

SH 18

Ymgynghoriad ar ail gartrefi
Consultation on second homes
Ymateb gan: Cyngor Sir Penfro

Date · Dyddiad

Response from: Pembrokeshire County Council

Your ref · Eich cyfeirnod

My ref · Fy nghyfeirnod

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Pembrokeshire County Council Cyngor Sir Penfro

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Please ask for

Os gwelwch yn dda gofynnwch am

Gaynor Toft

John Griffiths MS
Local Government & Housing Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

Dear Mr Griffiths

RE: Inquiry into Second Homes

Further to your letter of 5th November 2021, please find attached Pembrokeshire County Council's response to the invitation to submit written evidence to assist in the Local Government & Housing Committee's inquiry.

I trust that the information provided meets with the Committee's requirements but if you should have any queries please do not hesitate to contact me.

Yours sincerely

Gaynor Toft
Chief Housing Officer

We welcome correspondence in Welsh and English, and will respond within a maximum of 15 working days. We will respond in the language in which the correspondence is received (unless you ask us to do otherwise). / Rydym yn croesawu gohebiaeth yn Gymraeg a Saesneg a byddwn yn ymateb cyn pen 15 diwrnod gwaith fan bellaf. Byddwn yn ymateb yn yr un iaith â'r ohebiaeth a dderbyniwyd (oni bai eich bod yn gofyn i ni wneud yn wahanol).

For a copy in large print, easy-read, Braille, audio, or an alternative language, please contact Pembrokeshire County Council on the number above. / Os am gopi mewn print mawr, fformat hawdd ei ddarllen, Braille, sain neu mewn iaith arall, cysylltwch â Chyngor Sir Penfro ar y rhif uchod.



PEMBROKESHIRE COUNTY COUNCIL

Response to Welsh Parliament, Local Government and Housing Committee, Inquiry into Second Homes

OVERVIEW

Pembrokeshire County Council is supportive of policies, which aim to reduce the number of second and long-term empty homes in the county because:

- Increasing the supply of affordable housing is a priority across the whole of Pembrokeshire and a national priority. Second and long-term empty homes can reduce the number of houses available to local residents.
- Pembrokeshire has the second highest rate of second or empty homes in Wales. The 2011 Census shows that one in five or more homes are either empty or second homes, in over 20% of our local areas.
- There is a strong statistical relationship between the proportion of second and long-term homes in local areas and house price to income ratio. The higher the proportion of empty or second homes, the higher the house price to income ratio.

A high house price to income ratio makes it difficult for people living and working within that local area to afford to buy property there.

Within the UK as a whole, house prices in Pembrokeshire are comparatively affordable. In Wales, however, Pembrokeshire has (2019) the joint fourth highest ratio of median house price to median gross annual workplace based earnings in Wales, behind Monmouthshire (at 8.74), Vale of Glamorgan (at 7.86), Ceredigion (at 7.32) and equal with Cardiff at 7.10.

Pembrokeshire ratio of median house price to median gross annual (where available) workplace-based earnings			
2016	2017	2018	2019
6.92	6.84	7.17	7.10

Source - Office of National Statistics

This means that while people from elsewhere in the UK find it relatively easy to afford property in Pembrokeshire, it is much more difficult for those living and earning locally.

- Second homes tend to be in coastal and rural areas where there is often a shortage of affordable housing. Fewer dwellings are built in rural areas and therefore supply in relation to affordable housing is generally less.
- There is a high proportion of second homes in Pembrokeshire communities where the number of Welsh speakers is above the national average (20%). A high proportion of second homes in a community poses a threat to the viability of local schools and opportunities to nurture and grow the Welsh language within these communities.

THE PEMBROKESHIRE HOUSING MARKET

The recently completed Pembrokeshire Local Housing Market Assessment notes that, 'The size of the private rented sector in the National Park area of the county has notably reduced in the last decade in response to the growth in popularity of peer-to-peer accommodation websites such as Airbnb. Research has shown that landlords in Pembrokeshire are increasingly choosing to make their property available for use for short-term holiday lets rather than as a long-term private rented home. The consequence of this reduction in the availability of private rented homes in the National Park part of the county is that there is now no longer sufficient supply of residences in this tenure within this area'.

We are also experiencing a significant increase in the number of applications to the social housing register. The number of applications is now averaging 100 per month, with total live applications in excess of 5,000, which is a rise of over 1,000 in 18 months (with 25% of these in the highest priority group and 62% needing one bed accommodation). Demand and is far outstripping the supply of affordable and social housing. This is being compounded by an increase in the number of people presenting as homeless, which we are duty bound to find accommodation for (in line with changes in Welsh Government policy).

THE WELSH LANGUAGE

Data from Stats Wales shows, broadly, that the small growths in the number of people with Welsh language abilities in Pembrokeshire is being driven by those in younger age groups, with slight declines among those aged 55 and over.

Pembrokeshire County Council commissioned a report on Demographic Forecasts to help inform the development of the Local Development Plan Review (LDP2). This was produced by Edge Analytics in 2018. The findings of the report indicate a projected growth in the proportion of people over the age of 65 and an increase in 1 person and 2 person (no children) households.

Data gathered as part of the recent Pembrokeshire County Council consultation (on proposals to increase the Council Tax premium on second and long term empty homes in the county from April 2022) showed that second and long-term home owners are more likely to be aged over 65 and less likely to be able to speak more than a few words of Welsh (than for both respondents overall and the general population).

When we asked second and long-term empty homeowners about their plans for their properties, 166 said that they intended to make the property their sole or main residence in three or more year's time. Ninety-four indicated that they intended to do so within 1 – 3 years and 32 within the next 12 months.

Measures to offset an increase and / or which result in a decrease in the number of second (including holiday homes) and long-term empty homes would therefore be beneficial in presenting opportunities to continue to grow the number of Welsh speakers in the county.

SECOND HOMES AND SELF-CATERING ACCOMMODATION / HOLIDAY LETS

In his report, Second homes: Developing new policies in Wales, Dr Simon Brooks states that, ". . . holiday accommodation has as much to do with economic policy as it does with housing policy. It could be argued that it promotes prosperity in a way which is not the case for 'second homes', and that it contributes to the local economy, either because it is owned by local people or because visitors who stay in holiday lets spend money locally. It is difficult to think of 'second homes' as being part of a coherent economic strategy in the same way".

Evidence from the recent consultation conducted by Pembrokeshire County Council, however, suggests that the renovation, maintenance and use of second homes and self-catering

accommodation draws in, what is often external, investment and, as such, **both** types of property use can result in substantial contributions to local businesses and to the local economy overall.

In addition, many of the second homeowners who responded to our consultation (and who stated that they did not make use of their properties for holiday letting purposes) were keen to stress that their use of their properties was much more widespread throughout the year. Many argued that this was in contrast to self-catering accommodation, for which they felt usage was much more limited to peak summer months.

For many years planning policy throughout Pembrokeshire has permitted development for the purposes of self-catering accommodation, with associated usage conditions, (notably in relation to conversion of buildings from agricultural and other non-domestic use) where development for more permanent occupation would have been unlikely to have been granted. In the past, such restrictions would have identified specific months of the year when occupation was prohibited. In more recent years, however, this style of restriction has only tended to be applied where there are landscape concerns (e.g. in relation to the visibility of caravan / chalet parks when there is little foliage on trees). Nowadays restrictions on the number of days any one resident can occupy a property in succession would more generally be applied.

During 2021 Pembrokeshire experienced an intense influx of visitors, as people have chosen to take holidays within the UK rather than negotiate covid-19 restrictions associated with overseas travel. This has undoubtedly assisted many of our visitor-dependent businesses, heavily impacted during lockdown, as well as prompted a noticeable entrepreneurial response from those with the means to rapidly develop or switch resources to cater for visitors. This has included an array of camping and self-catering provision. In at least one instance, of which we have been made aware, this has resulted in a short-hold tenancy occupier being giving notice in favour of AirBnB guests.

A rapid growth in the number of holiday lets has arguably been the biggest single effect that the introduction of Council Tax premiums for second and long-term empty properties has had within the county. Anecdotal evidence suggests that a number of second property owners have, somewhat cynically, but with very little difficulty, managed to easily meet the current criteria and thresholds by 'letting' to friends and acquaintances. As part of the Pembrokeshire County Council consultation, a number of second property owners reporting widespread commercial advice to owners to 'switch' their properties to holiday lets in order to qualify for non-domestic rates.

The vision, which underpins the Visit Pembrokeshire Destination Management Plan 2020 – 25, is one of balance of a number of potentially competing priorities: "There is still plenty of room across our county and across the year for growth, but we are only marketing what we can manage successfully. A commitment to sustainability now comes as standard – this is a genuine differentiator for us and so we carry it through in all we do: managing our assets sensitively; supporting responsible transport and travel choices; buying food, services and supplies locally; developing our home-grown talent; celebrating local entrepreneurship, making and ideas; improving digital connectivity; providing year-round economic opportunities; involving our communities in delivery – a true 'localhood' approach."

Within this context, Pembrokeshire County Council would be supportive of measures which echo the desire to move to more sustainable, year-round forms of tourism and which allow the striking of a better balance between the needs of visitors, and the businesses, which depend upon them, and increasingly acute local housing needs.

The Council considers that it is important to maintain entitlement to Small Business Rate Relief for bona fide holiday lets / self-catering accommodation businesses.

To support the development of more sustainable and less seasonal forms of tourism, Pembrokeshire County Council consider that the current thresholds for holiday lets / self-catering

accommodation should be increased with a requirement that properties be let for around 170 days a year. A corresponding higher threshold for the number of days for which the holiday let / self-catering accommodation is available should also be set.

The Council would like to be assured that there is a requirement for appropriate evidence to support this to be provided and that compliance with thresholds is regularly monitored.

In addition, the Council would, in principle, be supportive of the following measures aimed at achieving this:

- the type of 'mandatory licensing scheme for commercial holiday homes' referred to by Dr Simon Brooks in his Second homes: Developing new policies in Wales report. This would, however, be subject to having a greater understanding of the details of any such scheme and, in particular, implications for local authorities in terms of administration and enforcement
- changes, at a national level, to planning regulations in relation to change of use classes. Again, this would be 'in principle' support dependent on sight of further details etc

It is acknowledged that this may entail some complications for owners whose properties are subject to an existing planning usage conditions, where it may be necessary for them to submit an application to vary this.

SECOND AND LONG TERM EMPTY HOME COUNCIL TAX PREMIUMS IN PEMBROKESHIRE

Pembrokeshire currently has a Second Home Council Tax premium of 50%. Following consultation, this was introduced from April 2017. In October 2021 Pembrokeshire County Council resolved to increase this premium to 100% from April 2022.

Following consultation, Pembrokeshire County Council, also removed a discount and introduced the following premiums for properties unoccupied and unfurnished for a period of at least a year from 1st April 2016 (i.e. long-term empty). This was introduced in 2019.

Premium of	
25%	1 st April 2019 for properties that have been empty for 3 years or more
50%	1 st April 2020 for properties that have been empty for 4 years or more
100%	1 st April 2021 for properties that have been empty for 5 years or more

Long-term empty property premium introduced in April 2019

- The number of empty properties in April 2019 totalled 1731 and currently stands at 1506. Figures exclude properties that are subject to an exception.
- Number of properties currently subject to the premium:
- 141 subject to the 25%, 86 subject to the 50%, 221 subject to the 100%

Second-homes premium introduced in April 2017

- Number of properties currently subject to the second home premium total 3641 (not including exceptions)
- Number of properties excepted from the premium total 377, these include properties up for sale, available to let or have a planning restriction

Overall impact to date

There is little evidence of a reduction in the number of second and long-term empty homes in the county. This suggests that the introduction of premiums alone has not been wholly effective in bringing properties back to market and into more general use.

- Comparing 2011 to 2021 our best estimate is that the percentage of homes that do not have a usual resident is the same across all Pembrokeshire – about 12.5%

The number of chargeable second homes has decreased a little, whereas the total number of second homes has remained constant. But within this total, the proportion in coastal areas has increased, whereas in towns it has decreased

- There are many more holiday lets in coastal areas – the number has doubled between 2016 and 2021. This is because homes within council tax (including second homes) are being re-classified by owners, subject to VOA agreement, as well as newly built holiday lets – often conversions from non-domestic use classes. The growth rate is steady, possibly increasing rather than falling.
- In the last year, house prices across the whole of Pembrokeshire rose more quickly than the UK average. Although more recent evidence suggests that the gap in house prices between Pembrokeshire and Wales more generally is narrowing.
- In general house prices are higher in communities with high numbers of second homes (and holiday homes). The difference in price is highest for terraced housing (about 60% higher) and around a third higher for other types of housing.
- The recent rate of growth in house prices has tended to be higher in communities with lower numbers of second homes, as the starting price was lower, but house prices have gone up in areas with high rates of second homes too.

To date, in Pembrokeshire, the money raised from the premiums has been used to support a number of affordable housing schemes and to establish the Enhancing Pembrokeshire Grant fund, which supports projects that help address the negative impacts of long-term empty properties and second homes, and add value to communities.

Public consultation

Pembrokeshire County Council recently undertook a public consultation on options for premiums from 1st April 2022 onwards. Over 1,300 responses were submitted during the consultation period (10th June – 26th July 2021).

The largest number of responses (952 / 69%) came from those who indicated that they **did own** a residential property in Pembrokeshire that was not their sole or main home. Twenty-nine percent (398) of those who responded indicated that they did not.

Overall, 55% (751) of those who responded indicated that they somewhat or definitely **disagreed** that charging a Council Tax premium for second and long-term empty homes was, 'an effective way for the Council to help local people afford homes in the county'. Among those who owned a residential property, which was not their sole or main home, this rose to 70% (851) but amongst those who did not own such a property, the largest number (71%, 283) somewhat or definitely **agreed** that it was effective.

Land Transaction Tax

The Council acknowledges the important role played by increased levels of land transaction tax and would be supportive of mechanisms, which allow for the varying of land transaction tax in counties / wards where numbers of second homes and holiday lets are already high.

Annexes

Whilst the Council will be implementing a 100% second home council tax premium from April 2022 we recognise that there are some homeowners who have annexes that do not fall within the exception criteria and are therefore subject to this premium. It would therefore be helpful if Welsh Government review the criteria for the exception with a view to including these annexes.

OUR FUTURE PLANS

We have set a challenging HRA Social Housing Development Programme of 400 properties over the next 5 years. This ambition has recently suffered a setback, as the main contractor for three of the schemes has gone into liquidation. Furthermore, it is anticipated that construction costs, as a result of the pandemic, will impact on costs for new tenders for these schemes. Social housing rent levels for Pembrokeshire County Council housing stock is amongst the lowest rent in Wales, and with the existing Welsh Government social housing rent policy that limits the overall rental income gathered, this is also limiting our ability to increase rents to achieve a realistic income to increase borrowing and afford a robust house build programme.

It would be fair to say that, to date, opportunities presented, through the money raised from the premiums to increase the supply of affordable and social homes, have not yet been fully realised in Pembrokeshire. We are, however, currently developing an Affordable Housing Strategy that will include a range of Low Cost Home Ownership options. The strategy will provide the framework, through which the money raised from the premiums will be allocated. It will include assistance for community led housing developments, such as Community Land Trusts, which we have already committed significant Council Tax premium funds to, and will, in principle, continue to support their development in specific locations in the county.

Pembrokeshire County Council has developed an Empty Property Action Plan that has been submitted to Welsh Government for consideration, as part of its Transforming Towns agenda, to enable access to the financial support package available to local authorities that wish to undertake enforcement action on prominent, empty town centre properties. This is a 15-year loan programme (rolling fund) from Welsh Government, which is repayable, in full, at the end of the term. It is understood that it is Welsh Government's intention to develop a national Tackling Empty Property Action Plan.

Within Pembrokeshire, we would also like to provide additional corporate commitment towards the prioritisation of bringing under-utilised and / or empty properties back into use. As well as benefitting town centre regeneration, this could also help increase the availability of affordable and social housing. We would target increasing the availability of affordable and social housing in locations outside town centres, and especially in rural locations where the impact of second homes is greater. The intention is to develop an incentive scheme, which encourages the refurbishment of empty properties to assist local low-income families (either as owner-occupiers or as part of a private rented sector scheme). There is an opportunity to use money generated through long-term empty home premiums to fund such a scheme and the proposal for such a scheme will be included in the Affordable Housing Strategy referred to in response to Question 1 above. A blend of funding, from the Welsh Government Transforming Towns scheme and Council Tax premium monies, could also be considered.

In addition, we are in the process of recruiting a Rural Housing Enabler (RHE) as an information link for identifying current and emerging rural housing need. The role will link closely with the Council's strategic housing team, planning department and economic and community development teams highlighting the need for housing and its role for enabling community viability. The role will link with Welsh Government and the national housing enabler network. We believe there is an untapped demand for homes in rural areas that does not show in social housing waiting lists, as potential applicants do not consider applying for areas where they believe there is no opportunity for new homes. The RHE role will seek to understand this belief and articulate its need within housing development plans developed by the local authority and its partners. There will also be a piece of work undertaken during 2022/23 to consider different types of tenure in the provision of affordable housing in rural areas. The RHE role will be key to better understanding the needs and aspirations of rural communities in the type of tenure they would like to see developed and how to unlock potential solutions.

We have responded positive to the majority of proposals in the Welsh Government Consultation on the Welsh Language Communities Housing Plan.