



Llywodraeth Cymru  
Welsh Government

# **Local Government Finance (Wales) Bill**

Statement of Policy Intent for Subordinate  
Legislation to be made under this Bill

November 2023

## **Local Government Finance (Wales) Bill**

### **Statement of Policy Intent for Subordinate Legislation**

#### **Introduction**

This document provides an indication of the policy intention for the subordinate legislation which the Welsh Ministers would be empowered or required to make under the provisions of the Local Government Finance (Wales) Bill ('the Bill').

The Statement has been prepared in order to assist Committees during the scrutiny of the Bill. It should be read in conjunction with the Bill and the Explanatory Memorandum and Explanatory Notes which accompany it. Details of the Senedd procedure associated with each of these powers are set out in Chapter 5 of the Explanatory Memorandum and are not repeated in this document.

The Bill contributes to the reform of the non-domestic rates and council tax systems in Wales. In summary, the Bill proposes in respect of the non-domestic rates system:

- increasing the frequency of revaluations to three-yearly, and a power for the Welsh Ministers to amend the revaluation year and interval between revaluation years through regulations;
- conferring regulation-making powers on the Welsh Ministers to confer, vary or withdraw reliefs;
- strengthening the eligibility conditions for charitable relief for unoccupied hereditaments;
- expanding the definition of a new building for the purpose of the serving of completion notices by local authorities;
- removing a timing restriction on the awarding and varying of discretionary relief by local authorities;
- conferring regulation-making powers on the Welsh Ministers to confer, vary or withdraw exemptions;
- conferring a regulation-making power on the Welsh Ministers to set differential multipliers based on the description, rateable value or location of a hereditament on the local list, or the rateable value of a hereditament on the central list;
- placing a duty on ratepayers to provide certain types of information to the Valuation Office Agency, and making provision for the associated compliance regime; and
- making provision about counteracting advantages arising from artificial avoidance arrangements.

And in respect of the council tax system proposes:

- providing flexibility for the reference point for 100% in the banding structure to be changed to a different band or a different description of a band;
- conferring powers on the Welsh Ministers to make regulations in respect of discounts and persons to be disregarded;
- placing a duty on the Welsh Ministers to make a single national Council Tax Reduction Scheme through regulations and enabling the Welsh Ministers to

issue guidance to local authorities about the way the scheme should be applied;

- establishing a five-yearly cycle of revaluations, and a power for the Welsh Ministers to amend the revaluation year and interval between revaluations, as well as to amend the date of draft list publication via order; and
- replacing the current requirement to publish information in newspapers with a requirement to publish a notice of the council tax charges on the local authority's website and put suitable alternative arrangements in place to ensure that such information is accessible to citizens who have difficulty accessing online facilities.

The subordinate legislation making powers included within the Bill's provisions are set out in the following tables, along with the reasons for these powers being necessary and the policy intentions for their uses.

In developing proposals for subordinate legislation, the Welsh Government will work closely with stakeholders.

Ref.	Section of the Bill	Description of Power	Reason for and Policy Intention of the Power
<b>Powers relating to non-domestic rates (NDR)</b>			
1	4	Power for the Welsh Ministers to change a NDR revaluation year.	<p>Non-domestic properties are revalued regularly. However, the years of the last two NDR revaluations have had to be changed – the 2017 revaluation was moved from 2015 in order to give businesses greater stability as the economy continued to recover from a downturn and the 2023 revaluation was originally due to take place in 2022 (initially it was due to be brought forward to 2021, but it was subsequently rescheduled because of the impact of the coronavirus pandemic).</p> <p>Currently, the year of a revaluation can only be altered through primary legislation and, to date, this has been achieved for Wales by taking provision in a UK Parliamentary Bill. This has happened several times over recent years for a range of reasons.</p> <p>Being able to make such changes when needed through secondary legislation will enable the Welsh Ministers to be more responsive to economic changes when considering the revaluation year and make decisions closer to the date of a planned revaluation. This power could be exercised when macroeconomic or other factors mean that it would be beneficial for Welsh ratepayers for the year of a revaluation to be changed.</p>

Ref.	Section of the Bill	Description of Power	Reason for and Policy Intention of the Power
2	4	Power for the Welsh Ministers to change the interval between NDR revaluation years.	<p>Currently the frequency of NDR revaluations is set at every five years and the Bill will reduce the interval to three years. More frequent revaluations mean that rateable values for non-domestic properties more closely reflect market conditions. Shorter cycles are a change which the business community has called for and which make the system more responsive for ratepayers. However, reducing the interval to less than three years is not currently possible due to operational constraints. That position may change in future.</p> <p>This power may be used to change the interval between revaluation years if operational changes make shorter revaluation cycles achievable in future. It would also be possible to increase the interval between revaluation years, but this is less likely to be desirable than a shorter cycle. This provision would allow the change to happen in a timely way, and for what is happening elsewhere in the UK to be taken into account.</p> <p>The power to make consequential or incidental amendments to the provisions for the revaluation year and cycle will only allow for technical changes to be made to ensure the drafting remains accessible if the revaluation year or cycle is changed.</p>

Ref.	Section of the Bill	Description of Power	Reason for and Policy Intention of the Power
3	5	Powers for the Welsh Ministers to confer, vary or withdraw NDR reliefs.	<p>The extent to which the Welsh Ministers are currently able to make changes to the current system of reliefs is inconsistent. Provisions have been taken in UK Parliamentary Bills on multiple occasions to enable new reliefs to be provided in Wales. In other instances, changes can be made through existing regulation-making powers, creating a complex mix for users to navigate. These powers would provide consistency and enable greater flexibility to adapt to changing circumstances and priorities. They could also avoid having to rely on grant schemes and local authority discretion to provide emergency responses, where a statutory relief scheme would be preferable and deliver greater uniformity.</p> <p>The Minister for Finance and Local Government has announced that there will be a review of the current system of reliefs during this Senedd term and this power would be used to implement the outcome of that review, should legislative change be needed.</p>

Ref.	Section of the Bill	Description of Power	Reason for and Policy Intention of the Power
4	9	Powers for the Welsh Ministers to confer, vary or withdraw NDR exemptions.	<p>In certain cases, when it is considered that a type of hereditament should not be subject to a non-domestic rates liability on a long-term or permanent basis and valuation would be difficult or provide no benefit, an exemption may be considered more appropriate than a full relief from the chargeable amount. A range of exemptions from non-domestic rating are set out in existing primary legislation. The Welsh Ministers have a limited power to prescribe exemptions in regulations which provides very little practical flexibility.</p> <p>These powers would provide consistency between reliefs and exemptions in the extent to which changes may be made by regulations. They could avoid having to rely on a full relief in circumstances where a permanent exemption is considered more appropriate.</p>

Ref.	Section of the Bill	Description of Power	Reason for and Policy Intention of the Power
5	10	Power for the Welsh Ministers to set differential NDR multipliers based on descriptions of hereditaments to be specified in regulations.	<p>Currently a single multiplier is in place for all the non-domestic hereditaments in Wales which means that over 125,000 properties are treated exactly the same in respect of it. The Welsh Ministers have the power to set the existing multiplier at any level, but not to prescribe differential multipliers for different types of property.</p> <p>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.</p>



6	13	<p>Power for the Welsh Ministers to make regulations specifying which NDR avoidance arrangements are artificial and whether a penalty can be imposed for failure to pay an amount due in consequence of having made such an arrangement.</p> <p>Powers for the Welsh Ministers to amend the maximum level of penalty and make further provision in relation to the collection and enforcement of penalties by regulations.</p>	<p>Following an extensive data collection exercise with local authorities in 2017, it was estimated that £10m to £20m revenue annually was lost to vital local services due to NDR avoidance. Whilst several interventions to tackle known avoidance behaviours have been developed and implemented, there continues to be an ongoing need to address new and evolving behaviours, as they are identified.</p> <p>Currently the Welsh Ministers are only able to make regulations to help identify liability, by requiring persons to provide information in certain circumstances, not to address NDR avoidance. This power will give them the ability to respond to specific methods of avoidance, and to relevant case law, in a timely manner. The policy intention is to counteract advantages gained from artificial arrangements for NDR avoidance. The regulations will describe specific avoidance methods which are to be treated as artificial (so will be subject to the consequences set out in the Bill provisions) and may provide that an arrangement is not artificial if a determination is made to that effect.</p> <p>Regulations will not be able to prevent avoidance behaviours in unspecified or general terms, nor to undo or penalise avoidance that has taken place prior to regulations coming into force. It is important that anti-avoidance regulations are able to 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</p>
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			<p>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 in addition.</p> <p>Powers to alter the maximum level of penalty and to make further provision in relation to the collection and enforcement of penalties may be used to ensure that the penalty regime remains effective and compatible with other provisions for NDR compliance.</p>
7	Paragraph 9(2)(m) of the Schedule	The amendment made by this provision will allow the Welsh Ministers to make regulations about the notices which can be issued under paragraphs 4M and 5ZC of Schedule 9 to the 1988 Act.	Valuation officers may serve notices on ratepayers requesting information they believe will assist them in carrying out their functions, or imposing penalties for failure to comply with the duties to provide notifiable information which are applied to Wales by the Bill. The power is required to ensure that, if it would benefit ratepayers to include further information in the notices, the necessary changes can be made in a timely manner.
8	Paragraph 9(2)(n) of the Schedule	The amendment made by this provision will allow the Welsh Ministers to make regulations to increase or decrease the amount of any penalty issued under paragraphs 5ZC or 5ZD of Schedule 9 to the 1988 Act.	Penalties for failure to comply with the duties to provide notifiable information to valuation officers are set out within the provisions which are applied to Wales by the Bill. The power is required to ensure that the penalty level can be adapted as appropriate.

Ref.	Section of the Bill	Description of Power	Reason for and Policy Intention of the Power
<b>Powers in relation to council tax</b>			
9	17	Power for the Welsh Ministers to be able to change the reference point or labelling of any future band structure.	<p>In current legislation, Band D is set as the “reference” point by which the proportion of council tax is set in relation to each other band. In order 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, 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).</p> <p>The provision provides the Welsh Ministers with a power to be able to change the labelling of any future band structure developed as part of a revaluation exercise.</p>

Ref.	Section of the Bill	Description of Power	Reason for and Policy Intention of the Power
10	18	Powers for the Welsh Ministers to make regulations to set the amount or calculation and prescribe the conditions that must exist for a discount to apply for properties where there is only one liable adult and where all adults are disregarded.	<p>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. For empty properties, in practice and following the change in the settlement formula in 2019-20, all local authorities have exercised their discretion to remove the discount and/or to charge a council tax premium.</p> <p>This provision ensures that any system of discounts set by the Welsh Ministers in the future, subject to Senedd approval, will include a discount for properties where there is only one liable adult and properties where all adults are disregarded.</p>

<p>18</p>	<p>Powers for the Welsh Ministers to make regulations to create and prescribe the criteria for new types of discounts and set the amount or calculation.</p> <p>Powers for the Welsh Ministers to make regulations to prescribe the criteria for persons to be disregarded for the purposes of calculating council tax discount.</p> <p>Powers for the Welsh Ministers to allow councils to disapply or reduce discounts in certain circumstances.</p>	<p>The core arrangements for council tax discounts and disregards have been in existence since 1993 and have remained unchanged since then. The current system of discounts is overly prescriptive and outdated, and the system of disregards has become a confusing and complicated mix of primary and secondary legislation that is difficult for users to navigate. The range of discounts has been added to incrementally but this is a complex process. The creation of a discount and exemption for young care leavers for example, required a mix of primary and secondary legislation, with the removal of certain exclusions requiring primary legislation which could not be effected until three years after the main discount and exemption were created.</p> <p>These provisions will allow the Welsh Ministers to modernise the system of discounts and disregards – making it better adapted to current needs and simpler, and ensuring that it can more easily take account of the changing requirements and expectations of Welsh society. In addition, it will be possible for all the provisions relating to discounts and those relating to disregards to be put into a single piece of legislation making the system far more accessible and easier to navigate for taxpayers. It is worth noting that, to date, the available powers have been used to add to the range of discounts and disregards, largely to extend eligibility to new groups of people.</p> <p>It is intended that an updated system of discounts and disregards will be in place from the 2026-27 financial year, with modest changes to be consulted</p>
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			<p>upon in the Phase 2 consultation. The review of discounts, disregards and exemptions will continue in parallel with the passage of the Bill and the updated system will provide a basis for subsequent changes, subject to further consultation.</p>

12	19	Duty on the Welsh Ministers to set a national Council Tax Reduction Scheme.	<p>Our policy aim in the Local Government Finance (Wales) Bill is to introduce changes to the legislation to make the scheme administratively simpler, clearer and one which allows a more flexible approach to dealing with in-year changes.</p> <p>Currently each local authority is required to adopt its own local Council Tax Reduction Scheme on an annual basis. However, each scheme is based on prescribed requirements set out in regulations made by the Welsh Ministers with only limited areas of local discretion and no changes can be made in-year. In practical terms this results in schemes which are broadly the same throughout Wales.</p> <p>The provisions in the Bill will place the Welsh Ministers under a duty to set out a national reduction scheme through subordinate legislation with a duty on local authorities to administer the scheme set out in that legislation at a local level.</p> <p>The Bill will also enable in-year changes to be made, enabling the Welsh Government to adapt the scheme to react to any unplanned needs arising from changes in our economy or society, such as the cost-of-living crisis. This issue has materialised a number of times, for example with discretionary measures having to be put in place in response to the pandemic, and in support of people from Afghanistan and Ukraine.</p> <p>It is intended that the first national scheme would come into force on 1 April 2026.</p>
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Ref.	Section of the Bill	Description of Power	Reason for and Policy Intention of the Power
13	19	Power for the Welsh Ministers to issue guidance to billing authorities about the application of the national Council Tax Reduction Scheme.	<p>The Bill provides for the introduction of a national CTRS to be administered by local authorities, replacing the current arrangements which require each local authority to make a local scheme which meets nationally prescribed requirements.</p> <p>The ability to issue guidance to local authorities will enable the Welsh Ministers to ensure consistency in the way the scheme is implemented.</p>
14	21	Power for the Welsh Ministers to change a council tax revaluation year.	<p>The Bill provides that there should be a regular revaluation cycle for council tax in Wales with scheduled revaluations taking place every five years. However, there might be circumstances in which it would be beneficial for the date of a scheduled revaluation to be changed – for example, in the event of a future pandemic or economic turbulence.</p> <p>This power will allow the Welsh Ministers to make such a change in a timely manner. It would only be exercised when macroeconomic or other factors mean that it would be beneficial for Welsh taxpayers for the date of the next revaluation to be changed.</p>



Ref.	Section of the Bill	Description of Power	Reason for and Policy Intention of the Power
15	21	Power for the Welsh Ministers to change the interval between council tax revaluation years.	<p>The Bill introduces a cycle of regular council tax revaluations in Wales which would mean that the system is based on more up-to-date property valuations for the over 1.4 million chargeable dwellings in Wales and is therefore more accurate and fairer than currently.</p> <p>Whilst the Bill sets a five-year revaluation cycle, this is based on current operational constraints and it might be possible in future – for example as a result of technological changes – for valuations of the over 1.4 million chargeable dwellings in Wales to be conducted in shorter timescales. This would mean 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. Alternatively, due to unforeseen circumstances, a five-yearly cycle might prove to be too frequent and this provision would enable a change to be made in a timely way.</p> <p>The power to make consequential or incidental amendments to the provisions for the revaluation year and cycle will only allow for technical changes to be made to ensure the drafting remains accessible if the revaluation year or cycle is changed.</p>

Ref.	Section of the Bill	Description of Power	Reason for and Policy Intention of the Power
16	21	Power for the Welsh Ministers to amend the date by which copies of draft valuation lists must be sent to billing authorities.	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.