CCFA: POSSIBLE IMPACTS OF SECOND AND HOLIDAY HOMES IN NORTH NORFOLK

Contents:

1. Summary

1.1 As at 1st April 2022 North Norfolk district (the district) had 7,169 second and holiday homes. The 4,508 second homes represent 8.0% of council tax homes and the 2,661 holiday homes 4.5% of all homes (council tax homes plus holiday homes liable for business rates). North Norfolk has the second highest proportion of second homes in England (after the City of London) and one of the highest in terms of total numbers. Comprehensive national statistics are not available to make comparisons with holiday home numbers.

1.2 The changing demographics of the district is the main driver of the housing market. People aged 65+ made up 32% of the population in 2018 compared with 17.8% for England. The Office for National Statistics projects that this proportion will rise to 36.4% by 2028 and continue to rise thereafter. In the period between 2018 and 2028 deaths (15,264) are projected to exceed births (7,285) by more than two to one. Nonetheless, the population will grow from an estimated 104,000 in 2018 to around 110,087 by 2028. This projected growth is due to net inward migration, mainly from other parts of England. Property prices in North Norfolk remain lower than many other areas in the East of England so that many moving to the area may have sufficient income/savings to buy in a location of their choice.

1.3 From the available evidence it is difficult to conclude that the high numbers of second and holiday homes is affecting house prices and affordability[1] across the district as a whole. However, there may be some local effects. The three wards in the district with the highest numbers of second and holiday homes also have the highest house prices. This could be partly as a result of high numbers of holiday and second homes in those areas or because high value areas are attractive locations for home purchasers, or a combination of both factors.

1.4 At the time of the 2011 census 16.6% of housing in the district was in the private rented sector. We await the release of up to date information from the 2021 census. Recent national research indicates that the sector is in decline with landlords leaving the market, mainly by selling rental homes but with a small number (1%) converting to short-term 'holiday' lets. Our 'snapshot' surveys of properties to let in the district show reduced numbers to let and rising rent levels. We do not know if this is due to a decline in the private rent sector and, if so, if this is because landlords are using properties for short-term 'holiday' lets.

1.5 As at 1st April 2021, there were 6,366 affordable homes in the district. All the towns and parishes in the district have affordable homes and, whilst the proportions vary, there is no correlation with the number of second and holiday homes.

1.6 Currently the Council charges 100% of Council Tax on the majority of second homes. The Council has chosen to use its discretionary powers to <u>not</u> reduce the Council Tax on second homes. As second home owners are liable for the same Council Tax charge as other properties, second homes have a neutral impact on revenue income for the Council. The Council retains 8p for every £1 of Council tax collected. The situation is different for holiday homes. Holiday homes are liable to pay non-domestic (business) rates. The Council retains 40p for every £1 of non-domestic (business) rates, even where the owner receives Business rates relief.

1.7 In 2019, tourism contributed £529 million to the North Norfolk district economy and provided employment for an estimated 11,898 people. This represents about 20% of the jobs in the district. In

[1] In this report we use the ratio of median house prices to median income as a measure of affordability. See section 3 for further information.

2020 the sector declined sharply due to Covid 19. Figures for 2021 are not yet available but are expected to show some recovery.

1.8 Staying visitors (as opposed to day visitors) account for 5,009, or a little under half, of the 11,898 tourism related jobs. Of the £519 million tourism generated income 10% or £53 million is for accommodation.

1.9 Staying visitors have a range of options for overnight accommodation. Traditionally this included guesthouses, bed and breakfast and private hotels. Increasingly staying visitors are choosing self-contained accommodation, which could be a holiday let or their own second home. In terms of second and holiday homes, there are two conclusions we can draw:

i. Second and holiday homes play a significant part in generating local income and employment.
ii. The trend toward self-contained holiday accommodation, rather than bed and breakfast or hotel accommodation may be contributing to the increased numbers of second and holiday homes.

1.10 The Council's housing policies focus on the delivery of new housing and in particular affordable housing across the district. The policies include enabling work and grant funding to help affordable housing scheme viability. Two areas of activity tend to focus on parts of the district with high numbers of holiday and second homes:

i. Support to community-led housing groups.
ii. Delivery of rural exceptions housing sites.

1.11 Most of the district's community-led housing groups are in parts of the district with high numbers of holiday and second homes. Similarly many, though not all, of the recent and planned exceptions housing sites are also in areas with high numbers of holiday and second homes.

1.12 **There are two changes planned by government that will give the Council additional powers affecting second and holiday homes.**

i. Changes to non-domestic (business) rates. – Business Rates are typically lower than Council Tax and small businesses can benefit from exemptions. Currently to qualify for non-domestic (business) rates an owner of a holiday home needs to make the home *available* for let for at least 140 days a year. From 1st April 2023 the owner must also actually *let* the property for at least 70 days in the previous year. If the owner is unable to confirm the property is let for 70 days they would instead be liable to pay Council Tax and lose any Non-Domestic (Business) Rate relief.
ii. Increases on Council Tax for second homes. - The Levelling Up and Regeneration Bill proposes to give local councils the power to charge up to 100% extra Council Tax on second homes.

1.14 **The government has also launched a call for evidence into the benefits and challenges presented by the rise in short-term holiday lets**. The evidence gathered should help inform the development of policy options, which the government intends to consult on later in 2022. This may include a registration scheme for holiday lets, similar to schemes that already run in Scotland and Northern Ireland which aim to ensure standards are met in holiday lets.

1.15 The Council's planning policies support the delivery of affordable housing. Plan ning policy requires that new housing development of more than 10 homes provide 45% affordable homes. In addition, the Council's policy on affordable housing in the countryside allows for the development of affordable housing on rural exceptions housing sites.

1.16 The Council has previously considered, and rejected, the option of imposing occupancy conditions on new-build market housing. An occupancy condition would require the owner to use the home as their principal home and prevent its use as a second or holiday home. The Council rejected this policy on a number of grounds but principally because:

i. It could only apply to new-build homes and prospective second/holiday home owners could choose to buy existing properties without an occupancy restriction thereby deflecting demand into the existing housing stock.
ii. There are doubts about the effectiveness and impacts of such policies.
iii. It could be difficult and costly to police such restrictions.

1.17 **There is draft provision in the Levelling Up and Regeneration Bill that would require second home owners to obtain planning permission <u>if</u> they do not let their property for holiday purposes for at least 90 days**. This would give the Council the option to consider planning policy to manage the numbers and distribution of some types of second homes use in specific locations. We assume the Bill will not apply retrospectively to existing second homes.

2. Definitions and Numbers of Second and Holiday Homes

2.1 In this section of the report we look at information held on the numbers of Second and Holiday homes in the district. In particular:

i. Definitions of Second and Holiday Homes
ii. The profile of Second and Holiday Homes in the district and national comparisons.

Definitions: Second & Holiday Homes

2.2 In planning legislation, the use of a home as a second home is not separately classified. Both a main, or principle residence, and those used as a second home fall within the same use class (Use Class c3) which defines a dwelling as:

2.3 Use as a dwelling house (whether or not as a sole or main residence) by a single person or by people living together as a family, or by not more than 6 residents living together as a single household (including a household where care is provided for residents).

2.4 Planning legislation does not require the submission of a planning application to change the use of a property from one type of C3 use to another type of C3 use. As a result, most existing dwellings can be used as second homes without the need for planning permission and fall entirely outside of the scope of planning control. The only exceptions are those properties which are already subject to some form of occupancy condition, for example, all affordable homes and those subject to agricultural or key worker restrictions.

2.5 Similarly, the use of dwellings, or parts of dwellings for holiday letting purposes is not in a separate use class for planning purposes and most authorities take the view that the use of parts of dwellings for bed and breakfast, air B&B, or short-term holiday letting will not require planning permission. Only in those circumstances where the holiday use is materially different to the use of a property as a dwelling would planning permission be required, for example, the conversion of a single house to multiple units of holiday accommodation would need planning permission. As it stands, there is currently no system for statutory registration or licensing of guest accommodation in England. Only London has powers to restrict short-term and holiday letting activity, under the Greater London Council (General Powers) Act 1973 (as amended by Section 44 of the Deregulation Act 2015). This stipulates that use of any residential premises in Greater London as temporary sleeping accommodation is considered a ‘material change of use’ for the purposes of planning permission if used in this way for more than 90 nights per calendar year. This only applies to premises where the person providing the accommodation is liable to pay council tax.

2.6 Examples:

i. The use of a dwelling as a second home where the second home owner uses it themselves and occasionally for holiday use by family would not normally require planning permission.
ii. The use of some of a dwelling for bed and breakfast/Air B&B accommodation for parts of the year is not likely to be a change of use and therefore would not need planning permission.
iii. The use of an entire property for multiple units of holiday accommodation would be a change of use and planning permission would be required.

2.7 For the purposes of determining tax liability (Council Tax or Business Rates) the following classifications are used:

- **Second homes** – These are homes which are liable to pay Council Tax. They are not a sole or main residence and are classed as unoccupied, but are NOT substantially unfurnished (i.e. they are furnished). This is the key difference between Second and empty homes – see below. Data on the number of Second Homes is gathered from Council Tax returns annually. Second homes do not receive a discount on Council Tax, but pay 100%.

2.8 There are two further classes of 'second homes' which have not usually been included in our analysis of Second Homes as they cannot serve as a main residence due to their restrictions. The majority of these seasonally restricted Second homes are chalets in places such as Mundesley, Bacton, Stalham and Cromer:

- **Seasonal** - Properties that are not a sole or main residence, are furnished and which have seasonal planning prohibition preventing occupation for a continuous period of at least 28 days. These homes are subject to a 10% Council Tax discount, and

- **Pre-1948** - Properties built before 1948 that are defined as being not capable of occupation all year round. These homes are subject to a 35% Council Tax discount.

2.9 The above discounts are local discretions decided annually by NNDC members otherwise the standard discount of 50% would apply which is legislated in the Local Government Finance Act 1992.

- **Holiday homes** – These are properties which are declared to be let commercially and which are liable to pay Non-Domestic (Business) Rates (or may receive rate relief e.g. Small Business Rates Relief, which is the case for ¾ of Holiday Homes). Currently properties are classed as Non-Domestic (Business) Rates if they are available to let for 140 days or more. Proof of actual holiday letting is not required.

2.10 From 1 April 2023 owners of these properties in England must have had their property available to let for 140 days or more in the previous year and must have in fact let in that way for at least 70 days during that year. Otherwise these will not be valued by the Valuation Office Agency to be liable for business rates and would instead be liable to pay Council Tax.

2.11 Holiday Homes are identified from the business description. Camping sites, caravan sites and chalet parks are excluded from the figures but "Self Catering holiday units" have been included to give the most accurate figures reasonably possible of holiday homes.

- **Empty homes** – these are unoccupied properties which are substantially unfurnished. Empty homes are charged 100% Council Tax for two years. A levy is charged for homes empty more than two years raising the total Council Tax to be paid to 200%. Homes empty for more than five years are charged 300% and those empty over 10 years are charged 400%.

The profile of Second & Holiday Homes in the District

Number of second homes

2.12 As at 1/4/22 there were 4,508 properties recorded as Second Homes in North Norfolk. This is an increase of 59 from the 2021 figure of 4,449. The percentage of Second Homes (as a proportion of all Council Tax homes) remains at 8%. Second homes as a proportion of all homes (including Council Tax and those homes paying Business Rates as Holiday homes) has risen to 7.7% (previously 7.6%).

2.13 There are a further 851 properties that fall into the two categories identified above - 617 with the seasonal planning prohibition preventing continuous occupation, and 234 properties built before 1948 that are defined as being not capable of occupation all year round. If these categories are included the total as at 1/4/22 is 5,359 (9.6% of all Council Tax homes). This is the basis for calculating Second Homes in national returns and comparisons with other parts of the country.

Number of holiday homes

2.14 As at 1/4/22 there were 2,661 properties recorded as Holiday Homes. This figure has increased more significantly than Second Homes (up by 246, a 10.2% increase from the 2021 figure of 2,415). BBC research (with results from 152 councils) has shown a 40% increase in Holiday Homes paying business rates over the 3-years 2018-2021. The equivalent increase in North Norfolk for that period was 23% (form 1,959 Holiday Homes in 2018 to 2,415 in 2021).

2.15 The total number of Second and Holiday homes has increased to 7,169 (up 305, a 4.4% increase from the 2021 total of 6,864)

2.16 Over the past 4 years the figures/proportion of Second & Holiday homes has continued to grow, although the largest growth has been in Holiday Homes rather than Second Homes.

Table 1 : Numbers and Proportions of Second and Holiday Homes 2019-2022

As at 1st April	2019	2020	2021	2022
No. Second Homes	4458	4476	4449	4508
%*	8.1%	8.1%	8.0%	8.0%
No Holiday Homes	1999	2221	2415	2661
%**	3.5%	3.9%	4.1%	4.5%

* % of Second Homes as proportion of Council Tax homes

**% of Holiday Homes as proportion of all homes – Council Tax plus Holiday

Source - NNDC Council Tax and NNDR April 22

Please note the increase in Non-Domestic (Business) Rates properties over the past few years has been linked to revenue services growth work and businesses needing to be rated to obtain some of the business rated Covid grants.

Distribution of Second & Holiday Homes

2.17 As at 1/4/22 there were 67 parishes with levels of Second and Holiday homes at 10% or more. There is only one remaining parish with zero Second and Holiday homes – Brumstead. The parishes with the highest percentage of Second and Holiday homes remain broadly the same, with two parishes now at, or above, 50% - Morston – 52.2% and Salthouse at 50% (those above 40% are, Blakeney – 44.2% and Cley – 44%)

Details of 2022 Second & Holiday Homes can be found in Appendix A, together with a heat map showing the concentration of homes in Appendices B1 and B2

Comparative levels of Second Homes

2.18 As Second Homes are a defined class of Council Tax property we are able to compare rates across councils. However, we are not able to do the same with Holiday Homes as there is no standard definition. National Council Tax figures are taken at the first Monday of October each year so will not be the same as those shown above, and these figures also include Second Homes with planning restrictions meaning they cannot be occupied all year round (seasonal and pre-1948).

2.19 As at 4/10/21 (the latest data available) there were 253,400 Second Homes in England, 1.01% of all Council Tax homes. The comparative figure for North Norfolk as at 4/10/21 was 5,397 Second Homes, 9.7% of all Council Tax homes. By number, Cornwall Unitary Authority has the highest number of Second Homes at 13,260 (4.78%), North Norfolk is 7th. However, by proportion of Second Homes the City of London has the highest proportion (22.43% homes but from only 7,636 Council Tax homes). North Norfolk is second highest in England in terms of proportion of Second Homes (followed by Kensington & Chelsea at 8.97% and the Isles of Scilly at 8.10%).

National Council Tax Second homes data is set out in Appendix C

3. The Housing Market: How Second and Holiday Homes May affect the Housing Market

3.1 In this section of the report we look at the housing market in the district and consider how the high numbers of holiday and second homes may affect the housing market. In particular:

- Demographics and how these may affect the housing market
- House prices in the district.
- The supply of privately rented housing.
- The supply of affordable housing.

3.2 First we look at the changing demographics of North Norfolk. This is the main driver of changing housing demand in the district.

North Norfolk District –Demographic Information

Summary of Demographic Information

3.3 North Norfolk has a very high proportion of people aged 65+. The proportion is projected to rise to nearly 40% by 2036. With high proportions of older people it is not surprising that the projected number of births in the district (10 years to 2028) is less than half the projected number of deaths. In spite of this, the population is projected to grow and this is due to inward migration mainly from other parts of England.

3.4 Inward migrants will be young and old, rich and poor. However there will be more that are older and these are also likely to have income and/or savings to afford to buy a North Norfolk home, possibly using the proceeds of a sale from a more expensive location.

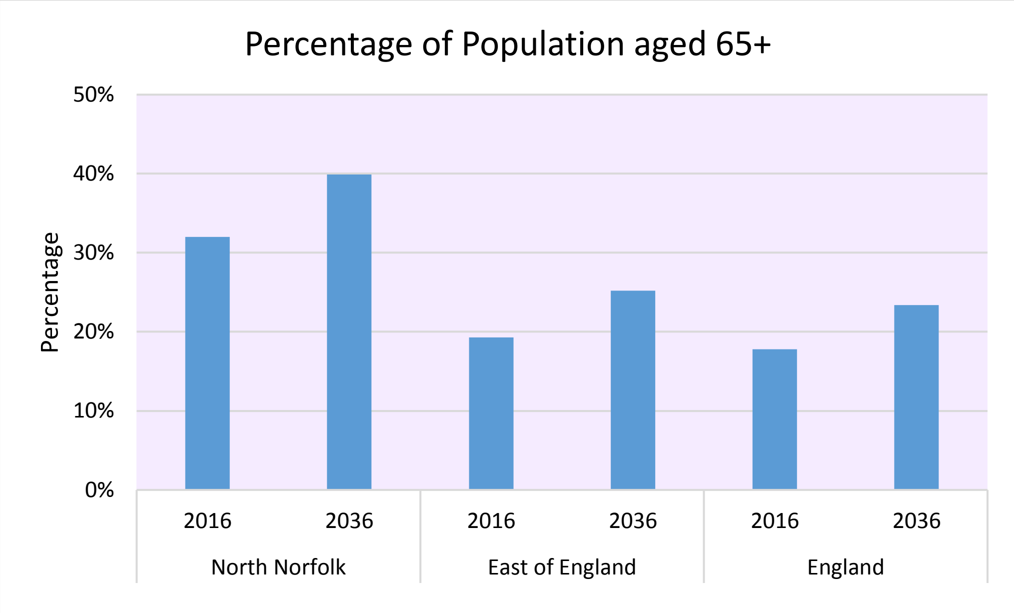
3.5 A large part of the demand for housing, particularly housing for sale, is from in-migrants. It seems likely that given a choice these in migrants will choose to buy in areas also popular for holiday and second homes. So it is possible that it is in-migrants, rather than holiday and second homes that push up house prices in parts of the district.

Table 2 : Age Profile comparisons 2016-2036

Age Group	North Norfolk		East of England		England	
	2016 (1000s)	2036 (1000s)	2016 (1000s)	2036 (1000s)	2016 (1000s)	2036 (1000s)
65-69	9.7	10.2	360.0	428.1	3,032.1	3,612.8
70-74	8.1	10.3	285.0	408.4	2,381.3	3,416.3
75-79	5.9	8.6	211.7	329.3	1,796.0	2,741.9
80-84	4.7	6.7	163.4	251.0	1,345.4	2,049.5
85-89	3.1	5.5	104.1	199.7	840.2	1,570.8
90+	1.7	3.4	60.5	123.8	487.8	946.2
All 65+	33.2	44.7	1,184.7	1,740.3	9,882.8	14,337.5
All ages	103.6	112.1	6,129.0	6,915.6	55,268.1	60,905.5
% 65+	**32.0%**	**39.9%**	**19.3%**	**25.2%**	**17.8%**	**23.4%**

Source Table 2 Sub National Population Projections 2016, Population Projections for Local Authorities – ONS
https://www.ons.gov.uk/releases/subnationalpopulationprojectionsforengland2016basedprojections

Graph 1: Age Profile comparisons 2016-2036



3.6 North Norfolk District has more older people (age 65+) than the rest of the East of England and England. The proportion of older people is projected to increase for all parts of England with North Norfolk continuing to have an older than average population.

Population Projections 2018 to 2028

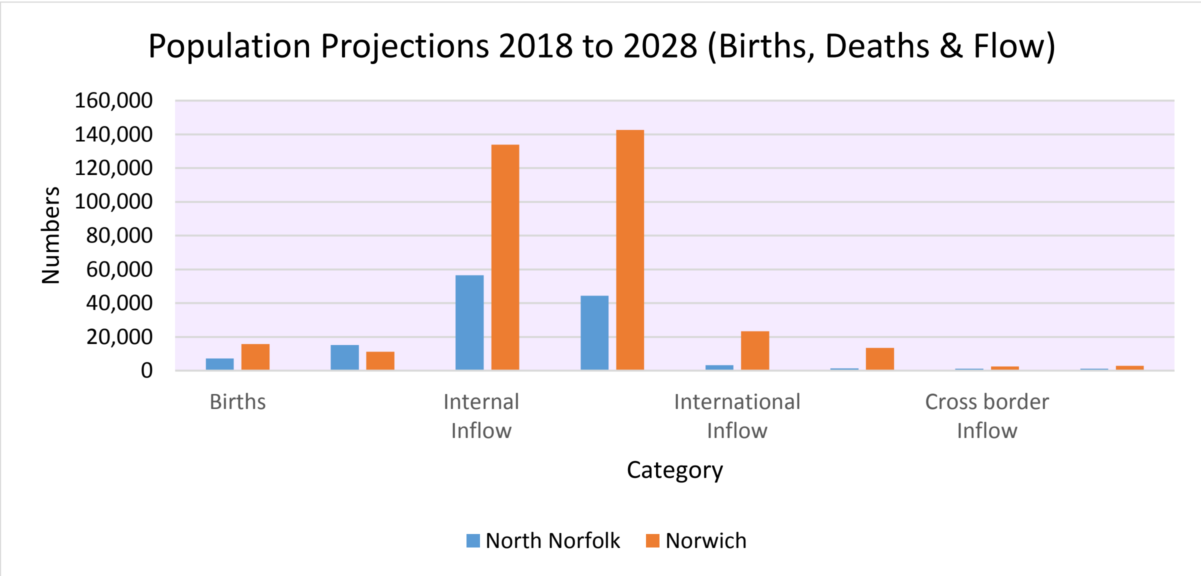
3.7 For North Norfolk District the projected population growth between 2018 and 2028 is driven by inward migration. In fact the population would decline if it were not for inward migration as deaths will exceed births. By contrast Norwich – a district with a much younger population – births exceed deaths.

Table 3: Population Projections North Norfolk/Norwich

		North Norfolk		Norwich	
Population 2018		104000		142000	
Changes 2018 to 2028					
- Births		7285		15755	
- Deaths		15264		11173	
- Internal inflow		56501		133860	
- Internal outflow		44349		142630	
- International inflow		3324		23292	
- International outflow		1424		13443	
- Cross border inflow		1156		2568	
- Cross border outflow		1142		2951	
Net Change		6087		5278	

Projected Population 2028		110087		147278	
%age change		5.85%		3.72%	
%age Aged 65+					
- 2018		32.80%		14.80%	
- 2028		36.40%		16.20%	
Source: Office for National Statistics (March 2020) - Subnational population projections for England: 2018-based					

Graph 2: Population Projections North Norfolk/Norwich



3.8 This gives us some insight into what drives demand for housing. For North Norfolk District a significant part of the demand for housing is from people moving into the district from other parts of the country.

3.9 We can make some assumptions about the people moving in. Unfortunately the available statistics do not provide the detail to confirm these assumptions:

1. They are mostly older people – likely because if there were large numbers of young people the age profile of the district would include more younger people.
2. They are mostly single people or couples – likely because the people moving in are older i.e. have no children or children who are no longer dependent.
3. Most have money to buy a home in the district – likely because the alternatives of private or affordable rent are difficult to access.
4. Some will have previously owned a second/holiday home in the district – likely to be true to some extent. However, there is no data on the number of second/holiday home owners who move to the district permanently.

House Prices in the District

Summary of House Price Information

3.10 Median house prices in North Norfolk at £295,000 (September 2021) and are slightly above the median for England of £285,000 but less than the median for the East of England of £325,000.

3.11 However, because incomes in North Norfolk are relatively low North Norfolk performs less well in terms of median affordability. Median affordability[2] is the ratio of median house prices to median income. The higher the ratio the less affordable the market sale homes. For North Norfolk median affordability is 10.54. This is worse that England at 9.05 and worse than the East of England at 10.08.

3.12 Can we attribute this lack of affordability to the high numbers of holiday and second homes? When we compare North Norfolk with other English districts the evidence is inconclusive.

1. Of the 10 districts outside of London with the highest proportion of second homes five have low levels of affordability compared to England and four have high levels of affordability. The 10th, King's Lynn and West Norfolk is on a par with England.
2. Of the 10 least affordable districts in England (lowest median affordability) none are in the top 10 for the proportion of second homes and only three are above the national average.

3.13 However, when we look at parts of the district (district wards) there appears to be a pattern. The three wards with the highest house prices also have the highest proportion of holiday and second homes. We need to be careful, correlation does not imply cause.

3.14 In conclusion, there is no clear evidence that high numbers of holiday and second homes effects house prices and affordability for the district as a whole. There is possible evidence that there are some local effects on house prices and affordability in parts of the district. This may warrant further local research to see if high numbers of holiday and second homes in these locations causes high house prices or if there is some other factor at work (e.g. the general 'attractiveness' of an area leading to high demand for homes) .

Median House Prices and Median Affordability – Year to September 2021

3.15 Compared to house prices in the East and South East the median house price in North Norfolk at £295,000 is not high. However, the median price is higher than Breckland and Norwich. When we take into account incomes and look at the measure of median affordability, house prices in North Norfolk compared with median incomes (10.54) are higher than the East (10.08) but still lower than the South East (10.74) and Cambridge (12.19).

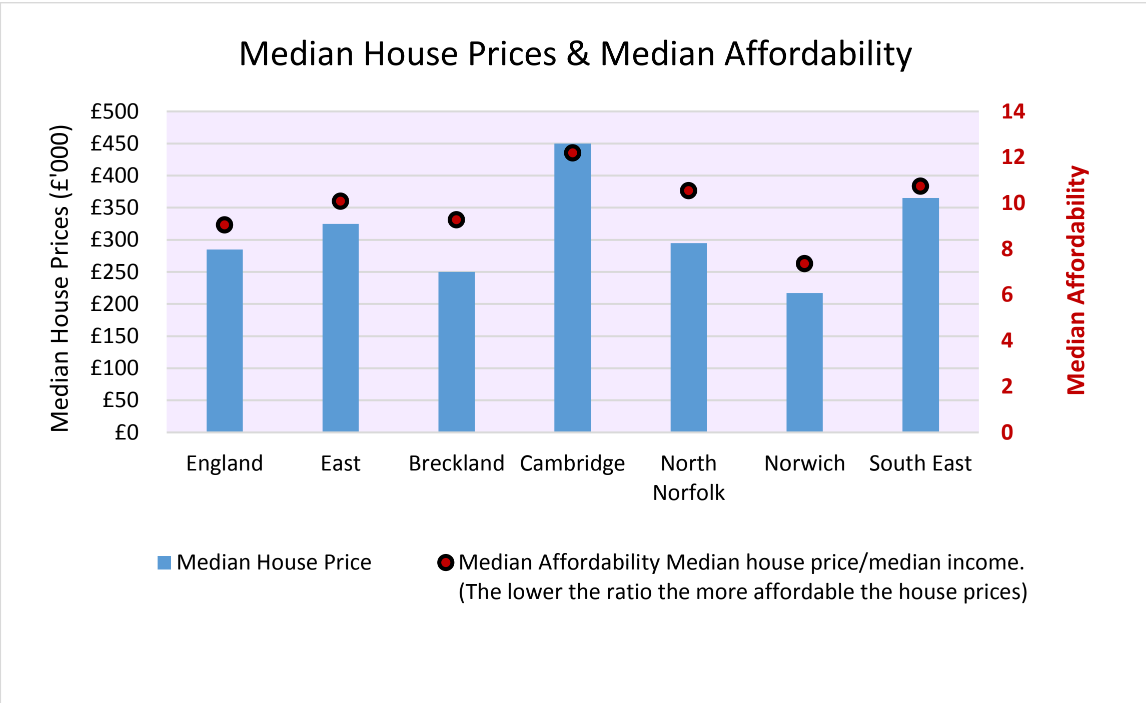
[2] House price to earnings ratio: Dividing the house price for a given area by its earnings, we produce a ratio which serves as an indicator of relative affordability. A higher ratio indicates that on average, it is less affordable for a resident to purchase a house in their local authority district. Conversely, a lower ratio indicates higher affordability in a local authority.

Table 4 : House Price Comparisons

Location	Median House Price	Median Affordability (Median house price/median income – the lower the ratio the more affordable the house prices)
England	£285,000	9.05
East	£325,000	10.08
1. Breckland	£250,000	9.27
2. Cambridge	£450,000	12.19
3. North Norfolk	£295,000	10.54
4. Norwich	£217,000	7.36
South East	£365,000	10.74

Source: Office for National Statistics - House price to residence-based earnings ratio.

Graph 3: House Price Comparisons



3.16 Does this provide evidence that holiday and second homes are the cause of the relatively high house prices by comparison with incomes. The evidence is far from conclusive. Compared with Norwich house prices are relatively expensive and Norwich doesn't have large numbers of holiday and second homes. But nor do most of the districts in the South-East but here house prices compared to incomes are more expensive.

<u>National Comparisons – Second Homes and House Prices</u>

3.17 The table below shows the top ten local authorities (outside London) in terms of percentage of second homes and compares this to median house price and median affordability (derived from median house price/median income).

3.18 The table shows very limited correlation between local authorities with high levels of second homes and housing affordability - many of the top ten are below the median affordability ratio in England i.e. house prices compared to incomes are relatively low.

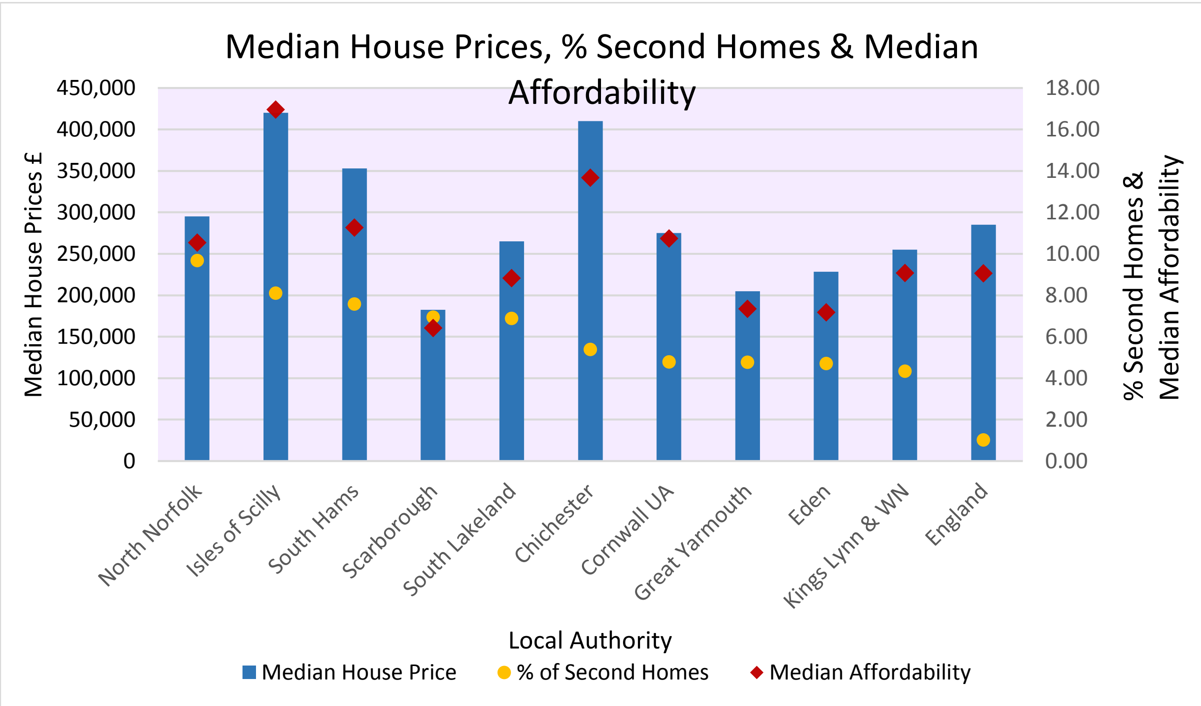
Table 5: Local Authorities (Outside London) with the Highest Proportion of Second Homes

Local Authority	% of Second Homes	Median House Price	Median Affordability
North Norfolk	9.68%	£295,250	10.54
Isles of Scilly	8.10%	£420,000	16.96*
South Hams	7.58%	£352,998	11.26
Scarborough	6.94%	£182,500	6.42
South Lakeland	6.88%	£265,000	8.83
Chichester	5.39%	£410,000	13.67
Cornwall UA	4.78%	£275,000	10.74
Great Yarmouth	4.77%	£205,000	7.35
Eden	4.70%	£228,250	7.18
Kings Lynn & WN	4.33%	£255,000	9.07
England	1.01%	£285,000	9.05

Source: Council Tax data October 2021 / ONS House Price data September 2021

* The data for Isles of Scilly is from 2019, sample sizes are too low for more recent data

Graph 4: Local Authorities (Outside London) with the Highest Proportion of Second Homes



3.19 The table below shows the top ten local authorities (outside London) in terms of median affordability (derived from median house price/median income) and compares this to median house price and percentage of Second Homes.

Table 6: Local Authorities (Outside London) which are Least Affordable

Local Authority	% of Second Homes	Median House Price	Median Affordability
Hertsmere	0.60%	£525,000	14.88
Epsom and Ewell	0.11%	£523,000	14.82
Elmbridge	0.48%	£620,000	14.78
Mole Valley	0.55%	£570,000	14.69
Three Rivers	0.08%	£500,000	14.25
Brentwood	0.38%	£490,000	14.12
Chichester	5.39%	£410,000	13.67
Epping Forest	0.71%	£497,250	13.55
Welwyn Hatfield	1.07%	£420,000	13.28
Cotswold	3.72%	£408,000	13.11
England	1.01%	£285,000	9.05

Source: Council Tax data October 2021 / ONS House Price data September 2021

3.20 Again the table shows very limited correlation between local authorities with the highest ratio of house price to income (i.e. the least affordable) and those with high levels of second homes. Only three of the least affordable areas (Chichester, Welwyn and Cotswolds) are above the national average level of second homes.

3.21 In terms of affordability ratio, North Norfolk at 10.54 is ranked 97th in the country (including London authorities).

<u>Median House Prices Compared with Percentage of Holiday and Second Homes</u>

3.22 House prices are not uniform across the district. The following table compares median house prices with the average percentage of holiday and second homes for the wards in North Norfolk District.

3.23 There is a possible correlation between house prices and the percentage of holiday and second homes. The three wards with the highest house prices; Priory, Coastal and Wells with Holkham are the three wards with the highest Percentage of holiday and second homes. After this the pattern is less clear. The next four wards in terms of house prices; Holt, Gresham, Erpingham and Stibbard have relatively low percentages of holiday and second homes. Whilst Bacton and Mundesley with relatively low house prices have high levels of holiday and second homes.

3.24 But even if a correlation exists it does not imply cause. There are two alternative interpretations and without further evidence we cannot conclude which if either is correct.

> Interpretation 1 – Some parts of the district are popular – both to live and to holiday. This results in high house prices in these popular parts of the district. High percentages of holiday and second homes do not cause higher house prices.
>
> Interpretation 2 – With a fixed supply of housing (little new development) extra demand from holiday and second home owners pushes up prices. High percentages of holiday and second homes do cause higher house prices.

3.25 But even if second and holiday homes contribute to higher house prices it seems very likely, albeit very difficult to evidence, that house prices would still be high, to the extent that those on median incomes would still be unable to purchase, even if there were no second and holiday homes.

Table 7 : House Price compared to Second/holiday home proportions

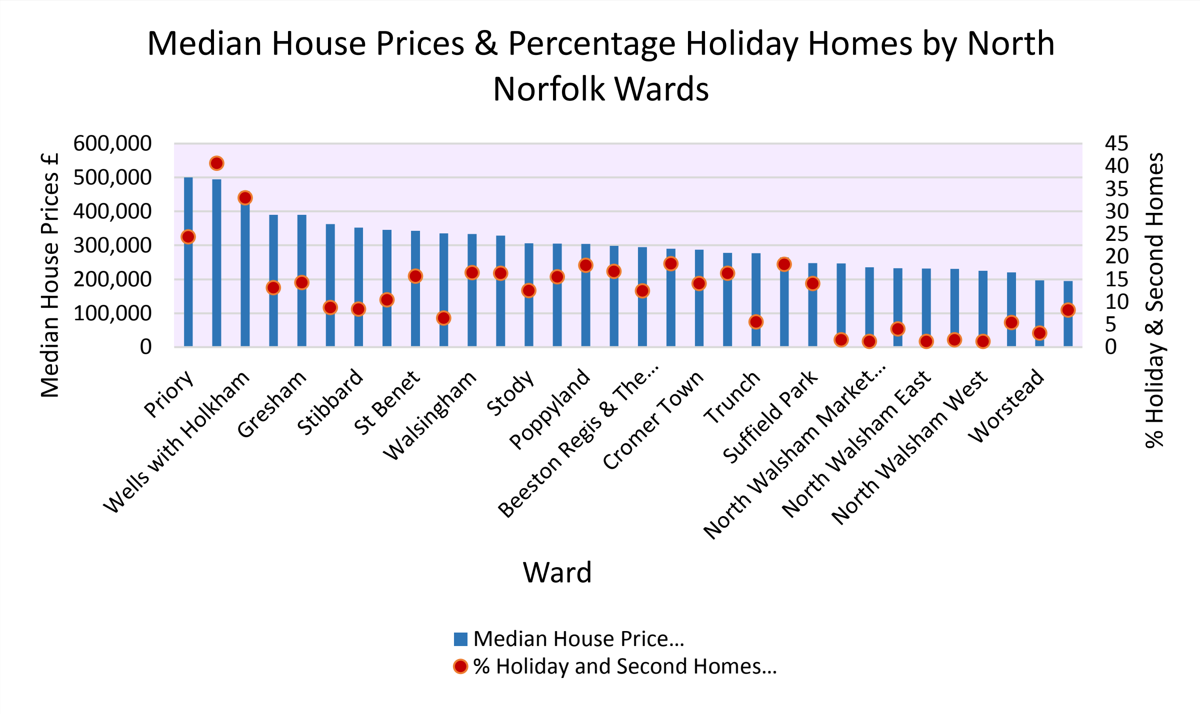
Ward		Median House Price September 2021		%age Holiday and Second Homes – April 22
Priory		500,000		24.34%
Coastal		495,000		40.63%
Wells with Holkham		460,000		33.02%
Holt		390,000		13.13%
Gresham		390,000		14.29%
Erpingham		362,500		8.76%
Stibbard		352,500		8.37%
Roughton		345,500		10.47%
St Benet		343,000		15.65%
Hoveton & Tunstead		335,000		6.42%
Walsingham		333,000		16.48%
Sheringham South		328,500		16.32%*
Stody		306,000		12.52%
Happisburgh		305,000		15.54%
Poppyland		304,000		18.10%
Hickling		298,750		16.74%
Beeston Regis & The Runtons		295,000		12.39%
Mundesley		290,000		18.45%
Cromer Town		287,500		14.07%*
Sheringham North		277,500		16.32%*
Trunch		276,750		5.59%
Bacton		265,000		18.28%
Suffield Park		248,000		14.07%*
Lancaster South		247,000		1.60%*
North Walsham Market Cross		235,000		1.24%*
Stalham		232,500		4.00%
North Walsham East		232,000		1.24%*
Lancaster North		231,000		1.60%*
North Walsham West		225,000		1.24%*
Briston		220,000		5.42%
Worstead		197,000		3.11%
The Raynhams		195,000		8.2%%

Source: Median House Prices – Office for National Statistics House Price Statistics for Small Areas (HPSSAs)

%age Holiday and Second Homes from NNDC Council Tax and NNDR April 22 (Ward figures are calculated by combining parishes in the ward).

*For Cromer, Fakenham, North Walsham and Sheringham we assume that the holiday and second homes are spread uniformly across the towns i.e. the wards that make up the Towns have similar proportions of holiday and second homes.

Graph 5: House Price compared to Second/holiday home proportions



The Private Rented Sector

<u>Summary of Private Rented Sector Information</u>

3.26 At the time of the 2011 Census 18.1% of English households rented privately. This increased to 20% in 2016/17 but reduced to 19% in 2019/20. Recent national research shows that the supply of privately rented housing is in decline. Most landlords who decide to leave the market are selling (91%) but a small proportion (1%) are moving into short-term lets. With declining numbers of properties to let rents are rising across the country.

3.27 At the time of the 2011 census 16.6% of North Norfolk households rented privately. We have no information on changes in the number of privately rented homes since 2011. We do have 'snapshot' information on the number of privately rented homes available to let. These show declining numbers and rising rent levels. We do not know if the decline in numbers is because there are fewer privately rented homes or because tenants are choosing not to move. It is possible that landlords are choosing to move to short-term holiday lets but we have no evidence to support this.

<u>The Private Rented Sector Nationally</u>

3.28 Good information on the private rented sector is limited, especially at a local level. Much of the information available comes from snapshots/ sample surveys or is anecdotal. The last 'full' information available on the private rented sector comes from the 2011 Census. Information on tenure at a local authority level from the 2021 Census is not expected until 2023

3.29 Just over 4.4 million households live in the private rented sector in England, 19% of all households. By comparison, 17% (4.0 million) live in the social rented sector and 65% (15.4 million) are owner occupiers. The number and proportion of private rented households has declined from 20% and 4.7 million households in 2016-17. (Source: English Housing Survey Private rented sector, 2019-20).

3.30 National average asking rents outside of London hit a new record of £1,088 per calendar month (pcm), rising from £982 pcm last year. This 10.8% rise in asking rents is the first time annual growth has exceeded 10%. Average rents are now 15% higher than the same period two years ago, just as the pandemic started. Tenants are faced with the most competitive rental market ever recorded by Rightmove, with more than triple the number of prospective tenants as there are rental properties available. Total tenant demand is up 6% and available properties are down by 50% compared to last year. In the East of England average rents are £1,331 pcm a year-on-year rise of 10.3%. (Source: Rightmove Rental Price tracker Q1 2022)

3.31 Propertymark member agents were surveyed between 30 March and 29 April 2022. Respondents reported working for businesses that had a combined total of over 4,000 branches across the UK. The number of properties available to rent has been diminishing with a large portion of landlords choosing to sell their properties. A lack of property is the root cause of rent increases and rising figures on social housing lists. Our qualitative research shows that the most common reasons for landlords to choose to sell their properties and no longer provide homes are risk, finances, and viability. The vast majority of respondents (91%) told us that the primary reason landlords leave PRS management by a letting agent is to sell their property. Only four per cent said it was to move to self-management, while one per cent said the primary reason was to move to short-term lets (other reasons: four per cent).The data shows the number of properties available to rent through letting agents in the month of March halved between 2019 and March 2022. During this period 84 per cent of landlords who removed their property from the rental market did it to sell. Over half of the rental properties sold in March 2022 alone did not return to the PRS. The UK average number of properties available to rent per branch decreased by 49% from 30.4 to just 15.6 between March 2019 and March 2022, clearly revealing the loss of available places for renters to live. (Source: A shrinking private renter sector – propetymark report June 2022)

The Private Rented Sector in North Norfolk

3.32 At the time of the 2011 census 7,650 (16.6%) of North Norfolk Households rented privately. This was a little below the 18.1% recorded for England.

3.33 Information from the Office for National Statistics (ONS) shows rising rents but no clear pattern in terms of number of lets in North Norfolk.

Table 8: Rent Levels / affordability

		Count of rents	Mean £s	Lower quartile £s	Median £s	Upper quartile £s
Oct 20 - Sep 21	**ENGLAND**	**480,750**	**898**	**585**	**755**	**1,050**
	North Norfolk	1,470	678	550	650	750
	Norwich	2,340	842	650	750	900
Oct 19 - Sep 20	**ENGLAND**	**436,810**	**845**	**550**	**725**	**960**
	North Norfolk	1,060	669	550	650	730

	Norwich	2,240	796	625	700	850
Oct 18 - Sep 19	**ENGLAND**	**513,900**	**852**	**550**	**700**	**950**
	North Norfolk	1,140	663	548	625	725
	Norwich	2,360	805	595	695	850

Source: ONS Private rental market summary statistics in England: October 2020 to September 2021

3.34 Whilst preparing the current Housing Strategy we took 'snapshots' of the lettings market in August 2019 and again in June 2020. We have taken a third snapshot in June 2022 for this report.

3.35 There are two obvious conclusions:

1. The number of properties available to let is in sharp decline; 97 in August 19, 82 in June 20 and only 30 in June 22.
2. Average rents are rising and with no increase in LHA since 2020 there is only one property in June 22 within LHA.

3.36 Nationally only 1% of landlords leaving the market choose to move to short-term rental (e.g. holiday lets). The proportions for North Norfolk might be higher but we have no evidence to support this.

Table 9 - Properties Available to Rent – June 2022

Properties Available to Rent – June 2022				
Bedroom Size	1-bed	2-bed	3-bed	4-bed
Average Rent £ pcm	£713.00	£774.44	£1034.50	£975.00
Number available to rent	10	9	10	1
LHA (Central Norfolk and Norwich)	£495.00	£600.00	£710.00	£950.00
LHA (Kings Lynn)	£450.00	£575.00	£675.00	£850.00
Number within LHA	1	0	0	0

Table 10 - Properties Available to Rent – June 2020

Properties Available to Rent – June 2020				
Bedroom Size	1-bed	2-bed	3-bed	4-bed
Average Rent £ pcm	£558.42	£646.79	£848.24	£1,370.71
Number available to rent	19	39	17	7
LHA (Central Norfolk and Norwich)	£495.00	£600.00	£710.00	£950.00
LHA (Kings Lynn)	£450.00	£575.00	£675.00	£850.00
Number within LHA	3	12	0	0

Table 11 Properties Available to Rent – August 2019

Properties Available to Rent – August 2019				
Bedroom Size	1-bed	2-bed	3-bed	4-bed
Average Rent £ pcm	£525.36	£650.81	£781.92	£1,358.33
Number available to rent	28	37	26	6
LHA (Central Norfolk and Norwich)	£415.00	£520.09	£604.15	£797.81
LHA (Kings Lynn)	£392.77	£500.85	£577.85	£728.22
Number within LHA	4	1	0	0

Source: Rightmove – properties advertised to let within 3 miles of the districts towns (Cromer, Fakenham, Holt, Hoveton, North Walsham, Sheringham, Stalham and Wells).

Affordable housing

Summary of Affordable Housing Information

3.37 The number of affordable homes in the district was 6,366 (as at 1/4/21); fewer than the total of Second and Holiday homes which was 7,169 (as at 1/4/22). There appears to be no clear link between the number of affordable homes and the number of Second/Holiday homes in parishes across the district. 1,002 new affordable homes have been delivered over the past 11 years in the district, again there is no clear correlation between where new affordable homes have been built and areas with high levels of Second/Holiday homes. However, areas with higher house prices will support delivery of more affordable homes (as this is more viable where sales values are higher) and, anecdotally, support for new affordable homes is often higher in communities with high levels of Second/Holiday homes.

Affordable homes in the District

3.38 As at 1/4/2021 there were 6,366 affordable homes owned by registered providers (housing associations) in North Norfolk. Of these 6,092 are rented homes and 274 shared ownership/equity homes. These figures do not include affordable homes held by other organisations such as charities (e.g. Blakeney Neighbourhood Housing Society) or alms-houses, so the real total is likely to be closer to 7,000. The affordable homes held by registered providers account for 11% of all Council Tax homes in the district, nationally 18% of homes are affordable rented or shared ownership (Source: 2011 Census). This compares to 7,169 Second & Holiday Homes (4,508 Second and 2,661 Holiday) as at 1/4/22, which represents 12.2% of all homes (Council Tax and business rate Holiday Homes).

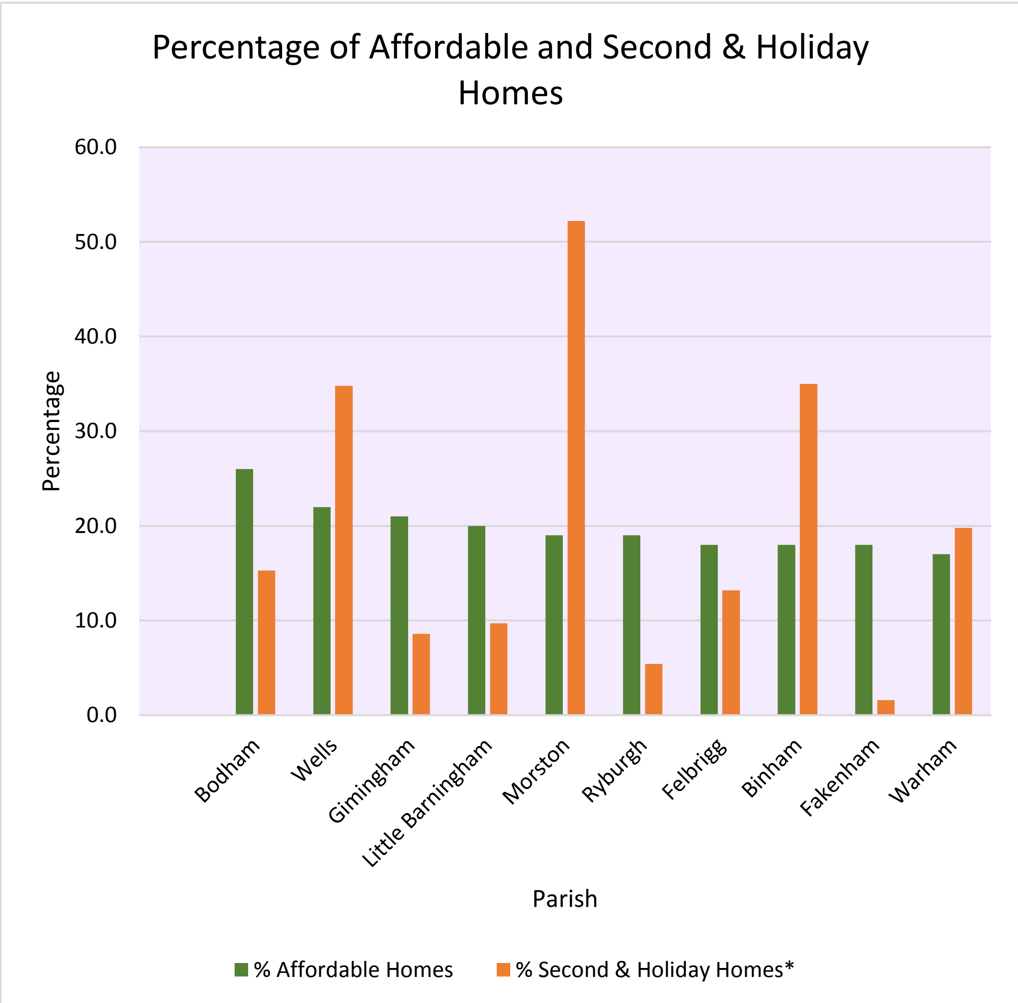
3.39 Appendix D provides details of the number of affordable homes in each parish (and the level of Second/Holiday Homes). The table below shows the ten parishes with the highest levels of affordable housing.

Table 12 : Distribution of Existing Affordable Homes & Second/Holiday Homes

Parish	Affordable homes	All Council Tax homes	% Affordable Homes	% Second & Holiday Homes*
Bodham	62	242	26%	15.3%
Wells	336	1560	22%	34.8%
Gimingham	46	214	21%	8.6%
Little Barningham	12	61	20%	9.7%
Morston	11	58	19%	52.2%
Ryburgh	62	329	19%	5.4%
Felbrigg	18	99	18%	13.2%
Binham	43	238	18%	35.0%
Fakenham	726	4117	18%	1.6%
Warham	18	104	17%	19.8%
District Total	6366	56136	11%	12.20%

Source: stock data from RPs as at 1/4/21, Second & Holiday homes data from Council Tax and NDR data 1/4/22.
* The % of Second and Holiday homes is of all homes - i.e. all council tax homes and self-catering holiday homes

Graph 6: Distribution of Existing Affordable Homes & Second/Holiday Homes



3.40 The vast majority of the affordable housing stock was built in the 20th Century, much between the wars/post WW2 and the distribution of these homes is largely due to availability/ownership of land at the time. Whilst there appears to be little correlation between the levels of affordable homes and Second/Holiday homes in parishes, many of the parishes with the highest levels of affordable homes also have higher levels of Second/Holiday homes, in particular Wells and Binham have high levels of both.

New Affordable Homes

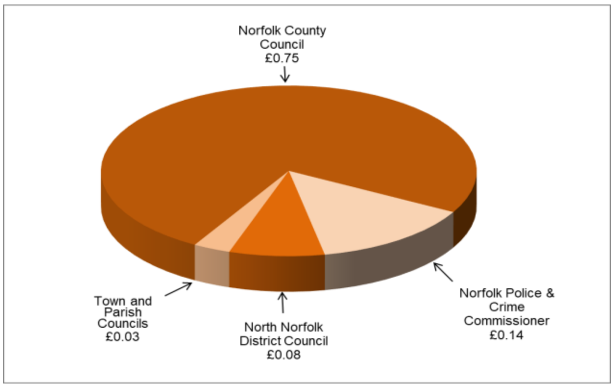
3.41 Over the past 11 years (2011/12 – 2021/22) a total of 1,002 new affordable homes have been delivered in the District (727 rented and 275 shared ownership/equity homes). These homes are delivered through two main routes: on market-led development where a proportion of affordable homes are secured through section 106 agreements; and development of predominantly affordable homes, often on rural exception sites, by registered providers. This means that the section 106 homes will be built in towns/larger villages were planning policy allows development. Exception sites will be more widely spread across the district. The table in appendix E shows the detail of where new affordable homes have been delivered and compares this to the level of Second/Holiday Homes in those parishes. New affordable homes have been delivered in 38 of the 121 parishes across the district. The highest number of new affordable homes have been built in the towns (Fakenham 197, North Walsham 139, Holt 132, Wells 72, Hoveton 63, Stalham 54 and Cromer 37), the only town with relatively low numbers of new affordable homes is Sheringham with 14.

3.50 There appears to be no clear correlation between the number of new affordable homes delivered and the levels of Second/Holiday homes in parishes. However, high levels of Second/Holiday homes is not a barrier to delivery of new affordable homes - many of the parishes with the highest levels of Holiday/Second homes have also seen relatively high numbers of new homes built over the past few years (e.g. Wells 72, Bacton 24, Binham 14, Blakeney 13). Areas with higher sales prices for new homes will be able to deliver more affordable homes viably – for example new development in Wells delivered 45% affordable homes, whereas in lower value area lower levels, or even no, affordable homes have been delivered on market developments. Anecdotal evidence also suggests that communities which have higher levels of Second/Holiday homes may be more aware of the need for affordable homes and more supportive of new affordable homes being built. Some of these communities have also established local solutions to help deliver affordable homes – for example Homes for Wells or Blakeney & Neighbourhood Housing.

4. Revenues: How Second and Holiday Homes may affect the Council's revenues

Revenues – Council Tax

4.1 NNDC is responsible for the collection of council tax but only a small portion of this goes to the authority. Each £1 of council tax that we collect is split as follows:



- 75p - Norfolk County Council
- 14p - Norfolk Policy Authority
- 8p - North Norfolk District Council
- 3p - Town and Parish Councils

4.2 There used to be a local Norfolk agreement historically where NNDC received extra monies back for second homes but not any longer, councils now just receive their own share. So in terms of revenue income to NNDC currently Second homes have a neutral impact, i.e. we receive the same income from these homes as principle homes.

Revenues – Non-Domestic (Business) Rates

4.3 The business rate retention system was introduced in April 2013. Councils retain up to half of the rates revenue raised from businesses in their local area, with the remainder retained centrally by the government and used to provide grant funding for local authorities.

4.4 The local retention is split 40% to NNDC and 10% to Norfolk County Council, with remaining 50% to central government.

4.5 Central government does also award NNDC with increased funding up to 100% in cases where NDR relief schemes are introduced nationally and these reduce our NDR income. This is often paid via a Section 31 Grant. Therefore, regardless of whether a Holiday home receives business rate relief, NNDC will still receive the same income. i.e. 40% of the Business Rates

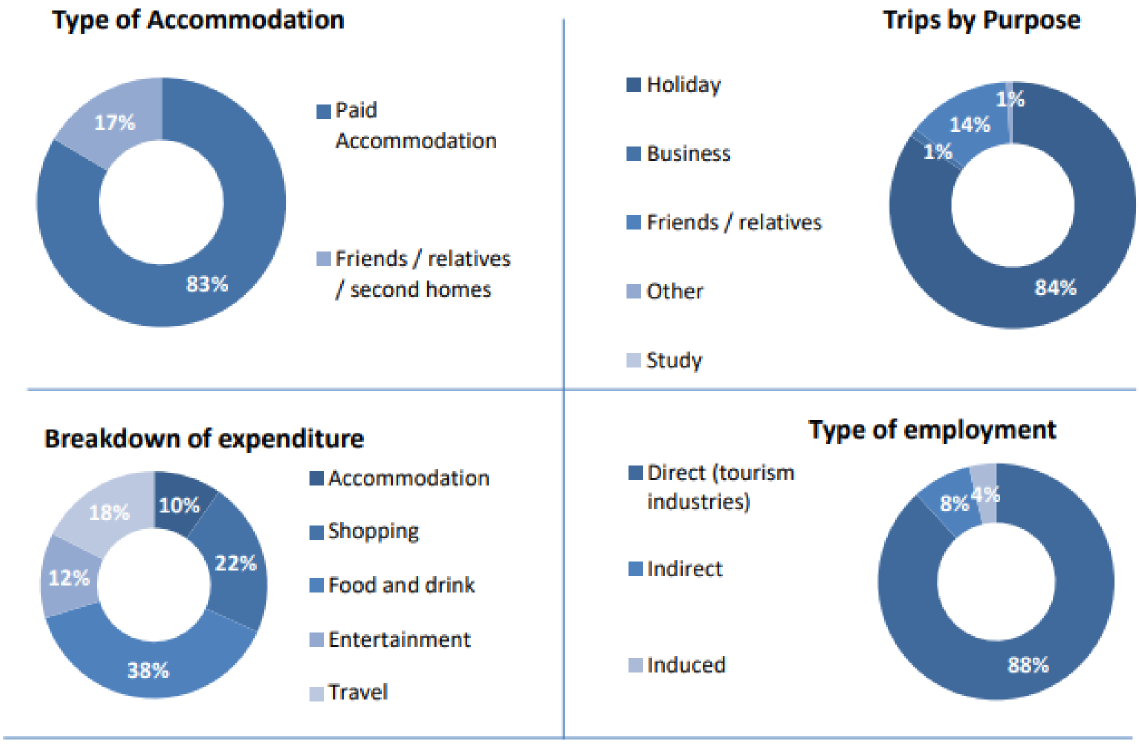
4.6 Growth in NDR is growth to NNDC by 40% as per the retention rules subject to the Norfolk County Business Rates pooling arrangements.

5. Economy: How Second and Holiday Homes may affect the District's Economy

5.1 North Norfolk is a highly popular tourist destination with much to attract visitors including 45 miles of stunning coastline, attractive market towns and villages, places of cultural and historical interest and a proportion of the Broads National Park.

5.2 Prior to Covid19 it was estimated that tourism contributed over half a billion pounds to the local economy (£528,931,378 in 2019). In 2019 there was an estimated 9,317,000 day trips, with an estimated value of £292,356,000. In the same year there was an estimated 602,200 overnight trips for a total of 2,474,000 nights, with an estimated value of £142,955,000.

5.3 In 2020, the volume of trips and the value of contribution to the local economy decreased by more than half (estimated at £237,339,241 in 2020). Day trips fell to 4,115,000 (-56%) and overnight trips decreased to 285,600 (-53%). A report for 2021 is presently not available, although it is anticipated that this will indicate a partial recovery given that North Norfolk appeared to benefit from the 'staycation phenomena', perhaps in part due to the districts comparatively low Covid-19 figures.



Snapshot of north Norfolk Visitor Economy

5.4 As the above Snapshot illustrates, most visits are for paid accommodation, for the purposes of holidays and, whilst here, people spend their money across a number of uses. In 2019 it was estimated that the visitor economy supported 11,898 jobs with the equivalent of 5009 attributed to supporting overnight visitors (see Figure Y). In total, it is estimated that tourism jobs account for 20% of total employment in North Norfolk.

Estimated actual jobs							
		Staying Visitor		Day Visitor		Total	
Direct		2,569	83%	4,505	91%	7,075	88%
Indirect		290	9%	359	7%	649	8%
Induced		235	8%	64	1%	299	4%
Total Actual	**2020**	**3,094**		**4,929**		**8,022**	
Comparison	**2019**	**5,009**		**6,888**		**11,898**	
Difference		**-38%**		**-28%**		**-33%**	

Visitor Economy jobs supported.

5.5 However, tourism related jobs are generally lower paid than many other sectors and a proportion of these are seasonal. This is likely a contributing factor to North Norfolk's comparatively low median wage (see table below). It is therefore possible that North Norfolk's high dependency on a lower wage visitor economy is a significant contributing factor to the housing affordability ratio for local residents.

5.6 Although it is widely believed that rural depopulation is a consequence of local residents' inability to compete with incomers in rural housing markets there is a counter argument, albeit not evidenced, that outward migration is possibly more closely aligned to a lack of employment, education, and leisure opportunities rather than to a lack of housing. Indeed North Norfolk presently has no local training providers/institutions and those wishing to pursue higher education, who do not wish to go to Norwich, will need to relocate, possibly not returning due to a lack of higher paying local employment. This is commonly referred to as 'brain drain'.

	North Norfolk	Norfolk	England
Median Annual Pay – Full Time Workers	£28,019	£29,006	£31,490
Median Annual Pay – All Workers	£22,907	£24,318	£26,192

Median salaries in North Norfolk

5.7 Traditionally Bed and Breakfast providers, Guest Houses and independent hotels dominated the local make up of holiday accommodation in North Norfolk. However, over the last two decades the visitor accommodation market has substantially changed, with visitors expecting more choice and a wider range of quality offerings. Moreover, the 'Airbnb phenomena' and the ease with which holidaymakers can make better-informed choices and book directly with enterprising alternative accommodation providers, has further threatened the traditional accommodation model. As such, North Norfolk has seen a number of hotels exit the market in recent years, typically because the costs of maintaining the accommodation, particularly larger properties, is such that the business is no longer viable and competition from holiday lets and alternatives has impacted on bookings.

5.8 Holiday lets are therefore an integral part of the make-up of holiday accommodation within the District. The common debate is whether there is a net gain from this i.e. would a house occupied by a family for 365 days a year make a higher contribution to the local economy than if was let out as holiday or occupied as a second home for potentially less than half the year and being left empty for lenghty periods? Unfortunately, this is very difficult to calculate given that there is little primary evidence and that there are a multitude of factors to consider. In 2019 Airbnb estimate that their accommodation yields £5bn for the UK Economy and argue that, given most hosts pay a 3% fee, this means that the majority of what they charge stays with the host – although of course the host may not be local and therefore may not remain within the local economy. Nevertheless, we do know that overnight stays do contribute significantly to the local economy through direct, indirect and induced spend. Had a family occupied the same house then they will likely contribute significantly to the local economy. However, unlike holiday lets and second homes, they place greater demand on local resources (schools, doctors, dentists, etc.).

6. Communities: Impact of Second & Holiday Homes

6.1 Much of the debate around the impact of second and holiday homes on communities is perceived to be negative, on the basis of a loss of community, a cause of social change, and subsequent tension (Gallent, Mace, and Tewdwr-Jones, 2005). This has fuelled much of the political debate that now surrounds the issue, giving rise to investigations such as this that are appearing at various popular tourism locations all over the Country and beyond. This effect, when combined with other potential issues such as rising house prices and limited availability of affordable homes or social housing for local residents, has led many areas and in some cases Countries, to seek to limit the prevalence of second homes and holiday lets, with St. Ives, Wales (BBC, 2022) and Switzerland (C. Hilber, O. Schöni, 2020), all being notable examples. It is also clearly a concern for residents and communities of North Norfolk, with two emerging Neighbourhood Plans in Blakeney and Wells seeking to place principle homes as a condition of occupation. Data gathered by various scholars appears to show however, that the impact on communities is mixed, and that there are both discernible positive and negative impacts that are founded on the subjective beliefs, perceptions or feelings of the residents that live and work within these communities, who are most affected by change.

6.2 It has been argued by scholars such as Gallen, N. 2013, that second homes in rural areas could be linked to a phenomenon of community development, by which communities are increasingly connected to new skills and knowledge, subsequently raising a communities social capital. In most cases this would be seen or referred to as a form of gentrification, by which new residents seek to use their connectivity and existing social capital to broaden the offering and further domesticate the areas in which they inhabit. As Gallen argues, whether this is seen positively or negatively in communities will depend on the alignment between existing and introduced tastes, behaviours and thoughts. It could be argued that this effect has already been seen in areas with a high prevalence of second and holiday homes across the District, with the arrival of more gastro pubs and coffee shops appearing in towns and villages. It should be noted however, that this impact is separate from maintaining important local services such as post offices, local shops, bank branches, schools and doctors surgeries. The loss or decline of these services cannot and should not be solely attributed to the prevalence of second and holiday homes, as they form part of a much wider trend across the country, with varying reasons available to explain such trends. A further aspect worthy of consideration highlighted elsewhere in the report notes that North Norfolk is subject to net inward migration of people retiring to the area, which has likely contributed to societal and community level change, with the latest consensus data suggesting that the District has one of the oldest populations in the Country. This will also bring with it various impacts on the housing market that have been explored in the relevant section of the report.

6.3 On balance, data appears to suggest that the impacts of second homes and holiday lets on communities can be argued both positively and negatively, and it therefore remains difficult to definitively conclude whether they provide a net-gain or loss to communities. It does however remain important for Members and Local Authorities to listen to and acknowledge the thoughts, feelings and concerns of local communities and residents that are affected. Councils should therefore seek to carefully consider and act appropriately where possible, when relevant legislation is proposed that could be used to mitigate negative impacts. Concurrently, Councils could also seek to support communities further by taking advantage of the opportunities presented by the desirability of second home and holiday let ownership, and if Members are supportive of emerging legislation that could increase Council Tax charges on second homes, this could be used to the benefit of communities, in a similar vein to S106 funding. It must also be acknowledged, as outlined in the economic impact assessment, that with a local economy so dependent on tourism, many communities in North Norfolk could suffer substantial economic harm if too stringent action was taken, which could then cause detriment to the local economy. This was shown to be the case on a much larger scale in Switzerland, where an outright ban on second homes caused significant economic harm to local economies (C. Hilber, O. Schöni, 2020). Overall then, the impact on communities remains an important aspect of the debate that should be given careful consideration when considering what actions local authorities should take going forward.

7. Housing – Existing Policies/ Available Policies and Further Options

Affordable Housing Delivery

7.1 In the last 11 years (2011 to 2022) housing associations delivered significant 1,002 new affordable homes in the district. In the last four years housing associations have delivered 454 new homes, including 82 on rural exception housing schemes (EHS), often in areas with high levels of 2nd/holiday homes e.g. Binham and Bodham.

7.2 The development pipeline of new affordable housing includes EHS (at different stages) many in areas of high 2nd/holiday homes including: Salthouse, Blakeney, Wiveton, Bacton, Hindringham, Warham, Walcott, Happisburgh.

7.3 On rural exception housing schemes the Council's allocation policy gives priority to applicants with strongest local connections to the host parish and the parishes adjoining the host parish.

Action taken by the Council to Support New Affordable Housing

7.4 The Council's is able to support affordable housing delivery through enabling, financial support and Planning Policies.

7.5 Enabling, mainly work carried out by the Community Housing Enabler, includes; using need information to inform the location of new housing, site finding, consultation and community engagements work, liaison with Planning/free pre-application service and support to housing associations.

7.6 The Council has two pots of money available to support delivery of affordable housing.

1. In 2016 the Council received from government £2.4m of Community Housing Fund. Government allocated the money to districts in proportion to the number of second and holiday homes and North Norfolk's allocation was one of the highest reflecting the high numbers of holiday and second homes in the district. The Council has used the money to support existing and newly forming community-led housing groups to deliver new affordable housing (in Wells, Holt and Sheringham) and establish a new community-led housing group in Swanton Novers. In the first 2-3 years we targeted activity at parishes with levels of 2nd/holiday homes above 10%.
2. The Council holds £2.5m of s106 commuted sums. This is money paid by developers in lieu of on-site affordable housing. The Council has set an annual budget from this fund which is available to provide 'top-up' funding for affordable housing across the district. The aim of the 'top-up' funding is to cover shortfalls in affordable housing development budgets and so help deliver schemes with marginal viability.

7.7 The Council's planning policies support the delivery of affordable housing. In particular, policies requiring affordable housing on allocated sites and policy allowing Exception Housing Schemes on sites in villages and outside of the development boundaries of the districts towns and service villages.

7.8 NNDC also uses Section 157 restrictions to ensure that ex-council homes, bought under the Right to Buy in Designated Rural Areas can only be sold on to those who have lived/worked in Norfolk for 3 years. These homes must be used as a principal home, i.e. cannot be used as a second or holiday home.

8. Revenues – Existing Policies/ Available Policies and Further Options

Revenues – Council Tax

8.1 Currently NNDC members are allowed, and have determined, to use the council tax discretionary powers to reduce the council tax discount to 0%, i.e. to charge 100% Council Tax on the majority of Second Homes (except those with seasonal use restrictions which still receive some discount).

Policy Changes – Council Tax Second Homes

8.2 The 2022 Queen's Speech contained plans to allow councils in England to increase council tax from 1 April 2024 on Second homes. The Levelling Up & Regeneration Bill, which includes proposed changes to the Local Government Finance Act 1992, has now started its journey through the Houses of Parliament.

The Bill includes draft provisions which state:

- there is no resident of the dwelling, and
- the dwelling is substantially furnished and
- A billing authority's first determination under this section must be made at least one year before the beginning of the financial year to which it relates.
- A billing authority may make a determination varying or revoking a determination under this section for a financial year, but only before the beginning of the year.
- Where a billing authority makes a determination under this section it must publish a notice of the determination in at least one newspaper circulating in the area.
- The notice must be published before the end of the period of 21 days beginning with the date of the determination

8.3 If this became law and Members used this discretion the determination would not just allow the council tax discount to be reduced by up to 100% (current powers) but would also allow an increase to the council tax charge on these properties by no more than 100% (i.e. a doubling of the existing charge).

Revenues – Non-Domestic (Business) Rates - Holiday lets

8.4 Any property that is used for commercial purposes may need to be rated for business rates purposes, depending on the exact nature of its usage.

8.5 Self-catering and holiday let accommodation – Currently, if a property is in England and available to let for short periods that total 140 days or more per year, it will be rated as a self-catering property and valued for business rates.

Policy Changes – NDR Holiday Lets

8.6 The Non-Domestic Rating (Definition of Domestic Property) (England) Order 2022. This Order amends, with effect from 1st April 2023, section 66 of the Local Government Finance Act 1988 which defines domestic property for the purposes of non-domestic rating and provides that a property is not domestic property if the owner intends to let it commercially as self-catering accommodation for short periods totalling 140 days or more. There are also two additional conditions.

1- that the property must have been available to let in the same way for 140 days or more in the previous year, and
2- it must have been in fact let in that way for at least 70 days during that year.

8.7 The above new legislation is largely based on the current legislation for holiday lets in Wales and Scotland. Currently if the property was in **Wales** it will be rated as a self-catering property and valued for business rates if it's both:

- available to let for short periods that total 140 days or more per year
- actually let for 70 days

8.8 The Valuation Office will work out the rateable value of your property based on its type, size, location, quality and how much income the business is likely to make from letting it. If the property and its rateable value is less than £15,000 Rateable Value then it may be eligible for Small Business Rate Relief.

8.9 If the self-catering premises is in **Scotland** and available to let for 140 days or more a year then from 1 April 2022, it will also need to be actually let for 70 days in a financial year.

8.10 Future changes in Wales - Under the plans from 1 April 2023 Wales will raise the threshold, so properties will need to be made available for at least 252 days, and actually let for 182 otherwise they will be valued as council tax properties.

Potential registration Scheme for holiday lets

8.11 The government has recently put out a call for evidence to help understand the impact of the increase in short-term holiday lets in England following the rise in use of rental booking websites and apps. This will inform a review looking at the holiday lets market and the opportunities and challenges presented for both consumers and tourism communities affected. This review comes after Airbnb listing data showed a 33% increase in UK listings between 2017 and 2018.

8.12 The call for evidence links to the government's "Tourism Recovery Plan" published last year which set out plans for recovery and help to the tourism industry following the pandemic. It recognises the significant growth in the range and volume of guest accommodation, particularly short-term and holiday lets. The Plan recognises that alongside benefits (to consumer choice and access to new income streams for homeowners) there are also concerns about compliance of some accommodation with existing regulations and the impact of high numbers of holiday lettings on local communities.

8.13 The Tourism Recovery Plan included consideration of a Tourist Accommodation Registration Scheme in England. The call for evidence should gather insight and information in the following areas:

- changes and growth in the short-term letting market
- benefits of short term lets
- challenges, including compliance with the existing regulatory framework and housing and community impacts
- the impact of potential policy responses

8.14 Registration or licensing schemes for holiday lets already exist in some countries and cities — including Scotland and Northern Ireland and a similar approach in London. Registration might include physical checks of premises to ensure regulations in areas including health and safety, noise and anti-social behaviour are obeyed. Further measures the Government is considering include a registration 'kitemark' scheme with spot checks for compliance with rules on issues such as gas safety, a self-certification scheme for hosts to register with before they can operate, and better information or a single source of guidance setting out the legal requirements for providers.

8.15 The call for evidence is open for 12 weeks up to 21/9/22. The government intends to publish a summary of responses later in 2022. Officers will use the information gathered for this report and the views of Overview & Scrutiny to help inform our response to this consultation

9. Planning – Existing Policies/ Available Policies and Further Options

Existing Policy

9.1 Existing planning policies focus on the direct delivery of affordable housing (via both the affordable homes rural exceptions programme and policies which require house builders to deliver affordable housing within their proposals). Current Policies require 45% of dwellings on larger sites of more than 10 units to be provided as affordable dwellings. The new Local Plan is likely to require 30%-35% in the higher value parts of the District and 15% in the lower value areas. The new Local Plan will include a lower site size threshold of 6 dwellings or more requiring affordable delivery.

Available Policies

9.2 As outlined in the definitions section most types of second homes and holiday home use are for planning purposes treated the same as a principal dwelling. This means that it is not necessary to secure planning permission if you wish to use an existing dwelling for second home or holiday home use.

9.3 The position on new build proposals is different. Where new homes are being built it is possible to impose occupancy restrictions designed to ensure that the property is only used as a principal residence and not for second homes purposes. This is the approach taken in St Ives, and elsewhere, where new dwellings provided via the preparation of Neighbourhood Plans are subject to such occupancy restrictions. The intention of such policies is to increase the supply of homes available to live in by ensuring they can't be used for second home/holiday home purposes.

9.4 North Norfolk does not operate such restrictions and to date has taken the view that the imposition of occupancy controls of this type on new housing stock are unlikely to be effective. This is because:

i. The amount of new housing stock proposed to be built in those parishes with the highest proportion of second homes is very small. With the exception of Wells-next-the-Sea, all are small village communities located within the coastal Area of Outstanding Natural Beauty where planning policies limit new house building. Imposing controls on new homes in these locations would only limit the occupancy of a very small part of the homes available for second home use. Furthermore, under adopted planning policies any larger schemes (above 10 units in the current Local Plan and above 5 units in the new Plan) must include affordable homes. The occupancy of such homes is already limited to ensure they a not used as second homes.

ii. Any controls imposed on new build homes seems likely to result in the deflection of the demand for second homes into the existing housing stock, where no *current* planning controls exist. As a result, the overall proportion of second and holiday homes in any given community is unlikely to reduce as a consequence of such restrictions.

iii. The impacts of imposing such restrictions on house prices is unclear but it seems likely that any reductions in sales values which might result from such restrictions would be relatively marginal and would not render the majority of properties genuinely affordable. Second homes restrictions do not in of themselves deliver affordable homes for local people and therefore this would be of little assistance to those in housing need. On the contrary, it is possible that such restrictions may have some adverse impacts on the delivery of affordable homes in the host community. This is because reduced finished development values are often cited as grounds for reducing the quantity of affordable homes provided – any restriction on occupancy may have an impact on sales values and limit the ability of the scheme to subsidise the delivery of affordable homes.

iv. There are concerns about how compliance with such conditions would be monitored and the resource implications of such monitoring and any resulting enforcement action.

9.5 Analysis of the impacts of such restrictions elsewhere (Appendix F1 - 3) would appear to suggest that the policy has not delivered any measurable benefits and may have had a range of adverse impacts including:

- Increased house values for second home owners and no appreciable house price reductions in the wider market.
- A switch to converting exist properties and away from new build with a consequential reduction in affordable housing delivery.
- An adverse impact on the construction and tourist economy.

Possible new planning controls

9.6 There are draft proposals in the Levelling Up and Regeneration Bill to introduce some planning controls over the use of the existing housing stock for second home purposes. The Bill includes provisions which would require second home owners to seek planning permission in those circumstances where they do not let their properties for holiday purposes for at least 90 days in each year. This provision appears to be targeted at those second home-owners who only use their homes infrequently for their own or family use.

9.7 There is no detail in the Bill in relation to how such an approach would be implemented in practice and no clear timetable for its introduction. Such a measure if it were to be introduced seems unlikely to apply retrospectively to those properties already in second homes use.

9.8 If introduced such a measure might allow for LPAs to develop new policy approaches to the proportions of second homes in communities as it offers the potential to address (in part) the ‘deflection’ issue identified above. It would nevertheless be important to consider the pros and cons of such approaches.