

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	17 NOVEMBER 2022
TITLE	PREMIUM ON THE COUNCIL TAX OF SECOND HOMES AND LONG-TERM EMPTY DWELLINGS
PURPOSE OF REPORT	TO SCRUTINISE THE INFORMATION THAT WILL BE PRESENTED TO THE CABINET
AUTHOR	DEWI MORGAN, HEAD OF FINANCE
ACTION	TO CONSIDER THE INFORMATION IN THE REPORT AND THE APPENDICES IN ORDER TO COME TO A CONCLUSION IF THE RISKS HAVE BEEN MITIGATED

1. INTRODUCTION – WHAT DOES THE GOVERNANCE AND AUDIT COMMITTEE NEED TO DO?

- 1.1. A report will be submitted to the Council's Cabinet on 22 November 2022. The purpose of this report is to seek a Cabinet recommendation to be submitted to the full Council on 1 December to make a decision on the level of the Council Tax Premium to be raised in 2023/24.
- 1.2. In the current financial year (2022/23) the Council raises the maximum amount allowed by legislation, which is an additional Premium of 100%. However, from 1 April 2023, the legislation will change and local authorities will have the powers to charge an additional Premium of 300%.
- 1.3. In order to address how the Council should respond to the new legislation, there are a number of steps that must be taken and statutory guidance that needs to be followed. A copy of the statutory guidance is included in Appendix 1.
- 1.4. In addition to the technical requirements of the Local Government Finance Act 1992, the Council needs to take due and proper consideration of the requirements of various laws which include (but are not limited to) the Equality Act 2010 and the Well-being of Future Generations (Wales) Act 2015.
- 1.5. The Governance and Audit Committee is statutorily required to review and scrutinise the Council's financial matters, and that includes ensuring that the Council acts appropriately and manages its risks.

- 1.6. The role of the Committee is not to come to a conclusion on the what the level of the Premium should be, but to ensure that Cabinet and Council are clear of the facts that are presented to it, so that the decision that is taken is done so on sound information.
- 1.7. The Governance and Audit Committee is expected to satisfy itself that the evidence that has been collected, which is presented in this report and its appendices, is sufficient to allow the Cabinet and Council to be able to reach a reasonable decision on the basis of the information that is to be presented to them.
- 1.8. For example:
 - Does the information clearly clarify the statutory requirement ?
 - Is the Equality Impact Assessment suitable?
 - Has the Council consulted with stakeholders in an appropriate manner?
 - Is the report clear about the implications of the decision sought?
 - Are the risks clear?

2. BACKGROUND

- 2.1. In accordance with the requirements of the Local Government Finance Act 1992, the Council must make an annual decision if it is to levy a Premium on the Council Tax on long-term empty properties and second homes ("periodically occupied dwellings"). Without a decision, there would be 50% discount on the Council Tax of such properties.
- 2.2. While the final decision on the Council Tax discount or premium, and the level of discount or premium, must be made by the full Council, in accordance with the Council's Constitution, the Cabinet needs to make a recommendation to the full Council.
- 2.3. For financial years 2021/22 and 2022/23, the Council has raised a Council Tax Premium of 100%, which is the highest allowed under the law for these financial years. Legislative changes mean the Council can charge a Premium of up to 300% from 1 April 2023.

3. INTRODUCTION

- 3.1. The Local Government Finance Act 1992 provides the Council with the discretion to charge full Council Tax, allow a discount of up to 50%, or to charge a Premium of up to an additional 100% on the Council Tax of certain classes of second homes and long-term empty properties.
- 3.2. The Council has resolved annually since 1998 to allow NO discounts to second homes.
- 3.3. The Council has resolved annually since 2009 to allow NO discounts in respect of properties that have been empty for 6 months or more.
- 3.4. Section 139 of the Housing (Wales) Act 2014 added Sections 12A and 12B to the Local Government Finance Act 1992 to include a discretionary right for Councils to raise an additional “Premium” of no more than 100% on dwellings that have been empty for 12 months or more (Section 12A) and relevant second homes (Section 12B).
- 3.5. On 8 December 2016, the Council resolved to raise a Premium of 50% on the Council Tax of relevant second homes and long-term empty dwellings, to be implemented from 1 April 2018. On 4 March 2021, the Council resolved to increase the Premium 100%, which is the maximum level allowed by legislation, for the 2021/22 financial year, and on 2 December 2021 it resolved to maintain the Premium level at 100% for 2022/23.
- 3.6. The *Council Tax (Long-term Empty Dwellings and Dwellings Occupied Periodically) (Wales) Regulations 2022 (SI 2022/370 W.90)* have amended Sections 12A and 12B of the 1992 Act giving billing authorities the power to raise a Premium of up to 300% on the Council Tax of second homes and long-term empty dwellings for the 2023/24 and subsequent financial years.
- 3.7. To enable it to make a recommendation at its meeting on 22 November 2022, Cabinet resolved on 27 September 2022 that it would hold a public consultation in order to obtain public opinion on how the change in the Act should be responded to. The consultation period has concluded, and the purpose of this report is to present the results of the consultation, as well as other relevant considerations, so that Cabinet can weigh up the feedback that has been received before deciding on a recommendation to be presented to the full Council.
- 3.8. The results of the public consultation are included in Part 5 of this report.

4. RELEVANT CONSIDERATIONS

Context

- 4.1. The terminology used in Section 12B is not “second homes” or “holiday homes” but rather “dwellings occupied periodically”. The Act states that the conditions for a property to be subject to a “second home” Council Tax premium is, “***there is no resident of the dwelling, and the dwelling is substantially furnished***”. That is, the property is not anyone’s main home, but it has been furnished. The Act does not include any provision to be able to distinguish on the basis of where the owner lives, or if it is used for the purposes of holidays.
- 4.2. For the purposes of collecting Council Tax, *The Council Tax (Prescribed Classes of Dwellings) (Wales) Regulations 1998 (SI 1998/105)* have categorised 'second homes' into two classes, namely classes A and B. Class C refers to empty properties:
- **Class A** – Second homes which are unoccupied and furnished, with a restriction on occupancy for a period of at least 28 consecutive days in any 12 month period.
 - **Class B** – Second homes which are unoccupied and furnished.
 - **Class C** – empty and unfurnished properties, and have been such for a period of over 6 months.
- 4.3. A “resident” in relation to any dwelling means an individual who has attained the age of 18 years and has his sole or main residence in the dwelling (Section 6(5)) Local Government Finance Act 1992).
- 4.4. As a result of the changes that came into force as a result of the Housing (Wales) Act 2014, the matter was considered by the Full Council on 8 December 2016, which resolved to raise a Premium of 50% on class B second homes and on class C long-term empty properties (empty for 12 months or more) in 2018/19.
- 4.5. All background papers in relation to the first determination to raise a Premium are to be found on the Gwynedd Council website:
- <https://democracy.cyngor.gwynedd.gov.uk/ielistdocuments.aspx?cid=130&mid=1656&ver=4>
- 4.6. On 4 March 2021 the Council decided that it would increase the level of premium to 100% on relevant properties. All background papers in relation to this decision can be found on Gwynedd Council's website:
- <https://democracy.gwynedd.llyw.cymru/ielistdocuments.aspx?cid=130&mid=4215&ver=4>

- 4.7. The Local Government Finance Act 1992 states that any determination with regards to Section 12, 12A and 12B must be made annually, by the full Council.
- 4.8. The financial strategy for 2022/23, and the Council's grant settlement from the Welsh Government, is based on continuation of the policy to allow NO discounts, and any change to that policy would need to be funded by the Council in 2022/23.
- 4.9. The regulations for setting the tax base have been written so that a decision to raise a Premium does not effect the Council's grant settlement from the Welsh Government.
- 4.10. On 9 November 2022 there were:
- **4,564** dwellings subject to the Premium on second homes (Class B)
 - **229** of further second homes in Class B but not paying the Premium as they were subject to one of the exemptions outlined in Part 8 below.
 - **753** properties within Class A where the possession is prohibited for a period of at least 28 days in the relevant year.
- 4.11. At the same time, **1,099** properties were subject to the Premium on a long term empty dwelling.

Statutory Requirements

- 4.12. When giving councils powers to raise a Premium (originally up to 100% and then up to 300%) on the Council Tax of second homes and long-term empty dwellings, the Welsh Government published statutory guidance, *Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales*. A copy of the Statutory Guidance is found in Appendix 1.
- 4.13. Paragraphs 20 to 22 of the Guidance outline what a local authority needs to consider when planning to introduce a Premium. These were considered in detail in 2016 when Gwynedd Council decided to introduce a 50% Premium on second homes and long-term empty dwellings, and then every year when coming to a decision on the Premium for the following year. If Cabinet decides to recommend an increase in the level of premium it will need to consider the following again, and how the evidence collected achieves the following.

20. The discretion given to local authorities to charge a premium is intended to be a tool to help local authorities to:

- **bring long-term empty homes back into use to provide safe, secure and affordable homes; and**
- **support local authorities in increasing the supply of affordable housing and enhancing the sustainability of local communities.**

21. In considering whether or not to charge a premium, regard should be given to these aims. Authorities should take into account the particular housing need and circumstances in their area.

22. There are a range of factors which could help inform local authorities in deciding whether to charge a premium. Whilst some factors will be specific to either long-term empty homes or second homes, others will be common to both. A list of these factors is set out below to assist local authorities. It is not intended to be exhaustive.

- **Numbers and percentages of long-term empty homes or second homes in the area;**
- **Distribution of long-term empty homes or second homes and other housing throughout the authority and an assessment of their impact on property values in particular areas;**
- **Potential impact on local economies and the tourism industry;**
- **Patterns of demand for, and availability of, affordable homes**
- **Potential impact on local public services;**
- **Potential impact on the local community;**
- **Other measures that are available to authorities to increase housing supply;**
- **Other measures that are available to authorities to help bring empty properties back into use.**

4.14. When introducing of the 50% Premium, particular attention was paid to two studies. Firstly, a detailed analysis undertaken in 2013 supported the introduction of a premium, whilst also noting a need for action to control / block the transfer of second homes being commercial holiday lets subject to non-domestic rates. The document included a detailed analysis supporting the Council's position that it should be given the right to raise a Premium on second homes. The outcome of this analysis was shared with members at the time, and was a key consideration in making the decision to raise a Premium on second homes.

4.15. Similarly, the Housing Strategy 2013-17 addressed empty properties within Gwynedd, and the Empty Homes Strategy's mission statement was: "Gwynedd Council will endeavour to bring empty properties back into use. Our aim is to contribute to the well-being of neighbourhoods, increase the supply of housing, reduce homelessness or the possibility of homelessness, while at the same time reducing the pressure on the Housing Waiting List".

4.16. The Council has now adopted a new Housing Strategy (full Council, 18 July 2019), and three key reports have been addressed by Cabinet in December 2020 and June 2021:

15 December 2020

Holiday Homes Research Work

Housing Action Plan

15 June 2021

Second Homes – Developing New Policies in Wales

4.17. The above is key evidence when considering if there is justification for changing the current level of the Premium.

Second Homes

Holiday Homes Research Work

4.18. The outcome of the Holiday Homes Research Work provides a background of the current situation in Gwynedd in terms of "holiday homes", and the combined effect of second homes and self-catering holiday units on Gwynedd society:

Cabinet Report:

<https://democracy.gwynedd.llyw.cymru/documents/s27960/Item%208%20-%20Report%20Holiday%20Homes.pdf>

Appendix – Research:

<https://democracy.gwynedd.llyw.cymru/documents/s27959/Item%208%20-%20Appendix%20-%20Holiday%20Homes%20Research%20Work.pdf>

4.19. This research was approved by Cabinet for submission to the Welsh Government. The decision was made "in light of the need to obtain better control of houses being taken out of the supply available for local people, and thus benefit local residents first".

4.20. The research considered "holiday homes" as a combination of second homes and self-catering holiday units. The study highlighted the high number of dwellings used within Gwynedd for holiday purposes, with over 4,800 re-homes and around 2,000 self-catering holiday units (November 2020):

	Gwynedd	Cymru
Number of residential units	61,645	988,418
Number of second homes	4,873	18,547
Total holiday accommodation (nondomestic business units)	1,976	6,906
Combined total	6,849	25453
Combined percentage of holiday homes	10.76%	2.56%

Source: Holiday Homes Research Work, December 2020

- 4.21. Over 1 in 10 residential units in Gwynedd are holiday accommodation with 8% being second homes. Self-catering holiday units are not subject to the Council Tax regime as they have transferred to the non-domestic rating list, and more attention is given to these properties in Part 8 of this report.
- 4.22. As the Holiday Homes Research notes, since the introduction of a council tax premium on second homes in 2018 and the introduction of the rates relief scheme for eligible self-catering holiday accommodation units paying the non-domestic rates, the number of second homes has gradually decreased with the number of properties paying non-domestic rates gradually increasing.
- 4.23. However, legislative changes that will take effect in April 2023 are expected to likely slow this transition. More details on this can be found in Part 6 below.

Second Homes: Developing new policies in Wales

- 4.24. In March 2021 a comprehensive report titled "Second Homes – Developing New Policies in Wales" (author Dr Simon Brooks) was published in response to a commission by the Coleg Cymraeg Cenedlaethol and the Minister for Mental Health, Wellbeing and the Welsh Language in the Welsh Government. A copy of the report can be found here:

[Second Homes: Developing new policies in Wales](#)

- 4.25. Dr Brooks' report contains 12 recommendations and on 15 June 2021 Cabinet discussed the Council's response to the report:

[Cyngor Gwynedd's Response to the report "Second Homes: Developing new policies in Wales"](#)

- 4.26. The Cabinet's decision was as follows:

“To agree the Council's response to the report "Second Homes - Developing New Policies in Wales" as set out in part 9 of this report and in particular highlighting the need to modify recommendation number 7 - Short-term Holiday Accommodation and Business Rates.

The Leader agreed to formally communicate the response to the Welsh Government and call on them to adopt and implement the most effective recommendations as a matter of urgency in order to respond to the housing crisis facing the communities of Gwynedd”.

Empty Dwellings

- 4.27. Since the Premium was first introduced in 2018 Gwynedd Council has raised the same meeting on second homes and long-term empty properties. One of the reasons for this was the practicality of keeping an overview of the properties that are furnished and those that are not (which is the practical difference between the two types of properties).
- 4.28. However, some billing authorities in Wales charge a different rate of Premium on long-term empty properties and second homes, and this is also an option in Gwynedd.
- 4.29. It should also be noted that a total of 1,099 long-term empty properties, while relatively low compared to the number of second homes within Gwynedd, is a high figure when considering the demand for affordable homes within the county and this is recognised in the Housing Strategy. According to Stats Wales, estimates suggest that Gwynedd is 5th out of the 22 local authorities in Wales in terms of a number of long-term empty properties.
- 4.30. In comparison with the second homes and properties that have transferred, it is seen that the long-term empty properties within Gwynedd tend to be in lower Council Tax bands than gwynedd properties as a whole; it is particularly seen that over 20% of them are in Band A, compared to less than 15% of the overall stock.

Housing Strategy 2019-2024

- 4.31. The Council adopted its Housing Strategy 2019-2024, "Homes for People in Gwynedd" in July 2019:

<https://www.gwynedd.llyw.cymru/en/Council/Documents---Council/Strategies-and-policies/Housing/Strategaeth-Tai-v29-Terf-English.pdf>

- 4.32. The Strategy notes the vision of “Ensure that the people of Gwynedd have access to a suitable Home of a high standard that is affordable and improves their quality of life.”. The Strategy notes the following on empty homes: “*We have identified approximately 1,300 empty houses across the County. These are houses that have been empty for some time and their condition can be very poor. This is a waste of a Resource when you consider that nearly 2,000 people are on the Council's waiting list. We believe that the list of empty houses is not complete, and efforts need to be increased to find them and return them into use as homes for our residents*”.

Housing Action Plan

4.33. There is a high number of long-term empty dwellings in Gwynedd compared to other counties of the same size. The Housing Action Plan translates the Strategy into specific projects to address the situation and one of these is to provide financial support to 250 local first-time buyers that will assist them to buy and renovate empty homes.

Cabinet Report:

<https://democracy.gwynedd.llyw.cymru/documents/s27956/Item%206%20-%20Housing%20Action%20Plan.pdf>

Action Plan:

<https://democracy.gwynedd.llyw.cymru/documents/s27957/Item%206%20-%20Appendix%20A%20-%20Housing%20Action%20Plan.pdf>

5. PUBLIC CONSULTATION

5.1. It was explained to the Cabinet in September 2022 that the statutory guidance, *Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales*, also notes:

23. The determination by a local authority to charge a premium under section 12A or 12B of the 1992 Act must be made by full Council. Prior to doing so, a local authority must give due consideration to its statutory duties to carry out equality impact assessments under the Equality Act 2010 and the Welsh Public Sector Equality Duties 2011 and to all other relevant considerations. A local authority should also give consideration to engagement and consultation with key stakeholders, including the local electorate, before taking a decision as to whether or not to charge one or both of the premiums.

5.2. The *LimeSurvey* software usually used by the Council was used to produce a questionnaire. The public consultation was launched on 30 September 2022 and it was open until 28 October 2022. Press releases resulted in a number of press and media articles and items. Messages started to be published on social media at the same time to promote the consultation. A second press release was issued in October in good time before the deadline, and there have been several reminders on the Council's Facebook and Twitter accounts.

Social Media and Mailing

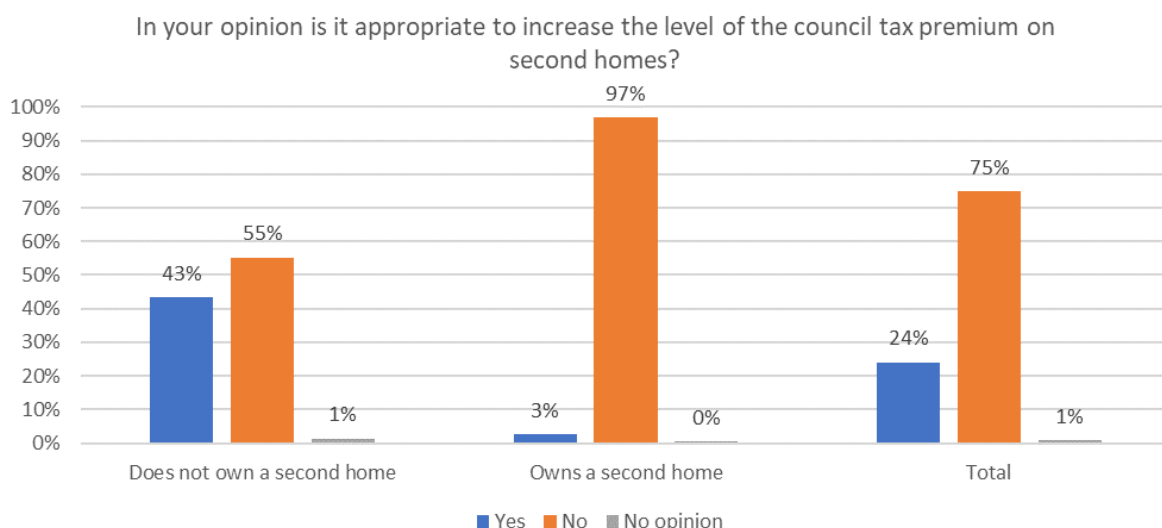
- 5.3. To ensure that awareness of the consultation was as wide as possible, on 29 September a letter was sent to owners of all second home and long-term empty properties informing them of the consultation; where there was a correspondence address on the Council Tax system that differed from the address of the property in question, the correspondence address was used.
- 5.4. We are therefore confident that reasonable efforts have been made to raise awareness amongst the people of Gwynedd and owners of second homes and long-term empty properties to inform them of the consultation so that they can respond, and that this is evidence that a clear effort has been made to engage with key stakeholders.
- 5.5. It is not possible to include a checking facility that would ensure that an individual could only express an opinion once. It is important to note that this exercise is not a public vote or referendum but rather a consultation exercise designed to gather the views of the full-time residents of Gwynedd as well as owners of dwellings occupied periodically and long-term empty dwellings on ongoing issues. That is, a crude account of the solutions for and against increasing the Premium will not be the main factor that will need to be considered, but nevertheless the figures below give Cabinet members a sense of the number and direction of responses.
- 5.6. It is a fundamental principle that any consultation is carried out when the proposals are formulated and that the results of the consultation are taken into account conscientiously in reaching a position. Therefore, in making its recommendation, Cabinet will need to give due consideration to the issues and concerns contained in the consultation responses, so that there is a full picture of the issues that have been drawn to its attention.
- 5.7. The Research and Information Team has made considerable efforts since the consultation closing date on 28 October to analyse the results. The full outcome of their work can be found in Appendix 2.

The Number of Responses

- 5.8. A total of **7,330** responses were received to the questionnaire. There were 7,277 online questionnaire responses and 53 paper responses. This is the largest number of responses the Council has seen to any consultation in recent years.
- 5.9. Of the respondents, 3,518 (48.0%) stated their main home was in Gwynedd, and 2,690 (36.7%) stated their main home was outside Gwynedd.
- 5.10. Of the respondents:
- 3,646 (49.7%) said that they did not own a second home or a long-term empty dwelling
 - 3,447 (47.0%) said they owned a second home
 - 201 (2.7%) said they owned a long-term empty dwelling
 - 36 (0.5%) said they owned a second home and a long-term empty dwelling
- 5.11. Just over half of respondents, therefore, (50.3%) owned either a second home or a long-term empty dwelling in Gwynedd (or both).

Analysing the Results – Second Homes

- 5.12. In total, over half of respondents (58.7%) thought that second homes were currently having a positive impact on local communities, while 27.7% thought they were having a negative impact, with 8.2% thinking they were having no impact. 5.4% of respondents had no opinion on this.
- 5.13. However, by looking at differences between respondents who own a second home and those who do not, a significant difference in opinion is seen, with 80.5% of respondents who own a second home thinking that second homes currently have a positive effect on local communities, while around 40% of respondents who do not own a second home or long-term vacant property are of this opinion.
- 5.14. A key question in the consultation was ***Currently the Council Tax Premium on second homes is 100%. The Council is considering whether to increase the level of the Council Tax Premium. Do you think this is appropriate?***



5.15. In total, 75% of respondents considered it not appropriate to increase the level of Council Tax Premium on second homes. 24.1% thought it appropriate to increase it, with 0.9% not having an opinion.

5.16. However, by separating the answers between respondents who own a second home and those who do not there is some difference of opinion, with the overwhelming majority of respondents who own a second home opposing increasing the premium level. Among respondents who do not own a second home the view was more divided, but with a majority here also (54.1%) of the view that it would not be appropriate to increase the premium.

5.17. Of the 24% who supported increasing the Premium, 66% wanted to increase it to 300%, and to do so immediately.

5.18. While emphasising again that the process was not a referendum, but a consultation seeking views and comments to assist the authority in reaching a decision, the responses give a sense of public opinion on the proposal.

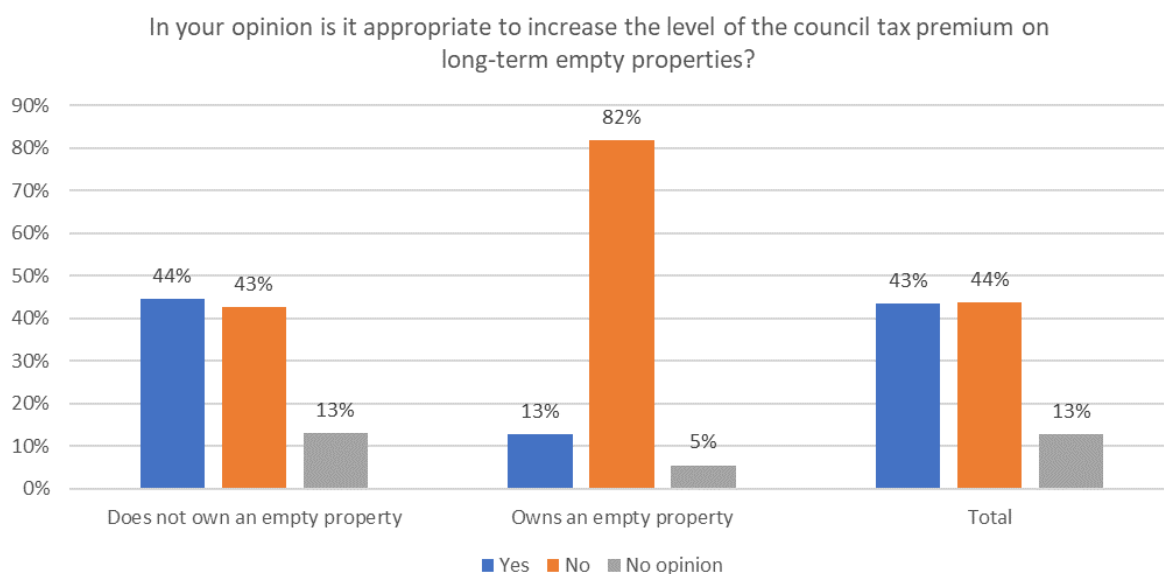
5.19. In total over half of respondents (59.0%,) felt that the level of premium on second homes would have no impact on the Welsh language. 73.9% of respondents who own a second home believe that increasing the level of premium would have no impact on the Welsh language, with 18.7% believing that increasing the premium would have a negative impact. Among respondents who do not own a second home or long-term empty property, opinion is somewhat more divided with 45.6% believing it would not have an impact on the Welsh language, 36.4% believing it would have a positive impact and 13.8% believing it would have a negative impact.

- 5.20. In total a majority of respondents (62.3%) thought that increasing the council tax premium on second homes would have a negative impact on the local community. 23.0% thought increasing the premium would have a positive impact on the local community and 12.3% thought it would not have an impact.
- 5.21. However, the vast majority (81.4%) of respondents who own a second home believe increasing the premium level would have a negative impact on the local community. 13.7% thought increasing the premium would have no impact.
- 5.22. Among respondents who do not own a second home or long-term empty property, opinion is very divided with 44.8% believing increasing the premium would have a negative impact on the local community, 42.4% believing it would have a positive impact and 10.6% believing there would be no impact.
- 5.23. One of the very common arguments in the comments by second home owners was the economic benefit they said they were contributing to Gwynedd, giving work to other local builders and traders, as well as the support given to local shops. In total a majority of respondents (70.9%) thought that increasing the level of the council tax premium on second homes would have a negative impact on the local economy. 16.4% thought increasing the premium would have a positive impact on the local economy and 9.6% thought it would not have an impact.
- 5.24. The vast majority (90.8%) of respondents who own a second home believe increasing the premium level would have a negative impact on the local economy. Among respondents who do not own a second home or long-term empty property, 52.6% believed increasing the premium would have a negative impact on the local economy, 30.7% believed it would have a positive impact and 12.9% believed there would be no impact.

Analysing the Results – Long-term empty dwellings

- 5.25. In total 72.9% of respondents thought that long-term vacant properties were currently having a negative impact on local communities, while 16.2% thought they were not having an impact and 1.3% thought they had a positive effect. 9.6% of respondents had no opinion on the matter. Respondents who own a long-term empty property are more likely than other respondents to think it has no impact on local communities

5.26. Overall the views of respondents were very divided on **whether it would be appropriate to increase the Premium on long-term empty dwellings**, with 43.8% thinking that increasing the premium on long-term empty properties would not be appropriate, and 43.4% thinking it would be appropriate. 12.8% of respondents had no opinion on this. The vast majority (84.1%) of respondents who own long-term empty properties oppose increasing the level of premium on these properties, while among respondents who do not own a second home or long-term vacant property, the majority (55.8%) were in favour of increasing the Premium.



5.27. Just over half of respondents (55.1%) thought that increasing the level of premium on long-term empty properties would not have any effect on the Welsh language. 21.7% thought there would be a positive effect and 10.2% thought there would be a negative effect.

5.28. In terms of the effect on the local community, opinion was quite divided with 40.0% of respondents thinking that increasing the level of premium on long term empty property would have a positive impact on the local community, 26.0% believing there would be no impact and 22.1% thought there would be a negative impact. 11.9% of respondents had no opinion on this.

5.29. Overall there was also considerable difference of opinion on the effect that increasing the Premium on long-term empty properties would have on the local economy. 37.5% of all respondents believe that increasing the premium on long-term vacant properties would have a positive impact on the local economy. 26.8% thought there would be no impact, and 23.7% thought there would be a negative impact. 11.9% (N=874) of respondents had no opinion on this.

5.30. However, by looking at differences between respondents who own long-term empty properties and those who do not, a significant difference in opinion is seen. 48.3% of respondents who own long-term empty properties believe increasing the premium level would have a negative impact on the local economy.

Other correspondence

5.31. In addition to the 7,330 responses to the formal questionnaire, the Council's officers and members have received several letters from members of the public expressing their views on the Council Tax Premium. The table below is a summary of the points raised in the letters and which are appropriate to consider when as part of this process.

Properties in an estate that have been purpose-built as holiday homes and unsuitable as homes	25
"Natives" / locally bred / Welsh people / Welsh people / Inherited / Property that has been in the family for years should be excluded	11
The property would have to be sold	8
Oppose Premium in general	8
The local economy will be negatively impacted	7
Owners targeted due to years of lack of suitable housing	2
Those who have purchased the property prior to the entry of the Premium should be excluded	2
It will not be possible to continue to come to the area (some have come for over 60 years)	2
Requests for exemption due to personal circumstances	1
Houses worth less than £200,000 should be excluded	1
There will be a reduction in tourism	1
The Council steals the pensions of the elderly	1
Oppose consultation questions	1
Had to leave the property to give care	1
Wealthier people would buy the property if they had to sell	1
Companion buried in the area	1
The Council is targeting the wrong people	1
Why target people who have come to the area for years?	1
Fairbourne should be excluded because of the circumstances there	1

- 5.32. It should be noted that holiday home owners in one development in particular have worked together to correspond to express that properties in an estate originally built and marketed as holiday units should not be charged a Premium; the owners say properties like this are not suitable as homes.
- 5.33. It will also be seen that individuals have corresponded to identify the Premium targeting Welsh people who have moved to live outside Gwynedd due to work but keep properties within the county as they want to return to visit their area in which they were raised as often as possible. They have indicated that forcing them to sell would mean a decline in Welsh in these villages, not strengthen it.

6. TRANSFER OF SELF-CATERING HOLIDAY UNITS

- 6.1. When the original decision to charge a Premium was made, the risk was identified of an increase in the number of properties transferring to being self-catering holiday units, which are subject to non-domestic rates. This would happen because the Valuation Office Agency had ruled that they met the threshold to be able to do so.
- 6.2. The Council has for several years been pressing the Welsh Government to change Section 66 of the Local Government Finance Act 1988 to control the transfer of domestic homes to self-catering holiday units subject to non-domestic rates, with the vast majority avoiding any local taxation because they receive small business rates relief. The Council's Plan states that the Council intends to continue to maintain our pressure in this area over the next few years, using evidence we are continually gathering, in order to get Welsh Ministers to understand the scale of the problem that exists in Gwynedd.
- 6.3. The Welsh Government has introduced a legislative change that will have an impact on April 1 on self-catering holiday units. The effect of *The Non-Domestic Rating (Amendment of Definition of Domestic Property) (Wales) Order 2022 (W. 129)* is that Section 66 of the 1988 Act has been modified so that a dwelling will need to have been available for let for 252 days in the last year, that it is intended to be let for 252 days in the next year, and that property has been truly let for 182 days in the last year (compared to 70 days currently).
- 6.4. In reaching a decision on the Premium in previous years, consideration was given to the risk that increasing the Premium would incentivise more second home owners to let their property and transfer it to the non-domestic rate list. While this risk remains, the significant increase in the number of days in which properties must be let is likely to result in a significant slowdown in the rate of transfer.

6.5. The latest figures (to the end of October 2022) show that a total of 2,908 properties in Gwynedd have transferred from the Council Tax list to the Non-Domestic Rating list, after the Valuation Office Agency designated the property as self-catering holiday units, in accordance with Section 66(2BB) of the Local Government Finance Act 1988. Approximately 90% of the transferring properties receive full Small Business Rates Relief, which means that no local taxation is payable on them:

Financial Year	Number of transfers
2022-23 (to 31/10/2022)	246
2021-22	469
2020-21	506
2019-20	397
2018-19	454
2017-18	282
2016-17	199
2015-16	167
2014-15	188
Total	2,908

6.6. Experiences over the last three years, e.g. in administering Government Covid-19 business grants, have shown that a number of individuals and companies are now buying properties in Gwynedd specifically with the intention of converting them into self-catering holiday units, rather than using them as a second home. As part of this investment they are striving to keep the property within the Council Tax regime for as little as possible before being able to transfer.

7. EXEMPTIONS

7.1. The 1992 Act also contains a provision giving the Welsh Ministers the right to impose certain exceptions (in classes) where a Council Tax premium cannot be imposed. This was done through the [Council Tax \(Exceptions to Higher Amounts\) \(Wales\) Regulations 2015 \(SI 2015/2068\)](#) which came into force on 31 January 2016. The table below outlines the exemptions where a Premium cannot be raised:

Classes of Dwellings	Definition	Type of property that is eligible for an exemption from paying the premium
Class 1	Dwellings being marketed for sale – time-limited for one year	Long-term Empty Properties 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	

7.2. The Cabinet report will draw attention to two issues in particular when dealing with exceptions. First, the Welsh Government has announced that they will modify these Regulations by the start of the 2023/24 financial year, but it is not yet known what these additional exemptions will be.

7.3. The second issue that needs to be considered is that Section 13A of the 1992 Act would need to be used to introduce any local, discretionary exemptions. The use of Section 13A is a matter for the Cabinet, it is not a matter that requires the decision of a full Council.

7.4. Therefore, exceptions can be dealt with as in a separate Cabinet report before the end of March 2023.

8. USE OF THE PREMIUM

- 8.1. Since the introduction of the Premium at the start of the 2018/19 financial year, the money collected through the Premium has been placed in a dedicated fund, to fund specific projects that have been outlined in the Housing Action Plan.
- 8.2. The Housing Action Plan clearly sets out which individual schemes are to be funded with Premium money.
- 8.3. This is consistent with the aspiration of Council members and the Welsh Government, who set out a watch, but not enforcement, that the money be used in housing.
- 8.4. In recent years, following the Covid-19 pandemic, the end of the Welsh Government's Hardship Grant, the pressure on families as a result of the cost of living crisis and landlords' decision to end tenancies, the pressure on the Council's Homelessness Service has increased dramatically.
- 8.5. In considering the Premium level for 2023/24 members will be asked to consider the possibility of using any additional Premium products to assist in addressing the significant cost overspending in the homelessness area, or to divert some of the existing product to these purposes.

9. EQUALITY IMPACT ASSESSMENT

- 9.1. As with all far-reaching decisions, the Council must give due consideration to its statutory duties to carry out equality impact assessments under the Equality Act 2010 and the Welsh Public Sector Equality Duties 2011 and to all other relevant considerations.
- 9.2. The initial decision to introduce a Premium was made in December 2016, following consideration of an Equality Impact Assessment that had been carried out in accordance with the statutory requirements on the Council.
- 9.3. A comprehensive Equality Impact Assessment was completed when considering the increase of the Premium in March 2021. Since then, the Public sector duty regarding socio-economic inequalities came into force in Wales on 31 March 2021, which is relevant to Gwynedd Council. This means that the Council, when making “strategic decisions” such as deciding priorities and setting objectives, must consider how its decisions might help to reduce the inequalities associated with socio-economic disadvantage. It would appear that the Premium rate on second homes and long-term empty dwellings is a “strategic decision” in accordance with these duties.

- 9.4. As noted in “Legislative Background” above, the powers to raise a premium was introduced by the Housing Act, with the fundamental expectation that those who can afford more than one property should assist local authorities financially to deal with housing problems in their areas, in particular the most vulnerable in society who cannot find a home.
- 9.5. When resolving in February 2021 to recommend to the full Council that the Premium level should be increased to 100%, members of the Cabinet noted that there was a housing crisis within the county. The principle that the Council was eager for residents to have homes in their own communities was emphasised, in order to ensure thriving communities. It was added that housing was a priority and that it was a requirement to ensure additional resources in order to implement the Housing Strategy.
- 9.6. We believe, therefore, that the core aim of the Premium is to reduce the inequalities associated with socio-economic disadvantage.
- 9.7. The Equality Impact Assessment has been updated to reflect recent requirements and developments, changing circumstances and the results of the recent consultation. The revised assessment is included in the Appendix.

10. WELL-BEING OF FUTURE GENERATIONS (WALES) ACT 2015

- 10.1. There is a duty to act in accordance with the sustainable development principle, which is to try to ensure that the needs of the present are met without compromising the ability of future generations to meet their needs. When acting in accordance with this general duty the Council needs to consider the importance of the long term impact, being integrated and inclusive, collaboration and prevention in developing and implementing the proposal.
- 10.2. In accordance with the requirement of the Act, Gwynedd Council (in collaboration with Isle of Anglesey County Council) has developed well-being objectives. These are:
 - Communities which thrive and are prosperous in the long-term
 - Healthy and independent residents with a good quality of life
- 10.3. The current Premium funds the Council's Housing Action Plan, which is a proactive attempt to strengthen the sustainability of those communities within Gwynedd with a high number of second and long-term empty homes.
- 10.4. The Council's Housing Strategy sets out the vision of “Ensuring that the people of Gwynedd have access to a suitable Home of a high standard that is affordable and improves their quality of life”.

10.5. The Strategy identifies five objectives that had to be sought if the Council was to achieve this vision:

1. No one is homeless in Gwynedd
2. Social housing available to all who need one
3. Everyone's home in Gwynedd is affordable to them
4. Gwynedd Housing are environmentally friendly
5. Homes having a positive influence on the health and well-being of the people of Gwynedd

10.6. The Housing Action Plan includes a number of projects that together set out to deliver these objectives.

11. NEXT STEPS AND TIMETABLE

11.1. The Full Council will need to reach a decision on the Premium on 1 December 2022 in order to set Council Tax for 2021/22.

11.2. There are several options available to Cabinet in terms of a recommendation to be submitted including, but not limited to:

- **Keep the Premium level at 100% in 2023/24.** This would mean that the same amount as is currently raised is collected for dealing with housing issues, but additional income would not be available to fund the growing financial gap in this area. In particular, if resources need to be diverted to address the financial gap in homelessness, there would be fewer resources available to fund the Housing Action Plan. As there would be no change to the current arrangements the risk of a legal challenge is relatively low. On the other hand, it would maintain the risk of failing to fulfil the Council's aspiration of seeing more housing come into the open market.
- **Increase the Premium to the maximum allowed under the law of 300% in 2023/24.** This option would theoretically bring additional income to the Council, but would present a number of significant risks. Firstly, the Council would be at very high risk of a successful legal challenge by a large cohort of people particularly if raising the Premium to 300% could not be justified, except that we are empowered to do so. We don't know the consequences of introducing such a significant jump in one step, and we would be faced with a situation where property owners couldn't afford to pay the extra tax, and didn't pay.
- **Set the Premium somewhere between 100% and 300% in 2023/24.** An increase to 150% or 200% would enable the Council to continue to fund the Housing Action Plan, but also use the additional Premium to fund the gap within homelessness. The risk of a legal challenge would be higher, but the increase would be justified as the money is necessary to deal with a crisis in housing, which is the purpose for introducing the Premium in the first place.

- It would be possible to make an explicit decision for more than one financial year, increasing the level of Premium over more than one year – but it will be possible to adjust the level for each year as far as that happens before the start of the relevant financial year.
- Reducing the Premium or abolishing it altogether is also an option of course, but that will have subsequent implications for the funding of the Housing Action Plan.

11.3. Whatever the Cabinet recommends, it will need to ensure that the proposal is justified as outlined in the Statutory Guidance and that research confirms that a problem exists that needs to be tackled.

12. RECOMMENDATION

12.1. The Governance and Audit Committee is asked to:

- **Consider the information contained in the report and appendices and draw a conclusion if the information being submitted complies with the statutory guidelines and legislative requirements.**
- **Agree on any comments the Committee wishes Cabinet to consider in reaching a Premium level decision to recommend it, and from the full Council when reaching a final decision.**