



Eich cyf/Your ref P-05-1134  
Ein cyf/Our ref JJ/00296/21

Janet Finch-Saunders MS  
Chair of the Petitions Committee.

2 February 2021

Dear Janet,

Thank you for your letter of 21 January to Rebecca Evans MS, Minister for Finance and Trefnydd, regarding the Petitions Committee's consideration of a petition calling for a cap on council tax increases and for the opportunity to set out the Welsh Government's views. I am replying given my responsibility for local government finance matters.

As you will be aware, while the Welsh Government does have some powers here, the responsibility for setting each council's budget, and as part of that, decisions on council tax, lies with its elected members. During its existence to date the Welsh Government has taken the position that the setting of budgets and council tax is an essential aspect of local democracy. Since 2010-11, the policy has been an important part of the autonomy and flexibility given to local authorities in Wales to assist them in managing the challenges presented by the UK-wide constraints on public expenditure. This contrasts with England where the Localism Act 2011 introduced requirements for local referenda for council tax increases in excess of thresholds set by the UK Government.

Under the legislation (the *Local Government Finance Act 1988*) Welsh Ministers have powers to limit (cap) the Budget Requirement of local authorities in Wales. The powers relate specifically to the Budget Requirement which an authority (unitary authority or police and crime commissioner) sets, rather than its council tax level. The Budget Requirement is the part of an authority's budget funded through the Revenue Support Grant, non-domestic rates and council tax (plus minor discretionary rates reliefs, and Police Grant in the case of PCCs). It excludes the part of the authority's budget funded through income from specific grants, local fees and charges, and financial reserves. For this reason, while responsibility for council tax policy sits with the Minister for Finance and Trefnydd, the responsibility for capping decisions sits within my portfolio alongside responsibilities for the annual local government settlements.

The Welsh Government considers that capping an authority's budget requirement would be a serious imposition on the responsibilities of locally elected members; it could not be done arbitrarily or without careful consideration. The legislation requires that if capping is imposed it must be done so against set criteria.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The criteria – based on principles of excessiveness – would need to be set out in advance of authorities setting their budgets. For that reason, capping could not be imposed now on the budget requirements which authorities across Wales have determined and agreed, following local consultation and engagement.

Any such principles would need to be capable of being applied consistently across authorities, though different criteria can be set out for unitary authorities and for the police precept. The principles may include a number of criteria, for example, percentage and / or monetary increases in the overall amount of council tax income, and / or in the level of Band D tax. Even where the principles are exceeded, any Minister's decision as to whether to cap could take account of local factors and circumstances, for example, if an authority has to deal with a particular financial challenge.

The Welsh Government has provided increases in funding for all authorities in Wales - an average of 4.3% in 2020-2021 and provisionally 3.8% in 2021-22. All local authorities are now making decisions regarding the provision of the services on which we all rely. Council tax is a significant source of funding for those local services and it is important that local authorities have the freedom to set their own spending priorities and council tax levels; they are independent statutory authorities responsible for managing their own financial affairs.

When setting their budgets and council tax levels, authorities have a duty to consider carefully the balance between maintaining key services for communities and limiting the financial burden they place on them. Local authorities are required to consult and engage with their communities each year on proposals for spending and council tax and for the provision of services. This provides local communities with an opportunity to express their views on the decisions their council makes about council tax and local services.

I understand that circumstances are very challenging for many people and households across Wales; more so during the unprecedented challenge of coronavirus and following years of austerity which has placed local services under a great deal of pressure. A wide range of services have been significantly impacted by the pandemic and in response to this, the Welsh Government has provided significant additional funding to local authorities over and above the settlement to ensure the continued delivery of all public services in Wales.

It is important to recognise that the Welsh Government has a number of schemes available to help people who are finding it difficult to pay their council tax bills, as well as a range of exemptions and discounts. We provide £244 million a year to support local authorities in delivering the Council Tax Reduction Scheme. This scheme provides direct support to households by reducing council tax bills for low-income households. This is a mandatory scheme which every local authority must provide and it is helping almost 280,000 households in Wales. We are also exploring future reforms to council tax and whether it could be more progressive. We will shortly be publishing a summary of all our work during this Senedd term to inform the debate ahead of the next term.

Yours sincerely,



**Julie James AS/MS**

Y Gweinidog Tai a Llywodraeth Leol  
Minister for Housing and Local Government