

CYNGOR SIR POWYS COUNTY COUNCIL

**County Council
13 October 2022**

**REPORT AUTHOR: County Councillor David Thomas
Cabinet Member for Finance and Transformation**

SUBJECT: Question from Peter Hindley

Do Powys CC plan to use its discretionary powers to remove the additional council tax liability, that will apply to many farm holiday cottage properties as a result of recent legislation?

BACKGROUND:

***Recent Legislation:* Purpose designed Farm Holiday Cottages, typically conversions of redundant farm buildings, have been included under the Welsh Governments recent legislation aimed at combatting second homes.**

You may be shocked to learn that Welsh Government has the ability to include businesses that by definition are not second homes and not housing. Nonetheless the legislation has now passed.

Many of these long-standing and successful family businesses will have their livelihoods destroyed and be forced to re-purpose their properties to alternative commercial uses as a result of this legislation.

***Impact on Housing:* In line with the Local Development Plan these properties are prevented by planning conditions from being used as permanent accommodation. As such, these properties actively protect pressures on local housing by accommodating visitors in non-domestic property.**

When these properties are re-deployed away from holiday letting all those visitor nights will be displaced to local housing, placing greater demands on house prices and availability of rented accommodation.

***No Choice:* To illustrate the impact of the legislation on a typical business with 5 Farm-Cottage Holiday lets: The business will face 5 new Council Tax bills, in addition to the owner's current council tax bill on their domestic-use element of the site.**

This not only places an additional operating cost on the business, impacting viability and the ability to compete, it also places blight on the property. Their home would have a total of 6 council tax bills making it unsaleable or significantly devaluing their property. Clearly owners will need to avoid that outcome. Hence many of these 'kind to local housing' holiday lets will be

lost. Creating no additional domestic housing and transferring visitor demand to place more pressures on local housing.

Removal of the Council Tax Liability: Over 90% of all self-catering properties on the non-domestic rating list in Wales have benefitted from 100% small business rate relief for many years. Therefore removal of council tax liability on farm holiday cottages is not unreasonable.

If required, this can be achieved in a revenue neutral manner by adjustments to Premium Council Tax policy.

Influencing Make-up of Holiday Accommodation in Powys: Please consider Powys CC's ability to influence the future make up of holiday accommodation in the county. After the huge growth in AirBnB style accommodation over recent years the new legislation is likely to cause, perhaps a 30% reduction in self-catering accommodation (that is the aim after all).

Powys CC has the ability to influence whether Farm Holiday Cottage accommodation is part of the 30% reduction or whether it is saved. Common sense would suggest these types of property should be advantaged by legislation, due to their community benefit, rather than impacted. If you would like a better understanding of why many of these businesses will not meet the new criteria, information is available here:

<https://www.responsiblecottages.co.uk/protect-welsh-farm-cottages-white-paper>

Note a similar argument also exists for all planning restricted properties and for many annexes.

Fair Play: It is plainly unfair to sweep Farm Holiday Cottage businesses into the same pot as second homes. Welsh Government has placed the responsibility to address this squarely onto Local Authorities through the use of your discretionary powers.

Response

The Council has not yet fully considered its position in this regard. We do not at this time have sufficient information to understand the number of properties that are impacted by the change of legislation which may fall into Council Tax Liability or whether any exemptions already exist that reduces the liability for property owners.

Under section 13A of the Local Government Finance Act 1992, a Local Authority has discretionary powers to reduce the council tax liability by an amount as the Local Authority deems appropriate.

The Councils Section 13a discretionary scheme does not currently include properties where planning conditions limit the use to holiday lets.

The Council must consider the full financial implications in awarding any discounts other than those currently available under the statutory legislation and the financial burden of Section 13a discounts has to be met 100% by the Council so is funded

through the Council Tax collected from other taxpayers. The council has to consider all of its Council Tax payers in awarding discretionary discount.

Once we do have sufficient information available we can make an informed decision as to how to proceed.