

Council Tax Revaluation and Rebanding 2005 Chronology and Facts

1. POLICY CONTEXT

- **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;
- It was agreed with local government were that there should be:
 - No increase in council tax yield or a decrease in the all Wales taxbase.
 - The revaluation and rebanding exercise should not, in itself, be a reason to increase council taxes.
 - The key aim of revaluation should be fairness to the council taxpayer.
- **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;
- 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.

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- **March 2002**, the Welsh Assembly Government's policy statement "Freedom and Responsibility in Local Government" (FAR) was issued. This stated that a revaluation and rebanding exercise should be undertaken to maintain the credibility of the council tax system. The Wales Local Government Association (WLGA) was consulted during the drafting of FAR. No specific comments were received on council tax revaluation at that time. In responses to the consultation, revaluation and rebanding was supported;
- The final FAR document, published in March 2002, reflected the Cabinet's views. Chapter 7 paragraph 7.3 states – *"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 1 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."*;
- **April 2002** 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"*

2. PREPARATION STAGE

- **May 2002** - Council Tax Revaluation Working Group (CTRWG) was established. The Assembly Government recognised the importance of working in partnership with those in local government who understand and operate the system on the ground. Five meetings of CTRWG were held between May and October 2002.
- **December 2002** – the Assembly Government published a consultation paper that contained proposals for new bands. In the light of responses to this consultation, the Minister for Local Government and Communities decided that a new set of bands should be constructed using the most up to date information available, leading up to the antecedent valuation date of 1st April 2003 (the date by which all valuations would be undertaken).

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- **June 2003** – the Assembly Government published a second consultation paper that contained proposals for new bands and the proposal for the introduction of a new valuation band (Band I) for Wales' most expensive homes.
- **July 2003** - 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

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meeting in the autumn and to provide figures on the funding available to the VOA.

- **September 2003** - the Local Government Act 2003 was enacted. Section 77 amended section 22A of the Local Government Finance Act 1992 by including provision for new valuation lists to be compiled in Wales on 1 April 2005.
- **October 2003** – 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.

- **November 2003** - The Council Tax (Valuations Bands) (Wales) Order 2003 was approved by the National Assembly.

3. IMPLEMENTATION AND CONSEQUENCES

- **How bands established**
 - Sample sales data was used to calculate the average current sale value for each band. These averages were then used to set the upper limits for each of the new bands.
 - The basic premise was to set up the upper limit of each band at set points between the current average sale value for each band. The set points considered were 40%, 50% or 70% between the average sale values. Put simply, if the average current sale value for bands A and B were £35,000 and £53,000, then 50% between these averages would be £44,000. The new upper limit for band A would therefore be £44,000 using the 50% option.

- The upper limit for band H was set at the median value of the sales data. This effectively split the existing band H into two equal halves.
- **Difference between estimates and actual**
 - Original estimates were that approximately 25% of properties would go down a band 50% stay the same and 25% up.
 - The draft valuation list showed that 66.6% (or two thirds) of all Welsh homes rose in line with or below the national average prices. This compares with the original estimate of 75%.
 - Of the 33% (or one third) of homes that moved up the banding system, the vast majority (85%) moved up one band only.
 - There was also some inherent variability between a banding value (calculated by the selling information within the locality) which is an estimate given by the VOA and the actual selling price of a property.

4. Key Facts and Figures

- Average band D council tax for Wales for 2005-06 is £921. This includes £762 for county councils, £138 for police authorities and £21 for community councils. Figures for billing authorities, including the police authority elements, vary from £734 in Pembrokeshire to £1,128 in Neath Port Talbot.
- County council increases in band D council tax for 2005-06 average £29 or 3.8%. Police authority increases average £5 or 3.7%. These increases combine to produce an average band D rise of £34 or 3.8%. This is the lowest increase since the start of council tax in 1993-94.
- Gwynedd has the largest county council element increase at £64 or 8.7%. Cardiff has the only county decrease at -£4 or -0.6%. The police authority with the largest increase is North Wales with an increase of £7 (4.9%). Dyfed Powys has the smallest police authority increase at £0.45 (0.3%) .
- The rates of increase for England and Wales have been very similar over the last 2 years, at around 6% and 4% (chart 3). The average band D council tax in Wales is now around ¾ of the latest estimated figure of £1,214 for England.
- Budget requirements have increased on average by 6% for counties and 5% for police.

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- Council tax income has increased by 10% for counties and 9% for police. This is met in part by the 4% increase in band D council tax and in part by properties moving up the banding system following revaluation. Band movers account for around 6% of the increase in council tax income.
- The increase in council tax income has meant that the proportion of budget met from council tax has increased from 20% to 21% for counties and from 27% to 29% for police. This varies by county from 17% for Newport to 30% for Monmouthshire. Police authorities vary from 23% for South Wales to 35% for North Wales.

The average amount of council tax per band in Wales and England for 2005

	A	B	C	D	E	F	G	H	I
Wales	614	716	819	921	1,126	1,330	1,535	1,842	2,149
England	809	944	1,079	1,214	1,484	1,753	2,023	2,428	-

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Band Movements Resulting From 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 Taff	—	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

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Billing authority	Bands - Down by				Stayed the same	Bands - Up by				Bands - Down by Total
	4 or more	3	2	1		1	2	3	4 or more	
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
Total	15	86	2,502	102,780	773,305	374,959	55,566	6,608	1,627	1,317,448

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