EXECUTIVE NOTE

The Council Tax (Exempt Dwellings) (Scotland) Amendment Order 2006
SSI/2006/402

The above instrument is made in exercise of the powers conferred on the Scottish Ministers by sections 72(5) to 72(7) and 113(2) of the Local Government Finance Act 1992, and of all other powers enabling them. The instrument is subject to the negative resolution procedure.

Background

Due to the Regulation of Care (Scotland) Act 2001, a care provider is required to register with the Care Commission as a particular category of service. One of these categories is a "care home service". Any subject classed as providing a "care home service" will be entered onto the valuation roll and charged non-domestic rates. The other category is a "housing support service". A "housing support service" is, generally, a service provided to individuals who require some form of support in order for them to continue to live independently. Individuals in receipt of a housing support service occupy a dwelling with a formal tenancy or licence and come within the council tax system.

There are certain homes, previously classed as care homes, which are now registered as providing a prescribed housing support service to individuals with separate tenancy or licence. These homes have similarities with sheltered homes. The result of these new categories of registration means that each such dwelling with a tenancy or licence must be entered onto the valuation list and become liable for council tax.

This Order classes the homes referred to above as one dwelling for council tax purposes and then exempts them for being liable for council tax.

In addition to this Order, Ministers have requested local authorities write-off the relevant sums of council tax debt due from residents in the dwellings captured by the definition contained in the Order. For those who have already paid their council tax bills Ministers have asked local authorities to grant a refund from the Council Tax account. This would put the bill back as "unpaid". The amount could then be written off. This write-off would include all water and sewerage charges and would be back-dated to when the change in registration took effect and the dwelling was placed on the valuation list. The write-off would only be for the period of time in which the affected individual resided in the dwelling which meets the criteria.

The Executive would then provide additional funding to each local authority affected to make this loss of council tax revenue good. Each local authority would advise the Executive of the amount of the total write-off and the redetermination of Revenue Support Grant would take place via the 2007 Local Government Finance Order.

Policy Objective

This is to ensure that the unintended change to local tax liability of certain vulnerable individuals residing in shared accommodation is addressed by exempting them from local tax altogether.

Consultation

A consultation paper "*Consultation on Local Tax Liability of Residents in Housing Support Accommodation"* sought views on whether any changes were required to council tax legislation as a result of the new care regime introduced in Scotland by the Regulation of Care (Scotland) Act 2001. The consultation paper was issued to 42 organisations and individuals on 14 July 2005, as well as an email alert sent to Housing Support Service providers. A total of 32 responses were received. The consultation period closed on Friday 2 September 2005. There was no agreement amongst responders, including between housing support providers, on the best way forward.

Following the consultation further work was undertaken to devise a potential solution based on the views expressed via the responses. This involved consultation with local authorities and Scottish Assessors. Further consultation with the housing support service was not required as views were known and relevant issues had been raised.

We have not undertaken a further public consultation on the Order itself, although all local authorities were consulted in June 2006 on the proposals contained in the Order. More generally, we already know the views of those with an interest and we believe that we have devised a solution that is fair and will be generally acceptable. We are also keen to implement this change as soon as possible to ensure affected individuals are removed from local taxation as is deemed appropriate. By laying the Order before the start of the Parliamentary Summer Recess, it will be available, in the period up to end-August, for scrutiny by any interested parties before the formal period of review by the Parliament commences. The Executive has also informed all housing support providers of the approach now proposed.

Financial Effects

The cost of exempting the properties in question is estimated to be around £1 million, though in principle it could be as high as £3.9 million. Previously, when these properties were in the non-domestic rating regime, they would have been unlikely to pay anything towards local taxation as they would have received rates relief. In addition, the number of exempt dwellings changes on an annual basis, so the relatively small amount of properties captured by the definition, should not distort this significantly. Part of the cost will arise because the change in liability may date back in some cases to April 2001.

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