



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
14 January 2020
Agenda Item 7

Key Decision: No

Ward(s) Affected: all

Council Tax “long-term empty” premium and discounts

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

- 1.1. Since 1 April 2013 local authorities have been able to charge an additional fifty percent Council Tax in respect of properties that have been unfurnished and unoccupied for more than two years. This is known as the “long-term empty premium”.
- 1.2. Legislation has now been introduced allowing local authorities the ability to increase the premium to one hundred percent from 1 April 2019, thereby charging two-hundred percent of the Council Tax that would otherwise be due.
- 1.3. The Joint Strategic Committee considered a report on 10 September 2019 and agreed that a public consultation should be conducted about possible changes to the “long-term empty premium” and two locally-determined discounts in respect of periods when no Council Tax is payable for properties that are
 - Unoccupied and unfurnished
 - Undergoing or requiring structural alteration or major repair
- 1.4. This report confirms the outcomes of the public consultation and invites Members to consider whether they wish to increase the “long-term empty premium” and the two local discounts.

2. Recommendations

2.1 The Joint Strategic Committee is asked to:

- a. Note the content of this report
- b. Consider, in the context of helping to address the local housing supply, recommending to Adur District Council
 - i. That the “long-term empty premium” should be increased in accordance with the maximum figures detailed in paragraph 3.5
 - ii. Whether a discretionary policy should be introduced to define certain circumstances when the “long-term empty premium” should be reduced or removed
 - iii. The local discount in respect of unoccupied properties undergoing structural alterations should be reduced or abolished
 - iv. The local discount in respect of unoccupied and unfurnished properties should be reduced or abolished
- c. Consider recommending to Worthing Borough Council
 - i. That the “long-term empty premium” should be increased in accordance with the maximum figures detailed in paragraph 3.5
 - ii. Whether a discretionary policy should be introduced to define certain circumstances when the “long-term empty premium” should be reduced or removed
 - iii. That the local discount in respect of unoccupied properties undergoing structural alterations should be reduced or abolished
 - iv. That the local discount in respect of unoccupied and unfurnished properties should be reduced or abolished

3. Context

- 3.1 Since 1 April 2013 local authorities have been able to determine certain reductions in Council Tax bills in respect of unoccupied properties that had previously been statutory discounts or exemptions that were defined in legislation.
- 3.2 Following the “Outline 3-Year Forecast And Savings Proposals” report that the Joint Strategic Committee considered on 29 November 2012, both Adur and Worthing Councils determined that
1. The previous 10% discount in respect of “second homes” (i.e. properties that are furnished but not someone’s main residence) should be ended
 2. The previous Class A exemption in respect of properties undergoing structural alterations or major repairs that lasted for up to twelve months should be replaced with a local discount of 100% lasting for a maximum period of three months

3. The previous Class C exemption in respect of unoccupied and unfurnished properties that lasted for up to six months should be replaced with a local discount of 100% lasting for a maximum period of one month
- 3.3 Additionally, local authorities have been able to introduce a “long-term empty premium” such that 150% of the usual Council Tax liability was payable in respect of unfurnished properties that had been unoccupied for at least two years. Both Adur and Worthing determined that the additional premium should be introduced from 1 April 2013.
 - 3.4 These changes mean that, currently, throughout Adur and Worthing the Council Tax liability in respect of properties that are unoccupied and unfurnished is
 - £nil in respect of the first month
 - The usual charge applies from month two to month twenty-four
 - 150% of the usual charge applies from month twenty-four onwards
 - 3.5 On 1 November 2018 the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 received Royal Assent and, as a result, local authorities are able to consider increasing the “long-term empty premium” in respect of unfurnished and unoccupied properties such that with effect from
 - 1 April 2019, the premium can be increased from 50% to 100% (meaning that 200% of the usual Council Tax liability is payable) in respect of properties that have been unoccupied for at least two years
 - 1 April 2020, the premium can be increased to 200% (meaning that 300% of the usual Council Tax liability is payable) in respect of properties that have been unoccupied for at least five years
 - 1 April 2021, the premium can be increased to 300% (meaning that 400% of the usual Council Tax liability is payable) in respect of properties that have been unoccupied for at least ten years
 - 3.6 The changes detailed in paragraph 3.5 take effect from 1 April 2019, 1 April 2020 or 1 April 2021 irrespective of whether the date when the property initially became unfurnished and unoccupied was before or after the three effective dates.
 - 3.7 The Joint Strategic Committee considered a report on 10 September 2019 and agreed that a public consultation should be conducted about possible changes to the “long-term empty premium” and two locally-determined discounts. This report confirms the outcome of the public consultation.

4. Issues for consideration

4.1 Long-term empty premium

4.1.1 As at 20 May 2019 there were 21 properties in Adur and 59 properties in Worthing that were subject to the premium as detailed below

Council Tax Property Band	Adur		Worthing	
	Number of properties	Additional annual Council Tax due @50%	Number of properties	Additional annual Council Tax due @ 50%
Band A	3	£1,909	20	£12,075
Band B	5	£3,712	17	£11,974
Band C	8	£6,788	8	£6,440
Band D	2	£1,909	10	£9,056
Band E	2	£2,333	1	£1,107
Band F	0	£nil	1	£1,308
Band G	0	£nil	2	£3,019
Band H	1	£1,909	0	£nil
Total	21	£18,560	59	£44,979

4.1.2 Therefore, based on the position as 20 May 2019, an additional £18,560 and £44,979 Council Council Tax would become due in Adur and Worthing respectively if the premium was increased from 50% to 100%.

4.1.3 Members should nevertheless be mindful that the district/borough elements (precepts) of the Council Tax charge relate to approximately 17% of the total liabilities, with the remainder relating to West Sussex County Council and the Sussex Police and Crime Commissioner (and in some areas of Adur, parish councils). Consequently, if the premium was increased to 100% this would result in approximately £3,155 and £7,646 additional income per annum for Adur and Worthing Councils respectively.

4.1.4 The financial gain to the Councils is therefore modest but Members may consider that in the context of the pressures on the local housing supply, the

additional charges may encourage Council Tax payers to bring these properties back into use.

4.1.5 Members may wish to be aware that other neighbouring local authorities charge the following premiums from 1 April 2019

	Premium	Total charge
Arun	50%	150%
Chichester	100%	200%
Crawley	50%	150%
Horsham	50%	150%
Mid Sussex	100%	200%
Brighton & Hove	100%	200%

4.1.6 Section 13A(1)(c) of the Local Government Finance Act 1992 provides discretion to reduce (or remove) the premium in certain circumstances. These could include

- Each case is considered on its own merits
- When a property that's already subject to the long-term empty premium is purchased by a new owner who intends that the property will become occupied within a specified period (whether by themselves or somebody else), the premium could be disapplied for a number of weeks/months
- When the property owner submits a planning application to improve or develop the property with a view to someone occupying it within a specified period, the premium could be disapplied for a number of weeks/months or until the planning application is determined
- The Council Tax payer is suffering financial hardship as a result of the long-term empty premium being charged
- The property has been placed on the market for sale, the premium could be disapplied for a number of weeks/months to allow the sale to complete
- Other exceptional circumstances

4.1.7 Members are invited to consider whether a discretionary policy should be introduced (to include details about how requests for discretion are to be submitted). It is recommended that if a policy is to be created, delegated

authority should be given to the respective Executive Members for Resources to create the policy in conjunction with the Head of Revenues & Benefits.

4.2 Properties undergoing structural alterations or major repairs

- 4.2.1 The local discount of 100% currently lasts for a maximum period of three months (although if the repairs or alterations are completed before the end of this period a normal charge will become due).
- 4.2.2 As at 20 May 2019 there were no properties in either Adur or Worthing that were subject to this reduction although awards are constantly changing.
- 4.2.3 In the context of the 17% value of the district/borough precept detailed in paragraph 4.1.4 of this report, if the discounted period was abolished this would result in very little additional income for Adur and Worthing respectively.
- 4.2.4 However, Members may consider that in the context of the pressures on the local housing supply, the abolition of the discount may encourage Council Tax payers to complete the alterations/repairs promptly, thereby bringing these properties back into use more quickly. It would also simplify the administration of Council Tax.
- 4.2.5 Members may wish to be aware that other neighbouring local authorities provide the following discounted periods from 1 April 2019

	Discount
Arun	50% discount for a maximum period of twelve months
Chichester	No discount
Crawley	No discount
Horsham	No discount
Mid Sussex	No discount
Brighton & Hove	No discount

4.3 Unoccupied and unfurnished properties

- 4.3.1 This discount is most commonly awarded in respect of rented properties during the period when one tenancy ends (and the former tenant vacates) and a new tenancy starts. However, it is also awarded when properties are sold

and either the former owner vacates the property prior to the completion date or the new owner doesn't immediately occupy after the date of completion. There can only ever be a single one-month discounted period.

- 4.3.2 In respect of rented properties, the landlord/owner becomes liable for Council Tax during periods between tenancies and the discount is typically applied to their account. However, it is not uncommon for the former tenant to vacate the property shortly before the end of the tenancy and in these circumstances
- The former tenant is awarded the discount from their date of vacation until the end of the tenancy
 - The landlord is awarded the balance of the one-month discounted period
- 4.3.3 This can result in uncertainty about the Council Tax to be charged to landlords/owners and challenges are frequently received about whether the former tenant vacated prior to their tenancy end date.
- 4.3.4 The local discount of 100% currently lasts for a maximum period of one month and thereafter the full Council Tax charge becomes payable. As at 20 May 2019 there were
- 394 unoccupied and unfurnished properties in Adur of which 36 were in receipt of the 100% discount (with the remaining 358 subject to the full charge); and
 - 835 unoccupied and unfurnished properties in Worthing of which 64 were in receipt of the 100% discount (with the remaining 771 subject to the full charge)
- 4.3.5 It is estimated that each year more than 750 enquiries are received from landlords where the former tenant has advised the Revenues & Benefits Service that they vacated the property prior to the end of their tenancy and the landlord therefore hasn't been granted a full month of 100% discount.
- 4.3.6 Some of the enquiries are resolved at the first point of contact, whilst others are subsequently escalated through the corporate complaints procedure. It is therefore extremely difficult to quantify the amount of time that is spent responding such enquiries (or the cost of staff time doing so) but it is likely to be in excess of 350 hours per annum.

4.3.7 Details of those properties that were subject to the one-month 100% discount reduction as at 20 May 2019 are shown below

Property Band	Number of properties in Adur	Value ¹ of Council Tax discounts	Number of properties in Worthing	Value ¹ of Council Tax discounts
Band A	11	£1,167	24	£2,415
Band B	9	£1,114	18	£2,113
Band C	13	£1,838	17	£2,281
Band D	3	£477	3	£453
Band E	0	£nil	2	£369
Band F	0	£nil	0	£nil
Band G	0	£nil	0	£nil
Band H	0	£nil	0	£nil
Total	36	£4,596	64	£7,631

Note 1: the value is an approximation because Council Tax is a daily charge and there are a variable number of days in each month

4.3.8 The totals shown above assume that the 100% discount is awarded for a full one-month period although if the property is re-occupied before the end of this period a normal charge will become due. As with the discount in respect of properties undergoing structural alterations or major repairs, properties subject to the “unoccupied and unfurnished” discount constantly change but an analysis of the discounts awarded from 1 April 2018 to 31 March 2019 is shown in appendix C.

4.3.9 In the context of the 17% value of the district/borough precept detailed in paragraph 4.1.4 of this report, if the discounted period was abolished this would result in approximately £781 and £1,297 additional income per annum for Adur and Worthing respectively.

4.3.10 Again, whilst the financial gain to the Councils is modest, Members may consider that in the context of the pressures on the local housing supply the abolition of the discount may encourage Council Tax payers to bring these properties back into use more quickly. It would also simplify the administration of Council Tax because disputes about the date on which a property became unoccupied would be removed.

4.3.11 Members may wish to be aware that other neighbouring local authorities provide the following discounted periods from 1 April 2019

	Discount
Arun	50% discount for a maximum period of three months
Chichester	No discount
Crawley	100% discount for a maximum period of seven days
Horsham	No discount
Mid Sussex	No discount
Brighton & Hove	No discount

5. Engagement and Communication

- 5.1 A public consultation was conducted throughout Adur and Worthing between 30 October 2019 and 30 November 2019 on the Councils' website. Hard copies of the consultation were available on request.
- 5.2 A press release was issued (that resulted in an article appearing in local newspapers during the first week of November) and the consultation was promoted via social media.
- 5.3 The detailed responses to the consultation are shown in appendix A and appendix B shows a postcode map of respondents. A summary of the 139 responses is:
- 78% consider that from April 2020 the long-term empty premium should be increased to 100% after two years and then to 200% for properties that have been empty for at least five years.
 - 78% consider that from April 2021 the long-term empty premium should be increased to 300% for properties that have been empty for at least ten years
 - 35% consider that the three-month period when there's no charge for properties undergoing structural alterations or major repairs should be changed
 - 34% consider that the one-month period when there's no charge for unoccupied and unfurnished properties be changed

6. Financial Implications

6.1 The overall additional Council Tax income raised by changing the Council Tax discounts would be marginal:

	<u>Adur</u>		<u>Worthing</u>	
	Overall (£)	Council share (£)	Overall (£)	Council share (£)
Increase to long-term empty premium	18,560	2,970	44,980	5,900
Removal of the three-month discount	4,640	740	5,090	670
Removal of the one-month discount	4,600	740	7,630	1,000
Total	27,800	4,450	57,700	7,570

6.2 However, the Council is currently penalised via the New Homes Bonus (HNB) grant calculation for any long term empty property. Each empty property in this category loses the Council £1.4k per year for 4 years in grant. Consequently, encouraging such properties back into use will help contribute to increasing housing supply and generate the Council additional NHB grant income.

7. Legal Implications

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings Act 2018) allows the councils to charge an additional premium in respect of empty properties as set out in this report.

Background Papers

The “Outline 3-Year Forecast And Savings Proposals” report that the Joint Strategic Committee considered on 29 November 2012

Minutes of the Joint Overview and Scrutiny “Council Tax Freedoms Working Group” meeting held on 24 September 2012

Minutes of the Joint Strategic Committee meetings held on 29 November 2012 (page 3) and 10 September 2019 (pages 4 & 5)

The Local Government Finance Act 1992

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

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Sustainability & Risk Assessment

1. Economic

Income from Council Tax represents an important source of income to the Councils. The additional income that would be received if the local discounts were abolished and the “long term empty premium” was increased are modest, but they may encourage properties to be brought back into use more quickly.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

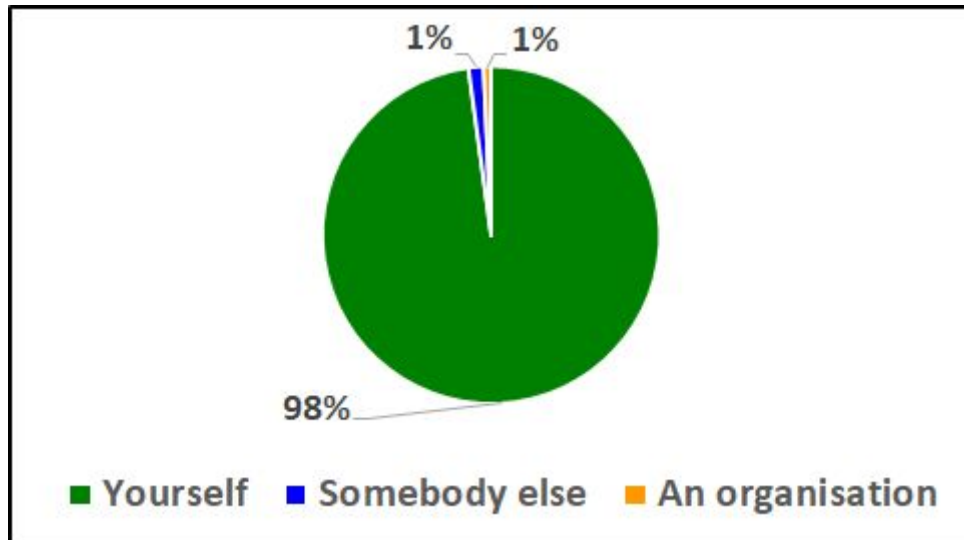
4. Governance

Matter considered and no issues identified.

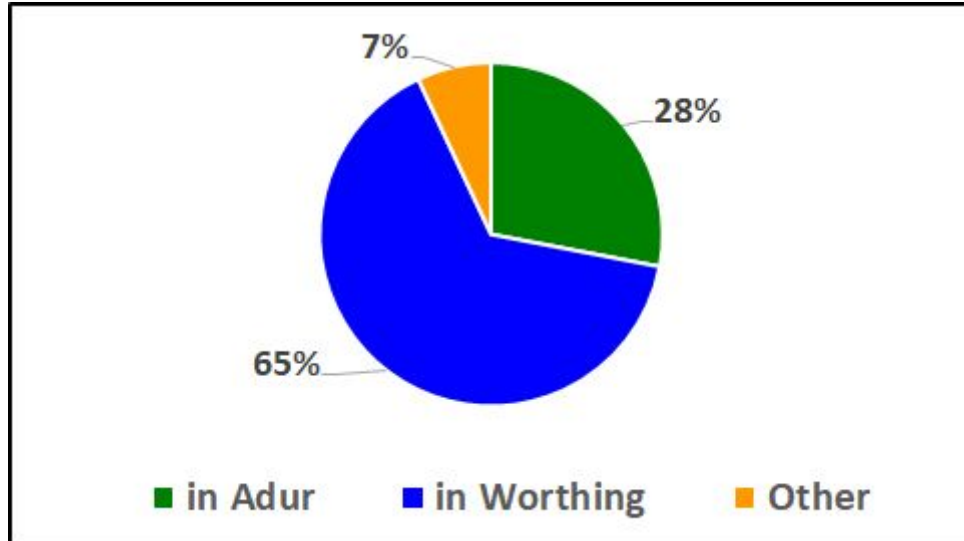
Appendix A - analysis of responses to the public consultation

Total number of responses: 139

Q1: Are you responding on behalf of yourself, somebody else or an organisation?



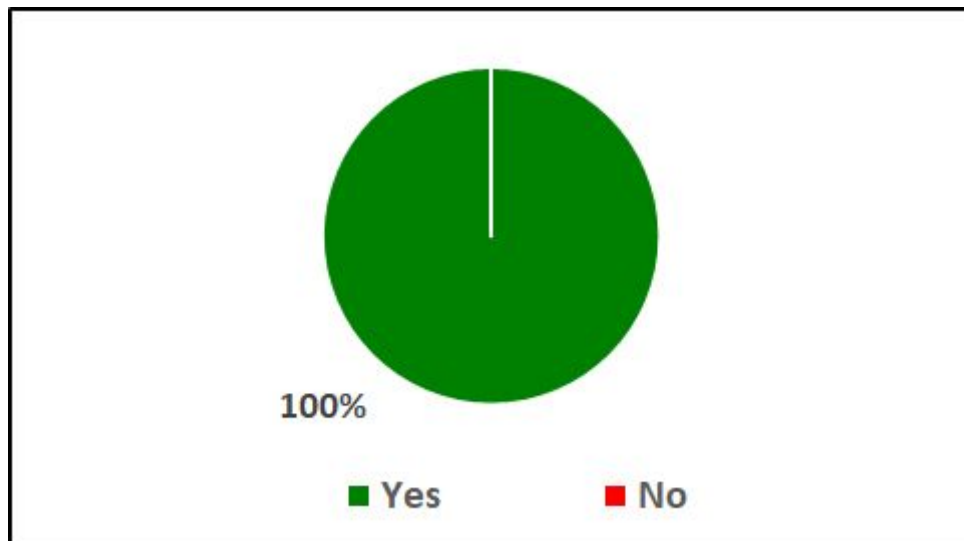
Q2: If you're responding on behalf of yourself, where do you live?



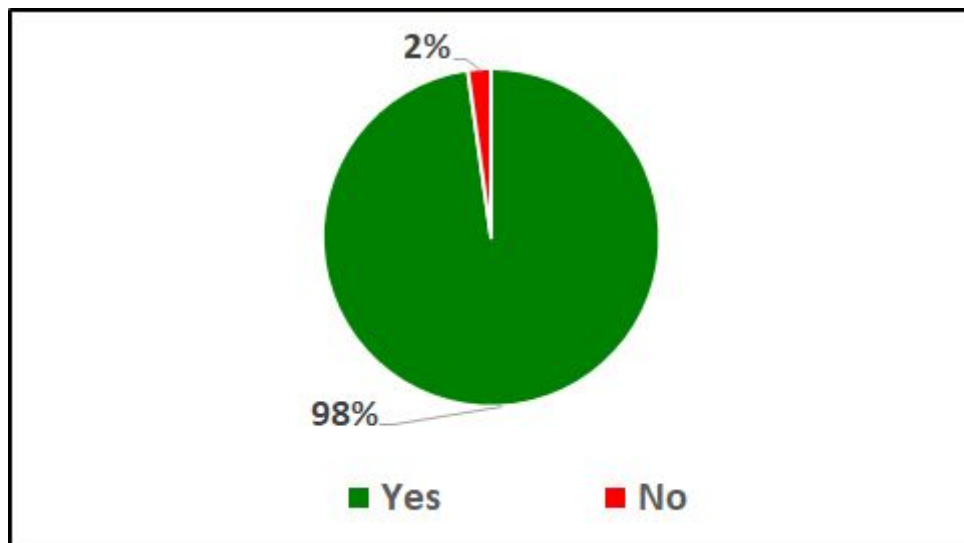
Other:

- *Live outside Adur but I have a property in Adur = 1 (0.72%)*
- *Live outside Worthing but I have a property in Worthing = 2 (1.44%)*
- *Live outside the Adur and Worthing area and I have no property in Adur or Worthing = 4 (2.88%)*
- *An organisation = 1 (0.72%)*
- *Unknown = 2 (1.44%)*

Q3: If you live in Adur do you pay Council Tax?



Q4: If you live in Worthing do you pay Council Tax?



Q5: If you're responding on behalf of somebody else, please tell us about your relationship to that person. I am their

- Partner/spouse = 1 (50%)
- Landlord = 0
- Tenant = 0
- Friend = 1 (50%)
- Relation = 0
- Neighbour = 0
- Other = 0

Q6: If you're responding on behalf of an organisation please tell us the name of the organisation and what type of organisation it is (1 response)

- Goring Chase Residents Association Ltd (Resident Management Company)

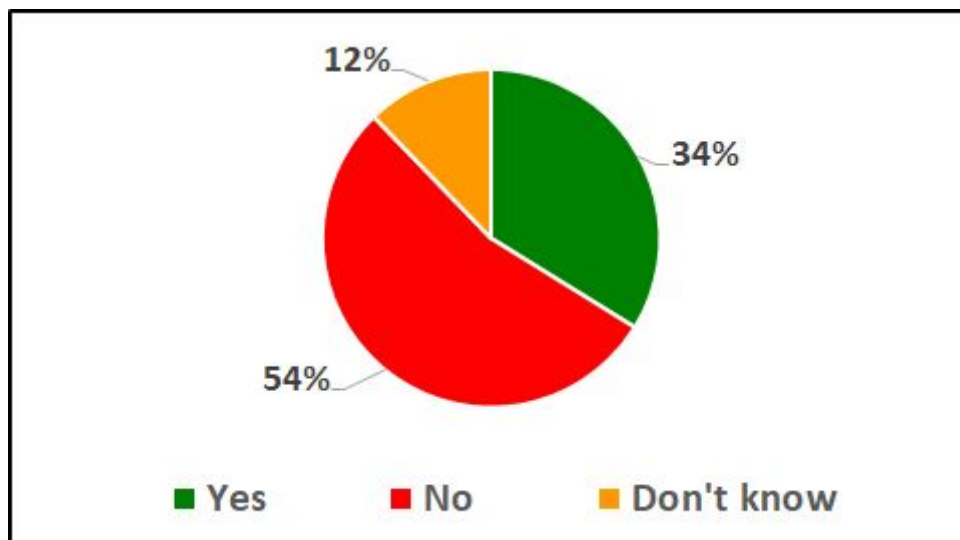
Does your organisation (or customers that you represent) pay Council Tax in Adur or Worthing?

- Yes = 1 (100%)
- No = 0
- Don't know/not sure = 0

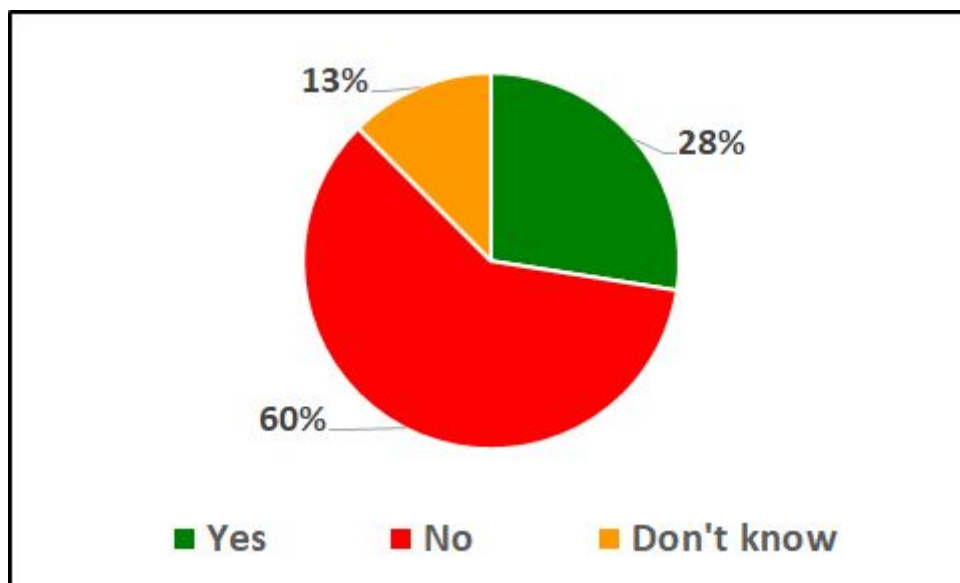
Unoccupied and unfurnished properties

Q7: Do you agree that we should consider changing the one-month period when no Council Tax is charged?

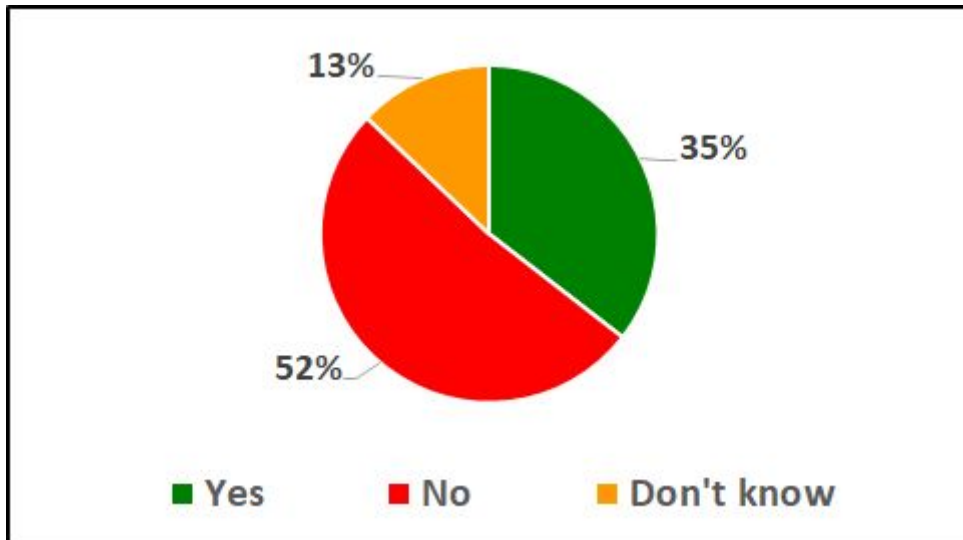
All responses (139)



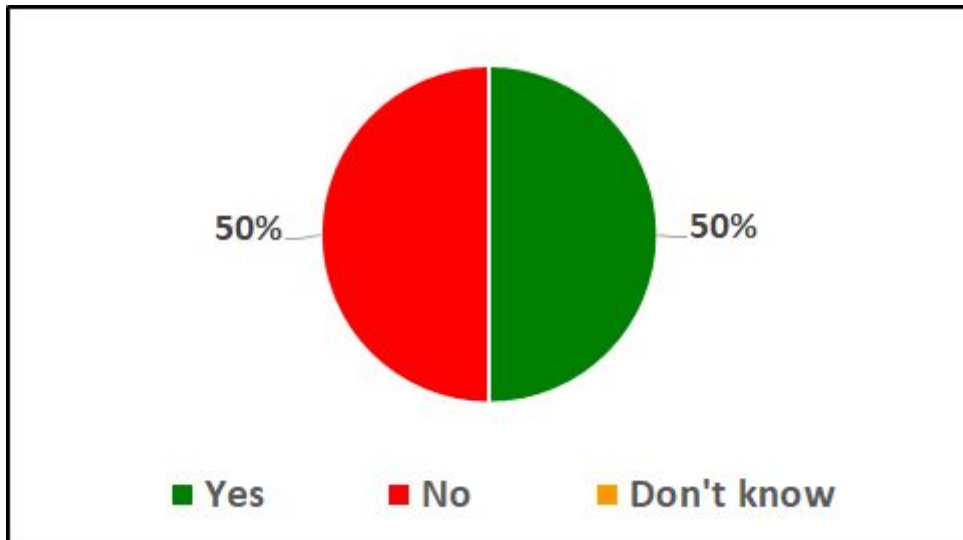
Adur responses (40)



Worthing responses (93)

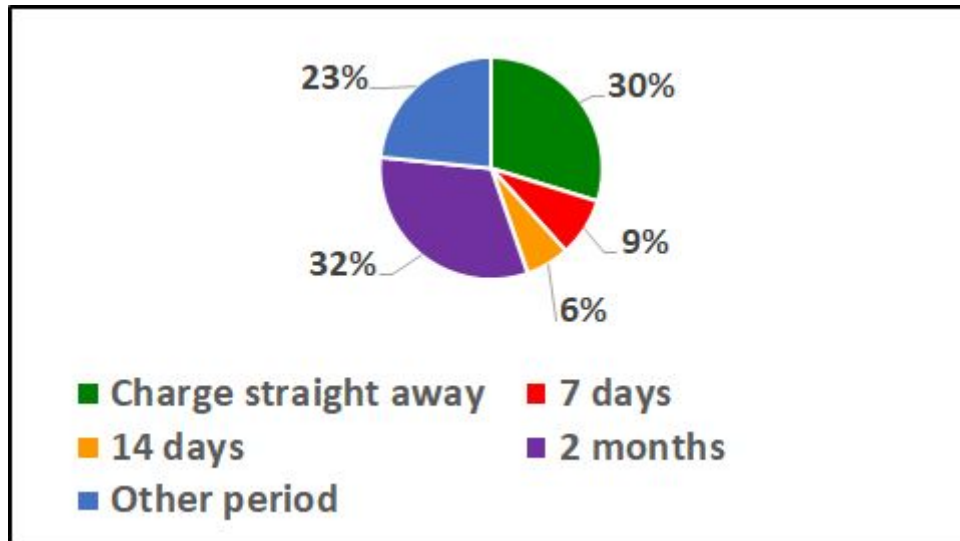


Other responses - no property in the area or unknown (6)



Q8: If you have answered Yes to question 7, how long should there be no Council Tax to pay?

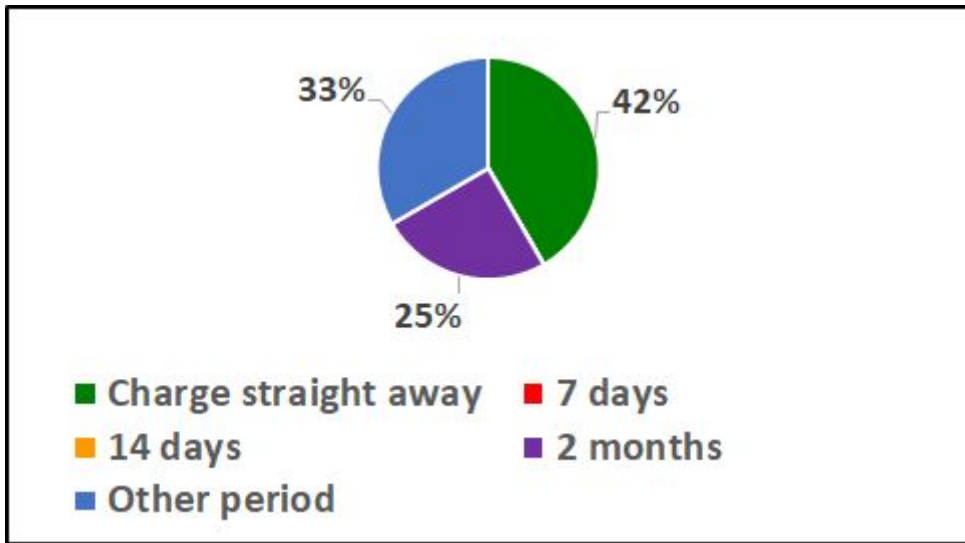
All responses (47)



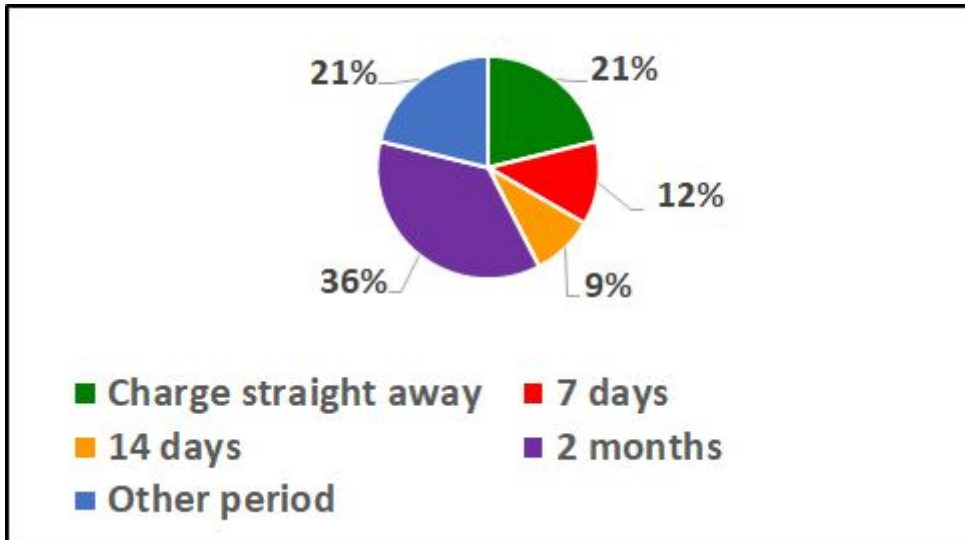
Other period:

<u>Number of responses</u>	<u>Response</u>
1	3 months
4	6 months
2	12 months
4	<ul style="list-style-type: none"> • 1 month as now initially, but extendable should the property sale fall through leaving an unfurnished, unoccupied Property. Then until the date of Exchange of Contracts • Until property is occupied again. There is no-one using any services from the Council • Council tax should not be charged at all • Depends on the circumstances

Adur responses (12)



Worthing responses (33)



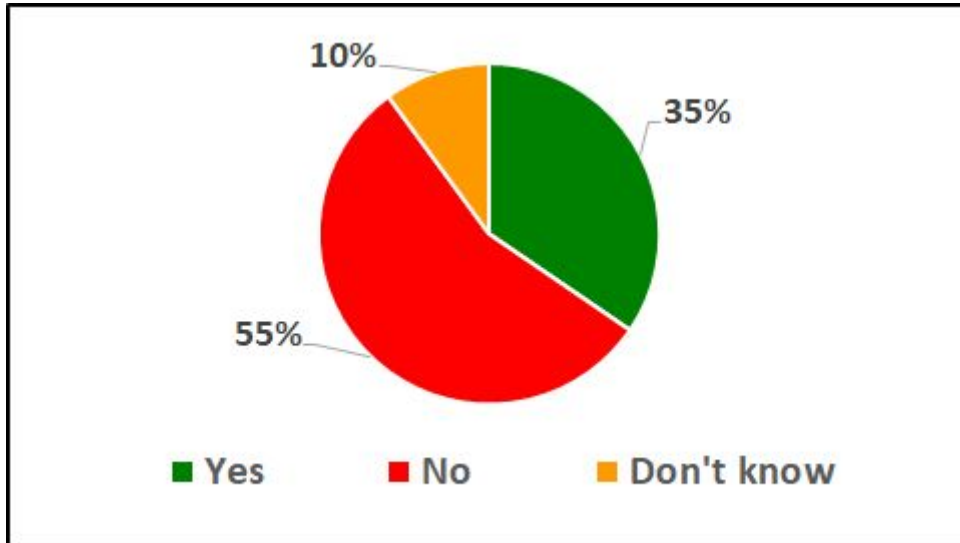
Other responses - no property in the area or unknown (2)



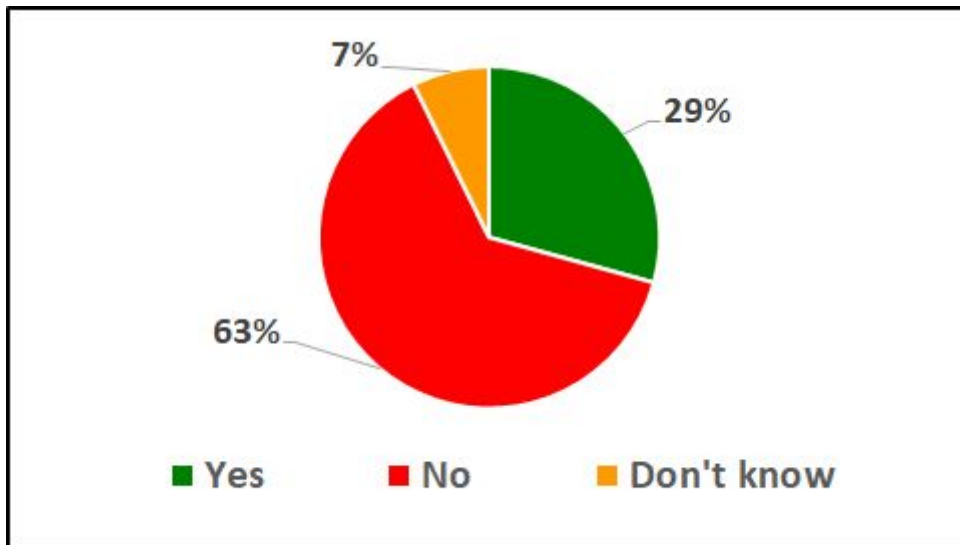
Properties undergoing major work or structural repairs

Q9: Do you agree that we should consider changing the three-month period when no Council Tax is charged?

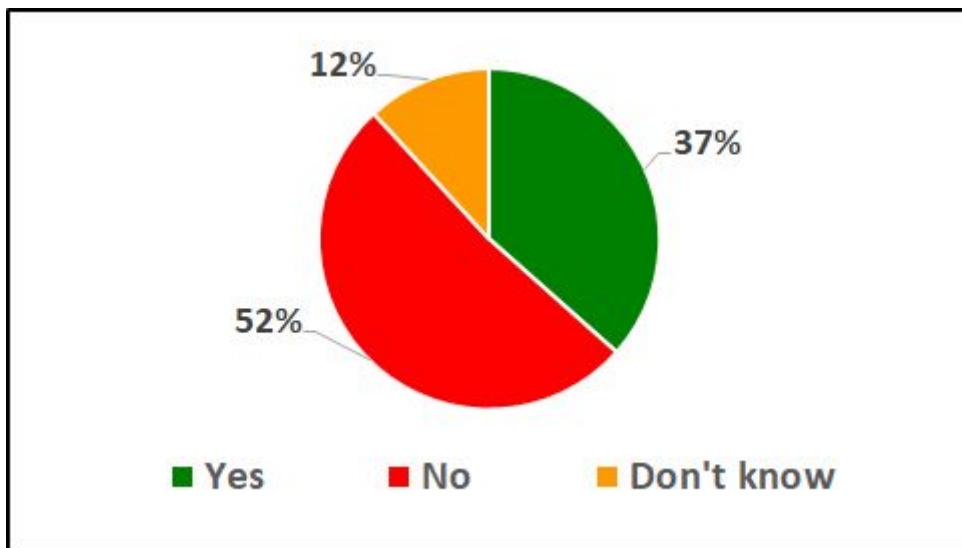
All responses (139)



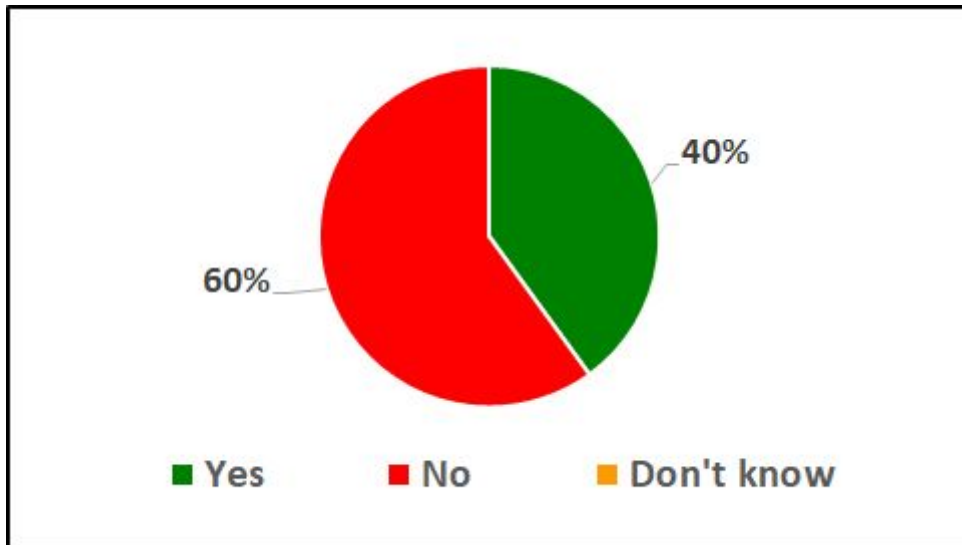
Adur responses (41)



Worthing responses (93)

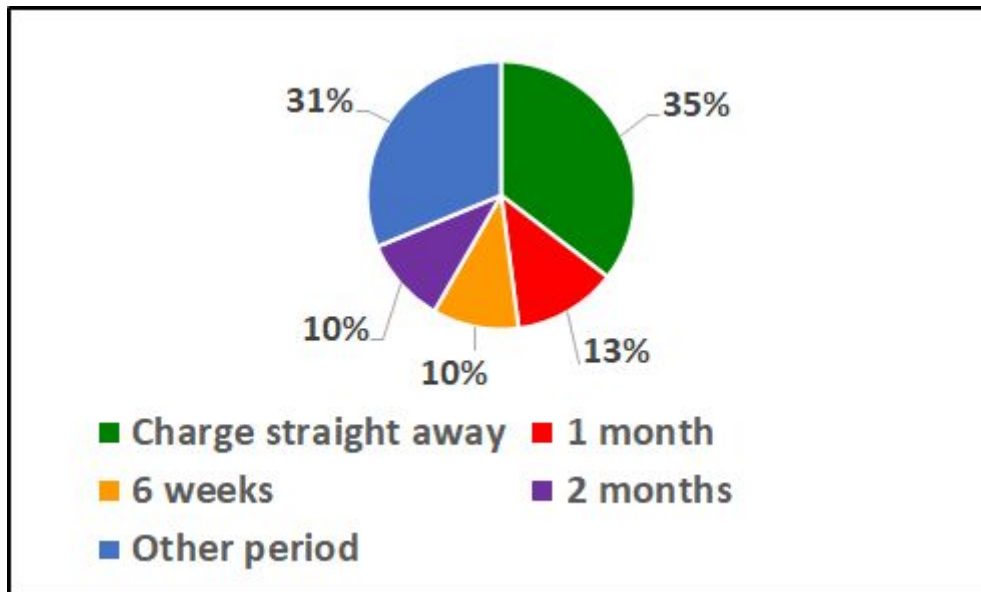


Other responses - no property in the area or unknown (2)



Q10: If you have answered Yes to question 9, how long should there be no Council Tax to pay?

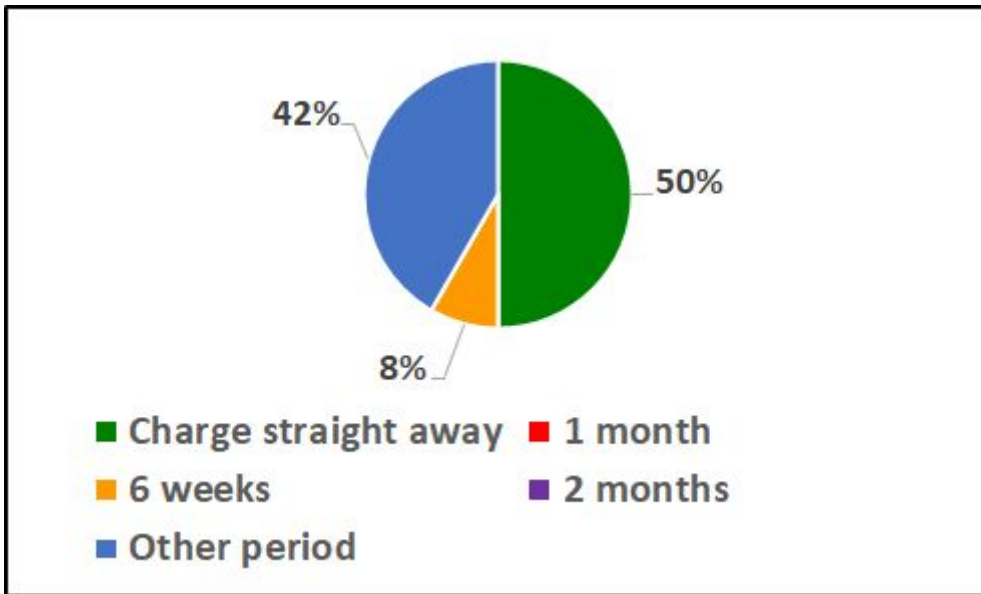
All responses (48)



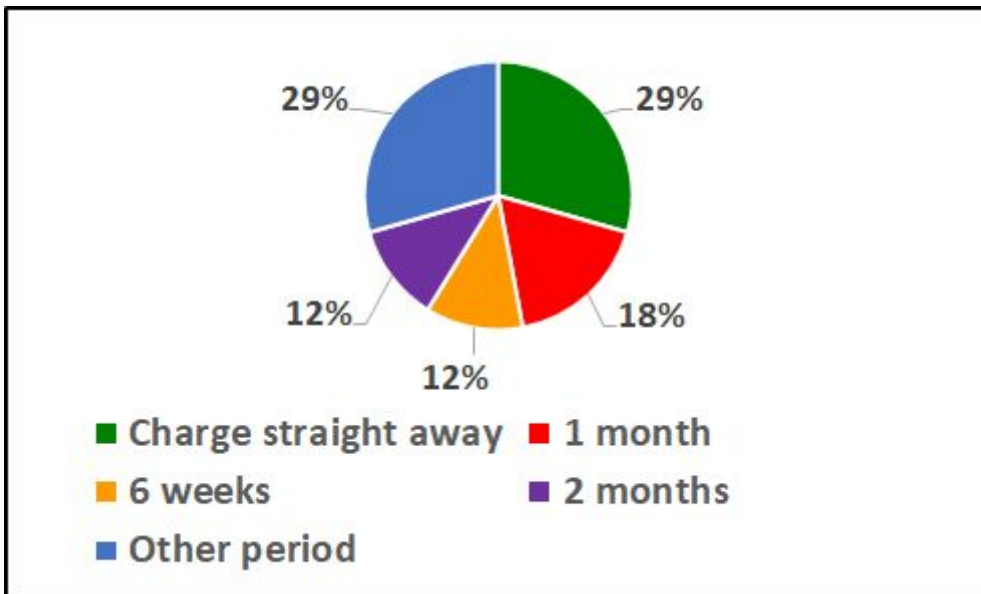
Other period:

<u>Number of responses</u>	<u>Response</u>
9	6 months
1	6 months depending on the circumstances
1	12 months
1	2 years
3	<ul style="list-style-type: none"> As long as it is left empty by a landlord No council tax should be charged on empty properties Until the property is occupied again - no services are being provided by the council

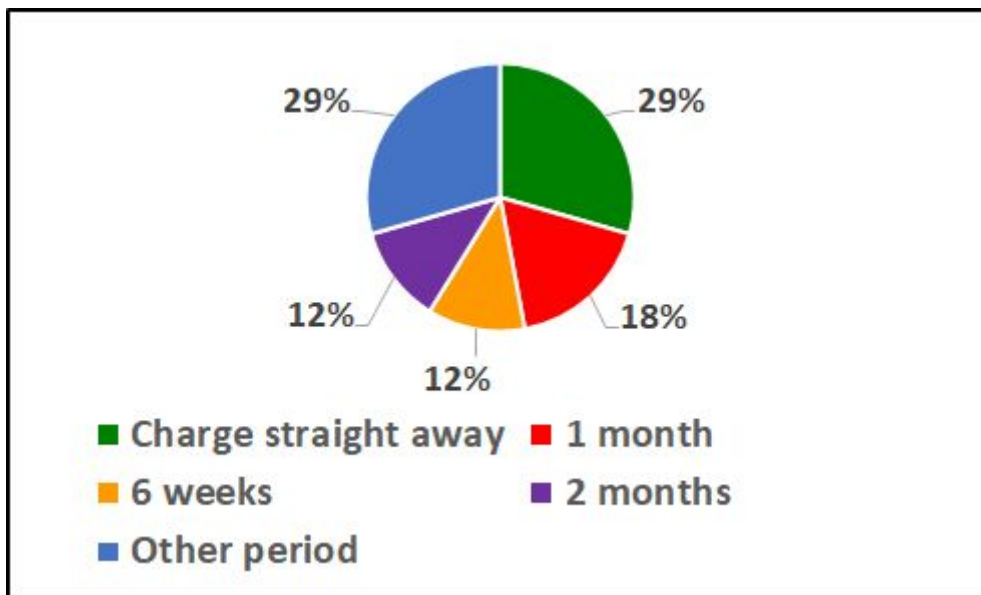
Adur responses (12)



Worthing responses (34)



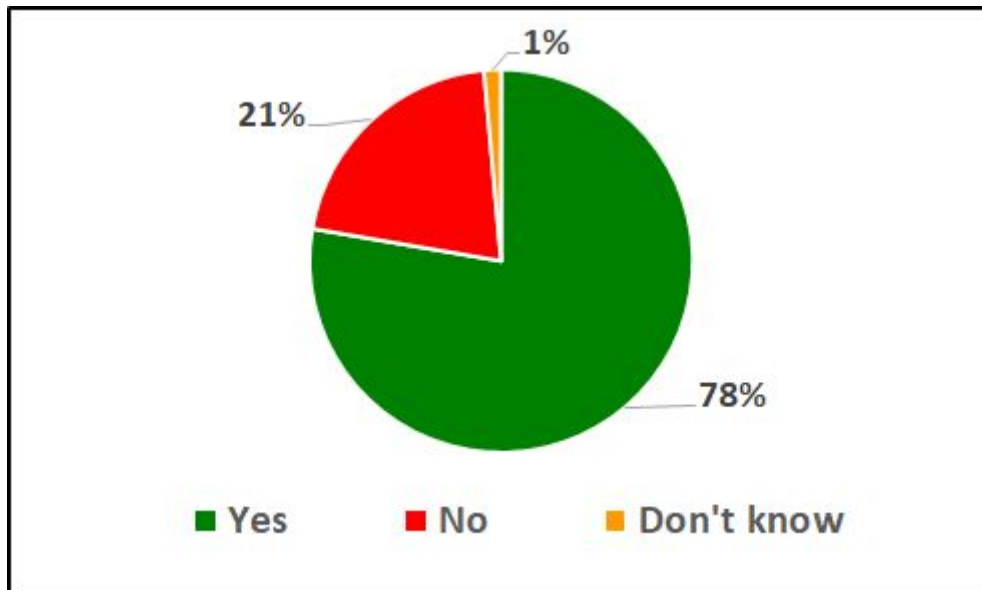
Other responses - no property in the area or unknown (2)



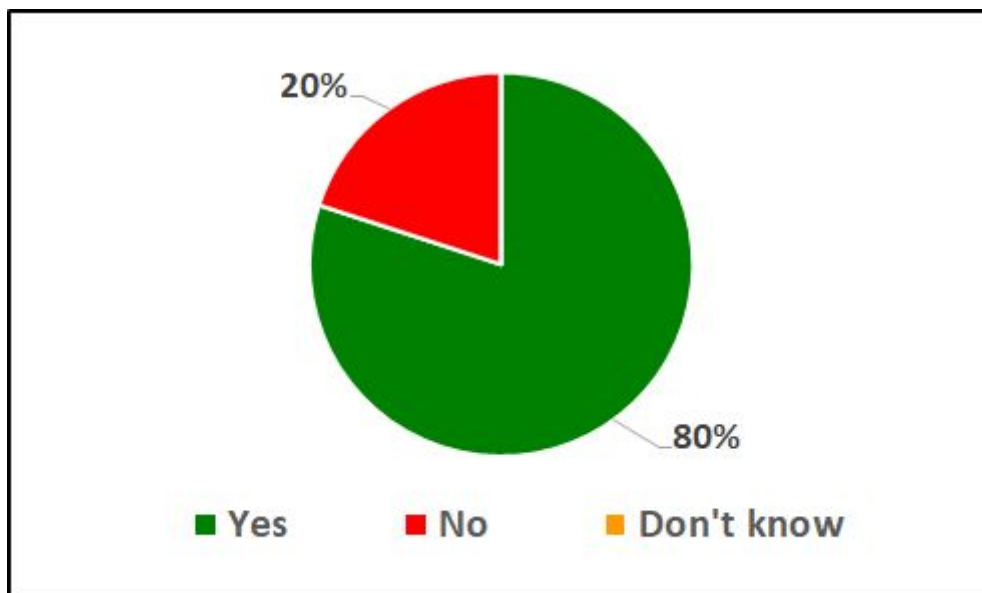
Long-term empty properties

Q11 Do you think that the premium should be increased to 100% for unfurnished properties that have been unoccupied for at least two years?

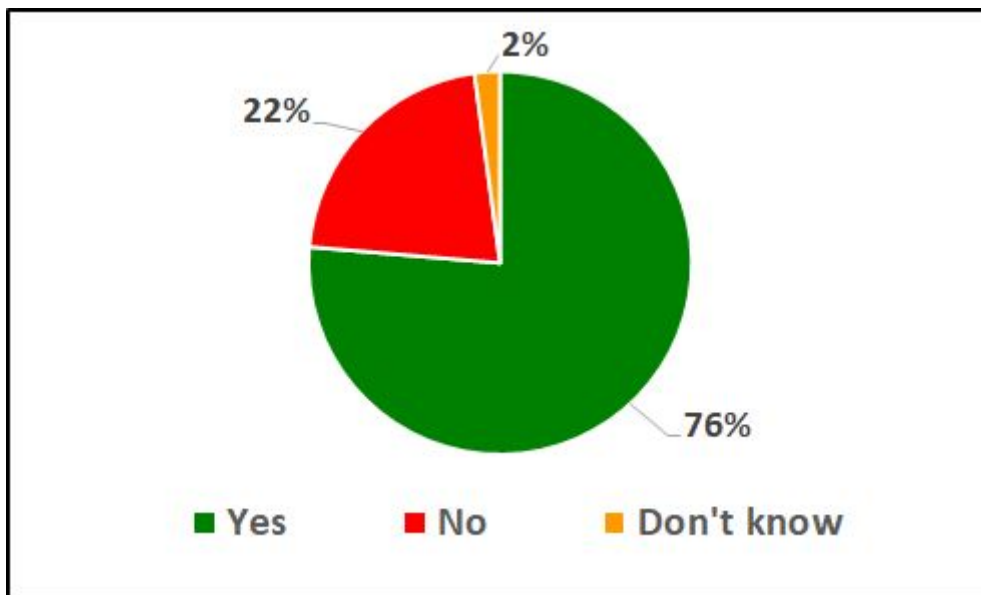
All responses (139)



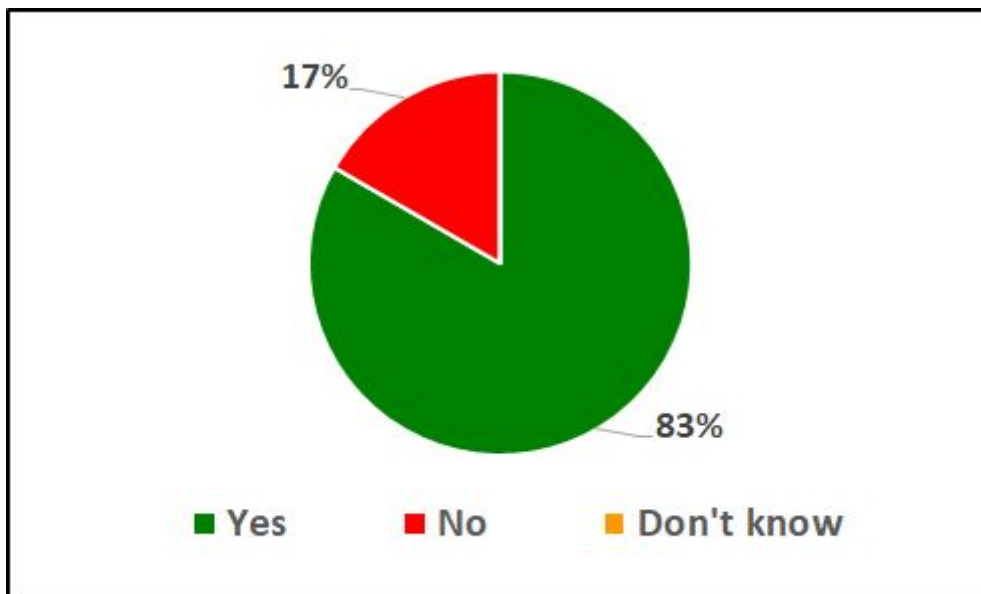
Adur responses (40)



Worthing responses (93)

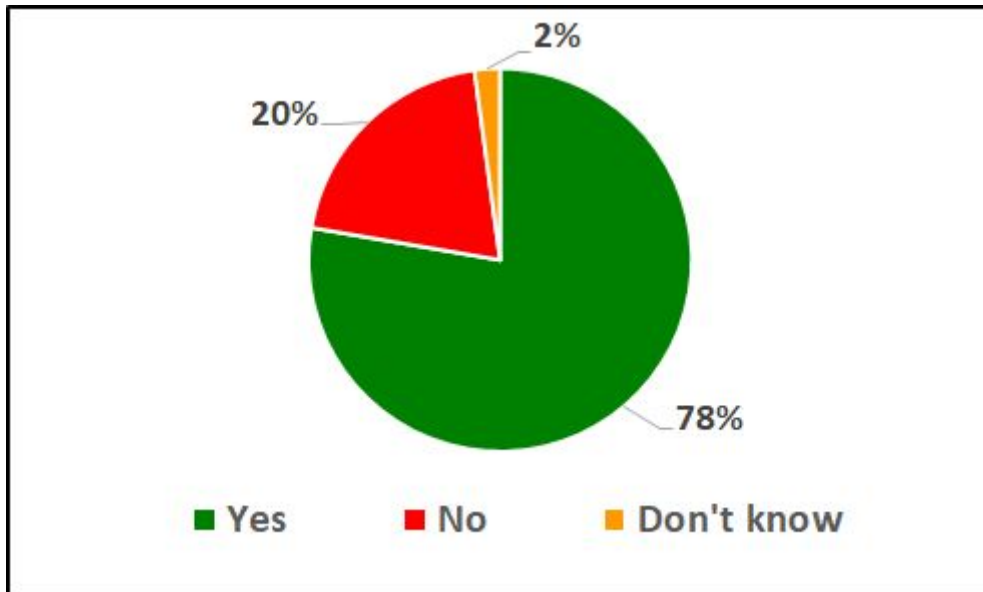


Other responses - no property in the area or unknown (6)

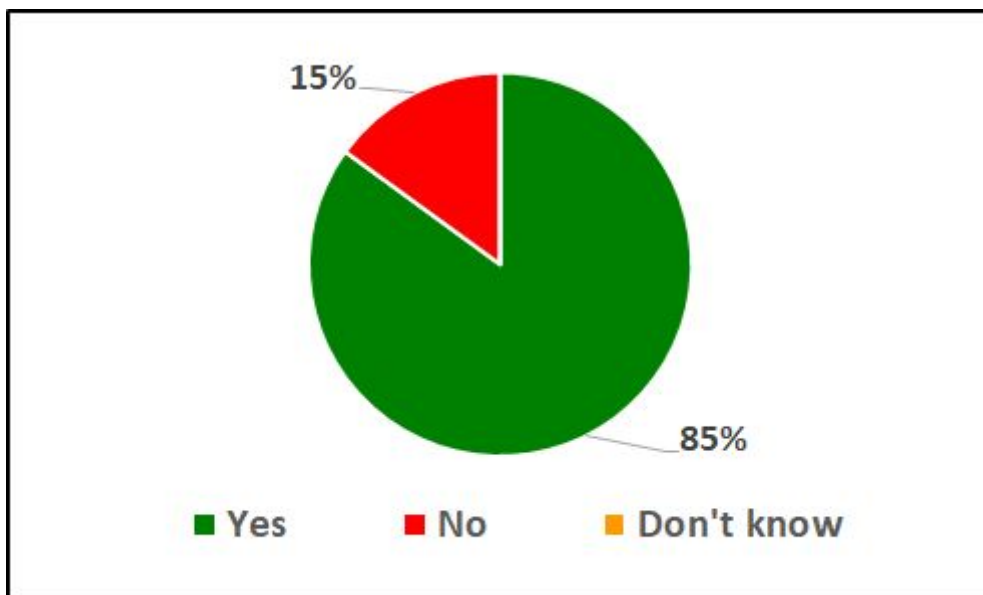


Q12: Do you think that the premium should be increased to 200% for unfurnished properties that have been unoccupied for at least five years?

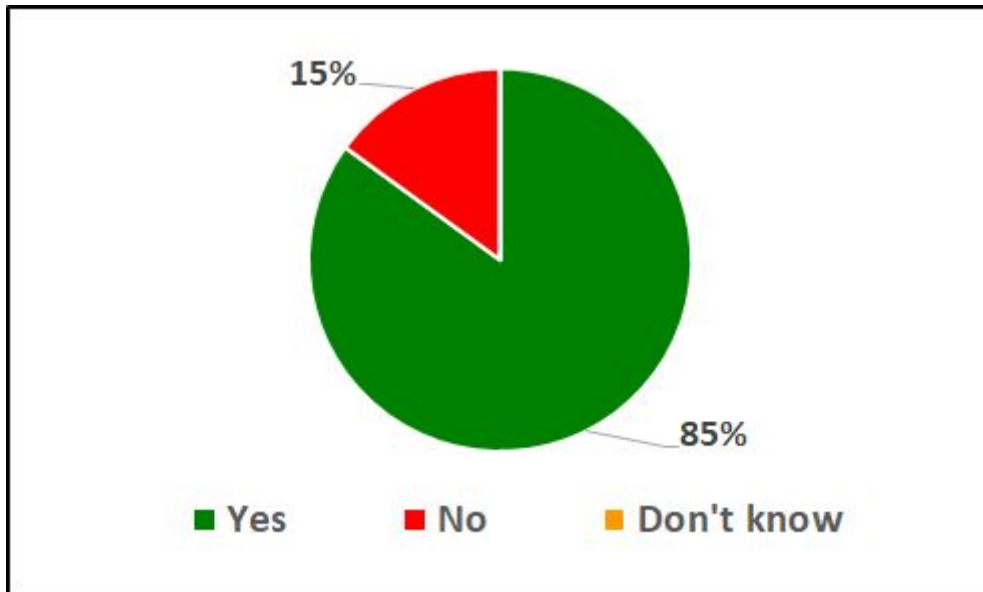
All responses (139)



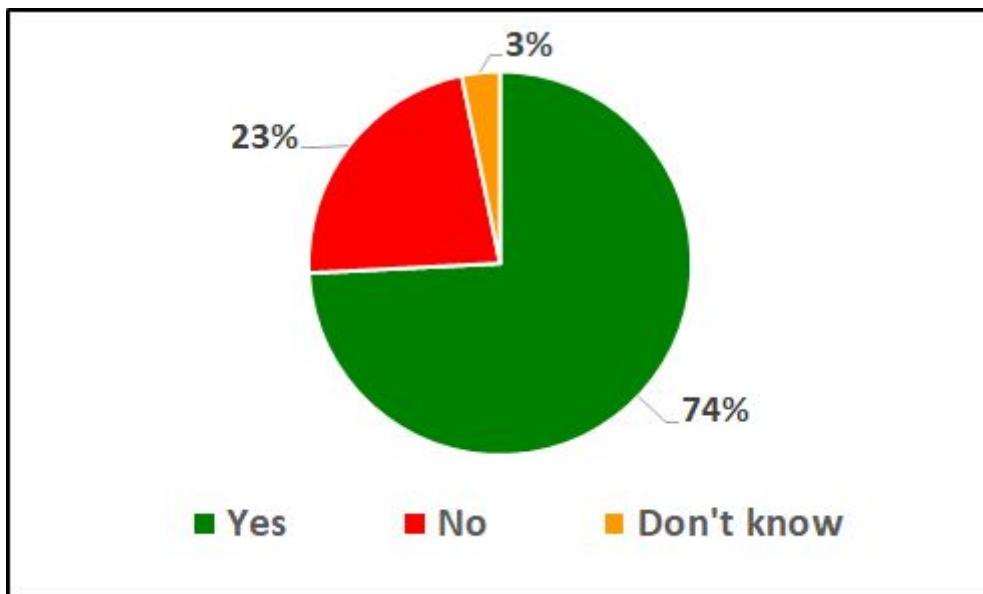
Adur responses (40)



Worthing responses (93)

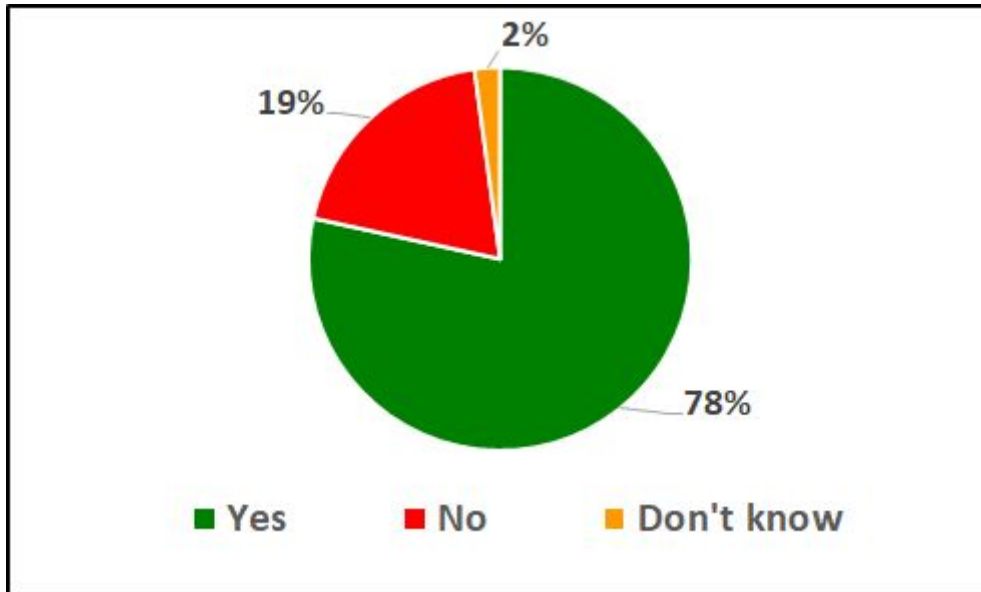


Other responses - no property in the area or unknown (6)

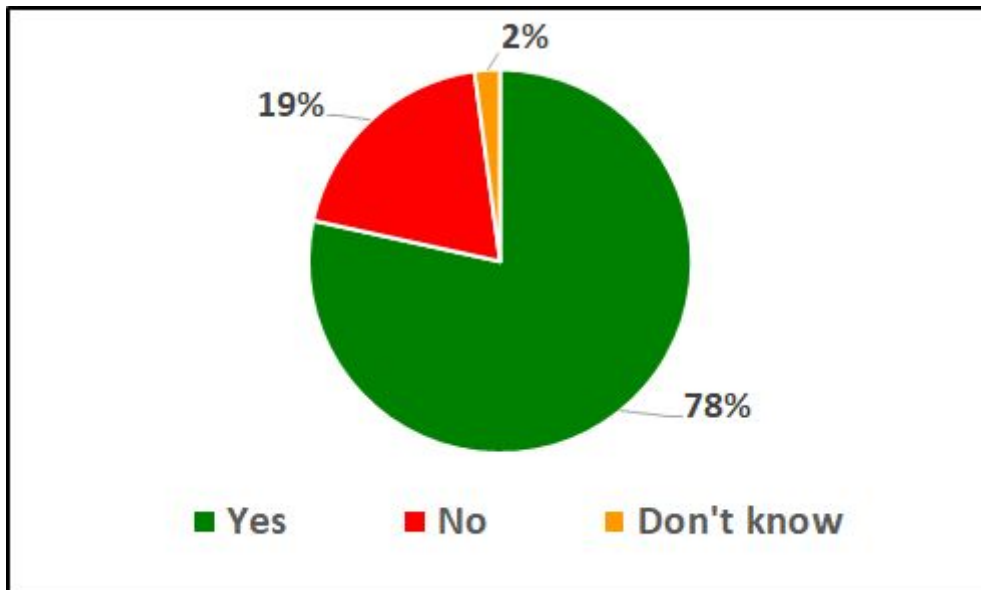


Q12: Do you think that the premium should be increased to 300% from April 2021 for unfurnished properties that have been unoccupied for at least ten years?

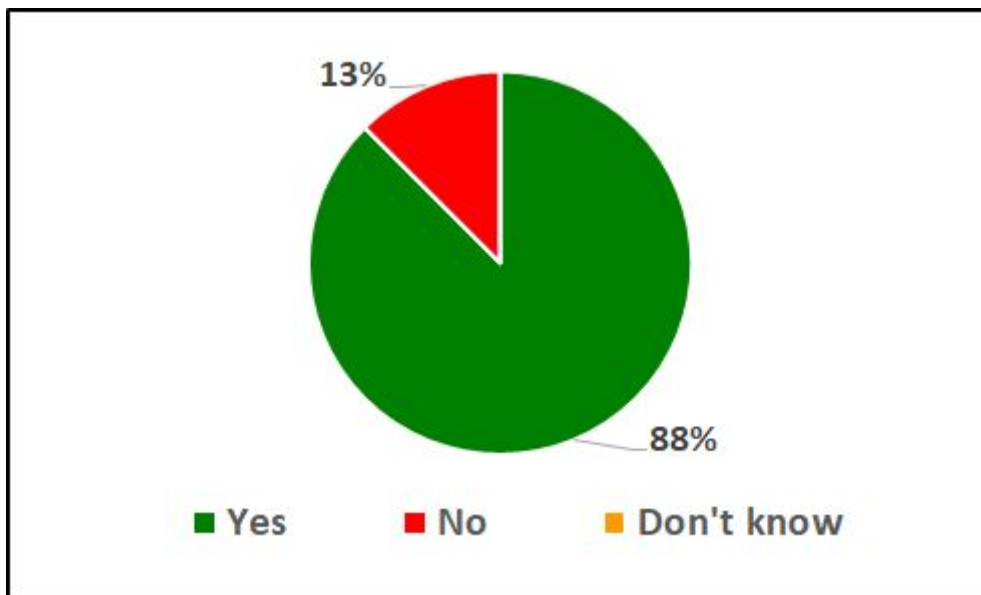
All responses (139)



Adur responses (40)



Worthing responses (93)



Other responses - no property in the area or unknown (6)

