

MEETING:	Full Council
DATE:	5 December 2024
CABINET MEMBER:	Councillor Paul Rowlinson, Cabinet Member for Finance
TITLE:	COUNCIL TAX: DISCRETIONARY POWERS TO ALLOW DISCOUNTS AND/OR RAISE A PREMIUM ON SECOND HOMES AND LONG-TERM EMPTY DWELLINGS
CONTACT OFFICER:	Dewi Morgan, Head of Finance

DECISION SOUGHT

That the Council makes no change to the Council Tax Premium for 2025/26. That is, for the financial year 2025/26:

- **Cyngor Gwynedd allows NO discount on class A second homes, under Section 12 of the Local Government Finance Act 1992.**
- **Cyngor Gwynedd allows NO discount and RAISES A PREMIUM OF 150% on class B second homes, under Section 12B of the Local Government Finance Act 1992.**
- **Cyngor Gwynedd allows NO discount on homes that have been empty for 6 months or more and RAISES A PREMIUM OF 100% on homes that have been empty for 12 months or more, under Section 12A of the Local Government Finance Act 1992.**

1. THE REASON WHY THE COUNCIL NEEDS TO MAKE A DECISION:

- 1.1. 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 dwellings and second homes ("periodically occupied dwellings"). Without a decision, there would be 50% discount on the Council Tax of such properties.
- 1.2. For financial years 2023/24 and 2024/25, the Council has raised a Council Tax Premium of 150% on second homes and 100% on long-term empty dwellings, but legislation allows the Council to charge a Premium of up to 300%.
- 1.3. However, if the Council were to increase the Premium rate it will have to consider whether such a decision would be reasonable after considering statutory guidance, the result of research and legal advice which the authority has obtained.
- 1.4. There is a copy of the latest Statutory Guidance in Appendix 2.

2. INTRODUCTION AND REASONING

Background / Introduction

- 2.1. 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 an additional Premium on the Council Tax of certain classes of second homes and long-term empty properties.
- 2.2. The Council has resolved annually since 1998 to allow NO discounts to second homes.
- 2.3. The Council has resolved annually since 2009 to allow NO discounts in respect of properties that have been empty for 6 months or more.
- 2.4. 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).
- 2.5. 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 to 100%, which was the maximum level allowed by legislation, for the 2021/22 financial year and on 2 December 2021 it resolved to keep the Premium level at 100% for 2022/23.

- 2.6. 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.
- 2.7. In response to this legislative change, on 1 December 2022 the Council decided to increase the Premium on second homes to 150% and to keep the Premium on long-term empty properties at 100% for the 2023/24 financial year. This followed a comprehensive public consultation in autumn 2023. On 7 December 2023 the Council resolved to keep the Premium at the same level in 2024/25.
- 2.8. **The Council's report of 1 December 2022, when the current Premium level was first set, is included in Appendix 1. This report explains the whole rationale for setting those levels.**
- 2.9. In 2022 it was concluded:
- "12.6. [Cabinet has made its recommendation concluding that currently], there is no way of establishing equivalent justification for increasing the premium above a 150% rate. A number of these further steps such as changes to the planning regime and to business rates have not yet become operational and therefore we have not had an opportunity to assess the impact of these policies in the face of a very significant change in the Premium, or the practical implications. "*
- 2.10. This followed an extensive consultation process considering the range of increases open up to 300%. By now, several changes have become active and started to have an impact on the market. The business rates system has changed since 1 April 2023 increasing the requirements to allow holiday properties to be transferred to business rates of actual letting for 182 days and availability of 282 days. Article 4 is also in effect since September 2024.
- 2.11. To be able to defend a decision to charge a Premium at a higher rate than it currently does, therefore, it will be necessary to be able to demonstrate **what has changed** since the current level was set in December 2022, and that sets a basis and rationale to review.
- 2.12. This would build on and be a development of the 2022 decision using the findings from the consultation to provide information and understanding of the impacts. The decision sought reflects an element of the research findings.

2.13. According to the Statutory Guidance:

Any decision to vary or revoke a determination to apply a premium must be made before the beginning of the financial year to which it applies.

Local authorities are also strongly encouraged to consult before making a determination to increase a premium to a level above 100% and to do so at least 6 months before the beginning of the financial year to which the proposed premium increase relates.

This will enable the premium to be taken into account when setting council tax levels for the forthcoming year and allow taxpayers sufficient time to consider the impact of a higher premium on their own personal financial circumstances and make choices regarding their property.

- 2.14. While the new Guidance therefore gives the impression that Councils should undertake consultation before deciding to raise a premium and particularly before deciding to raise a premium above 100%, there is no requirement to do this every time a Council decides to raise the premium higher. The decision sought proposes to keep the premium on second homes and long-term empty dwellings as they are. Should the Council consider that these rates need to be revised then particular attention can be paid to the results of the consultation in 2022. The consultation was wide-ranging, received significant obscurity and was based on seeking views on increases up to 300% (the 2022 decision report is attached). But, appropriately and reflecting on the decision in December 2022, the research findings should be considered along with the wider knowledge and assessments when considering the context and justification for a decision.
- 2.15. The risk of legal challenge can never be completely eliminated, but it would be possible to weigh the research presented in the remainder of the report here and in Appendix 2 to reach a conclusion if this risk can be mitigated to an acceptable level.

3. RESEARCH WORK

- 3.1. When setting the current level of the Premium, the full Council requested research to analyse the impact the Premium was having on Gwynedd communities.
- 3.2. The result of this research appears in the report contained in Appendix 3, with the executive summary as follows.

Purpose and scope of research

- 3.3. This research was intended to gather evidence on the impact of the two latest increases in the level of the council tax premium in Gwynedd (to 100% for second homes and long-term empty properties in April 2021, and to 150% for second homes in April 2023) aiming to answer the following questions:
 - Has increasing the premium led to fewer second homes in Gwynedd?
 - What happened to the properties that were formerly second homes – i.e. have they gone from paying council tax with premium (second home), to paying basic council tax (main residence), or to the business tax regime (holiday accommodation), or any other category
 - What do we know about the people who live in houses which were previously second homes but are now main homes? Was this related to the sale of the house at the same time, or a change of use under the same ownership?
 - Has the premium increase led to long-term empty houses being brought back into use?
- 3.4. The research focused on use of properties and focused on three different elements, namely:
 - Analysing the details of property categories in the council tax system (houses changing to/from being a second home or long-term empty).
 - Looking at the link between change of property categories for council tax purposes and house sales.
 - Collecting further information on properties that have changed from a second home to a main home, via a questionnaire for current occupants.

Analysing category movements in the council tax system

- 3.5. This element involved analysing the details of the categories of all properties in the county in the council tax system on different dates between October 2019 and April 2024, looking specifically at housing switching to/from a second home or long-term empty, and any different patterns in this around the time of increases in the premium.

- 3.6. In terms of properties moving between being a second home and being a primary residence, there has usually been a (net) flow of properties from main residences to second homes. But the net flow was the other way (i.e. from second homes to main residences) in the run-up to the premium increase to 100% in April 2021, and (more decisively and more long-lasting) before and after the premium increase to 150% in April 2023.
- 3.7. In terms of properties moving between second homes and holiday accommodation, prior to April 2023 there was a flow of properties from second homes (in the council tax regime) to holiday accommodation (in the business tax regime). But after April 2023 (at the time business rate regulations were changed, in terms of the period properties are / are available to let), the flow is now the other way, from holiday accommodation to second homes. There are recent indications, based on Dec 2023 – Apr 2024 data, that this flow has grown so that the total number of second homes across Gwynedd is stabilising (i.e. this flow is around the same as the flow from second homes to main residences).
- 3.8. In summary, it therefore appears (although it must be remembered that other factors may also be influencing the situation) that the premium has made a contribution to bringing second homes back into use as primary residences.
- 3.9. The change in holiday accommodation regulations has also appeared to have a continuing impact – resulting in a flow of properties from holiday accommodation to second homes, somewhat offsetting the impact of the trend (above) for second homes to change into primary residences.
- 3.10. In terms of the impact of the premium on long-term empty properties, it is difficult to detect any definite pattern. A higher number transferred after a premium increase in 2021, but subsequently the numbers have been very variable and there is no noticeable long-lasting effect.

Comparison with home sales

- 3.11. We looked at the period from December 2022, the period in which a net flow of properties from second homes to main residences began. Of properties that changed from a second home to a main residence in this period, 19% had been sold around the same time.
- 3.12. Of the properties that remained a second home constantly from December 2022 to April 2024, around 1% had been sold during this period. This is a lower proportion than in the previous period (Dec 2021 – Dec 2022); there is therefore no evidence that the premium increase to 150% has led to an increase in the number of second homes being sold to other second home owners.

Further information on properties which changed from second home to main home

- 3.13. A questionnaire was sent to over 900 properties which changed status from second home to primary residence (in council tax data) since December 2022 (when a flow of second homes to primary residences began). There was a 20% response rate.
- 3.14. Of those who indicated they owned the house, 64% had bought the house in order to live in it permanently (never having been their second home), and 28% were now living permanently in a house that used to be their second home.
- 3.15. The majority (71%) of those who moved into a house which was their second home, had not previously lived in Gwynedd. Of those who had bought the house to live in permanently, around half (52%) had not previously lived in Gwynedd, but around a third (35%) had lived in Gwynedd for 5 years or more.
- 3.16. Of the properties where a questionnaire response was received, there were Welsh-speaking adult(s) in 39% of the houses purchased to live in permanently. This compares to 26% where owners had moved into houses that were already their second homes.

Other considerations

- 3.17. The data can be analysed into smaller areas as needed, and some results about the individual wards Abersoch with Llanengan, and Aberdyfi, are included in the full report.
- 3.18. In future further sources of information could be looked at, to look at other possible aspects of the impact of increasing the premium. It may also be possible to look at the potential for additional research data to be collected when administering council tax, if the intention is to continue to monitor these trends.

4. USE OF THE PREMIUM

- 4.1. 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. Since the 2023/24 financial year, £3m has been used in the revenue budget to fund the Homlessness service.
- 4.2. The Housing Action Plan aims to build, purchase or refurbish over 2,000 units that will help over 15,000 people in Gwynedd over the life of the Scheme.
- 4.3. Following changes to the housing situation, the needs of the people of Gwynedd and financial sources in recent years, particularly in light of the Covid-19 pandemic and Brexit, we recently took the opportunity to review the Plan, taking advantage of new opportunities to expand and help even more residents of the county with their housing situation.
- 4.4. The Housing Action Plan will invest over £180m over the period of the Scheme, drawing on a number of financial sources, such as the Welsh Government's Housing Support Grant and Social Housing Grant, the Council's Asset Management Plan and of course the Council Tax Premium on Second Homes and Empty Houses.
- 4.5. The funding received from the Council Tax Premium fund (approximately 27% of the total value of the Scheme) is fully earmarked against several projects in the Housing Action Plan, such as supported accommodation schemes, building our own houses, contributing to residential elements in community schemes, bringing the county's empty houses back into use, and ensuring disabled people can continue to live in their current homes.
- 4.6. Being able to include the Premium as a financial source has enabled the Department to attract several additional grants. We prioritised spending those grants first because they had a time limit, which in turn has allowed us to prioritise premium spending and ensure that that benefits the people of Gwynedd the most.
- 4.7. Of all the Scheme's financial expenditure/commitments to date (which is the last column in the table), around £10.5m has come from the Premium fund.

4.8. The table below summarises the Plan's main data to date, including how many units, number of people have received support and the expenditure on each project.

Ref.	Description	Unit Target	Units Completed	Units in Progress	Individual target	Individuals helped	Budget	Committed expenditure
1a	Supported housing for the homeless schemes	83	20	62	0	22	£14,300,000	£3,546,495
1b	Supported housing for homeless young people	4	4	-	0		£1,251,442	£1,005,608
1c	Self contained units for individuals with intensive social needs	5		5	0		£800,000	£442,058
1ch	Support packages for private landlords	140	21	11	0	47	£3,300,000	£243,465
1d	Specialist mental health support	0		40 <i>individuals</i>	200	56	£240,000	£45,158
1dd	Accommodation and extra support in Arfon	6		6	0		£818,000	£500
2a	Build more social housing than what can be funded through the social housing grant	700	346	194	0	-	£56,700,000	£42,842,136
2b	Redevelop the Polish Care Home site in Penrhos	107			0			
2c	Purchase of former social housing and renting them to Gwynedd residents	100	35	11	0	138	£22,400,000	£6,583,492
3a	Develop our own housing	90		43	0		£9,000,000	£360,350
3c	Consult with communities to establish their housing needs	0	-	-	0	43	£150,000	£1,360
3ch	Refusing applications to remove a local person condition on former 'Council houses'	70	43	20	0	63		
3dd	First Time Buyers' Grants to renovate empty houses	282	247	30	0	319	£4,080,000	£1,027,780
3e	Council Tax Exemption on empty houses for first time buyers	0			120	123	£200,000	£165,061
3f	Homebuy scheme	120	42	35	0	23	£11,500,000	£3,100,000
3ff	Finding and purchasing land for building in the future	0			0	0	£1,200,000	£679,472
3g	Residential element in community regeneration schemes	12	1		0	4	£600,000	£37,500
3ng	Offering support to owners who wish to let or sell their houses to local people	0			0		£ -	

Ref.	Description	Unit Target	Units Completed	Units in Progress	Individual target	Individuals helped	Budget	Committed expenditure
4a	Set up a new Energy Conservation service for home-owners	0			0	2000	£500,000	£231,620
4b	Innovative Housing Pilot Scheme	4	4		4	4	£600,000	£839,269
5a	Supported housing – youth	4	0		0		£500,000	
5b	Extra care housing for the elderly	72	0		0		£13,000,000	
5ch	Supported Housing – adults with profound needs	15	0		0		£500,000	
5d	Suitable homes for children with severe physical needs	15	11	6	0	11	£1,200,000	£912,144
5dd	Frondeg, Caernarfon	17	0		0		£200,000	£2,552
5e	Interest-free loans to improve housing conditions	0	12	20	25	27	£250,000	£95,090
5f	Home Safety	0	0	10	2000	3684	£600,000	£400,000
5ff	Adaptations to make houses suitable homes for individuals with disabilities	0	0	-	900	703	£7,200,000	£5,706,294
6	One-stop shop for Housing matters	0	-		0		£480,000	
		1846	757	482	3249	7267	£152,251,442	£68,267,404

5. EQUALITY IMPACT ASSESSMENT

- 5.1. The Equality Impact Assessment in the Appendix reflects recent requirements and developments, changing circumstances and the results of the comprehensive consultation that was undertaken in 2022.
- 5.2. The result of the Equality Impact Assessment undertaken in 2022 when setting the current level of Premium is that there is some evidence that increasing the premium on second homes would be discriminate against a protected group, with data suggesting that second home owners tend to be older people and identify themselves as English. The policy in relation to Council Tax Premium is intended to recognise that long-term empty properties and second homes increase some of Gwynedd's social problems, and the owners should make a financial contribution to alleviate some of the disadvantages they cause.
- 5.3. The 2022 assessment also concluded that there will be a positive impact on the balance of communities as the premium yield funds the Housing Action Plan which supports local families to buy an affordable home. However, it is noted that this is the result of a number of positive and negative factors which affect the Language, which receive attention in several places in the report and appendices.

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

- 6.1. 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.
- 6.2. In accordance with the requirement of the Act, Cyngor Gwynedd 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
- 6.3. 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.
- 6.4. 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”.
- 6.5. 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
- 6.6. The Housing Action Plan includes a number of projects that together set out to deliver these objectives.

7. THE CABINET'S RECOMMENDATION

7.1. Having considered the above options in the context of the information in this report, appendices and studies referred to, the Council needs to reach a decision on the Premium level to be set for 2025/26. The Council's Cabinet, at its meeting on 26 November, resolved:

Recommend to the full Council on 5 December 2024 that the following is the favoured option of the Cabinet with regards to the level of Premium on the Council Tax of Second Homes and Long-Term Empty Dwellings for the 2025/26 financial year:

- **That Cyngor Gwynedd allows NO discount on class A second homes, under Section 12 of the Local Government Finance Act 1992 (i.e. no change).**
- **That Cyngor Gwynedd allows NO discount and RAISES A PREMIUM OF 150% on class B second homes, under Section 12B of the Local Government Finance Act 1992 (i.e. no change).**
- **That Cyngor Gwynedd allows NO discount on homes that have been empty for 6 months or more and RAISES A PREMIUM OF 100% on homes that have been empty for 12 months or more, under Section 12A of the Local Government Finance Act 1992) (i.e. no change).**

OPINION OF STATUTORY OFFICERS

Monitoring Officer:

As set out in the report the Council is required to make a decision for the coming financial year. It is therefore appropriate that a decision for Council Tax Discounts and Premium receives consideration from the full Council. It is explained in the report that a consultation process was undertaken prior to increasing the premium level to 150% for 2022/23 onwards. I am therefore satisfied with the propriety of the Cabinet's recommendation and can advise further at the meeting should the need arise.

Head of Finance:

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

BACKGROUND DOCUMENTS

Council Report 1 December 2022

Statutory Guidance

Research Work on the Effect of the Premium