

EXECUTIVE NOTE

THE WATER AND SEWERAGE CHARGES (EXEMPTION AND REDUCTION) (SCOTLAND) REGULATIONS 2006

(S.S.I.2006/72)

The above instrument was made in exercise of the powers conferred on the Scottish Ministers by section 40 of the Water Industry (Scotland) (Act) 2002 (“the 2002 Act”). The instrument is subject to negative resolution parliamentary procedure.

Policy Objectives

The main policy objective of the Regulations is to give effect to Scottish Ministers’ policy on affordable charging by introducing a new water and sewerages charges reduction scheme for low income households from 1 April 2006 until 31 March 2010. This policy was set out in the ‘Principles of Charging’ statement on the water industry of 9 February 2005.

Specifically, the regulations provide for:

- by virtue of regulation 4, a reduction equivalent to that applied for council tax purposes by virtue of section 79 of the Local Government Finance Act 1992 (“the 1992 Act”). Section 79 provides for a discount where there is only one adult resident in the dwelling who does not otherwise fall to be disregarded for the purposes of that discount; and
- by virtue of regulation 5, a reduction (of up to 25%) of the amount of water and sewerage charges payable by households which are in receipt of Council Tax benefit (CTB) and which are not already in receipt of a discount under section 79 of the 1992 Act. In effect, the reduction will apply to households with two adults or more and which are receiving CTB.

By virtue of regulation 3(c) of these regulations, the current council tax discounts for all second homes and empty dwellings (within the meaning of the Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2005) are not applied to reduce water services charges.

Regulation 6 also amends the Water and Sewerage Charges (Exemption) (Scotland) Regulations 2002, to continue until 31 March 2010 the existing water and sewerage charges exemption scheme. Prior to the creation of Scottish Water in 2002, the former water and sewerage authorities granted discretionary relief from charges payable by certain non-household customers. For a transitional period, the 2002 Regulations made provision for a continuing exemption from charges to help non-household customers on modest incomes to adjust to the future withdrawal of reliefs. In 2004 Ministers announced that the deadline for the scheme was to be extended from 2006-10 to allow more time for that adjustment.

Operation of the Reduction Scheme

The link between Council Tax bands and the amount of water and sewerage charges payable already provides for assistance, e.g. through the application of the single person's discount under section 79 of the 1992 Act. The reduction scheme extends similar provision to households with two adults or more, which are in receipt of CTB and which do not qualify for the same percentage discounts as Council Tax payers generally do under section 79 of the Local Government Finance Act 1992.

The reduction available under the Regulations is in direct proportion to the household's entitlement to CTB (i.e. only full entitlement to CTB will attract the full 25% reduction) and is calculated on the same daily basis as CTB.

Background

Water and sewerage charges (for non-metered households) are currently collected jointly with Council Tax by Local Authorities. This arrangement has been in existence since 1 April 1996 (when the three former Water Authorities were established under section 62(1) of the Local Government etc. (Scotland) Act 1994) and enables Local Authorities and now Scottish Water to share billing and collection costs.

The Water Services Charges (Billing and Collection) (Scotland) Order 2006, which will also apply from 1 April 2006, replicates the existing arrangements. It specifies how charges for each customer must be calculated; how they are to be presented on Council Tax bills; and provides for the amount and timing of payments from Local Authorities to Scottish Water.

The new water charges reduction scheme both replaces and develops the transitional arrangements (provision for which was made under the Domestic Water and Sewerage Charges (Reduction) (Scotland) Regulations 2005) and expires on 31 March 2005.

Consultation

In 2005, the Scottish Executive consulted a wide range of individuals and organisations about its policy on charging for water and sewerage services and published an analysis of the responses in February 2005. Ministers thereafter set out their policy (including proposals to introduce a revised system of reductions for water charges) in the "Principles of Charging" statement on the water industry of 9 February 2005. The Regulations have been prepared in consultation with the Billing and Collection Working Group which was established to advise on both the renewal of the Billing and Collection Order and the detail of the new reduction scheme. The Group comprises representatives from the Executive, COSLA and Scottish Water. The Regulations have also been prepared in consultation with the Department for Work and Pensions. All are content with the form and content.

Financial Effects

The cost of the water charges reduction scheme will be met through the generality of charges. The impact on these charges is however not expected to be material, as Scottish Water will receive the additional income that will be generated by the abolition of water charges discounts for second homes and other empty dwellings.

The cost of continuing the exemption scheme for another 4 years is estimated by Scottish Water to be £3.8million per annum.

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