

The Scottish Parliament Local Government, Housing and Planning Committee WLGA Evidence 19 February 2025

Council Tax Inquiry

Welsh Local Government Association - The Voice of Welsh Councils

The Welsh Local Government Association (WLGA) is a politically led cross party organisation that seeks to give local government a strong voice at a national level.

We represent the interests of local government and promote local democracy in Wales.

The 22 councils in Wales are our members and the 3 fire and rescue authorities and 3 national park authorities are associate members.

We believe that the ideas that change people's lives, happen locally.

Communities are at their best when they feel connected to their council through local democracy. By championing, facilitating, and achieving these connections, we can build a vibrant local democracy that allows communities to thrive.

Our ultimate goal is to promote, protect, support and develop democratic local government and the interests of councils in Wales.

We'll achieve our vision by

- Promoting the role and prominence of councillors and council leaders
- Ensuring maximum local discretion in legislation or statutory guidance
- Championing and securing long-term and sustainable funding for councils
- Promoting sector-led improvement
- Encouraging a vibrant local democracy, promoting greater diversity
- Supporting councils to effectively manage their workforce

Background

1. This briefing paper provides a summary view of the experiences of Council Tax Reform in Wales.
2. We focus our response on specific areas, namely the 2005 Revaluation, the ongoing commitment to reform Council Tax and the Local Government Finance (Wales) Act.

The 2005 Revaluation

3. In 2001, the then Minister for Finance, Local Government and the Communities announced there would be a council tax revaluation effective from April 2004, this was later changed to 2005.
4. The key aims of the revaluation were that;
 - 4.1 There should be no increase in council tax yield nor a decrease in the all Wales taxbase

- 4.2 Revaluation and rebanding should not be a reason to increase council taxes
- 4.3 Fairness to the council taxpayer should be key
- 5. Following intense collaboration with local government and specific work groups, a consultation was issued in June 2003 which contained proposals for new bands and the introduction of a new band - band I.
- 6. The new bandings took effect from April 2005 and included properties now placed in Band I reflecting those with a value of over £424,000 based on the antecedent valuation date of 1 April 2003.
- 7. Just under half the properties in Wales saw a change in their valuation band. To mitigate the impact on household finances a Transitional Relief Scheme was designed to reduce the immediate impact where a property had increased by 2 or more bands. At the time the scheme was estimated to cost around £11m.
- 8. As expected, there was an increase in the number of appeals against the new banding and figures collated at the time show around 20,000 appeals were lodged with the Valuation Office Agency.
- 9. In April 2006 the Local Government and Public Services Committee of the National Assembly for Wales submitted a report to the Lyons Inquiry into Local Government detailing the Welsh experience of revaluation and rebanding and a copy is attached as Appendix 1 for information.

Making Council Tax Fairer

- 10. In January 2017 the Welsh Government set out its White Paper – Reforming Local Government: Resilient and Renewed which included a desire to reform the local government finance in Wales.
- 11. Following consultation and extensive work, a detailed [Summary of Findings](#) was published in February 2021. This included a section on Council Tax Reform which confirmed it needed to be revalued and reformed as it was out of date, regressive and distortionary.
- 12. The Welsh Government made a commitment in their 2021 [Programme for government](#) to reform council tax to deliver a more progressive system. The [Co-operation Agreement](#) set out how Plaid Cymru and the Welsh Government would work together on areas of common interest confirmed this.
- 13. In July 2022 the Welsh Government launched a detailed consultation titled ‘A Fairer Council Tax’. seeking views on their intention to rebalance the tax burden on households and a detailed [Summary of responses](#) was published in December 2022.
- 14. The first question in this consultation asked simply ‘Do you agree there should be a council tax revaluation in 2025, with property values based on 1 April 2023?’. 55% of responses (562 respondents) said No.

15. A copy of the WLGA response is attached as Appendix 2.
16. The then Minister for Finance and Local Government, Rebecca Evans confirmed in a Senedd Oral statement on 2 May 2023 that a property revaluation would proceed and that regulations will be drafted to set in place a process of regular revaluations.
17. At the end of 2023 the Welsh Government consulted on 3 possible approaches to designing a fairer Council Tax system.
- **Approach 1** – Maintain current system with revalued properties placed into an updated version of the existing 9 band structure.
 - **Approach 2** – Revalue properties into the current 9 band structure and change the tax rates.
 - **Approach 3** – Revalue properties, increase the 9-band structure to 12, redraw the band widths and change tax rates.
18. The Welsh Government also asked when the changes could be made to the Council Tax bands and tax-rates.
- **Option 1** – April 2025 as originally planned.
 - **Option 2** – Defer until 2028.
 - **Option 3** – incremental.
19. A copy of the WLGA response is attached as Appendix 3
20. On the 15 May the Welsh Government issued a [Written Statement](#) giving an update on council tax reform in Wales, the results of the recent Phase 2 consultation, and the continued plans for making the system fairer and more up-to-date. Following analysis of almost 1700 responses, the Welsh Government announced their decision to proceed on a slower timeframe which reflected the majority view of the responses. All councils agreed that change was needed to the council tax system and whilst there were some who preferred implementation from April 2025, most opted for a slower timeframe of 2028.
21. Deferring to 2028 allows the Welsh Government and local authorities to effectively implement a council tax revaluation in a more considered way and maintain stability to an efficient tax system.
22. It is encouraging that other work associated with the reform of council tax continues to progress, such as a wholesale review of the suite of discounts, disregards, exemptions and premiums alongside a review of the Council Tax Reduction Scheme.

Local Government Finance (Wales) Act

- 23. The [Local Government Finance \(Wales\) Act](#) which received Royal Assent in 2024 Bill placed the provision to undertake five-yearly revaluations on a statutory footing. Therefore after 2028, taxpayers will have the certainty of knowing that their property values will be regularly updated to reflect market trends.
- 24. The Bill also contained provided flexibility to make changes to reliefs and discounts as required
- 25. Our evidence to the Senedd Local Government & Housing Committee on the scrutiny of the Bill is attached at Appendix 4 and the minutes from the evidence session attached at Appendix 6.

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SS6/06



Cynulliad National
Cenedlaethol Assembly for
Cymru Wales

**Y Pwyllgor Llywodraeth Leol a
Gwasanaethau Cyhoeddus
Local Government and Public
Services Committee
Bae Caerdydd / Cardiff Bay
Caerdydd / Cardiff CF99 1NA**

Sir Michael Lyons
Lyons Inquiry into Local
Government
Room 3/12
1 Horse Guards Road
London SW1A 2HQ

3 April 2006

Dear Sir Michael,

The Local Government and Public Services Committee considered your interim report at its meeting at 12 January. The Committee decided that they would submit a report to you outlining the Welsh experience of Council Tax Revaluation and Rebanding in 2005.

The agreed response is enclosed with this letter along with the Record of Proceedings of the meeting on 12 January.

Please contact the Committee Clerk, [REDACTED] on [REDACTED] or at [REDACTED] if you would like any further information.

I look forward to our meeting on 8 June.

Yours sincerely,

[REDACTED]

Ann Jones
Chair, Local Government and Public Services Committee

Local Government & Public Services Committee

The Impact of Council Tax Revaluation in Wales

Introduction

1. On 12 January 2005 the Local Government & Public Services Committee noted the Interim Report of the Lyons Inquiry on Local Government in England. The Report asked for specific responses to the section modelling Council Tax Revaluation and Reform to be submitted. The Committee noticed that the relevant section did not reflect the experience of revaluation for council tax purposes in Wales. The Committee therefore agreed that it would submit a paper on the impact of revaluation in Wales to the Lyons Inquiry.

Background to Revaluation

2. In September 2000, the National Assembly for Wales's consultation paper entitled "Simplifying the System: Local Government Finance in Wales", asked about possible changes to the system of local government finance. In respect of council tax there was overwhelming support not to disturb the present system by making major changes. It was recognised that if the council tax valuation bands were not updated, the council tax system would run the risk of losing credibility;

3. In July 2001, the Minister for Finance Local Government and the Communities, Edwina Hart, announced that a council tax revaluation would take effect on 1 April 2004. It was identified as a key issue to be addressed on the local taxation side with the following outcome:

a council tax revaluation to take effect in April 2004 - at an estimated cost of over £10 million.¹

4. In February 2002, at an Assembly Government cabinet meeting (at that time a Partnership Government between Labour and Liberal Democrats) on 4th February, the Minister for Finance, Local Government and Communities confirmed that support for the Assembly Government's policy statement "Freedom and Responsibility in Local Government" (FAR) had been received from the Assembly's Local Government and Housing Committee and the WLGA;

5. At the Local Government and Housing Committee 13 February 2002 - The Minister reported on the following:

"Following discussion with the Welsh Local Government Association, the council tax revaluation would be undertaken in April 2005. This would allow time to develop proposals collaboratively with local government and for the Committee to consider proposals prior to the final decision being taken. The new council tax bands would be published in summer 2003 and the new valuation lists in late 2004, coming into force on 1 April 2005". The Committee welcomed the proposed council tax revaluation.

6. In March 2002 the Welsh Assembly Government published its policy statement *Freedom and Responsibility for Local Government*.² (FAR) which stated:

¹ LG&H Committee, 4 July 2001, Minister's Paper, *Budgets: Issues*.
http://www.wales.gov.uk/servlet/LocalGovernmentAndHousingCommittee?area_code=38E48697000AD0540000352900000000&month_year=712001&p_arch=pre&module=dynamicpages

² This was endorsed by Cabinet on 4 February 2002. The Minutes can be seen here:
<http://assembly.aegis/AssemblyStaffArea/cabinet/CabMeetings/minutes/040202.htm>

7.1 The starting point on council tax is that it is the only tax controlled by local government. It is generally well understood and accepted by taxpayers and high collection levels are regularly maintained. As council tax bands (A to H) are based on 1991 house prices, it does mean that the bands do not represent current values. As such the council tax system is in danger of being discredited as being "out of date".

It went on to outline plans for Council Tax revaluation:

7.3 Preparatory work on revaluation in Wales is already underway, including an examination of the relationship between council tax bands. Following consultation with local government and others, **we plan to publish the new council tax bands in summer 2003. New valuation lists will follow in late 2004, coming into force on 1st April 2005.** The UK Government intends to legislate to require revaluations at intervals of not more than 10 years in England and Wales. The Welsh Assembly Government supports this move. The Welsh Assembly Government envisages that there will be a revaluation in Wales every 8 years.³

7. In March 2002 the Minister and Sir Harry Jones of the WLGA agreed to the establishment of a working group to consider all aspects of the revaluation and a consultation paper, *Council Tax Revaluation and Re-banding 2005*, setting out proposals for new valuation bands and proportions in 2002 was issued.⁴ The Council Tax Revaluation Working Group (CTRWG) considered numerous aspects of the current system and options for change. The 'first principles' agreed with local government were that:

- ◆ there should be no increase in council tax yield nor a decrease in the all Wales taxbase;
- ◆ revaluation and re-banding should not, in itself, be a reason to increase council taxes;
- ◆ fairness to the council taxpayer should be key.

8. In response to the consultation to FAR on 26 April 2002 the WLGA said:

the Association supports the intention to revalue and reband properties for council tax purposes. This will quite properly, shift the incidence of local taxation to reflect current values and to reflect the range of values more fairly. For the same reasons regular revaluations at eight yearly intervals are acceptable to maintain the integrity of the tax.

9. The Council Tax Revaluation Working Group (CTRWG) was established in May 2002. Five meetings of CTRWG were held between May and October 2002.

10. Following a consultation period from 19 December 2002 to 29 January 2003 the Minister took into account the views of respondents. She decided:

- ◆ not to change the proportions between the bands from ninths to eighths, as this would result in many taxpayers being asked to pay more;
- ◆ to extend the range of the banding system by introducing a new higher value band (to be called 'band I'). The proportion of council tax payable for the new band is to be 21/9^{ths}; and
- ◆ not to proceed with the proposals for revalued council tax bands set out in the consultation paper, but to consult again on revised proposals.

³ WAG Policy Statement, *Freedom and Responsibility for Local Government*, March 2002.
<http://www.wales.gov.uk/subilocalgov/content/freeresponse-e.html>

⁴ <http://www.wales.gov.uk/subilocalgov/content/consultation/counciltax/CouncilTax-e.htm>

11. A *Supplementary Consultation Paper on Council Tax Revaluation and Rebanding 2005* was issued in June 2003 and the consultation closed on 6 August 2003.⁵ The paper contained proposals for new bands and the proposal for the introduction of a new valuation band (Band I) for Wales' most expensive homes.

12. At a meeting of the Local Government & Housing Committee on 9th July 2003, the Committee considered the Minister's proposals for council tax revaluation and rebanding. A number of issues were raised:

- ◆ the weakness of the current, property-based system as a reflection of people's ability to pay;
- ◆ the differential impact of the proposed changes between local authority areas. Members expressed concern at the increases in required council tax receipts likely to result in some areas;
- ◆ increases in household incomes had not been commensurate with those of property prices in some areas. Members felt that an appropriate compensation scheme would be required to assist households unable to finance increases in their council tax bills;
- ◆ the need to establish an effective means of communicating with the public and allaying their concerns about the changes;
- ◆ the degree to which the Valuation Office Agency (VOA) and valuation tribunal system would be able to cope with the potential increase in the volume of appeals following revaluation and rebanding.

In response, the following points were made:

- ◆ Local Government Bill 2002 provided local authorities with freedom to determine or vary discounts and exemptions from council tax. These proposals would allow local authorities the flexibility to introduce discounts for individuals who were experiencing difficulty in meeting increases as a result of the revaluation and rebanding exercise.
- ◆ it was anticipated that around 100,000 appeals would result following the revaluation exercise with 40,000 of these being dealt with in the first year. The cost of the revaluation exercise, including appeals, was estimated at some £8million. The VOA had confirmed to the Welsh Assembly Government that it had the capacity to deal with both the domestic and business revaluation exercises;
- ◆ the Minister agreed to keep the Committee informed of developments in the revaluation and rebanding exercise, to bring the relevant statutory instrument back to the Committee at its first meeting in the autumn and to provide figures on the funding available to the VOA.

13. Section 77 of the *Local Government Act 2003* inserted section 22B into the *Local Government Finance Act 1992*, which provides for a statutory revaluation cycle for the council tax in England and Wales. Section 22B(2) requires new lists to be compiled and to come into force for England on 1 April 2007 and 1 April 2005 in Wales. Section 78 of the Act gives powers to change the number of bands. Section 22B(3) requires that further new lists must be compiled and come into force no more than ten years after the date of the previous (2005 and 2007) lists. This means that the period between revaluations will be no longer than 10 years. However, the Assembly will be able to make orders under that section to require the compilation of new lists (and hence revaluation) sooner.

14. During the passage of the Bill through the House of Lords an exploratory amendment was put down by the Conservatives in relation to the different dates in England and Wales. The amendment was withdrawn subsequent to the Government Minister's clarification:

Lord Bassam of Brighton: The reason for the two different dates is on practical grounds. England could not be ready in 2005 because the task there is much bigger. I am sure that the noble Earl knows that there are 20 million properties subject to revaluation in England and only 1 million in Wales. We have taken account of the views of the National Assembly for Wales, which decided that it would like the revaluation sooner than we planned for England. The Valuation Office Agency was able to accommodate that in its work programme. It is a simple explanation of the reason.⁶

15. The Local Government and Public Services Committee -met 1st October 2003 to discuss the draft of "*The Council Tax (Valuations Bands) (Wales) Order 2003*". In discussion, Members raised the following points:

- ◆ The need to consider more fundamental changes in the way local government was able to raise its funds,
- ◆ The potential need to phase in the redistributive effect of revaluation for councils experiencing falls in revenue support grant. The Committee requested a table showing the changes in RSG payable to each authority.

Subject to these concerns, the Committee was content to recommend approval of the draft Order.

The new council tax valuation bands were set out in the Order:

Band	Pre-2005 value (£)	New value (£)
A	0 - 30,000	0 - 44,000
B	30,001 - 39,000	44,001 - 65,000
C	39,001 - 51,000	65,001 - 91,000
D	51,001 - 66,000	91,001 - 123,000
E	66,001 - 90,000	123,001 - 162,000
F	90,001 - 120,000	162,001 - 223,000
G	120,001 - 240,000	223,001 - 324,000
H	over 240,000	324,001 - 424,000
I	-	Over 424,000

The Revaluation Process

16. The VOA Annual Report 2004/5 states:

The Welsh revaluation has been delivered on a mainly manual basis, with only limited support from technology. We have made improvements to processes, including the use of questionnaires for the first time, to check details that we hold about properties, particularly those sold on or around the valuation date of 1 April 2003, where sales evidence would be used to support our valuations of other properties.

We worked closely with the WAG on the development of communications materials for taxpayers, notifying them of the revaluation and of its impact on them. In autumn 2004, we notified all 1.3 million council taxpayers in Wales of their revised bandings. We also consulted taxpayers to gauge their levels

⁶ HL Debates, 16 June 2003, cGC220

of understanding of council tax and the revaluation process, to inform the design of support materials and our business processes. In light of this work, we have developed a revised set of communications support materials, and we continue to provide helpdesks to deal with council taxpayer enquiries. We believe that this approach will significantly reduce the number of appeals we receive.

17. The section dealing with Modelling Council Tax Revaluation and Reform in the Lyons Report uses is partly based on information supplied from the Automated Valuation Model (AVM). The VOA investigated and tested the use of an Automated Valuation Model (AVM) to produce valuations for most domestic properties in England. In September 2003 the contract to deliver AVM was awarded to a US-based firm, Cole Layer Trumble (CLT) and testing was carried out up to June 2004. In its Annual Report the VOA states:

For the first time we are using new technology to support a more accurate, effective and efficient revaluation. Subject to the final outcome of the recent public consultation¹ we envisage making much more information available up front, so that – just as for the rating revaluation – council taxpayers will be able to check the key details we hold about their property and tell us if they believe these are wrong. Through this process we will be able to ensure that the assessments we place on properties are always based on the correct and up-to-date facts. We are also issuing questionnaires to households where we need to update our information before we start on the revaluation process.⁷

The Automated Valuation Model (AVM) method planned for revaluation in England was not used in Wales but the VOA has indicated that there is a possibility that it would be used for future revaluation.

Assumptions about the Impact of Revaluation

18. The Welsh Assembly Government has responded to a number of Assembly Questions about the effect of revaluation.⁸ A written answer dated 28 October 2004, stated:

The Changes in Revenue Support Grant

Michael German: Will the Minister publish the changes in revenue support grant that will accrue to each of the 22 county councils on a like-for-like basis as a result of how revaluation changes their council tax base? (WAQ38723)

Sue Essex: The changes in allocations of revenue support grant for 2005-06 compared with their allocation for the current year will be published as part of the provisional settlement. That analysis will take into account an estimate of the revalued taxbase of each authority along with other changes resulting from formula and data changes. More accurate details of the changes to the council tax base following revaluation will be collected on the council tax returns due to be returned in November and will be reflected in the publication of the final settlement. We will be able to provide an analysis of how revaluation has impacted on the allocation of revenue support grant across the 22 county councils.

19. The Welsh Assembly Government subsequently advised the Assembly's Members' Research Service that it is not possible to calculate the amount of extra revenue generated as a direct result of council tax re-banding, as the taxbase from which council tax income is derived changes from year to year as a result of other factors as well as the impact of revaluation.⁹ The impact of revaluation would have to be isolated from the impact of data changes, formula changes, financial data and overall control totals which

⁷ http://www.voa.gov.uk/publications/annual_report_2004-05/Annual_Report_2004-05.pdf

⁸ See also: WAQ41545 (Nick Bourne) of 24/02/2005 and OAQ0149(LGP) (Rhodri Glyn Thomas) of 16/03/2005

⁹ e.g. the number of properties, the number of single person occupancies etc

¹² "One in three households faces massive council tax hike", *Sunday Telegraph*, 24 April 2005 p1

Changes between valuation bands

23. The Table 2 below shows the number of properties changing between valuation bands in local authorities that were given in answer to a Parliamentary Question on 12 September, 2005¹³:

Table 2: Properties moving Bands following Revaluation

Billing authority	Bands - Down by				Stayed the same	Bands - Up by				Total
	4 or more	3	2	1		1	2	3	4 or more	
Isle of Anglesey	2	10	87	2,956	18,894	9,011	1,421	289	83	32,753
Gwynedd	2	13	186	4,368	32,376	18,337	3,067	518	127	58,994
Conwy	4	6	73	3,402	33,266	14,947	1,556	241	48	53,543
Denbighshire	1	3	111	3,432	26,696	9,880	1,749	281	95	42,248
Flintshire	—	—	18	1,406	36,716	22,044	2,659	347	111	63,301
Powys (1)	—	1	3	846	13,150	10,161	2,869	558	162	27,750
Wrexham	—	—	8	696	25,140	25,447	3,464	500	136	55,391
Cardiff	—	5	43	2,839	47,011	67,775	17,923	921	58	136,575
Bridgend	—	10	132	10,226	36,039	10,782	717	81	16	58,003
Rhondda Cynon Taf	—	11	879	17,596	68,367	14,392	1,245	136	49	102,675
Vale of Glamorgan	—	3	61	1,677	28,631	20,536	2,857	277	37	54,079
Ceredigion	1	2	10	1,023	19,306	10,772	1,598	214	50	32,976
Carmarthenshire (1)	—	—	24	1,273	15,898	7,466	975	218	54	25,908
Carmarthenshire (2)	1	—	15	1,510	11,066	4,523	838	142	28	18,123
Pembrokeshire	—	1	31	1,518	34,264	16,747	2,245	376	106	55,288
Powys (2)	—	4	42	931	7,134	3,190	672	150	71	12,194
Powys (3)	—	1	71	2,034	10,883	5,137	1,036	292	114	19,568
Caerphilly	—	—	145	7,705	46,939	17,289	1,600	94	31	73,803
Merthyr Tydfil	—	—	132	3,790	18,285	3,160	121	15	4	25,507
Monmouthshire	—	1	2	1,816	20,769	13,231	2,031	362	99	38,311
Blaenau Gwent	—	1	43	5,738	23,457	2,057	63	8	4	31,371
Newport	—	1	12	2,788	37,233	18,142	1,376	199	40	59,791
Torfaen	—	1	17	1,897	28,307	8,434	368	62	17	39,103
Carmarthenshire (3)	—	2	8	2,009	20,909	11,235	475	46	18	34,702
Swansea	1	5	198	11,212	67,059	22,531	2,142	212	46	103,406
Neath Port Talbot	3	5	151	8,092	45,510	7,733	499	69	23	62,085
All Unitary Authorities	15	86	2,502	102,780	773,305	374,959	55,566	6,608	1,627	1,317,448

Source: Valuation Office Agency

Note: Carmarthen and Powys are both split into three areas by the Valuation Office.

Transitional Relief

24. In September 2004, the Minister announced that the Welsh Assembly Government intended to smooth the changes in council tax liability as a result of council tax revaluation. In a Written Statement on 2 November 2004 she stated:

This year's settlement is set against the background of the first council tax revaluation for twelve years. It is a legal requirement that we carry out such revaluations to ensure that the distribution of liability for council tax remains fair over time. Given this settlement and reasonable budget setting by local authorities, the majority of council tax payers in Wales should see very little change in their council tax.

¹³ Parliamentary Question of 12 Sept 2005; HoC col 2239-40W, which can be found at: http://www.publications.parliament.uk/cqi-bin/newhtml_hl?DB=semukparl&STEMMER=en&WORDS=council%20tax%20wale&ALL=council%20tax%20wales&ANY=&PHRASE=&CATEGORIES=&SIMPLE=&SPEAKER=&COLOUR=red&STYLE=s&ANCHOR=muscat_highlighter_first_mat ch&URL=/pa/cm200506/cmhansrd/cm050912/text/50912w05.htm#muscat_highlighter_first_match

For those who do move up more than one band, a transitional relief scheme, fully funded by the Assembly Government, will limit the impact on householders' council tax bills in the coming year. In addition to the funding provided through the settlement I am providing local government with an estimated additional £11 million for this purpose.

25. The Council Tax Transitional Arrangements are designed to limit liability for those dwellings moving up the valuation banding system by two or more bands as a result of the coming into force of the 2005 valuation list on 1st April 2005. The arrangements will run for three financial years commencing 1st April 2005 and ending on 31st March 2008.

26. The purpose of the transitional arrangements introduced by the Welsh Assembly Government is to reimburse councils for the Council Tax income they will forego in limiting the liability for those dwellings moving up the banding system by two or more bands as a result of the coming into force of a new council tax list on 1st April 2005. Grant payments for 2005/06 were estimated by taking account of the qualifying number of band movements. No adjustments were made for in-year increases or anticipated appeals.

27. The estimated amounts to be granted to each council for 2005/06 are set out in **Table 3** below.

Table 3: Transitional Relief, 2005-06

Billing Authority	Transitional Grants (a) £ thousand	Total Number of Properties	Number Moving up 2 or more Bands	Percentage Moving up 2 or more Bands
Blaenau Gwent	15	31,356	77	0
Bridgend	157	57,696	945	2
Caerphilly	217	73,594	1,774	2
Cardiff	2,912	135,751	19,159	14
Carmarthenshire	502	78,508	2,907	4
Ceredigion	297	32,867	1,935	6
Conwy	293	53,256	2,107	4
Denbighshire	503	42,141	2,264	5
Flintshire	659	63,168	3,449	5
Gwynedd	640	58,842	3,888	7
Isle of Anglesey	351	32,690	2,085	6
Merthyr Tydfil	26	25,435	147	1
Monmouthshire	650	38,149	2,595	7
Neath Port Talbot	123	61,866	645	1
Newport	230	59,714	1,669	3
Pembrokeshire	407	55,091	2,856	5
Powys	1,291	59,148	6,226	11
Rhondda Cynon Taf	231	102,431	1,481	1
Swansea	436	103,046	2,578	3
Torfaen	83	39,068	465	1
Vale of Glamorgan	587	53,770	3,239	6
Wrexham	818	55,211	4,410	8
Total Wales	11,428	1,312,798	66,901	5

Source: Welsh Assembly Government, 2005.

(a) Based on 2004-05 council tax levels adjusted for anticipated discounts and exemptions.

Appeals

28. The VOA has been monitoring the number of informal appeals against council tax banding since the new list came into operation on 1 April 2005. An appeal firstly takes the form of a 'proposal' to have their property placed in a different council tax band. If the proposal to alter the band is successful, the VOA will make the appropriate change and notify the local council. If it is unsuccessful, and the taxpayer is still not satisfied that their band is correct, it will be heard as a formal appeal by a local valuation tribunal. The figures for informal appeals are updated monthly. The most recent are up to 31 December 2005 and can be seen in Table 4 below.

Table 4. Informal Appeals from April 1 2005 to 28 February 2006

TRETH CYNGOR - RHESTR 2005 (CYMRU)
COUNCIL TAX - 2005 LIST (WALES)

APELIADAU ANFFURFIOL (YMHOLIADAU) O 1 EBRILL 2005
INFORMAL APPEALS (ENQUIRIES) FROM 1 APRIL 2005

Cyfnod hyd at: 28 Chwefror 2006
Period ending: 28 February 2006

Cyngor lleol	Local council	Cyfanswm derbynwyd Total received	Wedi'u setlo Settled		Cyfanswm dal allan Total outstanding
			Newid band Band change	Dim newid No change	
Blaenau Gwent	Blaenau Gwent	146	85	77	3
Pen y Bont ar Ogwr	Brosgend	663	169	312	62
Caerffili	Caerphilly	681	280	372	19
Caerdydd	Cardiff	1,285	403	793	87
Sir Gaerfyrddin	Cardiganshire	1,175	441	720	14
Ceredigion	Ceredigion	424	199	230	6
Conwy	Conwy	1,163	389	716	59
Sir Ddinbych	Denbighshire	641	327	546	39
Sir y Fflint	Flintshire	1,483	676	746	42
Gwynedd	Gwynedd	1,605	480	977	49
Sir Ynys Môn	Isle of Anglesey	876	504	326	16
Merthyr Tudful	Merthyr Tydfil	225	89	125	17
Sir Fynwy	Monmouthshire	1,081	376	631	74
Castell Nedol Port Talbot	Neath Port Talbot	655	273	366	10
Casnewydd	Newport	391	120	250	21
Sir Benfro	Pembrokeshire	703	287	440	2
Powys	Powys	2,437	1,056	1,256	113
Rhondda Cynon Taf	Rhondda Cynon Taff	905	303	550	52
Abertawe	Swansea	975	402	542	31
Torfaen	Torfaen	304	80	218	4
Bro Morgannwg	Vale of Glamorgan	719	255	432	22
Wrexham	Wrexham	1,274	411	814	49
Cyfanswm	Total	19,906	7,666	11,450	789

Source: VOA, 2006.

Annex A: Changes in CT collected and CT base 2004/5 – 2005/6

Local Authority	Amount of CT to be collected £m	% change from 2004/05	CT base for tax setting purposes (Band D equivalent) £	% change from 2004/05
Blaenau Gwent	18.6	4.4	19,453	-1.9
Bridgend	40.3	5.7	46,126	0.7
Caerphilly	42.0	7.0	55,438	2.1
Cardiff	95.4	13.2	126,851	13.9
Carmarthenshire	51.0	10.4	63,880	5.7
Ceredigion	21.7	10.2	28,655	7.6
Conwy	31.3	12.0	46,846	4.9
Denbighshire	32.7	9.9	36,633	5.3
Flintshire	44.8	12.8	58,830	7.9
Gwynedd	38.1	13.1	47,484	4.1
Isle of Anglesey	20.4	9.4	28,360	5.5
Merthyr Tydfil	10.0	4.7	10,500	0.8
Monmouthshire	33.4	12.6	41,281	8.3
Neath Port Talbot	45.1	4.0	44,741	0.3
Newport	31.6	10.9	50,410	4.8
Pembrokeshire	28.9	12.7	48,944	7.5
Powys	41.3	12.6	54,465	7.7
Rhondda Cynon Taf	61.4	3.6	69,645	-1.4
Swansea	65.0	6.4	82,354	3.0
Torfaen	23.8	8.2	29,993	2.6
Vale of Glamorgan	39.6	12.3	53,131	7.4
Wrexham	37.7	12.7	48,779	10.8
Wales	860.1	9.5	1,098,804	5.5

Source: StatsWales

**Ymchwiliad Lyons i Gyllid Llywodraeth Leol—Adroddiad Interim
Lyons Inquiry into Local Government Funding in England—Interim
Report**

[122] **Ann Jones:** Responses to this report need to be submitted by 31 January, and responses to the consultation exercise that Sir Michael Lyons has asked for within the interim report need to be with him by 13 March. We have to bear those two dates in mind. The purpose of this item is to ask Members how they wish to take this forward. We will comment on the report and the consultation contained within it and then, at the end, we can decide whether we want to produce a formal committee response to the report—one that we can agree—and a formal response to the consultation. If we are going to do those two things, we will also need to look at how we will do them and whether we want further briefings. Mike has already mentioned a report from Cardiff University. We also need to consider whether we want to take evidence. Would you like to start the discussion, Minister?

[123] **Sue Essex:** I do not have much to say. It is a fairly factual interim report. It has given a summary of the findings so far. I do not think that there is any information that is particularly new. In some ways, the issue for us is the timescale in relation to being able to use developments or knowing what developments will come from that. I think that I will just leave it at that.

[124] **Michael German:** I do not know whether we can agree, but I certainly feel that one of the problems is that the Lyons inquiry talks about council tax revaluation but does not mention the experience of the council tax revaluation in Wales. We may have different views on the experience of the revaluation, but if it is possible to identify some common threads across the committee, then we should attempt to do so because it omits an important part of what is being looked at. We were the guinea pigs in some way, and we ought to try to reflect that in our comments. I do not know whether it is possible to get agreement on that. However, if there is to be a formal response, that should be an element.

[125] If you split the paper into its two halves, there is the section on the role of local government, which is pretty fundamental, and there are key issues that we may want to discuss. There will, again, be different views on the second part, which looks at local government financing, but there is scope to look at some of the fundamentals there. It all hinges on whether you feel that a report could be put together on matters upon which we agree.

[126] **David Lloyd:** In a similar vein, this is a huge piece of work, and, as the title suggests, it is the interim report of the Lyons inquiry into local government in England. Should the committee, therefore, produce a response? Mike raised the question of whether there would be cross-party agreement in producing a committee response. In addition to that, the timescale is tight. If we are minded to produce a response, I suggest that it be purely factual stating the effects of the council tax revaluation in Wales, including the changes to the budgets. That could be a purely factual pronouncement of what council tax revaluation meant in Wales, just to inform the debate. I do not know whether colleagues would agree with that.

[127] We should have some sort of input into this, because any report into local government in England will naturally impinge on local government in Wales. In many ways it would be remiss not to have any input, though Sir Michael Lyons has visited this committee and has taken evidence from us.

Singularly, the part on local government financing that deals with council tax does not mention the Welsh experience at all. We should attempt to correct that omission, and I am sure that we could do so, purely on a factual basis.

[128] **David Melding:** I agree with what Mike and Dai have said. The lessons of revaluation could usefully be given to the inquiry, and I am sure that we could agree on something quite dispassionate and factual that would just describe the process, without offering an interpretation, because I suspect that we would not reach agreement on that. It is clearly a live issue as far as the funding of local government and the future of council tax in England are concerned. That would be quite useful.

[129] Secondly, to mirror the new remit, I think that a piece of work by the committee on the role of local government should be considered important. I think that, in some ways, it even connects into electoral matters with regard to turnout. I am interested in the fact that Denmark is the European country with the highest turnout, and it probably has the most lively local government sector of any European country. There are probably quite a lot of things that you could look at. As I said earlier, the role of town and community councils is an important one in that. If we can do this piece of work, as a review, I think that it would certainly merit our time and attention.

[130] **Michael German:** I just wanted to come back on something. Earlier, I raised the issue of Professor Loughlin's report, and section 16 says that Lyons was surprised by how badly we compare with other countries, in that they raise more money from local authorities. The local authorities raise more money themselves and they have a variety of different sources available to them and so on. When the Loughlin report is circulated, if it becomes available, I know that it will be difficult to get this matter onto an agenda, but it may be possible for us to get John Loughlin to explain the comparisons to us. Alternatively, we could follow one of our previous practices and look for ourselves.

[131] **Ann Jones:** We have heard what you have said.

[132] **Gwenda Thomas:** I will look at two issues: the response by 31 January, and what has been said so far. I suppose that the point of view of the committee could be factual, and, considering the response by 15 March, not to respond would be to ignore the reference to devolution and decentralisation in the report. Considering the timing, in that we are expecting Lyons to report by the end of 2006, which will be in the run up to the implementation of the new Government of Wales Act, the implications for the third Assembly, in 2007, will be crucial. There is probably a need to filter it into party political groups and to consider whether that is how these questions need to be answered or whether there is a role for the committee in seeking to establish an all-party answer to some questions. I think that it will be difficult, having read the questions, but we need to consider both streams in the Lyons report.

[133] **Sue Essex:** From our perspective, we had the balance of funding review on this and a lot of attention is paid to finance. An interesting point is that we have taken a different approach in terms of local-central relationships, and that has been with a fair degree of common support from the parties. When you look at the basis set out by the 'Freedom of Responsibility' report, which was published some time ago in 2002, you must remember that it was agreed by the local government committee of the time. That kind of approach to local government is an important part of setting out our view in Wales. David has raised the point about localism. I remind you of the Aberystwyth report that we have done and our response to it sets out our

stall. There are things that we can draw on, which have been agreed cross-party and which I think can give Sir Michael Lyons a feel of the approach in Wales. I think that that is important. I have conversations with him every so often, and I think that he is very conscious that things are different here. Although it is an England report, he realises his responsibility in terms of his final report, in that, whatever he says, there will be areas that have an impact on us. As Gwenda said, it would be useful to bring to his attention what has happened since devolution, and what could happen even further with the Government of Wales Act.

10.30 a.m.

[134] **David Lloyd:** I am interested in how we will pull this together in the time that we have.

[135] **Ann Jones:** I was waiting to see whether anyone would throw in any more spanners before we look at how we would do it.

[136] **David Lloyd:** I think that it is possible to have factual, dispassionate contributions on council tax revaluation and what will happen with the Government of Wales Bill within the time frame.

[137] **Ann Jones:** I think that we are fairly unanimous that we will put forward a factual report on the lessons from council tax revaluation. As Gwenda pointed out, we will also put out a report about the implications of the Government of Wales Act for the third Assembly. Do you want the Members' research briefing teams to go away and for us to see what we can pull together? We may then need to bring someone in to give advice. So, we will do that first, because it must be in response to the report by 31 January.

[138] **David Melding:** We are not looking at a vast report, are we?

[139] **Ann Jones:** No. That will be the remit for our response to the report by 31 January. We will produce a focused, factual report, if Members are happy with that? I see that you are. The point that David raised about mirroring the remit and the role of local government in Wales will probably emerge from the consultation, which needs to be in by 13 March.

[140] **David Melding:** We could send them our version of an interim report, and then do a longer piece of work ourselves.

[141] **Ann Jones:** Yes, we could do that.

[142] **David Melding:** Oh dear—that suggestion was not very popular.

[143] **Ann Jones:** No, I am just trying to think of the practicalities of it. Mike raised the point about whether we should go out and look for ourselves, and I think that that is a fair point. I am just thinking about diaries and the problems that we would have. I am sure that we could. Let us be clear about what we are looking for on this piece of work, which, as David said, would also tie in to the scrutiny project that we are undertaking on electoral arrangements, although it would become a separate item in itself if we were to take on the role of local government in Wales. Could we look at a very small or tightly focused remit for what we do on that one initially, which would feed into the consultation by 13 March? From our findings, we could perhaps expand that.

[144] **Michael German:** That will be a starter question for 10, like on *University Challenge*.

[145] **David Melding:** Let us test the water.

[146] **Ann Jones:** Yes, shall we do that? I just want to try to make it clear so that the committee secretariat and the Members' research service are aware of what we are asking. Are we happy with that? We will try to see whether we can get that report from the university, and whether it is possible to ask the

author to come to explain when we have read through it. Does that seem to be a sensible way through? I see that you agree.

[147] We have meetings on 25 January and 9 February, and another three meetings in March, so it will not be so bad. We will try that and we will see. Again, David and Catherine, much of this comes outside of the committee. If there is stuff coming around, we tend to get it outside of the committee, and we do the formal bits. However, we will try that one. Are Members happy with that? Have I covered everything and every point that Members have made? Yes? I see that I have. Is the clerk happy with that?

[148] **Dr Hawkins:** Yes.

[149] **Ann Jones:** Are there any more points on the Lyons inquiry? I see that there are none.

[150] We are slightly ahead of time. Given that the next item requires the Welsh Local Government Association representatives to be here, and they are not here yet, with your permission, we will now discuss item 8 on the agenda.



Dr Chris Llewelyn
Prif Weithredwr / Chief Executive

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Dyddiad / Date: 4 October 2022

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Rebecca Evans MS
Minister for Finance and Local Government
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Dear Rebecca,

Consultation: A Fairer Council Tax

Thank you for the opportunity to respond to this important and timely consultation. Our response has been considered by the Society of Welsh Treasurers and the Local Taxation Group; the latter made up of the revenues officers who will have to administer the transition to a new system. We had the opportunity to discuss this in the WLGA Executive Meeting on the 30 September.

Overall, there is broad support for these proposals to make the system of domestic local taxation fairer and it shows Wales at its best consulting to make changes that would be more progressive relative to other parts of the UK. Apart from Northern Ireland we are the only country to have introduced a revaluation of the council tax since it was introduced in 1993.

Our detailed responses to the specific questions are appended to this letter.

Yours sincerely,

[REDACTED]
Councillor Andrew Morgan
(WLGA Leader)

[REDACTED]
Councillor Anthony Hunt
(WLGA Spokesperson for Resources)

Q1. The council tax bands are currently based on property values from 1 April 2003, almost twenty years ago. Do you agree there should be a council tax revaluation in 2025, with property values based on 1 April 2023, to maintain the credibility of the system and distribute the tax burden more fairly? The purpose would not be to raise additional revenue through this exercise.

We agree with the conclusion of the report commissioned from the Institute of Fiscal Studies (IFS) that council tax should be revalued and reformed. The primary reason is that the current system is out of date. No other system of taxation is based upon values that are nearly 20 years out of date. It weakens the credibility of the finance system. If the taxbase is not based on contemporaneous information, it weakens the social contract and the reputation of local government in respect of the communities that members represent.

We are worried that the exercise may be seen as a 'revenue raising' in the eyes of those hostile to the policy and would be keen to work with Welsh Government on the communications side. Furthermore, we believe the timing of the revaluation should be given careful consideration in terms of the prevailing economic conditions (and other factors) that may exist at the time.

Q2. Do you agree the Welsh Government should consider adding more council tax bands (for example at the top and bottom ends of the scale) and refit the bands to help make the system more progressive?

The current banding system is highly regressive in respect to property values and consequently incomes. The current banded structure has advantages in terms of ease of administration but the inequality of the proportion of tax paid relative the values of the property is well documented. It is starkly exemplified by those properties at the opposing ends of the banding scale A and I. In the current banding system 57% of properties are in the bottom 3 bands but only 5% of properties are in the top 3 Bands (G to I). Most properties are in Band C. There is a long 'tail' in the distribution of properties not fully capture in 9 bands.

Ideally the system should be based on continuous valuations. This could be explored more. As the IFS note, this is currently a feature of the system in Northern Ireland and was recommend in an IWS paper authored by Gerry Holtham. If this isn't a practicable solution because of legislative constraints, then there should be more bands.

The IFS model 12 bands and perhaps a maximum of 15 should be explored to capture the long tail at the higher end of the distribution. Another source of regressivity is the proportional relativities between bands and this might be made more understandable and based on simple percentages rather the 'ninths' referred to under the current arrangements

Q3. The Welsh Government is committed to considering transitional arrangements if needed to smooth the effects of reforms. What factors should we take into account when designing these arrangements?

This was one of the issues discussed at the WLGA Executive Board on the 30 September 2022 and highlighted by leaders. If the banding remains broadly the same, then consideration should be given to limiting the number of bands that one household might rise to one in any one year as happened at the previous revaluation. Otherwise, a 'capped' increase, for example, of 10% in any one year assuming that the element of local decision can be 'controlled for' in the calculation. This should be funded outside the system and should be easy to understand from a taxpayer point of view, and easy to administer.

Q4. Do you agree the Welsh Government's Revenue Support Grant to councils should be adjusted to take account of changes to revenues raised in each local area because of council tax reforms?

Yes, it is a long-standing feature of the system that grant distribution should equalise for the local resource base (as well as need). However, consideration should be given to councils who's taxbase increases significantly but sets a council tax is set below Council Tax at Standard Spending.

Q5. Do you agree there should be frequent council tax revaluations at least every five years in the future, to ensure the tax burden is shared fairly amongst taxpayers on a regular basis?

Yes at least every 5 years and where possible this should be written into law. A five-year revaluation allows for a reactive tax base sensitive to the financial climate without being too frequent and burdensome.

Q6. When properties are significantly improved, properties are only reviewed and potentially rebanded in certain circumstances, for example when the property is sold to a new owner. The Welsh Government is seeking views on whether this policy should change in the future.

With more frequent revaluations there would be no need for these provisions. Existing owners who have invested in the property see no increase in their council tax, yet it can come as a shock to any new owners. Maybe the best option is for property improvements to take effect at each revaluation provided that happens every 5 years.

Q7. Do you have any views on rights of appeal for taxpayers or how council tax debt is managed? Please include any suggested improvements for either of these elements.

From our perspective, the current system is broadly appropriate. There are ongoing issues around council tax enforcement that merit a separate discussion about proportionate sanctions that might be made available. Any changes to the system will result in appeals but these were fewer than expected under the changes implemented in 2005-06.

Q8. What are your views on how the Welsh Government, the Valuation Office Agency, councils, or other organisations can modernise the service provided to taxpayers and improve transparency of the council tax system?

There are opportunities for improved data sharing with both the Land Registry and Wales Revenue Service to make ensure that the taxbase is up to date. If councils were made aware of when a property was sold that would be a step forward.

There is no objection to increasing public access to information providing it did not cross the obvious boundary of personal information.

Q9. What is your view on the existing discounts, disregarded persons, exemptions, or premiums? For example, do you think the current rules are appropriate and fit-for-purpose? Are there particular aspects of the rules which you think need to change or new rules created?

This list has clearly been developed over a long period of time and covers several circumstances; the number of categories may have grown since their introduction in 1993. We understand a working group has been convened around this issue and will be guided by its conclusions.

Q10. What is your view on whether the Welsh Government should have more flexibility in future to set the rules for the statutory single adult and empty property discounts?

Welsh Government should have full flexibility to set this nationally. Setting it locally would cause too much disparity between local authorities and give rise to complaints around a perceived postcode lottery. Setting it nationally ensures fairness.

Q11. What is your view on how reductions in council tax for properties adapted for use by people living with a disability could be amended, simplified or improved?

Potentially a fixed amount reduction should be applied, it is questionable whether residential homes should benefit because they are commercial entities. This area needs to be reviewed. Under the current rules occupiers only benefit if they have a 'spare' room which can be used for medical purposes. If they are in a smaller property and must accommodate within existing structure, they are often in cramped and unsuitable conditions yet do not benefit from a discount. Similarly, many disabled adaptations (wet room for example) actually increase the value of a property. We will be interested in the output from the working group in this area.

Q12. Should the Welsh Government be able to amend titles and descriptions of any discount, disregarded person or exemption? Do you think any of the current titles should be changed? What would you consider to be a more appropriate term to replace 'severely mentally impaired'?

This is within the gift of Welsh Government and just needs a commonsense approach. On the final question the exemption might be made in respect of the benefits claimed, Disability Discount for example.

Q13. The Welsh Government expects there to be a continued need to support low-income households in paying their council tax bills. Do you have any views about the design of the current scheme, including whether it should continue to be means-tested? Do you have any general views about the scheme?

This should continue to be a means tested benefit and we understand is the subject of a working group. The overriding principles should be that it is simple to administer and be understandable to recipients of the discount. The approach taken to notification letters is an example of onerous process. Much has been said about the simplified approach of a banded scheme yet in reality these are anything but simple. They are not easily understood and include significant 'cliff edges' for recipients. The current system works well and just needs improving.

Q14. Should Welsh Ministers have a duty to set a national scheme to be administered locally by councils, which allows the Welsh Government to make in-year changes if required?

Yes. Recent events such as the pandemic has shown us that the regulations are unable to adapt to changes that occur throughout the year. This is due to the fact that the regulations are laid and approved and then the local authority is required to adopt that scheme by 31st January each year. No changes can take effect until the

following set of regulations are laid. By Welsh Ministers setting a national scheme then they can make changes (with necessary consultation etc) and can react more effectively to any arising situation.

Q15. Should the existing local arrangements form part of the new national scheme for consistency, whilst acknowledging that councils still retain existing discretionary powers under legislation?

Since there is commonality in how the local arrangements are treated it would make sense that they formed a part of the core scheme to ensure recipients benefit from support in the future. Local Authorities retain a discretionary power anyway under S.13a so can provide additional support should they see fit to do so.

Q16. We would like to know your views on the effects that the proposed policies would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English. What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

It is recognised that the initial proposals that seek to make council tax fairer and more progressive is part of a wider package of reforms. Any measures that make it more affordable for people to remain in their local communities will be beneficial in presenting opportunities to sustain and grow the numbers of Welsh speakers across Wales. It would also contribute towards achieving the Welsh Government's ambition for a million Welsh speakers by 2050 and adhere to the Well Being of Future Generations Act goal of "a Wales of vibrant culture and thriving Welsh Language".

Q17. Please also explain how you believe the proposed policies could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

It is widely acknowledged that the prevalence of second homes in a Local Authority, inflates the valuation of properties. Any changes to the council tax system would ideally provide a level of progressiveness that ensures parity with taxpayers in LAs with lower numbers of second homes. This would assist more people to secure an affordable home in their local community; where they were born and raised and where support networks exist that are conducive to the resilience of local communities and the retention of Welsh culture, history, and traditions.

Q18. We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.

Current CTRS funding

A review of the CTRS cannot be effective without the associated funding being revisited. The £244m Welsh Government allocates each year to local authorities falls way short of the actual cost of the scheme. Whilst accepting it is a joint responsibility and the rising costs of the scheme should have a bearing on council tax setting, rising caseloads and an ongoing national cost of living crisis is only going to make this situation worse.

Lack of committal alternative

A fairer CT would make sanction less likely. Alternative powers were going to be discussed once the loss of committal had taken effect. Following on from the pandemic we understand that Welsh Government is awaiting responses to their commissioned research and will be interested in the findings. Local Authorities find themselves in difficult situations with certain 'won't pay' debtors and all too often end up writing off significant amounts of debt which comes at the costs of all taxpayers.

Greater data sharing powers

Better data sharing, especially between the WRA / LA's/HMRC would benefit all involved in public service delivery. Maybe as part of this government's commitment to 'make council tax fairer' this should be properly explored. We have seen over the last 2.5 years how quick local government can rise to a challenge (business grants, self-isolation payments, winter fuel, cost of living payments) and we would be happy to support any work groups to develop better working arrangements between all public bodies.



Dr Chris Llewelyn
Prif Weithredwr / Chief Executive

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Dyddiad / Date: 6 February 2024

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Rebecca Evans MS
Minister for Finance and Local Government
Welsh Government
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Dear Rebecca,

Consultation on a Fairer Council Tax: phase 2

Thank you for the opportunity to respond to this important consultation.

We discussed this in detail at the WLGA Executive Board Meetings of 24th November and 19th January, respectively. At the last meeting of the Executive Board, the Institute of Fiscal Studies (IFS) presented the impacts on households and council finances of each of the suggested options.

As per our previous response to the Phase 1 consultation, there is broad support for the proposals to make our local taxation system fairer and this further consultation shows the commitment of the Welsh Government to making a regressive system fairer to all taxpayers.

We note that the consultation was supported by a comprehensive piece of analysis undertaken by the IFS, and we welcomed the accompanying detail. The consultation document, however, would have benefitted from incorporating more of this data and analysis within the document itself.

The multiple options presented have not yielded a clear and unanimous response

from the sector. To consult on a set of proposals with a defined implementation date – or an agreed proposal with an option of dates - would have provided you with a clearer view from both councils who will be delivering the reform and the public, who would have a better understanding of the impact.

One issue that provoked much discussion was the impact of council finances and the balance of funding. Council Tax achieves a high collection rate, and it is possible that changes to tax bases will impact, both positively and negatively, on collection rates. In this particularly difficult economic period, we are concerned about the potential impacts and the corresponding changes to local authority funding arising from the impact of changes to tax bases feeding into allocation of core grant which will drastically alter the balance of funding for some authorities. There are downside risks for councils that become more grant-dependent and for those that become CT dependent with consequential losses of income for the latter as no council collects 100% of its tax base. While we are assured that this will be considered and that there will be an opportunity to expand the membership of the Distribution Subgroup to include additional professional expertise, there are complications with the Council Tax Reduction Scheme that may not be resolved in time for a 2025 implementation date.

While there are many arguments to support a slower implementation, one of the weaker arguments is around the cost-of-living crisis as low-income households would benefit from this reform.

In summary, our response is that the Welsh Government should set a defined date for implementation of new tax rates based on a cautious assessment of the risks and then present revised banding options based on latest data from the Valuation Office Agency. Rising mortgage rates have seen house prices decrease and the latest house price data published by the Office for National Statistics shows that the average house price in Wales has reduced over the last 12 months by 2.4% (£213,000 – November 2023).

While our broad view on timing may not be the shared view of all our members, we note that based on information received so far, over a third of authorities prefer an implementation date of 2025 regardless of the scale of reform chosen.

Our detailed responses to the specific questions are appended to this letter.

Yours sincerely,



Councillor Andrew Morgan OBE
WLGA Leader

Annex I

The Welsh Government has published 3 possible approaches for how to design a fairer Council Tax system. We want to ask you about your appetite for reform.

Each of the options has varying and somewhat significant impacts across each of the 22 councils and will impact on their perspective when responding.

The WLGA reiterates our previous response and remains supportive of the policy objective of making Council Tax fairer. The continued use of old property values undermines the credibility of the system and accuracy of property banding ensures councils collect the right amount of tax.

However, we refer back to the previous revaluation exercise effective in 2005 and note that we need to learn from that experience:

- December 2002 consultation outlined proposals for new bandwidths.
- A number of responses indicated concern that the valuation bands were based on values as of August 2002 and needed revising due to market change.
- A further revised proposal went to consultation in June 2003 – these options were supported.
- Change (revaluation) implemented from April 2005.

We feel that at this stage (February 2024), April 2025 is too early an implementation date when we do not have a clear and agreed option presented to us. There is significant additional work involved for revenues teams in the 'modest' and 'expanded' options that go beyond a revaluation exercise. The council taxpayer also needs to understand and be fully prepared for changes beyond a simple revaluation

The Welsh Government has described when the changes could be made to the Council Tax bands and tax rates. Again, we want to ask about your appetite for reform.

As per the response to the question above, the view of councils will be based on their own local situation and potential capacity constraints.

Whilst we accept that this is a difficult time to embark upon change – following a pandemic and cost of living crisis – we note the fact that 20 years have elapsed since the previous revaluation and therefore any change, whenever it is implemented, will be more turbulent than if the 2015 revaluation had proceeded as originally planned.

Is there an option to consider an implementation date of 2026 – this would allow the same period of time, once a banding proposal has been agreed as in 2005?

We again reiterate our support for making Council Tax fairer and maintaining a process of regular revaluations (regardless of a revaluation taking place in 2025 or 2028) ensures the tax remains fair and proportionate and that property values better reflect the property market. We note that the Local Government Finance Bill seeks to put this on a statutory footing so that whenever a revaluation actually takes place, there is a certainty that 20 years will not elapse again.

We feel that the date of implementation should be discussed and decided once a clear set of proposals has been agreed.

Do you agree there should be an overall time-limit on Exemption F to discourage properties being left empty and exempt from Council Tax for an indefinite period?

Yes. Extremely complex cases where an estate is subject to inheritance tax etc. can take several months to a year to complete. However, in many cases it is a straightforward process and can be resolved in a matter of a few weeks.

Leaving a property unoccupied for a considerable amount of time benefits no one as it falls into disrepair and the value reduces accordingly.

What do you consider is a reasonable period for obtaining probate or letters of administration?

We consider a reasonable time limit of 12 months which allows adequate time for the process to be completed in all but the most complex of cases. We would expect this number to be very low.

Which title do you think should replace the term 'severely mentally impaired'?

We accept that the term 'Severely Mentally impaired' needs to be revised. We feel that both suggested alternatives (significant brain impairment/significant brain condition) are acceptable, and our preference is 'significant brain condition'.

Do you agree with the proposed definition to describe a person with a significant brain impairment or condition?

Yes. We agree with the proposed definition and also the intention to provide detailed guidance to ensure the exemption is awarded correctly.

Do you have any views on the qualifying criteria for a person with a significant brain impairment or condition to be entitled to an exemption or disregard?

Any person who satisfies the medical criteria for the exemption should be in receipt of one of the qualifying benefits. However, there are always exceptions. We would like

the assurance that all those who satisfy the medical criteria for the exemption but are not in receipt of a benefit are supported to claim it.

We are content that the medical certification of clinical diagnosis is enough to award the exemption but would like the assurance that there is help available to claim any financial support.

Local Government & Housing Committee: Scrutiny of Local Government Finance Bill

Lisa Hayward, Finance Policy Officer

Welsh Local Government Association - The Voice of Welsh Councils

The Welsh Local Government Association (WLGA) is a politically led cross party organisation that seeks to give local government a strong voice at a national level.

We represent the interests of local government and promote local democracy in Wales.

The 22 councils in Wales are our members and the 3 fire and rescue authorities and 3 national park authorities are associate members.

We believe that the ideas that change people's lives, happen locally.

Communities are at their best when they feel connected to their council through local democracy. By championing, facilitating, and achieving these connections, we can build a vibrant local democracy that allows communities to thrive.

Our ultimate goal is to promote, protect, support and develop democratic local government and the interests of councils in Wales.

We'll achieve our vision by

- Promoting the role and prominence of councillors and council leaders
- Ensuring maximum local discretion in legislation or statutory guidance
- Championing and securing long-term and sustainable funding for councils
- Promoting sector-led improvement
- Encouraging a vibrant local democracy, promoting greater diversity
- Supporting councils to effectively manage their workforce



Response

1. This evidence paper responds to the proposals raised in the recently laid Local Government Finance (Wales) Bill.
2. You will see from our comments that local government is largely supportive of the proposals contained in the Bill.
3. We acknowledge that many of the proposals will be achieved by additional subordinate legislation which will be subject to additional scrutiny processes.

Bill Proposals

4. **The Bill proposes in respect of the non-domestic rates system:**

- **increasing the frequency of revaluations to three-yearly, and a power for the Welsh Ministers to amend the revaluation year and interval between revaluation years through regulations.**

The bill recognises the need for non-domestic rates to be in a more reactive position. The other UK nations are pursuing the same approach to be more responsive to economic turbulence. As stated in the Explanatory Memorandum, increasing the frequency of revaluations strikes a balance between fairness and stability. A regular revaluation process has been sought by the business sector.

We support these proposals.

- **conferring regulation-making powers on the Welsh Ministers to confer, vary or withdraw reliefs.**

Rate reliefs have increased and now account for some £240million per annum providing support to over half of the 128,000 hereditaments in the tax base. In comparison Welsh Government funds the Council Tax Reduction scheme £244million per annum and that currently supports over 260,000 households.

Over half of the hereditaments in Wales have a rateable value of below £6,000 and therefore benefit from Small Business Rate Relief meaning that in most cases they pay no rates at all regardless of the turnover of the business. Properties with a rateable value of between £6,000 and £12,000 can also receive relief on a tapered basis. Again, no consideration is given to the profits made by any of the businesses. This scheme is entirely funded by the Welsh Government.

Once a relief has been in place for a number of years, it becomes difficult to withdraw however we recognise that the Welsh Government has been limited in their powers to amend some existing reliefs. The Bill seeks to change this and to improve the scheme in the future with any changes being submitted to the Senedd for consideration.



We support the proposal to confer regulation making powers to Welsh Ministers to confer, vary or withdraw reliefs.

- **strengthening the eligibility conditions for charitable relief for unoccupied hereditaments.**

Introducing additional eligibility conditions ensures that charitable reliefs are not abused. Providing evidence that the charity is a functioning organisation would not be burdensome and will minimise the potential for non-domestic rates avoidance. This protects the rating pool as a whole and in turn local government funding. This only applies to unoccupied properties and genuine charities already in occupation will be unaffected.

We support strengthening the conditions.

- **expanding the definition of a new building for the purpose of the serving of completion notices by local authorities.**

This proposal is a response to an identified 'gap' in current procedures. Applying a completion notice to a building previously removed from the rating list, will allow it to be returned to the list at a quicker rate therefore preventing unnecessary billing delays for both the authority and liable party.

We support expanding the definition.

- **removing a timing restriction on the awarding and varying of discretionary relief by local authorities.**

Authorities are currently unable to award or change a discretionary decision more than six months after the end of the financial year to which the decision relates. The Bill proposes removing this to allow authorities to apply the relevant relief as appropriate.

We support removing the timing restriction.

- **conferring regulation-making powers on the Welsh Ministers to confer, vary or withdraw exemptions.**

Welsh Ministers currently have limited powers to prescribe exemptions in regulations. A range of exemptions from non-domestic rating are set out in primary legislation. The Bill proposes regulation making powers to provide consistency between reliefs and exemptions and will allow Welsh Ministers to respond and the Senedd to scrutinise accordingly.

We support the proposal to confer regulation making powers to Welsh Ministers to confer, vary or withdraw exemptions.

- **conferring a regulation-making power on the Welsh Ministers to set differential multipliers based on the description, rateable value or**



location of a hereditament on the local list, or the rateable value of a hereditament on the central list.

All hereditaments in Wales are subject to a single multiplier. Whilst local authorities have the power to set a supplement as a funding mechanism, it has never been used outside of London. The Bill seeks to enable differential multipliers to be set under specific parameters which, although not intended to be used yet, can be considered to address future needs.

1. Small businesses – small businesses in England and Scotland are subject to a lower multiplier. If the Welsh Government were able to do this, there could be less demand for Small Business Rate Relief
2. Descriptions in a local list – set a different multiplier in specific sectors that support Welsh Government ambitions. This could also reduce the need for targeted rate relief.
3. Location of hereditament – consideration of geographical factors linked to wider government objectives.

We support this move in principle, however any proposal to set a differential multiplier must be thoroughly explored and debated. We do see the potential benefit yet remain concerned over adding potential complexity to the system.

- **placing a duty on ratepayers to provide certain types of information to the Valuation Office Agency, and making provision for the associated compliance regime; and**

Accurate information is key in ensuring the tax base is up to date and functions effectively. The Bill proposes to place duties on ratepayers to provide regular and specific information to the Valuation Office Agency to ensure that the valuation evidence is constantly updated.

This will mark a change in how ratepayers engage with the Valuation Office Agency and the Explanatory Memorandum details the service development that needs to take place. The Bill needs to provide assurance that this duty will only apply once the service is fully operational in the future.

A penalty regime will also be introduced as a deterrent for non-compliance in line with the operation of other taxes (HMRC).

We support introducing this duty in principle.

- **making provision about counteracting advantages arising from artificial avoidance arrangements.**

Whilst avoidance is not illegal, it is important that the system is not compromised. Introducing a General Anti Avoidance Rule brings the system in line with the HMRC operations and those of the devolved Scottish Government who have a specific rule for non-domestic rates. The intention of the rule is to respond to and counteract avoidance behaviours.

We support this provision.



5. In respect of the council tax system the Bill proposes:

- **providing flexibility for the reference point for 100% in the banding structure to be changed to a different band or a different description of a band.**

The current system has worked well with the 9 (previously 8) band structure. Changing the reference point if needed, will not undermine the stability of the tax system but will ensure it remains easily understood. Renaming the bands could be beneficial should any revaluation provide the evidence for additional bands to be added, particularly at the lower end. The confusion that could arise between, for example A1, A2, A, B could be eliminated by moving the Band D reference point. Having a clear and sequential naming convention promotes transparency and ensures the tax remains easily understood.

We support this provision.

- **conferring powers on the Welsh Ministers to make regulations in respect of discounts and persons to be disregarded.**

As stated, most of the current framework has been in place since the inception of Council Tax in 1993 with fixed percentages of 25/50%. Providing Welsh Ministers with the powers to remove the existing links (i.e. empty property discount must be double one adult %) ensures that the system becomes fairer to all and also reduces complexity.

It is also proposed that powers could be conferred to local authorities to disapply or reduce discounts in certain circumstances – this would help to eliminate the existing confusion that exists within the current system where councils are constrained by legislation yet have discretionary powers in certain areas.

We support this provision to confer powers to Welsh Ministers.

- **placing a duty on the Welsh Ministers to make a single national Council Tax Reduction Scheme through regulations and enabling the Welsh Ministers to issue guidance to local authorities about the way the scheme should be applied.**

The existing Council Tax Reduction Scheme is effective and has stood the test of time in providing ongoing financial support to low-income households. However, recent events have shown the scheme to lack flexibility.

The current mechanism states that each local authority must adopt its Council Tax Reduction Scheme by the 31st of January prior to implementation on the 1st of April. Once a scheme has been adopted, it cannot be changed until the next financial year. During the Covid pandemic and cost of living crisis no additional support could be provided through this mechanism and again, local authorities had to rely on discretionary powers. By placing a duty on Ministers to make a single national



scheme encompassing the areas of local discretion, provides consistency in approach and more importantly, the flexibility to respond to any event that could occur.

The provision of guidance will ensure the regulations are implemented as intended and provide assurance to authorities and taxpayers.

We support this proposal as it alleviates pressure on local authorities.

- **establishing a five-yearly cycle of revaluations, and a power for the Welsh Ministers to amend the revaluation year and interval between revaluations, as well as to amend the date of draft list publication via order; and**

Establishing a regular revaluation process ensures that taxpayers are paying a charge that is relative to the current economic climate. We have seen from Non-Domestic rates that the need to be reactive to financial and economic change is being sought across the home nations. By applying the same principles to Council tax ensures all taxpayers are treated fairly.

Having waited 20 years for a revaluation there is naturally concern around the potential individual impacts. Moving to a regular revaluation cycle provides assurance that the correct tax is charged, and property band is being revised to reflect the current situation.

We support this provision as it introduces a mechanism to react to the current economic climate.

- **replacing the current requirement to publish information in newspapers with a requirement to publish a notice of the council tax charges on the local authority's website and put suitable alternative arrangements in place to ensure that such information is accessible to citizens who have difficulty accessing online facilities.**

Printed press, especially at a local level, has been in decline for a number of years. When this provision was introduced in 1992 there was no alternative method of mass communication however it has been replaced by the digital and social media. It's estimated that the annual spend on publishing information is around £33,000 which is not a significant amount, yet it does not yield any tangible benefits. There is no evidence as to how many have read the article.

The Bill proposes to replace this provision with the requirement that the local authority publishes information on its website and puts in place arrangements for those who do not use online channels. Local authorities are well experienced in ensuring accessibility to information held electronically is available to those digitally excluded.

We support replacing this requirement.



Cleared by: Councillor Anthony Hunt, WLGA Finance Spokesperson

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Concise Minutes – Local Government and Housing Committee

Meeting Venue:

Committee Room 5

Meeting date: Thursday, 25 January 2024

Meeting time: 09.03 – 14.33

This meeting can be viewed

on [Senedd TV](#) at:

[http://\[REDACTED\].tv/en/13675](http://[REDACTED].tv/en/13675)

Hybrid

Attendance

Category	Names
Members of the Senedd:	John Griffiths MS (Chair) Jayne Bryant MS Luke Fletcher MS Joel James MS Sam Rowlands MS Carolyn Thomas MS
Witnesses:	Lakshmi Narain, Chartered Institute of Taxation Stuart Adam, Institute for Fiscal Studies Llyr ap Gareth, Federation of Small Businesses Carolyn Bartlett, Valuation Office Agency Carolyn Dawson, Valuation Tribunal for Wales Matthew Evans, The Institute of Revenues Rating Robin Osterley, Charity Retail Association Lisa Hayward, Welsh Local Government Association (WLGA)



Senedd Cymru
Welsh Parliament

	Matthew Phillips, Welsh Local Government Association Jonathan Russell, Valuation Office Agency Susan Morgan, Welsh Local Government Association Robin Williams, Welsh Local Government Association Morgan Schondelmeier, Welsh Beer and Pub Association
Committee Staff:	Catherine Hunt (Clerk) Angharad Era (Deputy Clerk) Rachael Davies (Second Clerk) Ben Harris (Legal Adviser) Osian Bowyer (Researcher)

1 Introductions, apologies, substitutions and declarations of interest

1.1. The Chair welcomed Members to the meeting of the Local Government and Housing Committee.

2 Local Government Finance (Wales) Bill – Evidence session 1

2.1 The Committee received evidence from:

Stuart Adam, Institute for Fiscal Studies

Matthew Evans, Institute of Revenues Rating and Valuation

Lakshmi Narain, Chartered Institute of Taxation

3 Local Government Finance (Wales) Bill – Evidence session 2

3.1 The Committee received evidence from:

Jonathan Russell CB, Chief Executive Officer, Valuation Office Agency

Carolyn Bartlett Chief Strategy and Transformation Officer, Valuation Office Agency

Carolyn Dawson, Chief Executive, Valuation Tribunal for Wales

4 Local Government Finance (Wales) Bill – Evidence session 3

4.1 The Committee received evidence from:

Lisa Haywood, Finance Policy Officer, Welsh Local Government Association

Matthew Phillips, Head of Service – Revenues & Benefits, Rhondda Cynon Taf County Borough Council, Welsh Local Government Association

Councillor Susan Morgan, Torfaen, Welsh Local Government Association

Councillor Robin Williams, Ynys Mon, Welsh Local Government Association

5 Local Government Finance (Wales) Bill – Evidence session 4

5.1 The Committee received evidence from:

Llyr ap Gareth, FSB

Robin Osterley, Chief Executive, Charity Retail Association

Morgan Schondelmeier, Welsh Beer and Pub Association

6 Papers to note

6.1 Letter from Cymorth Cymru – Welsh Government Draft Budget 2024–25

6.1a The Committee noted the letter.

6.2 Letter from the Minister for Climate Change – SICM(6)4 – The Social Housing (Regulation) Act 2023 (Consequential and Miscellaneous Amendments) Regulations 2024

6.2a The Committee noted the letter.

7 Motion under Standing Order 17.42 (vi) to resolve to exclude the public from the remainder of this meeting

7.1 The Committee agreed the motion.

8 Local Government Finance (Wales) Bill – Consideration of evidence

8.1 The Committee considered the evidence.

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