure that the residential house meets the need identified for housing during the Plan period.

Financial Intervention

5.9 Section 139 of the Housing Act (Wales) 2014[15] amends the Local Government Finance Act 1992[16] and enables a billing authority (County Council or County Borough Council) in Wales to remove any reduction given to long-term vacant dwellings and temporarily occupied dwellings and apply a higher amount of council tax (premium). The powers given to local authorities are discretionary.

5.10 Since 1 April 2017, local authorities have had the the ability to charge a premium of up to 100% of the standard rate of council tax on property where it is nobody's sole or main dwelling and where the property has been furnished (second home) or unfurnished (long-term empty) for

15 Housing Act (Wales) 2014

16 Local Government Finance Act 1992

over 12 months The previous Regulations gave the Council discretion to charge full Council Tax, or to allow a reduction of 25% or 50%, to second home classes, and to allow a reduction of 50% (or a reduction at a lower percentage), or no discount at all, on long-term empty properties that have been empty for six months or more.

5.11 In April 2018, Cyngor Gwynedd raised a premium of 50% on furnished property (class B) where it was nobody's sole or main dwelling, and 50% on unfurnished and unoccupied property where it was nobody's sole or main dwelling. Since April 2020, the premium rate in Gwynedd has risen to 100%.

5.12 The power was introduced for local authorities to increase the maximum premium charged to 300% from 1 April 2023 onwards through the Council Tax (Long Term Empty Dwellings and Dwellings Occupied Periodically) (Wales) Regulations 2022, which came into existence in March 2022 and which will come into force on 1 April 2023. This change is part of a wider package of changes, announced by the Welsh Government, as part of a wider commitment to tackle the problems of second homes and unaffordable housing facing many communities in Wales. In December 2022, Cyngor Gwynedd resolved to increase the premium to 150%, this increase has been implemented since April 2023.

5.13 The discretion given to local authorities to raise a premium was intended to be a means of assisting local authorities to do the following:

- restore the use of long-term empty homes in order to provide safe, secure and affordable homes; and
- assist local authorities to increase the supply of affordable housing and improve the sustainability of local communities.

5.14 Despite the fact that Local Authorities have the power to charge a premium on second homes, and the associated financial disadvantage for the owners of such properties, there is a general concern that properties let as self-catering holiday accommodation transfer to the non-domestic rate system, such as business property. Due to the availability of Small Business Rates Relief on Non-Domestic properties, they make no contribution to local taxes. Therefore, the tax income from these properties accumulates at a national level and is lost from the council tax income available to contribute directly to the budgetary requirements of the authorities concerned.

5.15 Property is listed for local taxation purposes in one of two lists. Domestic property is banded and listed for Council Tax, where all other non-domestic properties have a Rateable Value, which is

calculated and placed on the Non-Domestic Rate Schedule (colloquially referred to as Business Rates). The Rateable Value and description of the property are calculated and determined by the Valuation Office, which is an agency of the Inland Revenue.

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

- That it will be available for commercial letting as self-catering accommodation for short periods totalling 140 days or more in the following 12 month period;
- that the taxpayer's interests in the property enable them to let it for such periods;
- in the 12 months before the assessment, it has been available for commercial letting as self-catering accommodation for short periods for a total of 140 days or more;
- the short periods it has been placed in trade have totalled at least 70 days during that period.

5.17 From 1 April 2016, the following criterion were added to the criteria:-

- by businesses that include a number of self-catering properties in the same location or very close to each other, the option to take an average of the number of let dates for the property to meet the criterion of 70 days, where they are let by the same business or related businesses

5.18 Since 1 April 2023, the letting requirements for classifying self-contained properties as non-domestic properties has changed. The minimum number of days a property is required to be available for letting in a 12 month period has increased to 252 days and the minimum number of days it is actually required for let has increased to 182 days.

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

5.20 On 1 April 2018, a new permanent scheme came into effect from the Welsh Government, which provided business rates relief to eligible small businesses. Eligible businesses must comply with the following requirements:

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

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

5.22 Small Business Rates Relief (SBRR) in Wales is fully funded by the Welsh Government and is the largest Non-Domestic Rates Relief scheme operating in Wales. It provides mandated property rate relief in accordance with their rateable value and their broad use category.

5.23 The financial taxation implications is one vehicle that can be used in order to gain control of the provision, together with being a means of accumulating funds in order to finance schemes that seek to mitigate the impact of and provide affordable housing within vulnerable communities. It is noted, however, and this point of view is recognised by the Government, that the taxation element is only one vehicle needing to be implemented, in conjunction with a range of other mechanisms in order to ensure their efficiency.

Licensing

5.24 Local authorities in Wales have no powers to regulate short term holiday accommodation through a licensing procedure. There has been a call for the Government to introduce a statutory licensing/registration scheme for self-catering holiday accommodation providers.

5.25 It is considered that a compulsory licensing scheme for short-term holiday accommodation, let on a commercial basis (either permanently or occasionally), would be a means of regulating parts of the industry (such as private accommodation let through user websites) by addressing health and safety concerns and enabling local authorities to better understand how and where short term accommodation operates in their area. Furthermore, by having a compulsory licensing system, it would mean that information is gathered through a single data source in relation to the number of short term holiday accommodation within the authority's area. Having a complete data source would enable better control and clarity in relation to the number and concentration of holiday accommodation in specific areas.

5.26 As a result, local planning policies, through the Local Development Plan and associated Supplementary Planning Guidance, can address the issues associated with having high numbers of holiday accommodation in areas under pressure by implementing a policy that limits the number of short-term holiday accommodation, in a manner similar to the policy currently in

force in relation to Multiple Occupancy Houses within the Anglesey and Gwynedd Joint Local Development Plan.

5.27 During early 2023, Welsh Govverment undertook a consultation perioperiod in relation to the intention of introducing a statutroy licencing system.

Part 6: Article 4 Direction Area Options

6.1 The evidence presented in this report highlights the need to act urgently, in order to try to reverse the side effects of holiday homes on communities and ensure fairness and opportunities for the residents of Gwynedd. With the change in the planning legislation, comes the power for Local Planning Authorities to respond in accordance with the local circumstances and concerns.

6.2 There is little guidance from the Government in relation to how to justify the implementation of an Article 4 Direction, however guidance provided in Circular 29/95 (Appendix D) refers to the need to introduce an Article 4 Direction in exceptional circumstances and be justified where there is a real and specific threat. This report therefore outlines the exeprional circumstances which are relevant to Gwynedd

6.3 It is considered that there are 4 possible options in terms of areas where it is justifiable to consider implementing the Article 4 Direction, namely:-

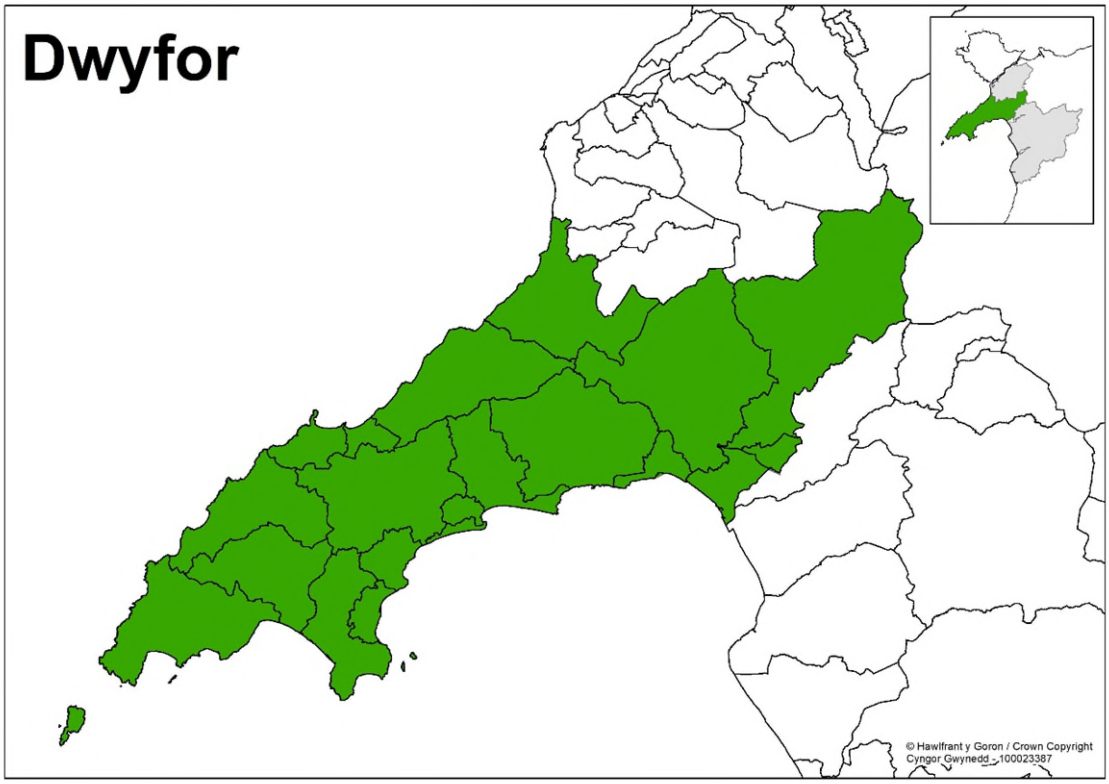
- Option 1: Dwyfor (Government pilot area)
- Option 2: Areas where the current provision of holiday homes is more than 15% of the housing stock
- Option 3: Vulnerable Areas (areas under threat)
- Option 4: The whole of Gwynedd

6.4 When considering these options a detailed assessment of the advantages and disadvantages has been undertaken. Furthermore, consideration has also been given to how the intervention will have a positive effect on the communities of Gwynedd, ensuring that it contributes to the wider objective of introducing the Direction.

Option 1: Dwyfor

6.5 Traditionally, Dwyfor is the area with the highest number of holiday homes, and is also the area where there has been the highest demand from local communities to take action. As a result, the Government chose the Dwyfor area as their pilot scheme area in order to implement measures that would address the impact that high ownership of holiday homes has on communities.

6.6 The following map represents the geographical area of Dwyfor which extends from the far end of Llŷn up to Eryri National Park:-



Map 10: Dwyfor Area

6.7 The following table presents information regarding the wards (before 2022) that make up the Dwyfor area, along with presenting information for the provision of holiday homes and measurable factors that are affected (affordability and the ability to speak Welsh) by holiday homes within those communities:-

Ward	% Holiday Homes (holiday accommodation and second homes)	Ranking in Gwynedd	% Welsh speakers	Ranking in Gwynedd	% Priced out of the market	Ranking in Gwynedd
Aberdaron	30.43%	4	74.2%	42	96.1	2
Abererch	5.31%	46	79.8%	59	80.3	15
Abersoch	54.08%	1	43.5%	9	96.1	1
Clynnog	13.16%	22	73.2%	38	69.0	40
Criccieth	18.16%	12	64.2%	26	86.0	9
Dolbenmaen	11.99%	26	67.6%	30	88.2	6
Efailnewydd/Buan	9.42%	33	74.3%	43	74.7	23
Llanaelhaearn	12.24%	23	73.8%	40	85.6	54

Llanbedrog	25.57%	7	54.0%	17	73.0	8
Llanengan	33.19%	3	63.4%	25	65.1	4
Llanystumdwy	10.08%	30	77.0%	51	70.8	25
Morfa Nefyn	28.19%	6	72.0%	35	68.0	13
Nefyn	17.42%	14	76.1%	50	60.5	41
Porthmadog (East)	4.26%	50	80.1%	60	76.9	35
Porthmadog (West)	28.88%	5	57.0%	20	80.2	19
Porthmadog-Tremadog	20.33%	9	66.8%	28	63.8	16
Pwllheli (North	5.67%	42	79.1%	57	79.3	48
Pwllheli (South)	7.81%	38	78.3%	53	58.4	63
Tudweiliog	17.31%	15	73.9%	41	69.1	5

Table 8: Dwyfor area information (source Finance Department, Land Register, PayCheck, CACI)

6.8 For the measurable factors that are considered to be directly affected by a high density of holiday homes, the position (ranking) of the ward in question, in relation to all of Gwynedd, is noted. The position of the ward is highlighted in order to try to reflect whether the severity of the problem and the side effect is worse in the area in question or not.

6.9 It is emphasised that the above data is represented at ward level in order to be able to make a fair comparison with the factors that are being considered/assessed. That is, the data is assessed for the same geographical area.

6.10 Looking at the table above, it is highlighted that there are areas of Dwyfor that have exceptionally high rates of holiday homes, with 7 areas (Abersoch, Llanengan, Aberdaron, Porthmadog (West), Morfa Nefyn, Llanbedrog and Porthmadog-Tremadog) within the top 10 in Gwynedd. It is also noted that some of the areas, including areas in the heart of the Llŷn (Llannor and Pwllheli) have lower rates and are comparable with other areas in Gwynedd. In the same way, 7 of the wards are located in the top 10 in terms of the proportion of the population priced out of the market, with Abersoch, Aberdaron, Llanengan and Llanbedrog included in the top 10 areas with a high proportion of second homes and holiday accommodation.

6.10 Interestingly, only one area (Abersoch) is in the top 10 in terms of the lowest percentage of Welsh speakers in the county. Despite the fact that the situation of the Welsh language appears to be healthier in Dwyfor, compared to other areas of Gwynedd, which have a high density of second homes, it must be emphasised that Dwyfor is one of the strongholds of the Welsh language and, therefore, the language in comparison with other areas of Gwynedd appears to

be healthy. It is noted, however, when looking at the decline over the years, that it highlights the fact that the language is fragile. In order to protect and ensure the prosperity of the language, it is considered necessary to make every possible measure to ensure that the Welsh language is not further weakened. It is also worth noting that the Welsh language speakers' data is based on the 2011 Census data. Currently, it is not possible to compare data from the 2021 census with the other factors (priced out of the market) due to the ward boundary changes in Gwynedd.

6.11 It must be emphasised that the information presented above is based on ward area, before 2022. It is likely that there are pockets within these areas where there is a higher concentration of holiday homes compared to the wider area .

6.12 If all of Dwyfor were to be included as the area where the Article 4 Direction is introduced, it would mean that some communities currently not facing high rates of holiday homes will be controlled and protected through the intervention. Furthermore, implementing it for Dwyfor alone would mean that there are other areas of Gwynedd that are under increasing pressure, being excluded from the intervention, despite the fact that it can be justified. Consideration must also be given to the fact that it is not possible to measure and predict the effect that the introduction of the Direction for Dwyfor alone would have on the surrounding and wider area, possibly causing further dispersion of the problem and the associated side effects.

Option 2: 15%+ Community Council Areas

6.13 As already stated in part 4, the approach included in the Supplementary Planning Guidance: Tourism Facilities and Holiday Accommodation, in terms of considering the over-provision of holiday homes in communities, has recognised that there is a critical point in terms of the provision of holiday homes which affects the viability and sustainability of those communities. The threshold in terms of the provision included in the Supplementary Planning Guidance is 15%. This threshold means that applications for holiday accommodation in a community council area should not be given favorable consideration where the current provision of the housing stock used as holiday homes (holiday accommodation and second home) is beyond the 15 % threshold.

6.14 The table below conveys the information for the wards where the current housing stock provision is beyond the 15% threshold. Furthermore, information is presented regarding other factors affected in the context of Gwynedd as a whole:-

Ward	**% Holiday Homes (holiday**	**Ranking in Gwynedd**	**% Welsh speakers**	**Ranking in Gwynedd**	**% Priced out of**	**Ranking in Gwynedd**

	accommodation and second homes)				the market	
Abersoch	54.08%	1	43.5%	9	96.1	1
Aberdyfi	37.02%	2	35.5%	4	80.8	14
Llanengan	33.19%	3	63.4%	25	65.1	4
Aberdaron	30.43%	4	74.2%	42	96.1	2
Porthmadog (West)	28.88%	5	57.0%	20	80.2	19
Morfa Nefyn	28.19%	6	72.0%	35	68.0	13
Llanbedrog	25.57%	7	54.0%	17	73.0	8
Llanbedr	23.54%	8	50.8%	13	86.2	10
Porthmadog-Tremadog	20.33%	9	66.8%	28	63.8	16
Llangelynin	19.38%	10	35.9%	5	56.4	46
Harlech	19.34%	11	54.1%	18	65.2	69
Criccieth	18.16%	12	64.2%	26	86.0	9
Barmouth	17.78%	13	41.5%	8	69.5	37
Nefyn	17.42%	14	76.1%	50	60.5	41
Tudweiliog	17.31%	15	73.9%	41	69.1	5
Brithdir and Llanfachreth/ Ganllwyd/ Llanelltyd	17.26%	16	63.2%	24	76.4	20
Bryn-crug/ Llanfihangel	15.58%	17	52.1%	15	71.2	29

Table 9: 15%+ Community/Town/City Council area information (source Finance Department, Land Register, PayCheck, CACI)

6.15 In the same manner as the assessment carried out for the Dwyfor area, there seems to be a more obvious connection between the provision of holiday homes and the percentage of households that are priced out of the market. The introduction of an Article 4 Direction for areas that are currently under pressure, it is hoped that it would be a means of controlling the housing market within those communities. It is also hoped that the intervention would, in turn, lead to holiday homes coming back into use as permanent residential houses, contributing to the stock and provision of houses that would be available as a main place of residence for the local population. However, as already stated, when considering introducing the intervention for the

Dwyfor area alone, it is difficult to predict what the impact of the intervention will be on the wider housing market. It is considered possible to predict that there would be more demand for holiday homes in those areas not facing the intervention. In turn, that would impact on the housing market, pushing house prices out of reach of the local population.

6.16 Another concern in relation to action for 15%+ communities is the fact that the figure and the threshold are based on a specific point in time. For example, an area may have provision that is beyond the 15% threshold when the Article 4 Direction is implemented, however, with time the figure could fall, meaning that the community would be below the threshold. With the changes to the qualifying requirements to pay non-domestic business rates the rise in the premium for second homes, it is possible that there will be a reduction in the number of residential units used for holiday purposes. Due to the procedure and process associated with the introduction of the Article 4 Direction, it is not possible to be responsive to these changes and, therefore, it could mean that the intervention is in effect in areas of Gwynedd where the density is not as high as other areas that are possibly on the rise.

Option 3: Vulnerable Areas

6.17 The assessment presented above in relation to Option 1 (Dwyfor) and Option 2 (15%+ Community Council Areas) highlights the concerns associated with introducing the Direction for a specific area and the implications/side effect that that could then have on the surrounding wider area.

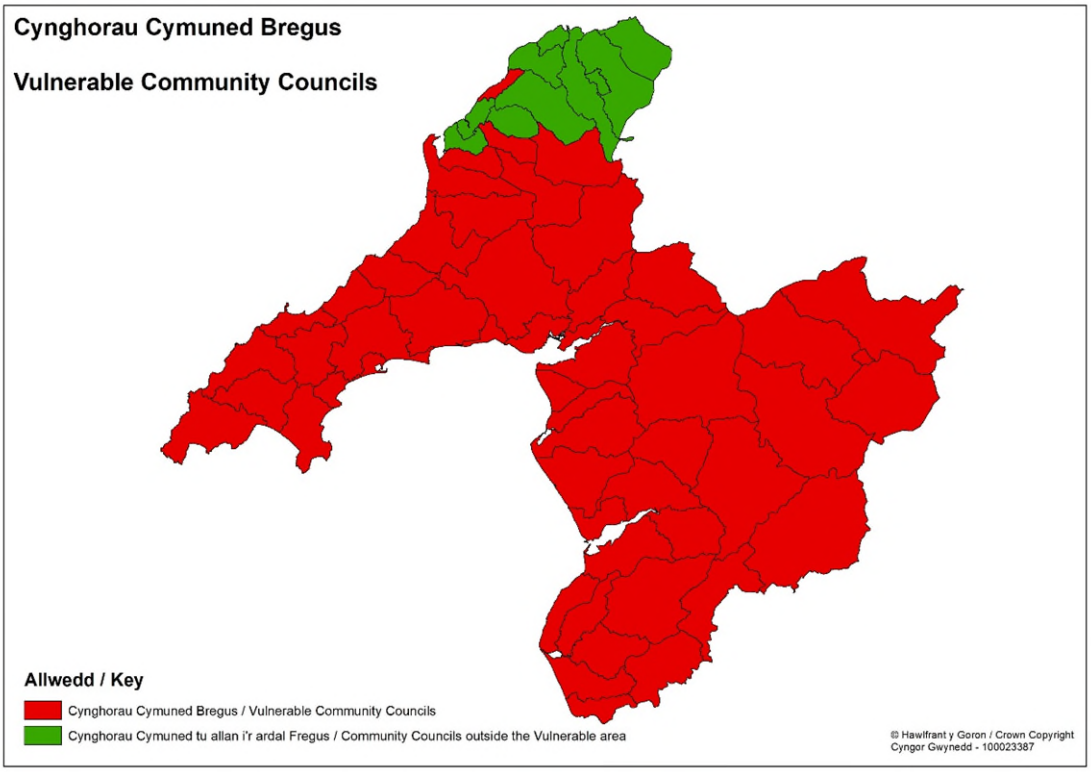
6.18 There are areas of Gwynedd, where the numbers of second homes and holiday accommodation do not appear high on the surface, however, the numbers are increasing, meaning that a tipping point is likely to be reached, adversely affecting those communities, in the same way as what has been seen and witnessed in other areas.

6.19 As the transfer in use from a residential house to the use of a holiday home (second home or holiday accommodation) can happen easily and as the process of introducing the Article 4 Direction is one where it is necessary to follow a prescriptive procedure and obtain the Authority's approval, it does not enable flexibility to respond quickly to any change in circumstances.

6.20 In order to provide some flexibility and to try to predict what the future patterns will be in terms of numbers and the associated threat, it is considered appropriate to assess the appropriateness of implementing the Article 4 Direction for Vulnerable Areas. Areas are defined in accordance with the following factors:-

- Dwyfor Pilot Area (Option 1);
- Provision of second homes and holiday accommodation (15% Community Council areas) which have been considered in Option 2;
- Areas threatened in terms of numbers, i.e. those areas where the current provision is above 10% of the housing stock;
- Areas adjacent to 15% Community Councils (threat of spread from the areas under pressure)

6.21 The map below highlights the area that would be included as an Option 3 area: Vulnerable Areas:-



Map 11: Vulnerable Areas

6.22 Note from the map that Dwyfor and Meirionnydd as a whole would be included within the area, along with those areas of Arfon which border Eryri National Park. The areas exempted would be the urban areas of Arfon and the surrounding communities.

Option 4: The whole of Gwynedd (Gwynedd Local Planning Authority Area)

6.23 It is recognised that there are areas of Gwynedd where the provision of holiday homes is relatively low. It is noted, however, that there is an increase in the number of holiday homes in the less traditional areas, such as urban areas. It is considered that this pattern has possibly been

attributed to the fact that there are more houses and choice available to buy in these areas and, therefore, the prices are lower. Furthermore, urban areas are locations that are attractive in terms of their accessibility to wider areas of England and Wales.

6.24 It is emphasised that the objective of implementing the Article 4 Direction would be to protect the communities of Gwynedd and the benefits of the people of Gwynedd, ensuring that opportunities exist for people to be able to live in their communities. Protecting the existing housing stock by controlling use is part of this wider objective.

6.25 The lack of certainty regarding the implications of the Article 4 Direction and the lack of ability to be responsive to changes in circumstances causes concern. For example, if the Direction were implemented for an area of Gwynedd alone, there is a chance that that action would have an adverse effect on the neighbouring housing market, as well as the type of side effects mentioned in part 4 of the report. The process of preparing an Article 4 Direction in response to such circumstances would take too much time, considering the need to give 12 months' notice before action can be taken to avoid requests for compensation. It is, therefore, considered that there is a real threat to the housing market and to neighbouring communities.

6.26 Although, on the surface, second homes and holiday accommodation do not have a typical effect on communities across all of Gwynedd, protecting Gwynedd's communities and the long-term ability of the county's residents and future generations to be able to live in the county is essential. Therefore, in essence, it is considered that protecting the current housing stock across the Gwynedd Local Planning Authority area is essential in order to be able to plan ahead for future needs.

Part 7: Conclusions

The Favoured Option

7.1 As the implementation of the Article 4 Direction in this manner is unprecedented, it is not possible to predict or measure the implications that could arise from its implementation. Inevitably, it is likely that intervention by introducing an Article 4 Direction and, therefore, controlling the use made of residential units, would have a (possibly minimal) effect on the value of the property on the open market. It was noted in part 5 that research carried out in Northumberland in relation to the implementation of a main place of residence condition on new houses, found that a property with a main place of residence condition on it, would be equivalent to 95% of its value on the open market. Therefore, it is inevitable that the Article 4 Direction would have a similar effect on house prices.

7.2 Another effect is the possible increase in the ownership of holiday homes in those areas not restricted by the Direction, meaning that the problem moves from one area to another. This can be a real threat to the communities affected.

7.3 Because an Article 4 Direction would revoke the unrestricted ability to use a house for holiday purposes, it is possible that this could have an impact on the tourism sector. However, it is noted that housing already in holiday use when the new legislation was introduced will be defined according to the use and as such the holiday use can continue without any intervention. Further, it is emphasised that the Article 4 Direction would be a control mechanism, not a prevention mechanism. Ensuring that the local planning policy framework is fit for purpose and supports a sustainable tourism sector will be vitally important in considering any future provision.

7.4 The current housing situation in Gwynedd is critical. On average, 65.5% of the population have been priced out of the housing market. It was noted in Part 1 of the paper that a number of national and local policy guidance and strategies attempt to address the lack of provision of affordable housing and people's ability to live in their communities, reversing the social inequality that currently exists.

7.5 It was highlighted in Part 4 that there is a correlation between the provision of holiday homes and affordability. It is, therefore, considered reasonable to conclude that the provision of holiday homes is one of the factors that contribute towards affordability problems in communities and people’s ability to own houses.

7.6 The Council's commitment to respond to the challenges facing communities with a high density of holiday homes is reflected in the approach in terms of the taxation procedure. Following the power to be able to increase the Council tax premium by up to 300% from April 2023 onwards, the Council has decided to raise the premium rate from the current 100% to a rate of 150% from April 2023 onwards. This decision is justified after considering local factors affecting the housing market and the availability of homes (specifically second homes and holiday accommodation). Furthermore, increasing the premium means that it is possible to finance a range of projects in the Council's Housing Action Plan (in line with an increase in inflation).

7.7 In order to try to gain control over the use made of residential houses and, thereby, ensuring an appropriate provision of houses available to meet local needs, it is considered appropriate that the housing stock for the whole county of Gwynedd (which includes the entire Gwynedd Local Planning Authority area) needs to be protected through the introduction of the Article 4 Direction. By introducing the Article 4 Direction for the whole area, it ensures that the amenities of the county's residents are protected, as well as ensuring that the vision and objectives of a range of relevant strategies and policies receive consideration when assessing the appropriateness of the prospective development (in accordance with local planning policy guidance). It is further noted that this handling of the presentation of the Article 4 Direction would ensure that there is no doubt about the geographical area where the intervention is carried out and ensure that the residents of the entire county are subject to the same intervention/protection.

7.8 Following the analysis of the options discussed in Part 6 of the paper, it is noted that the preferred option in terms of introducing the Article 4 Direction is **Option 4: The whole of Gwynedd (Gwynedd Local Planning Authority Area).** It is hoped that, by acting in this way, it will protect the vulnerable communities of Gwynedd in terms of their social, economic and cultural sustainability.

Approach of the Article 4 Direction

7.9 Procedures set out in legislation must be followed when introducing and implementing an Article 4 Direction. The procedure is set out in the Town and Country Planning Act (General Permitted Development) 1995 as amended. In accordance with the recent amendment to the relevant legislation, it is possible to present two types of Article 4 Direction, namely:-

- A Direction that comes into force directly, which means that the Article 4 Direction comes into force before public consultation.

- A Direction that does not come into force directly, which means that there is a public consultation before the Article 4 Direction comes into force.

7.10 It is considered that there are advantages and disadvantages associated with both approaches. It is emphasised that the right to compensation payable in relation to the Article 4 Direction with immediate effect, is a significant risk for the Authority. In accordance with the need to avoid having to pay compensation, it is considered that the option of implementing an Article 4 Direction without immediate effect and which includes a 12 months notice period before the Article 4 Direction comes into force (which revokees the right to compensation), is the appropriate option to take in order to protect the Council's interests.

7.11 The Well-Being of Future Generations (Wales) Act 2015 and the Sustainable Development principles have been taken into account when considering the Article 4 Direction. It is considered that the proposed approach is consistent with the principles of the Act.

Scope of the Article 4 Direction

7.12 In order to protect the communities of Gwynedd and ensure that the housing stock is not lost without control to holiday use, it is considered appropriate that the Article 4 Direction removes development rights that allows a change of use from use class C3 to C5 and C6. Similarly, in order to facilitate the ability for second homes and short-term holiday accommodation (which are not restricted through planning permission) to transfer back to the housing stock, it is not considered appropriate to interfere with the ability to do so by introducing the Article 4 Direction. The unrestricted transfer of C5 to C6 use will, therefore, be able to continue.

7.13 The following table presents information in terms of the scope of the Article 4 Direction and the permitted development rights intended to be revoked:-

Use Class	Use Class Proposed change	Restriction by way of Article 4 Direction?	Explanation
Class C3 (Dwellinghouses used as sole or main residences)	Class C5 (Dwellinghouses, used otherwise than as sole or main residences)	✓	In order to protect and gain control of the existing housing stock.
	Class C6 (Short-term lets)	✓	In order to protect and gain control of the existing housing stock.

Use Class	Use Class Proposed change	Restriction by way of Article 4 Direction?	Explanation
	Mixed use combining Class C3 (Dwellinghouses used as sole or main residences) with Class C6 (short-term lets)	✓	In order to protect and gain control of the existing housing stock.
	Mixed use combining Class C5 (Dwellinghouses, used otherwise than as sole or main residences) with Class C6 (short-term lets)	✓	In order to protect and gain control of the existing housing stock.
Class C5 (Dwellinghouses, used otherwise than as sole or main residences)	Class C3 (Dwellinghouses used as sole or main residences)	×	Need to encourage the transfer back to use as a main place of residence.
	Class C6 (short-term lets)	✓	Need to consider the current provision of holiday accommodation and consider the impact of the proposal on the amenities of nearby residents.
	Mixed use combining Class C5 (Dwellinghouses, used otherwise than as sole or main residences) with Class C6 (short-term lets)	✓	Need to consider the current provision of holiday accommodation and consider the impact of the proposal on the amenities of nearby residents.

Use Class	Use Class Proposed change	Restriction by way of Article 4 Direction?	Explanation
	Mixed use combining Class C3 (Dwellinghouses used as sole or main residences) with Class C6 (short-term lets)	✓	Need to consider the current provision of holiday accommodation and consider the impact of the proposal on the amenities of nearby residents.
Class C6 (short-term lets)	Class C3 (Dwellinghouses used as sole or main residences)	×	Need to encourage the transfer back to use as a main place of residence.
	Class C5 (Dwellinghouses, used otherwise than as sole or main residences)	✓	In order to try to ensure that there is control of the use, and to encourage the transfer to use as a main place of residence.
	Mixed use combining Class C3 (Dwellinghouses used as sole or main residences) with Class C6 (short-term lets)	×	Need to encourage the transfer back to use as a main place of residence.
	Mixed use combining Class C5 (Dwellinghouses, used otherwise than as sole or main residences) Class C6 (short-term lets)	✓	In order to try to ensure that there is control of the use, and to encourage the transfer to use as a main place of residence.

Use Class	Use Class Proposed change	Restriction by way of Article 4 Direction?	Explanation
Mixed use combining Class C3 (Dwellinghouses used as sole or main residences) with Class C6 (short-term lets)	Class C3 (Dwellinghouses used as sole or main residences)	×	Need to encourage the transfer back to use as a main place of residence.
	Class C5 (Dwellinghouses, used otherwise than as sole or main residences)	✓	In order to try to ensure that there is control of the use, and to encourage the transfer to use as a main place of residence.
	Class C6 (short-term lets)	✓	Need to consider the current provision of holiday accommodation and consider the impact of the proposal on the amenities of nearby residents.
	Mixed use combining Class C5 (Dwellinghouses, used otherwise than as sole or main residences) Class C6 (short-term lets)	✓	In order to try to ensure that there is control of the use, and to encourage the transfer to use as a main place of residence. Further, there is a need to consider the current provision of holiday accommodation and consider the impact of the proposal on the amenities of nearby residents.
Mixed use combining Class C5 (Dwellinghouses,	Class C3 (Dwellinghouses used as sole or main residences	×	Need to encourage the transfer back to use as a main place of residence.

Use Class	Use Class Proposed change	Restriction by way of Article 4 Direction?	Explanation
used otherwise than as sole or main residences) Class C6 (short-term lets)	Class C5 (Dwellinghouses, used otherwise than as sole or main residences)	✓	In order to try to ensure that there is control of the use, and to encourage the transfer to use as a main place of residence.
	Class C6 (short-term lets)	✓	Need to consider the current provision of holiday accommodation and consider the impact of the proposal on the amenities of nearby residents.
	Mixed use combining Class C3 (Dwellinghouses used as sole or main residences) with Class C6 (short-term lets)	×	Need to encourage the transfer back to use as a main place of residence.

Table 10: Revocation of Permitted Development Rights