

<b>Meeting of:</b>	<b>COUNCIL</b>
<b>Date of Meeting:</b>	<b>20 SEPTEMBER 2023</b>
<b>Report Title:</b>	<b>COUNCIL TAX PREMIUMS – SECOND HOMES</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE AND CORPORATE DIRECTOR COMMUNITIES</b>
<b>Responsible Officer:</b>	<b>DEBORAH EXTON DEPUTY HEAD OF FINANCE</b>  <b>JONATHAN PARSONS GROUP MANAGER PLANNING AND DEVELOPMENT SERVICES</b>
<b>Policy Framework and Procedure Rules:</b>	There is no impact on the policy framework and procedure rules.
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• On 8 February 2023 Council received a report seeking approval to apply a council tax premium on empty homes and second homes in line with Welsh Government Guidance and following a public consultation.</li> <li>• The proposal was to apply 100% council tax premiums to empty homes from 1 April 2023 and to second homes from 1 April 2024, with both increasing to 200% after 2 years.</li> <li>• Council did however ask that a further report be brought back to Council during the year on the wider implications of council tax premiums on second homes, prior to deciding whether or not to continue to proceed with applying this premium.</li> <li>• The Council currently has 81 chargeable second homes, which could generate additional council tax income of £188,000, but this is subject to discounts and exceptions being applied and successful collection.</li> <li>• This report outlines some of the planning and regeneration implications of implementing this proposal and seeks a decision from Council on whether to continue with the decision made at Council in February 2023 to apply the premium from April 2024.</li> </ul>

## 1. Purpose of Report

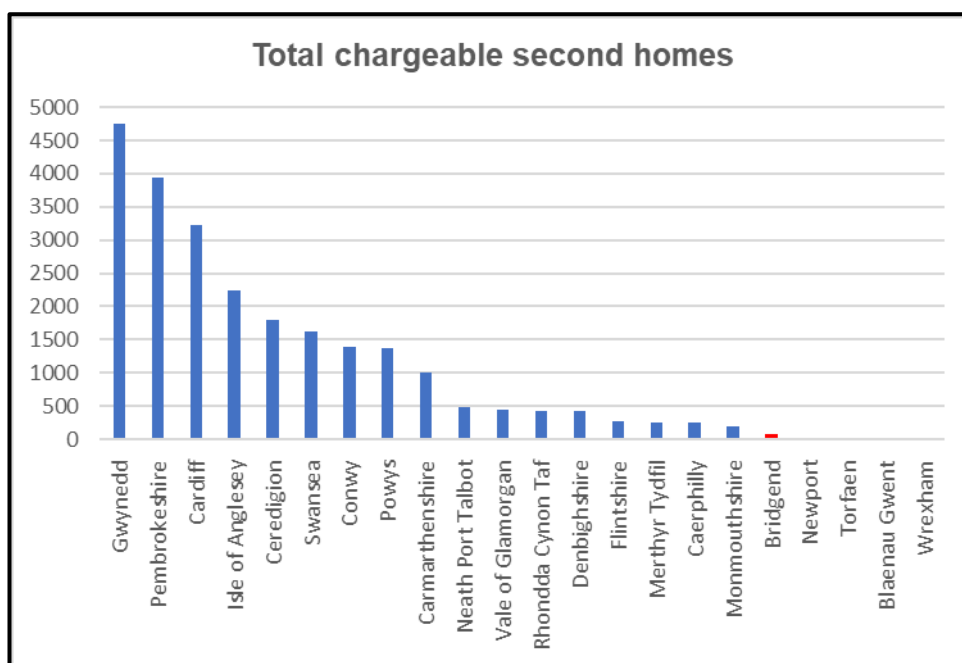
- 1.1 The purpose of this report is to provide further information to Council on the planning and regeneration implications of applying a council tax premium to second homes, as requested at the meeting of Council on 8 February 2024, and to seek Council's approval to go ahead with the application of the premium from 1 April 2024.

## 2. Background

- 2.1 On 8 February 2023 Council received a report seeking approval to apply a council tax premium on empty homes and second homes in line with Welsh Government Guidance and following a public consultation. The proposal was to apply 100% council tax premiums to empty homes from 1 April 2023 and to second homes from 1 April 2024, with both increasing to 200% after 2 years.
- 2.2 Council approved the proposal but did request that a further report be brought back to Council during the financial year, outlining the wider implications, specifically regeneration implications, of the proposal to apply a second homes premium, prior to making a final determination that it would be implemented from 1 April 2024. The council tax premium on empty homes at 100% has been applied since 1 April 2023.
- 2.3 As outlined in the February report, a second home is defined as a dwelling that is not a person's sole or main residence and is substantially furnished. These dwellings are referred to in the Local Government Finance Act (LGFA) 1992 as dwellings occupied periodically but they are commonly referred to as "second homes". Where a Council makes a determination to charge a premium on second homes, this can be up to a maximum of 300 per cent from April 2023.
- 2.4 The Welsh Government guidance outlines a number of exceptions where premiums cannot be charged on empty homes and second homes, and more detail is available on each one within the guidance:

Classes of Dwelling	Definition	Application
Class 1	Dwellings being marketed for sale – time-limited for one year	Long Term Empty Homes and Second Homes
Class 2	Dwellings being marketed for let – time-limited for one year	
Class 3	Annexes forming part of, or being treated as part of, the main dwelling	
Class 4	Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation	
Class 5	Occupied caravan pitches and boat moorings	Second Homes
Class 6	Seasonal homes where year-round occupation is prohibited	
Class 7	Job-related dwellings	

2.5 Welsh Government published statistics on the number of second homes chargeable for council tax purposes in January 2023. The position across Wales is shown in the chart below:



2.6 The report to Council in February outlined the position across Wales in respect of second homes premiums, and this has been updated below. It shows those authorities that charge a council tax premium on second homes, plus the percentage premium applied and the number of properties affected. The figures from the February report are shown below for comparison.

	Second Homes Premium					Total
	25%	50%	75%	100%	150%	
Blaenau Gwent	0	0	0	0	0	0
Bridgend	0	0	0	0	0	0
Caerphilly	0	0	0	0	0	0
Cardiff	0	0	0	0	0	0
Carmarthenshire	0	0	0	0	0	0
Ceredigion	1697	0	0	0	0	1697
Conwy	0	1102	0	0	0	1102
Denbighshire	0	411	0	0	0	411
Flintshire	0	0	0	182	0	182
Gwynedd	0	0	0	0	3777	3777
Isle of Anglesey	0	0	2179	0	0	2179
Merthyr Tydfil	0	0	0	0	0	0
Monmouthshire	0	0	0	0	0	0
Neath Port Talbot	0	0	0	0	0	0

	Second Homes Premium					
	25%	50%	75%	100%	150%	Total
Newport	0	0	0	0	0	0
Pembrokeshire	0	0	0	3492	0	3492
Powys	0	0	1168	0	0	1168
Rhondda Cynon Taf	0	0	0	0	0	0
Swansea	0	0	0	1327	0	1327
Torfaen	0	0	0	0	0	0
Vale of Glamorgan	0	0	0	0	0	0
Wrexham	0	0	0	0	0	0
<b>Total Wales</b>	<b>1697</b>	<b>1513</b>	<b>3347</b>	<b>5001</b>	<b>3777</b>	<b>15335</b>

<b>February 2023 Report</b>	<b>2692</b>	<b>3784</b>	<b>0</b>	<b>8824</b>	<b>0</b>	<b>15300</b>
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2.7 Compared to the information provided in February, one Council is now charging a premium of 150% instead of 100%, and two Councils are charging 75% instead of 25% and 50%. A number of other authorities have indicated that they will be charging premiums on second homes from April 2024 or April 2025.

2.8 Under the Local Government Finance Act 1992, in order for a premium to apply to dwellings occupied periodically (second homes), a billing authority must make its first determination under section 12B **at least one year** before the beginning of the financial year to which the premium relates, which accounts for the time delay in implementation.

### 3. Current situation / proposal

3.1 On 4 July 2022 the First Minister and the Leader of Plaid Cymru announced a package of measures to tackle the issue of second homes and short-term lets in Wales. This included a land use planning element with the introduction of three new use classes. These three new use classes give local planning authorities the ability, where they have evidence, to make local amendments to the planning system through an Article 4 Direction, allowing them to consider whether planning permission is required to change from one use class to another, in order to control the number of additional second homes and short-term lets in an area. These changes to planning legislation were consulted upon from November 2021 to February 2022 and have now been implemented as secondary legislation.

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

cannot be let for the new minimum number of days, would be liable now for council tax, and not non-domestic rates, and would be liable for the second homes premium.

- 3.3 The Welsh Government has taken the position that properties providing self-catering accommodation should be classed as non-domestic only if they are being let on a commercial basis for the majority of the year and that properties let out on an infrequent basis should be liable for council tax. As well as ensuring that such properties make a fair contribution to their communities and local economies, the increased letting criteria are intended to help ensure that the properties concerned are being let regularly. This is to help address the impact of large numbers of second homes and holiday lets, including the impact of underused properties, on the availability of local housing.
- 3.4 Currently Bridgend County Borough Council has 81 properties which are classed as second homes that pay a 100% charge. Of these, 48 are within Porthcawl Town Council area. 61 of the 81 properties are owned by people who do not live in Bridgend County Borough. 12 of the total properties are rented out / holiday lets, with the remainder kept furnished for occasional use.

#### Land Use Planning Position

- 3.5 Land use planning is a devolved function in Wales and recent changes to the Town and Country Planning (Use Classes) Order 1987 has provided further categories within the 'C' use class (residential uses). The changes have been introduced in response to local housing issues in local authorities in North and West Wales, where holiday lets are severely impacting on the local housing market.
- 3.6 The new uses classes are as follows.

Class C3 Dwellinghouses, used as sole or main residence and occupied for more than 183 days in a calendar year. This class is now formed of 3 parts:

- Class C3(a) covers use by a single person or a family (a couple whether married or not, a person related to one another with members of the family of one of the couple to be treated as members of the family of the other), an employer and certain domestic employees (such as an au pair, nanny, nurse, governess, servant, chauffeur, gardener, secretary and personal assistant), a carer and the person receiving the care and a foster parent and foster child.
- Class C3(b) up to six people living together as a single household and receiving care e.g. supported housing schemes such as those for people with learning disabilities or mental health problems.
- Class C3(c) allows for groups of people (up to six) living together as a single household to allow for those groupings that do not fall within the C4 HMO definition to be provided for, e.g. a small religious community may fall into this category as could a homeowner who is living with a lodger.

Class C4 - Houses in multiple occupation – small, shared houses or flats occupied by between three and six unrelated individuals, as their only or main residence, who share basic amenities such as a kitchen or bathroom. For the purposes of class C4, a ‘house in multiple occupation’ has the same meaning as in section 254 of the Housing Act 2004 and does not include a converted block of flats to which section 257 of the Housing Act 2004 applies.

Class C5 - Dwellinghouses, used otherwise than as sole or main residences – Dwellinghouses used otherwise than as a sole or main residence and occupied for 183 days or fewer.

Class C6 Short term lets – Dwellinghouses used for commercial short-term letting not longer than 31 days for each period of occupation.

- 3.7 These additional new use classes categorise dwellinghouse uses for short term holiday lets, second homes and Airbnbs. Normally planning permission is required to move from one use class to another, however as part of the legislative changes the Town and Country Planning (General Permitted Development) Order 1995 (the GPDO), which is the legislation that provides freedom from the need to apply for planning permission, has also been amended to allow permitted changes between the new use classes, C3, C5 and C6. This means that a dwellinghouse can become a holiday let or Airbnb, second home etc. and vice versa without the need for planning permission.
- 3.8 These permitted development rights can be dis-applied within a specific area by what is known as an Article 4 Direction, which is made by a local planning authority (LPA) effectively requiring a property owner to apply for planning permission to change from one use to another. This allows the LPA to assess the proposal on the basis of the local prevailing conditions. Restrictions may also be placed on new dwellings to change to holiday lets etc.
- 3.9 Notwithstanding the powers to make an Article 4 Direction, national Planning Policy Wales (PPW) makes it explicit that, when a local planning authority is considering such action the prevalence of second homes and short-term lets in a local area must be taken into account and in particular how this impacts on the local housing market and availability. This is also relevant when considering housing requirements and policy approaches in Local Development Plans (LDPs). As such there must be robust evidence to indicate the need for removing permitted development rights and a clear need to control the use of dwellinghouses. In the case of Bridgend, no evidence has come forward through the recent Replacement LDP process to suggest the amount of short term lets in the area to be of such a concern to consider the imposition of such restrictions and no policies relating to this issue have been included in the deposit plan.
- 3.10 Nevertheless, if Cabinet considered it necessary, an examination of the potential impact of imposing restrictions on local housing areas such as Porthcawl (including the proposed regeneration site) could be undertaken in light of the new legislation and guidance. Whilst there may be valid social and economic concerns about new market housing potentially being vacant for long periods, or having a high turnover of occupancy, it should be noted that

short term holiday lets can also provide a vital tourism benefit to an area and there may be a need to adopt a balanced approach.

- 3.11 A comprehensive assessment of the area to better understand the current and future tourist requirements of holiday lets could not be undertaken using current internal resources and an external specialist consultant would need to be procured. There is no current budget or resource available to facilitate this study.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

- 4.1 An initial Equality Impact Assessment (EIA) screening has identified that there would be no negative impact on those with one or more of the protected characteristics, on socio-economic disadvantage or the use of the Welsh Language. It is therefore not necessary to carry out a full EIA on this policy or proposal.
- 4.2 A number of mechanisms are available to support people in paying their council tax, not least the council tax reduction scheme which supports people on low incomes to pay their council tax.

#### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

- 5.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report. Specifically the proposals support the sustainable development principle by seeking to support an increase in the supply of affordable housing and enhancing the sustainability of local communities.

#### **6. Climate Change Implications**

- 6.1 There are no climate change implications arising from this report.

#### **7. Safeguarding and Corporate Parent Implications**

- 7.1 There are no safeguarding or corporate parent implications arising from this report.

#### **8. Financial Implications**

- 8.1 The charging of a 100% premium on second homes would raise additional revenue through council tax collection. This is estimated at a maximum of £188,000 (based on the full year impact of a 100% premium from April 2024) and based on the current 97.5% collection rate at average Band D council tax rates). However, this is unlikely to be the case, given the likely much lower collection rates for these properties, and the need to identify and apply the exceptions set out in paragraph 2.4.

8.2 In line with the WG guidance, the local authority is permitted to retain any additional funds generated by implementing the premium. Authorities are encouraged to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premiums.

## **9. Recommendation**

9.1 Council is requested to consider the information provided and make a final determination on the application of council tax premiums to second homes from 1 April 2024.

## **Background documents**

Welsh Government guidance 'Council Tax on empty and second homes' March 2023