

LONDON BOROUGH OF HARROW

Meeting:	Cabinet
Date:	16 December 2003
Subject:	Council Tax Discounts
Key decision:	No
Responsible Chief Officer:	Director of Business Services
Relevant Portfolio Holder:	Finance, Human Resources & Performance Management
Status:	Part 1
Ward:	All
Enclosures:	None

1. Summary

- 1.1 This report advises Members of the changes to discounts for empty properties as a result of the Local Government Act 2003.

2. Recommendations

- 2.1 Cabinet are requested to decide to vary the level of Council Tax discount in respect of second homes from 50% to 10%
- 2.2 Cabinet are requested to decide to reduce the level of Council Tax discount in respect of long-term empty properties from 50% to zero.

REASON: Decisions are required in order to set the Council Taxbase for 2004-2005. The Taxbase is based upon information held at 30 November 2003.

3. Consultation with Ward Councillors

- 3.1 None

4. **Policy Context (including Relevant Previous Decisions)**

4.1 There are no relevant previous decisions. However the opportunities given by this report will allow Members to make new policy decisions, taking into account the effects of the ability to vary Council Tax discounts.

5. **Relevance to Corporate Priorities**

5.1 This report addresses the Council's stated priority to "improve the quality of health and social care in Harrow" by helping offer access to good quality housing. It will also address the Council's stated priority to "develop a prosperous and sustainable economy in Harrow" by supporting regeneration by bringing empty properties back into use. Additional revenue created will be used to assist in meeting all corporate priorities.

6. **Background Information**

6.1 The Local Government Act 2003 received Royal Assent on the 18 September 2003. This report covers the Council Tax discount issues contained in Part 6 of this Act, which are for immediate consideration by Members. These powers will take effect from 1 April 2004 and affect the Council's 2004-2005 budget.

6.2 From April 2004, Councils will be able to change the percentage discount granted in respect of second and long term empty homes.

6.3 At present, certain properties are exempt from payment of Council Tax. Properties that are empty and unfurnished are exempt for six months. After an exemption expires and the property remains empty and unfurnished, a 50% discount from Council Tax is granted. Where a property is empty, but remains furnished, then the six months' exemption will not apply and the 50% discount applies immediately. Currently this discount is set nationally at 50% for both second and long term empty homes. From 1 April 2004, Local Authorities will have the power to remove this discount (subject to applying a minimum discount of 10% for properties in Class B below).

6.4 There will be three classes of empty and second homes A, B and C:-

- **Class A is Holiday homes**
There are currently none in Harrow and this Class is not relevant to Harrow.
- **Class B is properties which are unoccupied and furnished**
As at 19 November 2003 there are 211 in Harrow.
- **Class C is long-term empty properties unoccupied and unfurnished**
As at 19 November 2003 there are 1407 in Harrow.

6.5 Where the Council chooses to reduce the second homes discount, in respect of Class B properties, it will be able to retain the additional income created. However, the income must be shared with any major precepting authorities (in Harrow's case: the Greater London Authority [GLA]) on the same basis as Council Tax is now calculated (81.7% being due to Harrow and 18.3% due to the GLA). If the Council were to reduce the discount to 10% in respect of these properties, after allowing for the GLA precept, additional income of £100k (at the 2003-2004 Council Tax level) will be available. It should be noted however that this is the figure based on current levels. If the Council reduces the discount granted in respect of second homes, and does not remove the discount for Class C properties, owners may well remove furniture in order to retain the 50% discount.

- 6.6 The reduction of the level for discounts for Class B second homes will also increase the Tax Base for Council Tax setting purposes. The Tax Base is based upon the number of Band D equivalent properties in Harrow as at 30 November each year, which is used as the basis for setting the Council Tax for the following financial year. However, the Tax Base figure used for the calculation of Revenue Support Grant is not increased.
- 6.7 For long-term empty homes (Class C), the Council will also have the power to vary the discount or even remove it completely. We will not benefit from the additional income, as changes to the Tax Base will be taken into account for Revenue Support Grant calculations. However, we believe this will not affect the 2004-2005 Taxbase calculation as the Government has advised that it will not be asking for this information before the taxbase is calculated.
- 6.8 While there is no long-term direct benefit to the Council financially in withdrawing the long term empty homes discount, it will encourage property owners not to leave their properties empty. It will tie into the Empty Homes Strategy to bring empty properties back into use providing much needed accommodation for homeless families and contributing to the regeneration of town centre areas. The high level of demand for affordable housing in the Borough means that it is not acceptable for properties to remain empty for long periods. The Council's Empty Property Strategy aims to reduce the number of empty and wasted properties in the Borough, and is a key element in Harrow's overall Housing Strategy. It also ensures that owners will have no incentive to remove furniture to gain a discount. This decision will generate additional income of £750k for one year only.

7. **Consultation**

- 7.1 None specifically

8. **Financial Observations**

- 8.1 Any additional income, changes to the Council Tax base and discounts would help inform the budget review now in progress and the medium term budget strategy.

9 **Legal Observations**

- 9.1 All legal observations have been incorporated into this report.

10. **Conclusion**

- 10.1 The Local Government Act 2003 provides opportunities for the Council to increase revenue generated by Council Tax, by varying the discount granted in respect of Second Homes. Additional income of £100k and £750k is possible in 2004-2005.
- 10.2 It also allows discounts for long term empty properties to be withdrawn completely. This will help the Council's Empty Homes Strategy, encouraging owners not to leave their properties empty for long periods.

11. **Background Papers**

- 11.1 The Local Government Act 2003 and associated draft regulations.
- 11.2 Persons wishing to inspect these documents should telephone 020 8424 1412.

12. **Author**

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