



## **CABINET**

**19<sup>th</sup> October 2022**

### **Report of the Chief Finance Officer**

**Wards affected – All**

**Matter for Decision**

**Response to the Welsh Government's Consultation Paper – 'A fairer Council Tax'**

#### **Purpose of Report**

To provide Members with information in relation to the Council's proposed response to the above consultation.

#### **Background**

The Welsh Government are currently consulting on the first phase of proposed reforms to the council tax system in Wales. The consultation is '*seeking views from people and organisations on our broad ambitions to meeting our commitment to a fairer and more progressive system*'.

This first phase of the consultation is a technical consultation and does not incorporate any proposed changes to the actual system of council tax itself.

#### **Consultation proposals**

As mentioned above this first phase consultation is technical in nature and is seeking views on:

- completing a council tax revaluation of all 1.5 million properties in Wales to rebalance the system to reflect property values. The current system is now nearly twenty years out of date
- designing a new system of bands and tax rates that is more progressive, including considering adding more bands to the top and bottom ends of the scale if needed

- revaluing more frequently to keep council tax fairly distributed on a more regular basis.
- improving the framework of discounts, disregarded persons, exemptions and premiums to ensure the arrangements are aligned to our goals
- improving the Council Tax Reduction Scheme which provides support to low-income household

The consultation consists of seventeen specific questions and a further question providing respondents with the opportunity to raise any other pertinent issues.

The proposed responses are included in Appendix 1 of this report, Members will note that in relation to question 18 there are a number of issues raised in the response which we would wish the Welsh Government to also consider.

### **Further representation**

If Cabinet are minded to support the responses included in Appendix 1 it is proposed that the Leader of Council also writes to the Welsh Government encouraging them to accelerate progress in consulting on the proposed second phase of council tax reforms.

It is imperative for the tax payers of Neath Port Talbot that the Welsh Government delivers on its co-operation agreement in relation to council tax where they pledge to:

*‘Reform one of the most regressive forms of taxation – which disproportionately impacts poorer areas of Wales – to make it fairer’*

Due to the current banding system Neath Port Talbot has traditionally had one of the highest band D council tax rates in Wales (currently 3<sup>rd</sup> out of 22). Given that the Welsh Government has committed to making the system fairer progress needs to be made on this sooner rather than later.

### **Integrated Impact Assessment**

There is no requirement to undertake an integrated impact assessment as this report is a response to a Welsh Government consultation.

### **Valleys Communities Impacts**

There are no impacts specifically as a result of this consultation response.

### **Workforce Impacts**

No Impact

### **Legal Impact**

No Impact

### **Risk Management Impact**

No Impact

### **Consultation**

This item is not subject to external consultation

### **Recommendations**

It is recommended that Cabinet:

- **Approve** the proposed consultation responses as set out in Appendix 1 of this report.
- Support the proposal for the Leader of Council to write to the Welsh Government encouraging more progress to be made in delivering a fairer council tax system.

### **Reason for Proposed decision**

To respond to Welsh Government consultation.

### **Implementation of Decision**

The decision is proposed for immediate implementation with the consent of the relevant scrutiny chairperson.

## **Appendices**

Appendix 1 – Proposed responses to WG consultation

## **Background Papers**

WG consultation document 'A fairer council tax'

## **Officer Contact**

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## **Appendix 1 – Consultation questions and proposed responses**

### Question 1

The council tax bands are currently based on property values from 1 April 2003, almost twenty years ago. Do you agree there should be a council tax revaluation in 2025, with property values based on 1 April 2023, to maintain the credibility of the system and distribute the tax burden more fairly? The purpose would not be to raise additional revenue through this exercise.

### Proposed response

Yes but would need to give consideration to some sort of transitional relief if a property were to move up more than 1 band. No transitional protection if increased by 1 band.

### Question 2

Do you agree the Welsh Government should consider adding more council tax bands (for example at the top and bottom ends of the scale) and refit the bands to help make the system more progressive?

### Proposed response

Yes. Table 1 in your document provides property values in today's terms where a Band A is up to £103,000. Some dwellings, particularly caravans or studio flats do not have a value of £103,000 however have the highest estimated tax rate as a percentage value of their home. This could be addressed with the addition of bands.

### Question 3

The Welsh Government is committed to considering transitional arrangements if needed to smooth the effects of reforms. What factors should we take into account when designing these arrangements?

### Proposed response

Transitional relief should be simple to administer and for the tax payer to understand and be for no longer than 2 years (possibly decreasing the support in the second year) to allow tax payers time to adjust to the increase in payments or consider moving to a lower banded property. As transitional relief could mean a significant change to our IT systems a good lead time would be needed by software suppliers.

### Question 4

Do you agree the Welsh Government's Revenue Support Grant to councils should be adjusted to take account of changes to revenues raised in each local area as a result of council tax reforms?

## **Appendix 1 – Consultation questions and proposed responses**

### Proposed response

Yes, one of the principles of the local government funding formula is that the Revenue Support Grant (RSG) is adjusted to reflect a Council's ability to raise taxes locally.

### Question 5

Do you agree there should be frequent council tax revaluations at least every five years in the future, to ensure the tax burden is shared fairly amongst taxpayers on a regular basis?

### Proposed response

Significant work is involved in revaluations and the resulting queries from tax payers and for that reason a rolling 5 year review would be deemed appropriate, nothing less than 5 years.

This would -

- Allow a period of certainty for tax payers. Planning for changes more frequently could be a burden for tax payers and create insecurity.
- Be less onerous for the LA and VO who have to administer the changes and resulting queries with decreasing resources and budgets.
- Still be progressive, up to date and fair.

### Question 6

When properties are significantly improved, properties are only reviewed and potentially re banded in certain circumstances, for example when the property is sold to a new owner. The Welsh Government is seeking views on whether this policy should change in the future

### Proposed response

Consideration must be given to ensure that an immediate change in banding due to property improvements does not deter taxpayers in making improvements. Improvements in properties can enhance areas in the borough, improve housing conditions, and improve living conditions for families. If valuations were to take place every 5 years there may not be a requirement for any change in the current process.

### Question 7

Do you have any views on rights of appeal for taxpayers or how council tax

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debt is managed? Please include any suggested improvements for either of these elements.

### Proposed response

It would be beneficial if LA's could apply for an attachment of benefit or an attachment of earnings with the consent of the taxpayers without having to obtain a liability order. Many request this but we cannot accommodate them until we have a L/O and the taxpayer has then incurred additional costs associated with court action (currently capped at £70 in Wales).

Access to information held by HMRC on taxpayers employment information should be readily available in order to apply for an attachment of earnings for those taxpayers who do not engage with LA's for payment plans to discharge their debt.

Requests to DWP for attachment of benefit need to be dealt with more efficiently and timely as LA's often wait 3 to 4 months for responses and longer for payments which affects the recovery process and can sometimes mean cases are issued to the Enforcement Agent as an alternative method of collection.

### Question 8

What are your views on how the Welsh Government, the Valuation Office Agency, councils, or other organisations can modernise the service provided to taxpayers and improve transparency of the council tax system?

### Proposed response

Data sharing between Land Reg and Wales Revenue Service could be improved to provide a more joined up service ensuring the accuracy of the taxbase. Notification of property sales would be beneficial.

### Question 9

What is your view on the existing discounts, disregarded persons, exemptions or premiums? For example, do you think the current rules are appropriate and fit-for-purpose? Are there particular aspects of the rules which you think need to change or new rules created?

### Proposed response

Currently students / apprentices / SMI are disregarded for council tax purposes which can lead to a 25% discount. Apprentices are earning and many students have jobs, SMI customers claim higher rates of disability.

## **Appendix 1 – Consultation questions and proposed responses**

Consideration should be given to remove the disregard for these people. There is no disregard for a person on JSA / IS of approximately £70 per week living with a liable person, many students, apprentices and SMI people have significantly more money than those in receipt of basic benefits.

### Question 10

What is your view on whether the Welsh Government should have more flexibility in future to set the rules for the statutory 'single adult' and 'empty property' discounts?

### Proposed response

There should be flexibility for Welsh Government to set rules. There should be consistency in the level of discounts for the statutory "single adult" throughout Wales for a consistent, fair and joined up approach

### Question 11

What is your view on how reductions in council tax for properties adapted for use by people living with a disability could be amended, simplified or improved?

### Proposed response

No comment

### Question 12

Should the Welsh Government be able to amend titles and descriptions of any discount, disregarded person or exemption? Do you think any of the current titles should be changed? What would you consider to be a more appropriate term to replace 'severely mentally impaired'?

### Proposed response

Yes Welsh Government should be able to amend descriptions as and when necessary. The only title that is considered inappropriate at present is the SMI. However it is difficult to come up with an alternative name, possibly consider Severe Cognitive Impairment. Whatever the name it must reflect the severity of the disability as merely calling it Disabled Discount will attract high volumes of people who consider themselves disabled.



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### Question 13

The Welsh Government expects there to be a continued need to support low-income households in paying their council tax bills. Do you have any views about the design of the current scheme, including whether it should continue to be means-tested? Do you have any general views about the scheme?

### Proposed response

It seems right that Council Tax Support is calculated using taxpayer's income / capital as this reflects their ability to pay. However changes in entitlement to UC mean data shares which result in monthly recalculations of CTRS for what can be very small changes in the amount of UC awarded. This in turn leads to monthly council tax adjustment notices being issues causing confusion for tax payers and frequently changing amounts payable. This is a burden to administer, costly in time, paper, postage and staff resources. A tolerance figure (possible no requirement to action any changes in UC of less than a set figure) would assist in reducing the number of recalculations required. A tolerance could also be applied to increases in other income to avoid constant recalculation of entitlement.

The current tariff income for capital can also be an administrative burden as capital can fluctuate month by month and doesn't represent the true value of income you would receive from that capital. The current tariff income rules could be removed but keep the qualifying limit for capital of £16,000. Anyone with capital exceeding £16,000 would not be eligible as is the case at present.

### Question 14

Should Welsh Ministers have a duty to set a national scheme, to be administered locally by councils, which allows the Welsh Government to make in-year changes if required?

### Proposed response

Yes a national scheme should be provide by ministers with in year changes to accommodate unexpected events/issues but these should be kept to a minimum and only for exceptional circumstances as this could impact on the administration of CTRS and resulting software changes.

### Question 15

Should the existing local arrangements form part of the new national scheme

## **Appendix 1 – Consultation questions and proposed responses**

for consistency, whilst acknowledging that councils still retain existing discretionary powers under legislation?

### Proposed response

From the information provide it seems that all Welsh authorities deal with the two elements of the discretionary powers in the same manner. These could therefore form part of the national scheme and the period of backdating could be the only discretionary element.

### Question 16

We would like to know your views on the effects that the proposed policies would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourable than English. What effects do you think there could be? How could positive effects be increased, or negative effects be mitigated?

### Proposed response

No comment

### Question 17

Please also explain how you believe the proposed policies 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.

### Proposed response

No comment

### Question 18

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

### Proposed responses

## Council Tax Reduction Scheme

## **Appendix 1 – Consultation questions and proposed responses**

The amount of money included within the total Welsh Government Standard Spending Assessment (SSA) for CTRS has remained at £244m since the introduction of the scheme in 2013. The cost of the scheme in Wales for the 2021/22 financial years was estimated to be £287.6m (*source: WG Council tax Reduction Scheme Annual Report 2021/22*).

This means that by default the difference of £43.6m between the funding provided with the SSA and the cost to local authorities falls entirely on local taxpayers. This will disproportionately effect those Council's who have a greater number of households accessing the CTRS and is clearly unfair.

### The Barnett Formula

Whilst not the subject of this consultation we feel that representation should be made to the UK Government in relation to reviewing the Barnett Formula. As Welsh Ministers will be aware the formula was introduced in 1979 as a temporary measure and has served its time. A thorough review is required in order that funding to the devolved administrations adequately reflects the needs of those countries.

### Data Sharing

Better data sharing, especially between the WRA / LA's/ HMRC would benefit all involved in public service delivery