



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

## **Response to Local Government and Housing Committee inquiry into council tax reforms**

### **Written Submission from the National Residential Landlords Association**

Thank you for the opportunity to respond to this consultation. The National Residential Landlords Association (NRLA) is grateful for this chance to give our view regarding council tax reforms in Wales. Our response to the consultation is as follows:

#### **About the NRLA**

The National Residential Landlords Association (NRLA) represents over 99,000 private-sector residential landlords in England and Wales. The NRLA provides support and advice to members and seeks to raise standards in the Private Rented Sector through our code of conduct, training, accreditation and the provision of guidance and updates on legislation affecting the sector.

#### **Deadline - Friday 11 November 2022.**

- 1) The potential impact of a council tax revaluation and revised council tax bands on local government finances and administration.

The NRLA does not think there would be any immediate impact on local government finances. However, a revaluation and a revision of council tax bands will require significant work between local authorities and the Valuation Office Agency (VOA). The NRLA discusses further issues around the VOA in our response.

Additionally, the Institute for Fiscal Studies highlights in their report<sup>1</sup> that a council tax revaluation, either a pure revaluation or a less regressive system will have a fall in tax bases under both systems for some local authorities.

- On a pure revaluation, where a system of 9 bands is retained, band thresholds are set so that nationally the same proportion of properties are in each band as now, and the same tax relativities apply to each tax. -
    - Overall, most local authorities would be set to have no or very small changes to their tax bases. The most significant estimated increases are in Isle of Anglesey (up 7%), Blaenau Gwent (up 6%), and Merthyr Tydfil (up 6%), while the biggest falls are in Flintshire (down 7%) and Wrexham (down 7%).
  - On a less regressive system with three additional bands (2 at the bottom and one at the top), and tax relativities that are more proportional to value but not fully proportional -
    - The report states that “It shows that the average tax relativity would increase most in Monmouthshire and the Vale of Glamorgan, reflecting both their high average property values (high value properties get taxed more under a less regressive system) and the effect of revaluation (which we estimated would see properties in these areas moving up bands). Average tax relativities would also fall in Northeast Wales, and most of the South Wales Valleys. In the former, that would largely reflect the impact of revaluation (given below average increases in property values).
- 2) Any reduction in local authority finances could negatively affect the support for social and private housing in the authority. Welsh Government should be wary of unintended consequences towards individual local authorities and their finances. The NRLA would also advise that any additional tax revenue from revaluation be ringfenced to support landlords and tenants in the Private Rental Sector (PRS). The potential benefits and disadvantages of regular property revaluations on local government administration, and the impact on those liable to pay council tax.

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<sup>1</sup> [https://ifs.org.uk/sites/default/files/output\\_url\\_files/Updated-analysis-of%252520the%252520effects-of-revaluating-%252526-reforming-council-tax-across-Welsh-local-authorities.pdf](https://ifs.org.uk/sites/default/files/output_url_files/Updated-analysis-of%252520the%252520effects-of-revaluating-%252526-reforming-council-tax-across-Welsh-local-authorities.pdf)

The NRLA thinks the Welsh Government should set new guidelines for the VOA as part of their ongoing work on creating a fairer council tax system.

The objectives should read as follows:

- To ensure fairness and consistency throughout the council tax system.
- To provide clearer guidance for the VOA that properties should not be disaggregated into multiple units for council tax, unless each individual unit is self-contained. This would prevent tenants in houses in multiple occupation from paying council tax, reducing potential costs on them.
- To create a more seamless council tax system where property owners can quickly identify and challenge their council tax band, where appropriate.

Introducing new council tax bands creates a risk for landlords renovating and extending properties for tenants. In some cases, this could incur further costs on tenants who are liable to pay council tax. Alternatively, if the landlord pays the council tax on the property, the landlord may find it necessary to increase the rent on the property.

- 3) The effectiveness of the framework for council tax discounts and exemptions, and how the system could be developed and improved.

Landlords are increasingly reporting that their HMOs are being targeted for disaggregation into multiple separate council tax bands by the Valuation Office Agency (VOA).

Under the council tax legislation, the VOA has long-held powers to disaggregate properties into multiple separate units for council tax. Where this happens, the property is split into various band A properties, increasing the total amount of council tax paid on the property by a significant amount.

While guidance does exist on disaggregation, it is too wide in scope, allowing the VOA to disaggregate the property without regard to the suitability of the unit as a self-contained dwelling. Instead, the test in law falls first on the nature of the tenancy agreement. Only if the property is let on a joint arrangement will the VOA generally have to consider the property characteristics before disaggregation.

In cases like this, it typically means that a tenant will become liable for paying the council tax after disaggregation, raising their costs by £1000-£1500 per

annum in most areas of the country. Normally, under a room only letting arrangement, responsibility for paying the council tax falls on the landlord under the hierarchy of liability as the tenants do not have a controlling interest over the entire council tax unit. After disaggregation, each room is an individual unit which the tenant does have the controlling interest for during the tenancy. As a result, they become liable for the council tax under the hierarchy of responsibility.

Room only agreements are common within HMO properties. Primarily because it allows landlords to access the common parts and fulfil their HMO management obligations, but also to ensure tenants are not tied to a contract with another tenant they may not know.

Unfortunately, while this is often the best option for the management of the tenancy and the relationship between tenants, should the VOA investigate, the council tax legislation will default to splitting the property into multiple separate units for council tax. This can often lead to lower-income tenants losing out, as the council tax bill for the room will be their responsibility under the hierarchy of council tax liability.

Welsh Government should take the opportunity to reevaluate the role of the VOA and its powers to disaggregate properties into multiple separate units for council tax. Focusing on the best outcomes for the tenants, this would be ensuring that HMOs are not disaggregated as standard, unless they are clearly self-contained dwellings designed for entirely separate living.

- 4) The case for changing the Council Tax Reduction Scheme which supports the most vulnerable low-income households, and scope for improving the system.

The NRLA believes that the Council Tax Reduction Scheme needs improved accessibility for service users.

Currently, the application is a large document and can be challenging to navigate as users bring all the necessary evidence together.

The NRLA proposes that local authorities can streamline and shorten the process in this digital age. For local authorities to make matters more difficult for low-cost households seems counterproductive.



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To conclude, improving accessibility for the scheme would go a long way in helping low-income households.

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