

Subject: MONMOUTHSHIRE COUNTY COUNCIL'S RESPONSE TO WELSH GOVERNMENTS PHASE 2 CONSULTATION ON A FAIRER COUNCIL TAX SYSTEM

Meeting: Cabinet

Date: 17th January 2024

Divisions/Wards Affected: All

1. PURPOSE:

- 1.1 The purpose of this report is to seek endorsement of Monmouthshire County Council's response to the Welsh Governments Phase 2 consultation on a fairer council tax system.

2. RECOMMENDATIONS:

- 2.1 That Cabinet agree Monmouthshire County Council's response to the Phase 2 consultation questions set out in Appendix One.

3. KEY ISSUES:

- 3.1 Welsh Government committed to reforming council tax in Wales in its 2021 Co-operation Agreement with Plaid Cymru.
- 3.2 Phase 1 consultation launched in October 2022 and sought general views on how to make council tax fairer. The link below provides a summary of the consultation responses received: <https://www.gov.wales/sites/default/files/consultations/2022-12/46262-summary-responses.pdf>
- 3.3 Phase 2 consultation launched a year later in November 2023 and seeks views on updating and reforming the council tax system in Wales, with the aim of making it fairer and more progressive.
- 3.4 The phase 2 consultation closes on 6th February 2024. Full details of the consultation can be found: <https://www.gov.wales/consultation-fairer-council-tax-phase-2-html>
- 3.5 The phase 2 consultation is seeking views on both the scale of the reform and the timelines for introducing any changes (see below for further details).

4. Scale of reform

- 4.1 The Welsh Governments consultation is seeking views on 3 approaches:

1. **Minimal change:** This approach maintains the current 9 council tax bands (A to I) and involves a revaluation exercise to update the band thresholds to reflect modern property values.
2. **Modest reform:** As above, this approach retains the current 9 council tax bands (A to I) and updates the band thresholds to reflect modern property values. However, this also includes changes in the tax rates charged for each band.
3. **Expanded reform:** This option is aimed at making the council tax system more progressive. It proposes to increase the number of council tax bands to 12 with 1 extra band at the bottom and 2 at the top. Tax rates also change under this model.

4.2 The consultation also seeks views on the timelines for change with 3 options proposed:

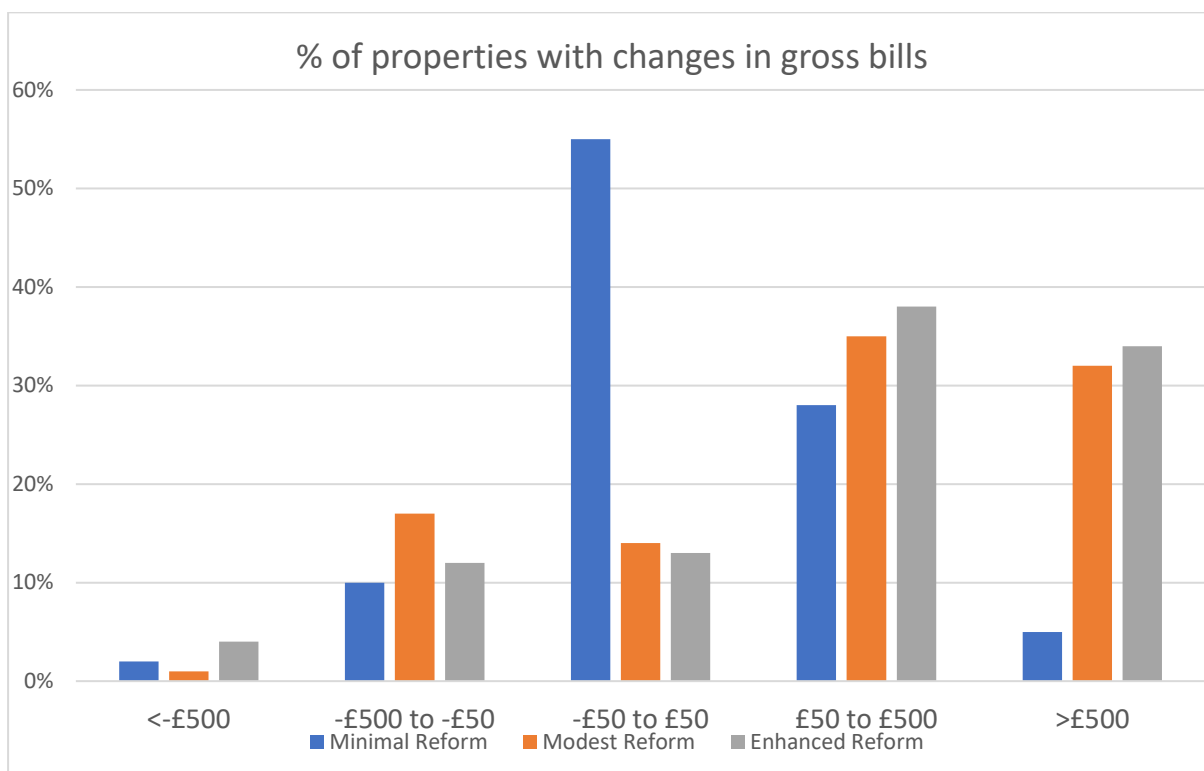
Option 1: fastest pace of change. From April 2025 for either of the 3 options above.

Option 2: defer to the next Senedd term. From April 2028 at the earliest for either of the 3 options above.

Option 3: implement in stages. Minimal/modest reform first moving to an expanded implementation as a second later stage. The timelines for which would be similar to options 1 and 2 above.

5. Potential impact of the proposals to the county of Monmouthshire

- 5.1 The intention of the proposed council tax reforms is to shift the current pattern of payment away from those with the least and require those with the most to make a greater contribution.
- 5.2 In redesigning the system, Welsh Government state that they would not seek to increase the total amount of council tax raised overall from council taxpayers than is currently raised, although some taxpayers would see changes in their bills.
- 5.3 Areas where property values are high and/or have increased by more than average since the last revaluation, of which Monmouthshire is one, would lose out from reforms to make council tax less regressive.
- 5.4 Data provided in the Institute of Fiscal Studies Report (IFS), that accompanies the consultation papers, indicates that the factors noted in 5.2 and 5.3 above result in Monmouthshire potentially being one of the worst affected councils in Wales, should these reforms go ahead.
- 5.5 The graph below illustrates the likely impact on households of the 3 proposed options.



5.6 The proposed reforms would also affect the amount of Revenue Support Grant the council receives. Under the proposals and depending on the approach adopted, it is estimated that the council's council tax base could increase between 3.6% and 16.6% and Revenue Support Grant reduce by between £2.6m and £12.5m.

5.7 This shift would result in the council becoming more dependent on council tax to fund budgets, which in turn would increase pressure on household budgets.

5.8 Given the potential impact to households in the County, the council is awaiting accompanying consultation for proposed changes to the Council Tax Reduction Scheme (CTRS), which is due to be released in early 2024. This, along with a transitional relief scheme, has the potential to provide support to households significantly affected by these proposals.

7. OPTIONS APPRAISAL

7.1 The council has studied the proposals and accompanying analysis by the IFS. This analysis indicates that each of the three proposed options have the potential to negatively impact households in the County.

7.2 The Council's response to the consultation found in Appendix One therefore considers the preferred options to be:

- *Approach one - minimal change.* This approach moves some way to update the current system and to reflect modern property values, whilst providing the least impact to households in the County.
- *Slower reform with minimal or expanded reform starting in 2028.* Given the potential impact of the approaches to households across Wales, the Council consider the fastest timetable to represent too much of a shock to households. If the expanded reform approach is taken, then this needs to be adopted over time as this would put strain on both households and the council's budget.

8. EVALUATION CRITERIA

- Welsh Government's consultation papers:
<https://www.gov.wales/consultation-fairer-council-tax-phase-2-html>
- Institute of Fiscal Studies (IFS) report 'Assessing the Welsh Government's consultation on reforms to Council Tax.' <https://ifs.org.uk/sites/default/files/2023-11/R287-Assessing-the-Welsh-Government%E2%80%99s-consultation-on-reforms-to-council-tax.pdf>

9. REASONS

9.1 Councils and other interested parties have been asked to respond to Welsh Government's proposals to reform council tax, as detailed in their consultation document.

10. RESOURCE IMPLICATIONS

10.1 There are no immediate financial impacts arising from the consultation.

10.2 However, as outlined in bullet points 5.6 and 5.7 above if the proposals were to go ahead, they would change the makeup of how the Councils budget is funded. The degree of this change will only be determined once a final decision is made about the level of reform to be introduced. Any changes would be introduced from 2025 at the earliest.

11. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING)

11.1 An initial impact assessment was completed by Welsh Government in December 2021 ahead of the Local Government Finance (Wales) Bill which provided a legal framework and structure for these potential reforms.

11.2 A full Equality Impact Assessment will be completed by Welsh Government following any decision on the pace and scale of changes being proposed.

12. CONSULTEES:

- Cabinet
- Strategic Leadership Team
- Chief Officer for Resources and Deputy Chief Executive
- Head of Finance

13. BACKGROUND PAPERS:

Appendix One: Monmouthshire County Councils response to the Welsh Government consultation.

14. AUTHORS:

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