

Local Government Finance (Wales) Bill

Bill Summary

January 2024



The Welsh Parliament is the democratically elected body that represents the interests of Wales and its people. Commonly known as the Senedd, it makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

An electronic copy of this document can be found on the Senedd's website:
research.senedd.wales

Copies of this document can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

Welsh Parliament
Tŷ Hywel
Cardiff Bay
CF99 1SN

Tel: **0300 200 6296**

Email: Osian.Bowyer@senedd.wales

X: [@SeneddResearch](https://twitter.com/SeneddResearch)

Senedd Research: research.senedd.wales

Subscription: [Newsletter](#)

© **Senedd Commission Copyright 2024**

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the Senedd Commission and the title of the document specified.

Local Government Finance (Wales) Bill

Bill Summary

January 2024

Author:

Osian Bowyer



Contents

Introduction	1
How to use this Bill Summary	1
The Bill at a glance.....	2
Summary of provisions	3
Part 1 – Non-domestic Rating.....	3
Overview	3
Local and Central Rating Lists.....	3
Non-domestic rates revaluation.....	4
Powers to confer, vary and withdraw reliefs.....	4
Charitable rate relief.....	5
Completion notices.....	6
Discretionary relief: timing limit.....	6
Varying and withdrawing exemption.....	6
Calculation of non-domestic rating multiplier	7
Information to be provided to valuation officer	7
Artificial non-domestic rating avoidance arrangements	8
Minor and consequential amendments	9

Part 2 – Council Tax	9
Overview	9
Calculation of tax for different valuation bands.....	9
Discounts	10
Reduced amounts.....	10
Publication of notices	11
Procedure for the compilation of valuation lists	11
Part 3 - General	12
General provisions	12
Schedule 1	12

Introduction

The Local Government Finance (Wales) Bill was introduced on 20 November 2023.

The Welsh Government has made a clear commitment in its **Programme for Government** to reform existing Council Tax arrangements in order to “ensure a fairer and more progressive system”. 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.

Introducing the Bill, the **Minister for Finance and Local Government, Rebecca Evans MS**, said “the Bill will make a significant contribution towards reforming non-domestic rates and council tax in Wales”, and that overall:

...the changes we propose will make the framework for local taxes more closely aligned with changes in market conditions; responsive to the evolving context for taxpayers, and the subsequent impacts for communities; and tailored to the needs of Wales by being established and maintained within devolved powers and structures.

The Bill’s **Explanatory Memorandum** states that the Bill will assist with:

addressing many of the limitations of the current arrangements...
[and will]

further expand the Welsh Government’s and local government’s capabilities to deliver the fairest possible arrangements within the context of the established non-domestic rates and council tax systems.

The Bill takes forward some of the proposals included within the Welsh Government’s **Phase 1 consultation** on changes and improvements to council tax and its consultation on **reforming non-domestic rates in Wales**. This follows **research and evidence gathering** over many years to help inform future Welsh Government decisions on reforming the local taxation system in Wales.

How to use this Bill Summary

This document isn’t an exhaustive summary of every aspect of the Bill. It’s designed to be used electronically and signpost to further detail.

In the summary of provisions section, the section number text (e.g., Section 1) links to the relevant section of the Bill.

The Bill at a glance

The Bill has 25 sections, arranged into three parts, and has one schedule.

- **Part 1** – Non-Domestic Rating
- **Part 2** – Council Tax
- **Part 3** – General

Schedule 1 makes minor and consequential amendments relating to non-domestic rates, including rating lists, exemptions, anti-avoidance and non-domestic rating multipliers.

The **Explanatory Memorandum** includes a summary of powers to make subordinate legislation in the Bill, and the Senedd scrutiny procedures they will be subject to. **The Statement of Policy Intent** provides further details on the subordinate legislation that can be made under the Bill, while the Explanatory Notes (included as part of the Explanatory Memorandum) are included to assist those reading the Bill and should be read in conjunction with it.

The Explanatory Memorandum also includes a Regulatory Impact Assessment (RIA) which provides a summary of estimated costs and benefits of the Bill.

Summary of provisions

Part 1 - Non-domestic Rating

Overview

Section 1 of the Bill provides an overview of the sections in Part 1 of the Bill, which relates wholly to non-domestic rating, often referred to as ‘business rates’.

The stated aim of the provisions are to make the “non-domestic rates system fairer and better suited to supporting needs and priorities for business development in Wales”.

Provisions in Part 1 of the Bill make amendments to the **Local Government Finance Act 1988** (“the 1988 Act”).

Local and Central Rating Lists

Non-domestic rates is a form of tax levied on occupiers or owners of non-domestic properties and infrastructure (hereditaments). Those liable to pay are known as ratepayers. The Explanatory Memorandum notes that the system is “highly efficient” with an annual collection rate of 97%, and “low administrative costs”.

Rates are collected by local authorities (“billing authorities”), with bills calculated on the rateable value of the assessed property combined with a multiplier set annually by the Welsh Ministers.

Section 2 of the Bill inserts new 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 that are subject to business rates. It records the rateable value of each hereditament, which is used to calculate the amount of business rates liability.

The new provision requires lists to be compiled **every three years** (not the five years required currently). The next local rating list will need to be compiled on 1 April 2026 (rather than 1 April 2028 as currently set).

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

Section 3, similar to section 2, inserts new provision into the 1988 Act amending the arrangements for the compilation of the **central rating list**. This list is different to the local list, as the hereditament crosses multiple local authority boundaries. This would include things such as major transport and utilities infrastructure.

The revaluation interval for central lists will also shorten from five to **three years**, following the same timeframe as the local rating list. Because the Central list crosses multiple local authority areas, it is the Welsh Government that has responsibility for keeping a copy. The Bill places a duty on the Welsh Government to keep the Central list electronically.

Non-domestic rates revaluation

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.

Changes to the revaluation year in recent years have been made by Acts of the UK Parliament. The Explanatory Memorandum states that section 4 will:

provide the Welsh Ministers with the flexibility to respond to economic changes or other factors in a more timely manner for the benefit of stakeholders in Wales.

Any change to the revaluation year must apply to both lists simultaneously. Regulations to amend the revaluation cycle must be laid before and approved by the Senedd.

Powers to confer, vary and withdraw reliefs

Section 5 amends various schedules in the 1988 Act relating to the calculation of the chargeable amount of non-domestic rating and the application of reliefs for both local and central rating lists. The provisions in this section enable the Welsh Ministers to make regulations to confer, vary, or withdraw reliefs in Wales. This would be subject to approval by a resolution of the Senedd.

These powers would enable Welsh Ministers to prescribe **new partial** or **full reliefs** as required at any given time. The key aim here is to provide the Welsh Government with flexibility to provide various reliefs, possibly to a specific sector during a challenging economic environment for example.

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

While the Bill does not make changes to the rates relief system itself in Wales, the **Minister for Finance and Local Government has previously announced a review** of existing non-domestic rates reliefs during this Senedd term, noting that:

Rates relief has played a crucial role in supporting businesses throughout the pandemic and the overall level of relief provided to ratepayers has grown significantly in recent years. But now is the time to step back and review all of our current schemes to ensure they're fit for purpose and delivering support in the most effective way. Our review will consider the **range of reliefs, the level of support, how reliefs are targeted and how long they last.**

Charitable rate relief

Section 6 of the Bill seeks to strengthen the process for claiming **charitable rates relief for unoccupied non-domestic properties** by requiring additional documentary evidence in order to benefit from the relief (for example, annual accounts and reports). This is to tackle non-domestic rates avoidance.

Currently, charities or a trustee of a charity who owns or leases an unoccupied hereditament can seek full relief from rates liability when it appears that the hereditament will be used for charitable purposes when next in use.

If the hereditament is not subsequently used for charitable purposes, the ratepayer may have incorrectly benefitted from relief. The Explanatory Memorandum states that this is “to the detriment of other ratepayers” and reduces funds for local services.

The Bill therefore proposes that a billing authority must be satisfied that the hereditament is unoccupied for a reason related to charitable purposes in order for the relief to be available. Additionally, to claim the relief, a charity or trustee of a charity will 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**). This, the Explanatory Memorandum notes, will enable 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.

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

Section 6 restates existing provision in the 1988 Act regarding the eligibility of registered community amateur sports clubs to benefit from charitable rate relief, but **without imposing new documentary requirements** on those bodies.

Completion notices

Section 7 expands the definition of a new building in section 46A of the 1988 Act to include existing buildings that have undergone alterations. This is a technical amendment which will allow a billing authority to serve a **completion notice** for business properties removed from the rating list for alterations to be added back on to the list. It also aligns with the system in England, ensuring that relevant properties are brought to the Valuation Office Agency's attention in a "timelier manner".

The EM notes that this change would result in "modest additional administrative costs for local authorities", with local authorities suggesting the change will have "minimal impact on the number of completion notices to be handled".

Discretionary relief: timing limit

Section 8 amends the time limitations currently placed on billing authorities to award and vary discretionary non-domestic rates relief. At present, decisions can only be made **within six months of the end of the relevant financial year**. The provision removes this limitation.

The current position, the Explanatory Memorandum notes, is "inconsistent with the otherwise very broad discretionary powers" for billing authorities. Section 8 of the Bill will remove the existing timing restriction with effect from the 2024-25 financial year, mirroring the approach taken by the UK Government for billing authorities in England.

There are various types of discretionary reliefs, from top-up reliefs for community amateur sports clubs or relief for ratepayers facing hardship for example. Certain reliefs may be part funded by both the Welsh Government and the billing authority.

Varying and withdrawing exemption

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

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

The key benefit of adopting this option, according to the EM, is that the non-domestic rates system is “future-proofed, benefitting ratepayers by enabling a more adaptable and responsive approach to the design and implementation of reliefs and exemptions”.

Calculation of non-domestic rating multiplier

Section 10 and **Section 11** make provision 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 provision will 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”).

At present, a single multiplier applies to all hereditaments in Wales. The Welsh Ministers have existing powers to set the multiplier, but not different multipliers for different types of hereditaments.

The Statement of Policy Intent notes that the provisions in section 10 of the Bill will enable the Welsh Ministers to establish a “more flexible system which is capable of treating different types of properties in a more targeted way”. This may include, for example, a reduced multiplier for ‘green’ businesses or high street regeneration schemes, negating the need for a targeted relief scheme.

Information to be provided to valuation officer

Section 12 imposes new duties on ratepayers to provide certain **notifiable information** to the Valuation Office Agency (VOA) within prescribed timescales. The obligations include a requirement for ratepayers to submit an annual confirmation to the VOA confirming that these duties have been complied with.

It also provides for an enforcement framework (of civil and criminal penalties) for failure to comply with the new requirements.

Currently, the Valuation Office Agency requests information from ratepayers during the lead-up to non-domestic rates revaluations. However, there is currently no requirement for ratepayers to proactively notify the VOA of any changes that might affect the rateable value of the hereditament in the intervening years.

Such changes may result in significantly higher rateable values when the periodic revaluations take place.

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.

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”.

In addition to the new duties placed on ratepayers to supply information, section 12 of the Bill further extends to Wales a compliance and appeals framework in relation to failure to comply with the new information duties. Penalties that could be applied for non-compliance include civil penalties and a criminal offence where a person knowingly or recklessly makes a false statement while purporting to comply with the duties.

However, the Explanatory Memorandum 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.

Artificial non-domestic rating avoidance arrangements

Section 13 seeks to reduce opportunities for non-domestic rates (NDR) 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.

The effect of these provisions will be that, where a specified avoidance behaviour continues after regulations are made, the person will 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).

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 Valuation Tribunal for Wales.

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 new powers, it suggests, will enable the Welsh Ministers to respond to specific methods of avoidance.

Minor and consequential amendments

Section 14 inserts new section 143A (Orders and regulations of the Welsh Ministers) into the 1988 Act. Section 143A restates section 143 of the 1988 Act, to set out how powers conferred on the Welsh Ministers to make secondary legislation under the 1988 Act are to be exercised and the applicable procedure to be followed.

Section 15 introduces the Schedule, which makes minor consequential amendments relating to Part 1 of the Bill.

Part 2 – Council Tax

Overview

Section 16 provides an overview of Part 2 of the Bill, which relates wholly to Council Tax. The main aim of the provisions in this part is to address “many of the limitations of the current arrangements”, as well as establishing a regular five yearly cycle for revaluations for domestic properties.

Provisions in Part 2 of the Bill make amendments to **the Local Government Finance Act 1992** (“the 1992 Act”).

Calculation of tax for different valuation bands

Section 17 enables the Welsh Ministers to change the ‘reference point’ by which the proportion of council tax is set in relation to each council tax band (or its description). Currently, ‘**Band D**’ is set as the reference point (i.e. the average used in formulas contained in the 1992 Act to calculate council tax payable for each property).

The 1992 Act contains provision for the calculation of council tax liability. In accordance with section 5 of the 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.

The 1992 Act provides that the amount payable for each Council Tax band is calculated by applying a formula 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.

Discounts

Section 18 amends provisions of the 1992 Act relating to council tax **discounts and disregards** and confers a series of powers on the Welsh Ministers to make regulations in this area. This, it notes in the Explanatory Memorandum, will enable “change to be implemented more quickly and responsively over time”.

Currently the legislation sets 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.

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

The Explanatory Memorandum 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”.

Reduced amounts

Section 19 relates to the Council Tax Reduction Scheme (“CTRS”) and seeks to amend the scheme’s design and administration. The provisions in the Bill will place a duty on the Welsh Ministers to make a single national Council Tax Reduction Scheme through regulations (in place of local schemes) and includes a power for the Welsh Ministers to issue guidance to local authorities about how the scheme should be applied.

The **current legislative framework** for CTRS requires each local authority to adopt its own Scheme annually, based on prescribed requirements in regulations. The Welsh Government indicates in its **Statement of Policy Intent** that in-year changes to the schemes are not possible, and there is only limited discretion for local authorities to vary its Scheme. As such, the Welsh Government notes that “in

practical terms this results in schemes which are broadly the same throughout Wales". The provisions in this Bill seek to "reduce operational complexity and ease administration" by providing a single national scheme.

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

Publication of notices

Section 20 replaces the requirements on local authorities to publish details relating to council tax in local newspapers with a new duty to **publish council tax notices electronically**, and to make alternative arrangements for those unable to access notices electronically.

The Explanatory Memorandum notes that the Welsh Government had considered alternative approaches such as "requiring local authorities to publish details online and in newspapers". The Welsh Government acknowledges 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".

Nevertheless, according to the Welsh Government, 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 material".

Procedure for the compilation of valuation lists

Section 21 makes provision for five-yearly revaluations of domestic properties, beginning in 2030, and the procedure for the compilation of valuation lists by local valuation officers. The provision also confers powers on the Welsh Ministers to amend by order a revaluation year, or the interval between revaluation years where required.

Current council tax bands in Wales are based on valuations from April 2003. England has not undertaken a council tax revaluation since 1991. The Welsh Government's policy aim is to establish a system "based on more up-to-date property valuations for the over 1.4 million chargeable dwellings in Wales" therefore providing for a "more accurate and fairer" system.

The Explanatory Memorandum states that regular revaluations will “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 Valuation Office Agency will “make use of the latest digital modelling” and innovative statistical techniques.

Undertaking a revaluation of 1.4 million properties comes with a cost, and the Welsh Government has estimated a cost of £18 million between 2024-25 and 2033-34. Most of this cost will be for undertaking the revaluation itself by the VOA (£14 million), while it is estimated that there will be a cost of over £2.5 million for local authorities as they deal with an increase in contacts from taxpayers.

Part 3 - General

General provisions

Section 22 defines references to the Local Government Finance Act 1988 and the Local Government Finance Act 1992.

Section 23 gives the Welsh Ministers the power to make regulations containing incidental, supplementary, consequential, transitional or saving provisions in connection with provisions in the Bill.

Section 24 sets out when provisions in the Bill will come into force.

Section 25 provides the short title of the Bill.

Schedule 1

Schedule 1 makes minor and consequential amendments relating to Part 1 of the Bill (concerning non-domestic rates). These include provisions relating to rating lists, exemptions, anti-avoidance and non-domestic rating multipliers.