

Local Government Finance (Wales) Bill

Stage 1 Report

March 2024



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Local Government Finance (Wales) Bill

Stage 1 Report

March 2024



About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:
www.senedd.wales/SeneddHousing

Current Committee membership:



**Committee Chair:
John Griffiths MS**
Welsh Labour



Jayne Bryant MS
Welsh Labour



Luke Fletcher MS
Plaid Cymru



Joel James MS
Welsh Conservatives



Sam Rowlands MS
Welsh Conservatives



Carolyn Thomas MS
Welsh Labour

The following Member attended as a substitute during this inquiry:



Mabon ap Gwynfor MS
Plaid Cymru

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1. Introduction

The Local Government Finance (Wales) Bill (“the Bill”) was introduced on 20 November 2023 and was remitted to the Local Government and Housing Committee for scrutiny of its general principles. Other Senedd committees have also conducted scrutiny of financial and constitutional aspects of the Bill.

1. On 20 November 2023, Rebecca Evans MS, the Minister for Finance and Local Government (“the Minister”), introduced the Bill and accompanying Explanatory Memorandum (“EM”).¹² A Statement of Policy Intent was also published for the Bill.³
2. In accordance with Standing Order 26.9, the Senedd’s Business Committee referred the Bill to the Local Government and Housing Committee (“the Committee”) for consideration of the general principles (Stage 1). The Business Committee agreed that the Committee should report by 15 March 2024.⁴

The Committee’s approach

Terms of reference

3. On 22 November 2023, the Committee agreed the following framework within which to scrutinise the general principles of the Bill, which was to consider:
 - the general principles of the Local Government Finance (Wales) Bill and whether there is a need for legislation to deliver the Bill’s stated policy objectives;
 - any potential barriers to the implementation of the Bill’s provisions, and whether the Bill and accompanying Explanatory Memorandum and Regulatory Impact Assessment take adequate account of them;

¹ [Local Government Finance \(Wales\) Bill](#), as introduced

² [Local Government Finance \(Wales\) Bill](#), [Explanatory Memorandum](#)

³ [Statement of Policy Intent for Subordinate Legislation](#), November 2023

⁴ Business Committee, [Timetable for consideration: Local Government Finance \(Wales\) Bill](#), February 2024

- whether there are any unintended consequences arising from the Bill;
- the Welsh Government's assessment of the financial and other impacts of the Bill as set out in Part 2 of the Explanatory Memorandum;
- the appropriateness of the powers in the Bill for the Welsh Ministers to make subordinate legislation (as set out in Part 1: Chapter 5 of the Explanatory Memorandum);
- matters relating to the competence of the Senedd, including compatibility with the European Convention on Human Rights;
- the balance between the information contained on the face of the Bill and what is left to subordinate legislation;
- any matter related to the quality of the legislation; and
- any other matter related to the constitutional or other implications of the Bill.

Evidence gathering

4. Between 24 November 2023 and 15 January 2024, the Committee conducted a public consultation to inform its work, based on the agreed terms of reference. 56 consultation responses were received and subsequently published; 39 of those relate specifically to section 20 of the Bill.⁵ The Committee received a technical briefing from Welsh Government officials on 30 November 2023.

5. The Committee held oral evidence sessions with the Minister on 13 December 2023 and 7 February 2024. The Committee also held a series of five evidence sessions with external stakeholders. A full list of oral evidence sessions can be found at Annex A, and a list of consultation responses and additional written information can be found at Annex B.

6. We are grateful to all those who took the time to provide evidence to inform our scrutiny.

Other Committees' consideration of the Bill

7. The Senedd's Finance Committee took evidence from the Minister on the financial implications of the Bill on 7 February 2024.⁶ The Senedd's Legislation, Justice and Constitution Committee took evidence from the Minister on matters

⁵ Local Government and Housing Committee, Local Government Finance (Wales) Bill, [consultation](#)

⁶ [Finance Committee, 7 February 2024](#)

within their remit, including the appropriateness of the provisions in the Bill that grant powers to make subordinate legislation, on 11 December 2023.⁷ Both committees have reported on their conclusions.

⁷ [Legislation, Justice and Constitution Committee, 11 December 2023](#)

2. General principles and the need for legislation

Background to the Bill

8. The Welsh Government made a commitment to reforming existing council tax arrangements. In its Programme for Government, the Welsh Government states that it will “seek to reform council tax to ensure a fairer and more progressive system”.⁸ This is a shared commitment within the Co-operation Agreement with Plaid Cymru, which states its ambition to:

“Reform one of the most regressive forms of taxation – which disproportionately impacts poorer areas of Wales – to make it fairer.”⁹

9. In January 2017, the Welsh Government published a White Paper on its approach to reforms to local government in Wales, which included reference to an outline of initial steps for financial reform. The Government subsequently commenced a programme of research, which included consideration of local government finance, leading to the publication of *Reforming local government in Wales: summary of findings* in February 2021.¹⁰ In July 2022, the Welsh Government launched a ‘Phase 1 Consultation’ on reforms to council tax in Wales.¹¹ In November 2023, a ‘Phase 2’ consultation was launched, building on proposals in ‘Phase 1’.¹² The consultation on Phase 2 ended on 6 February 2024.

10. In an oral statement on 14 November 2023, the Minister told the Senedd that some changes the Welsh Government might seek to make in future, such as extending exemptions from council tax liability, would use the “powers that we are seeking through the Local Government Finance (Wales) Bill”.¹³

11. Alongside the Phase 1 consultation on council tax reform, the Welsh Government also consulted on reforming non-domestic rates in Wales as part of

⁸ Welsh Government, [Programme for Government - Update](#).

⁹ Welsh Government, [The Co-operation Agreement 2021](#).

¹⁰ Welsh Government, [Reforming Local Government Finance in Wales: Summary of Findings](#), February 2021

¹¹ Welsh Government, [A Fairer Council Tax](#)

¹² Welsh Government, [A Fairer Council Tax: phase 2](#)

¹³ Plenary, [14 November 2023](#), Record of Proceedings, paragraph 144

the wider programme of reform to local taxation. The summary of responses to that consultation was published in February 2023.¹⁴

12. The EM notes that there has been “a longstanding recognition of the need to progress work to reform local taxes in Wales”. It states:

“the Welsh Government has developed a clear understanding of how existing primary legislation covering non-domestic rates and council tax, and predating devolution, constrains our ability to make timely adjustments to facilitate the right support for households, businesses and other ratepayers within the context of our priorities.”¹⁵

Overview of the Bill

13. The Bill is made up of three parts, 25 sections, and one Schedule.

14. Part 1 of the Bill seeks to amend the Local Government Finance Act 1988 (“the 1988 Act”). This Act established the non-domestic rates system in Wales. It pre-dates devolution but contains a number of powers exercisable by the Welsh Ministers to make secondary legislation in relation to non-domestic rates (“NDR”).

15. Part 2 of the Bill seeks to amend the Local Government Finance Act 1992 (“the 1992 Act”). This Act established the council tax system. The EM notes that the legislation has been “added to incrementally” over the past three decades and has “become complex” and “difficult for households to understand and for practitioners to administer”.¹⁶

16. Part 3 of the Bill contains general provisions.

17. The Schedule to the Bill makes consequential provision to legislation as a result of the amendments to the 1988 Act made by Part 1.

The Bill’s purpose and intended effect

18. The EM states that the Bill’s provisions would “make a significant contribution towards reforming non-domestic rates and council tax in Wales, addressing many of the limitations of the current arrangements” and “further expand the Welsh Government’s and local government’s capabilities to deliver the fairest possible

¹⁴ Welsh Government, [Reforming Non-Domestic Rates in Wales – Summary of Responses](#), February 2023

¹⁵ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.10

¹⁶ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.83

arrangements within the context of the established non-domestic rates and council tax systems”.¹⁷

19. The EM also notes that the powers within the Bill would reduce “reliance on provisions which have needed to be sought frequently in UK Government Bills to deliver changes in Wales”. In addition, the EM states that the Bill would shift scrutiny of relevant legislation “from the UK Parliament to the Senedd”.¹⁸

20. The Minister confirmed that the Bill:

*“will allow the non-domestic rates and council tax systems in future to be much more agile and responsive and enable Welsh Ministers to tailor the system to meet the particular needs of Wales, and also, of course, give us more power within the Senedd to scrutinise and make decisions in that space as well.”*¹⁹

Stakeholders’ views on the general principles of the Bill

21. Stakeholders were broadly supportive of the general principles of the Bill. The Welsh Local Government Association (“WLGA”) told us that the Bill “enables the taxation system to be more responsive”, and that:

*“a specific Wales Bill will help us to move forward to address issues within the non-domestic rates and council tax systems.”*²⁰

22. The Federation of Small Businesses (“FSB”), Charity Retail Association (“CRA”) and the Welsh Beer and Pub Association (“WBPA”) agreed that the Bill is a “step in the right direction”,²¹ and Robinson’s Brewery, the Shopkeepers’ Campaign and the Welsh Retail Consortium (“WRC”) also welcomed proposals in the Bill linked specifically to the non-domestic rates system.²²

23. The Chartered Institute of Taxation (“CIOT”) noted that, while they were broadly in agreement with the way the policy objectives for the Bill have been articulated:

¹⁷ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraphs 3.13 and 3.15

¹⁸ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraphs 3.16 and 3.17

¹⁹ [Local Government and Housing Committee, 13 December 2023, Record of Proceedings](#) (RoP), paragraph 12

²⁰ Local Government and Housing Committee, [25 January 2024](#), RoP, paragraph 227

²¹ Local Government and Housing Committee, [25 January 2024](#), RoP, paragraphs 370, 372 and 374

²² Local Government Finance (Wales) Bill, [consultation responses](#)

“there are terms that need further clarification in order to ensure that you’ve got an appropriate objective and, in particular, where one talks about fairness.”²³

24. Not all responses to our consultation were supportive of the Bill in its entirety, while a number of responses specifically focused on section 20 (Publication of notices). These are considered in more detail later in this report.

25. One Voice Wales considers the Bill a “missed opportunity”, and suggested that the Bill could have enabled a contribution from local business rates towards Community and Town councils:

“The sector has long argued for this to be the case and carries out a great deal of work in support of town centre economies (and especially during the pandemic). It is anomalous that such a funding stream is not in place.”²⁴

26. The Bevan Foundation welcomed provisions to change restrictions related to council tax reduction, discounts and disregards, which they note give “greater flexibility to design schemes that better meet the needs of people in Wales”. However, they noted disappointment that the Bill “does not introduce larger reforms.”²⁵

27. The National Residential Landlords Association (“NRLA”), while understanding the “rationale behind the changes set out in the Bill”, noted that they will be:

“taking a keen interest in the further legislation that will be required to enable council tax reform”²⁶

Subordinate legislation

28. The Bill provides powers to make subordinate legislation in a number of areas. The EM notes that this is because “the ability to make changes in a timely manner is needed to adjust the systems in response to changing priorities, circumstances and pressures”. The EM states the proposed powers would:

²³ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 5

²⁴ One Voice Wales, [written evidence](#)

²⁵ Bevan Foundation, [written evidence](#)

²⁶ NRLA, [written evidence](#)

“reduce our reliance on provisions which have needed to be sought frequently in UK Government Bills to deliver changes for Wales within current primary legislation.”²⁷

29. The EM notes that since 2011, the Welsh Government has needed to utilise UK Government Bills on at least 13 occasions to “deliver necessary changes to our non-domestic rates and council tax systems” and that, should substantive provisions be included on the face of the Bill instead of the proposals for the Welsh Ministers to take powers to make future provision in subordinate legislation, they would be “unlikely to stand the test of time”.²⁸

30. Some witnesses noted specific concerns around the broad regulation-making powers in the Bill that would be transferred to the Welsh Ministers.

31. The CIOT told us that they felt the legislation “strays a little bit too far into using secondary legislation” and that:

“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 [...] 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.”

32. They added that, in their view, subordinate legislation should:

“generally be reserved for administrative matters, and for the setting of rates.”²⁹

33. Focussing specifically on council tax reduction, the Bevan Foundation noted concerns “that the changes would be via subordinate legislation”, and that the:

“principles of any new scheme should be debated by the Senedd with subordinate legislation addressing matters of detail such as thresholds.”³⁰

²⁷ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.16

²⁸ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.17

²⁹ Chartered Institute of Taxation (CIOT), [written evidence](#)

³⁰ Bevan Foundation, written evidence

34. The Institute of Revenues, Rating and Valuation (“IRRV”) acknowledged the “balance between primary and secondary legislation” when updating legislative provisions, and noted that there needs to be a “clear consultation process and rationale” for any changes:

“I can see why, with secondary legislation, there are some concerns, because you can make changes relatively quickly, but there needs to be clear support and rationale for the process of making changes.”³¹

35. The CIOT agreed with this view, and told us that:

“provided that there’s appropriate scrutiny permitted wherever discretion is provided—as long as there’s a process in place for opportunity to be provided for yourselves, the committee and for stakeholders to be able to make their views known, then it seems to me that, as long as the system is rigorous and subject to scrutiny, that’s perfectly fine.”³²

36. The Institute for Fiscal Studies (“IFS”) also noted concerns with the broad regulation-making powers proposed in the Bill, and that the justification for their inclusion, to respond flexibly and promptly, must be “traded off against” the “reduced opportunities for scrutiny and debate”.³³

37. Nevertheless, while the IFS recognised the benefit of flexibility and discretion for Ministers, they noted that:

“things as important as determining the tax liabilities that households and businesses should face ought, where possible, to be in primary legislation and enable the additional scrutiny, and so on, that goes along with that.”³⁴

38. The IFS referenced the approach taken by the Senedd when delegating regulation-making powers to the Welsh Ministers in the Welsh Tax Acts etc. (Power to Modify) Act 2022 in relation to land transaction tax and landfill disposals tax, which was to “give discretion, but discretion only to change these in particular specified circumstances”. They cited examples of those circumstances as

³¹ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 13

³² Local Government and Housing Committee, 25 January 2024, RoP, paragraph 20

³³ Institute for Fiscal Studies (IFS), [written evidence](#)

³⁴ Local Government and Housing Committee, 7 February 2024, RoP, paragraph 9

including responding to decisions taken by courts and tribunals or to protect against tax avoidance.³⁵

39. The Minister told us that the key purpose of having powers to make subordinate legislation in a number of areas of local taxation is to ensure the Welsh Government can be “responsive” to changing circumstances:

“So, it’s really about being able to be agile, because we know that when things are set out in primary legislation, it’s very difficult then to amend them. [...] So, it’s about trying to be proportionate, and using the secondary legislation system in the negative procedure for things like the examples I’ve just given, or affirmative where we can have full scrutiny and so on through the Senedd for things that are more substantial, particularly those that relate to the entitlements that people have, which we’d obviously want to consult on as well.”³⁶

40. The Minister later added:

“we have considered what [is] appropriate to add on the face of the Bill, and, given the way in which developments happen in the council tax space and non-domestic rates space, it’s important, really, that the legislation that we do have will stand the test of time. So, in that sense, I think that secondary legislation, in many cases, is the appropriate way to make changes to have a system, really, that’s fit for purpose for the future.”³⁷

41. We asked the Minister about the use of statutory consultation before utilising the proposed powers in the Bill. The Minister confirmed that the Welsh Government would undertake its work in the context of its legal duties on consultation and added that it has “an established approach and policy in terms of consulting with stakeholders”.³⁸ A Welsh Government official added:

“The Bill itself, I don’t think, leads itself to any more statutory consulting process, when we have a strong record and we do

³⁵ IFS, written evidence

³⁶ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 192

³⁷ Local Government and Housing Committee, 7 February 2024, RoP, paragraph 20

³⁸ Local Government and Housing Committee, 7 February 2024, RoP, paragraph 24

follow the process already and have shown over the last decade consistent consultation in this area.”³⁹

Post-implementation review

42. The EM notes that the Welsh Government will continue to work with stakeholders and local authorities “to monitor and evaluate the impact of local government finance reform.” It states:

“For all of the provisions within the Bill, the Welsh Government will ensure continuous assessments of how the legislation has taken effect and influenced the policy intent. Welsh Government officials will hold bilateral meetings with the relevant Ministers to discuss and monitor progress.”⁴⁰

43. The CIOT noted the importance of clearly articulating the purpose of a Bill and the impact this has on post-implementation work:

“what we are very keen on in relation to almost any Bill of legislation is that there is a post-implementation review process for being able to assess whether or not those policy objectives have been met, and that requires, of course, the policy objectives to be articulated, be appropriately measured and then evaluated against outcomes.”⁴¹

44. The Minister said:

“I think it’s important for the implementation of the legislation to be subject to ongoing review, and there is obviously an established process in place already for managing the post-legislative review of the Bill’s provisions. [...] I think that the important factor here is that, mainly because of the fact that many of the provisions in the Bill will be developed later, so in secondary legislation, probably it wouldn’t be appropriate to have on the face of the Bill a date or a process for review. I think that it will inevitably be subject to that review work. We would need to develop those clear plans for review work at a later

³⁹ Local Government and Housing Committee, 7 February 2024, RoP, paragraph 25

⁴⁰ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraphs 11.4 and 11.5

⁴¹ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 115

date so that we can assess the effectiveness of any regulations or reliefs and so on flowing from this work.”⁴²

Our view

45. Having considered the evidence presented to us on the broad range of provisions in this Bill, we have concluded that, on balance, and taken in its entirety, that we support its general principles. However, it is evident that there are a number of areas on which further consideration by the Welsh Government is necessary. This report details our consideration of each of the provisions within the Bill and our subsequent recommendations, which seek to make the improvements we believe are needed to strengthen this legislation.

Recommendation 1. We recommend that the Senedd agrees to the general principles of the Local Government Finance (Wales) Bill.

Subordinate legislation

46. We recognise that this is, in part, an enabling Bill, which provides the framework for a number of future policy changes to be made by the Welsh Ministers in secondary legislation.

47. We share some of the concerns raised around striking a balance between using primary and secondary legislation to make future legislative changes in relation to local taxation. We concur with the view that matters around tax policy should, as a rule, be within primary legislation, but also recognise the view that this does not provide for an agile and responsive taxation system. One of our concerns, in particular, is that the secondary legislation route provides limited opportunity for public engagement and scrutiny by the Senedd. We note that the Bill provides for the potential introduction of significant new policies, some of which would establish a system of financial penalties. These may contribute to some unintended consequences for ratepayers, and have an impact on the economy. We note that the Legislation, Justice and Constitution Committee has given detailed consideration to the powers proposed in this Bill and has outlined its concerns in its report.⁴³

48. It is our view that, due to the nature of the potential future changes that could be made in regulations, specific provisions within the Bill should be subject to additional opportunity for scrutiny by the Senedd. While we note that the

⁴² Local Government and Housing Committee, 7 February 2024, RoP, paragraph 9

⁴³ Legislation, Justice and Constitution Committee, [Report on the Local Government Finance \(Wales\) Bill](#), March 2024

majority of regulations provided for would be subject to the affirmative procedure, there are several specific provisions which we believe should be subject to enhanced approval procedures, thereby guaranteeing relevant Senedd committees appropriate time for scrutiny before law is made in these areas. We therefore recommend that the Minister should bring forward amendments to the Bill to provide for a minimum period of 60 days, excluding periods of dissolution or recess of more than 4 days, to allow relevant committees to scrutinise certain draft regulations proposed under the powers in:

- sections 5 (Powers to confer, vary and withdraw reliefs) and 9 (Powers to confer, vary and withdraw exemption), where the powers are to be used to confer or withdraw reliefs or exemptions;
- section 10 (Calculation of non-domestic rating multipliers), where the powers are to be used to provide for differential multipliers;
- section 13 (Artificial non-domestic rating avoidance arrangements), when specifying artificial avoidance arrangements; and
- section 18 (council tax - discounts), other than when changing rates of discount.

49. Further, we note that the Welsh Government has an “established approach” in terms of consulting with stakeholders. However, as previously stated, we are conscious that the provisions in the Bill would allow for potentially significant policy changes to be made in the future via secondary legislation, which could impact on specific sectors and ratepayers. It is vital that stakeholders are involved in, and made fully aware of, any new policy developments which have the potential to substantially impact the economy. We therefore believe that a commitment is needed to a statutory consultation before making any such changes in regulations. We recommend that the Minister should bring forward amendments to the Bill to expressly require the Welsh Ministers to undertake consultation before making regulations under specific sections, as set out below:

- sections 5 (Powers to confer, vary and withdraw reliefs) and 9 (Powers to confer, vary and withdraw exemption), where the powers are to be used to confer or withdraw reliefs or exemptions;
- section 10 (Calculation of non-domestic rating multipliers), where the powers are to be used to provide for differential multipliers; and
- section 18 (council tax - discounts), other than when changing rates of discount.

50. We explore each of the sections noted above, and our specific concerns related to them, in more detail in later chapters of our report.

Post-implementation review

51. We note the Minister's comments that it is important for the implementation of the legislation to be subject to ongoing review, and that setting a deadline for post-legislative review would not be appropriate since policies are yet to be developed. However, were it to transpire that powers within this Bill have not been utilised within a specific timeframe, it would be legitimate to review the continued appropriateness of those powers being delegated to the Welsh Government.

52. We therefore believe the Welsh Government should commit to undertaking a review of the operation and effect of the powers proposed under sections 5, 9, 10, 13 and 18 of the Bill before the end of the Seventh Senedd. Such a review should include:

- an assessment by the Welsh Ministers of alternative legislative mechanisms for making changes to Welsh legislation in the context of NDR reliefs, exemptions, multipliers, anti-avoidance provisions and council tax discounts; and
- a requirement to consult the Senedd, to ensure that relevant committees have the opportunity to give their views.

Recommendation 2. The Welsh Government should amend the Bill to include a requirement for a statutory review to be undertaken on the use of powers under sections 5, 9, 10, 13 and 18 of the Bill. The review should be undertaken before the end of the Seventh Senedd and should include:

- an assessment by the Welsh Ministers of alternative legislative mechanisms for making changes to Welsh legislation in the context of NDR reliefs, exemptions, multipliers, anti-avoidance provisions and council tax discounts; and
- a requirement to consult the Senedd.

3. Part 1 – Non-domestic rating

Part 1 of the Bill amends the Local Government Finance Act 1988. It makes provisions around rating lists, reliefs, completion notices, discretionary relief, exemptions, non-domestic rating multipliers, provision of information, anti-avoidance, and orders and regulations.

Rating lists

Local and central rating lists

53. Section 2 inserts provision into the 1988 Act amending the arrangements for the compilation of local rating lists. The local rating list is the list of non-domestic properties in a local area which are subject to non-domestic rates (also known as business rates). It records the rateable value of each hereditament, which is used to calculate business rate liability.

54. Currently set at five-year intervals, the provisions in the Bill would change the cycle of revaluation to once every three years. The EM states that “shorter revaluation cycles are being pursued in all UK nations.”⁴⁴ Under the provisions of this Bill, the next local rating list would be compiled on 1 April 2026 (rather than 1 April 2028 as currently required under the 1988 Act).

55. Requirements on the Valuation Office Agency (“the VOA”) to prepare and maintain lists are preserved, however, there would be a new duty on billing authorities (local authorities) to keep a copy of the compiled lists electronically.

56. Section 3, in line with section 2, inserts new provisions into the 1988 Act amending the arrangements for the compilation of central rating lists. The central list comprises network hereditaments crossing local authority boundaries, such as major transport and utilities infrastructure.

57. The revaluation interval for the central list would also shorten from five to three years, following the same revaluation cycle proposed for local rating lists. Because the central list records assets crossing multiple local authority areas, the

⁴⁴ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.31

Welsh Government is responsible for keeping a copy of the list. The Bill amends that requirement to provide that the Welsh Ministers must keep a copy of the list electronically.

58. We heard broad support for shorter revaluation cycles, with the IFS noting that they “would represent improvements on the current system” but would entail some “additional administration costs”.⁴⁵

59. The FSB said that the current revaluation cycles have meant greater need to provide “sticking plasters on sectors affected by external shocks through reliefs”, while making the system far more complex. However, they also asserted that more regular revaluations should not automatically lead to higher rates for businesses aimed at “maximising revenue”.⁴⁶

60. The pubs and brewery sector welcomed the benefits of regular three-yearly revaluations. The WBPA said they would provide for “more accurate non-domestic ratings bills for businesses”, reducing dramatic changes from one revaluation period to the next. However, they also warned that more frequent revaluations should not over-burden businesses, particularly the duty to notify the VOA of changes that impact on rate liability.⁴⁷

61. The WRC was also supportive of the proposal to introduce three-yearly revaluations, noting that valuations need to be “more closely linked to market values”. They suggested that there is benefit to annual revaluations which, they stated, would negate the “need to design transitional relief schemes” and “significantly reduce appeals”. The WRC concluded that:

“the reduced valuation period of three years strikes the right balance between a link to market values, predictability, and administrative burden.”⁴⁸

62. The IRRV also supported increasing the frequency of revaluations, as well as providing the Welsh Ministers with the flexibility to amend the revaluation year and intervals. They told us that shorter revaluation cycles are beneficial as they reflect “the relative changes in the market”, there should be “less dynamic changes between lists”, and they result in an “overall reduction in the level of refunds following appeals”.⁴⁹

⁴⁵ IFS, written evidence

⁴⁶ Federation of Small Businesses (FSB), [written evidence](#)

⁴⁷ Welsh Beer and Pub Association, [written evidence](#)

⁴⁸ Welsh Retail Consortium, [written evidence](#)

⁴⁹ Institute of Revenues Rating and Valuation (IRRV), [written evidence](#)

63. The VOA told us:

“we can manage that more frequent revaluation cycle, so we’re confident that we’ll be able to cope with and deal effectively with the requirements of the Bill. Indeed, our past track record demonstrates that we can do that, so it doesn’t hold any concerns for us.”⁵⁰

64. Despite this, the VOA accepted that they might need to ask for additional funding if the requirements change, but equally, they noted that allocated funding could be returned to the Welsh Government if it underspends.

65. The Valuation Tribunal for Wales (“VTW”) told us that they would need to increase their staffing levels to meet the anticipated workload and noted that most of the uplift in its budget will “go on staffing”. They also identified costs for training staff and for updating technology that would allow them to service both NDR and council tax appeals.⁵¹

66. The WLGA said they accepted there would be “additional work” for local authorities, and that “capacity and resource issues are a concern at the moment”. However, they noted from experience that:

“it doesn’t ordinarily generate a significant amount of work from a local authority perspective, or it hasn’t in my experience. Obviously, the more frequent those revaluations, then the more the likelihood for more work to be generated, but I don’t think that’s something that would be overly burdensome for local authority teams, despite pressures of work and future funding arrangements.”⁵²

67. Asked whether budget lines are adjusted to allow for additional capacity, the WLGA said they are not, and that it is:

“a matter of absorbing what comes our way with the resources that we have.”⁵³

68. The Minister told us:

“moving to three-yearly revaluations would respond to what businesses have been telling us that they want. And I think it

⁵⁰ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 123

⁵¹ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 134

⁵² Local Government and Housing Committee, 25 January 2024, RoP, paragraph 233

⁵³ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 240

strikes that balance between giving businesses certainty but then also maintaining a tax base that is reflective of up-to-date conditions [...] I've mentioned previously, when we've had to work with UK Government to change dates of revaluations, that being able to decide that here in Wales, I think, would be important as well. So, that is what that section is about, bringing things up to date and allowing us to be responsive.”⁵⁴

69. We asked the Minister what interaction she had with the VOA in relation to its capacity to deal with the potentially bigger workload. She confirmed:

“the VOA is on standby, if you like, for three-yearly revaluations for Wales, which would be in line with what would be happening across the border in any case. So, it's something that they definitely have the ability and the capacity to deliver.”⁵⁵

70. Subsequently, a Welsh Government official confirmed that the work on the 2026 revaluation “has already started” and noted that seeking the VOA’s assurances “has been critical to be able to deliver what’s put in the Bill”.⁵⁶

71. The EM states that administration costs “will mainly fall to local authorities that will deliver the implementation of a new revaluation”.⁵⁷ The Minister confirmed:

“Local authorities are very supportive of what we're proposing, both on the NDR side and also the council tax side. In reality, they have teams in place in any case dealing with non-domestic rates and also with council tax, both in terms of when a new discount or exemption might be in place or when there's a revaluation and so on. So, there'll definitely be some additional work for local authorities, but we would expect some of that to be from within existing capacity and moving people within teams towards different focuses.”⁵⁸

72. A Welsh Government official acknowledged that more frequent revaluations might also lead to an increase in enquiries and interaction with the public. She told us:

⁵⁴ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 43

⁵⁵ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 47

⁵⁶ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 49

⁵⁷ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.25

⁵⁸ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 56

“In fact, that will probably be one of the largest resource implications for local authorities. With both local taxes, we are looking at reforming the appeals system to strip out some of the need for that routine enquiry. So, rather than people having to contact their local authority to ask for basic information about their valuation, whether that's council tax or NDR, much of that will be provided through more automated data-driven services. But, at the same time, we are conscious that there is likely to be an impact on authorities from the point of view of direct contact with members of the public and business owners.”⁵⁹

Antecedent valuation date

73. Despite broad support for shorter revaluation cycles, some witnesses highlighted the potential benefits of reducing the antecedent valuation date (“AVD”). Under existing powers in the 1988 Act, the Welsh Ministers set the AVD by Order ahead of a scheduled revaluation. In recent years, the AVD has been set at two years before a new rating list is published.

74. The IRRV told us that while they are supportive of three-year revaluations for NDR, the AVD should reduce from “two years to one”, and stated that:

“Having that shortened AVD to the actual revaluation with three years should ensure that the rating list is more accurate and may well reduce appeals.”⁶⁰

75. The CIOT agreed, noting that:

“the basic principle that if you've got a tax that is charged on the basis of a value, then having a value that is close to being current value is eminently sensible.”⁶¹

76. The IFS also agreed that:

“if it's possible to reduce the antecedent valuation date or shorten that window, then, almost regardless of the duration of cycle, reducing that length would be a good thing to do.”⁶²

⁵⁹ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 64

⁶⁰ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 25

⁶¹ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 27

⁶² Local Government and Housing Committee, 25 January 2024, RoP, paragraph 32

77. The IFS referred to the review of business rates that happened in England which considered reducing the AVD as “too practically difficult”, but noted that “Scotland have in fact managed to reduce it”.⁶³

78. The WBPA told us:

“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.”⁶⁴

79. According to the WBPA, the current pattern of AVDs being set at two years prior to the publication of new lists “allows either a movement in property values which are not reflected or external events that complicates the establishment of the rental value”.

80. The Minister told us:

“We are working with the VOA to explore the potential for the gap between the AVD and the date of revaluation to be reduced in future. That would be a fundamental change to the system and one which is something that we’re considering in the longer term rather than the more immediate set of reforms. We need to ensure that the more frequent revaluations and the measures that are required to achieve that are embedded first, and that will then form some more detailed consideration of shortening the AVD in future rounds.”⁶⁵

Power to amend revaluation year

81. Section 4 provides the Welsh Ministers with powers to amend the revaluation year and intervals between the compilation of local and central rating lists for Wales. Any change to the revaluation year or frequency of revaluations must apply to both lists simultaneously.

82. The EM notes that the Welsh Government “recognises that, in the long term, there may be an ambition for shorter cycles than the proposed three-yearly frequency”.⁶⁶ The EM also notes that regulations to amend the revaluation cycle

⁶³ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 33

⁶⁴ Welsh Beer and Pub Association, written evidence

⁶⁵ Local Government and Housing Committee, 7 February 2024, RoP, paragraph 57

⁶⁶ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.34

would be subject to the draft affirmative procedure, and therefore must be laid before and approved by the Senedd.^{67 68}

83. The WRC acknowledged that there have been calls for annual revaluations, which they suggest “would negate the need to design transitional relief schemes and would significantly reduce appeals”, but they noted their reservations about “the capacity of the VOA to undertake annual revaluations at this time” and “the administrative impact on ratepayers of having to engage in an annual revaluation process”. However, they added that they would be open to supporting an annual revaluation:

“should VOA capacity and/or systems of data collection be modernised to the extent that annual revaluations are possible and practical for the VOA and ratepayers alike”⁶⁹

84. We asked the Minister about the Welsh Government’s intention to use the power to have more frequent revaluations than three years. She told us:

“The reason why we’ve got the three years in the Bill is for the cycle to move to a three-yearly one, but providing that kind of level of flexibility that, were circumstances to change and the technology to develop—. But also in a way that provides that stability and certainty for businesses alongside a proper reflection of the value of properties. I think that there are things that could change in future, but no immediate plans.”⁷⁰

85. Later, the Minister added:

“in future, technology could change, conditions could change, so there could be a case for more frequent [revaluations], but again, in the first instance, it’s about embedding these particular reforms.”⁷¹

⁶⁷ Local Government Finance (Wales) Bill, Explanatory Memorandum, table 5.1

⁶⁸ The affirmative procedure provides that the Welsh Ministers cannot exercise their power to make subordinate legislation unless the Senedd has passed a resolution approving a draft of the subordinate legislation. The subordinate legislation is therefore laid before the Senedd in draft form, and cannot have effect unless the draft is approved by the Senedd.

⁶⁹ Welsh Retail Consortium, written evidence

⁷⁰ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 52

⁷¹ Local Government and Housing Committee, 7 February 2024, RoP, paragraph 63

Our view

86. We acknowledge the broad support of stakeholders for the move to three-yearly revaluations. We recognise that this is a proportionate, reasonable cycle, which has clearly been championed by key stakeholders.

87. We realise that the VTW has already identified the need to increase its staffing levels in order to deal with the increase in responsibilities placed upon it, and that its budget would be uplifted to cover these costs. However, we heard that time will be needed to train new staff to the required standard. We appreciate that this will be a period of change for the VTW and do not underestimate the challenges of ensuring that staff receive sufficient training. It is therefore crucial that the Welsh Government ensures that the VTW has the sufficient resources and capacity to deliver the increased workload as a consequence of the move to more frequent revaluations. Not all Members of the Committee were reassured by the evidence provided about capacity, particularly the capacity of the VTW. We note that the Welsh Government is in contact with both the VOA and the VTW, and that a tripartite group exists. However, if the Bill passes, we urge the Welsh Government to ensure there are robust processes in place to monitor capacity and address key challenges.

Recommendation 3. The Welsh Government should provide further details on the arrangements in place to monitor the capacity of the Valuation Office Agency and the Valuation Tribunal for Wales following implementation of shortened revaluation cycles.

The antecedent valuation date

88. We note the comments made by some witnesses in relation to the antecedent valuation date, and the call for shortening it from two years to one. While we acknowledge that the antecedent valuation date is not part of the Bill, we agree that this is an area that warrants further consideration by the Welsh Government. Capacity of the VOA will be key in taking this forward and we are pleased that the Minister is already in discussion with them.

Recommendation 4. The Welsh Government should keep the Senedd informed of any work undertaken and proposals being considered to change the antecedent valuation date in future.

Reliefs

Powers to confer, vary and withdraw reliefs

89. Section 5 inserts provisions into Schedules 4ZA, 4ZB and 5A of the 1988 Act which would enable the Welsh Ministers to confer new, or vary or withdraw existing, non-domestic rates reliefs in Wales. Draft regulations under these powers must be laid before, and approved by a resolution of, the Senedd via the draft affirmative procedure before they can be made.

90. The powers could also be used to amend or remove existing reliefs in the 1988 Act, or change the rules set out in that Act for how certain reliefs are to be applied when more than one relief is available.

91. The Welsh Government asserts in its Statement of Policy Intent that the new powers would “provide consistency and enable greater flexibility to adapt to changing circumstances and priorities”, such as an economic or health emergency. This would mean that the Welsh Government could expediate the provision of a statutory relief scheme during such an emergency, rather than depending on specific grant schemes or local authority discretion.⁷²

92. Witnesses were cautious about Ministers’ ability to vary or withdraw reliefs via regulations. The CRA expressed concern that this could “lead to a lack of scrutiny and transparency resulting in detrimental impacts for the ratepayers concerned.” They noted:

“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.”⁷³

93. The CRA added:

“There are some examples, not at ministerial level but at local authority level, of some really rapid and rather weird decisions having been made in the area of NDR, and there’s often a lack of transparency associated with those decisions, which does make us uncomfortable. We would not want that to be

⁷² [Statement of Policy Intent for Subordinate Legislation](#), November 2023

⁷³ Charity Retail Association, [written evidence](#)

propagated through the system by allowing it to be much easier to make those kinds of decisions.”⁷⁴

94. The FSB concurred with this view, noting that the Welsh Government should ensure that “all voices are heard”, and provide a clear “rationale” for decisions to vary or withdraw reliefs.⁷⁵ Referring to the hospitality and leisure relief, the WBPA told us of their concern at the prospect of it being amended or taken away without any major consultation.

95. The WBPA also told us:

“we do need that due diligence and making sure that, when these powers are exercised, there are some safeguards in making sure that it’s still going through all due process.”⁷⁶

96. The CIOT noted concern that reliefs or exemptions provided to one sector “may indirectly place tax liabilities on other sectors”. They added:

“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.”⁷⁷

97. This view was supported by The Shopkeepers’ Campaign, who described removing the need for primary legislation to confer, vary or withdraw reliefs as “an unnecessary step”, which “will only further complicate the system, especially for those retail real-estate investors with portfolios in both England and Wales.” They suggested:

“The power to set and alter reliefs must remain as one only granted by primary legislation.”⁷⁸

98. The WLGA said that it would expect the Welsh Government to “provide some funding” if additional reliefs were introduced, and called for “automatic awards of relief”, since requirements for ratepayers to complete an application “created new administrative workloads for local authority teams and costs”.⁷⁹

⁷⁴ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 414

⁷⁵ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 416

⁷⁶ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 419

⁷⁷ CIOT, written evidence

⁷⁸ The Shopkeepers’ Campaign, [written evidence](#)

⁷⁹ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 268

99. The WLGA also called for making some business properties exempt rather than giving short-term reliefs. Additionally, they noted that any future changes by regulations may have an impact on software costs, since:

“Any development that needs to be done to the operating systems generally comes at a cost, so we'd need to factor that in.”⁸⁰

100. The Minister said that the current situation lacks clarity and consistency, and noted that:

“having the opportunity to make changes through secondary legislation would be beneficial, because it would allow Welsh Ministers to respond in a more agile way to changes or to opportunities, and it would also allow the Senedd the opportunity, then, to scrutinise when those are laid as draft affirmative regulations, which would obviously be accompanied by all of the requisite RIAs, and so on, for scrutiny as well. So, I think it would definitely be an improvement, both in terms of the ability to respond more quickly, but also the opportunities for the Senedd to scrutinise.”⁸¹

101. The Minister added that local authorities:

“will still have the ability to exercise some discretion in relation to their local circumstances”.⁸²

102. In terms of administrative costs to local authorities resulting from any changes in reliefs, a Welsh Government official confirmed that:

“any mandatory reliefs are taken into account in the settlement calculations, so we build in assumptions about the cost of reliefs when identifying how much rates revenue there will be to distribute each year.”⁸³

Unoccupied hereditaments: charitable rate relief

103. Section 6 seeks to strengthen the process for claiming charitable rates relief for unoccupied hereditaments by charities and registered clubs. Charities would

⁸⁰ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 269

⁸¹ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 69

⁸² Local Government and Housing Committee, 13 December 2023, RoP, paragraph 71

⁸³ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 75

be required to supply additional documentary evidence in order to benefit from the relief. It would also require the relevant billing authority to be “satisfied” that the reason for the property being unoccupied relates to the charitable purposes of the charity claiming relief (when claimed by charities), and that the next use of the property will be wholly or mainly used for charitable or registered club purposes. This is intended to tackle non-domestic rates avoidance.

104. To claim relief, a charity or trustee of a charity would need to provide the billing authority with a copy of its most recent accounts and annual report (if one is required to be prepared under section 162(1) or 168(3) of the Charities Act 2011). The EM notes that this would allow a billing authority to:

“look beyond the charitable status of an organisation and consider whether the aims of the charity, its intended use of the hereditament, and the reason why it is unoccupied are compatible.”⁸⁴

105. Through this provision, the Welsh Government hopes that the additional requirements would “provide further evidence that the ratepayer is a functioning charity.” The EM asserts that the additional conditions would not place a “disproportionate administrative burden on ratepayers in genuine cases.”⁸⁵

106. Witnesses including the FSB, the IRRV and the CRA were broadly supportive of the proposed change.⁸⁶ The CRA said:

“I think in terms of empty property relief, not many of our members actually have empty properties. Why would you do that? There’s not much point in leasing a property and then not using it. So, I don’t think it’s a huge problem for them. There might be situations where they’re undertaking a lot of refurbishment, in which case the property is empty. So, I think we think the proposals in the Bill are proportionate and reasonable, actually.”⁸⁷

107. The WLGA noted that guidance for relief schemes would be helpful:

“Welsh Government have done that for other relief schemes that have been introduced recently, such as the retail, leisure

⁸⁴ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.34

⁸⁵ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.42

⁸⁶ FSB, written evidence

⁸⁷ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 423

and hospitality scheme. They've provided guidance to go with that, which certainly helps.”⁸⁸

108. We questioned how the Welsh Government would ensure consistency of approach across all local authorities in satisfying themselves that a hereditament is to be used in future for charitable purposes. An official told us:

“there is an existing mandatory relief for charities. So, local authorities are experienced in being able to identify who is eligible for that relief. So, the powers in the Bill are an extension, in many ways, of that validation process. And that issue around consistency is something that we deal with through guidance and discussion, but we would certainly anticipate that anything new as a result of the Bill requiring additional guidance will form part of the implementation process.”⁸⁹

Our view

109. We concur with the views shared with us by stakeholders about the importance of transparency when the Welsh Ministers make decisions relating to the varying and withdrawal of reliefs. While we acknowledge the Minister’s position that the provisions would allow the Welsh Government to respond to changing circumstances in a more “agile” way, we also recognise that any policy changes made via these provisions could have significant implications. We believe it will be vital that ratepayers have the opportunity to have their say, and that the Senedd has sufficient opportunity to scrutinise future proposals made via these provisions.

110. We therefore recommend that the Minister should bring forward amendments to section 14 of the Bill to provide for a minimum period of 60 days, excluding periods of dissolution or recess of more than 4 days, for enhanced scrutiny. This would allow the relevant Senedd committees to scrutinise any draft regulations proposed under the powers in section 5, where the powers are to be used to confer or withdraw reliefs. Further, we recommend that the Minister should bring forward amendments to the Bill to expressly require the Welsh Ministers to undertake consultation before making regulations under the powers in section 5, where the powers are to be used to confer or withdraw reliefs.

Recommendation 5. The Minister should bring forward amendments to section 14 of the Bill to provide for a minimum period of 60 days, excluding periods of

⁸⁸ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 273

⁸⁹ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 83

dissolution or recess of more than 4 days, to allow relevant committees to scrutinise any draft regulations proposed under the powers in section 5, where the powers are to be used to confer or withdraw reliefs.

Recommendation 6. The Minister should bring forward amendments to the Bill to expressly require the Welsh Ministers to undertake consultation before making regulations under the powers in section 5, where the powers are to be used to confer or withdraw reliefs.

111. With regard to charitable rate relief, we note the support of witnesses and agree that a requirement to provide additional documentation is a reasonable approach. While we agree with the approach, we believe it will be crucial to ensure that charities are made aware of the changes and their responsibilities, and that they receive the necessary support to meet the new requirements. The Welsh Government should ensure that complying with the requirements does not place unreasonable burden on charities. While larger charitable organisations may be well placed to manage additional requirements, we recognise that many smaller charities are staffed predominantly by volunteers, who may need additional support.

112. To ensure consistency of approach across Wales, the Welsh Government should work with local authority representatives to develop guidance for the implementation of the relief. The work should include consideration of any existing best practice. This work should be carried out before the provisions in section 6 come into force.

Recommendation 7. The Welsh Government should work with local authorities to develop guidance on the revised charitable rate relief eligibility requirements. The work should be carried out before the provisions in section 6 come into force.

Completion notices

Completion notices for new buildings

113. Section 7 expands the definition of a new building in the 1988 Act for the purpose of serving a completion notice by a billing authority. This would enable billing authorities to serve completion notices on buildings that have been removed from the rating list because they are temporarily unoccupiable, such as when commercial properties are being refurbished or extended.

114. Currently, completion notices are a means of determining the date a 'new build' commercial property will be regarded as completed, allowing the VOA to undertake its valuation and list the building. Under the new provisions, billing

authorities would be able to use this process for an existing building to be returned to the list as soon as possible. This provision also aligns with the system in England, ensuring that relevant properties are brought to the VOA's attention in a "timelier manner".⁹⁰

115. The EM notes that this change would result in "modest additional administrative costs for local authorities", with local authorities suggesting the change would have "minimal impact on the number of completion notices to be handled".⁹¹ However, no estimate has been provided for the approximate number of additional notices that would be issued, either nationally or locally.

116. The proposals were supported by the IRRV and the FSB.⁹² The WLGA told us:

"It would allow properties to be brought back into rating quicker and so avoid unnecessary billing delays, which benefits both the authority and the ratepayer themselves. From an operational perspective, I think we've decided quite unanimously across local authorities that this is a positive move that they wish to see; it will help the process and avoid a period of uncertainty for the ratepayer, waiting to know what their bill is going to be when they're entered back into the rating list."⁹³

117. However, while the WLGA was broadly supportive of the change, they noted that it was too soon to comment on potential costs:

"As it's a new procedure and something that we're not fully aware of the scale of, it will definitely be something that we'd have to monitor, through implementation. And we would hope to be able to continue the dialogue with Welsh Government, and then if it does become something that is much more burdensome and onerous than was expected, it is funded accordingly."⁹⁴

118. The Minister told us that the proposed changes "aim to make the system more efficient and streamlined" and are "better both for local authorities and also for the ratepayer".⁹⁵

⁹⁰ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.74

⁹¹ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.72

⁹² IRRV, written evidence; FSB, written evidence

⁹³ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 290

⁹⁴ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 292

⁹⁵ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 99

Our view

119. We note the Minister’s comments in relation to the changes and that the WLGA is supportive of them. However, we also note that the details around the financial implications are currently limited. We accept that as it is a new procedure, providing robust cost estimates will be challenging. Despite this, we are conscious that local authorities are already working with stretched budgets and have very limited room for manoeuvre. It is therefore important that the Welsh Government works closely with local authorities to monitor the implementation of the provision and to provide further support, financial or other, when necessary.

Discretionary relief

Discretionary relief: time limit

120. In addition to statutory rate reliefs, billing authorities have discretion to grant NDR relief to ratepayers under section 47 of the 1988 Act. Currently, a decision to award or vary discretionary relief can only be made until six months after the end of the relevant financial year.

121. Section 8 of the Bill would remove the existing timing restriction with effect from the 2024-5 financial year, mirroring the approach taken by the UK Government for billing authorities in England.

122. The WLGA told us that the types of organisations that benefit from discretionary relief are “not for profit organisations or social enterprise companies”. They noted that the provision would:

“enable councils to award relief retrospectively where ratepayers have delayed making an application, for example, and that’s something that we are able to do at the moment, but, obviously, within the confines of the existing regulations.”⁹⁶

123. The WLGA noted that they did not expect to see a “significant impact on council budgets” as a result of the proposed change.⁹⁷

⁹⁶ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 27

⁹⁷ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 299

124. The proposal was also supported by the IRRV and the FSB.⁹⁸ The FSB said:

“Removing the arbitrary allowance of only awarding or varying the relief in the first 6 months of the financial [year] makes sense as crisis are just as likely happen between October and April.”⁹⁹

125. The CRA noted that it is a “positive change” but added:

“Decisions to alter eligibility criteria for discretionary rate relief should not apply retrospectively.”¹⁰⁰

126. The Minister told us:

“Local authorities do have quite broad powers to award discretionary relief; they’re able to design their own systems in response to localised priorities. We’ve had to use those discretionary systems in the past, in actual fact, because we haven’t been able to do things through Welsh Government regulations at that point; we’ve asked local authorities to use their discretion.”¹⁰¹

127. In terms of removing the six-month limit, a Welsh Government official said it was something that “local authorities themselves have asked for”, and noted that it was a “technical change”. The official explained:

“The kinds of situations where the need arises is where a particular relief has been created by a local authority but the business owner might not have been identified readily at the time. The pandemic is a very good example of when a number of these schemes were established. And actually, what we found was that there was quite a lag in owners identifying that they might be eligible for a particular scheme, so therefore their applications were coming in some time after the expected time frame, and also the process of verifying that they were eligible took time.”¹⁰²

⁹⁸ IRRV, [written evidence](#)

⁹⁹ FSB, written evidence

¹⁰⁰ CRA, written evidence

¹⁰¹ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 104

¹⁰² Local Government and Housing Committee, 13 December 2023, RoP, paragraph 105

128. The Minister added that the change “will allow local authorities more ability to respond to individual cases and circumstances” and that it helps them respond “to local need better”.¹⁰³

Our view

129. We note that the proposed changes under section 8 would bring arrangements in Wales in line with England, and that they have been broadly welcomed by stakeholders.

Exemptions

Powers to confer, vary and withdraw exemptions

130. Section 9 amends Schedule 5 to the 1988 Act, which provides for exemptions from non-domestic rating. The provisions would provide Welsh Ministers with expanded regulation-making powers to confer new exemptions, or vary or withdraw existing exemptions, in that Schedule.

131. The Statement of Policy Intent notes that in some cases, a valuation may be difficult or provide no benefit, or that a hereditament should not be subject to a non-domestic rates liability on a long-term or permanent basis. As a result, the hereditament may be considered for an exemption rather than full relief from the chargeable amount.¹⁰⁴

132. Exemptions are set out in primary legislation. The provisions in Section 9 would remove the requirement for future changes to exemptions in Wales to be made by Acts of Senedd Cymru or the UK Parliament.

133. As these are enabling powers, there is no immediate increased or reduced expenditure for the Welsh Government, local authorities or ratepayers. The Welsh Government has indicated in its Regulatory Impact Assessment (RIA) that any proposals for changes to exemptions would be subject to consultation, and that regulations would be scrutinised by the Senedd. The EM notes that it is not possible to estimate any potential financial costs or benefits as it would “depend on the specific nature of the changes made by regulations”.¹⁰⁵

134. The EM states that the key benefit of adopting this option is that the non-domestic rates system would be:

¹⁰³ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 107

¹⁰⁴ Statement of Policy Intent for Subordinate Legislation, November 2023, page 6

¹⁰⁵ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.44

*“future-proofed, benefitting ratepayers by enabling a more adaptable and responsive approach to the design and implementation of reliefs and exemptions”.*¹⁰⁶

135. The FSB expressed support for the provision but added:

*“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.”*¹⁰⁷

136. While acknowledging that the ability to make faster decisions has a benefit, the CRA warned:

*“it also has the potential issue that, if there is a consideration amongst the ratepayers concerned that those decisions are wrong, it gives them far less time to mount campaigns, to undertake lobbying and advocacy work and to marshal resources to do all that. So, although we wouldn’t imagine that the Minister would be making decisions by the sweep of a pen, at the same time, we’d want to ensure that there are certain principles built into that decision making that are inviolable—so, transparency, fairness, the ability to hear counterviews not only from infrastructure organisations like ours, but also from individual ratepayers and all of those kinds of things.”*¹⁰⁸

137. The CIOT noted concern that changes to the 1988 Act as a result of the provisions in section 9 could impact “structural elements of the business rates that have been in place for many years” and therefore stated that:

*“any policy changes in this area should be subject to full consultation with stakeholders and subsequent scrutiny by the Senedd.”*¹⁰⁹

138. The Minister told us:

“having the opportunity to make changes through secondary legislation would be beneficial, because it would allow Welsh

¹⁰⁶ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.47

¹⁰⁷ FSB, written evidence

¹⁰⁸ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 413

¹⁰⁹ CIOT, written evidence

Ministers to respond in a more agile way to changes or to opportunities, and it would also allow the Senedd the opportunity, then, to scrutinise when those are laid as draft affirmative regulations, which would obviously be accompanied by all of the requisite RIAs, and so on, for scrutiny as well.”¹¹⁰

Our view

139. We note the Minister’s comments around the agility of making changes to NDR exemptions through secondary legislation, however we believe that making regulations through the draft affirmative procedure in this instance may not allow sufficient time for Senedd scrutiny. As with the provisions discussed under section 5 of the Bill, we share the concerns of stakeholders at the potential impact of policy changes that could be made under section 9 of the Bill. We recommend that the Minister should bring forward amendments to section 14 of the Bill to provide for a minimum period of 60 days, excluding periods of dissolution or recess of more than 4 days, to allow relevant committees to scrutinise draft regulations proposed under the powers in section 9, where the powers are to be used specifically to confer or withdraw exemptions.

Recommendation 8. The Minister should bring forward amendments to section 14 of the Bill to provide for a minimum period of 60 days, excluding periods of dissolution or recess of more than 4 days, to allow relevant committees to scrutinise draft regulations proposed under the powers in section 9, where the powers are to be used specifically to confer or withdraw exemptions.

140. Given the potential implications of any changes for stakeholders, particularly those relating to conferring or withdrawing exemptions, we believe that stakeholders should be guaranteed an opportunity to express their views on proposed changes. We therefore believe the Minister should bring forward amendments to the Bill to expressly require the Welsh Ministers to undertake consultation before making regulations under section 9, where the powers are to be used to confer or withdraw exemptions.

Recommendation 9. The Minister should bring forward amendments to the Bill to expressly require the Welsh Ministers to undertake consultation before making regulations under section 9, where the powers are to be used to confer or withdraw exemptions.

¹¹⁰ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 69

Non-domestic rating multipliers

Calculation of non-domestic rating multipliers

141. Sections 10 and 11 make provisions relating to the calculation of the non-domestic rating multiplier, which is set annually by the Welsh Government and used to calculate non-domestic rate liability. The multiplier acts as a key component in determining the liability of ratepayers, as it applies to the whole tax-base. It is subject to uprating by annual inflation in line with the Consumer Prices Index (CPI), unless the Welsh Government sets it at a different level by prescribing an alternative figure to use in place of this index.

142. At present, a single multiplier applies to all hereditaments in Wales, which means that 125,000 commercial properties are treated exactly the same. The Welsh Ministers have existing powers to vary the multiplier, but not to set different multipliers for different types of hereditaments.

143. The provisions in sections 10 and 11 would give the Welsh Ministers new powers to set, by regulations, different multipliers for different descriptions of properties (referred to in the Bill as “differential multipliers”).

144. The Statement of Policy Intent notes:

“The power will give the Welsh Ministers ability to put in place a more flexible system which is capable of treating different types of properties in a more targeted way in order to contribute to wider policy ambitions (for example, a reduced multiplier for ‘green’ businesses, hereditaments with a lower rateable value, or those located within enterprise zones and high street regeneration schemes).

There are no immediate plans to use this power and any changes would only be made following thorough consideration and public consultation.”¹¹¹

145. Witnesses were cautious about potential moves in the future to set differential multipliers.

¹¹¹ Statement of Policy Intent for Subordinate Legislation, November 2023, page 7

146. The IRRV stated that while they agreed with the proposals, “introducing multipliers determined by geographical location or property use is, in our view, unnecessary”.¹¹²

147. The CIOT also had concerns about the powers to set different multipliers, noting there is a risk of “creating uncertainty” and that “adding multiplier variations into this mix would make the system very complex and may result in undesired ratepayer responses and distortions”.¹¹³

148. This view was supported by the IRRV, who asserted that “varying the multiplier by use or location could ultimately distort rateable values”. Similarly, the WRC also noted the potential complexity that could occur with adding “further variations on the basis of geography, property value or property type”.¹¹⁴

149. The Shopkeepers’ Campaign noted that:

“Any reform of the business rate system should be pursued with simplicity in mind. Charging different multipliers for different types of business will produce unforeseen complexities.”¹¹⁵

150. The IFS stated:

“there are actually rarely good reasons for having multipliers that vary across places or across different types of business, or by rateable value, and so on. And I think it usually adds instability and uncertainty into the system.”¹¹⁶

151. The IFS added that the Welsh Government already has discretion over reliefs and exemptions, which can be used “to achieve very similar things to reducing the multiplier”.¹¹⁷

152. The FSB strongly supported the provisions, which they said would enable the Welsh Government to provide for “lower multipliers for smaller businesses” similar to that in England and Scotland. They encouraged the Welsh Government, should the Bill be passed, to make “maximum use of this flexibility to support smaller businesses”. However, they noted that:

¹¹² IRRV, written evidence

¹¹³ CIOT, written evidence

¹¹⁴ WRC, written evidence

¹¹⁵ The Shopkeepers Campaign, written evidence

¹¹⁶ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 65

¹¹⁷ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 66

“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.”¹¹⁸

153. The WBPA told us that the power to enable the setting of 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”. They went on to call on the Welsh Government to “implement a permanent pub (or hospitality) specific multiplier at a significantly lower rate”. The WBPA noted that England has a different multiplier for small businesses, and the impact this could have on pubs and hospitality:

“Welsh pubs are on average £6,000 worse off than their English counterparts. A lot of that is down to the fact that there are 3,000 pubs in Wales, and 2,700 of them are below what would be the small business multiplier in England, so the £51,000. So, there is a huge, huge portion of pubs that would otherwise be qualifying for the smaller, lower rate multiplier. So, that’s one thing to consider. There’s a huge opportunity there for pubs across Wales.”¹¹⁹

154. The WBPA cautioned against multipliers based on size, noting that it “could discourage growth, it could discourage expansion”.¹²⁰

155. The CRA also referred to the potential benefits and opportunities of varying the multiplier, saying it was a “step in the right direction”. They noted that they want to see lower multipliers for in-person retail premises, removing the “excessive business rates burden on our High Streets”.¹²¹

156. The WLGA accepted that additional multipliers could be used to support certain sectors such as renewable energy, however, they had concerns about the potential for implementing “tiers of multipliers”. If such proposals were to be made, local authorities would want to see a full consultation with:

“clear, detailed assessments, a fully detailed regulatory impact assessment, looking at the perceived impacts and benefits of it,

¹¹⁸ FSB, written evidence

¹¹⁹ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 460

¹²⁰ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 462

¹²¹ CRA, written evidence

because, technically, you're introducing then a two-tier system into an established tax-collecting mechanism."

157. The WLGA noted they were not against the provision but asserted that “we’ve got a system that is stable and easily understood” and added that any proposal to change it would need to be “thoroughly explored before implementation”.¹²²

158. The Minister told us that the purpose is to give “Ministers in the future more options as to how to use the multiplier to support different sectors or to create behaviour change in different ways”. She explained:

“It could be that you could create a tiered system based on business size or business location if you wanted to stimulate the economy in particular areas, or types of business—so, businesses will be registered as different sectors. You might want to support a particular sector or drive behaviour change in some ways as well.”¹²³

159. The Minister confirmed that:

“There’s no particular proposal on the table at the moment, and anything that did come forward as a proposal would have to be subject to consultation and all of the accompanying analysis.”¹²⁴

160. A Welsh Government official noted that they would not “envisage additional complexity for business owners” in the future, in case of any potential changes, and that any implications “would fall on the Welsh Government”.¹²⁵

Our view

161. Stakeholder evidence was mixed on the provisions that would enable the Welsh Ministers to set differential multipliers. We recognise the potential benefits associated with setting a lower multiplier on, for example, small businesses, as is the case in England. However, we also acknowledge the potential risks that could arise with setting differential multipliers, and the possibility of unintended consequences. We share the concerns of some stakeholders about the potential for market distortion as a result of using the powers proposed in this Bill.

¹²² Local Government and Housing Committee, 25 January 2024, RoP, paragraph 301

¹²³ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 110

¹²⁴ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 112

¹²⁵ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 120

162. We note that the Minister stated that the Welsh Government currently has no intention of bringing forward any particular proposal. However, should proposals be made in future, it is vital that any policy change that has the potential to impact on economic stability should be fully assessed and subject to full and thorough scrutiny by the Senedd. It is also key that stakeholders are able to give their views on forthcoming policies and to highlight possible implications that may need to be worked through in advance of further legislation being made in this area.

163. We therefore recommend that the Minister should bring forward amendments to section 14 of the Bill to provide for a minimum period of 60 days, excluding periods of dissolution or recess of more than 4 days, to allow relevant committees to scrutinise draft regulations proposed under the powers in section 10, where the powers are to be used to provide for differential multipliers.

Recommendation 10. The Minister should bring forward amendments to section 14 of the Bill to provide for a minimum period of 60 days, excluding periods of dissolution or recess of more than 4 days, to allow relevant committees to scrutinise draft regulations proposed under the powers in section 10, where the powers are to be used to provide for differential multipliers.

164. We understand the concerns expressed by some stakeholders about the uncertainty regarding the potential for future policy development in this area, therefore we call on the Welsh Government to strengthen the consultation arrangements to allay some of those concerns. We recommend that the Minister should bring forward an amendment to the Bill to expressly require the Welsh Ministers to undertake consultation before making regulations in section 10, where the powers are to be used to provide for differential multipliers.

Recommendation 11. The Minister should bring forward an amendment to the Bill to expressly require the Welsh Ministers to undertake consultation before making regulations in section 10, where the powers are to be used to provide for differential multipliers.

Provision of information

Information to be provided to the valuation officer

165. Currently, the VOA is able to request information from ratepayers during the lead-up to non-domestic rates revaluations. However there is no requirement for ratepayers to proactively notify the VOA of any changes that might affect the rateable value of the hereditament.

166. Section 12 extends to Wales a general duty on ratepayers to supply information to the VOA relating to a change in the ratepayer’s identity or which could affect the existence, extent or rateable value of a property within 60 days of the relevant change.

167. The Bill also extends to Wales a further duty for ratepayers to provide an annual confirmation to the VOA, within 60 days of 30 April each year, that all relevant notifiable information for the preceding financial year has been provided.

168. The EM provides an estimate of cost to ratepayers for supplying information to the VOA under the proposed approach, which would equate to £35 per year per ratepayer for the first year of the new system (2026-27), falling to £20 for each subsequent year.¹²⁶

169. The IRRV was, in principle, supportive of the provision, but added that the system needed to be “proportionate”, citing the fact that many ratepayers are currently exempt.¹²⁷

170. The CIOT similarly highlighted this as an issue, noting that:

“information obligations will apply to ratepayers who pay no business rates as a result of a relief.”¹²⁸

171. The CIOT told us that the provisions would result in businesses with little engagement with the business rates system to date, having new obligations imposed on them. The CIOT stated that some of the information needed may “not be readily available in digital form”, which may cause a “process issue” when gathering and submitting the information.

172. The WLGA noted concerns that those businesses with a rateable value of under £6,000 have very little engagement with local authorities. The WLGA told us that:

“the request, I guess, for information may fall on deaf ears and, obviously, there’s provision within the regulations for fines et cetera. So, that may be an issue that I foresee [...] And I suppose the nature of the reliefs, in terms of providing full relief for a rates bill, has meant that many businesses have just lost touch with us, and that’s left a gap of information currently. So, there

¹²⁶ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.126

¹²⁷ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 69

¹²⁸ CIOT, written evidence

is that potential for ratepayers not to take up the offer from the valuation office to provide information.”¹²⁹

173. The WBPA also raised some concerns about the new duty, reflecting on similar evidence it provided in relation to the same duty having been implemented in England. Their key concerns related to the additional obligations placed on ratepayers, which they consider to be a “disproportionate burden” and an “unrealistic prospect for many pubs”. The WBPA highlighted the complexity associated with valuing a pub:

“So, if the VOA asks publicans to use this as yet undeveloped online portal, which is critical to the whole thing, to submit within 60 days any changes that could change your fair maintainable trade, we’re talking about a lot of cumulative things here. So, when you still have annual confirmations, when you still have a three-yearly review where you have to submit all of the information, when you have someone come around and look at the pub and actually assess it, it seems like this additional duty to notify with a 60-day time frame is excessive.”¹³⁰

174. The WBPA added that, for their part, the VOA has no similar time obligation:

“So, they’re asking for it within 60 days from all ratepayers, but then there’s no actual mirrored obligation for transparency or timeliness from the VOA.”¹³¹

175. The FSB shared some of the WBPA’s concern, and noted the importance of providing leniency:

“I think we’ve mentioned already how vague, potentially, that law of 60 days is. That makes it very difficult to judge how leniency works, but I think you do need to err on the side of leniency.”¹³²

176. We also heard that there could be practical issues for ratepayers in complying with the new requirements. The IRRV told us that there:

¹²⁹ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 316

¹³⁰ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 467

¹³¹ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 468

¹³² Local Government and Housing Committee, 25 January 2024, RoP, paragraph 479

“needs to be recognition that if they are renting a property from a landlord of some description, the information that is requested may well be out of their control and it would be on their landlord to provide.”¹³³

Online service

177. To enable an efficient process for ratepayers, the EM notes that the VOA will introduce an online service “designed to be straightforward and easy to use for all ratepayers”.¹³⁴ The Welsh Government has estimated that the cost to establish and maintain the online service will be £15 million across the 10-year period covered by the RIA.¹³⁵

178. The WBPA raised concern that the new duty is dependent on a new online portal that is yet to be designed or tested. The IRRV, while supportive of the provisions, raised similar concerns around the need to only put into effect the compliance regime “once the system for information provision is in place and fully tested”.¹³⁶

179. This was something the WLGA also called for, noting:

“It’s not something that will be achieved quickly and we think there needs to be time to actually get systems in place and the communication flow established before any penalty regimes come in, because it’s something that ratepayers are not used to doing.”¹³⁷

180. The CIOT suggested that the legislation should be “supplemented with easily accessible and understandable guidance” as well as an “extensive communications campaign”.¹³⁸

181. The CRA similarly highlighted some practical issues to be considered before implementation of the new duty, which also relate to support for businesses to meet the new requirements:

“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

¹³³ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 72

¹³⁴ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.123

¹³⁵ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.125

¹³⁶ IRRV, written evidence

¹³⁷ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 318

¹³⁸ CIOT, written evidence

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.”¹³⁹

182. The CRA added that straightforward written guidance for ratepayers, FAQs and an advice line “would be essential”.

183. The IRRV also told us that there’s the “broader issue of communication”, particularly in relation to digital exclusion, which would need to be addressed before implementing the provisions.¹⁴⁰

184. The FSB agreed in principle with the provision, but also highlighted the need to provide simple and clear guidance, while keeping the “paperwork light” and ensuring it “does not become a ‘planning’ issue that disincentivises business developments”. The FSB stated that the details will be important to “ensure there is no significant additional burden”.¹⁴¹

185. The Welsh Revenue Authority (“WRA”) reflected on their own experience of operating taxes in Wales, particularly with regard to ratepayers having to submit their own information. They told us their approach “puts creating trust at the heart of how we work with taxpayers and their agents.” They highlighted their engagement and learning work, which enables them to “develop effective and targeted solutions”, and to improve their guidance and support to ratepayers. They noted:

“the efficacy of policy delivery, although obviously dependent on appropriate legislation, does not end there but rather the legislation is the starting point. It is the relationship with the public that is key to frictionless implementation of that legislation.”¹⁴²

186. The VOA told us they were keen for ratepayers to engage with them. They also told us that they want to “make sure that the information requirement is simple and easy to comply with” in order to avoid “a lot of information coming through into the agency that isn't correct”. They said:

“We’re very much hoping to develop a system that makes extensive guidance unnecessary. The idea very much is that people can sign up online and then follow the step-by-step

¹³⁹ CRA, written evidence

¹⁴⁰ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 73

¹⁴¹ FSB, written evidence

¹⁴² Welsh Revenue Authority, [written evidence](#)

*processes in our service. So, we're hoping you won't need to get to grips with lots and lots of printed guidance.*¹⁴³

187. The VOA confirmed that it will make sure those who are not online have an alternative route to provide that information:

*"We actually already have quite extensive assisted processes for people who don't have online access, so it would be an expansion of those and plenty of support through our customer service centres"*¹⁴⁴

188. The Minister confirmed that the new requirement to provide information to the VOA would not be commenced "until the website and so on was up to date and available for use".¹⁴⁵

189. The Minister later clarified:

*"The VOA is working to deliver the next revaluation in 2026 without the system in place. That's always been the plan. So, bringing forward this work will help with future revaluations from 2029 onwards. So, there's definitely plenty of time to ensure that we get this right before it comes into force, and those information duties are commenced. And it will only be brought in once the VOA is clear and satisfied that the system that they have is fit for purpose and that taxpayers can reasonably be expected to comply with it."*¹⁴⁶

Compliance and appeals framework

190. In addition to the new duties placed on ratepayers to supply information, section 12 further extends to Wales a compliance and appeals framework in relation to failure to comply with the new information duties.

191. The provisions proposed by section 12 include:

- civil penalties for failing to comply with the new information duties and the basis for determining the amounts of the penalty;
- a criminal offence where a person knowingly or recklessly makes a false statement while purporting to comply with the duties (which the VOA

¹⁴³ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 178

¹⁴⁴ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 182

¹⁴⁵ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 129

¹⁴⁶ Local Government and Housing Committee, 7 February 2024, RoP, paragraph 96

will have discretion to deal with by way of a civil penalty in lieu of criminal proceedings);

- service of penalty notices by the VOA and the contents of those notices;
- further penalties if a ratepayer continues to fail to comply with the information duties within 30 days of being served with a penalty notice, subject to a maximum amount.

192. The framework also includes procedures for reviewing and appealing penalties issued by the VOA, including:

- the ability for a ratepayer to request a review of a penalty notice by a “reviewing officer” of the VOA, who is not the officer which issued the notice. A review must be requested within 30 days of the date of the penalty notice and subsequently carried out within 45 days. If it is not, the notice is deemed to be confirmed;
- the right for a ratepayer to appeal to the Valuation Tribunal for Wales within 30 days of the notification (or deemed notification) of the conclusion of the review; and
- an extension of the period for payments of penalties while a review or appeal is in progress.

193. The EM states that “it is considered very unlikely that criminal prosecutions will be brought forward as a result of the new duties”, and that civil penalties would “apply in limited circumstances” enforced on a discretionary basis by the VOA.¹⁴⁷

194. The RIA also provides a cost estimate of £745 per year for the hearing of cases by the VTW in connection with the compliance regime. This is based on the VTW’s cost estimate of £74.50 per case.¹⁴⁸

195. The CIOT, responding to questions around compliance, suggested that there “needs to be more consultation on what would be a reasonable obligation to place on the taxpayers or ratepayers”.¹⁴⁹

¹⁴⁷ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 9.18

¹⁴⁸ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.128

¹⁴⁹ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 75

196. The CRA noted that this regime was a “serious direction change” with “potential pain” for ratepayers. They highlighted the importance of an efficient system that supports ratepayers, and the potential issues that could arise:

“we know that there are big inefficiencies in the system, there are big delays in the system here—and if actually, what you’re saying is, ‘Well, we’re going to make you do something you’ve never done before, we’re not going to give you the underpinning technology to do it, it’s probably not going to work, the advice and guidance that is available from the valuation office will take three weeks to arrive and they’ll never answer the phone’—These are ifs, I’m not making assertions. All of that kind of stuff could get them caught in a kind of Kafkaesque trap.”¹⁵⁰

197. The VOA stressed that their priority was “getting it right for our customers”. They noted that penalties “are very much a last resort and would reflect deliberate and repeated non-compliance”. They added:

“And before we issue any penalties, there will be a series of reminders and prompts and warnings, so people will have every opportunity to provide us with the information and we’ll work with them to make that easy for them.”¹⁵¹

198. The VTW noted they have had “very few” appeals on penalty notices, which they said, “shows that the VOA handles them well”.¹⁵²

199. The Minister confirmed:

“the plan is for the VOA to produce a policy statement, and that will then set out how it will determine the level of penalty that it will impose. It will draw upon existing HMRC practice, in terms of considering whether an individual has reasonable excuse for non-compliance, or whether any mitigations to sanctions are appropriate.”¹⁵³

200. The Minister also told us that the Welsh Government would work closely with the VOA:

¹⁵⁰ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 474

¹⁵¹ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 191

¹⁵² Local Government and Housing Committee, 25 January 2024, RoP, paragraph 196

¹⁵³ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 131

“to ensure that ratepayers can be reasonably expected to understand and comply with their duties to provide the information before the associated penalty regime is initiated. And that will include the provision of guidance for ratepayers that will be provided by the VOA.”¹⁵⁴

Our view

201. We are concerned that the new duty on ratepayers to provide information proactively when circumstances change, as well as an annual requirement to submit information to the VOA, places a disproportionate burden on them. While we acknowledge that imposing a 60-day deadline for providing information would be consistent with provisions in England, we are unsure as to any other rationale for proposing the same timescale for Wales. We are concerned that such a timescale may not be either realistic or achievable for some smaller businesses and the hospitality sector. We also heard concerns that while there are new requirements placed on ratepayers to provide information within 60 days, there are no corresponding deadlines imposed on the VOA. In light of the evidence heard, we believe that the Welsh Government should undertake further work to assess the suitability of the timescale proposed, including reviewing the experience in England following its implementation.

Recommendation 12. The Welsh Government should undertake further work to assess the suitability of the proposed timescale for providing information required under section 12 including, where appropriate, reviewing the experience in England.

202. While we would expect most businesses to have the technology to be able to submit the necessary information electronically, we recognise that there may be some instances where this will not be possible. We therefore welcome the assurance that an alternative route to providing the information will also be available.

203. It is vital that the Welsh Government continues its work with the VOA to develop clear guidance for ratepayers, and to monitor the levels of penalties imposed and associated appeals. This will be an important area for on-going review.

¹⁵⁴ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 133

204. Given that significant further work appears to be required before the new duties on ratepayers come into force, we believe that these arrangements should be subject to further scrutiny by the Senedd.

Recommendation 13. The Welsh Government should bring forward an amendment to the Bill to make the commencement of section 12 subject to Senedd approval.

Anti-avoidance

Artificial non-domestic rating avoidance arrangements

205. Section 13 seeks to reduce opportunities for non-domestic rates avoidance. It introduces a new anti-avoidance framework to permit the Welsh Ministers to specify artificial anti-avoidance activity in regulations. The provisions also permit the Welsh Ministers to impose financial penalties in connection with anti-avoidance arrangements.

206. The effect of these provisions would be that, where a specified avoidance behaviour continues after regulations are made, the person would be required to pay the shortfall in liability as a result of that behaviour to the relevant billing authority (in relation to local rating lists) or the Welsh Ministers (in relation to the central rating list).

207. The framework also contains provision permitting a ratepayer, on receipt of a notification of liability for avoidance behaviour, to request a review of that notice, and a right to appeal the outcome of that review to the VTW.

208. The avoidance provisions are supported by a power for the Welsh Ministers to make regulations for the imposition of a financial penalty where a person fails to comply with a confirmed notice of anti-avoidance behaviour. The maximum penalty that may be specified in regulation is stated in the Bill as £500 plus 3 per cent of the rateable value of the hereditament on the date of the notice. However, the Bill also proposes further regulation-making powers for the Welsh Ministers to make additional provision in relation to the collection and enforcement of penalties, and to amend the maximum penalty amounts that may be imposed.

209. The EM states that the provisions will assist the Welsh Ministers to counteract artificial avoidance arrangements that continually evolve. Currently, provisions to

tackle emerging avoidance methods often require primary legislation “which inhibits timely counteraction of avoidance behaviours”.¹⁵⁵

210. The Statement of Policy Intent notes that the Welsh Ministers can only currently make regulations to “help identify liability, by requiring persons to provide information in certain circumstances”. However, this doesn’t address NDR avoidance itself, and the Statement suggests that the new powers will enable the Welsh Ministers to respond to specific methods of avoidance. Importantly, the new powers will:

“provide for enforcement in the form of civil penalties, where appropriate, to ensure there is a genuine deterrent to continuing specified avoidance behaviours. The enforcement regime has been designed to ensure that a person found to have been using a specified avoidance behaviour will have the opportunity to cease and pay the shortfall in liability since the coming into force of the regulations. If they fail to pay an amount due, only then will they become liable for a civil penalty.”¹⁵⁶

211. In a previous consultation on non-domestic rates avoidance, the Welsh Government asked questions relating to civil penalties for avoidance arrangements. Responses were mixed, but some expressed the need for a right of appeal by an independent assessor in such cases, and that scales should reflect the rateable value and seriousness of the avoidance.¹⁵⁷

212. The framework does not identify specific behaviours which constitute avoidance arrangements. This would be a matter for future regulations. As such, there are no costs or benefits currently identified as this would depend on the specific nature of the regulations.

213. Nevertheless, the EM notes that in 2017, local authorities estimated that NDR avoidance accounted for up to £20 million in lost revenue per year, which equates to 1-2 per cent of annual NDR revenue.¹⁵⁸

214. The IRRV, CRA and FSB expressed support for the provision, but the FSB added:

¹⁵⁵ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.133

¹⁵⁶ Statement of Policy Intent for Subordinate Legislation, November 2023, page 8

¹⁵⁷ Welsh Government, [Tackling Avoidance of Non-Domestic Rates in Wales. Consultation - summary of responses](#), October 2018

¹⁵⁸ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.141

“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 [do] not impact adversely on legitimate business expansion and diversification.”¹⁵⁹

215. The CIOT noted:

“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 taxes and business rates 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.”¹⁶⁰

216. The CIOT also expressed concern at the use of subordinate legislation for the setting of financial penalties:

“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.”¹⁶¹

217. The Minister explained:

“The reason we’re taking this approach is because techniques to avoid paying tax are constantly evolving. So, you could put a specific approach into primary legislation and then there will be ways that are sought then to get around that.”¹⁶²

¹⁵⁹ FSB, written evidence

¹⁶⁰ CIOT, written evidence

¹⁶¹ CIOT, written evidence

¹⁶² Local Government and Housing Committee, 13 December 2023, RoP, paragraph 93

218. The Minister acknowledged that provisions around the right to appeal and enabling civil penalties could have an impact on the justice system, but noted that more detail would follow in the regulations “that come later”:

“the intention would be for the impacts on the justice system to be fully considered when developing the regulations that would follow. So, as we would normally when developing regulations, we'd be considering the impact then, and also engaging with the Ministry of Justice to develop that.”¹⁶³

Our view

219. We are concerned at the lack of clarity relating to the provisions within this section. We acknowledge the Minister’s rationale for using subordinate legislation in order to respond quickly given that techniques to avoid paying tax constantly evolve. However, we believe that, given the significance of this area and the potential implications for ratepayers as a result of enforcement and financial penalties, such regulations should be subject to enhanced procedures in the Senedd to allow sufficient scrutiny of the policies behind the decisions being made.

220. Therefore, as noted earlier in the report, we recommend that the Minister should bring forward an amendment to section 14 of the Bill to provide for a minimum period of 60 days, excluding periods of dissolution or recess of more than 4 days, to allow relevant committees to scrutinise draft regulations proposed under the powers in section 13, when specifying artificial avoidance arrangements.

Recommendation 14. The Minister should bring forward an amendment to section 14 of the Bill to provide for a minimum period of 60 days, excluding periods of dissolution or recess of more than 4 days, to allow relevant committees to scrutinise draft regulations proposed under the powers in section 13, when specifying artificial avoidance arrangements.

¹⁶³ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 94

4. Part 2 – Council tax

Part 2 seeks to amend the Local Government Finance Act 1992 (“the 1992 Act”). It makes provisions around changes to valuation bands, changes to council tax payable, electronic communications and valuation of dwellings.

Changes to valuation bands

Calculation of tax for different valuation bands

221. The 1992 Act contains provision for the calculation of council tax liability. In accordance with section 5 of the 1992 Act, each residential property in Wales is assigned a proportion of council tax payable by reference to the valuation band for the property. The valuation bands range from A – I and are based on a valuation of the property as determined by the VOA.

222. The 1992 Act provides that the amount payable for each council tax band is calculated by applying a formula (in sections 36 and 47 of the 1992 Act) including the relevant proportion for that band, as divided by “D”. D is therefore the ‘reference point’ by which the proportion of council tax is set in relation to each other band.

223. Section 17 of the Bill provides the Welsh Ministers with powers to amend the reference point in the council tax formulae referred to above. The EM also indicates that the powers could be used to amend the labelling of future council tax band structures and states that the policy aim is:

“to deliver a fairer and more progressive council tax system with a broader distribution of the tax burden in the context of five-yearly revaluation cycles.”

224. It also notes:

“going forward it would be beneficial to be able to set the reference point for 100% at something different than band D if

*needed and/or to be able to change the descriptions of bands (for example from letters A,B,C to numbers 1,2,3 etc)."*¹⁶⁴

225. The EM further notes that the provisions would ensure the “system remains clear and easily understandable into the future”.

226. The IFS noted that providing the Welsh Ministers with the flexibility to use a different naming convention:

“may make it easier to communicate more radical reforms of the council tax system.”

227. However, the IFS also noted that it is not the descriptions used that matters:

*“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.”*¹⁶⁵

228. A Welsh Government official confirmed that “some of what we’re doing in section 17 is a restatement of the powers that are there already”, but noted that the Welsh Government is trying to fix:

*“almost a surprising inconsistency at the moment that although you have the power to change the number and the description of those bands, we don’t actually have the power to make changes later on in the Local Government Finance Act 1992, to sections 36 and 47. So, those are really important sections for the calculation of council tax, and that’s the bit we’re making sure that, when we make a change to the number or the description of the band in section 5, we can follow through so that the system actually works coherently, because, as the Minister has explained, if you changed the descriptions to 1, 2, 3, 4, 5, you need then the calculation of council tax to refer to 5 instead of D, so it really is just a technical change.”*¹⁶⁶

¹⁶⁴ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.79

¹⁶⁵ IFS, written evidence

¹⁶⁶ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 149

Our view

229. Within the context of council tax reform, the provisions in the Bill that provide the Welsh Ministers with the ability to amend the descriptions assigned to council tax bands, as well as setting the reference at 100 per cent at something other than Band D, seems proportionate. If in future, additional council tax bands are created, it is important to ensure clarity within that system, and it seems that these provisions would enable that to an extent. The Phase 2 consultation on a Fairer Council Tax launched just before the Bill's introduction, and closed before the end of Stage 1, provides potential approaches to council tax reform that the Welsh Government believe to be "realistically achievable". The proposals in the consultation provide an insight as to how the powers in the Bill, such as section 17, might be utilised in future. However, these proposals fall outside of our scrutiny of the Bill.

Changes to council tax payable

Discounts

230. Section 18 makes a series of provisions in relation to council tax exemptions from liability, disregards and discounts. Amendments proposed by this section include the disapplication of provisions in the 1992 Act:

- about the persons who are exempt from liability to pay council tax;
- for discounts to be applicable in certain circumstances;
- about persons disregarded for the purposes of determining whether a discount applies; and
- for billing authorities to reduce or remove discounts in certain circumstances

231. In each case, section 18 includes provisions which would permit the Welsh Ministers to make provision in these areas by regulations.

232. Currently the legislation provides for two statutory discounts. One is commonly referred to as the 'single person discount' and applies where there is only one adult person living in the property who is liable to pay council tax – either because they live alone or because the other occupants are disregarded for the purpose of calculating council tax. The second discount relates to empty properties and properties where all the adults are disregarded.

233. With regard to empty properties, local authorities have used their discretion in recent years to remove discounts and / or charge a council tax premium.

234. The EM notes that a “review of the range of discounts, disregards, exemptions and premiums is underway”, with the aim of modernising the system, and that it is “intended that an updated system of discounts and disregards will be in place from the 2026-27 financial year”.¹⁶⁷

235. As noted previously, the Welsh Government launched its ‘Phase 2’ consultation – A Fairer Council Tax in November 2023.¹⁶⁸ In connection with this, the Welsh Government has set out how subordinate legislation might seek to amend the system in the future. The EM states that future regulations for Senedd approval may include proposals for:

- setting the amount or calculation and conditions for the statutory discounts;
- adding new categories of discount and rates which differ from the existing 25 per cent or 50 per cent percentages;
- removing the link between the one-adult discount and the empty property discount, so that the empty property discount does not have to be double the percentage of the one-adult discount. This would, for example, allow different rates of discount to be set for different situations; and
- permitting local authorities to disapply or reduce discounts in certain circumstances.

236. Notwithstanding the ongoing review, the Welsh Government has committed to maintaining the existing single person discount at 25 per cent.

237. The IFS suggested that the single person discount “contributes to both under-occupation and overcrowding of the housing stock”:

“I think our concern with the single-person discount, as it’s currently structured, is that because it’s just 25 per cent of the bill, that—. That’s the only feature of council tax at the moment that really distorts the housing market, because it means it’s a bigger discount if you occupy more valuable properties, and therefore it gives an incentive for one-adult households to live in

¹⁶⁷ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.79

¹⁶⁸ Welsh Government, [A Fairer Council Tax: phase 2](#)

bigger, more expensive properties, and multi-adult households to live in less valuable properties than they otherwise would.”¹⁶⁹

238. A Welsh Government official noted that the Bill’s provisions:

“would allow more and different types of discounts to be developed more readily than they can be at the moment. So, at present, w’re constrained to either a 25 per cent or 50 per cent discount. It might be that it would be appropriate to create a new discount at a different kind of level or for different levels for different circumstances.”¹⁷⁰

239. Asked how long the Welsh Government’s commitment to maintaining the single person discount will last, the Minister responded:

“this Welsh Government has no intention to change or remove the single-person discount. So, it will be as set out in the legislation until, and if, a different Government changed that.”¹⁷¹

240. In terms of provisions relating to discounts being made by regulations, the Minister told us it is “about being able to be responsive”. She added:

“we’ve given some examples today about how we needed to respond rapidly in the case of the pandemic, for example, to support businesses, in relation to supporting local authorities or households through the council tax reduction scheme, to welcome people from Ukraine to their households and so on. So, it’s really about being able to be agile, because we know that when things are set out in primary legislation, it’s very difficult then to amend them.”¹⁷²

Reduced amounts

241. Section 19 relates to the Council Tax Reduction Scheme (CTRS) and seeks to amend the scheme’s design and administration. The CTRS was introduced in 2013-14 in Wales as a replacement to the council tax benefit. The Welsh Government currently provides local authorities with £244 million annually to provide support to eligible households. The current legislative framework for CTRS requires each local authority to adopt its own scheme annually, based on

¹⁶⁹ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 102

¹⁷⁰ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 184

¹⁷¹ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 190

¹⁷² Local Government and Housing Committee, 13 December 2023, RoP, paragraph 192

prescribed requirements in regulations. The Welsh Government indicates in its Statement of Policy Intent that in-year changes to the scheme are not possible, and there is only limited discretion for local authorities to vary their schemes. As such, the Welsh Government notes that “in practical terms this results in schemes which are broadly the same throughout Wales”.¹⁷³

242. The provisions in the Bill would place a duty on the Welsh Ministers to make a single national CTRS through regulations, in place of existing local schemes in Wales, and includes a power for the Welsh Ministers to issue guidance to local authorities about how the national scheme should be applied. The EM notes that it would also enable in-year changes, providing scope to adapt the scheme to “react to any unplanned needs arising from changes in our economy or society”. Examples of discretionary measures include responding to the pandemic and to aid people from Ukraine and Afghanistan.¹⁷⁴ The EM states that provisions in this Bill seek to “reduce operational complexity and ease administration” by providing a single national scheme.¹⁷⁵

243. The EM states that even with a reform of the council tax system to make it more progressive, the Welsh Government “expect there to be a continued need to provide a scheme to support low-income households” pay their bills.¹⁷⁶

244. It is intended that the first national scheme would come into force on 1 April 2026, and is expected to be cost neutral as the provisions would not change the requirement on local authorities to have a scheme.

245. The WLGA was supportive of the change, which they noted had been “requested by local authorities”. Expanding on the benefits, the WLGA told us:

“because the existing regulations are bound to a specific financial year, they can’t be reactive. You can’t refer to any change. The current process is that the regulations are laid in December, approved in the January, a council has to adopt their scheme by 31 January of that year ready for the April implementation. No change can take place once that has happened. Conferring the duty on Welsh Ministers will allow them to respond to crises and national emergencies.”¹⁷⁷

¹⁷³ Statement of Policy Intent for Subordinate Legislation, November 2023, page 14

¹⁷⁴ Statement of Policy Intent for Subordinate Legislation, November 2023, page 14

¹⁷⁵ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.89

¹⁷⁶ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.88

¹⁷⁷ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 340

246. The IRRV also noted support for the move to a single national scheme:

“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.”¹⁷⁸

247. The Bevan Foundation welcomed the provisions around flexibility to design schemes related to council tax reduction, discounts and disregards that “better meet the needs of people in Wales”, however they noted concern:

“given that the reviews could result in very substantial changes to both schemes which would affect a large number of households in Wales, we are concerned that the changes would be via subordinate legislation. We consider that the principles of any new schemes should be debated by the Senedd, with subordinate legislation addressing matters of detail such as thresholds.”¹⁷⁹

248. We asked the Minister about timescales for bringing any new discounts, disregards and exemptions into force. She told us:

“We’ve currently got a working group that is making its way through all 53 of those discounts, disregards, exemptions and premiums, exploring if they are fit for purpose. They’ll also be, of course, considering if there are others that are relevant that should be introduced as well. I think that, inevitably, we’ll end up taking a phased approach to delivering the outcomes of the working group’s review and considering those. It may be feasible to introduce some outcomes in 2026-27, and some later, but I think there are some things that we can do in the more immediate term—improving and addressing the low take-up of the council tax reduction scheme, for example.”¹⁸⁰

¹⁷⁸ IRRV, written evidence

¹⁷⁹ Bevan Foundation, written evidence

¹⁸⁰ Local Government and Housing Committee, 7 February 2024, RoP, paragraph 140

Our view

249. Council tax discounts and reduction schemes play a vital role in supporting households. While greater flexibility to provide support is to be welcomed, we recognise that a shift in policy could have significant and unintended consequences for people, particularly those in financial difficulty. It is therefore key that the Welsh Government consult fully on any new policy linked to discounts. The Minister should bring forward an amendment to the Bill to expressly require the Welsh Ministers to undertake consultation before making regulations under section 18, other than when changing rates of discount.

Recommendation 15. The Minister should bring forward an amendment to the Bill to expressly require the Welsh Ministers to undertake consultation before making regulations under section 18, other than when changing rates of discount.

250. In terms of the single person discount, we note the mixed views among our witnesses about its format and existence. We understand that the single person discount provides a lifeline for many households struggling with financial pressures and its removal could have significant consequences for many. We therefore welcome the Minister's commitment to maintaining the discount at 25 per cent. However, we are mindful that a future government (as early as 2026) may choose to take a different approach. Given the significant implications of changing the single person discount scheme, both for households and local authorities, we believe any regulations proposing change must be subject to thorough Senedd scrutiny.

251. We believe that the provisions in section 18 should be subject to enhanced procedure, to ensure the Senedd be given a minimum period of time to consider the proposals once laid, and subsequently be able to make a more informed decision as to whether to approve the regulations. We therefore recommend that the Minister should bring forward an amendment to the Bill to provide for a minimum period of 60 days, excluding periods of dissolution or recess of more than 4 days, to allow relevant committees to scrutinise draft regulations proposed under the powers in section 18, other than when changing rates of discount.

Recommendation 16. The Minister should bring forward an amendment to the Bill to provide for a minimum period of 60 days, excluding periods of dissolution or recess of more than 4 days, to allow relevant committees to scrutinise draft regulations proposed under the powers in section 18, other than when changing rates of discount.

Reduced amounts

252. We note the support from the WLGA for the Bill’s provisions to establish a national CTRS for Wales. Given the importance of the scheme in providing financial support to low-income households, raising awareness is crucial. We have consistently raised concern in our reports on Welsh Government draft budgets that not all those who are eligible for this support with their council tax actually claim it. We note that an aim of establishing a national scheme is to ensure consistency across Wales, and we welcome this intention. As take-up of council tax reduction has not been as high as it should be, we hope that a consistent approach will help raise awareness and ensure that more eligible people claim.

253. The work that the Welsh Government’s working group is carrying out looking at the discounts, disregards and exemptions will clearly play an integral role in the development of new policies and therefore we would welcome an update as to the group’s progress.

Electronic communications

Publication of notices

254. Section 20 replaces the requirements on local authorities to publish notices relating to council tax in local newspapers with a new duty to publish those notices online, and to put suitable alternative arrangements in place to ensure that such information is accessible to citizens who have difficulty accessing online facilities.

255. The EM notes that the Welsh Government considered alternative approaches such as “requiring local authorities to publish details online and in newspapers”, but that:

“the current system of publishing council tax details in local newspapers provides no feedback to councils and ignores the fact that the audience is moving away from printed newspapers to a varied digital media landscape.”¹⁸¹

256. The Welsh Government acknowledges in the EM however that fully removing the requirement for local authorities to publish council tax details in local newspapers “could reduce accessibility for older age groups or those without internet access”.¹⁸²

¹⁸¹ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.222

¹⁸² Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.222

257. Nevertheless, according to the EM, as local authorities already use a range of media to provide information, the cost associated with newspaper advertisements would:

“best be utilised across a range of other publishing materials, such as with bills, at local authority buildings or in libraries, which would help mitigate any accessibility issues.”¹⁸³

258. The EM estimates that maintaining national newspaper advertisements would cost local authorities collectively £330,000 over a period of ten years. It estimates that maintaining advertisements in regional newspapers would cost local authorities a further £55,000 over the same period. The EM also notes additional costs of up to £15,000 a year for local authorities from publishing notices on council tax premiums.¹⁸⁴

259. As previously noted, 39 of the 56 responses to our consultation on the Bill specifically related to the provisions in section 20. The views expressed in the responses were mixed, with 28 objecting and 11 expressing support for the proposed changes. The views included:

“As well as impacting the revenue stream of those newspapers, this is another step along the road to exclusion for those who do not have, cannot afford or lack the skills to use the internet.”

- Individual

“Public Notices remain a vital source of that information for all our readers. The details are studied in minutia – parsed by each sentence, either in English or Welsh – and are discussed and mentioned in shops, meetings, halls and churches – where ever those taxpayers and residents, voters and volunteers meet.

While our digital presence is strong, our print editions reach a demographic – the elderly, the economically vulnerable, the isolated – that digital products do not.”

- Mick O’Reilly, West Wales Regional Editor, Cambrian News and Tenby Observer

¹⁸³ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.223

¹⁸⁴ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 8.229

“In this present age relying on individuals purchasing papers to read these notice is no longer in line with media communication.”

- Tony Lock

260. The WLGA noted that “printed media is in a different position in 2024 than it was in 1993”, but told us that that “local authorities [...] know how to reach their residents”, and emphasised that how to publish notices should be “a local authority decision”.¹⁸⁵ They also noted that the information “is provided with the council tax bill itself”.¹⁸⁶

261. Newsquest set out their view that section 20 “would have catastrophic, unintended consequences for the local newspaper sector in Wales”, and Reach plc suggested:

“if you remove public notices, or the requirement to put public notices in print titles, you are removing that information from a certain part of the public; there are really no two ways about that. You’re also removing revenue from publishers. That means publishers are able to do less journalism, and that means the public is even less informed, so it’s almost a circular effect, really.”¹⁸⁷

262. However, Wrexham.com argued that revenue from the publication of notices is “a subsidy” and that:

“this is about communication, and, back in the day, yes, circulations were huge and points of reference for many, many people, but the landscape has changed, and it’s a bad law, it’s an out-of-date law.”¹⁸⁸

263. A representative of the Older People’s Commissioner for Wales (OPCW) told us that removing the requirement to publish in newspapers is evidence of:

“this creep towards digitalisation and the increasing exclusion of older people.”¹⁸⁹

¹⁸⁵ Local Government and Housing Committee, 25 January 2024, RoP, paragraphs 346-347

¹⁸⁶ Local Government and Housing Committee, 25 January 2024, RoP, paragraph 352

¹⁸⁷ Local Government and Housing Committee, 31 January 2024, RoP, paragraph 29

¹⁸⁸ Local Government and Housing Committee, 31 January 2024, RoP, paragraph 20

¹⁸⁹ Local Government and Housing Committee, 31 January 2024, RoP, paragraph 6

264. This view was supported by Newsquest, who said that tackling digital exclusion requires placing public notices “both in print and online, ensuring that we’re serving communities with the best of both option.”¹⁹⁰

265. The OPCW questioned what “alternative arrangement” means in practice:

“We think the wording of the alternative is rather grey and ambiguous. [...] Who’s to decide what’s suitable and what isn’t? There’s just no clarity about what that means.”¹⁹¹

266. Reach plc agreed with the OPCW. They suggested that the provision around alternative arrangements is “very vague”, and highlighted a need to “ask questions around what the cost of things like placing notices in libraries, or sending letters to people, if they’re not seeing them in newspapers, would be.”¹⁹²

267. While the OPCW acknowledged that there are “definitely improvements that could be made in terms of making things more accessible in the current arrangements”, for example, “larger print”, they concluded that:

“the current requirement may not be perfect, but the concern is about taking something away without putting in place an effective patchwork of different arrangements to reach different groups of older people [...] it’s this principle of ‘Okay, we will move things online, but we haven’t adequately thought about what offline access looks like’.”¹⁹³

268. The Minister told us:

“Things have changed a lot, I think, in terms of people’s reliance on newspapers as their sole source of news and information. So, I think moving towards something more electronic and up to date is a reasonable thing to do. That said, we know there are some people who don’t access the internet, and so on, so we’ll make provision in the legislation that authorities should make the information available to people in other ways as well.”¹⁹⁴

¹⁹⁰ Local Government and Housing Committee, 31 January 2024, RoP, paragraph 13

¹⁹¹ Local Government and Housing Committee, 31 January 2024, RoP, paragraph 8

¹⁹² Local Government and Housing Committee, 31 January 2024, RoP, paragraph 30

¹⁹³ Local Government and Housing Committee, 31 January 2024, RoP, paragraphs 89-91

¹⁹⁴ Local Government and Housing Committee, 13 December 2023, RoP, paragraph 196

Our view

269. While we acknowledge that section 20 would not prevent local authorities from continuing to publish council tax notices in newspapers, we are mindful that, given the current financial pressures, local authorities may choose not to do so in order to make savings. We therefore note the concerns about the potential loss of revenue for newspapers, while acknowledging that it is not for local authorities to fund local or national print media. Additionally, we recognise that people receive their information in different formats, therefore publishing notices in newspapers may no longer be the most effective way of providing information to taxpayers. We agree with the WLGA that each local authority is best placed to decide how to publish this information, depending on the needs of the communities they represent. We therefore understand the benefits of not being overly prescriptive with the provisions in the Bill.

270. However, we are mindful that a significant proportion of the population may not have access to digital facilities, and it is vital that consideration is given to how they can be reached. Without easily accessible information, there is a risk that people may become disengaged. We believe that greater clarity is therefore needed about the alternative arrangements for providing information to those with limited or no access to online facilities. We recognise that, traditionally, local libraries would have been a suitable place for people to access information, however as demonstrated in our inquiry on local authority leisure and library services, many local facilities have closed.¹⁹⁵

271. We realise that all taxpayers will receive council tax information with their annual bill, however some may wish to be aware in advance of this in order to prepare. It will therefore be important for the Welsh Government to monitor how and where local authorities choose to publish council tax notices following implementation of the Bill, to ensure that the notices are reaching the widest audience possible.

272. Our evidence session touched briefly on the accessibility of notices published in newspapers. We understand that notices are required to contain specific information, however their current format is formal and often in small print. We would urge the Welsh Government to work with local authorities to consider how these notices can be more engaging and accessible to those reading them.

¹⁹⁵ Local Government and Housing Committee, [Local Authority Library and Leisure Services, July 2023](#)

Recommendation 17. The Welsh Government should set out how it plans to monitor the implementation of the provisions in section 20 across local authorities and evaluate their impact on accessibility and transparency.

273. In recognition that some of our discussions touched upon issues beyond the scope of the Bill, in particular the funding of local newspapers and a potential broader move towards the use of digital notices, we wrote to the Senedd’s Culture, Communication, Welsh Language, Sport and International Relations Committee to draw their attention to these matters.¹⁹⁶

274. We note in particular the recommendations in a report by the Fifth Senedd’s Culture, Welsh Language and Communications Committee, which called on the Welsh Government to assess whether there are more cost effective ways of publicising statutory notices and how any savings released could be reinvested in supporting public interest news journalism.¹⁹⁷ The Welsh Government should continue to reflect on this recommendation and consider how work in this area could inform the implementation of the provisions in section 20.

Valuation of dwellings

Procedure for the compilation of valuation lists

275. Section 21 introduces a new requirement for revaluations of domestic properties to take place every five years, beginning in 2030. The EM notes that this option was selected on the basis that it:

*“strikes the right balance between the benefits delivered by revaluations and the administrative costs they incur”.*¹⁹⁸

276. Current council tax bands are based on valuations from April 2003. The Welsh Government’s policy aim is to establish a system “based on more up-to-date property valuations”, therefore providing for a “more accurate and fairer” system.¹⁹⁹

277. While section 21 provides for five-year revaluations, it would also enable the Welsh Ministers to change the date of specific revaluations or the interval between council tax revaluation years. In theory, revaluations could be conducted more regularly in the future, but due to operational constraint at present, the

¹⁹⁶ [Letter to the Culture, Communication, Welsh Language, Sport and International Relations Committee](#), 2 February 2024

¹⁹⁷ Culture, Welsh Language and Communications Committee, [Read all about it: Inquiry into News Journalism in Wales](#), May 2018

¹⁹⁸ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.99

¹⁹⁹ Statement of Policy Intent for Subordinate Legislation, November 2023

Welsh Government has indicated that shorter timeframes are not possible. The benefit of shorter intervals, according to the Welsh Government, is that:

“valuations would even more closely reflect contemporary property values and further reduce the risk of large changes in a property’s banding from one revaluation to the next.”²⁰⁰

278. However, the EM points to the risks associated with more regular revaluations, particularly where a cycle “falls during periods of irregular market buoyancy or contraction due to economic forces”. Equally, there might be specific circumstances that may require extending the interval in future, with flexibility for the Welsh Ministers included within the provision.²⁰¹

279. The provisions in this section would also allow flexibility for the Welsh Ministers to amend the date by which copies of draft valuation lists must be sent to billing authorities by a listing officer during the revaluation process. The Statement of Policy Intent notes that:

“Currently legislation specifies that a copy of the draft new valuation list has to be sent to billing authorities no later than seven months before the new list is finalised and comes into force (“compiled”). In the event that revaluation cycles are shortened in the future, this deadline could become impracticable and need to be changed. This power would allow the Welsh Ministers to make this technical change if it becomes necessary.”²⁰²

280. The EM states that regular revaluations would “continually safeguard fairness in the system”, with the tax burden “shared equitably” based on current valuations. It also states that regular revaluations would “provide the opportunity for frequent public interaction with the process”. However, it is anticipated that advancements in technology and data sources on properties, localities and markets will reduce “reliance on manual valuations”. Instead, the VOA would “make use of the latest digital modelling methodologies and innovative statistical mass appraisal techniques”.²⁰³

281. The Welsh Government has estimated that the cost of undertaking a revaluation of 1.4 million properties would be £18 million between 2024-25 and 2033-34. Most of this cost would be for the revaluation itself conducted by the

²⁰⁰ Statement of Policy Intent for Subordinate Legislation, November 2023

²⁰¹ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.100

²⁰² Statement of Policy Intent for Subordinate Legislation, November 2023

²⁰³ Local Government Finance (Wales) Bill, Explanatory Memorandum, paragraph 3.96

VOA (£14 million), while it is estimated that there would be a cost of over £2.5 million for local authorities as they deal with an increase in contacts from taxpayers.²⁰⁴

282. The IFS notes that 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”. This, they state, means that over 40 per cent of properties are “effectively in the wrong band”.²⁰⁵

283. The IFS also noted that ensuring statutory revaluation cycles would “help households plan – including when buying or selling properties” as well as enabling billing authorities and the VOA to plan, while also simultaneously increasing the “likelihood of revaluations actually taking place”.²⁰⁶

284. The IRRV noted that they:

“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’.”²⁰⁷

285. The WLGA acknowledged that a revaluation after 20 years will cause “significant turmoil”, because “every ratepayer will be affected”, but they were supportive of the provision, which they described as a “bold step”. They noted that:

“Having waited 20 years for a revaluation there is naturally concern around the potential individual impacts. Moving to a regular revaluation cycle provides assurance that the correct tax is charged, and property band is being revised to reflect the current situation.”²⁰⁸

286. One Voice Wales, however, highlighted calls from Pembrey and Burry Port Town Council for the Welsh Government to “suspend its plans” for revaluation:

“as it believes that due to the present cost of living crisis where the people of Wales have suffered unprecedented increases in the cost of Gas, Electricity, Food, Mortgages/Rents, Water Rates, Council Tax etc. an additional setback instigated by Welsh Government would cause widespread anger across the

²⁰⁴ Local Government Finance (Wales) Bill, Explanatory Memorandum, Table 8.5

²⁰⁵ IFS, written evidence

²⁰⁶ IFS, written evidence

²⁰⁷ IRRV, written evidence

²⁰⁸ WLGA, written evidence

electorate and possibly lead to public unrest, predictably when the full implications of the Bill become evident.”²⁰⁹

Our view

287. It is inevitable that there will be an impact on a number of households following the first revaluation of domestic properties in 20 years, which will be a concern to many on the back of a cost-of-living crisis. It will be vital to ensure that safeguards and transitional support for householders who will be liable to pay council tax are made available during this revaluation, the first for over two decades. However, as a principle, we agree that more up-to-date and regular revaluations will likely ensure that the tax burden is distributed more accurately in future, with smaller changes in council tax bills after each five-yearly revaluation as a result.

288. We appreciate that the council tax revaluation may also impact on the council tax base of local authorities. We therefore expect the Welsh Government to also give consideration to how it intends to support those authorities whose tax base may reduce as a result with transitional funding arrangements.

Recommendation 18. The Welsh Government should update the Senedd on its proposals for any transitional arrangements that may be required to support households and local authorities as a result of the pending council tax revaluation.

²⁰⁹ Once Voice Wales, written evidence

Annex A: List of oral evidence sessions

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the Committee's [website](#).

| Date | Name and Organisation |
|-------------------------|--|
| 13 December 2023 | <p>Rebecca Evans MS, Minister for Finance and Local Government</p> <p>Debra Carter, Welsh Government</p> <p>Simon Tew, Welsh Government</p> <p>Ruth Cornick, Welsh Government</p> |
| 25 January 2024 | <p>Stuart Adam, Institute for Fiscal Studies</p> <p>Matthew Evans, Institute of Revenues Rating and Valuation</p> <p>Lakshmi Narain, Chartered Institute of Taxation</p> <p>Jonathan Russell, Valuation Office Agency</p> <p>Carolyn Bartlett, Valuation Office Agency</p> <p>Carolyn Dawson, Valuation Tribunal for Wales</p> <p>Lisa Hayward, Welsh Local Government Association</p> <p>Matthew Phillips, Welsh Local Government Association</p> <p>Councillor Susan Morgan, Welsh Local Government Association</p> <p>Councillor Robin Williams, Welsh Local Government Association</p> <p>Llyr ap Gareth, FSB</p> |

| Date | Name and Organisation |
|------------------------|---|
| | <p>Robin Osterley, Charity Retail Association</p> <p>Morgan Schondelmeier, Welsh Beer and Pub Association</p> |
| 31 January 2024 | <p>Rachel Bowen, Office of the Older People’s Commissioner for Wales</p> <p>Steffan Rhys, Reach plc</p> <p>Gavin Thompson, Newsquest (Wales)</p> <p>Rob Taylor, Wrexham.com</p> |
| 7 February 2024 | <p>Rebecca Evans MS, Minister for Finance and Local Government</p> <p>Ben Crudge, Welsh Government</p> <p>Simon Tew, Welsh Government</p> <p>Ruth Cornick, Welsh Government</p> |

Annex B: List of written evidence

The following people and organisations provided written evidence to the Committee. All Consultation responses and additional written information can be viewed on the Committee's [website](#).

| Reference | Organisation |
|---------------------|--|
| LGF 01 | Fairer Share - WITHDRAWN |
| LGF 02 | Chartered Institute of Taxation |
| LGF 03 | One Voice Wales |
| LGF 04 | FSB |
| LGF 05 | Robinsons Brewery |
| LGF 06 | Bevan Foundation |
| LGF 07 | Charity Retail Association |
| LGF 08 | Institute of Revenues Rating and Valuation |
| LGF 09 | Institute for Fiscal Studies |
| LGF 10 | Welsh Beer and Pub Association |
| LGF 11 | Aberystwyth Town Council |
| LGF 12 | The Shopkeepers Campaign |
| LGF 13 | Welsh Retail Consortium |
| LGF 14 | NRLA |
| LGF 15 | Welsh Revenue Authority |
| LGF 16 | WLGA |
| LGF 17 | Wales Tourism Alliance |
| LGF (S20) 01 | Older People's Commissioner for Wales |
| LGF (S20) 02 | Individual |
| LGF (S20) 03 | Individual |
| LGF (S20) 04 | Individual |
| LGF (S20) 05 | Tony Lock |

| Reference | Organisation |
|---------------------|----------------------------|
| LGF (S20) 06 | Jean Campbell Leith |
| LGF (S20) 07 | Winston V Jones |
| LGF (S20) 08 | Barry Franks |
| LGF (S20) 09 | Individual |
| LGF (S20) 10 | Individual |
| LGF (S20) 11 | Individual |
| LGF (S20) 12 | Individual |
| LGF (S20) 13 | David Williams |
| LGF (S20) 14 | Councillor Andy Gallanders |
| LGF (S20) 15 | Angela Radice |
| LGF (S20) 16 | Arnold Woolley |
| LGF (S20) 17 | Dr Michael Parry |
| LGF (S20) 18 | Barrie White |
| LGF (S20) 19 | Individual |
| LGF (S20) 20 | Individual |
| LGF (S20) 21 | Councillor Marc Jones |
| LGF (S20) 22 | Leah Powell |
| LGF (S20) 23 | Mick O Reilly |
| LGF (S20) 24 | Paul Higman |
| LGF (S20) 25 | Liz Davies |
| LGF (S20) 26 | Scott Wood |
| LGF (S20) 27 | WalesOnline and Reach plc |
| LGF (S20) 28 | Wrexham.com |
| LGF (S20) 29 | Individual |
| LGF (S20) 30 | Carole Jacob |
| LGF (S20) 31 | Ted Sangster |
| LGF (S20) 32 | News Media Association |
| LGF (S20) 33 | Newsquest |
| LGF (S20) 34 | Craig Colville |

| Reference | Organisation |
|--------------|---------------------|
| LGF (S20) 35 | Phil Broadhurst |
| LGF (S20) 36 | Carmen Jakobi-Negus |
| LGF (S20) 37 | Individual |
| LGF (S20) 38 | Individual |
| LGF (S20) 39 | Individual |

Additional Information

| Title | Date |
|---|------------------|
| Correspondence from the Minister for Finance and Local Government | 13 February 2024 |