

## Welsh Parliament's Local Government and Housing Committee: consultation for stakeholders as part of its inquiry into second homes

Caerphilly County Borough Councils welcomes the opportunity to comment on the consultation, which is part of the Committee's inquiry into second homes in Wales. Our response below initially sets out the local context in Caerphilly and then provides comments from the Council on each of the specific recommendations.

### Local context

Table 1 on pages 5 and 6 references Caerphilly as having 263 second homes. For Council Tax purposes a second home is defined as a dwelling that is not a person's sole or main residence and is substantially furnished. These dwellings are referred to in the Local Government Finance Act (LGFA) 1992 as dwellings occupied periodically but they are commonly referred to as "second homes".

In order for a premium to apply to second homes, a Council must make its first determination under section 12B of the LGFA 1992, at least one year before the beginning of the financial year to which the premium relates. This means that in order to charge a premium from 1st April 2023, a determination must be made before 1st April 2022.

The determination to charge a premium under these powers must be made by full Council. However, prior to doing so the Council would be required to carry out an Integrated Impact Assessment which will include engagement and consultation with key stakeholders and the residents of the county borough.

A premium cannot be charged on a dwelling that falls within an exception as detailed in The Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015. Broadly these are:

### **Exceptions to the Council Tax Premiums on Second Homes and Long-Term Empty Properties.**

<b>Classes of Dwellings</b>	<b>Definition</b>	<b>Applies to</b>
Class 1	Dwellings being marketed for sale – time limited for one year.	Second Homes <b>and</b> Long-Term Empty Properties
Class 2	Dwellings being marketed for let – time limited for 1 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	

As at 1st December Caerphilly has 242 second homes. This represents just 0.3% of all council tax dwellings within the county borough. See table below for analysis of second homes:

<b>Second Homes</b>	
Empty longer than 10 years	41
Empty between 5 - 10 years	54
Empty between 2 - 5 years	66
Empty less than 2 years	81
<b>Total</b>	<b>242</b>

Included in the above total of second homes will be dwellings in the following categories. Depending on the length of time these dwellings have been empty they may fall in to one of the above exception categories.

- Dwellings that are left furnished following the death of the resident
- Empty furnished properties to let
- Empty furnished properties for sale
- Short-term empty furnished bedsits for use by the homeless

Although further analysis is required, the Council may not face the issues experienced in some other parts of Wales where the number of genuine second homes is impacting on the ability of local residents to afford to buy or rent a home within their community. For this reason, WG should retain premiums as a discretionary power, and allow further discretions within that power, so that each local authority can determine a policy that is appropriate for their local needs.

#### Specific points

#### **Recommendation 1 – develop regional and local variation in public policy**

Page 13 of the report outlines two critical geographical distribution factors affecting different areas in Wales and affecting different areas within a local authority. It is for this reason that the Council is supportive of recommendation 1.

Any public policy solutions introduced by Welsh Government should be flexible enough to be applied in different ways in different counties and communities according to the identified level of regional and local need.

#### **Recommendation 2 – control of the numbers of second homes**

The Council believes that Recommendation 2 should only apply in communities that are shown to be adversely affected by high levels of second homes. It is important that any proposals implemented do not have negative economic or social impacts in those areas where second homes are not considered to be an issue.

### **Recommendation 3 – the definition of second homes**

The Council is supportive of this recommendation. In our response to Recommendation 1, we highlighted that not all unoccupied and furnished homes (typically referred to as second homes) are holiday homes. In order to minimise the impact of controls on the number of second homes it is important that the term second homes is accurately defined.

It may not be beneficial in some local authority areas, where the number of second homes is low and the impact on the housing market is negligible, to spend considerable resources identifying and dealing with second homes. The consultation recommends licensing of second homes, which may seem excessive where numbers are low and could create additional work with very little benefit. This could potentially motivate second homeowners to declare their properties empty, increasing the number of empty properties in an area that a local authority would need to tackle.

### **Recommendation 4 – responding to Brexit and Covid-19**

The lasting impacts of Brexit and Covid-19 on the wider housing market remain largely unknown. It is important, therefore, that any approach adopted by Welsh Government is proportionate and does not have any unintended consequences. The report recognises the significant changes in working practices with home working likely to continue to feature more prominently in the future, allowing people to work from their second homes. This may blur the lines between what is a second home and what is a principal residence. If policies become too stringent, there could be the unintended consequence that people register what was their 'second home' as a principal residence and then class their previous principal residence as a second home, as a way of circumventing the adopted approach.

### **Recommendation 5 – the need for policy intervention across a range of policy areas**

We would agree that the policy interventions should span across a range of policy areas including housing, planning and council tax. For example, increasing local taxation liability in isolation on genuine second homes and/or self-catering accommodation is unlikely to have any real impact on reducing the numbers of such properties. Other policies in the areas of affordable housing and planning law would be required in order to achieve this objective. We would stress again stress that approaches adopted should be flexible enough to ensure that the most stringent measures are only put in place when and where required.

### **Recommendation 6 – Local Council Tax Premium**

We have no objection to this recommendation but would suggest that it should be a matter for local authorities to decide when and when not to use their taxation powers. In our responses above we have advocated the requirement for local flexibility and

suggest that local authorities should be allowed to choose not apply premiums in areas where second home ownership is not found to be an issue.

Welsh Government and/or local authorities will need to ensure that premiums on both empty properties and second homes are mirrored to ensure second homeowners are not motivated to re-band their property as an empty to avoid such a premium.

### **Recommendation 7 – Short-term holiday accommodation and business rates**

If Welsh Government were minded to removing the entitlement to Small Business Rate Relief for such properties then they should also look at removing entitlement to Retail, Leisure and Hospitality Rate Relief as well.

Tourism is a key part of the local economy. In areas such as the South Wales Valleys, local authorities are actively looking to encourage the provision of further tourist accommodation. Future Wales, the National Development Framework (WG, 2020), highlights that the Valleys have the potential to build on its tourism offer, and the Council's own Regeneration Strategy, A Foundation for Success (2018-2023), seeks to *“Capitalise upon the assets of the county borough to fully exploit the county borough's tourism potential and establish the county borough as a major tourism destination within Cardiff Capital Region and Wales.”* Careful consideration must be given, therefore, to any negative impacts or unintended consequences that may arise from the implementation of this recommendation.

Any proposals of this nature should again be flexible to provide local authorities with the ability to only implement this criteria where the benefits are found to outweigh the potential impact on tourism.

### **Recommendation 8 – Land transaction tax**

The report recognises that any increases in land transaction tax for second properties would also be levied on those who purchase properties to rent out. There is danger, therefore, that increasing land transaction tax may impact on the supply of accommodation in the private rented sector and/or directly result in rental increases, as landlords seek to recoup their additional outlay in the purchase of properties, which in turn could exacerbate existing pressures on social housing waiting lists.

For the reasons outlined in the responses above and in order to allow a local authority to adequately consider the implications on their private rented sectors of increasing land transaction taxes, our preference would be for Welsh Government to delegate this responsibility to local authorities.

## **Recommendation 9 – Gwynedd and Anglesey Councils’ ‘Local Market Housing’ Scheme**

We understand that Welsh Government are already consulting on amendments to Planning Policy Wales to make it explicit that, where relevant, the prevalence of second homes and short-term holiday lets in a local area must be taken into account when considering the housing requirements and policy approaches in Local Development Plans. In addition, it makes clear where the local planning authority imposes an Article 4 Direction, a condition could be placed on all new dwellings restricting their use to primary residential, where such conditions would meet the relevant tests.

The Council is still considering their response to this consultation. However, we welcome that this should be taken into account, *where relevant*, as mainly the report shows that many local authorities do not have an issue with second homes and short term lets and it would not affect their housing requirement figures.

For those local authorities affected, it would be beneficial for Welsh Government to publish further guidance on how this would need to be taken into account when setting housing requirements.

## **Recommendation 10 – the creation of a new use class for short-term holiday accommodation**

This is already subject to a separate consultation by Welsh Government, which proposes to create new use classes for primary homes, secondary homes and short-term holiday lets. It is proposed that permitted changes between uses would be permitted development, unless dis-applied in a specific area by an Article 4 Direction.

Under the proposals, it is intended to amend use class C3 to relate to primary homes only and a new use class C5 for secondary homes. If occupied for more than 183 days it is proposed that this would be classed as a primary residence, and under 183 days would be a secondary residence. Short term lets would be within use class C6 and would be defined as the “use of a dwelling house for commercial short-term letting not longer than 31 days (for each period of occupation)”.

The Council is still considering their response to this consultation. However, it is unlikely that we would look to introduce Article 4 Directions due to the relatively low numbers of units classed as short-term holiday lets or second homes. As proposed changes within the use classes would be permitted development, it is not considered that this would cause particular issues for Caerphilly. However, in areas where there are Article 4 Directions in place, we would raise some concerns about how the time periods for occupancy would be monitored.

### **Recommendation 11 – trialling a new use class for second homes**

Please see the response to Recommendation 10 above.

### **Recommendation 12 – establish a Commission to make recommendations regarding the future of the Welsh language as a community language**

This is not significant issue in Caerphilly and, therefore, we have no comment.

### **To consider the policy objectives and evaluate the evidence base for policy change in this area and to identify any gaps in knowledge and data.**

In normal circumstances, the latest Census would provide valuable insight into second home ownership. However, the 2021 Census was undertaken during a period of restricted travel due to lockdown in Wales and, therefore, the data may be skewed as a result.

The long-term effects of the Covid-19 pandemic on future patterns of working and what people consider to be their primary and secondary residences may change in the future, as people have the ability to work more flexibility. It will take some time to fully understand the implications of this and, whilst we wouldn't suggest delaying policy interventions to fully evaluate this, it is potentially a gap in knowledge.