

We call on the Welsh Government to reject their proposals for a council tax revaluation

Y Pwyllgor Deisebau | 15 Mai 2023
Petitions Committee | 15 May 2023

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Petition title: We call on the Welsh Government to reject their proposals for a council tax revaluation.

Text of petition:

Monmouthshire residents face astronomical council tax hikes if proposals to revalue homes go ahead.

A revaluation of all 1.5 million properties in Wales is being suggested in a Welsh Government consultation. Under 'A Fairer Council Tax' – new bands would be created and new tax rates for each band would be set.

Included in the consultation are links to reports by the Institute for Fiscal Studies and University of Sheffield estimating the extra costs people will face in different parts of Wales.

This consultation shows that nearly 4 out of 10 homeowners in Monmouthshire will move up a band and face paying £100s more each year in council tax, while less than 1 out of 10 would pay less by moving down a band.

Residents already face an unfair council tax burden because it is the lowest funded local authority area in Wales. The shortfall between what is received from the Welsh Labour Government and what the council spends is made up by council tax.



Monmouthshire is likely to be a net loser from these proposals potentially pushing hard-pressed families into much higher council tax bands, making it even more expensive and for some local people unaffordable to live here at a time when many are struggling with the cost of living.

I urge Monmouthshire residents to sign this petition so that action can be taken by the Senedd to influence the policy of Welsh Government.

www.david-davies.org.uk/news/monmouthshire-residents-face-council-tax-bombshell-under-welsh-government-plans

1. Background

Outline to council tax reform

In January 2017, the previous Welsh Government outlined its approach to reforming the local government finance system in Wales. Its aim was to 'enable local government to become more sustainable and self-sufficient'. One key objective of reforming local government finance systems was to make 'council tax fairer'. The statement noted that this would:

involve considering broad questions such as what proportion of our tax revenue is based on **property**, on **income**, on **transactions** or on other factors. We will consider whether different approaches to property valuation are viable, whether they might be fairer and whether there would be **any benefits for public services** and the economy in Wales.

In its 2019 update, the Welsh Government stated that it had begun the process of commissioning research and expertise to develop knowledge and data on potential models for reforming council tax. This included research to establish a model of council tax based on land values in Wales, undertake a simulated revaluation of all 1.4 million domestic properties, and research on whether the council tax could be based on household income.

In May 2021, the Welsh Government published a summary of its findings on the research it had commissioned. It concluded that:

The most progressive option would be to base local revenue-raising on taxpayer incomes, but its practical implementation is the least understood and it carries higher avoidance risks, particularly in relation

to offshore or hidden wealth. A local land value tax appears promising compared with existing systems, if the data infrastructure requirements could be met. Revaluation and rebanding of council tax could achieve a less regressive or more proportional position with respect to property wealth rather than incomes.

In November 2021 the Welsh Government and Plaid Cymru agreed to cooperate on 46 policy areas which included:

- **Council tax reform** – Reform one of the most regressive forms of taxation – which disproportionately impacts poorer areas of Wales – to make it fairer.

The Welsh Government's Programme for Government was updated in December 2021 following the agreement, which re-stated its commitment to this programme of reform.

Local Government Settlement

The Welsh Government allocates funding to local authorities through its Housing and Local Government Main Expenditure Group (MEG). The main element within the MEG is the general revenue funding. In the Final Budget 2023-24, the Welsh Government allocated a little over £4.5 billion in general revenue funding for local government.

The Final Local Government Settlement, which is published alongside the budget, includes the total amount of funding local government will receive for the financial year. It also shows how funding will be distributed to each local authority based on a funding formula agreed with local government. The formula consists of a variety of indicators which consider characteristics of a local authority such as; population, sparsity and deprivation among other data.

Local Authority Distribution 2023-24

As a result of the overall increase of 8.1 per cent in the settlement, no authority received less than a **6.6 per cent increase** in its allocation for 2023-24. The overall increase is lower than that received for the 2022-23 financial year however, when authorities received an overall increase of 9.4 per cent on a like-for-like basis.

Monmouthshire received the biggest uplift in its allocation (9.5 per cent), followed closely by Cardiff (9.2 per cent) and the Vale of Glamorgan (9.1 per cent). Blaenau Gwent will receive the lowest increase at 6.6 per cent. .

The table below shows the amount each local authority will receive in Aggregate External Finance (the combined total of Revenue Support Grant and Non-Domestic Rates) for 2023-24, and the percentage difference compared to 2022-23. It has been ranked in order, from highest to lowest for ease of reading.

Table 1b: Change in Aggregate External Finance (AEF) plus floor funding, un-adjusted for transfers, by Unitary Authority (£000)

Unitary Authority	2022-23 Final Aggregate External Finance	2023-24 Final Aggregate External Finance	Percentage difference	Rank
Monmouthshire	112,020	122,675	9.5%	1
Cardiff	543,810	593,605	9.2%	2
The Vale of Glamorgan	185,931	202,797	9.1%	3
Newport	265,502	289,522	9.0%	4
Powys	210,090	228,665	8.8%	5
Carmarthenshire	311,585	338,410	8.6%	6
Wrexham	207,279	224,836	8.5%	7
Flintshire	232,336	251,995	8.5%	8
Ceredigion	119,238	129,198	8.4%	9
Denbighshire	173,596	188,024	8.3%	10
Conwy	183,608	198,598	8.2%	11
Swansea	386,852	418,282	8.1%	12
Pembrokeshire	196,776	212,675	8.1%	13
Isle of Anglesey	114,490	123,665	8.0%	14
Bridgend	232,109	250,182	7.8%	15
Torfaen	160,218	172,405	7.6%	16
Neath Port Talbot	258,174	276,696	7.2%	17
Merthyr Tydfil	110,704	118,614	7.1%	18
Gwynedd	212,840	228,036	7.1%	19
Caerphilly	317,789	339,960	7.0%	20
Rhondda Cynon Taf	441,596	471,317	6.7%	21
Blaenau Gwent	131,057	139,730	6.6%	22
Total unitary authorities	5,107,603	5,519,889	8.1%	

The Welsh Government also publishes details on *per capita* spend, that is, the amount of core funding allocated per person by authority area. The per capita figures below are based on the average of 2023 population from the 2018 based local authority population projections and Census 2021 population data.

Table 1c: Aggregate External Finance (AEF) per capita, by Unitary Authority, 2023-24

Unitary Authority	2023-24 Final Aggregate External Finance Funding (£000)	Final Aggregate External Finance per capita (£) [Note 2]	Rank
Blaenau Gwent	139,730	2,049	1
Merthyr Tydfil	118,614	1,978	2
Rhondda Cynon Taf	471,317	1,960	3
Denbighshire	188,024	1,958	4
Neath Port Talbot	276,696	1,927	5
Caerphilly	339,960	1,898	6
Gwynedd	228,036	1,877	7
Torfaen	172,405	1,848	8
Newport	289,522	1,816	9
Ceredigion	129,198	1,815	10
Carmarthenshire	338,410	1,791	11
Isle of Anglesey	123,665	1,783	12
Powys	228,665	1,721	13
Swansea	418,282	1,713	14
Conwy	198,598	1,702	15
Pembrokeshire	212,675	1,702	16
Bridgend	250,182	1,702	17
Wrexham	224,836	1,656	18
Cardiff	593,605	1,623	19
Flintshire	251,995	1,612	20
The Vale of Glamorgan	202,797	1,511	21
Monmouthshire	122,675	1,300	22
Total unitary authorities	5,519,889	1,756	

These figures do not take into account other local authority funding or income streams, such as council tax revenue, specific grant funding or other funding streams via UK Government.

2. Welsh Government action

On 12 July 2022, the Minister for Finance and Local Government, Rebecca Evans MS gave an oral statement in Plenary. She stated that in order to reach the aims set out in the cooperation agreement, in the short-term, a property revaluation and changes to council tax banding would need to be undertaken:

It is this Government’s view that a revaluation should take place, and we should aim to implement a new structure for council tax based on up-to-date values.

It is proposed that these changes are implemented by April 2025, using property values as at 1 April 2023. The Minister stressed that research undertaken suggests that “up to 75 per cent of households would either be unaffected or would see their bills reduce” as a result of the revaluation and banding change. The Minister also stated that the purpose of the revaluation was not to “increase the total

amount raised from taxpayers, but to redistribute the burden to ensure the fairness and integrity of the system.”

The Minister updated Members on progress with council tax reform in [Plenary on 2 May 2023](#). During the statement, the Minister noted that some members of the public had expressed concerns that “this exercise was about raising more tax through the reforms.” Responding to these concerns, the Minister said:

So, I want to be absolutely clear today: this is not about raising a single penny more in overall revenue. It’s about ensuring that the money that we do raise is raised as fairly as possible, based on the ability to pay for essential public services that benefit everyone in Wales.

The Minister confirmed that the Welsh Government has commissioned the Valuation Office Agency to “undertake revaluation work, using the latest technology to assess property values”. The Minister also confirmed that she will “bring forward legislation in due course to set regular revaluation updates on a statutory footing.”

Nevertheless, the Minister also stated that the proposed reforms would create some “winners and losers”, but that every year under current arrangements brings “more unfairness, often experienced most acutely by the poorest households.”

In a letter to the Chair of the Petitions Committee, the Minister for Finance and Local Government states that:

A revaluation would enable the Welsh Government to create new bands and choose new tax rates for each band, to create a fairer tax. This could include adding bands at the top and bottom ends of the scale to distribute properties in a more detailed way. While most properties will have increased in value over the last 20 years, this doesn’t necessarily mean that council tax bills will increase.

The Minister notes that in order to make the local tax system “more progressive”, that “some people will need to contribute more.” The Minister’s response to the petition also highlights that the Welsh Government will “consider the need to mitigate the impact for households which may be adversely affected by the reforms.” This may include “targeting transitional arrangements for people who may need time to adapt to any changes.”

3. Welsh Parliament action

The [Local Government and Housing Committee undertook an inquiry to gather evidence on council tax reform in December 2022](#). The focus of the inquiry was to look at:

- The potential impact of a council tax revaluation and revised council tax bands on local government finances and administration.
- The potential benefits and disadvantages of regular property revaluations on local government administration, and the impact on those liable to pay council tax.
- The effectiveness of the framework for council tax discounts and exemptions, and how the system could be developed and improved.
- The case for changing the Council Tax Reduction Scheme which supports the most vulnerable low-income households, and scope for improving the system.

The Committee also undertook a consultation on the matter, and [responses can be found on the Committee's webpage](#).

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.