

Report to	Cabinet
Date of meeting	23rd January 2024
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets
Head of Service	Liz Thomas, Head of Finance and Audit
Report author	Liz Thomas – Paul Barnes – Leah Gray
Title	Welsh Government consultation on “Fairer Council Tax”

1. What is the report about?

- 1.1. The report sets out the proposed response from Denbighshire County Council to the Welsh Government (WG) consultation on “Fairer Council Tax”.

2. What is the reason for making this report?

- 2.1. The purpose of the report is to provide information to Cabinet regarding the consultation and our proposed response, while identifying/ highlighting any risks, issues and benefits to the Council and its communities.

3. What are the Recommendations?

- 3.1. That Cabinet approve the proposed consultation response as set out in appendix 4. Supporting officers’ recommendations on the Expanded proposal and delivered through an incremental approach.
- 3.2. That this decision be implemented immediately as an Urgent decision under Section 7.25 of the Council’s Constitution. The rationale for this is in paragraph 4.4

4. Report details

4.1 Background

WG have commenced a consultation on the proposed changes to the Council Tax system with the objective to make the tax fairer and more progressive. WG have stressed that this is not a revenue generating exercise and are expecting it to be revenue neutral. The consultation is requesting views on:

- 3 approaches to changes to the Council Tax system and re-valuation
- The periods of revaluation in future years
- Updates to discounts and exemptions
- A more transparent system with a more effective appeals process.

4.2 **Welsh Government Proposals**

The proposed changes aim to make the distribution of taxes more equitable by reducing Council Tax for those in lower bands who may struggle to contribute, while increasing it for those in higher bands. There are 3 options under consideration:

Minimal reform: Proposal to revalue existing properties within the current 9-band structure with adjusted thresholds. The last revaluation in Wales was in 2005 with the proposal to have all properties valued as at April 2023. This would mean a significant decrease in Denbighshire tax base as residents would pay less Council Tax, (see Appendix 1). This would be compensated by an increase in Revenue Support Grant (RSG) (the main source of general grant funding all councils in Wales receive from WG).

Modest reform: This proposal is similar to the minimal reform, but with proportional changes to tax rates, shown in Appendix 2, making the system fairer. For example, a Band I property would pay 3 times more than a Band D, compared to the 2.3 times more it pays now. As another example, a property in Band A would pay 5/9^{ths} of a Band D Council Tax charge, which is less than the 6/9ths those in Band A pay now. As the examples show, this would result in lower bills at the bottom and higher at the top. This reform moves closer towards fairness in the system.

- **Expanded** reform: This proposal is the most progressive and involves increasing the number of bands from 9 to 12 (the addition of a band below current Band A, and 2 additional Bands J and K above current Band I) and adjusting band widths. As with the previous proposal, this would mean lower taxes for lower bands, as shown in Appendix 3. WG deem this reform would be the biggest step towards fairness.

It is recommended DCC support the Expanded reform proposal, as it is deemed to be the fairest form of taxation option within the consultation for DCC residents. The potential risk to the council through increased reliance on RSG funding has been highlighted in the proposed response to the consultation with a request for WG to provide further assurances on corresponding impacts of RSG.

4.3 Welsh Government Timeframes

The consultation also asks for opinions on the pace of the proposed changes:-

- All changes by 2025
- Defer any changes until the next Senedd term, which will be 2028 at the earliest
- An incremental approach: minimal or modest reform to take place from April 2025, and the expanded approach taking place from 2028

It will be recommended that DCC propose the incremental approach, to ensure that any impacts are fully understood and implemented at a pace that can be managed by the council. At a time where cost of living remains high and the financial pressures within councils are a challenge any sudden shock to a vital funding stream may cause significant issues

4.4 Consultation deadline

The WG consultation is open until 6th Feb 2024, the full proposed response by the council is outlined within Appendix 4. As it would not be possible to comply with this deadline if the decision were to be delayed by a Scrutiny Call-In, the decision to approve the consultation response is required to be implemented immediately. Any non-members of the Council who wish to provide alternative responses can do so by submitting their views directly to WG by 6th Feb 2024.

5. How does the decision contribute to the Corporate Plan 2022 to 2027: The Denbighshire We Want?

- 5.1 There would be a positive impact on the majority of Denbighshire residents, under any of the 3 options. Households in a current Band D or below would see a decrease in their Council Tax charge. The more progressive the reforms, the more the lower bands

will reduce. Those in higher bands however would see a greater increase in their bands. Properties valued at £1.6m+ would see the greatest increase.

6. What will it cost and how will it affect other services?

- 6.1 Under any of the options, DCC's tax base would significantly decrease (see appendices 1, 2 & 3). This means the council would raise less of its funding through Council Tax. WG has assured that the RSG would offset any decrease in the tax base. However, there is a potential risk if the RSG is ever reduced, this could heavily impact DCC.
- 6.2 It is expected that the Council Tax Reduction Scheme (CTRS) expenditure will decrease. Most who claim CTRS sit within property bands A-C. With these band seeing a decrease in Council Tax, the CTRS claim will be lower. As CTRS is not fully funded by WG, this saving will be seen for DCC provided CTR funding formula remains the same. A specific consultation on proposed changes to the CTR Scheme is expected early 2024, WG have said there is no intention to withdraw or reduce support.

7. What are the main conclusions of the Well-being Impact Assessment?

- 7.1 This is a consultation about WG proposals, so as such WG would need to carry out the assessment rather than Denbighshire County council.

8. What consultations have been carried out with Scrutiny and others?

- 8.1 The lead member has been engaged during the development of the response. As this consultation is from WG it has not been through the Scrutiny process.

9. Chief Finance Officer Statement

- 9.1 The proposed changes to the Council Tax system will impact on all our rate payers and has the potential to impact on the level of funding the council receives. Whilst a more equitable system is supported enough time must be allowed for changes to the system to be fully understood. Councils are already managing a number of legislative changes at a time when funding received is not keeping pace with increases in demand and high levels of inflation causing unsustainable financial pressures. There are also operational considerations including the need to prepare to support residents with queries and ensure IT systems are in place to manage the change.

10. What risks are there and is there anything we can do to reduce them?

- 10.1 The potential risk to the council through increased reliance on RSG funding has been highlighted in the response, with a request for WG to provide further assurances on corresponding impacts of RSG
- 10.2 Denbighshire would see a substantial reduction in the tax base under any of the three proposed options, as illustrated in Appendices 1,2 & 3. Consequently, the Council would generate less revenue through Council Tax.
- 10.3 If the expanded proposal was implemented, this could reduce the amount of Council Tax required to be collected from lower banded properties in Denbighshire by circa £8m. WG have committed to ensuring any loss in Council Tax collection will be compensated via the RSG. The proposed reforms shift reliance from Council Tax to RSG on Denbighshire more than most other Welsh Councils
- 10.4 The increase in future years' financial receipts as a result in the percentage rise in the Council tax rate will be impacted by reducing the Council Tax base in this way

11. Power to make the decision

- 11.1 Local Authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs. Table 4 of Appendix 1 to Section 13 Consultation Constitution sets out that the Cabinet determines responses to consultative documentation likely to have authority-wide implications.
- 11.2 Section 7.25 Council Constitution provides for a decision to be implemented immediately in exceptional circumstances.