

Meeting: People and Places Board

Date: 14 March 2023



Second homes

Purpose of report

For direction

Summary

Members have expressed an interest in understanding the LGA's activity around second homes. This paper sets out some of the issues; updates the Board on current work; and suggests some options for additional work.

Is this report confidential? No

Recommendation/s

That Board Members comment on the LGA's policy work to date; share their views on second homes data, and agree to fund Localis' Community Land Trust proposal.

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Second homes



Background

1. Members have expressed an interest in understanding the LGA's activity around second homes. This paper sets out some of the issues; updates Lead Members on current work; and suggests some options for additional work.
2. In the 2019 Board-commissioned report '[Rural recognition, recovery, resilience, and revitalisation](#)' found that "the lack of good quality, affordable housing has long been an issue for rural and coastal authorities. Whilst the increase in remote working and outward migration from cities offers the opportunity to build more sustainable communities, it will also heap pressure onto an already squeezed housing market."
3. In 2020, the English Housing Survey published a [special factsheet on second homes](#). It found that in 2018/19:
 - Three per cent (2.4 million) of households report having a second home – note that this includes homes outside the UK. This proportion was unchanged since 2008/09, although the total number of second-home households increased from 572,000 to 772,000.
 - Thirty-nine per cent of households stated their reason for a second home as being holiday home or weekend cottage, and 35 per cent stated it was for long-term investment or income.
 - Half of all second homes in England are located in the South West (27 per cent), South East (14 per cent) and London (12 per cent), with the remainder spread relatively evenly across the rest of the country.
4. Some data on second home ownership is available through council tax records. In September 2021, the Office for National Statistics (ONS) [found that second home ownership is concentrated on 'tourist hotspots.'](#)
5. Data on trends in short-term lets, which may also be second homes, and their impact on local housing markets is patchy. Data from Sykes Holiday Cottages' annual [Staycation Index in 2021](#) (cited in a [House of Commons library report](#)) showed the pandemic resulted in a significant increase in interest from second homeowners looking to list their properties as short-term holiday lets, with new owner enquiries up 91 per cent ahead of domestic travel reopening in April 2021. The 2022 Index doesn't show comparable data, but points to a growing interest in staycations with bookings up 30 per cent compared to 2021 and up 53 per cent from 2019.
6. Landlords and lettings organisations such as the National Residential Landlords' Association and ARLA Propertymark point to [changes in taxation](#) and [greater potential profits](#) as reasons for landlords moving from longer-term to short-term lets. As well as

housing pressures, issues raised in relation to the rise of short-term lets include noise and nuisance, fire safety, and the impact on the traditional accommodation providers.

7. The issue of second homes has been raised by EEHT Board members in discussion about the wide-ranging pressures on local housing markets. The two current areas of the LGA's policy work concerning second homes and holiday lets are the Department for Culture, Media and Sport's consultation on developing a registration scheme for short-term lets and influencing provisions in the Levelling Up and Regeneration Bill.

Levelling Up and Regeneration Bill

8. The LGA is supporting clauses 75 and 76 of the Levelling Up and Regeneration Bill, which give councils more power to charge premium council tax for long term empty and second homes as we consider that this will give councils more power to influence local housing markets. Our most recent briefing on the Bill can be found [here](#).
9. We are also supporting two amendments that have been tabled by Peers for Committee stage in the Lords which is currently underway. This would create a new use class for second homes and a new use class for holiday rentals. Again, we are supporting these measures because as well as giving local authorities greater powers to shape local housing markets, they will also strengthen local oversight of changes in accommodation in an area.
10. We also supported amendments tabled in the Commons stage which would raise the maximum level at which local authorities can set council tax on dwellings occupied periodically (second homes) from 100 per cent to 300 per cent, but unfortunately this did not make it through into the Bill. We will continue to lobby for increased council discretionary powers on second homes. We also supported another amendment in the Commons that would reduce the notice period to implement the new rate for council tax for second homes from one year to six months, as councils had said they would like a lower period of notice, but unfortunately this also did not make it through into the Bill.
11. We are also briefing on amendments being put forward on Clause 76 in the Lords Committee stage, including one to drop the one year lead in for the implementation of a new rate for council tax for second homes.

Short term lets consultation

12. Led by the Culture, Tourism and Sport Board the LGA has engaged in DCMS's consultation on the regulation of short term lets, which was published in summer 2022. While not all short term lets are second homes and accurate data on this sector is difficult to obtain, the [Government's background to the consultation](#) confirms that the expansion of short term and holiday letting has had "[n]egative housing ... impacts, such as the impact on housing supply...and that [i]t is possible ... that housing supply is more adversely affected in tourist 'honeypots' in rural or coastal areas." For this reason it has been included alongside the wider issue of second homes for this paper.
13. [The LGA's response to the consultation](#) highlighted the following issues:

- Local government has been raising concerns about the impact of unregulated growth in this sector for some time. We welcome Government's exploration of the issue and urge Government to take meaningful action to rebalance the impacts of this growth industry.
 - It is a national issue, with the impacts of short-term letting found across the country. However, it is not an issue in every council area, with some councils seeing little growth and others reporting growth of between 30-52 per cent in short-term lets. Our members report particular challenges in visitor 'honeypots' destinations such as coastal areas, particularly in the South West and East of England, as well as in core and key cities.
 - We believe this indicates the need for regulation that allows local discretion and implementation, ensuring that the response is proportionate for those places without significant challenges while also enabling those places with significant impact on their communities to take action.
 - Members have also indicated that it is important to not discourage those lets which provide flexibility to people who only occasionally let a spare room. This suggests a tiered approach based on risk and impact of the short-term let, avoiding the need for excessive bureaucracy or red tape that will unfairly hold back smaller businesses.
 - The response concluded by recommending that a universal registration scheme (Option 4) should be implemented, with local councils having the discretion to introduce a licensing scheme (Option 5). This will have the maximum benefit for communities and allow councils to unlock the growth potential of the whole visitor economy in a sustainable way.
14. Following the most recent reshuffle, DCMS has now confirmed Julia Lopez MP will take on responsibility for tourism at DCMS. LGA officers have been invited to a roundtable on the short term lets consultation and will feed back to the Board on the discussion. The LGA will also be sending an introductory letter to the Minister, including our lines on short term lets.

Proposal for next steps

15. The EEHT, finance, and public affairs teams will continue to support elements of the Levelling Up and Regeneration Bill that will strengthen local authorities' ability to shape local housing markets. In due course the CTS team will consider Government's findings from its short term lets consultation and respond appropriately. Comments from Board members to inform this work would be very welcome.
16. Board members may wish to consider whether they consider sufficient data on second homes to be available, and whether the LGA should press for an updated report from the English Housing Survey to give a better national picture. Taken together with the policy work outlined above, this would give the LGA some clear proposals for greater powers and flexibilities to respond to local housing need, without the need for significant extra policy resource.

17. The LGA has also been approached by the local government think tank, Localis, with a proposal for a project on Community Land Trusts (CLTs). The proposal, which is appended to this paper, explores the opportunities provided by CLTs as one way of addressing the pressures on housing markets in rural tourist hot spots:
 - Community Land Trusts (CLTs) are emerging in many tourist hot spots in an attempt to deliver more homes of social rent and have proved a popular way of building homes in sensitive areas of natural beauty. Many have been developed in association with housing associations. Typically, the CLT discovers the site, conducts feasibility studies and gains community consent while the housing association finances, builds and manages the homes. However, the land is owned by the CLT in perpetuity and in many cases the assets and ground rents are used to fund social infrastructure projects on behalf of the community.
 - **Brightness on the Edge of Town** will be an original research project, aimed at developing a policy narrative to outline the place of Community Land Trusts in the current political debate, elucidate the parameters for action and highlight possible pathways to overcoming the barriers listed above. The final output will be a report and other published materials aiming to bring attention to housing issues in tourist hotspots and provide a persuasive political case for CLTs as a means of addressing them, alongside a succinct analysis of possible policy pathways.
18. The LGA has a positive view of CLTs and features [a number of case studies](#) on its website, but to date has not published much detail or advice for councils interested in this approach. EEHT officers are supportive of the Board undertaking work in this area, should Lead Members agree. The proposal included with this paper is a first draft and we would want to shape it in line with members' views to ensure the focus, scope, and future use of the work are the best fit with the Boards' priorities.

Implications for Wales

19. Second homes are also an important issue in Wales, with a [number of new measures](#) introduced jointly by the First Minister and the Leader Plaid Cymru. These include the introduction of new use classes to better differentiate between primary and secondary homes and short-term lets; plans to develop a new statutory licensing scheme for all visitor accommodation and to allow councils greater powers over tax rates and second home numbers.
20. The Welsh Government also announced new legislative measures in March 2022, focusing on tax. From April 2023, local councils will be able to raise the maximum council tax premium on second homes to 300 per cent (up from the 100 per cent limit set in 2017). In addition, new regulations have been set in place to increase the number of days that self-catering accommodation must be let to qualify for business rates.
21. Should we proceed with work on Community Land Trusts we will share our findings with the WLGA.

Financial Implications

22. The proposed work could be undertaken from the Board's policy budget.

Equalities implications

23. Clear data on equalities implications arising as a result of second homes are limited and this should form part of any work undertaken on behalf of the Board.

Next steps

24. Officers to work with Localis in line with members' views and undertake any further work as needed.