

EXECUTIVE NOTE

COUNCIL TAX EXEMPTION FOR SHELTERED HOME TYPE ACCOMMODATION

The Council Tax (Exempt Dwellings) (Scotland) Amendment Order 2007 SSI/2007/215

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.

Ministers decided that people unintentionally brought into council tax in this way should be made exempt, and in October 2006 the Council Tax (Exempt Dwellings) (Scotland) Amendment Order 2006 SSI/2006/402 came into effect. It classed the homes referred to above as one dwelling for council tax purposes and then exempts them from council tax liability.

At the same time, Ministers requested that 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. This involved refunding council tax to those who had already paid it, and writing it off along with any outstanding council tax owed by people living in these dwellings. The write-off included all water and sewerage charges and was back-dated to when the change in registration took effect.

Local authorities progressed the write off, and the Executive provided additional funding to each local authority affected to make this loss of council tax revenue good via a redetermination of Revenue Support Grant as set out in the 2007 Local Government Finance Order.

However, shortly after the order came into effect, Ministers became aware of a possible interpretation of the order which was not in line with their policy intentions. They took the

decision to introduce this new Council Tax (Exempt Dwellings) (Scotland) Amendment Order 2007 to put the matter beyond any doubt. This new order takes a slightly different approach from the first in that it exempts dwelling individually. This ensures that the appropriate dwellings can be targeted more effectively for the exemption.

Policy Objective

The policy objective has remained the same throughout; to ensure that the unintended change to local tax liability of certain vulnerable individuals residing in shared accommodation is addressed by exempting them from council tax.

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, and an email was 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 respondents, 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, including consultation with local authorities and Scottish Assessors.

Since Ministers agreed to proceed with this new order, local authorities and the Scottish Assessors have been consulted on the approach and on a draft of the order. Some reservations were raised by one local authority about the potential increase in administration for them in adopting this new approach. However we do not believe these concerns outweigh the overall benefits of this approach, which is the most effective way of targeting the people we wish to help, without creating a large number of unnecessary exemptions (and therefore a possible loss of revenue to local authorities and Scottish Water).

Financial Effects

The cost of writing off council tax under the voluntary arrangement was £2.75 million. There will be a small loss of revenue to local authorities and Scottish Water. However, 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 charitable rates relief.

Scottish Executive Finance & Central Services Department
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