

Cyngor Sir Gâr Carmarthenshire County Council

Carmarthenshire County Council

Second Homes & Empty Properties

March 2023

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1. Executive Summary

This report brings to the attention of the Council discretionary powers when determining the level of Council tax premiums to be levied in respect of second homes and long-term empty properties.

The Council's is asked to note the results and conclusion of the recent consultation on the Cabinet's proposals.

The report recommends that Full Council introduces premiums on second homes and long-term empty properties, from 1st April 2024.

This supports the Council's objective to increase the supply of housing and the need for affordable housing.

2. Recommendations

1. That Council determines that it will apply / charge a Council Tax Premium on second homes and long-term empty properties as defined by Sections 12A and 12B of the local Government Finance Act 1992, as inserted by the Housing (Wales) Act 2014.
2. to approve a council tax premium of 50% premium is levied in 2024/25 in respect of second homes¹, with a view to increasing the premium to 100% from 1 April 2025.
3. to approve a council tax premium on long-term empty properties² as follows:
 - 50% Premium for empty properties > 1 year < 2 years
 - 100% Premium for empty properties > 2 years < 5 years
 - 200% Premium for empty properties > 5 years
4. that delegated authority be given to the Director of Corporate Services to implement the changes and to notify the owners of all affected properties.
5. that the Director of Corporate Services and Cabinet Member for Resources keep these premiums under review and to bring changes to Cabinet and Council for approval as appropriate.

3. Background

¹ See Appendix 1 for definition and current numbers per band

² See Appendix 1 for definition and current numbers per band

The Housing Act 2014 introduced provisions that allowed local authorities to apply a Council Tax Premium (or “surcharge”) in respect of long term vacant dwellings and/or dwellings classed as “second homes”.

However, with the introduction of the Council Tax (Long Term Empty Dwellings and Dwellings Occupied Periodically (Wales) Regulations 2022, a billing authority in Wales may determine in relation to its area, that if on any day a dwelling is a long term empty dwelling (12 months or more) or a dwelling occupied periodically (second home), then as from 1st April 2023 the amount of council tax payable can be increased by a percentage of no more than 300%.

A decision to charge a premium on second homes must be made at least one full year before the beginning of the financial year to which the premium related. Therefore, in order to charge a premium from 1st April 2024, a billing authority must make a determination before 1st April 2023.

In relation to long term empty properties Welsh Government are consulting on changes to the guidance, but the final version has yet to be published. For consistency the implementation of the premium for empty properties will also be introduced from 1st April 2024.

Local authorities 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. Consideration should also be given 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.

Carmarthenshire County Council have the following properties that will be impacted by the introduction of a premium:

- 815 properties within the category of second homes
- 1,833 properties within the category of long-term empty properties (empty for more than 12 months)

4. Matters to consider

The Council’s current policy is not to charge premiums for second homes and long term empty properties.

Existing exemptions will continue to apply, and any premium would only apply after the exemption expires. Amongst the significant number of existing exemptions are a number which relate to unoccupied dwellings, including:

- where the former resident (and owner) is in long-term residential care or hospital
- where a dwelling requires or is undergoing structural repair (exempt for up to one year)

- where the former resident (and owner) has died (exempt for up to six months after grant of probate or letters of administration).

Welsh Government has also introduced additional classes of exemption from premiums, which take a number of dwellings out of scope. As a result the Council is prevented from charging a premium for the following exempt classifications

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

There is a benefit in introducing premiums including bringing long term empty properties back into use and supporting the Council’s supply of affordable housing, thereby enhancing the sustainability of local communities.

By reducing the number of empty properties it is expected that there will be less need to build new properties, thus utilising less green space and the associated carbon footprint of the new build, therefore having a positive impact on climate and nature.

It must be noted that there will potentially be a financial implication on the Housing Revenue Account (HRA) given that some voids need extensive capital works, and may well be empty for over one year. Consideration of the premium charges will have to be made when setting future budgets within the HRA.

There is a financial benefit to the Council of introducing premiums. Premiums would generate additional income which could help fund increased empty homes monitoring and activity within the Housing Options & Advice Team or be used for other Council services in general. For illustrative purposes see table below:

Indicative Additional Revenue

	Long Term Empty Dwellings (dwellings vacant for 2 years or more)	Second Homes
Number of properties in scope	1,358	815
Assume average of Band C - £1,550		
50% premium [150% charge]	£1,052k	£632k
100% premium [200% charge]	£2,105k	£1,263k
Assume average of Band D - £1,750		
50% premium [150% charge]	£1,188k	£701k
100% premium [200% charge]	£2,377k	£1,426k

(NB. The figures above are broad estimates and do not reflect a number of other factors including:

- Note that these are maximum figures – the actual number could potentially reduce.
- A number of dwellings that will fall into the new exemption classes
- 100% collection rate assumed
- Second homes that will transfer into the Business Rates list as commercial holiday lets (as evidenced at other authorities)
- The tax base of the Council will be amended in respect of the charging of a premium properties in scope)

There are positive and negative impact of second homes to note. Research undertaken by the Welsh Government in 2021 suggests that second homes can raise demand for houses and, thereby, drive an increase in local house prices. However, there is no unequivocal evidence quantifying just how much of an impact second home have on house prices compared to other factors. This impact was thought to occur most commonly within particular localities or 'hotspots' that had a degree of prevalence.

Alongside house price inflation, the clearest direct impact of second homes was to reduce the housing stock. This was more easily quantifiable, with some localities having lost significant percentages of their housing stock to second homes of some kind.

The research found that the evidence base is relatively weaker in terms of broader impacts of second home ownership. Very few publications detailed the impact upon the Welsh language but does highlight aspects of the erosion of a sense of community.

As well as the Welsh language, this included service decline, and the seasonality of economic and social life characterised by low-paid tourism employment in season, and periods of relative desertion during the off-seasons although, again, the limited evidence base needs to be noted.

Some publications have noted the positive benefits of second homes which are largely related to employment and economic contribution as a result of refurbishment or renovation and the spending of owners within the localities. However, more recent publications challenge the extent of this contribution, whilst it is also possible that such expenditure merely displaces (likely only some of) what primary homeowners would spend in the locality. A few publications and interviewees also noted that second homeowners can play a positive role in renovating derelict properties, and improving the general community.

It's prudent to consider that there is also a negative implication in introducing premiums, as it may have a detrimental impact on local tourism and the local economy during a cost of living crisis. It could be argued that owners of both second homes and empty properties do not use local services to the same degree as other residents and therefore it may be perceived unfair to charge additional tax.

Notably, some of the authorities that made an early decision to adopt premiums are seeing a significant number of second homes being transferred by the Valuation Office Agency from the Council Tax Valuation List into the Business Rating List. This has the effect of reducing the Council's Tax Base (the advantage to the owners is that under the Small Business Relief scheme the rates liability is minimal and very often NIL, for self-catering holiday lets), so there is a loss in income under this situation.

5. Consultation

Cabinet resolved on 9th January 2023 to conduct a consultation and impact assessment on introducing council tax premiums on

- second homes / holiday homes and
- empty properties.

A consultation exercise was undertaken from 17 January 2023 to 17th February 2023. A summary and the responses received is attached, the report is attached in Appendix 2. All owners of properties that would be affected directly by this proposal were sent letters advising them of the proposals and the options being considered, whilst also being advised of the procedure for responding to the consultation. This information was also made available online and was displayed on social media in order to give other stakeholders and residents of Carmarthenshire an opportunity to respond. A total of **941** responded to the online consultation and a further **104** letters and emails were received. Key data are summarised below.

Responding to survey as:		
Resident of Carmarthenshire	439	48%
Owner of a Second Home in Carmarthenshire	255	28%
Owner of an Empty Property in Carmarthenshire	113	12%
Other	117	13%

Impact of Premiums on Second Homes

What effect do second homes have on local communities in Carmarthenshire at the moment?					
	TOTAL	Residents	Second Homeowner	Empty Property Owner	Other
Positive	34%	22%	56%	20%	40%
Negative	30%	54%	4%	16%	11%
No effect	25%	17%	32%	38%	25%
No opinion	11%	7%	8%	26%	24%

Currently the Council Tax Premium on second homes is 0% (meaning there is no additional premium in addition to the current Council Tax). The Council is considering whether to introduce a Council Tax Premium. Do you think this is appropriate?

	TOTAL	Residents	Second Homeowner	Empty Property Owner	Other
No	54%	37%	79%	62%	61%
Yes	41%	61%	17%	23%	29%
No opinion	5%	2%	4%	15%	11%

It is proposed to charge a premium in respect of second homes and that this should be either 50% or 100% for all properties classified as a second home under Class B.

Do you agree with a 50% premium charge for second homes?

	TOTAL	Residents	Second Homeowner	Empty Property Owner	Other
No	72%	56%	91%	81%	76%
Yes	25%	41%	6%	10%	17%
No opinion	4%	3%	3%	9%	7%

Do you agree with a 100% premium charge for second homes?

	TOTAL	Residents	Second Homeowner	Empty Property Owner	Other
No	70%	48%	96%	83%	84%
Yes	26%	50%	1%	7%	9%
No opinion	4%	2%	3%	9%	8%

If you disagree with the level of premium proposed above, at what level do you think the Council Tax Premium on second homes should be set?

	TOTAL	Residents	Second Homeowner	Empty Property Owner	Other
Up to 25%	55%	44%	67%	60%	47%
No opinion	28%	24%	26%	31%	37%
Up to 200%	8%	21%			1%
Up to 50%	7%	7%	5%	6%	13%
Up to 100%	2%	4%	1%	2%	
Up to 175%	0%	1%			
Up to 75%	0%		1%		
Up to 125%	0%		1%		
Up to 150%	0%		1%		

Impact of Premiums on Long-term empty properties

What effect does long-term empty property have on local communities in Carmarthenshire at the moment?

	TOTAL	Residents	Second Homeowner	Empty Property Owner	Other
Negative	61%	77%	52%	27%	53%
No effect	24%	15%	30%	47%	27%
No opinion	13%	7%	15%	25%	18%
Positive	2%	1%	4%	1%	2%

Currently the Council Tax Premium on long-term empty properties is 0% (meaning there is no additional premium in addition to the current Council Tax). The Council is considering whether to introduce a Council Tax Premium. Do you think this is appropriate?

	TOTAL	Residents	Second Homeowner	Empty Property Owner	Other
Yes	48%	66%	35%	12%	43%
No	47%	32%	54%	86%	50%
No opinion	5%	3%	11%	3%	7%

It is proposed that a Council Tax Premium is introduced on long-term properties at:
 Empty property > 1 year and < 2 years 50% premium
 Empty property > 2 years and < 5 years 100% premium
 Empty property > 5 years 200% premium
 Do you agree with the above proposal?

	TOTAL	Residents	Second Homeowner	Empty Property Owner	Other
Yes	47%	65%	37%	4%	40%
No	47%	31%	51%	95%	51%
No opinion	7%	4%	12%	2%	10%

If you disagree with the level of premium proposed above, at what level do you think the Council Tax Premium on long term empty properties should be set after 1 year?

Up to 25%	65%	57%	76%	65%	63%
No opinion	25%	24%	19%	33%	28%
Up to 50%	3%	4%	5%	1%	4%
Up to 100%	3%	7%	1%	1%	2%
Up to 200%	3%	7%			4%
Up to 75%	0%				
Up to 150%	0%	1%			
Up to 125%	-				
Up to 175%	-				

If you disagree with the level of premium proposed above, at what level do you think the Council Tax Premium on long term empty properties should be set after 2 years and < 5 years?

	TOTAL	Residents	Second Homeowner	Empty Property Owner	Other
Up to 25%	50%	36%	56%	59%	53%
No opinion	25%	23%	19%	34%	30%
Up to 50%	15%	19%	23%	4%	9%
Up to 200%	5%	12%	1%	1%	4%
Up to 100%	2%	3%	1%	1%	
Up to 75%	1%	3%			2%
Up to 150%	1%	3%			2%
Up to 125%	0%	1%			
Up to 175%	-				

If you disagree with the level of premium proposed above, at what level do you think the Council Tax Premium on long term empty properties should be set after 5 years?

Up to 25%	39%	32%	40%	47%	39%
No opinion	24%	23%	20%	28%	30%
Up to 50%	15%	8%	17%	17%	15%
Up to 100%	10%	11%	17%	3%	7%
Up to 200%	8%	19%	1%	2%	7%
Up to 75%	4%	6%	5%	2%	2%
Up to 150%	0%	1%			
Up to 125%	-				
Up to 175%	-				

Other Considerations / Factors

The additional exemptions being introduced and the lack of specific data on the status of dwellings, makes it difficult to predict with any certainty the number that could actually be subject to premiums.

Additional resources would be required to administer the scheme, monitor and verify the status of dwellings in scope (e.g. to ensure exemptions are correctly applied) and recover the additional Council Tax charges.

Second Homes

Under Council Tax law there is no such thing as a second home, but the term is commonly used to describe dwellings that are substantially furnished but “not anyone’s sole or main residence”. Second homes / holiday homes as well as other dwellings that have for whatever reason, been left unoccupied but furnished, therefore come under the heading of ‘Second Homes’.

Second/holiday homes

Indicative Number of Properties in Scope:

Band	A	B	C	D	E	F	G	H	I	Total ³
Number @ 2017	145	140	185	200	130	70	25	5	0	850
Number @ 2023	117	137	160	177	133	69	19	3	0	815

Empty Properties

Under the “standard” Council Tax scheme, when a dwelling becomes unoccupied and stands substantially unfurnished, there is an initial 6 months exemption period during which time there is no charge. Since 1st April 2020, once this exemption period expires (and provided no other exemption applies) a vacant property is then subject to a 100% charge.

At any given time, there are in the region of 2,300 dwellings in Carmarthenshire that are vacant.

Vacancy Ranges	Approximate Number of Vacant Dwellings	
	@ 2017	@ Feb 2023
Dwellings vacant < 6 months	Not available	92
Dwellings vacant > 6 months but < 1 year	800	353
Dwellings vacant > 1 but < 2 years	650	533
Dwellings vacant > 2 but < 5 years	650	585
Dwellings vacant > 5 years	670	715
TOTAL	2,770	2,278

Under the new provisions, a Long-Term Empty Dwelling is defined as a dwelling which is both unoccupied and substantially unfurnished for a continuous period of at least one year. NB: In determining whether a dwelling has been empty for one year, no account is to be taken of any period before 1 April 2016 even if a dwelling has been vacant for many years.

³ Excludes purpose-built chalets on holiday sites with no occupancy restrictions.

Long term empty dwellings

Indicative Number of Properties in Scope (exemptions not factored in) :

Band	A	B	C	D	E	F	G	H	I	Total
Void<12 months	99	146	87	56	40	14	2	1	0	445
12-24 months	86	154	128	79	61	17	6	1	1	533
24-60 months	91	153	115	99	86	25	16	0	0	585
60+ months	139	168	158	116	90	31	13	0	0	715
Total	415	621	488	350	277	87	37	2	1	2,278