

## CABINET

<b>Date of Meeting</b>	Monday, 26 <sup>th</sup> September 2022
<b>Report Subject</b>	Welsh Government Consultation - Council Tax Reform
<b>Cabinet Member</b>	Cabinet Member for Governance and Corporate Services including Health and Safety and Human Resources
<b>Report Author</b>	Chief Officer (Governance)
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

This report provides Cabinet Members with information on a Welsh Government (WG) phase 1 consultation seeking views on the reform of Council Tax. The proposals, include:

- completing a Council Tax revaluation
- designing a new system of bands and tax rates that is more progressive
- improving the framework of discounts, disregarded persons, exemptions, and premiums
- improving the Council Tax Reduction Scheme

The report provides Cabinet with a series of recommended responses on the reform proposals (as set out in Appendix 1) to specific questions posed by WG.

### RECOMMENDATIONS

1	Cabinet is asked to consider the proposals of the Welsh Government Consultation to reform Council Tax and authorise the Revenues and Procurement Manager to respond to the consultation, as set out in this report.
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## REPORT DETAILS

1.00	EXPLAINING THE COUNCIL TAX REFORM PROPOSALS																																	
1.01	<p>The Welsh Government phase 1 consultation is seeking views on a package of reforms to Council Tax in Wales. The proposals include:</p> <ul style="list-style-type: none"> <li>• completing a Council Tax revaluation of all 1.5 million domestic properties in Wales to rebalance the system to reflect property values, especially since the current banding system is now nearly twenty years out of date;</li> <li>• designing a new system of bands and tax rates that is seen to be more progressive, including considering adding more bands to the top and bottom ends of the scale if needed;</li> <li>• re-valuing more frequently to keep Council Tax fairly distributed on a more regular basis;</li> <li>• improving the framework of discounts, disregarded persons, exemptions and premiums;</li> <li>• improving the Council Tax Reduction Scheme which provides support to low-income households.</li> </ul>																																	
1.02	<p>The expressed aim of the reforms is not to raise more revenue but to make the system fairer, rebalancing the liability for Council Tax between residents who can ostensibly afford to pay more and thereby easing the burden of residents who may be on lower incomes, as well as targeting reductions more effectively.</p>																																	
103	<p>Welsh Government consider the current system needs major reform as the Council Tax places a higher tax burden, proportionately, on those with lower levels of wealth. For example, the amount of Council Tax charges for a Band I property is three and a half times as much as Band A, yet homes in the top band can often be worth at least nine times as much as those in the bottom band.</p>																																	
1.04	<p>The table below shows the percentage of Flintshire Council Tax properties by band and how this compares to the Welsh average:</p> <table border="1" data-bbox="320 1480 1385 1637"> <thead> <tr> <th></th> <th>Number</th> <th>A</th> <th>B</th> <th>C</th> <th>D</th> <th>E</th> <th>F</th> <th>G</th> <th>H</th> <th>I</th> </tr> </thead> <tbody> <tr> <td>Flintshire</td> <td>70,685</td> <td>6%</td> <td>14%</td> <td>29%</td> <td>19%</td> <td>16%</td> <td>11%</td> <td>5%</td> <td>0.80%</td> <td>0.30%</td> </tr> <tr> <td>Welsh average</td> <td>1,463,005</td> <td>14%</td> <td>21%</td> <td>22%</td> <td>16%</td> <td>13%</td> <td>8%</td> <td>4%</td> <td>0.90%</td> <td>0.40%</td> </tr> </tbody> </table>		Number	A	B	C	D	E	F	G	H	I	Flintshire	70,685	6%	14%	29%	19%	16%	11%	5%	0.80%	0.30%	Welsh average	1,463,005	14%	21%	22%	16%	13%	8%	4%	0.90%	0.40%
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1.05	<p>There are also a range of Council Tax discounts, disregards and exemptions that can apply to specific circumstances, but most reduction schemes have not been reviewed since the Council Tax system was first introduced in 1993. Although phase 1 of the WG consultation does not include specific proposals for reform, WG intend to review discount and exemption schemes to improve and modernise the system so that it makes Council Tax fairer.</p> <p>This could include making the system more accessible for taxpayers, making it easier to take up entitlements and targeting support and liability more effectively. WG propose to carefully review each category of</p>																																	

	discount, disregarded or exemption to ensure the schemes are aligned to create a fairer Council Tax system.
1.06	The report provides Cabinet with a series of recommended responses (as set out in Appendix 1) to specific questions posed by WG on the reform proposals.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Local authorities in Wales would see changes in their local tax-bases and potential changes in revenue in each area if Welsh Government undertake the national revaluation as set out. In other words, this would have a redistributive impact on the Revenue Support Grant (RSG) which is allocated by a complex formula.
2.02	Following a national revaluation if a local authority tax-base decreased it would receive proportionately more in RSG to compensate for lower Council Tax revenue. On the other hand, if the tax-base increased it would receive less in RSG.
2.03	While there would be some effects on the tax-bases across Wales as a result of any revaluation, WG also advise there should be no significant overall changes in funding for council services.

<b>3.00</b>	<b>IMPACT ASSESSMENT AND RISK MANAGEMENT</b>
3.01	WG is considering a new revaluation exercise to address the perceived unfairness in the current system and bring bands up to date. This could also enable the development of more property bands at the top and bottom ends of the banding system to distribute the taxable capacity in a more detailed and fairer way. Adding additional bands will also help to make the Council Tax more progressive, noting that property-based taxes are regarded as inherently regressive.
3.02	The expressed purpose of a national re-valuation is not raise additional income from Council Tax overall but to redistribute the same income from Council Tax more fairly and evenly.
3.03	The phase 1 consultation proposals in relation to the national revaluation would be an extensive exercise and mainly resourced through the Valuation Office Agency, the independent central government agency responsible for valuing domestic and non-domestic properties in England and Wales.
3.04	Welsh Government consider that a 1 <sup>st</sup> April 2025 effective date would be a realistic date to implement reforms, using property and sales data as at 1 <sup>st</sup> April 2023.
3.05	At this stage, it would be impossible to predict the outcome of the national revaluation as properties would be re-valued using market prices at a date

	<p>which is 6 months away. While the value of homes has increased significantly since the last revaluation in Wales in 2003, the system should remain a relative one, save for any local and regional variations in property prices.</p> <p>As with any national revaluation, especially if additional bands are introduced, it is generally recognised that some households will pay more, some will broadly stay the same, and some will pay less.</p>
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<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	<p>This WG phase 1 implements the commitment to create a fairer and more progressive Council Tax system, which is contained within the Programme for Government and the cooperation agreement between Welsh Government and Plaid Cymru.</p> <p>A phase 2 consultation will offer detailed proposals at a later date.</p>
4.02	<p>The purpose of the report is to provide cabinet with the opportunity to comment on the phase 1 consultation proposals to reform Council Tax and to consider the proposed responses prepared by officers in the Revenue service.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix 1 to this report contains the recommended responses to the list of 18 questions within the consultation paper.</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>The Welsh Government Consultation documents are accessible at:</p> <ul style="list-style-type: none"> <li>• <a href="https://gov.wales/fairer-council-tax">https://gov.wales/fairer-council-tax</a></li> <li>• <a href="https://gov.wales/sites/default/files/consultations/2022-07/consultation-wg45022.pdf">https://gov.wales/sites/default/files/consultations/2022-07/consultation-wg45022.pdf</a></li> </ul>

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<p><b>Contact Officer:</b> David Barnes, Revenues Manager  <b>Telephone:</b> 01352 703652  <b>E-mail:</b> <a href="mailto:david.barnes@flintshire.gov.uk">david.barnes@flintshire.gov.uk</a></p>

8.00	GLOSSARY OF TERMS
8.01	<p><b>Revenue Support Grant:</b> the annual amount of money the Council receives from Welsh Government to partly fund services, alongside revenue from Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.</p> <p><b>Tax Base:</b> is a measure of the Councils ‘taxable capacity’ taking into account the number of chargeable properties after exemptions and discounts.</p> <p><b>Progressive Tax:</b> is a tax that is seen to impose higher rates of tax on those who can afford to pay more and is generally geared around your ability to pay.</p> <p><b>Regressive Tax:</b> is the direct opposite of a progressive tax and is seen to particularly affect low-income earners because they pay a disproportionately higher amount compared to their ability to pay.</p>