

MEETING:	Full Council
DATE:	8 December 2016
CABINET MEMBER:	Councillor Dyfed Edwards, Council Leader
TITLE:	COUNCIL TAX PREMIUM ON LONG TERM EMPTY PROPERTIES AND SECOND HOMES
OBJECTIVE:	<p>Formal ratification for 2017/18 of previous decisions not to allow any discounts for second homes and to disallow discount on empty properties.</p> <p>Formal ratification for 2018/19 of decisions not to allow any discounts for second homes and to disallow discount on empty properties, and to resolve whether to charge additional Council Tax on these properties.</p>
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EXECUTIVE SUMMARY

1. The Council has resolved annually since 1998 to allow NO discounts to second homes.
2. The Council has resolved annually since 2009 NOT to allow a discount in respect of empty properties.
3. Section 139 of the Housing (Wales) Act has 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 long-term empty homes (Section 12A) and second homes (Section 12B).
4. The Council must make its first determination to raise a "second homes premium" at least one year before the start of the financial year to which it relates. That is, if the Council is to raise a premium for 2018/19 onwards, the full Council will have to make a decision before 31 March 2017.
5. The "year's notice" clause is not relevant to long-term empty properties, but it is assumed that the Council would wish to come to a decision on these, and to introduce a premium, at the same time as any premium for second homes.
6. Current Regulations provide the Council with the discretion to charge full Council Tax, or to allow a 25% or 50% discount, to classes of **second homes**, and to allow a 50% discount, to allow a lower percentage of discount, or no discount at all, to **long-term empty properties** that have been empty for 6 months or more.

RECOMMENDATIONS

7. At its meeting on 22 November 2016, the Cabinet resolved to recommend the following to the Full Council:

For the 2017/18 Financial Year:

1. That Gwynedd Council allows **NO** discount under Section 12 of the Local Government Finance Act 1992 for 2017/18 to the two classes of second homes (classes A and B) as defined in the Council Tax (Prescribed Class of Dwellings) Regulations (Wales) 1998.
2. That Gwynedd Council allows **NO** discount for 2017/18 in respect of empty properties (class C).

For the 2018/19 Financial Year:

3. That Gwynedd Council allows **NO** discount on class A second homes for 2018/19, under Section 12 of the Local Government Finance Act 1992.
 4. That Gwynedd Council allows **NO** discount and **RAISES A PREMIUM OF 50%** on class B second homes for 2018/19, under Section 12B of the Local Government Finance Act 1992.
 5. That Gwynedd Council allows **NO** discount and **RAISES A PREMIUM OF 50%** on homes that have been empty for 12 months or more for 2018/19, under Section 12A of the Local Government Finance Act 1992.
8. The Cabinet Decision Notice has been included as Appendix 1

INTRODUCTION

9. For the purposes of collecting Council Tax, regulations 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 as such for a period of over 6 months.
10. A link to Section 139 of the Housing (Wales) Act 2014, which amends the Local Government Finance Act 1992, is found below:
- <http://www.legislation.gov.uk/anaw/2014/7/part/7/enacted>
11. The Act defines a long-term empty property, for the purposes of raising a Council Tax Premium, as follows: ***“a dwelling is a “long-term empty dwelling” on any day if for a continuous period of at least 1 year ending with that day it has been unoccupied, and it has been substantially unfurnished”***.

12. 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.
13. The amended Act contains a provision which gives Welsh Ministers the right to issue Statutory Guidance on administering the premium. This guidance was published in January 2016, and can be found along following the link:
<http://gov.wales/docs/dsilg/publications/localgov/160122-guidance-implementation-of-council-tax-premiums-en.pdf>
14. The 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	

Table 1: Exemptions where a Premium cannot be raised

POLICY OBLIGATIONS

Second Homes

15. In 2012 the Welsh Government published 'Homes for Wales: A White Paper for Better Lives and Communities'. This highlighted the problems of housing supply and set out proposals for a programme of actions to address it. One of the proposals was to give local authorities a discretionary power to charge higher rates of Council Tax on long-term empty properties. Following pressure from some local authorities, including Gwynedd, to extend such powers to include second homes, a further consultation was undertaken in September 2013 on discretionary powers for Welsh local authorities to also increase Council Tax on second homes through a Council Tax premium.
16. Gwynedd Council submitted a positive and comprehensive response to the second consultation supporting the introduction of a premium, whilst also pressing for actions to control / prevent the transfer of second homes to commercial holiday lets and the business tax regime.
17. The full response appears in the November 2013 edition of 'Rhaeadr', which can be found by following this link:

<https://gwyneddmembers.wordpress.com/2013/11/25/second-home-tax-the-latest/>

18. In addition to offering responses to the consultation's specific questions, the document also contains a detailed analysis to support the Council's position that it should be given the right to allow a premium on second homes. There is no indication to suggest that the situation in Gwynedd has changed significantly since 2013.
19. When considering the options that are now before the Council, we can see that pressure from Gwynedd Council has helped to give these powers to local authorities.

Long-term empty homes

20. Gwynedd Council's Empty Property Strategy was adopted in February 2009. The Empty Property Strategy's mission statement is that: "Gwynedd Council will endeavour to bring empty properties back into use. Our aims are to contribute to the well-being of the neighbourhood, increase the supply of housing, reduce homelessness or the potential for homelessness, and at the same time, reduce the pressure on the Housing Waiting List".
21. Since April 2009, long term empty dwellings have been charged 100% council tax, following either an exempt period of 6 months, or an extended 12 month period of exemption if undergoing major renovation. Any discount would provide an unfortunate incentive for owners to keep dwellings empty. The expectation is that raising a premium on empty homes would be a further incentive in this direction.
22. The Gwynedd Housing Partnership Strategy 2013-17 is found on the Council's website along the following link:

<https://www.gwynedd.llyw.cymru/en/Council/Strategies-and-policies/Housing/Gwynedd-Housing-Strategy-2013-17.aspx>

ANALYSING THE EFFECTS OF RAISING A PREMIUM

23. The Regulations that give the Council discretion to charge full Council Tax, or allow a discount of 25% or 50% to second homes, and to allow a discount of up to 50%, to long-term empty properties that have been empty for 6 months or more, remain in force.
24. However, the Council's Medium Term Financial Plan, and the Council's grant settlement from Welsh Government, is based on the continuation of the policy of allowing NO discount, and any change in this policy will have to be funded by the Council. Allowing a discount from now on is not a realistic option.
25. There is no legislative change that would prevent the Council from continuing what it is currently doing, namely raising 100% Council Tax on long-term empty properties and second homes.
26. If the Council is to raise a premium, the extra Council Tax would be limited to 100% of the full Council Tax. Also, the Council cannot raise a Council tax premium if it is unable to raise "basic" Council Tax in the first place (e.g. on full-time students homes).

Numbers: Second Homes

27. Exemption 6 in the list that appears in Table 1 states that a premium cannot be raised on seasonal homes where living is prohibited throughout the year. This means, therefore, that a premium cannot be raised on a second home within class A.
28. The table below shows the number of class B second homes (i.e. those where a premium could be raised), on 1 July 2016:

Council Tax Band	Number of Properties	Tax
A	538	£532,087
B	752	£864,906
C	873	£1,146,099
D	1043	£1,538,620
E	822	£1,481,150
F	564	£1,201,715
G	210	£515,831
H	25	£73,887
I	14	£48,292
Total	4841	£7,402,586

Table 2: Number of Class B Second Homes

29. Since no discount is allowed for second homes, these properties generate a Council Tax income of £ 7.4 million.

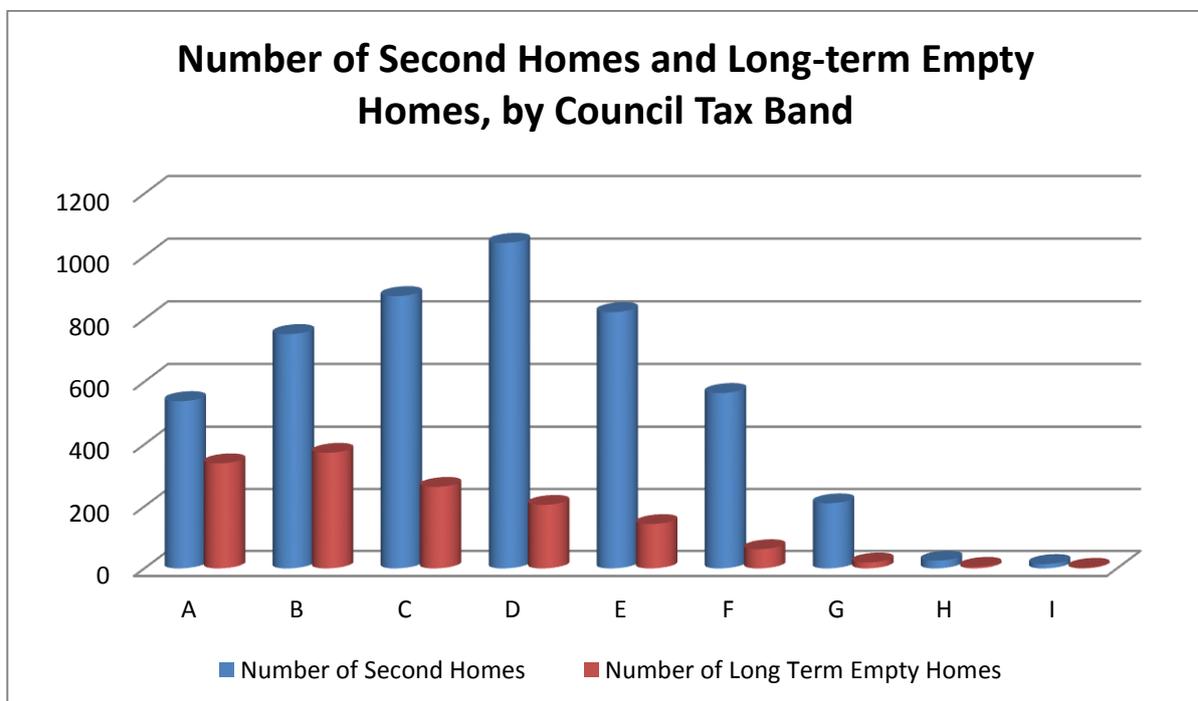
Numbers: Long-term empty properties

30. On 1 July 2016, the number of long term empty properties was:

Council Tax Band	Number of Properties	Tax
A	339	£ 335,588
B	373	£ 431,276
C	263	£ 347,203
D	205	£ 303,264
E	143	£ 258,360
F	62	£ 132,624
G	19	£ 46,739
H	5	£ 14,800
I	2	£ 6,851
Total	1411	£ 1,876,706

Table 3: Number of Class C long term empty homes

31. The definition of "long-term empty" varies within the legislation. In normal Council Tax calculations, property is empty in the long term if it has been empty for 6 months, but for the purposes of raising the premium, the property must have been vacant for at least 12 months. The 1,411 properties shown above has been empty for 6 months – 1,115 of these that have been vacant for a year or more. It is estimated that the current Council Tax income of the 1,115 property that has been vacant for a year or more is £1,464,706.
32. In general, it is seen that the Council Tax Bands of second homes, and therefore the value of the property on the open market, is higher than the bands for empty properties, as shown in the graph below.



33. An analysis of the Council Tax bands of Second Homes and Long-Term Empty Homes, per Community, is found in Appendix 2.

34. Although the total Council Tax income from second homes and long term empty homes is **£8,867,292** (£7,402,586 + £1,464,706), we cannot expect that a premium of 100% would attract close to this amount of additional income. This total does not include any of the exceptions referred to above, nor does it consider further dwellings that may might transfer to be self-catering units, and thereby coming under the business tax regime.
35. To model the impact of raising a Premium, a series of assumptions must be made, and the impact of these then analysed. Here are two example based on sensitivity analysis. **It is emphasised that these figures are for illustrative purposes only.**

Example 1

- Premium: **100% from the start**
- The number of second homes additional transfers to self-catering units (business rates): **500**
- The number of second homes changing to being the "main home": **300**
- The number of second homes receiving the different classes of exemption –
 - Dwellings being marketed for sale – time-limited for one year (Class 1): **200**
 - Dwellings being marketed for let – time-limited for one year (Class 2): **100**
 - Annexes forming part of, or being treated as part of, the main dwelling (Class 3): **50**
 - Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation (Class 4): **50**
 - Occupied caravan pitches and boat moorings (Class 5): **20**
 - Seasonal homes where year-round occupation is prohibited (Class 6): **10**
 - Job-related dwellings (Class 7): **30**
- The number of long-term empty homes receiving the different classes of exemption –
 - Dwellings being marketed for sale – time-limited for one year (Class 1): **100**
 - Dwellings being marketed for let – time-limited for one year (Class 2): **50**
 - Annexes forming part of, or being treated as part of, the main dwelling (Class 3): **30**
 - Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation (Class 4): **30**
- The number of long-term empty properties that remain empty after 6 months of raising a premium: **90%**

Based on the assumptions above, the additional Council Tax would be:

Second Homes	£4,035,822
Empty Property	£794,513
Total	£4,830,335

Example 2

- Premium: **50% from the start**
- The number of additional second homes transferring to being self-catering units (business rates): **250** (i.e. fewer than if the Premium were 100%)
- The number of second homes changing to being the "main home": **150** (i.e. fewer than if the Premium were 100%)
- The same exemptions as in Example 1.

Addition Tax:

Second Homes	£1,972,443
Empty Property	£794,513
Total	£2,766,956

USE OF THE ADDITIONAL INCOME

36. In deciding whether to raise the premium on long-term empty homes and second homes, consideration should be given to the factors referred to in paragraphs 20 to 24 of the Welsh Government guidance. According to the guidance, the purpose of 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.
37. However, the guidance also states that **"A local authority will be able to retain any additional funds generated by implementing the premiums and amendments to the calculation of the tax base will be made to facilitate this. However, authorities are encouraged to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premiums."** That is, whilst there is encouragement to use the additional funds to meet local housing needs, there is no compulsion to do so.
38. The Welsh Government has introduced a series of technical amendments to regulations relating to the setting of the Council Tax base in order to allow local authorities to retain the additional income received, without adversely affecting the annual settlement.
39. A recommendation for the use of any additional income will be included within Financial Strategy 2017/18 – 2019/20.

PUBLIC CONSULTATION

40. The Welsh Government guidance states **“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.”**
41. A public consultation was launched on 11 October 2016, and was open until 7 November 2016. The questionnaire was placed on the Council website, with regular reminders from our Twitter and Facebook accounts. Paper versions were prepared for the libraries and three Siopau Gwynedd.
42. Consideration was given to corresponding directly with the owners of second homes and long-term empty properties because of the direct financial impact that may be on them, but that would be likely to produce a biased result. Further, as the Council has already shown in 2013 that second homes affect those living in many of our communities throughout the year, their opinions are equally valid. In order to obtain an impartial outcome, therefore, we would have had to corresponded directly with all residents of Gwynedd as well as owners of second homes and long-term empty property who live outside Gwynedd. Neither time nor resources permitted this.
43. There were 930 responses to the questionnaire. Of these:
 - 519 stated that they do not own a second home nor a long term empty dwelling
 - 372 stated that they own a second home
 - 16 stated that they own a long term empty dwelling
 - 10 stated that they own a second home and a long term empty dwelling
 - 13 did not answer the question.
44. A summary of the results of the consultation is found below, set out on the basis of the questions in the survey.

Do you see a reason why a premium should not be raised on the Council Tax of long-term empty or second homes in Gwynedd?

45. Before going on to answering the fundamental question “**Do you see a reason why a premium should not be raised on the Council Tax of long-term empty or second homes in Gwynedd**”, participants were asked to confirm if they were the owners of a second home, long-term empty properties, or both. It is emphasised that there is no way of checking the accuracy of responses to this question. The table below analyses the answers by ownership:

	Do you see a reason why a premium should not be raised on the Council Tax of long-term empty or second homes in Gwynedd			
Do you own a long-term empty or second home in Gwynedd?	No reason not to raise a premium	A premium should not be raised.	No answer	Total
No	362	154	3	5189
Yes – a second home	28	343	1	372
Yes – a long-term empty home	4	12		16
Yes – both a long-term empty home and a second home	4	4	2	10
No answer	7	5	1	13
Total	405	518	7	930

46. It is not surprising that the vast majority of the owners of second homes and empty properties are opposed to raising a Premium, although nearly 10% of those that did not object said that they have relevant property. It is noted however that almost 30% – 154 out of 518 – of those who oppose raising the premium stated that they did not own such a property.

Please indicate at what level you think it would be most reasonable to set a Council Tax Premium for long-term empty or second homes in Gwynedd (up to a maximum of 100%):

47. On further questioning the 405 who were of the opinion that a Premium should be raised, these were the levels which they believed would be the most reasonable to set:

Premium Level	Number of responses
0%	19
10%	3
25%	21
30%	2
50%	60
50% on long-term empty homes, 25% on second homes	1
50%, if variable levels cannot be set	1
50% to 100%	1
60%	1
Between 60 and 90%	1
75%	31
100%	251
200%	5
250%	1
500%	1
Not sure / don't know	2
Did not note	4
Total	405

48. It is noted that 19 of those who responded indicated that a premium should be set, but it should be at 0%. Except for that inconsistency, it is apparent that there is clear polarization between those who oppose any additional charge, and the high number who want to see a premium of 100%. It is seen that 7 respondents want to charge more than is permitted by law.

Authorities are encouraged to use any generated to help meet local housing needs, in line with the policy intentions of the premiums, but there is no legal requirement to use the additional revenue to do this.

In view of the fact that the Council is facing substantial financial cuts, in your opinion, how should the Council use the additional income, if a Premium were introduced?

49. All of the respondents, including those who had answered that a premium should not be charged, could choose to answer what use should be made of the money if a premium were introduced. The answers were:

Comment on use	Number
The extra revenue should be used to meet local housing needs	167
The extra revenue should be spent on supporting local services at a time that the Council is facing cuts	198
A combination of the above	442
No answer	123
Total	930

In your opinion, if a premium were charged on the Council Tax of long-term empty or second homes, what would its effect be in Gwynedd on...

50. Respondents were asked what effect, in their opinion, introducing a premium would have on 5 aspects which are high priorities for the Council, namely the Welsh language, the local economy and tourism, the availability of private rented housing, house prices and the availability of affordable housing. The responses again shows polarisation. It is seen that the majority is of the opinion that the introduction of a premium would be good, on the whole, for the Welsh language and the availability of affordable housing, but a clear majority believes that the premium would have a negative impact on the local economy and tourism.
51. However, the tables below show that there is a relationship between the respondents' attitude towards raising premium and their views on the benefit that the premium would have on the 5 factors.

The Welsh Language?

Opinion on introducing Premium	Opinion on the impact of raising a premium				Total
	Positive	Neutral	Negative	No answer	
No reason not to raise a premium	268	116	15	6	405
A premium should not be raised	14	335	158	11	518
No answer	2	3		2	7
Total	284	454	173	19	930

The local economy and on tourism?

	Opinion on the impact of raising a premium				
Opinion on introducing Premium	Positive	Neutral	Negative	No answer	Total
No reason not to raise a premium	159	191	45	10	405
A premium should not be raised	19	28	460	11	518
No answer	3	1	1	2	7
Total	181	220	506	23	930

The supply of private rented accommodation?

	Opinion on the impact of raising a premium				
Opinion on introducing Premium	Increase overall	No impact	Reduce overall	No answer	Total
No reason not to raise a premium	236	130	27	12	405
A premium should not be raised	70	265	159	24	518
No answer	1	1	1	4	7
Total	307	396	187	40	930

House prices in Gwynedd?

	Opinion on the impact of raising a premium				
Opinion on introducing Premium	Increase overall	No impact	Reduce overall	No answer	Total
No reason not to raise a premium	27	149	220	9	405
A premium should not be raised	22	244	231	21	518
No answer		2	3	2	7
Total	49	395	454	32	930

the supply of affordable housing in Gwynedd?

	Opinion on the impact of raising a premium				
Opinion on introducing Premium	More homes	No impact	Fewer homes	No answer	Total
No reason not to raise a premium	269	109	13	14	405
A premium should not be raised	34	393	63	28	518
No answer	1	4		2	7
Total	304	506	76	44	930

52. A further analysis of the responses to the questionnaire is included in Appendix 3.

SCRUTINY WORKING GROUP

53. The Scrutiny Investigation Group – Holiday Homes and Taxation, a subgroup of the Corporate Scrutiny Committee, met on 21 November to consider the results of the consultation, and ask the Leader of the Council what impact the results will have on the Cabinet's recommendation to the Council about raising a Premium.
54. The following recommendations were presented by the Group to the Cabinet meeting on the following day:
- (1) That the Cabinet needs to consider how best to use the extra money that will be collected if a premium is charged. It is accepted that the hands of the new Council should not be tied and there is a need for the democratic process to take place with the new Council, especially in view of the fact that we do not know what will the financial position of the Council will be by 2018/19, but it should at least consider setting aside some of the money to:-
 - Assist owners of empty homes to repair properties to return them to use as residences.
 - Consider doing more work to understand the situation with empty houses and tying that with the Housing Policy.
 - There is a need for an attitude by officers of using wisdom and discretion where needed, e.g. in exceptional circumstances.
 - Consider investing in jobs to ensure tax income for the Council by strengthening the Council's inspection arrangements for checking the validity of statements made by property owners that it is no longer a second home, or empty. Perhaps this could be tied in with other property inspection.
 - (2) If this Council is assisting the Welsh Government in ensuring more affordable housing for local people, that should be used to influence the Government to harmonise criteria for allowing conversion to self-catering units to match the requirements of HM Revenue and Customs, which is 105 days, and also in terms of changing the relevant Order so that planning permission is needed for change of a "home" to "self-catering unit".
 - (3) Whilst the Corporate Scrutiny Committee on 20 October discussed a range of options, from increasing the premium gradually year by year to charging a higher premium from the outset, the Working Group was of the opinion that Gwynedd Council should tread carefully, taking into account the risks associated with the two extremes, and thus concurs with the recommendation of charging a premium of 50% on class B second homes and homes that have been empty for 12 months or more from 1 April 2018 onwards.

RISKS

Self-Catering Units

55. In June 2016, the Corporate Scrutiny Committee received the results of a scrutiny investigation undertaken on the transfer of homes from the Council Tax regime to being Self-Catering Units paying Business Rates (NDR). A link to the report is found below:

<https://democracy.cyngor.gwynedd.gov.uk/documents/s4569/Report%20of%20the%20Holiday%20Homes%20and%20Taxes%20Investigation.pdf>

56. The investigation was undertaken because of the Scrutiny Committee's concern regarding the number of properties subject to such a transfer. The number of units that have transferred in the last full 5 years is shown in the table below:

Financial Year	Net transfer from Council Tax to NDR
2011/12	106
2012/13	110
2013/14	82
2014/15	188
2015/16	166
Total	652

Table 4: Net Transfer to Self-Catering Units

57. The decision on whether a property meets the criteria for transferring to being a self-catering unit rests with the Valuation Office Agency, which is a part of HM Revenues and Customs. The Valuation Office Agency must receive evidence that the property has been available to let for 140 days within the previous year with actual letting for 70 days, and that there is an intention to let the property for 140 days over the next year. However, the Scrutiny Committee expressed concern about the capacity within the Agency to carry out thorough checks.
58. There is a real threat, therefore, that the trend of property transfer could speed up if a premium is introduced. However, we expect the Valuer's Office to take strong action when assessing if a property is a home or business, and ensure appropriate evidence to support any application. Further, if the Council increased the tax on second homes, we expect that we will gain more financially than we will lose.
59. In addition, if a high number of further properties transfer to being self-catering units, there is a real possibility of saturating the market, with units that have already transferred, as well as the new ones, finding it more difficult to provide evidence of true letting.

Threats and Opportunities – Exemptions

60. Another threat is the risk of owners of long-term empty properties and second homes claiming one of the exceptions listed in paragraph 14 above. As can be seen, there are 4 exceptions for long-term empty properties, and 7 for second homes. Unlike properties that transfer to being self-catering units, we will still be able to raise Council Tax on these properties, but not the premium.
61. There is a time limit to some of these exemptions. For example, an exemption due to of a house being for sale or available for let can only be claimed for a year.

Tax Avoidance

62. The Council must be aware that individuals may take steps to avoid paying the Premium. The Council will be alert to these, and will seek every opportunity to ensure that everyone pays the correct Council Tax.

EQUALITY IMPACT ASSESSMENT

63. 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.
64. An Equality Impact Assessment was carried out in accordance with the statutory requirements on the Council. The full assessment is included in Appendix 4. We do not believe that there are specific equality issues that need to be brought to the attention of the Council when considering this issue.

WELFARE OF FUTURE GENERATIONS (WALES) ACT 2015

65. 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 the proposal.
66. When considering the factors for and against raising the Council Tax Premium, consideration has been given to these issues. The report shows that the recommendation to raise the Premium has been made in the context of a proactive approach to strengthening the sustainability of those communities within Gwynedd with high number of second homes and long-term empty properties. It is noted in particular that the decision whether or not to raise a Premium will be made in the context of responses to public consultation and in order to take steps to reduce depopulation in many communities within Gwynedd.

REASON AND JUSTIFICATION BEHIND THE RECOMMENDATION

67. Gwynedd Council has decided for several years that it will not allow any discount for second homes or long-term empty properties.
68. The Council was at the forefront in responding to previous consultations on the implementation of the right to charge a premium, and has responded positively to the implementation of this power.
69. The Corporate Scrutiny Committee scrutinised the proposed imposition of a premium at its meeting on 20 October 2016. A link to the Committee's reports can be found below:

<https://democracy.cyngor.gwynedd.gov.uk/ielistdocuments.aspx?cid=152&mid=1660&ver=4>

70. It was agreed at that meeting that the Workshop would consider the matter further on 21 November, with the outcome being presented verbally to the Cabinet meeting the following day.
71. The results of the public consultation have shown a split in responses, with those who own a second home or long-term empty property objecting to the raising of a premium while the vast majority of those who don't own such property support the principle. Although a number of comments have been offered for and against raising a Premium, no comment has been offered which has affected the Equality Impact Assessment.
72. Gwynedd has a higher number of second homes than any other county in Wales, and studies that have been carried out – in particular a detailed study in 2013 – demonstrated the negative impact that the high number of second homes is having on communities.
73. The Gwynedd Housing Partnership Strategy 2013-17 sets the direction for the coming years. The Council has already stated that the way it will respond includes a range of interventions that will help people be able to have access to housing, improve the quality of existing housing and the ability to respond to society's needs locally. The Strategy itself refers to the high number of second homes in Gwynedd, noting that the highest proportion in the areas of Meirionydd and Dwyfor. The Strategy also notes the importance placed on encouraging owners to bring empty properties back into use. It can be seen from the Strategy that the Council operates a number of methods to get empty properties back into use, but setting a Council Tax Premium is a further tool now available to realise the expectations of the Housing (Wales) Act 2014.
74. There is a need to consider the negative impact that introducing a premium on second homes could have on the Gwynedd economy and the tourism industry in particular, if owners of second homes sell and decided to spend their holidays elsewhere. However, this would provide an opportunity to support different types of holiday accommodation, which is likely to create more jobs in the tourism industry. Public responses also show opposition to having a tourism industry at any cost, if that means breaking down communities and leaving villages that are lively in the summer lying empty during the winter.

75. However, some responses also showed not all owners of second homes are people who come to Gwynedd on holiday, but there are also local families who have inherited property, and others who come from the area but are living away due to work and keeping the family home in their possession.
76. The answers that received most support in the public consultation in terms of premium level, in order of popularity, was 0%, 100%, 50%. Recommending a 50% Premium on long-term empty properties and second homes to the Full Council would provide a level which reflects this divided opinion, and is also consistent with what similar authorities intend to do.
- **Pembrokeshire:** Premium of 50% on second homes; a decision on long-term empty homes to be made during 2016/17.
 - **Ceredigion:** Premium of 25% on long-term empty homes and second homes from 1 April 2017.
 - **Anglesey:** Premium of 25% on long-term empty homes and second homes from 1 April 2017, to be reviewed during 2018/19.
 - **Conwy:** Premium of 100% on long-term empty homes and second homes from 1 April 2017 (but the % to be reconsidered during 2016/17).

OPINION OF STATUTORY OFFICERS ON THE CABINET REPORT

Chief Executive:

This solution is vexing and complex. Of course, we must remember, as the report notes, that the Council had expressed views in favour of raising a premium for some years now. The report analyses the likely financial impact of this and that is very significant in view of the financial difficulties which the Council will face over the next few years, whatever the decision about the use of the money if that premium is charged.

It is worth paying close attention to the details of the results of the consultation. For example, there is a great deal of detail about the views that have been expressed about the possible effects of implementing the decision on the language, housing prices, the economy and so on. Also, not surprisingly approximately 40% of those who responded are people who would be affected directly by this potential change. It would also be interesting to know what sort of percentages supported raising premiums in other counties who has consulted on the matter and what was the Councils' decisions in those cases. Clearly, it will be of great benefit to the Cabinet to hear the views of the scrutiny members who have been looking in detail at this area; there is a workshop of those members on the day before the Cabinet meeting and a verbal report on its outcome will be given.

Monitoring Officer:

In considering whether to implement the premium and at which rate the aims of so doing and the possible effects which may result need to be considered. The report provides a range of information as well as the results of the public consultation on the proposal. Specific reference is also made to the statutory guidance provided by the Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales. In forming a recommendation to the Council the Cabinet needs to weigh up all the information provided and have regard to the statutory guidance on coming to a decision.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

BACKGROUND PAPERS

Housing (Wales) Act 2014:

<http://www.legislation.gov.uk/anaw/2014/7/part/7/enacted>

Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales:

<http://gov.wales/docs/dsijlg/publications/localgov/160122-guidance-implementation-of-council-tax-premiums-en.pdf>

Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015 (SI 2015/2068):

<http://www.legislation.gov.uk/cy/wsi/2015/2068/made>

Gwynedd Council's response to the Consultation on Discretionary Powers for Local Authorities to Increase Council Tax on Second Homes:

<https://gwyneddmembers.wordpress.com/2013/11/25/second-home-tax-the-latest/>

Gwynedd Housing Partnership Strategy 2013-17:

<https://www.gwynedd.llyw.cymru/en/Council/Strategies-and-policies/Housing/Gwynedd-Housing-Strategy-2013-17.aspx>

Corporate Scrutiny Committee Meeting, 16 June 2016

<https://democracy.cyngor.gwynedd.gov.uk/documents/s4569/Report%20of%20the%20Holiday%20Homes%20and%20Taxes%20Investigation.pdf>

Corporate Scrutiny Committee Meeting, 20 October 2016:

<https://democracy.cyngor.gwynedd.gov.uk/ielistdocuments.aspx?cid=152&mid=1660&ver=4>

Cabinet Meeting 22 November 2016

<https://democracy.cyngor.gwynedd.gov.uk/ielistdocuments.aspx?cid=133&mid=1843&ver=4>