

Agenda – Y Pwyllgor Llywodraeth Leol a Thai

Lleoliad:	I gael rhagor o wybodaeth cysylltwch a:
Ystafell Bwyllgora 5	Catherine Hunt
Dyddiad: Dydd Iau, 25 Ionawr 2024	Clerc y Pwyllgor
Amser: 09.00	0300 200 6565
	SeneddTai@senedd.cymru

(Rhag-gyfarfod 08.45 – 09.00)

- 1 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau**
(09.00)
- 2 Bil Cyllid Llywodraeth Leol (Cymru) – Sesiwn dystiolaeth 1**
(09.00 – 10.00) (Tudalennau 1 – 79)
Stuart Adam, Sefydliad Astudiaethau Cyllid
Matthew Evans, y Sefydliad Ardrethu a Phrisio Refeniw
Lakshmi Narain, Sefydliad Siartredig Trethu

(Egwyl – 10.00 – 10.15)

- 3 Bil Cyllid Llywodraeth Leol (Cymru) – Sesiwn dystiolaeth 2**
(10.15 – 11.15)
Jonathan Russell CB, Prif Swyddog Gweithredol, Asiantaeth y Swyddfa Brisio
Carolyn Bartlett Prif Swyddog Strategaeth a Thrawsnewid, Asiantaeth y
Swyddfa Brisio
Carolyn Dawson, Prif Weithredwr, Tribiwnlys Prasio Cymru

(Egwyl 11.15 – 11.30)

- 4 Bil Cyllid Llywodraeth Leol (Cymru) – Sesiwn dystiolaeth 3**
(11.30 – 12.30) (Tudalennau 80 – 86)



Lisa Haywood, Swyddog Polisi Cyllid, Cymdeithas Llywodraeth Leol Cymru
Matthew Phillips, Pennaeth Gwasanaeth – Refeniw a Budd-daliadau, Cyngor
Bwrdeistref Sirol Rhondda Cynon Taf, Cymdeithas Llywodraeth Leol Cymru
Y Cynghorydd Susan Morgan, Torfaen, Cymdeithas Llywodraeth Leol Cymru
Y Cynghorydd Robin Williams, Ynys Mon, Cymdeithas Llywodraeth Leol
Cymru

(Egwyl 12.30 – 13.15)

- 5 Bil Cyllid Llywodraeth Leol (Cymru) – Sesiwn dystiolaeth 4**
(13.15 – 14.15) (Tudalennau 87 – 100)
Llyr ap Gareth, Ffederasiwn Busnesau Bach
Robin Osterley, Prif Weithredwr, Charity Retail Association
Morgan Schondelmeier, Welsh Beer and Pub Association
- 6 Papurau i'w nodi**
(14.15) (Tudalen 101)
- 6.1 Cyllideb Ddrafft Llywodraeth Cymru 2024–25 – Llythyr gan Cymorth Cymru**
(Tudalennau 102 – 103)
- 6.2 SICM(6)4 – Rheoliadau Deddf Tai Cymdeithasol (Rheoleiddio) 2023**
(Diwygiadau Canlyniadol ac Amrywiol) 2024 – Llythyr gan Y Gweinidog Newid
Hinsawdd
(Tudalen 104)
- 7 Cynnig o dan Reol Sefydlog 17.42(vi) i benderfynu gwahardd y
cyhoedd o weddill y cyfarfod**
- 8 Y Bil Cyllid Llywodraeth Leol (Cymru) – trafod y dystiolaeth**
(14.15 – 14.45)

Mae cyfyngiadau ar y ddogfen hon

Local Government Finance (Wales) Bill

Submission to Senedd Local Government and Housing Committee

Stuart Adam and David Phillips, Institute for Fiscal Studies

Preamble

1. Stuart Adam is a Senior Economist at the Institute for Fiscal Studies (IFS), working in the tax sector. David Phillips is an Associate Director at the IFS, leading its work on devolved and local government finance. All views stated in this submission are those of the authors; the IFS has no corporate views on these or other issues.
2. This response focuses on a subset of the questions the Committee has sought views on. It is accompanied by the Executive Summary of the IFS's recent report examining the potential impacts of revaluing and reforming council tax in Wales, focusing on the approaches set out in the Welsh Government's consultation. The full report and accompanying spreadsheets are available for download here: <https://ifs.org.uk/publications/assessing-welsh-governments-consultation-reforms-council-tax>.

General comments

3. One of the key aspects of the bill is to grant Ministers regulation-making powers on a wide range of issues: the provision and generosity of non-domestic rates reliefs and exemptions; the timing of non-domestic rates revaluations; the multipliers applied to different types of non-domestic properties; and the provision and generosity of council tax discounts and disregards. The explanatory memorandum also states that Ministers would have the power to vary the timing and/or cycle length of council tax revaluations, although it is not clear whether this would be via regulations laid before the Senedd.
4. The justification for these regulation making powers is to enable Ministers to respond flexibly and promptly to changing circumstances and policy priorities. The Welsh Government also highlights the potential to rationalise the legislative treatment of non-domestic rates reliefs, where some are defined under primary legislation and others via local authorities' general discretionary powers conferred under primary legislation. These need to be traded off against: (a) the reduced opportunities for scrutiny and debate for changes made via regulation as opposed to primary legislation, and (b) the potential benefits of limiting Ministers' discretion to tinker with policy, whether that be by frequently changing reliefs and exemptions (which causes instability and uncertainty) or repeatedly postponing important but sometimes politically difficult revaluations of properties.
5. We are not best placed to say how these factors should be traded off. However, we note that the regulation-making powers granted in the Welsh Tax Acts (Power to Modify) Act are to be used only in particular circumstances: (a) to comply with international obligations; (b) to protect against tax avoidance; (c) to respond to changes made by the UK government; and (d) to respond to courts and tribunals. It may be possible to set out similarly a set of circumstances when the regulation-making powers and other discretionary powers granted under the Local Government Finance Bill could be utilised to reduce the risk they are used in ways that the Senedd deems inappropriate.

Revaluation

6. The bill proposes to increase the frequency of revaluation of non-domestic properties to a 3-yearly cycle, by default, and introduce 5-yearly cycles of revaluations for domestic property (i.e. council tax). Both would represent improvements on the current system from a policy perspective, but would entail some additional administration costs.
 - a. Moving from 5-yearly to 3-yearly cycles for business rates would mean that tax bills can, in principle, respond more quickly to changes in economic circumstances and the resulting changes in rental values – although responsiveness in practice will still depend on the design of transitional relief schemes. Aligning with revaluations being undertaken in England may also have some benefits in terms of minimising costs. However, as the explanatory note explains, more frequent revaluations would entail some additional valuation and administration costs. More frequent revaluations would also see bills change more often in ways that businesses might find hard to predict, but the changes should generally be smaller than at less frequent revaluations and so easier to respond to. Determining the appropriate revaluation cycle therefore involves trade-offs. We are not well placed to fully judge that trade-off, though we note that the cost of more frequent revaluations should be lower now given the increasing use of computer-based statistical modelling.
 - b. Introducing a regular revaluation cycle for council tax would help avoid the current situation whereby council tax is based on the relative value of properties more than 20 years ago – a period of time which means that over 40% of properties are now effectively in the wrong band. Undertaking revaluations on a predictable cycle rather than an ad hoc basis would have several important benefits. It would help households to plan – including when buying and selling properties. It would also help the Valuation Office Agency and local authorities to plan. And it would hopefully increase the likelihood of revaluations actually taking place.
 - c. Revaluing properties more frequently than the suggested 5 years would more closely align council tax bills with contemporaneous property values (the underlying tax base). However, as with non-domestic rates, more frequent revaluations would entail additional valuation and administration costs. More frequent revaluations would also see bills change more often in ways that households might find hard to predict, but the changes should generally be smaller than at less frequent revaluations and so easier to respond to. Determining the appropriate revaluation cycle therefore involves trade-offs. We are not well placed to fully judge that trade-off, though we note that the cost of more frequent revaluations should be lower now that valuations are mostly based on computer modelling rather than manual assessments.
 - d. Under the current 5-year Senedd terms, a 5-yearly cycle could be aligned so that revaluations took place at a point in a term where there would be least political pressure to cancel or postpone it, which may help ensure it actually takes place. This may suggest that from a political perspective, a 4-yearly cycle could be better than a 5-yearly cycle if the Senedd moves to 4-yearly elections as planned.
7. The explanatory note to the bill says that Ministers will have the power vary the timing and/or cycle length of council tax revaluations. Given experience across the UK of how politically difficult it is to keep council tax up-to-date, there is a risk that if this power is unconstrained, revaluations will be repeatedly postponed.

Non-domestic rate multipliers

8. The bill allows for different multipliers to be set for different properties (based on value, type/usage and location, for example). The stated aim is to allow Ministers to support or disincentivise particular sizes and types of businesses and particular locations. We would note that:
 - a. Reliefs can be used to give effect to lower tax rates already, and can vary by size, type/use and location of property. There is currently no mechanism to charge higher-than-standard tax rates, so this would be a new power under the proposals. The Committee may wish to consider whether transparency and scrutiny would be served better by having varying multipliers (tax rates), or through having reliefs and premiums applied to the standard multiplier. Both of these approaches can be used for the same practical effect but may be interpreted differently by taxpayers and other stakeholders.
 - b. It is unclear whether applying different non-domestic rates multipliers to particular properties would achieve the types of objectives the Welsh Government envisions. While temporary and/or sectorally targeted reductions in rates are likely to benefit the occupiers of properties, long-standing and broad reductions in rates are likely to largely benefit landlords as rents are bid up, as the lower cost of rates increases the demand for properties. On the other hand, a revolving series of multiple temporary and highly targeted reliefs would increase the complexity of the business rates system, and distort the commercial property market. In general, the aim should be to simplify the non-domestic rates system rather than complicate it further.

Council tax reference band

9. Current legislation requires that Band D be the reference band for council tax. In principle this need not constrain the design of banded tax systems – as with the approaches set out in the Welsh Government’s consultation, one can add new bands below D and label them, for example, “A1”, “A2”, etc. However, the flexibility to use a different naming convention may make it easier to communicate more radical reforms of the council tax system.
10. Ultimately, more important than the reference band and naming conventions is the design of the council tax rate structure. From a policy perspective, systems with many more bands or based on continuous (point) values rather than bands would be better than the current system. Such systems would allow tax bills to be aligned more closely with property values, avoiding the situation under the current system whereby properties with very similar values can see tax bills that are hundreds of pounds different if they either side of a band threshold. Systems with many more bands or point values would also make it easier to make council tax less regressive: currently, making it less regressive overall increases the size of the jumps in bills at the small number of tax band thresholds that exist. In other words, there is currently a trade-off between vertical equity (making the tax less regressive) and horizontal equity (avoiding big differences in bills just either side of band thresholds), which could be ameliorated with systems with many bands or avoided completely with point values.

Final Point

11. While this Inquiry is focused on the Local Government Finance Bill rather than the ongoing consultation on council tax reform, we have attached the summary of our analysis of the approaches to reform set out in that consultation.

Assessing the Welsh Government's consultation on reforms to council tax

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Preface

This report analyses and appraises examples of the potential approaches to council tax being consulted upon by the Welsh Government. The particular examples that are analysed were developed by the Welsh Government and IFS researchers to illustrate the kinds of effects the different approaches to reform could have on the average council tax bills faced in different parts of Wales and by different household types. It is important to note that these are just examples, though, and any revaluation or reform that may be implemented could differ, not least as a result of responses received as part of the Welsh Government's consultation exercise. The consultation document ('A Fairer Council Tax – Phase 2 Consultation') and questions can be found on the Welsh Government's website: <https://www.gov.wales/fairer-council-tax-phase-2>.

The analysis uses initial data on estimated property values and characteristics provided by the Valuation Office Agency via the Welsh Government, and data from the Understanding Society survey. Understanding Society is an initiative funded by the Economic and Social Research Council and various Government Departments, with scientific leadership by the Institute for Social and Economic Research, University of Essex, and survey delivery by NatCen Social Research and Kantar Public. The research data are distributed by the UK Data Service.

The Welsh Government provided funding for this analysis of the potential impacts of revaluing and reforming council tax. The authors also gratefully acknowledge funding from the ESRC Centre for the Microeconomic Analysis of Public Policy (ES/T014334/1).

The authors thank Paul Johnson and officials from the Welsh Government and the Valuation Office Agency for helpful comments on earlier drafts of this report. However, all opinions (unless otherwise stated), as well as any errors or omissions, are the responsibility of the authors alone: the IFS has no corporate views and the Welsh Government's consultation document sets out its position on the revaluation and reform of council tax.

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Executive summary

The Welsh Government is consulting on a range of possible approaches to council tax reform, some of which would represent the most radical reforms to council tax anywhere in the UK since this tax was introduced in 1993. The bar is pretty low, though. The English system is virtually unchanged from the initial system put in place. The Scottish system has seen modest increases in the relative tax rates applied to properties in Bands E to H, but like in England, bands are still based on 1991 values. The Welsh Government is the only one to have revalued properties before – in 2005, based on 2003 values – when it also introduced an additional band (Band I) for the most valuable 0.4% of properties but otherwise left the structure of the tax unchanged.

The Welsh Government's consultation document provides three examples of possible reforms – although it notes that the choices are infinite. The first example is a simple revaluation, placing properties into bands based on up-to-date values and updated band thresholds set so that the same fraction of properties across Wales as a whole are in each band as now. The second and third examples go further by reducing the tax rates applied to low-value properties and increasing them on high-value properties to make the tax less regressive with respect to property value than is currently the case, and potentially adding up to three new tax bands. Planned legislation would also put in place provisions for regular revaluations in future, initially every five years.

This report analyses and appraises the possible approaches to council tax reform that the Welsh Government is consulting on, and compares them with a system where the tax rate applied to each band is proportional to the value of properties in that band – which is a useful benchmark to consider to what extent the reforms would address the regressivity of the existing council tax system. It also briefly describes the role the Institute for Fiscal Studies (IFS) has played in helping the Welsh Government model the impacts of different scenarios as it has developed its consultation.

It has been clear from the lack of any revaluation in both England and Scotland that change to council tax is politically difficult. Whatever our views about the 'ideal' system, we welcome the fact that the Welsh Government has felt able to work openly with us and others on developing the analytical basis for reform, and is consulting on a range of reform approaches that would improve the current system – some more than others. Governments in Westminster and Holyrood could learn a lot from this example.

The Welsh Government's consultation

Council tax in Wales is forecast to raise about £2.1 billion in net revenue in 2023–24, an average of just over £1,400 for each of the 1.5 million households in Wales.

Properties in Wales are currently placed into one of nine bands (A to I) for council tax purposes, with the Welsh Government setting the relative tax rates for different bands, and local councils (and police authorities) determining the overall level of council tax in each area by setting the tax rate for a Band D property. There is a range of discounts and premiums for different kinds of households/properties, the biggest of which (a 25% discount for one-adult households and a means-tested council tax reduction scheme, CTRS) are Wales-wide schemes but some of which are at local discretion.

Council tax bands in Wales are based on property values in April 2003 – 20 years ago. That is more up to date than in England and Scotland, where they are based on values in April 1991. But it is still enough time for the relative values of different properties to change significantly. For example, the Office for National Statistics' House Price Index implies that average property values increased by over 270% between April 2003 and April 2023 in Blaenau Gwent and Merthyr Tydfil, but by less than 135% in Conwy, Flintshire and Wrexham over the same period.

Moreover, while the difference in (2003) values between a property in Band A and a property in Band I is at least 9.5-fold, the difference in tax bills is just 3.5-fold. Council tax is therefore both increasingly out of date and arbitrary, and highly regressive with respect to property values. In other words, it is ripe for revaluation and reform.

Following on from a previous consultation on the broader principles for reform, the Welsh Government's new consultation document sets out three possible approaches:

- (1) **Minimal reform:** a pure revaluation, where properties would be placed into one of nine bands based on estimates of their up-to-date values, and where band thresholds would be updated so that the same fraction of properties would be in each of the nine bands as now across Wales as a whole.
- (2) **Modest reform:** a less regressive, revalued 9-band system, where in addition to the steps taken in (1), the tax rates applied to Bands A to C would be reduced relative to the Band D rate, and those applied to Bands E to I would be increased.
- (3) **Expanded reform:** a less regressive, revalued 12-band system, where properties would be placed into one of 12 new bands based on estimated up-to-date values, and where there would be one additional band at the bottom (A1) and two additional bands at the top (J and K) of the value distribution, with Bands A1 to C facing lower relative tax rates and Bands E to K facing higher relative tax rates than presently.

The Welsh Government's consultation document sets out illustrative tax bands for each of these approaches, based on the initial estimates by the Valuation Office Agency (VOA) of property values as of April 2023. The consultation document does not provide information on the relative tax rates that would be applied to these different tax bands, reflecting the fact that the Welsh Government is seeking the widest possible views on the scale of reform that should be undertaken. In order to model the quantitative effects of the different approaches, the IFS worked with the Welsh Government to help identify a set of illustrative example tax rates for each tax band for the three approaches, which we use in this report. The rates and thresholds used in any eventual reform, however, may differ from the examples analysed here.

The 'minimal' reform (a pure revaluation) would bring council tax up to date, so that the bill for a property reflected its current value rather than its value 20 years ago; but on its own it would do little to reduce the regressivity of the system. The example 'modest' and (especially) 'expanded' reforms would somewhat reduce the regressivity of the system. But both would still be some way short of making council tax liabilities proportional to property value (a benchmark against which we compare the different example reforms).

A revaluation would reduce bills for properties which have seen their value increase by less than average over the last 20 years, and increase them for properties which have seen their value increase by more than average. The potential reforms to make it less regressive would reduce bills for low-value properties and increase them for high-value properties.

The impact on bills, though, would also depend crucially on how Welsh councils respond to the changes in tax bases and grant funding generated by any reforms enacted – and, in particular, on the Band D council tax rates that they set. The Welsh Government intends the reforms to be revenue-neutral, not a revenue-raising exercise; but that is not within its control, unless it dictates the Band D rates that councils set. While the Welsh Government would not use the revaluation and reform of council tax to change the total grant funding provided to councils, grants would be redistributed among councils in line with the changes in their council tax bases in order to reflect changes in their assessed ability to raise their own revenue through council tax. Councils seeing a change in their grant funding might respond by adjusting their spending on local services or by raising more/less in council tax to offset the change in grant funding. If councils seeing increases and decreases in grant funding respond asymmetrically, overall average bills and therefore aggregate council tax revenue (and spending on local services) may go up or down.

In this report, we assume that councils hold spending on local services fixed – adjusting the council tax they raise to offset changes in grant funding and thus keep their total revenue the same as in the absence of reform – implying that revaluation and reform in themselves would be revenue-neutral across Wales as a whole. As in years without reforms to council tax, though, the

overall amount raised from council tax in the year any reform is implemented would likely increase in cash terms as rising costs and demands increase councils' revenue requirements. Such increases would be likely irrespective of whether revaluation and reform take place.

Impacts on different parts of Wales

1. There are large disparities across Welsh councils in the share of properties in each council tax band – more than 58% of properties in Blaenau Gwent are currently in Band A, compared to just 1% in Monmouthshire. Revaluation based on 2023 property values would not change the fact that there are large disparities across councils, but would reflect how those have changed since 2003.
2. The South Wales Valleys, and rural areas in general, have seen bigger increases in property values than other parts of Wales, and so revaluation (the minimal reform approach) would reduce the number of low-band properties in these areas (although some individual properties would still go down bands). By contrast, Cardiff, Swansea and North East Wales have seen slower growth in property values and so would see more properties in lower bands (although some individual properties would still go up bands).
3. Assuming that grant funding were redistributed in line with the changes in tax bases implied by these band movements, and councils set their tax rates so that their total funding (from council tax and grants) were the same as in the absence of reform, under a pure revaluation (the minimal reform approach), changes in average bills would mirror the pattern of band changes. Average bills would increase in the Valleys (for example, by 6% in Merthyr Tydfil) and many rural areas (by 5% in Gwynedd and the Isle of Anglesey), and fall in Cardiff, Swansea the North East Wales (for example, by 8% in Denbighshire).
4. Changes in bills under a less regressive council tax would depend on the level of property values as well as how they have changed since 2003. For some councils, where property values are high relative to the rest of Wales and have increased a lot since 2003, such as Monmouthshire and the Vale of Glamorgan, both these factors would increase average bills under revalued, less regressive council tax systems. For other areas where values are low and have increased little, such as Denbighshire and Swansea, both factors would reduce average bills. But for areas where values have increased a lot but remain low (such as much of the Valleys), or have increased by less than average but remain high (such as Cardiff), the two factors will work in

opposite direction. Whether average bills would increase or decrease in these areas would depend on how much less regressive council tax was made.

5. The example expanded reform, a 12-band system with less regressive tax rates, would see average bills rise most in Monmouthshire (+16%) and the Vale of Glamorgan (+15%) and fall most in Blaenau Gwent (-12%) and Denbighshire (-11%). Average bills would also rise by 5%–7% in Cardiff, Gwynedd, the Isle of Anglesey, Pembrokeshire and Powys, and fall by 5%–9% in Flintshire, Neath Port Talbot, Rhondda Cynon Taf, Swansea and Wrexham. The example modest reform (a 9-band less regressive system) would see a similar pattern of increases and reductions in average bills across councils, albeit with the magnitude of effects being smaller than under the example expanded reform. Both of these systems would mean considerably smaller changes than under the 12-band proportional system, which would see average bills increase by over a quarter in Monmouthshire and the Vale of Glamorgan and fall by over a fifth in Blaenau Gwent.
6. Within councils, there would be different impacts on different neighbourhoods ('lower super output areas' or LSOAs). For example, parts of inner-city Cardiff and much of Swansea would see falls of £250–£500 in average annual bills under the example expanded reform, whereas the more expensive suburban areas of Cardiff and western Swansea would see average bills increase by that amount or more. Similarly, while average bills would increase in most parts of predominantly rural counties in mid, north and west Wales, they would decrease in many of the main towns in these counties.
7. In general, more deprived neighbourhoods would see their average bills fall under reforms that reduce the regressivity of the tax rates. More rural (sparsely populated) neighbourhoods would see average bills increase under these reforms as well as under minimal reform, because these areas have higher property values and have seen bigger increases since 2003.
8. The majority of households would see their gross council tax bill (i.e. before any discounts or premiums) fall under reforms that make the council tax system less regressive. Under the example expanded reform, more households would see their gross bill fall than rise for the most deprived seven-tenths of neighbourhoods. And only the most rural tenth of neighbourhoods has more households that would see an increase in their gross bill than a decrease.

Impacts on different household types

9. The data available to us mean that we cannot look at the fraction of households seeing decreases or increases in their *net* council tax bill (that is, after premiums and discounts, including means-tested support) by council area or neighbourhood, but we can do this for Wales as a whole, and for different household types. Across Wales as a whole, under the minimal reform (pure revaluation), around 60% of households would see their net council tax bill change by less than £50 per year under minimal reform, with roughly equal numbers seeing decreases or increases of more than this amount. Under the expanded reform approach, around 40% of households would benefit from a reduction in their net bill of at least £50, compared to around 28% that would see an increase of at least £50. Having more winners than losers from a revenue-neutral reform is possible because the average increase in annual net bill among those seeing an increase of more than £50 (£442) would be bigger than the average cut in net bill among those seeing a cut of more than £50 (£312).
10. Reforms that reduce the regressivity of council tax with respect to property value are also progressive with respect to household income. The example expanded reform would reduce average net bills by £27 per year (0.16% of household income) for the poorest fifth of households and £90 per year (0.36% of household income) for the next poorest fifth. In contrast, it would increase average net bills for the richest fifth by £174 per year (0.19% of household income). The example modest reform would have qualitatively similar impacts, albeit smaller in magnitude, but a pure revaluation, the minimal reform approach, would have very small impacts across the income distribution, on average.
11. Similarly, a pure revaluation would not have systematic effects across different household types. Less regressive systems would, on average, reduce net bills for younger households, single-adult households, those receiving disability benefits, and renters – although there would be some households among these groups facing increases. Correspondingly, other groups such as older households, couples and owner-occupiers would face an increase in average bills – although there would be many households among these groups seeing a tax cut, particularly those with low-to-middle incomes. Both the example modest and expanded reforms would still be some way short of a proportional system, under which changes in average bills for different types of households would be substantially larger.
12. The majority of low-income households would see very little change in their net bill from revaluation and reform, since their council tax bill is often fully covered by CTRS. Those that do see a significant change are more likely to gain than lose. This includes

low-income pensioners and, to a lesser extent, low-income residents of the more expensive parts of Wales.

Impacts on rents and property values

13. The council tax bill for a property will affect how much households are willing to pay to live in it. We would expect council tax reform to lead to increases in market rents for properties whose bills fall, and falls in rent for properties whose bills increase, in effect passing some or all of the gain/loss from tenants to landlords. As a result, the example modest and expanded reforms would be less progressive than analysis of changes in bills alone would suggest since landlords (who would benefit from rent increases) are generally richer than renters (whose council tax bills would be reduced).
14. Counterintuitively, low-income tenants whose council tax bills are partly or wholly covered by CTRS could lose out if the gross council tax bill on their property is *reduced*. This is because they would not benefit from the bill reduction themselves (because their CTRS entitlement would change pound-for-pound) but could see their rent increased (because other potential renters of the property, not on CTRS, would be willing to pay more given the lower council tax bill). Discretionary housing payments could be used on a case-by-case basis to provide support to households on CTRS seeing big increases in rent following reductions in the gross council tax bill due on their property.
15. In a similar manner to rents, revaluation and reform will almost certainly affect property prices: a rise (fall) in council tax bill reduces (increases) the amount potential buyers would be willing to pay for a property. The extent to which property values are affected depends on how households value future tax payments.
16. It is important to emphasise that changes in property values resulting from revaluation and reform *do not* represent a 'double effect', whereby a household would lose twice over, from both higher council tax bills and a fall in property value. Rather, such a household would pay higher council tax while they continued to live in the property, and suffer from the fall in property value only when they sold it, reflecting the higher council tax that the future owners would have to pay – but that they no longer would. This does mean, though, that it is the current owners of properties that are set to bear most of the long-term losses or gains if the tax bill on their property is increased or reduced.
17. If households value money in future (relative to money today) in line with expectations of long-term interest rates, and if prices fully adjust in response to changes in council

tax bills, the cheapest tenth of properties would see their value increase by 18% on average under the example expanded reform. Conversely, the most expensive tenth would see their value fall by 5%. This is in the context of increases in values of around 33% since prior to the COVID-19 pandemic.

18. The minimal reform approach, a pure revaluation, would have only small effects on average property values by council. The example expanded reform would increase average values in Denbighshire by around £8,600 (4%) and decrease average values in Monmouthshire by around £15,900 (4%) if prices fully adjusted to reflect changes in bills, and our baseline assumptions about how households value the future. Again, these are in the context of much larger increases in value over the last few years.
19. Low-income owner-occupiers would see their property values rise on average under reforms that reduce the regressivity of the council tax system. For the example expanded reform, values would rise by 1.5% for those in the poorest income quintile. Those in the richest quintile would see average property values fall by 2.6%. Revaluation and reform of council tax could therefore contribute to reductions in wealth inequality both across places and across households.

Our overall appraisal

The Welsh Government's proposed direction of reform is very welcome.

Council tax revaluation is unambiguously a good idea, and legislating for regular revaluations in future is even better. It is indefensible to continue to tax people based on the value of their property more than 20 years ago, and setting out firm plans for future revaluations would not only help to prevent council tax from getting so out of date again, it would also reduce the risk of people being surprised by unexpected future revaluations and changes in bills.

The appropriate degree of progressivity in the tax system is a political choice. But a stated aim for reform is to make council tax more progressive (or, at least, less regressive). The expanded approach would fulfil that aim better than the others suggested in the consultation document, though it would still fall short of making tax bills proportional to property value – perhaps too big a change for the Welsh Government to want to introduce in one giant leap.

Adding more bands would allow for a more fine-grained relationship between property value and tax liability, a helpful improvement. Ideally, the Welsh Government would go further and move away from a banded system altogether, levying the tax as a percentage of an exact property valuation, as many other jurisdictions (including Northern Ireland) do. We are not well placed to judge whether the Welsh Government's argument for sticking with relatively wide

bands – that it would minimise challenges associated with valuation – is a good one. However, we note that when it comes to appeals, in principle the effect is ambiguous, as giving properties more precise valuations might leave more people believing their valuation was wrong but would also mean generally smaller changes in bills if an appeal was successful, reducing the incentive to appeal.

A banded system also creates unfairness between households just either side of the thresholds, who have very similar property values but must pay very different amounts of tax. With a given number of bands, making the tax rates less regressive would actually exacerbate this particular unfairness, as the jump in tax bills at thresholds would be bigger. It can be alleviated by having more, narrower bands, so that the jump in liabilities at any one threshold is smaller – or again, ideally by moving from a banded to a continuous system.

A separate review of council tax discounts is ongoing, but the consultation document says that the Welsh Government intends ‘to retain the one-adult discount and to keep the level of discount at 25%’. Keeping the current structure of the discount would be unfortunate. Since the cash value of the discount is higher for properties in higher bands, it encourages inefficient use of the housing stock, with single-adult households living in bigger properties, and multi-adult households living in smaller properties, than they otherwise would – contributing to both under-occupation and overcrowding. If the Welsh Government wants to continue providing a one-adult discount of similar overall generosity to the current one, it would be better to reform it so that the size of the discount did not depend on the value of the property: setting the discount equal to, say, 40% of the Band A rate (or 20% of the Band D rate, or similar), regardless of what band the claimant’s property is actually in. Such a change would also go further towards making council tax less regressive, increasing the generosity of the discount for those in low-value properties and reducing it for those in high-value properties.

Notwithstanding any minor quibbles, the direction of reform set out in the consultation document is a good one. It is only a pity that the consultation document opens up the prospect of potential delay from the previously stated intention of implementing revaluation and reform in 2025, creating more uncertainty for households and councils. There is no obvious advantage to delay (as opposed to having a gradual transition for households seeing large changes in bills, for which there is a case). Reform is politically challenging, as it creates losers as well as winners, but delay would not make it any easier. Both Labour and Plaid Cymru committed to reforming council tax in their 2021 election manifestos, and that shared commitment was repeated in the Co-operation Agreement between them; it is hard to imagine more propitious circumstances in which to proceed. The Welsh Government should go ahead with revaluation and reform in 2025 as originally planned – and the UK and Scottish governments should follow suit.

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Local Government and Housing Committee,
Welsh Parliament,
Cardiff,
CF99 1SN

Sent by email via: SeneddHousing@senedd.wales

12th January 2024

Dear Sir/Madam,

Response from the Institute of Revenues, Rating and Valuation: Local Government Finance (Wales) Bill Consultation.

The Institute of Revenues, Rating and Valuation (IRRV) is pleased to provide this submission to the consultation on the Local Government Finance (Wales) Bill.

The IRRV is the professional body concerned with all aspects of local taxation and local benefits administration across the United Kingdom. Institute members, in both the public and private sectors, are engaged in local authority benefits administration, local tax administration, valuation of property for taxation and other purposes, the appeals processes and financial management in local government.

The Institute is the only professional body in the United Kingdom that specialises in the law and practice of local authority revenues and local taxation collection together with the income-related benefits that support these processes.

Please contact me should you wish to discuss any of the points raised in this submission.

Yours truly,

Gary Watson IRRV (Hons)
IRRV Chief Executive

Nick Rowe IRRV (Hons)
IRRV National President



The Institute of Revenues, Rating and Valuation is the professional body for local taxation, benefits and valuation. We promote best practice and support the professional activities of our members working in government and commerce.

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Tudalen y pecyn 64

Institute of Revenues, Rating and Valuation: Response to the Local Government Finance (Wales) Bill Consultation

About the Institute

1. The IRRV is the professional body concerned with all aspects of local taxation and local benefits administration across the United Kingdom. Institute members, in both the public and private sectors, are engaged in local authority benefits administration, local tax administration, valuation of property for taxation and other purposes, the appeals processes and financial management in local government.
2. The Institute is the only professional body in the United Kingdom that specialises in the law and practice of local authority revenues and local taxation collection together with the income-related benefits that support these processes.

Aspects of the Bill

In respect of the non-domestic rates system:

- 1. 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 Institute supports both increasing the frequency of revaluations to three-yearly and the introduction of the power for the Welsh Ministers to amend the revaluation year and interval between revaluation years through regulations.

The IRRV is supportive of three-yearly revaluations, providing that they accompanied at the same time by a shortening of the AVD, which is realistically achievable through improved processes enabled by greater use of appropriate technology.

Frequent revaluation cycles will present numerous benefits to ratepayers and local government:

- It will ensure the list reflects the relative changes in the market and will produce assessments that are more in line with the market and therefore fair. This, however, needs to go hand-in-hand with greater transparency by the VOA (Valuation Office Agency) in its processes.
- Frequent revaluations and the proposed measures will keep the need for information provision to the forefront of the ratepayer's mind; therefore, improving the parity between rent and rateable value, and thus the general understanding and acceptability of the tax base.
- There should be less dynamic change between lists, with the effect that financial forecasting for local government and other stakeholders should be more straightforward.
- It should enable an overall reduction in the level of provisions necessary for refunds from appeals (cash out of the system) by local government, thereby benefitting the stability of local government finances overall.
- The potential reduction in the number of appeals should reduce overpayments made by ratepayers, who have to resort to a formal challenge to rectify inaccuracies. It is important, however, that the benefits in reducing appeals should not come at the expense of either transparency or restriction on the right to challenge an assessment if it is believed to be incorrect.

2. Conferring regulation-making powers on the Welsh Ministers to confer, vary or withdraw reliefs;

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

3. Strengthening the eligibility conditions for charitable relief for unoccupied hereditaments;

We support the strengthening of the eligibility conditions for charitable relief for unoccupied hereditaments.

4. Expanding the definition of a new building for the purpose of the serving of completion notices by local authorities;

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

5. Removing a timing restriction on the awarding and varying of discretionary relief by local authorities;

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

6. Conferring regulation-making powers on the Welsh Ministers to confer, vary or withdraw exemptions;

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

7. 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;

We agree with the proposals to provide the Welsh Government with the ability to vary the multiplier on the basis of rateable value.

Introducing multipliers determined by geographical location or property use is, in our view, unnecessary. If rateable values accurately reflect the situation with different types of property and different locations, a multiplier based on rateable value should be sufficient to deliver Welsh Government objectives.

The basis of assessment for non-domestic rates is primarily rental value. Those rental values vary by location. For example, properties in Cardiff command higher rent than properties in small towns. Therefore, geography and property value are inextricably related and are dealt with by the valuation process. Varying the multiplier by use or location could ultimately distort rateable values.

8. 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

We support both the placing of a duty on ratepayers to provide certain types of information to the Valuation Office Agency and the provision for the associated compliance regime.

The IRRV is generally supportive of the proposed new duty to provide information on changes to the occupier or changes to relevant property characteristics as well as rent and lease information, but it has some concerns over the attendant privacy and disclosure issues. We recognise that some matters are confidential, but the fact that information which has been relied upon is not being disclosed, and as such the fact that there are details of interest and the

parties needs to be provided, so that parties can undertake enquires direct to those with the information.

It is important that the burden of providing information to the VOA needs to be kept low. There are concerns over the requirements being too burdensome, particularly on small ratepayers.

We see merit in copying these notifications to the billing authority in order to ensure that legislative permissions have been given to support the 'change' (planning, fire regulations etc.). Whether the duty to notify would remove the current duty of the billing authority or be in addition to it, is a detail for future discussions.

It is important that the introduction of any sanction regime is only put into effect once the system for information provision is in place and fully tested. A sanctions regime should only be introduced when the system allows for the reasonable and efficient provision of information.

9. Making provision about counteracting advantages arising from artificial avoidance arrangements.

We support the making of a provision about counteracting advantages arising from artificial avoidance arrangements.

In respect of the council tax system:

10. 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;

We support the provision of 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.

11. Conferring powers on the Welsh Ministers to make regulations in respect of discounts and persons to be disregarded;

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

12. 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;

We are aware of the confusion that is currently caused by having a national Council Tax Reduction Scheme with local discretions, and as such we support the placing of a duty on the Welsh Ministers to make a single national Council Tax Reduction Scheme through regulations. This would avoid the so-called 'postcode lottery' system of some taxpayers receiving more relief than others based solely off their location, rather than their means. It would also remove the cumbersome burden of Local Authorities having to adopt their own discretions every year; a national scheme would address and standardize these interpretations.

It would be useful if Local Authorities could be provided with information on what their tax base will look like following a revaluation, in order to see the impact of the cost of the CTR scheme.

13. 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

The Institute fully supports the move to five-yearly cycles of revaluations, on the condition that future revaluations will not take place any longer than five-years. As such, we support the wording 'five-years or less'.

- 14. 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.**

We support 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.

A Fairer Council Tax: phase 2

Organisation (if applicable):

The Institute of Revenues, Rating & Valuation

Responses to consultations may be made public. To keep your response anonymous (including email addresses) tick the box:

Questions about Council Tax bands and tax-rates

Please read about the 3 possible approaches to designing a new Council Tax system before answering the following questions. We welcome evidence about the possible benefits for, and impacts on, households and councils. We are particularly interested in the views of people with lived experience of disadvantaged backgrounds and those who have experience working with people with protected characteristics.

Question 1

What Council Tax band are you currently in? Please choose an option, you may wish to refer to your latest Council Tax bill or [you can check your council tax band by looking up your address or postcode](#).

- Band A
- Band B
- Band C
- Band D
- Band E
- Band F
- Band G
- Band H
- Band I
- I don't pay Council Tax
- Not applicable

Question 2

Which council area do you live in?

- Isle of Anglesey / Ynys Mon
- Cyngor Gwynedd
- Conwy
- Denbighshire
- Flintshire
- Wrexham
- Powys
- Ceredigion
- Pembrokeshire
- Carmarthenshire

- Swansea
- Neath Port Talbot
- Bridgend
- Vale of Glamorgan
- Rhondda Cynon Taf
- Merthyr Tydfil
- Caerphilly
- Blaenau Gwent
- Torfaen
- Monmouthshire
- Newport
- Cardiff
- Not applicable

Question 3

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

Do you think we should aim for:

- approach 1: minimal reform
- approach 2: modest reform
- approach 3: expanded reform

Or do you have other views or ideas about the approach we should take to the scale of reform (please specify)?

The Institute is in favour of the third approach, i.e. the 'expanded version of reform'. Council tax reform is long overdue, both in Wales and England, and neither approach one nor two would provide this needed reform. A transitional relief scheme should accompany the move to a 12-banded system, where the full council tax payment would only be reached by year 3 after the reform.

Alternatively, there could be merit in investigating a fourth, more radical approach. A banded system could continue for properties up to a certain property value and any properties that exceeded this value could be taxed at a percentage of their market valuation (up to a Welsh Government imposed maximum percentage), therefore creating a more progressive tax. The implementation of such an approach would probably require a form of Local Authority pooling/equalisation scheme. The methodology behind the precise valuations would need to be transparent, with the public being able to view other property's bands as well as their own.

Question 4

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:

Do you think we should make changes according to the:

- fastest timetable: minimal, modest or expanded reform by 1 April 2025

- slower reform: minimal modest or expanded reform starting in 2028
- staged reform: minimal or modest reform in 2025, moving to expanded reform in the next Senedd term

Or do you have other views or ideas about the approach we should take to the pace of reform (please specify)?

The changes should be made as soon as feasibly possible. As stated above, Council Tax reform is long overdue, so any changes must be implemented quickly in order to address the current unfairness in the system.

We recognise that there is not likely to be a unified way of thinking across of Welsh Local Authorities on this matter; some Local Authorities will prefer that the Welsh Government delay these changes for as long as possible due them effectively being 'worse off' following the reforms, whilst others will prefer to stick to the status quo of a 9-bands system. Others will agree with the Institute in thinking that reform is needed as soon as possible.

Questions about discounts, disregards and exemptions

Question 5

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?

A Class F exemption is currently provided for properties that have been unoccupied since a former resident's death where the only person liable for Council Tax would be the deceased's personal representative, and no grant of probate or letters of administration has been made.

- Yes
- No

Question 6

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

- 2 years
- 3 years
- 4 years
- Other (please specify)

We consider a one-year period to be a reasonable period; however, due to both the current backlog of cases for probate letters and the need for longer periods for certain complex cases, we would also consider a two-year period to be acceptable.

Question 7

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

- Option A: significant brain impairment
- Option B: significant brain condition

We have no preference over 'severe brain impairments' or 'significant brain condition' as a replacement for the term 'severely mentally impaired'. Any term that is adopted must be in keeping with the most up-to-date terminology used in the medical profession and not create unnecessary confusion.

Question 8

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

The definition is: "Significant (and permanent) mental condition or change that impacts on the brain's ability to function."

- Yes
- No
- Any other views (please specify)

We agree with the proposed definition to describe a person with a significant brain impairment or condition. Again, any term that is adopted must be in keeping with the most up-to-date terminology used in the medical profession and not create unnecessary confusion in interpretation.

Question 9

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?

The current qualifying criteria are for a person to be entitled to a qualifying benefit and to have medical certification from a registered practitioner.

- Option A: remove the requirement for a person to be entitled to a qualifying benefit in order to qualify for the exemption or disregard but retain the need for a medical certification
- Option B: where a person can provide proof of clinical diagnosis, the requirement for a person to be in receipt of a qualifying benefit could be removed at the discretion of the council
- Other (please specify)

The qualifying criteria for a person with a significant brain impairment or condition to be entitled to an exemption or disregard should remain as it currently stands.

Questions about Welsh language

Question 10

We would like to know your views on the effects that these proposals 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?

We do not believe that these proposals would have a detrimental effect on the use of Welsh language.

Question 11

Please also explain how you believe the proposed policy approach 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.

We do not believe that these proposals would have a detrimental effect on the use of Welsh language.

Any other views

Question 12

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

Whilst it could be argued that there is unfairness in the amount of Council Tax charged to taxpayers in Wales, we do not believe that a wholesale replacement to Council Tax should be introduced. Council Tax is a stable tax with a high collection rate; reforming the current system in Wales through our proposed fourth 'more radical approach' will make the tax fairer by ensuring that higher valued properties take on a larger share of the tax burden. However, if there is no appetite for larger reform, then we would support the third 'expanded version of reform'.



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Local Government Finance (Wales) Bill

Evidence from the Chartered Institute of Taxation to the Local Government and Housing Committee

1 Executive Summary

- 1.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 19,000 members, and extensive volunteer network, in providing our response.
- 1.2 Fundamentally, in our view, the legislative process should reflect the significance of business rates and council tax in raising revenue in Wales and the impact on those affected by it, and therefore the importance of the Senedd's scrutiny to work through the legislation and understand the full consequences. Our starting point is tax laws should be set out in primary legislation particularly in so far as they relate to the exercise of tax powers setting out what is subject to tax and imposing obligations, including financial penalties, on taxpayers. We are concerned that the extensive use of wide regulatory powers in this Bill undermines the essential work of the Senedd, and other interested parties, in scrutinising the government and its legislative proposals with the potential for unintended consequences and a lack of certainty and instability for businesses in Wales.

2 About us

- 2.1 The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 2.2 The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

- 2.3 The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4 Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

3 Introduction

3.1 The Local Government Finance (Wales) Bill (the Bill) has been referred to the Local Government and Housing Committee for Stage 1 scrutiny of the general principles of the Bill. The Bill amends the Local Government Finance Act 1988 (LGFA 1988) for changes to business rates and council tax in Wales. Our comments are limited to the business rates changes¹ in the Bill.

3.2 Our stated objectives for the tax system include:

- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
- Responsive and competent tax administration, with a minimum of bureaucracy.

3.3 The Welsh government's core tax principles are:

Welsh taxes should:

- raise revenue to fund public services as fairly as possible.
- deliver Welsh Government policy objectives.
- be clear, stable and simple.
- be developed through collaboration and involvement.
- contribute directly to the Well-Being of Future Generations Act 2015 goal of creating a more equal Wales.

4 The appropriateness of the powers in the Bill for Welsh Ministers to make subordinate legislation.

4.1 Our starting point is tax laws should be set out in primary legislation particularly in so far as they relate to the exercise of tax powers setting out what is subject to tax and imposing obligations on taxpayers. We recognise the challenges in introducing primary legislation in terms of finding parliamentary time in the Senedd timetable and the length of time taken to bring new legislation into force. We also recognise the advantages of flexibility

¹ CIOT response to Reforming non-domestic rates in Wales: <https://www.tax.org.uk/ref1030>

and the ability to respond to economic conditions in using secondary instead of primary legislation to effect change². In relation to the Welsh Tax Acts etc. (Power to Modify) Act 2022 we considered the mechanisms to enable amendments to be made in the limited circumstances set out in the Act provided a reasonable balance between the competing needs of speed, scrutiny and responsiveness at this point in the development of Welsh devolved taxes. However, we suggest extensive use of regulatory powers to amend the Welsh devolved taxes is a strong indicator of the need to consider the feasibility and appropriateness of a future annual Welsh Finance Bill procedure³.

Fundamentally, in our view, the legislative process should reflect the significance of business rates and council tax in raising revenue in Wales and therefore the importance of the Senedd's scrutiny to work through the legislation and understand the full consequences.

- 4.2 We are concerned that the extensive use of wide regulatory powers in this Bill undermines the essential work of the Senedd, and other interested parties, in scrutinising the government and its legislative proposals. It appears that the Senedd is being asked to make laws without knowing how the powers conferred may be exercised by Welsh Ministers and therefore without knowing what impact the legislation may have on Welsh taxpayers affected by them.
- 4.3 In our view secondary legislation should generally be reserved for administrative matters, and for the setting of rates. For business rates, regulations have been typically and usefully used to update relief thresholds, particularly where these are referenced to the level of rateable value. That is a good example of effective administrative use of regulatory powers.
- 4.4 We note that the Welsh Government will consult on the content of the subordinate legislation 'where it is considered appropriate to do so'⁴. This statement does not indicate what consultation processes will be followed, or in what circumstances it will be 'appropriate' to consult. This is unsatisfactory, and more clarity is required around the framework in which consultation will be undertaken, and an obligation to explain why consultation has not been undertaken if that has been the case.
- 4.5 We note also that it is proposed that the regulations that give rise to our concern (see para 4.6 below) will be made under the draft affirmative procedure. We understand that generally regulations once laid in draft cannot be amended. Therefore, any changes arising from consultation or scrutiny, however modest, could mean the regulations are rejected and the process re-started adding administrative costs and delay. The scrutiny process for subordinate legislation is also difficult for the non-expert taxpayer to understand. There is a helpful summary on the Senedd website⁵. However, the process is complex, and the procedural language can seem confusing and obscure for example, regulations are 'made' and 'laid', 'negative' or 'affirmative'.
- 4.6 The following powers to make subordinate legislation (as set out in Part 1 Chapter 5 of the Explanatory Memorandum) give rise to concerns:

Business rates

- Section 5 Powers to confer, vary or withdraw reliefs.

²Paragraphs 3.16-3.17 Explanatory Memorandum

³ See paragraph 11 of the Explanatory Memorandum to the Welsh Tax Acts etc.

(Power To Modify) Bill <https://www.gov.wales/the-welsh-tax-acts-etc-power-to-modify-act-2022-explanatory-notes-html>

⁴ Paragraph 5.2 Explanatory Memorandum

⁵ <https://senedd.wales/senedd-business/legislation/subordinate-legislation/>

We are concerned by a wider power in relation to reliefs or exemptions because reliefs/exemptions provided to one sector of ratepayers may indirectly place tax liabilities on other sectors through increased business rates bills. We welcome the Welsh government's commitment to undertaking a review of all business rates relief to ensure they are fit for purpose, but we consider that substantive changes to reliefs should be in primary legislation to provide appropriate scrutiny and effective development of policy through consultation to avoid unintended consequences and scrutinise significant policy decisions. For example, the regulatory power would allow withdrawal of longstanding reliefs for business such as small business rate relief.

- Section 9 Powers to confer, vary and withdraw exemption amending Schedule 5 of LGFA 1988.

Our concern is the same as for section 5. Schedule 5 provides for exemptions, including exemptions for agricultural premises and places of religious worship. These are structural elements of the business rates that have been in place for many years and changes would affect the Welsh economy and cultural life. It is our view that any policy changes in this area should be subject to full consultation with stakeholders and subsequent scrutiny by the Senedd.

- Section 13 Artificial non-domestic rating avoidance arrangements

This section provides for a regulatory power to specify the type of avoidance arrangements for business rates that will be treated as artificial (or not) so that advantages arising from such an arrangement can be counteracted.

In addition, section 13 provides for a power to specify a civil penalty and to amend the stated maximum penalty of £500 plus 3% of the rateable value.

The basis on which the artificial anti-avoidance rule for business rates is to be applied is set out in the Bill together with safeguards including a right to request a review and the right to appeal to the valuation tribunal. However, we consider that the accompanying civil penalty regime should also be fully set out in primary legislation including collection and enforcement. It is essential that proper scrutiny ensures financial penalties are proportionate and safeguards for taxpayers in relation to penalties are appropriate.

Our further comments on the anti-avoidance provision for business rates are at paragraph 7 below.

5 Section 10 power to set different multipliers

- 5.1 We are concerned that powers to set differential multipliers risks creating uncertainty and adds complexity. Currently the rateable value valuation reflects different rental value while reliefs allow for direct economic policy, socio-economic policy and nudging behaviour. Adding multiplier variations into this mix would make the system very complex and may result in undesired ratepayer responses or distortions. The introduction of Uniform Business Rates from 1990 was in part aimed at removing the regional distortions that arose from councils having their own poundage setting power. At the time, there was evidence of some industry relocating from high rated areas such as Liverpool and Sheffield to lower rated areas.

6 Section 12 Provision of information

- 6.1 The new information requirements represent a significant step-change away from the long-standing informal basis of business rates where there has never been a duty on the ratepayer to notify the billing authority of changes that affect liability. It should be borne in mind that rights over commercial property and its physical state changes frequently, often in complex ways, and much of the background information is not digitised.
- 6.2 The information obligations will apply to ratepayers who pay no business rates as a result of a relief. The new obligations will therefore impose requirements on those businesses who have had little engagement with the business rates systems to date, in particular, for small businesses eligible for 100% small business rate relief.
- 6.3 We are pleased to see that the requirements for reporting, and the sanctions for failure to comply, together with the safeguards are set out in primary legislation. We suggest the legislation should be supplemented by easily accessible and understandable guidance (as proposed) and an extensive communications campaign in Wales.
- 6.4 The proposed compliance framework appears to us to strike the right balance particularly for a wholly new system that will apply to ratepayers who have not previously engaged with the VOA as a result of eligibility for 100% rates relief. We think it will be important to keep the framework under review to ensure it meets its aim of supporting three-yearly valuations.

7 Section 13 introducing sections 63F – 63M: Artificial non-domestic rating avoidance arrangements

- 7.1 The Explanatory Memorandum (paragraph 3.69) indicates that the development of a regulation to address a specific avoidance behaviour will be subject to consultation. No further detail of the consultation process is given. The process is important because the Explanatory Memorandum suggests that it will be the mechanism by which stakeholders not only have an opportunity to comment but also ‘can reasonably be expected know that a specified behaviour has been identified and is likely to be counteracted in future, before regulations are made’. We would urge Ministers to publish details of the proposed consultation process that will be used in the development of regulations as soon as possible. This will give stakeholders the opportunity to comment on the overall design and structure of the process.
- 7.2 Section 63H defines an ‘artificial’ arrangement. The regulatory power to specify a type of arrangement is subject to a reasonableness test that requires Welsh Ministers to have regard to (any) principles on which the business rates provisions are based and the policy objectives of these provisions, whether arrangements are intended to exploit shortcomings in the provisions and whether the arrangements lack economic or commercial substance (other than obtaining an advantage in relation to business rates). We observe that the purpose/policy intent of a relief is sometimes difficult to discern, especially in relation to long-established reliefs. It is currently unclear how Welsh Ministers will decide whether arrangements are artificial and who they will consult in reaching their decision. As noted above, the structure of the proposed consultation process should be published as soon as possible. The review of reliefs will be helpful in establishing and recording the policy intent. As we note above a relief may have elements of both structural and social or economic objectives and therefore evaluation of ‘misuse’ should be considered from both perspectives.
- 7.3 A person who receives a notice under section 63K (liability to non-domestic rating) can request a review. It is not clear from the Bill who will conduct that review; we suggest that person(s) should be independent of the person who makes the decision to give the notice in order to help ensure the review is an effective safeguard.

7.4 Clarity of scope is important in relation to the application of any general anti-avoidance rule. The development of different statutory tests for counteracting avoidance in the devolved administrations and the UK in relation to direct and indirect taxes⁶ and business rates⁷ add complexity to the tax system and potential uncertainty for investors and business. The need for clear and consistent guidance particularly on the scope and purpose of reliefs across all local authorities in Wales is essential to help provide certainty.

8 The future of Welsh law: classification, consolidation, codification

8.1 In 2019 the Welsh government consulted⁸ on the initial stages of a longer-term project to consolidate and codify Welsh law. The current Bill amends the UK statute, Local Government Finance Act 1988, in relation to Wales instead of consolidating Welsh law on non-domestic rates into a single Act. We recognise this decision was a pragmatic one in order to achieve changes to local government taxation in Wales. However, the process of amendment to an existing UK Act creates layers of legislation that are difficult for affected citizens and businesses to navigate and places even greater emphasis on the need to make the changes accessible.

9 Acknowledgement of submission

9.1 We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the list of respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

11 January 2024

⁶ Tax Collection and Management (Wales) Act 2016 Part 3A: General Anti-Avoidance Rule (Land Transaction Tax and Landfill Disposals Tax)

Revenue Scotland and Tax Powers Act 2014 Part 5 The General Anti-Avoidance Rule
Finance Act 2013 Part 5 General anti-abuse rule

⁷ Non-Domestic Rates (Scotland) Act 2020 Part 4 Anti-avoidance regulations

⁸ <https://www.gov.wales/the-future-of-welsh-law-classification-consolidation-and-codification>

Y Pwyllgor Llywodraeth Leol a Thai: Craffu ar y Bil Cyllid Llywodraeth Leol

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Cymdeithas Llywodraeth Leol Cymru – Llais Cynghorau Cymru

Mae Cymdeithas Llywodraeth Leol Cymru (CLILC) yn sefydliad trawsbleidiol dan arweiniad gwleidyddol sy'n ceisio rhoi llais cryf i lywodraeth leol ar lefel genedlaethol.

Rydym yn cynrychioli buddiannau llywodraeth leol ac yn hybu democratiaeth leol yng Nghymru.

Ein haelodau yw'r 22 o gynghorau yng Nghymru ac mae'r tri awdurdod tân ac achub ac awdurdodau'r tri pharc cenedlaethol yn aelodau cyswllt.

Credwn fod y syniadau sy'n newid bywydau pobl yn digwydd yn lleol.

Mae cymunedau ar eu gorau pan maent yn teimlo eu bod wedi'u cysylltu â'u cynghorau trwy ddemocratiaeth leol. Trwy hyrwyddo'r cysylltiadau hynny, eu hwyluso a'u cyflawni, gallwn ddatblygu democratiaeth leol fywiog sy'n galluogi cymunedau i ffynnu.

Ein nod sylfaenol yw hyrwyddo, diogelu, cefnogi a datblygu llywodraeth leol ddemocrataidd a buddiannau cynghorau yng Nghymru.

Byddwn yn cyflawni ein gweledigaeth drwy

- Hyrwyddo swyddogaeth a statws cynghorwyr ac arweinwyr cynghorau
- Sicrhau'r disgresiwn lleol mwyaf posib o ran deddfwriaeth neu ganllawiau statudol
- Cefnogi a sicrhau cyllid hirdymor a chynaliadwy i gynghorau
- Hybu gwelliant dan arweiniad y sector
- Annog democratiaeth leol fywiog gan hybu mwy o amrywiaeth
- Cefnogi cynghorau i reoli eu gweithlu'n effeithiol



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Ymateb

1. Mae'r papur tystiolaeth hwn yn ymateb i'r cynigion a godwyd yn y Bil Cyllid Llywodraeth Leol (Cymru) a osodwyd yn ddiweddar.
2. Fe welwch o'n sylwadau bod llywodraeth leol yn gefnogol iawn o'r cynigion a nodir yn y Bil.
3. Rydym yn cydnabod y caiff nifer o'r cynigion eu cyflawni trwy is-ddeddfwriaeth ychwanegol a fydd yn destun prosesau craffu ychwanegol.

Cynigion y Bil

4. O ran y system ardrethi annomestig, mae'r Bil yn cynnig:

- **cynnal ailbrisiadau yn fwy aml bob tair blynedd, a rhoi pŵer i Weinidogion Cymru newid y flwyddyn ailbrisiu a'r cyfnod rhwng blynnyddoedd ailbrisiu drwy reoliadau.**

Mae'r bil yn cydnabod bod angen i ardrethi annomestig fod mewn sefyllfa fwy adweitheddol. Mae cenhedloedd eraill y DU yn defnyddio'r un dull i fod yn fwy ymatebol i aflonyddwch economaidd. Fel y nodwyd yn y Memorandwm Esboniadol, mae cynnal ailbrisiadau'n fwy aml yn taro cydbwysedd rhwng tegwch a sefydlogrwydd. Mae proses ailbrisiu reolaidd wedi cael ei cheisio gan y sector busnes.

Rydym yn cefnogi'r cynigion hyn.

- **rhoi pwerau gwneud rheoliadau i Weinidogion Cymru i roi, amrywio neu dynnu rhyddhad yn ôl.**

Mae rhyddhad ardrethi wedi cynyddu ac maent bellach yn cyfrif am tua £240 miliwn y flwyddyn gan ddarparu cymorth i dros hanner y 128,000 o eiddo yn y sylfaen drethu. Mewn cymhariaeth, mae Llywodraeth Cymru'n ariannu'r cynllun Gostyngiad yn Nhrefn y Cyngor gyda £244 miliwn y flwyddyn ac mae hynny'n cefnogi dros 260,000 o aelwydydd ar hyn o bryd.

Mae gwerth ardrethol dros hanner yr eiddo yng Nghymru yn llai na £6,000 sy'n golygu mai ychydig ohonynt sy'n elwa o'r Rhyddhad Ardrethi Busnesau Bach sy'n golygu nad ydynt yn y rhan fwyaf o achosion yn talu unrhyw ardrethi o gwbl, waeth faint yw trosiant eu busnes. Gall eiddo sydd â gwerth ardrethol rhwng £6,000 a £12,000 hefyd gael rhyddhad ar sail raddedig. Eto, ni roddir ystyriaeth i elw unrhyw un o'r busnesau hyn. Ariennir y cynllun hwn yn gyfan gwbl gan Lywodraeth Cymru.

Unwaith mae rhyddhad wedi cael ei roi mewn lle am nifer o flynyddoedd, daw'n fwy anodd ei dynnu'n ôl ond rydym yn cydnabod bod pwerau Llywodraeth Cymru i newid rhai o'r gostyngiadau presennol yn gyfyngedig. Mae'r Bil yn ceisio newid hyn a



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gwella'r cynllun yn y dyfodol trwy sicrhau bod unrhyw newidiadau yn cael eu cyflwyno i'r Senedd i'w hystyried.

Rydym y cefnogi'r cynnig i roi pwerau gwneud rheoliadau i Weinidogion Cymru i roi, amrywio neu dynnu rhyddhad yn ôl.

- **cryfhau amodau cymhwyster ar gyfer rhyddhad elusennol i eiddo sy'n wag.**

Mae cyflwyno amodau cymhwyster ychwanegol yn sicrhau nad yw rhyddhad elusennol yn cael ei gamddefnyddio. Ni fyddai darparu tystiolaeth i ddangos bod yr elusen yn sefydliad gweithredol yn waith beichus a byddai'n lleihau'r posibilrwydd o osgoi talu ardrethi annomestig. Mae hyn yn amddiffyn y gronfa drethi yn gyffredinol ac, yn ei dro, cyllid llywodraeth leol. Mae hyn yn berthnasol i eiddo gwag yn unig ac ni effeithir ar elusennau dilys sydd eisoes mewn meddiannaeth.

Rydym yn cefnogi cryfhau'r amodau.

- **ehangu'r diffiniad o adeilad newydd at ddiben cyhoeddi hysbysiadau cwblhau gan awdurdodau lleol.**

Mae'r cynnig hwn yn ymateb i 'fwlch' a nodwyd mewn gweithdrefnau presennol. Mae cyhoeddi hysbysiad cwblhau ar gyfer adeilad a oedd wedi'i dynnu oddi ar y rhestr drethu yn flaenorol, yn golygu bod modd ei roi yn ôl ar y rhestr yn gynt ac felly'n atal oedi diangen i'r awdurdod a'r sawl sy'n atebol wrth anfonebu.

Rydym yn cefnogi ehangu'r diffiniad.

- **dileu cyfyngiad amser ar ddyfarnu ac amrywio rhyddhad dewisol gan awdurdodau lleol.**

Nid yw awdurdodau'n gallu dyfarnu na newid penderfyniad dewisol dros chwe mis ar ôl diwedd y flwyddyn ariannol y mae'r penderfyniad yn gysylltiedig ag o. Mae'r Bil yn cynnig cael gwared ar hyn i ganiatáu i awdurdodau osod y rhyddhad perthnasol fel sy'n briodol.

Rydym yn cefnogi'r cynnig i ddileu'r cyfyngiad amser.

- **Rhoi pwerau gwneud rheoliadau i Weinidogion Cymru i roi, amrywio neu dynnu eithriadau yn ôl.**

Ar hyn o bryd mae pwerau Gweinidogion Cymru i ragnodi eithriadau mewn rheoliadau yn gyfyngedig. Mae ystod o eithriadau rhag talu ardrethi annomestig yn cael eu nodi mewn deddfwriaeth sylfaenol. Mae'r Bil yn cynnig pwerau gwneud rheoliadau i ddarparu cysondeb rhwng rhyddhad ac eithriadau a bydd yn caniatáu i Weinidogion Cymru ymateb a'r Senedd i graffu yn unol â hynny.

Rydym yn cefnogi'r cynnig i roi pwerau gwneud rheoliadau i Weinidogion Cymru i roi, amrywio neu dynnu eithriadau yn ôl.



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- **rhoi pŵer gwneud rheoliadau i Weinidogion Cymru i osod lluosyddion gwahaniaethol yn seiliedig ar y disgrifiad, gwerth ardrethol neu leoliad eiddo ar y rhestr leol, neu werth ardrethol eiddo ar y rhestr ganolog.**

Mae pob eiddo yng Nghymru yn destun un lluosydd. Er bod gan awdurdodau lleol y pŵer i osod atodiad fel mecanwaith ariannu, nid yw erioed wedi cael ei ddefnyddio y tu allan i Lundain. Mae'r Bil yn ceisio ei gwneud yn bosibl i luosyddion gwahaniaethol gael eu gosod o dan derfynau penodol y gellir eu hystyried i fynd i'r afael ag anghenion yn y dyfodol, er na fwriedir eu defnyddio eto.

1. Busnesau bach - mae busnesau bach yn Lloegr a'r Alban yn destun lluosydd is. Pe bai Llywodraeth Cymru yn gallu gwneud hyn, byddai llai o alw am Ryddhad Ardrethi Busnesau Bach.
2. Disgrifiadau mewn rhestr leol - gosod lluosydd gwahanol mewn sectorau penodol sy'n cefnogi uchelgeisiau Llywodraeth Cymru. Gallai hyn hefyd leihau'r angen am ryddhad ardrethi wedi'i dargedu.
3. Lleoliad eiddo - ystyried ffactorau daearyddol sy'n gysylltiedig ag amcanion llywodraeth ehangach.

Rydym yn cefnogi hyn mewn egwyddor, fodd bynnag mae'n rhaid i unrhyw gynnydd i osod lluosydd gwahaniaethol gael ei archwilio a'i drafod yn drylwyr. Rydym yn gweld y budd posibl ond yn dal i bryderu am wneud y system yn fwy cymhleth.

- **Gosod dyletswydd ar drethdalwyr i ddarparu mathau penodol o wybodaeth i Asiantaeth y Swyddfa Brisio, a gwneud darpariaeth i'r gyfundrefn gydymffurfio gysylltiedig; a**

Mae gwybodaeth gywir yn allweddol i sicrhau bod y sylfaen drethu yn gyfredol ac yn gweithredu'n effeithiol. Mae'r Bil yn cynnig gosod dyletswyddau ar drethdalwyr i ddarparu gwybodaeth reolaidd a phenodol i Asiantaeth y Swyddfa Brisio i sicrhau bod y dystiolaeth brisio'n cael ei diweddarau'n gyson.

Bydd hyn yn nodi newid yn y modd y bydd trethdalwyr yn ymgysylltu ag Asiantaeth y Swyddfa Brisio ac mae'r Memorandwm Esboniadol yn nodi pa ddatblygiadau i'r gwasanaeth fydd yn angenrheidiol. Mae angen i'r Bil roi sicrwydd mai dim ond unwaith y bydd y gwasanaeth yn gwbl weithredol yn y dyfodol y bydd y ddyletswydd hon yn berthnasol.

Bydd cyfundrefn gosbi hefyd yn cael ei chyflwyno fel modd o atal diffyg cydymffurfio yn unol â gweithrediad trethi eraill (CaThEF).

Rydym yn cefnogi cyflwyno'r ddyletswydd hon mewn egwyddor.

- **gwneud darpariaeth ynghylch gwrthweithio manteision sy'n deillio o drefniadau osgoi artiffisial.**

Er nad yw osgoi yn anghyfreithlon, mae'n bwysig nad yw'r system yn cael ei pheryglu. Mae cyflwyno Rheol Gyffredinol yn Erbyn Osgoi Trethi yn sicrhau bod y system yn gydnaws â gweithrediadau CaThEF a Llywodraeth ddatganoledig yr Alban sydd â rheol benodol ar gyfer ardrethi annomestig. Bwriad y rheol yw ymateb i ymddygiadau osgoi trethi a'u gwrthbwysu.



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Rydym yn cefnogi'r ddarpariaeth hon.

5. O ran system treth y cyngor mae'r Bil yn cynnig:

- **darparu hyblygrwydd i'r pwynt cyfeirio ar gyfer 100% yn y strwythur bandio i gael ei newid i fand gwahanol neu i ddisgrifiad gwahanol o fand.**

Mae'r system bresennol wedi gweithio'n dda gyda'r strwythur 9 band (8 band cyn hynny). Ni fydd newid y pwynt cyfeirio yn ôl yr angen, yn tansilio sefydlogrwydd y system dreth ond bydd yn sicrhau ei fod yn parhau'n hawdd i'w ddeall. Gallai ailenwi'r bandiau fod yn fuddiol os yw ailbrisiad yn darparu tystiolaeth ar gyfer ychwanegu bandiau, yn enwedig yn y pen isaf. Gellid dileu'r dryswch a allai godi rhwng, er enghraifft A1, A2, A, B, trwy symud pwynt cyfeirio Band D. Mae cael confensiwn enwi clir a dilyniannol yn hyrwyddo tryloywder ac yn sicrhau bod y dreth yn parhau i fod yn hawdd ei deall.

Rydym yn cefnogi'r ddarpariaeth hon.

- **rhoi pwerau i Weinidogion Cymru wneud rheoliadau mewn perthynas â gostyngiadau ac unigolion y dylid eu diystyru.**

Fel y nodwyd, mae'r rhan fwyaf o'r fframwaith presennol wedi bod yn ei le ers i Dreth y Cyngor ddod i rym yn 1993 gyda chanrannau sefydlog o 25/50%. Byddai rhoi pwerau i Weinidogion Cymru ddileu'r cysylltiadau presennol (h.y. rhaid i ostyngiad eiddo gwag fod yn ddwbl % un oedolyn) yn sicrhau bod y system yn decach i bawb a hefyd yn lleihau cymhlethdod.

Cynigir hefyd y gellir rhoi pwerau i awdurdodau lleol ddileu neu ostwng gostyngiadau mewn rhai amgylchiadau - byddai hyn yn help i gael gwared ar y dryswch presennol o fewn y system bresennol lle mae cynghorau'n cael eu cyfyngu gan ddeddfwriaeth ond eto'n cael pwerau dewisol mewn rhai meysydd.

Rydym yn cefnogi'r ddarpariaeth hon i roi pwerau i Weinidogion Cymru.

- **rhoi dyletswydd ar Weinidogion Cymru i greu un Cynllun Gostyngiadau Treth y Cyngor cenedlaethol trwy reoliadau a galluogi Gweinidogion Cymru i gyhoeddi canllawiau i awdurdodau lleol am y ffordd y dylid defnyddio'r cynllun.**

Mae'r Cynllun Gostyngiadau Treth y Cyngor presennol yn effeithiol ac wedi gwrthsefyll amser o ran darparu cymorth ariannol parhaus i aelwydydd ar incymau isel. Fodd bynnag, mae digwyddiadau diweddar wedi dangos bod diffyg hyblygrwydd yn y cynllun.

Mae'r dull presennol yn nodi bod yn rhaid i bob awdurdod lleol fabwysiadu ei Gynllun Gostyngiadau Treth y Cyngor erbyn 31 Ionawr cyn ei weithredu ar 1 Ebrill. Unwaith y



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bydd cynllun wedi cael ei fabwysiadu, ni ellir ei newid nes y flwyddyn ariannol nesaf. Yn ystod pandemig Covid a'r argyfwng costau byw, nid oedd modd rhoi unrhyw gymorth ychwanegol trwy'r dull hwn ac eto, roedd yn rhaid i awdurdodau lleol ddibynnu ar bwerau dewisol. Mae gosod dyletswydd ar Weinidogion i wneud un cynllun cenedlaethol sy'n cwmpasu meysydd disgresiwn lleol, yn darparu dull gweithredu cyson ac yn bwysicach fyth, yr hyblygrwydd i ymateb i unrhyw ddigwyddiad a allai godi.

Bydd darparu canllawiau yn sicrhau bod y rheoliadau'n cael eu gweithredu fel y bwriadwyd ac yn rhoi sicrwydd i awdurdodau a threthdalwyr.

Rydym yn cefnogi'r cynnig hwn gan ei fod yn lliniaru'r pwysau ar awdurdodau lleol.

- **sefydlu cylched ailbrisiu bob pum mlynedd, a phŵer i Weinidogion Cymru newid y flwyddyn ailbrisiu a'r cyfnod rhwng ailbrisiadau, yn ogystal â newid dyddiad cyhoeddi'r rhestr ddrafft trwy orchymyn; a**

Bydd sefydlu proses ailbrisiu rheolaidd yn sicrhau bod trethdalwyr yn talu tâl sy'n gymharol â'r hinsawdd economaidd bresennol. Rydym wedi gweld o ardrethi annomestig bod yr angen i fod yn adweitheddol i newid ariannol ac economaidd yn cael ei geisio ar draws gwledydd Prydain. Mae gosod yr un egwyddorion ar dreth y Cyngor yn sicrhau bod pob trethdalwr yn cael eu trin yn deg.

Ar ôl aros am 20 mlynedd am ailbrisiad, yn naturiol mae pryder am yr effeithiau posibl ar unigolion. Mae symud i gylched ailbrisiu rheolaidd yn rhoi sicrwydd bod y dreth gywir yn cael ei chodi, ac mae'r bandiau eiddo yn cael eu hadolygu i adlewyrchu'r sefyllfa bresennol.

Rydym yn cefnogi'r ddarpariaeth hon gan ei bod yn cyflwyno dull o ymateb i'r hinsawdd economaidd bresennol.

- **disodli'r gofyniad presennol i gyhoeddi gwybodaeth mewn papurau newydd â gofyniad i gyhoeddi hysbysiad o daliadau treth y cyngor ar wefan yr awdurdod lleol a rhoi trefniadau amgen addas ar waith i sicrhau bod gwybodaeth o'r fath yn hygyrch i ddinasyddion sy'n cael anhawster i gael mynediad at gyfleusterau ar-lein.**

Mae gostyngiad wedi bod yn y wasg argraffu, yn enwedig ar lefel leol, ers nifer o flynyddoedd. Pan gyflwynwyd y ddarpariaeth hon yn 1992 nid oedd dull cyfathrebu torfol arall ar gael ond mae cyfryngau digidol a chymdeithasol wedi disodli hyn. Amcangyfrifir bod y gwariant blynyddol ar gyhoeddi gwybodaeth oddeutu £33,000 sy'n ymddangos yn swm bach, ond eto nid yw'n dod ag unrhyw fuddion diriaethol. Nid oes unrhyw dystiolaeth i ddangos faint sydd wedi darllen yr erthygl.

Mae'r Bil yn cynnig disodli'r ddarpariaeth hon gyda'r gofyniad bod yr awdurdod lleol yn cyhoeddi gwybodaeth ar ei wefan ac yn rhoi trefniadau mewn lle i'r rheiny nad ydynt yn defnyddio sianeli ar-lein. Mae gan awdurdodau lleol brofiad helaeth o sicrhau bod mynediad at wybodaeth a gedwir yn electronig ar gael i'r rhai sydd wedi'u hallgau'n ddigidol.

Rydym yn cefnogi disodli'r gofyniad hwn.

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Cliriwyd gan: Cynghorydd Anthony Hunt, Llefarydd CLILC ar Gyllid

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Written Evidence for Scrutiny of Local Government Finance Bill

Senedd Local Government and Housing Committee

FSB Wales

January 2024

About FSB

FSB Wales is the authoritative voice of businesses in Wales. It campaigns for a better social, political, and economic environment in which to work and do business. With a strong grassroots structure, a Wales Policy Unit, and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members' voices heard at the heart of the decision-making process.

Introduction

Non-Domestic Rates are a constant issue for the small business community, and for FSB are an issue on which we campaign regularly. FSB do this by highlighting the numerous problems with the system in terms of being complex, is a disincentive to business and high street tenancies, with businesses paying the tax before making a penny of profit.

On the other hand, it is one of the few levers that Welsh Government has in its power to release a pressure valve on businesses through reliefs, which is why we will continue to campaign to retain the business rates relief for the next budget on Retail, Leisure and Hospitality businesses at the same level as will be the case in England.

As such we are broadly supportive of the incremental reforms presented in allowing Welsh Government more flexibility to react in a less blunt way using the NDR system, and particularly with the possibility of differential multiplier levels, which could potentially have been a useful flexibility in this budget round to better target support to where it was needed among small businesses.

The FSB report 'A Duty to Reform'¹ outlines the good principles of taxation to which any reform process should look to as its starting point. All changes to the tax system need to consider the primary principles of taxation to ensure that the system is fit for purpose:

- **Fairness:** each business should pay its fair share of taxes, and the rates paid should be similar to those conducting comparable activities. Equally, businesses should be receiving any reliefs they are entitled to.
- **Adequacy:** the tax collected by government should be enough to cover government expenses on public services.

¹ 'A Duty to Reform' (FSB: 2021); <https://www.fsb.org.uk/resource-report/a-duty-to-reform.html>

- **Simplicity:** each taxpayer should have a clear understanding of the tax system, the taxes they need to pay, when their liabilities are due, and how much is due.
- **Transparency:** taxpayers should have an understanding of how their tax payments are being used.
- **Administrative ease:** the payment of tax liabilities should be a simple process that is not burdensome to either the taxpayer or the tax collector.

Governments should also keep **neutrality** in mind when proposing any tax changes, to minimise any potential harmful effects. VAT is a good example of a harmful, non-neutral tax; many small businesses deliberately slow down their activities so as not to pass the £85,000 threshold and become liable. This therefore suppresses economic activity within the economy.

There are occasions where non-neutral taxation can be appropriate, for example when policy outcomes rely on using taxation as a tool, such as the possibility of green taxes to reduce carbon emissions. Where taxes are not neutral, this should be due to a conscious policy choice to influence behaviour, rather than an unintended consequence, and should be communicated as such.

These principles should underpin any NDR (or indeed council tax) reform process.

This response to the inquiry focuses on the NDR reform in the Local Government Finance Bill. In terms of council tax reform, this is not an area of FSB expertise. However, we would note that learning be captured from any council tax reform process to look at opportunities and risks for any further future NDR reform. So, testing of its proposals should be assessed in ways that where possible can apply to any possible NDR reforms too (be that in form, in moving to different type of tax (e.g. income, land value), administration and capacity, powers to change, proposals to transition to a new system etc).

FSB Wales will respond to the main NDR reforms the Bill proposes in turn.

-
- **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;**

FSB Wales is supportive of this changed and have long campaigned for this reform.

Prior to the 2023 revaluation based on 2021 assessment, the last revaluation was done in 2015, and clearly given the huge changes in the economic environment in the interim, this gap until the revaluation from 2021's rateable values is limited in its link to market values, and to the economic context in which those ratepayers operate. As a result of these long cycles, there is a greater need to provide sticking plasters on sectors affected by external shocks through reliefs, all making the system more complex.

Nevertheless, it is also important that the revaluations are fair to business and are reflective of changes in market conditions, which for most businesses are more challenging now than would have been the case in 2015. It should not be the case that the automatic expectation is that revaluation should be raising rates, particular in a time of economic difficulty – if this is the impact, it is a disadvantage to SMEs to have more

regular cycles, as it is important that they can lead to lower costs and not just rising rates.

So, it is important that there is clarity for ratepayers that more regular valuations should not mean more regular hikes in costs and so that the valuations need themselves to take account where there are economic storms and impacts on business and not be aimed at maximising revenue. In a time of rising rents, rental values may not be the best proxy either as these are additional costs outside the control of tenants. Supporting businesses to bring down costs where sectors are struggling is a key part of the system and it is important that tax base resilience for future revenue is seen as equally important to raising revenue for services now.

As noted in the Explanatory Memorandum, there are significant jagged edges and limitations to Welsh Government space for action as the VOA is UK responsibility while the Welsh government has powers over the NDR rates themselves. As noted in the paper this may well change following the current exercise by the VOA

"3.9 A significant system transformation project is being undertaken by the Valuation Office Agency which creates the potential for more opportunities for decisions to be made by the Welsh Government in relation to the valuation processes and support delivery of our reform programme. However, we would need to either agree the repurposing of resources, or a transfer of adequate resources to Wales, if the work currently undertaken by the Valuation Office Agency & needed to change fundamentally to enable the delivery of improvements to our local tax system(s)."

However, at present there is a question whether the scope to provide for in-cycle valuations is likely to be used, and is a substantive power or on paper only. This would require understanding what capacity the VOA would have for such an exercise, and what power Welsh Ministers would have to compel such an exercise (given pressures to valuations elsewhere in England within its remit).

As such, and while it is beyond the scope of Welsh Government powers, it is important that the measures and weighting of different forces used by the VOA are transparent and any such formula is clear, in terms of balancing (for example) rental values, area measurements in square metres and sectoral needs, sustainability, footfall, retail, land value, and so what should be part of the valuation is not a neutral exercise. If these formulae are accessible and transparent, outside the cycle the weighting could potentially be changed to place support for businesses in the structure of valuation and so less dependent on reliefs (for example to reflect inflation shocks etc.).

In future, if as noted in the Explanatory Memorandum (paragraph 3.9) that there will be scope to influence VOA, the possibility that Ministers could enact in-cycle changes to the weighting according to whether there have been changes (e.g. rent rises, footfall, discretionary spend) is something that could be explored.

NDR is one of few levers Welsh Government has to release pressure on SMEs at times of difficulty – so any additional flex in this area that allows more space to provide support is to be welcomed, and Welsh Government should continue to explore and use any such powers as much as appropriate to the business context of the time. Any possible movement in change to the administration of valuations through the VOA should be monitored and clear asks for influencing its operation by Welsh Government be developed ahead of time to ensure maximum flexibility on influencing the operation of valuation (within continuing limits of economic of scale through VOA covering England as

well as Wales as noted in the EM) as well as control over the rates arising from the valuation.

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

FSB Wales support this power in principle, although it is of course of more interest to us how it is then enacted. But it is rational to provide a central point to organise a complex and often unwieldy system.

There may be a case to look at how place-making can allow Local Authorities to use reliefs/variation for particular areas through a business case beyond discretionary reliefs (e.g. high street development, where such reliefs – or holidays may be useful; holidays for new businesses for up to 2 years). This may be best done through Ministerial agreement to ensure a consistent strategy that aligns different needs and place making as fitting within wider strategy. In terms of how this would work, we would expect that a Minister should provide a reason and rationale why a request by local areas be refused, alongside any assessments to support the decision being on public record.

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

FSB Wales support this as the level of conditions seem proportionate to the problem addressed.

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

This appears rational, particularly if properties back on the list are used for different purposes, been developed, or have fallen into disrepair. There may be a question of whether this stretches any administrative capacity locally, but this is probably unlikely.

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

FSB Wales agree with this provision as one that allows Local Authorities to better respond to any pressures on businesses in their area. Removing the arbitrary allowance of only awarding or varying the relief in the first 6 months of the financial makes sense as crisis are just as likely happen between October and April.

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

FSB Wales are supportive of this power in principle as again it makes sense to have a central point of decision making to apply consistency where possible to an unwieldy and complex system. There is a need for scrutiny of Ministerial decisions and to ensure a framework for decisions ensuring they are done on a consistent basis. The reason for any decisions on exemptions should be on public record with a rationale for the decision taken.

The process on how local authorities or town councils, or local citizens ask for exemptions and guidance on when appropriate is important though. The impact of any

decisions and the rationale for exemptions will likely be better understood locally than centrally.

- **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;**

FSB Wales strongly support this provision. Clearly, we support allowing Welsh Government to provide for lower multipliers for smaller businesses to pay a lower multiplier as is the case in England and Scotland.

The basis of any change and variation should be made clear, and any change requires impact assessment and a clear statement on the rationale of how and why any decision was taken.

It would also be useful in the present context for Welsh Government to note how they would look to use this power in current economic context were it to have this power in the current draft budget. The current multiplier cap as applied in the draft budget applies similarly everywhere and so is not targeted (but is consistent). Its operation therefore applies to micro and larger businesses alike.

What might Welsh Government do with this power? This would demonstrate concretely their priorities, why they need this power, and what utility and flex it provides and its material impact on businesses. As such it would be a useful indication of the relevance of the bill to local businesses' material needs.

Once the bill is passed, we would encourage Welsh Government to make maximum use of this flexibility to support smaller businesses, and if it can have a significant impact to introduce a lower multiplier in-year of a budget cycle.

- **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**

FSB Wales agree in principle.

However, it important that guidance is simple and clear, that paperwork is light, and that this does not become a 'planning' issue that disincentivises business developments. These are covered as aims in the list in paragraph 3.60, but the detail will be important to ensure that there is no significant additional burden. The principles in para 3.60 are correct, but it is how this is materially interpreted by VOA that is important – e.g. the scope they provide for leniency or not and on what basis.

It is important that how the aspiration for straightforward and easy to use system be achieved in administrative decision making is clarified, and any accompanying guidance fit the principles outlined in paragraph 3. 60..

It should also be noted that more regular revaluations within the bill should make this requirement less of a need than at present, as should the requirement to certify annually any changes. So, it is important that the level of oversight and bureaucracy for any 'change of use declaration' and accompanying revaluation outside the cycle be proportionate.

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

FSB agree with this provision, as level playing field is important for SMEs and fair competition.

However, it should be noted that there will always be areas of business that are legitimately grey areas, or that businesses straddle across different sectors. In such cases legitimate diversification should be incentivised. It is important that any such provisions for a few using `avoidance arrangements not impact adversely on legitimate business expansion and diversification. These are to be encouraged as businesses will be more resilient to sectoral crises and provide foundations to build new areas of business activity, jobs and skills in their communities.

Email: SeneddHousing@senedd.wales

Local Government and Housing Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

12th January 2024

Local Government Finance (Wales) Bill Consultation

Thank you for the opportunity to respond to this consultation on behalf of the Charity Retail Association.

The Charity Retail Association is the membership body for charity retailers. Our members run over 70% of the 513 charity shops in Wales. Charity shops in Wales employ 1,044 full-time equivalent (FTE) employees and provide 9,360 volunteering opportunities. Across Wales, our estimate is that charity retailers raise £19.5million annually for charitable causes and furthermore generate an estimated £3.79 billion of social value.¹

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;

Reducing the gap between revaluations from five years to three years is a positive step and one that will help ensure that rateable values better reflect market conditions. The use of an increasing annual multiplier between revaluations means that businesses can face rising business rate bills even whilst rents are falling due to worsening business conditions.

The latest Royal Institution of Chartered Surveyors (RICS) Commercial Property Monitor, saw 56% of the Welsh surveyors responding to the survey expecting retail rents to fall.² Where retail rents fall it is equitable that these falls result in a timelier reduction in business rate bills for retailers. Whilst charity shops benefit from a mandatory Charitable Rate Relief 80%, many charity shops are required to pay the remaining 20% which remains a significant financial cost. A survey that we conducted in 2018 indicated that only 4 out of the 22 Welsh unitary authorities granted an additional 20% Discretionary Relief to all the charity shops in their areas, a figure which is bound to have reduced since.

Conferring regulation-making powers on the Welsh Ministers to confer, vary or withdraw reliefs;

We are concerned that enabling Ministers to withdraw or substantially vary reliefs via regulations could lead to a lack of scrutiny and transparency resulting in detrimental impacts for the ratepayers concerned. Whilst there are benefits in relation to making it easier to alter existing reliefs, these benefits would be outweighed by the reduced opportunity for impacted parties to make their concerns known.

¹ <https://www.charityretail.org.uk/social-value-and-social-return-on-investment-sroi-of-charity-shops/>

² <https://www.insidermedia.com/news/wales/commercial-property-demand-falls-back-in-wales-rics>

As the trade association representing charity retailers across Wales, we would be greatly concerned at any move to withdraw eligibility for Charitable Rate Relief from charity shops and were such a change to be introduced via subordinate legislation our ability to make the case opposing the change would be constrained.

Strengthening the eligibility conditions for charitable relief for unoccupied hereditaments;

We welcome the decision to retain empty property relief for properties which when next in use are anticipated to be used for charitable purposes. The removal of this relief would have caused harm to charities where there were genuine practical delays in bringing a property back into use, where external circumstances required a property to temporarily close or where the charitable use of a premises was periodic.

In our previous consultation response, we proposed more effective monitoring of the relief by local authorities and believe that the current Bill will help to ensure this. It is rare that a charity retailer would need to make use of empty property relief, but it would be useful when there are delays in bringing a disused property back into use, when undertaking major modernisation projects, or if circumstances require that a charity shop closes for an extended period.

Removing a timing restriction on the awarding and varying of discretionary relief by local authorities;

To the extent that this power is used to award additional relief to ratepayers who would not otherwise have been awarded it, this is a positive change. This change could be used to help avoid ratepayers missing out on reliefs for which they are eligible because they are too late in applying or because there is a delay in processing the application due to the need for additional information.

Our only concern is that the removal of the restriction on varying previous decisions is not used to require ratepayers to repay rate relief granted in past years for which they were eligible under the criteria in force at the time the relief was granted. Decisions to alter eligibility criteria for discretionary rate relief should not apply retrospectively.

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;

The ability to vary the multiplier by sector provides new opportunities to ensure that the burden of business rates falls more fairly across the economy. In particular, we would be supportive of a lower multiplier for in-person retail premises as a means of removing any excessive business rates burden on our High Streets. This could potentially be funded by a higher multiplier in other areas.

The business rates burden current falls heavily on retailers, with the British Retail Consortium estimating that retailers account for 5% of the UK economy but nonetheless pay 25% of all business rates.³ A lower multiplier for in person retail premises would help address this imbalance.

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

³ <https://brc.org.uk/media/678328/retail-rates-and-recovery.pdf>

It is important that the Valuation Office Agency invest time and resources in supporting businesses, especially smaller businesses, to meet the new requirements. Whilst the large charity retail chains have access to specialist support on business rates this is not the case for smaller charities, some of which will be largely run by volunteers.

A charity with a single shop or premises is likely to be unfamiliar with the technical detail of the ratings system and unsure what hereditament changes will require them to make an information return. For these retailers, the provision of straightforward written guidance, answers to frequently asked questions and an advice line will be essential.

A charity retailer with dozens of shops across Wales is more likely to have a robust understanding of the ratings system but might not have the same level of familiarity with each individual shop unit and may rely on property management software and/or engage with the business rates system through agents. For these retailers, it will be important that notifications from the Valuation Office Agency are sent to the correct address and that the information return process supports working with property agents and supports the provision of sending in information returns for multiple properties in a single submission.

Consideration also needs to be given to the practical challenges faced by UK-wide retailers working with four separate business rate systems as these systems diverge. There need to be efforts to coordinate requirements across the UK to avoid increasing business costs in these circumstances.

Making provision about counteracting advantages arising from artificial avoidance arrangements.

Business rates avoidance activity undermines trust and confidence in the whole system and so we are supportive of proposals to enable Ministers to prohibit specific avoidance schemes via regulation.

Yours sincerely

Jonathan Mail
Head of Public Affairs

Local Government Finance (Wales) Bill Consultation Response

The Welsh Beer and Pub Association is the voice of brewers and pubs in Wales. Our members, as part of the wider British Beer and Pub Association, brew 90% of the beer produced in Britain and look after 20,000 of our country's much-loved pubs. They range from family brewers and regional pub companies to international breweries and Wales's largest pub estates.

It's a diverse group, but they all have one thing in common; passion for beautifully crafted beer and warm and welcoming pubs.

The BBPA and the WBPA have submitted consultations to the Welsh Government on various issues in the past, including previous reforms to business rates. Our response to this consultation focuses solely on Part 1: Non-domestic rates as the rest of the legislation is outside the remit of the WBPA.

SUMMARY

The proposed reforms to the business rates system in Wales are very welcome as they provide the opportunity and flexibility for the Welsh system to provide more accurate non-domestic ratings bills for businesses and allow the Welsh Government to provide targeted support for industry through sector-specific relief if they so choose.

However, it is important that the Welsh Government consider any additional burden that a more frequent valuation cycle might have on businesses, including those brought about by the duty to notify the VOA of any changes. It is also important that the Welsh Government consider the capacity of the VOA and other officials to accurately administer the changes to the system in a way that does not disadvantage businesses, particularly those in rural communities.

Our response addresses the relevant subcategories of business rates reform in turn.

Background

At present public houses are valued using a specific method not common to other commercial premises, as set out in the VOA's Approved Guide developed in partnership with the industry. The specific methodology used is due to the fact that pubs do not tend to be let on a purely commercial basis, often with more complex, complementary partnerships between landlord and tenant (e.g. supply agreements, support from the landlord and other arrangements) and factors such as geographical location and type of operation are taken into account. The current system is based on an outlet's 'Fair Maintainable Turnover' (FMT), the level of revenue that a reasonably efficient operator would be able to generate in the premises. .

Because of this unique valuation method, it is important to consider how changes to the business rates system which may seem positive or not disruptive could have unintended impacts on businesses valued this way, particularly the duty to notify. Given the recently announced measures in the Welsh budget, pubs in Wales contribute £35.4m in business rates. **The average pub in Wales is £6,000 worse off than their English counterpart due to lower relief and lack of a small business multiplier.**

More frequent revaluations

The WBPA is glad to see the Welsh Government pursuing a move to more frequent valuations in line with the changes already agreed in England. We believe a move to three-yearly revaluations will yield more accurate rates, reduce dramatic changes from one revaluation period to the next, and improve transparency on how rates are established. However, we believe the trade-offs identified by the Government in moving to a more frequent system must be more carefully examined. **Current obligations proposed under new Duty to Notify provisions place disproportionate burden on ratepayers and are not balanced.**

In addition, **it is important that the Antecedent Valuation Date (AVD) and Date of Compilation is as close to each other as possible, thus reflecting the property market and rental values more closely.** The current period leaves a two-year window which allows either a movement in property values which are not reflected or external event that complicates the establishment of the rental value of a property at the Date of Compilation adopting the rental values some two years previously.

It is encouraging to see that the Welsh Government prefers changes which would bring the Welsh valuation cycle in line with England. This is preferable for many reasons, not least the impact on the VOA, but also for pub estates which have properties across borders. Should this legislation proceed and the power to amend valuation cycles be devolved to the Senedd, it is important that this consideration continues as both Wales and England may continue to seek shorter valuation cycles;

many businesses would have concerns should the valuation cycles fall out of synch, causing a burden on the VOA and confusion amongst businesses. In either case, the WBPA strongly urges a thorough review of the costs and benefits relating to a three-year cycle – once implemented – and an impact assessment of any move to shorter cycles.

Reliefs

The Retail, Hospitality and Leisure relief has been instrumental in ensuring that pubs across Wales can continue to weather the challenges in the market, including record high energy costs, food and drink price inflation, and labour shortages. It was worth £7.1m to the sector in Wales, and without this crucial relief, it is certain that many more pubs would have had to close their doors.

Should the legislation provide that Welsh Ministers can award, vary or withdraw relief, it is important to recognise the incredibly valuable nature of reliefs for pubs. Failing longer-term adjustments to business rates, reliefs work to rebalance the business rates burden, allowing pubs to thrive.

Devolution with regards to Welsh Business Rates relief would also allow Wales to correct some of the recent oversights with the Non-Domestic Ratings Act (2023) in England, particularly regarding improvement relief where Wales should resist implementing the same occupation condition for the relief. This is because the English legislation contains a blind spot regarding the unique partnership model that applies to pubs up and down the country, requiring pubs to be occupied by the same ratepayer for the entire period of the improvement and the relief window. Without reflecting the close partnership between pub companies and ratepaying publicans, investment in partnership pubs may become a less desirable venture, crippling pubs when they need to improve, adapt, and modify their businesses to survive.

Non-domestic rating multipliers

The ability for Welsh Ministers to set differential multipliers for various businesses would be a great reflection and response to a number of the issues with business rates – including their current inflexibility and outdated approach to valuing businesses in a digital age. The WBPA has long been in favour of a digital sales tax to rebalance the burden placed on brick-and-mortar venues which cannot move online, like hospitality. **While we recognise that this legislation would merely allow for these changes, not guarantee them, we think it a valuable move forward.**

Being able to allocate multipliers based on the description of a venue, i.e. if they fall in the public houses category, would enable the Welsh Government to more accurately target business rates support and relief.

Even before the deleterious impact of the Covid pandemic on venues like pubs, it had already become widely recognised that hospitality was being disproportionately impacted by business rates and that reform was urgently needed. For example, across the UK, hospitality contributed over 11% of all business rates payments despite contributing only 3% of eligible income. By this measure, and even after the recent revaluation, pubs will be overpaying by over £400 million. **In order to create lasting reform and sustained growth with a limited investment, the Welsh Government should implement a permanent pub (or hospitality) specific multiplier at a significantly lower rate. Such a measure would recognise and address, at least in part, the disproportion rates burden pubs face under the current system.** This would end the sticking plaster policies that only provide temporary relief for the businesses that bring life to our communities.

At the same time, given Wales only currently has one standard multiplier, it is important that this measure is limited to the ability to downrate the standard multiplier to avoid punitive measures or uncertainty for businesses. The measure this legislation is seeking should be used as a positive measure to support sectors where needed, not to squeeze more out of sectors as and when.

Provision of information

While we recognise the intention to align with the new Duty to Notify in England, the **WBPA would reiterate the concerns shared during the consultation process in England.**

The Duty to Notify provision explicitly requires businesses to notify the VOA and/or Billing Authorities through the use of an, as yet designed and tested, online portal and requires an annual confirmation returns through this same portal. This presumes both access to and familiarity with the internet that not all publicans may have. Viewed through the lens of the highest taxed sector per pound turnover, this adds insult to injury - a physical property must file using a digital platform while the digital economy has no tax equivalent, much less the burden of filing changes and annual confirmations.

While the move to more frequent valuations is welcome, the information required under the new Duty to Notify goes above and beyond what is required to make more frequent valuations possible. The administrative burden of such changes is an unrealistic prospect for many pubs. There remains more work to be done with the government and the VOA to ensure simple, accurate, and timely valuation of pubs.

When considering the implementation of a Duty to Notify, it is important to consider the proportionality of the information requested and its impact on revaluation. This is especially necessary when expecting publicans to update their records within 60 days as the Duty to Notify would disproportionately impact pubs, due to the frequency and volume of potential changes and the unique approach of Fair Maintainable Trade as a valuation tool. In addition, information provided within a 60-day period could ultimately be out of date and irrelevant by the time a valuation comes around, especially when considering the annual confirmation also proposed.

We would ask that the Welsh government consider the following:

1. Businesses which currently do not participate in the rate system through exemptions under Small Business Rates Relief, for example, are exempt from Duty to Notify and its financial penalties.
2. Pubs should be given a minimum quarterly period for Duty to Notify, and the specific reasons which trigger the obligation for Duty to Notify be much more specific and limited.
3. In line with the limitations for triggering Duty to Notify, reword duties such that it is not any change to a hereditament, but specifically changes related to the non-domestic element of the hereditament. For example, residential components of pubs should not bear Duty to Notify as it is a Council Tax component and not within scope of Non-Domestic Rates.
4. Digital platforms should seek to create interoperability between VOA and Billing Authorities to create a single form on a single site.

Conclusion

As this legislation mainly focuses on providing the Welsh Government increased legislative autonomy, it is important to acknowledge the potential for creating a more competitive, fairer and sustainable business rates environment in Wales, while ensuring that any increased divergence between Wales and the rest of the UK does not disadvantage Welsh businesses or consumers in the process.

Should these provisions move forward, the Senedd has a great opportunity to be a leader within the UK on business rates reform through ensuring a sustainable balance between brick-and-mortar venues and online shops, encouraging investment and growth, and enabling pubs across Wales to thrive in challenging times.

Y Pwyllgor Llywodraeth Leol a Thai

25 Ionawr 2024 – clawr y papurau i'w nodi

Rhif y papur	Mater	Oddi wrth	Gweithredu
Papur 9	Cyllideb Ddrafft Llywodraeth Cymru 2024-25	Cymorth Cymru	I'w nodi
Papur 10	SICM(6)4 – Rheoliadau Deddf Tai Cymdeithasol (Rheoleiddio) 2023 (Diwygiadau Canlyniadol ac Amrywiol) 2024	Y Gweinidog Newid Hinsawdd	I'w nodi

To: Local Government and Housing Committee members

16 January 2024

Dear Committee members,

In advance of your evidence sessions with the Minister for Finance and Local Government and the Minister for Climate Change, I am writing to highlight key points from our previously submitted written evidence and to provide you with **new data** relating to the Housing Support Grant (HSG).

Key points from our written evidence

Our written evidence outlined how a multitude of factors are increasing pressure on homelessness services in an environment of unsustainable resourcing.

- The HSG funds the vast majority of homelessness and housing support services in Wales.
- Demand for these services has increased, as has the complexity of people's support needs.
- The HSG is worth £24 million less in real terms than it was in 2012.
- The HSG budget has remained at £167 million since 2021/22, and has not been increased in the Draft Budget for 2024/25, despite huge inflationary pressures.
- The cost of running HSG services has increased by an average of 11% since last year.
- 75% of providers are currently running services at a deficit, subsidising costs that should be covered in full by the HSG.
- 52% are using their reserves to subsidise these services. This is completely unsustainable, particularly for charities with limited reserves.

The Draft Budget 2024/25: impact on services

We asked homelessness and housing support providers what would happen to their services if there is no increase in HSG funding, as in the Draft Budget for 2024/25:

- 77% said they were likely to have to reduce service capacity – when demand is greater than ever.
- 40% would be likely to have to hand back existing contracts – leaving local authorities without critical services for people experiencing or at risk of homelessness.
- 67% would be likely to not bid for new or re-tendered contracts – potentially leaving local authorities unable to award contracts for vital services.
- 48% would be likely to make staff redundant.

New data: Support worker wages

Since we submitted our written evidence to your committee, we have gathered further data from support providers in relation to the wages paid to staff funded by the HSG. This has not yet been published, but we are sharing it with you to aid your scrutiny of Ministers on Thursday.

Out of our sample of over 3,000 workers funded by the Housing Support Grant:

- 41% are currently being paid below the upcoming (April 2024) minimum wage of £11.44/hr.
- 67% are currently being paid below the 2023/24 RLW of £12.00/hr.

With no increase to the HSG in the Draft Budget for 2024/25, it is going to be incredibly difficult for support providers to uplift salaries to the new minimum wage, never mind the RLW.

- One provider has told us that increasing support worker salaries to the RLW during 2024/25 will cost them an extra £250,000.
- Another has told us that increasing salaries to the minimum wage will cost them £112,000, excluding on-costs. Increasing wages to the RLW will cost them £400,000, as it will impact on the wider salary structure.
- A further organisation has told us that increasing the wages of the lowest paid workers to minimum wage would cost them £562,640. Increasing wages to the RLW would cost them £1,146,120.

You will also be aware that organisations need to maintain pay differentials with the staff above the lowest paid workers, who carry more responsibility. This would cost some organisations an additional £300,000 next year on top of the pay increases for the lowest paid staff.

These not-for-profit organisations simply do not have the funds to pay for this. If there is no increase in the HSG in the Final Budget for 2024/25, these providers are going to have to make staff redundant, reduce services and hand back contracts to local authorities.

Welsh Government commitment to Fair Work and the Real Living Wage

The Welsh Government has placed fair work and the Real Living Wage at the heart of their policy commitments and we were assured that homelessness and housing support workers would be included in the commitment to pay care workers the RLW. There has been no additional funding since the last Senedd election to fund this – the HSG budget has remained the same since 2021/22.

It is unacceptable that workers who do such complex and skilled jobs are paid so little. They support people during acute crises, through homelessness, domestic abuse, mental health and substance use issues. They provide critical support while being exposed to significant trauma from witnessing and/or listening to accounts of abuse, exploitation, suicide and overdoses. They delivered vital, life-saving services during the pandemic and continue to play a key role in preventing and responding to homelessness during this housing crisis.

We would be extremely grateful if you could consider the evidence outlined above and utilise it in your scrutiny of Ministers during the Draft Budget evidence sessions this week.

Yours sincerely,



Katie Dalton

Director, Cymorth Cymru



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/JJ/2634/23

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19 Ionawr 2024

Annwyl Huw a John,

Mae'r llythyr hwn i'ch hysbysu fy mod, yn unol â Rheol Sefydlog 30A, wedi gosod Memorandwm Cydsyniad Offeryn Statudol yn y Senedd mewn perthynas ag Offeryn Statudol y DU:

Rheoliadau Deddf Tai Cymdeithasol (Rheoleiddio) 2023 (Diwygiadau Canlyniadol ac Amrywiol) 2024

Gellir dod o hyd i'r ddolen i'r Memorandwm Cydsyniad Offeryn Statudol [yma](#).

Rwy'n ystyried bod y Rheoliadau yn offeryn statudol perthnasol gan eu bod yn gwneud darpariaethau o ran Cymru sy'n diwygio deddfwriaeth sylfaenol, sef Deddf Tai ac Adfywio 2008, sydd o fewn cymhwysedd deddfwriaethol y Senedd ac nad ydynt yn ddarpariaethau sy'n rhai deilliadol, canlyniadol, trosiannol, darfodol, atodol nac arbed sy'n ymwneud â materion nad ydynt o fewn cymhwysedd deddfwriaethol y Senedd.

Rwyf wedi cyhoeddi datganiad ysgrifenedig y gallwch ei weld [yma](#).

Yn gywir,

Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth Gymraeg sy'n dod i law yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

Tudalen y pecyn 104
Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.