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Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad
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Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Peredur Owen Griffiths MS
Chair – Finance Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

11 April 2024

Dear Peredur,

Local Government Finance (Wales) Bill

I thank the Finance Committee for considering the Local Government Finance (Wales) Bill and the corresponding report of 15 March 2024.

Please find attached below the Government's responses to the report's conclusion and recommendations. I am pleased to have been able to accept all of the recommendations.

I have also attached, for information, copies of the letters I have sent to the chairs of the Legislation, Justice and Constitution Committee and the Local Government and Housing Committee. I am sending a copy of this letter to the chairs of both of those Committees also.

I look forward to continuing to work with Members as the Bill progresses through the Senedd process.

Yours sincerely,

Rebecca Evans AS/MS
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Cabinet Secretary for Finance, Constitution & Cabinet Office

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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.

Annex

Responses to the Finance Committee Conclusion and Recommendations in relation to the Local Government Finance (Wales) Bill

Conclusion 1: The Committee is broadly content with the financial implications of the Bill as set out in the Regulatory Impact Assessment, subject to the comments and recommendations in this report.

NOTED. I am grateful to the Committee for its considered stage 1 scrutiny, and for concluding that you are broadly content with the financial implications of the Bill.

Recommendation 1: The Committee recommends that the Minister commits to providing as much transparency as possible in relation to the costs of the Bill by publishing full and robust Regulatory Impact Assessments to accompany subordinate legislation made under this Bill.

ACCEPT. We recognise that further impact assessments will be required as subordinate legislation is developed. The costs and benefits estimated for subordinate legislation will be set out in the accompanying Regulatory Impact Assessments in the usual way.

In line with requirements under Standing Order 27 and the policy set out in the Welsh Ministers' Regulatory Impact Assessment Code for Subordinate Legislation, we are fully committed to undertaking Regulatory Impact Assessments and using the best available evidence within the Explanatory Memorandum when making future regulations.

Recommendation 2: The Committee recommends that the Minister explains how the Welsh Government is complying with its own Legislation Handbook in relation to costing subordinate legislation to Bills.

ACCEPT. The powers proposed in the Bill to make subordinate legislation in a number of areas will reduce the Welsh Government's reliance on UK Government Bills to deliver changes for Wales and allow changes to be made in a timely manner. Parts of the Bill are therefore about creating structures that will allow the Government to bring forward subordinate legislation in the future.

I explained during my evidence to the Committee the challenges of costing subordinate legislation where the scope and detail is to be confirmed. As I said then, any future regulations will be subject to consultation and a Regulatory Impact Assessment in accordance with the requirements of the legislation handbook.

Recommendation 3: In relation to alternative systems of local taxation, the Committee recommends that the Minister:

- continues to explore all avenues for change to ensure the correct decision is reached about the most appropriate system of local taxation; and
- provides a copy of the road map for a land value tax, with an outline of any associated costs, to the Committee as soon as possible.

ACCEPT. The Welsh Government has been considering alternative systems of local taxation since 2016 and has carried out extensive research. A [Summary of Findings](#)

published in February 2021 concluded that moving away from the existing local tax system entirely was not achievable in the short to medium-term, however, the Welsh Government remains committed to further exploring alternative options for consideration over the longer-term.

With respect to a local land value tax, we have recently secured additional academic capacity via a national UK Research Council Fellowship scheme to assist the Welsh Government in further exploring a number of key issues and to strengthen our evidence base. Findings from this research will be used as a basis for additional consideration.

Also, by way of correction to the Committee: the Welsh Government has set out a commitment to produce a road map by the end of *this Senedd term* and not *the summer term* as noted in paragraph 29 of the report.

Recommendation 4: The Committee recommends that the Minister reviews the points raised around inconsistencies in the Regulatory Impact Assessment noted in this section, with a view to clarifying the information identified in a revised Regulatory Impact Assessment.

ACCEPT. We thank the Committee for bringing these to our attention. We will review and ensure the figures are consistent. A revised Regulatory Impact Assessment will be provided ahead of stage 3.

Recommendation 5: The Committee recommends that the Minister provides information on the risks and cost implications for Wales in diverging from England in terms of the timing of its non-domestic rates revaluations, and for this information to be included in a revised Regulatory Impact Assessment.

ACCEPT. The Regulatory Impact Assessment explains that, at the present time, it is not possible to fully quantify the costs and risks which would arise from divergence. It is, however, possible to provide further information on the resourcing implications for the Valuation Office Agency and high-level risks. Additional details will be included in the revised Regulatory Impact Assessment ahead of stage 3.

Recommendation 6: The Committee request further information on the total cost to ratepayers of the new duty to supply up-to-date information to the Valuation Office Agency, in particular, whether the £35 and £20 cost per ratepayer is in addition to the costs currently estimated for relevant activity, and for this information to be included in a revised Regulatory Impact Assessment.

ACCEPT. The figures represent an average estimate of the additional costs of compliance. Actual costs will depend on individual circumstances. For some ratepayers, the costs of complying with the new duty will not represent new or additional costs compared to those incurred on the current system. Further information and explanation will be included in the revised Regulatory Impact Assessment ahead of stage 3.

Recommendation 7: The Committee recommends that the Minister provides further information on the potential costs and risks associated with the Valuation Office Agency's new online system. This should include when it will be implemented and the risks of any potential delays in implementation to ratepayers complying with the new requirements to

provide information, and for this information to be included in a revised Regulatory Impact Assessment.

ACCEPT. The completion of a revaluation in 2026 is not dependent on the launch of the online system, as the Valuation Office Agency is already preparing to undertake that exercise under current arrangements. The system is intended to ensure the sustainability of more frequent revaluations over the longer-term. There is no risk to ratepayers associated with the timing of launch, because the duties will only be brought into force when the Welsh Government and the Valuation Office Agency are satisfied that ratepayers can reasonably be expected to comply. This information will be included, alongside the estimated costs already provided, in the revised Regulatory Impact Assessment ahead of stage 3.

Recommendation 8: The Committee recommends that the Minister provides an update once a decision has been taken on the approach to council tax reform. This should include a cost analysis of any potential options that might be considered following the Fairer Council Tax: Phase 2 consultation and any implications for the Local Government Finance (Wales) Bill.

ACCEPT. I will write to the Committee in due course, outlining the details of any further decisions taken and any implications for the Local Government Finance (Wales) Bill.

Recommendation 9: The Committee recommends that the Minister provides further information on the working group responsible for considering the current council tax exemptions and any work being undertaken to simplify discounts and disregards.

ACCEPT. We are continuing to review of the range of discounts, disregards, exemptions and premiums to ensure the arrangements remain relevant to the Welsh Government's policy ambitions. There are 53 categories to review. To date, we have confirmed the 25% one-adult discount will continue and our intention to remove the empty property discount except in certain circumstances. Following a recent [consultation](#), we are analysing the responses to proposals for the Class F exemption for unoccupied properties where probate or letters of administration have not yet been granted, and the exemption and disregard for people with a severe mental impairment.

We will consult on further proposals later this year and implementation of changes may be phased over time, with some changes implemented in the 2026-27 financial year. Any regulations we develop will be accompanied by a Regulatory Impact Assessment which will identify the costs, benefits and risks of any proposed changes to the existing regime.

Recommendation 10: The Committee recommends that the Minister provides information on the transitional arrangements that will be put in place to limit the impact of council tax revaluations on households and local authorities.

ACCEPT. We are continuing to consider the details of transitional arrangements as part council tax reform. I will write to the Committee outlining the details once the way forward following the Phase 2 consultation is known. Details of transitional arrangements including costs, benefits and impacts will also be outlined in a separate Regulatory Impact Assessment accompanying the relevant legislation needed to give effect to the arrangements.

Recommendation 11: The Committee recommends that any post implementation review assesses the overall costs and benefits of the Bill, including any subordinate legislation made and whether these meet the expectations set out in the Regulatory Impact Assessment.

ACCEPT. There are a number of established monitoring and evaluation processes already in place for measuring the policy impacts and financial implications of legislation.

The Welsh Government will continue to work closely with our stakeholders and local authorities to ensure continuous assessments of how the legislation has taken effect and the resulting impacts.

Subordinate legislation created under the Bill will be supported by its own Regulatory Impact Assessments, outlining monitoring and evaluation plans, including financial implications specific to the relevant impacts.