

19th January 2024

LOCAL GOVERNMENT FINANCE (WALES) BILL – SUMMARY OF CONTENTS AND RESPONSE

Purpose

1. This paper provides a summary of the proposals in the recently laid [Local Government Finance \(Wales\) Bill](#). The WLGA views on the proposals are stated after each objective and will be submitted to the Local Government and Housing Committee if approved by members.
2. An evidence session with the committee is scheduled for Thursday 25th January 2024.

Recommendations

3. Members are asked to:

- 3.1 Consider the draft response at Annex I and to agree on a suitable collective view.**

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DRAFT CONSULTATION RESPONSE

Contents of Bill

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.

- 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

- 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.
- 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

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.

4. 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.