



WORTHING BOROUGH
COUNCIL

Worthing JSC Sub-Committee
8 November 2022

Key Decision: No

Ward(s) Affected: all
Portfolio: Citizen Services

Reconsideration of the locally-determined 100% one-month Council Tax discount in respect of unoccupied & substantially unfurnished properties

Report by the Director for Digital, Sustainability & Resources

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Executive Summary

1. Purpose

- 1.1 Since 1 April 2013, local authorities have been able to amend the period when no Council Tax is payable in respect of properties that are unoccupied and substantially unfurnished.
- 1.2 In September 2019 and January 2020, the Joint Strategic Committee considered reports about a number of Council Tax discounts and additional charges. From 1 April 2020, Adur District Council decided to abolish the 100% discount for a maximum period of one month whilst Worthing Borough Council decided to retain the discount.
- 1.3 This report invites Worthing Members to reconsider the decision with the aim of maximising the availability of housing in the local community and reducing periods of vacancy and, on this basis, to undertake a public consultation.

2. Recommendations

2.1. The Worthing Joint Strategic Sub-Committee is asked to

2.1.1. Conduct a public consultation in respect of the local discount for unoccupied & unfurnished properties, with a view to amending the period when no Council Tax is payable;

2.1.2. Delegate authority to the Head of Revenues & Benefits, in consultation with the Cabinet Member for Citizen Services, to finalise the consultation content, with the results and any recommendations to be reported back to a future meeting of the Joint Strategic Sub-Committee.

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 for which there had previously been statutory discounts or exemptions that were defined in legislation.

3.2 In November 2012, the Joint Strategic Committee determined that the statutory 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 In September 2019 and January 2020, the Joint Strategic Committee considered further reports:

- Recommending to Full Council that “Long-term empty premiums” should be introduced (whereby additional Council Tax becomes payable) in respect of unfurnished properties that have been unoccupied for at least two years
- Determining that the one-month 100% discount in respect of unoccupied and unfurnished properties should be retained for properties in the Worthing area.

3.4 These changes mean that since 1 April 2021, unless a property meets the criteria for a statutory exemption, the Council Tax liability within Worthing in respect of properties that are unoccupied and unfurnished is:

- £nil in respect of the first month
- The usual charge (based on the property Band) from month two to month twenty-three
- 200% of the usual charge from years two to year five
- 300% of the usual charge from years five to year ten
- 400% of the usual charge where the property remains empty for ten years or more

3.7 This report invites Members to consider revising the local discount of 100% that lasts for a maximum period of one month in respect of unoccupied and unfurnished properties.

3.8 It does so in the context of Worthing having a shortage of homes and that this policy change will encourage a quicker turnaround between one occupant and the next, supporting the administration's aims of tackling the housing crisis.

4. Issues for consideration

4.1 The one-month 100% 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.

4.2 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 their 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 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 actually vacated prior to their tenancy end date. Removing the discount would simplify the administrative process because the liability start and end dates (based on sale completion or tenancy start/end dates) are rarely disputed.

- 4.4 The local discount of 100% currently lasts for a maximum period of one month and thereafter the full Council Tax charge becomes payable. The number of unoccupied properties as at October 2022 (together with comparable figures from 2019 when the discount was last considered) was:

	May 2019	October 2022
Total number of Council Tax properties	50,547	51,530
Total number (and percentage) of empty properties	835 (1.65%)	764 (1.48%)
Number (and percentage) of properties with a 100% discount	64 (0.13%)	38 (0.07%)

The number of empty properties is constantly changing as residents buy and sell properties and tenancies commence and end.

- 4.5 The following table shows the number of properties that were subject to the one-month 100% discount reduction using one day in October 2022 as an example:

Property Band	Number of properties	Total value ¹ of Council Tax discounts
Band A	18	£2,033.01
Band B	10	£1,317.69
Band C	5	£752.97
Band D	5	£847.09
Band E	0	£nil
Band F	0	£nil
Band G	0	£nil
Band H	0	£nil
Total	38	£4,950.76

Note 1: the value is an approximation because Council Tax is a daily charge, there are a variable number of days in each month and each discounted period does not necessarily last for a full month

- 4.6 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 time the normal Council Tax charge will become due.
- 4.7 An analysis of the 100% discounts that were awarded from 1 April 2022 to present has been commissioned and will be presented to the Cabinet Member for Citizen Services when available as part of consultation.
- 4.8 For the current financial year only 12.41% of the total value of Council Tax that is charged for relates to the borough council precept (with the remaining 87.59% relating to the West Sussex County Council and the Sussex Police & Crime Commissioner precepts), if the discounted period was abolished this would result in a maximum additional income of £7,450 per annum for Worthing Borough Council.
- 4.9 Whilst the financial gain to the Councils is modest, Members may consider that in the context of the continued 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 become irrelevant.
- 4.10 Members may wish to be aware that other neighbouring local authorities provide the following discounted periods from 1 April 2022

	Discount
Adur	No 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

4.11 If the 100% one-month discount is abolished, this will not affect the other statutory exemptions that are awarded in respect of unoccupied properties, for example

- Certain properties owned or rented by a charity
- When the Council Tax payer has passed away and the executors are awaiting the grant of probate
- Properties kept empty for a minister of religion
- Repossessed properties

5. Engagement and Communication

5.1 If Members wish to consider amending the local discount in respect of unoccupied & unfurnished properties it is appropriate to undertake a public consultation.

5.2 The consultation would be made available online and in paper format, and will be publicised widely.

5.3 The results from the consultation would be reported back to the Joint Strategic Sub-Committee in order that a formal recommendation can be made to the Full Council to determine any change that should be made.

5.4 The Chief Financial Officer will consult with West Sussex County Council and the Sussex Police & Crime Commissioner.

5.5 The suggested content of the consultation is shown in Appendix A. If Members wish to amend the content it is recommended that delegate authority is given to the Head of Revenues & Benefits in consultation with the Cabinet Member for Citizen Services to finalise the content.

6. Financial Implications

6.1 If members approve the removal of the discount, this will generate additional income to the Collection Fund, albeit the financial gain is likely to be marginal in the region of £60,000. The Council benefits from 12.41% of any tax generated and so this would increase income by £7,450 per year.

6.2 The cost of consultation will be met from within existing budgets.

7. Legal Implications

- 7.1 The Local Government Finance Act 2012 amended the Local Government Finance Act 1992, abolishing Council Tax exemptions for certain empty dwellings and increasing local authorities' discretion over discounts for empty dwellings. The Act also gave local authorities a new discretion to increase the Council Tax for certain empty dwellings.
- 7.2 The exemption for dwellings which are unoccupied and substantially unfurnished (Class C of The Council Tax (Prescribed Classes of Dwellings)(England) Regulations 2003, as amended by The Council Tax (Prescribed Classes of dwellings)(England)(Amendment) Regulations 2012) was abolished with effect from 1 April 2013. X
- 7.3 Under s.11B of the Local Government Finance Act 1992 (as inserted by the Local Government Finance Act 2012), from 1 April 2013, where a dwelling remains unoccupied and substantially unfurnished for a period of two years or more, the Council has discretion to charge an empty homes premium in addition to the full Council Tax charge.

Background Papers

Minutes of the Joint Strategic Committee meetings held on 10 September 2019 and 14 January 2020

Minutes of the meeting of Worthing Borough Council held on 18 February 2020

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 discount were to be abolished is 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 - suggested content of the public consultation

Worthing Borough Council currently allows an exemption from Council Tax, for a maximum of one month for properties that are empty. It also allows other exemptions which are listed below the consultation.

The Council is considering removing this exemption from Council Tax for these empty properties.

The income from your Council Tax is divided up with just over 12p in every pound (12.41%) being kept by Worthing Borough Council, and the rest going to West Sussex County Council and Sussex Police and Crime Commissioner.

Last financial year the Council allowed a maximum of one month exemption on a total of ----- properties. The average discount received by each household was £-----, however this cost both Councils and Police a total of £----- in lost income (revenue) *[to be completed when information received]*

Other Councils such as Adur, Chichester, Horsham, Mid Sussex, and Brighton & Hove do not allow this discount and Crawley only allows it for 7 days.

Removing this exemption will allow both Councils and Police to keep more of their Council Tax income.

The Council would like to know if you think this exemption and lost income should continue or not.

The Council is considering ending the 100% discount from 1 April 2023.

For those that want more detail before making a decision you can find additional information and examples below the questionnaire which follows:

Consultation Question

Q1. Should the 1 month Council Tax discount for empty properties be abolished from 1 April 2023? (Yes/No)

About You

Q2. What is your postcode?

Q3 How old are you? (under 20, 20-29, 30-39, 40-49, 50-59, 60-69, 70-79, 80 and over)

Q4 Do you (live in Worthing, work in Worthing, run a business in Worthing)

Q5 Are you the landlord of a property in Worthing (Yes/No)

Q6 Are you a tenant of a property in Worthing (Yes/No)

Q7 Are you disabled (yes, No, Prefer not to say)

Additional Information on reasons For and Against removing the exemption

Landlords, tenants and owners will have to pay Council Tax even when their property becomes empty, instead of having up to one month free.

Worthing has a shortage of homes and it is hoped that reducing the vacancy period by removing the exemption will help encourage a quicker turnaround between one occupant and the next.

The Councils have lost a considerable amount of income from the government over the last — years and Councils are having to find other ways to raise income and reduce costs so that they can continue providing services. This exemption reduces the income kept by both Councils and Police.

The exemption is difficult to administer and often leads to disputes about dates between tenants, owners and Council officers. Removing the exemption will free up time so officers can use their time on more pressing issues.

In which circumstances does the Council currently allow an exemption of Council Tax for empty properties?

- The unoccupied property is owned or rented by a charity
- The property is unoccupied because the Council Tax payer has passed away and the executors are waiting for the grant of probate
- The property has been kept empty for a minister of religion
- The property has been repossessed
- The first month that a property becomes vacant

Only the last example is being considered for change after the consultation. The first four exemptions will still apply

Examples of when the current one month exemption applies:

- The tenant in a rented property moves out because their tenancy has ended and there is a short period before a new tenant moves in
- You buy a property but don't move into it straight away
- You sell your property but actually move out of it before the sale completes

Only one period of up to one month can be awarded when no Council Tax is charged and this sometimes leads to disagreements about when someone actually moved out of the property.

Example

Mrs Small owns a property that she rents to Ms Friar. The tenancy ended on 30 September 2022 but Ms Friar says that she actually moved out on 25 September 2022.

Mrs Small's new tenant is Mr Ahmed but his tenancy doesn't start until 1 November 2022, and this is the date that he becomes responsible for the Council Tax.

The owner Mrs Small is responsible for the Council Tax for the period in between her tenants. She considers that she should be awarded the 100% discount from 1 to 31 October 2022 but because the tenant Ms Friar moved out on 25 September 2022 the discount is shared between them as follows:

- The tenant Ms Friar has no Council Tax to pay from 25 to 30 September 2022
- The owner Mrs Small has no Council Tax to pay from 1 to 24 October 2022, but has to pay Council Tax from 25 to 31 October 2022