

# WELSH GOVERNMENT INTEGRATED IMPACT ASSESSMENT

<b>Title of proposal:</b>	<b>Local Government Finance (Wales) Bill: Council Tax Reform</b>
<b>Official(s) completing the Integrated Impact Assessment (name(s) and name of team):</b>	<b>Council Tax Policy and Reform Division</b>
<b>Department:</b>	<b>Local Government and Planning Department</b>
<b>Head of Division/SRO (name):</b>	<b>Clare Blake, Council Tax Policy and Reform</b>
<b>Cabinet Secretary/Minister responsible:</b>	<b>Cabinet Secretary for Finance, Constitution and Cabinet Office</b>
<b>Start Date:</b>	<b>November 2023 – amended July 2024</b>

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## SECTION 1. WHAT ACTION IS THE WELSH GOVERNMENT CONSIDERING AND WHY?

The Welsh Government is committed to reforming council tax to ensure a fairer and progressive system, aiming to reduce the tax burden placed on those with lower wealth, helping many households experiencing a socio-economic disadvantage.

The Local Government Finance (Wales) Bill provides a legal framework and structure to support the delivery of our overarching policy aims for local government finance reform.

In summary, the main changes we propose will make the framework for local taxes more:

- Closely aligned with changes in market conditions, redistributing the tax burden fairly at regular intervals;
- Responsive to the evolving context for households and organisations, and the subsequent impacts for people and organisations; and
- Tailored to Wales’ needs by being established and maintained more clearly and consistently within devolved powers and structures.

This IIA focusses on the parts of the reform programme that form provisions relating to council tax in the Bill. These provisions are:

- The introduction of statutory regular revaluation cycles of the tax base (at least every 5 years)
- To implement the outcomes of a review of the current discounts, disregards, exemptions and premiums arrangements as well as giving the Welsh Ministers the powers to amend, create, remove and change the arrangements in the future
- To implement the outcomes of a review of the current Council Tax Reduction Scheme (CTRS) and introduce flexibility to make in-year changes to the scheme

The purpose of the council tax provisions in the Bill is to help support a fairer distribution of the tax burden and modernise the operation of the tax system, while maintaining the delivery of public services supported by council tax revenue.

### **Well-being Of Future Generation Commitments**

Achieving a fairer council tax is one action the Welsh Government can take towards making Wales a more equal nation. Analysis undertaken by the [Institute for Fiscal Studies \(IFS\)](#) illustrates how council tax reform can have positive impacts on communities and reduce wealth inequalities. To support our commitments under the Well-being of Future Generations (Wales) Act 2015, safeguarding the future financial sustainability of local government through council tax reforms

can assist our local government partners to deliver our shared seven well-being goals. By strengthening the local government finance system in Wales, local government will be in a stronger and more sustainable position to deliver public services and to develop their services to support the communities they serve.

The benefits will be more pronounced in lower socio-economic contexts, where people are more likely to depend on public services and council tax is likely to account for a higher proportion of household income. Economic conditions, such as the current cost-of-living crisis, can also significantly impact households' ability to pay council tax. Economic fluctuations can also affect the number of individuals or families requiring financial assistance with council tax payments.

A flexible and updated system of council tax support (discounts, disregards, exemptions and CTRS) can better cater to the specific needs of individuals and households, offering targeted assistance where it is most needed. This could help to reduce the financial burden for those in poverty, which can free up resources for essential needs like food, utilities and healthcare. Furthermore, regular revaluations can ensure that council tax payments align more closely with property values, promoting fairness and equity in local taxation. They can also enable local authorities to respond more swiftly to changing financial needs, allowing for a more adaptable and responsive funding system.

A [Phase 1 consultation](#), which ran from July to October 2022 sought views from the public and stakeholders on the aims for creating a fairer and more progressive system which rebalances the burden on households and has regular updates to keep the tax fair going forward. A [summary of responses](#) to this consultation was published in December 2022.

Following the Phase 1 consultation, a [Phase 2 consultation](#) was launched in November 2023 to seek views on the scale and pace of council tax reform. This consultation asked for views on two main aspects: when the reform should be implemented, and what kind of system should replace the current one. A [statement](#) by the Cabinet Secretary for Finance, Constitution and Cabinet Office was issued on 15 May 2024 outlining the way forward. The Welsh Government has decided that a council tax revaluation and redesign of the bands will happen in 2028, as the most popular choice of respondents to the consultation was for reform to happen according to the slower timeframe option. A detailed [summary of responses](#) to the Phase 2 consultation was also published.

The proposals contained in the Phase 1 and Phase 2 consultations were informed by consultation and engagement with partner and stakeholder organisations, representative of Welsh society. This included a range of formalised groups with local government and sub-groups on specific topics, which takes place on an ongoing basis. The engagement encompassed elected members representing communities, as well as officers and practitioners of varying specialisations. These included, amongst others:

- the Institute for Fiscal Studies (IFS)

- the Valuation Office Agency (VOA)
- the Valuation Tribunal for Wales
- social survey of people’s attitudes, through the Wales Omnibus Survey – Beaufort Research
- a range of academic and commissioned experts, including Sheffield University and the UK Collaborative Centre for Housing Evidence, Policy in Practice
- advice agencies and third sector organisations, such as Citizens Advice, Housing Associations and charitable organisations
- focus groups with members of the public, facilitated by Miller Research.

A compiled list of evidence to date can be found on the Welsh Government website: [Evidence and research on council tax and non-domestic rates | GOV.WALES](#). This page is regularly updated as the evidence base grows.

In creating a fairer and more progressive council tax, the Welsh Government has phased its consultation and engagement over a period time, to ensure changes are made in collaboration with representative organisations, raise awareness of the proposals and enable as many taxpayers as possible to offer views and ideas. There will also be further engagement activities as work develops, in particular with Senedd Cymru, when enabling legislative powers provided by the Local Government Finance (Wales) Bill are used.

## SECTION 2. WHAT WILL BE THE EFFECT ON SOCIAL WELL-BEING?

### 2.1 People and Communities

**Significant impact, either positive or negative** – The provisions in the Local Government Finance (Wales) Bill have the purpose of helping to support a fairer distribution of the tax burden on people, while maintaining the delivery of public services supported by council tax revenue within communities. They are designed to:

- Put frequent revaluation cycles, starting with five-yearly cycles, on a statutory footing from 1 April 2028 onwards,
- Provide the Welsh Ministers with scope to make changes to the framework of discounts, disregards and exemptions through subordinate legislation as and when necessary,
- Provide the Welsh Ministers with increased legislative flexibility regarding the Council Tax Reduction Scheme and to make more substantive changes in the future, removing the restriction which prevents a scheme from being amended in year.

An effective regular revaluation system, enshrined in primary legislation, will:

- ensure fairness for the taxpayer into the future, by ensuring council tax liability is continually and fairly distributed amongst households,
- provide clarity for taxpayers, creating an expectation that council tax bills will track the market more closely,
- create a more democratic system as the timing of revaluations in the future would not be left to circumstance, as is currently the case.

Increased legislative flexibility relating to discounts and the Council Tax Reduction Scheme will:

- future-proof the provisions by allowing, for example, a discount to be set in a different way or with reference to some other financial measure or to be means-tested,
- give the Welsh Ministers the ability to provide local authorities with discretionary powers to vary discounts in certain cases for example, for groups with protected characteristics and low-income households,
- ensure appropriate financial support can be accessed by all people who need it.

The Welsh Government will continue to monitor the full impacts of these provisions as they come into effect.

### 2.2 Children's Rights

The provisions in the Local Government Finance (Wales) Bill will have no direct impact on children. However, the indirect impacts will vary depending on a range of factors. The Children's Rights Impact Assessment has been completed at Annex A.

## **2.3 Equality**

The Equality Impact Assessment has been completed at Annex B.

## **2.4 Rural Proofing**

The Rural Proofing Impact Assessment has been completed at Annex C.

## **2.5 Health**

It is not considered that the provisions from the Local Government Finance (Wales) Bill will have a direct impact on health in Wales. A health impact assessment has not been undertaken as a result.

## **2.6 Privacy**

The Data Protection Impact Assessment has been completed at Annex D.

## SECTION 3. WHAT WILL BE THE EFFECT ON CULTURAL WELL-BEING AND THE WELSH LANGUAGE?

### 3.1 Cultural Well-being

The Well-being of Future Generations (Wales) Act 2015's goal for culture is 'A society that promotes and protects culture, heritage and the Welsh language and which encourages people to participate in the arts and sports and recreation'. Culture includes museums, archives, libraries and the arts; heritage includes the built historic environment as well as intangible heritage such as traditions; arts encompasses performance and creative sectors including music, literature, theatre and art, whilst sports and recreation include both elite and community sports as well as opportunities to participate in wider outdoor recreation.

#### **3.1a How can the proposal actively contribute to the goal to promote and protect culture and heritage and encourage people to participate in the arts, sports and recreation? (for Welsh Language see section 3.2)**

It is not considered that the council tax provisions in the Local Government Finance (Wales) Bill will have any direct impact on participation in the arts, sports, and recreation. Supporting a fairer distribution of the tax may have the indirect impact of increased disposable income for some lower income households, enabling participation. Maintaining the delivery of public services supported by council tax revenue and improving the stability and effectiveness of local government funding could benefit local cultural services. Any such effects are likely to be marginal and should be considered in light of the pressures being experienced by both people and local government due to the wider economic environment.

#### **3.1b Is it possible that the proposal might have a negative effect on the promotion and protection of culture and heritage, or the ability of people to participate in arts, sport and recreation? If so, what action can you take to avoid or reduce that effect (for example by providing alternative opportunities)?**

It is not considered that the council tax provisions in the Local Government Finance (Wales) Bill will have any direct negative effects on the promotion and protection of culture and heritage, or the ability of people to participate in arts, sport and recreation. A potential indirect impact is that any increases in council tax bills following a regular revaluation may result in some households having less disposable income which could decrease their participation. Again, any such effects are likely to be marginal on culture and heritage and should be considered in light of the pressures being experienced due to the wider economic environment.



## **3.2 Welsh Language**

The impact on the Welsh language has been considered in the full impact assessment that has been completed at Annex E.

## SECTION 4. WHAT WILL BE THE EFFECT ON ECONOMIC WELL-BEING?

Supporting growth in the Welsh economy, and through this tackling poverty, is at the heart of the Welsh Government's Programme for Government.

### 4.1 Business, the general public and individuals

**Significant impact, either positive or negative** – Delivering a reformed council tax is a substantial undertaking, however, it is a key part of the Welsh Government's local government finance reform programme, designed to help reduce wealth inequalities.

Many households in Wales may be affected by the new provisions, regardless of who they are. The perception of whether the impact is positive or negative for individual households will depend on the impact reforms have on household finances and their perception of the effectiveness of the reforms in general. A balance must be struck between reducing the council tax burden on household incomes, and raising the equivalent amount of council tax revenue to safeguard the local government finance system and the vital public services council tax contributes towards, including the police, education, and social services.

The provisions include the introduction of regular, five-yearly, revaluations of all domestic dwellings in Wales. At each revaluation there is the potential for a property to move up, move down or remain in the same council tax band. This may result in some households paying more council tax, some paying less, and some paying around the same as they currently do.

The reviews of the Council Tax Reduction Scheme and the list of exemptions and discounts which are used to balance the amount of tax payable for specific sets of individuals and households, will also be used to ensure that they remain targeted, relevant and fit for purpose, while maximising our support to those who need it most.

Due to the wide-ranging impacts on different property types and individual household circumstances, the specific impact assessments found later in this document review the potential impacts in more detail.

### 4.2 Public Sector including local government and other public bodies

**Significant, positive and negative** – Local authorities in Wales are responsible for the allocation of council tax revenue to fund local services. The aim of the reform programme is not to raise more overall revenue from council tax on an all-Wales basis. However, regular revaluations *will* redistribute the tax-base between local authorities: this will be taken into account in the funding formula for the annual local government settlement which should reallocate the revenue support

grant accordingly. Through established local government fora we are working together to consider the known effects of the reforms.

Some further impacts could include:

- **Budget stability** – regular revaluations will result in accurate and up-to-date property valuations, meaning that the council tax system maintains its future stability and effectiveness.
- **Increased appeal volumes** – adopting a 5-year revaluation cycle for domestic dwellings in Wales may have a potential impact on volumes of appeals heard by the Valuation Tribunal for Wales. Each revaluation may see an increase in appeals; however, it is anticipated that more frequent revaluations over time will ensure tax bands better reflect market conditions, reducing the risk of variations in property values and therefore band structure changes and the movement of properties within bands.
- **Economic Impact** – frequent changes in property valuations could potentially impact local economies. Higher council tax bills for some households might lead to decreased disposable income for some residents, affecting their spending patterns and potentially slowing down local economic growth. Conversely, lower council tax bills for some households might lead to increased disposable income and stimulate local economic growth. The review of the Council Tax Reduction Scheme and the list of exemptions and discounts will ensure that support remains targeted, relevant and fit for purpose, while also maximising support to those who need it most.
- **Administration** – Local authorities will be responsible for implementing the results of the regular revaluations in relation to updating council tax accounts and issuing council tax bills to taxpayers. This may result in additional ICT infrastructure upgrades or software development to adapt to the changes. Local authorities have also identified a likely increase in engagement with taxpayers, in terms of time and number of contacts, around the time of a revaluation exercise. It is difficult to predict the level of this increase, as a number of factors will determine a taxpayer’s motivation to contact their local authority, but additional resource within each local authority may need to be mobilised to deal with the increase, taking resources away from other areas.

### 4.3 Third Sector

**Minimal impact, either positive or negative** – It is not considered that the council tax provisions in the Local Government Finance (Wales) Bill will directly impact the third sector. However, there may be some minimal and indirect impacts which occur as a result of council tax reforms.

Maintaining the delivery of public services supported by council tax revenue and improving the stability and effectiveness of local government funding could benefit third sector organisations. A portion of council tax revenue often goes towards local services, infrastructure, and amenities that benefit the community, including those supported by third sector organisations.

The contributions of the third sector can also align with the goals of the Local Government Finance (Wales) Bill by addressing inequalities and providing assistance to those who struggle with payments.

Any such effects are likely to be marginal, and it is important to note that the relationship between the third sector, the council tax system, and community well-being can vary depending on local policies and circumstances.

#### **4.4 Justice Impact**

The Local Government Finance (Wales) Bill includes provision for adopting a 5-year revaluation cycle for domestic dwellings in Wales; this may have a potential impact on volumes of appeals heard by the Valuation Tribunal for Wales.

The impact on the justice system is anticipated to be manageable as the Bill relates to existing and long-standing judicial procedures. The Welsh Government is not creating new criminal offences or major changes to the appeals system.

The implementation of a 5-yearly cycle of council tax revaluations in Wales could stabilise the volume of council tax banding (and other) appeals over time. As domestic dwellings will be consistently revalued and rebanded in accordance with the market at the time, there may be reduced volumes of properties moving between bands and therefore less likelihood that council taxpayers would appeal.

However, the Valuation Tribunal for Wales is likely to see an increase in council tax appeals within the first 12 months following a revaluation exercise. The VTW has identified additional staffing (and associated ICT/training provision) would be needed to manage the corresponding increase in tribunals needed to meet demand. Additional tribunal members would also need to be recruited to ensure all tribunals had a sustainable and consistent pool of volunteers to assess appeal cases.

The reviews of the Council Tax Reduction Scheme and the list of discounts and exemptions are not expected to have a significant impact on appeals.

The impact on the justice system has been considered in the full impact assessment that has been completed at Annex H.

## SECTION 5. WHAT WILL BE THE EFFECT ON ENVIRONMENTAL WELL-BEING?

### 5.1 Natural Resources

#### 5.1a How will the proposal deliver one or more of the National Priorities in the Natural Resources Policy (NRP)

The council tax provisions in the Local Government Finance (Wales) Bill do not deliver against the Natural Resources Policy.

#### 5.1b Does the proposal help tackle the following national challenges and opportunities for the sustainable management of natural resources?

The council tax provisions in the Local Government Finance (Wales) Bill have no direct impact on the sustainable management of natural resources.

### 5.2 Biodiversity

A Biodiversity Impact Assessment has been undertaken as seen at Annex F.

### 5.3 Climate Change

Climate change has been identified as one of the biggest threats facing our future generations. We need to reduce our emissions through decarbonisation action (5.3a) and to adapt to the impacts of climate change by increasing our resilience (5.3b).

#### 5.3a Decarbonisation

There is no anticipated impact on decarbonisation as a result of the council tax provisions in the Local Government Finance (Wales) Bill. There will not be a further assessment of the effects on emissions at this point. This will be reviewed as the reform programme develops.

#### 5.3 b Adaptation

There is no positive or negative impact on the ability to adapt to the effects of climate change as a result of the council tax provisions in the Local Government Finance (Wales) Bill.

### 5.4 Strategic Environmental Assessment (SEA)

An SEA is not required as the Local Government Finance (Wales) Bill provisions do not meet the criteria to warrant an SEA to be undertaken.

### 5.5 Habitats Regulations Assessment (HRA)

An HRA is not required as the Local Government Finance (Wales) Bill provisions do not meet the criteria to warrant an HRA to be undertaken.

## **5.6 Environmental Impact Assessment (EIA)**

An EIA is not required as the Local Government Finance (Wales) Bill provisions do not meet the criteria to warrant an EIA to be undertaken.

## SECTION 6. SOCIO-ECONOMIC DUTY - WHAT WILL BE THE EFFECT ON SOCIO-ECONOMIC DISADVANTAGE?

### 6.1 The Socio-economic Duty

The Local Government Finance (Wales) Bill aims to safeguard the stability and effectiveness of the local government finance system to ensure local authority services remain sustainable, effective, and robust for current and future generations. Such an outcome could improve the experiences for service users, including those from disadvantaged socio-economic backgrounds.

A system of more frequent, regular revaluations, with the flexibility to reschedule or cancel a property revaluation exercise will help to mitigate against significant shifts in council tax bills in the future.

However, while property value remains a good indicator of relative wealth and ability to pay council tax, it is not perfect. The reviews of the Council Tax Reduction Scheme and of the range of discounts, exemptions and disregards, will ensure households who experience socio-economic disadvantage can access appropriate financial support.

A full assessment of the potential socio-economic impacts has been completed at Annex G.

## SECTION 7. RECORD OF FULL IMPACT ASSESSMENTS REQUIRED

Impact Assessment	Yes/No	If yes, you should
Children's rights	Yes	Complete the Children's Rights Impact Assessment below
Equality	Yes*	Complete the Equality Impact Assessment below
Socio-economic Duty	Yes	Complete the Socio-economic Duty Assessment below
Rural Proofing	Yes	Complete the Rural Proofing Impact Assessment below
Health	No	Refer to the Integrated Impact Assessment Guidance
Privacy	Yes	Complete the Data Protection Impact Assessment below
Welsh Language	Yes	Complete the Welsh Language Impact Assessment below
Economic / RIA	Yes	Refer to the Integrated Impact Assessment Guidance
Justice	Yes	Complete the Justice System Impact Identification form on the intranet
Biodiversity	Yes*	Complete the Biodiversity Impact Assessment below
Climate Change	No	Refer to the Integrated Impact Assessment Guidance
Strategic Environmental Assessment	No	Refer to the Integrated Impact Assessment Guidance
Habitat Regulations Assessment	No	Refer to the Integrated Impact Assessment Guidance
Environmental Impact Assessment	No	Refer to the Integrated Impact Assessment Guidance

\* Mandatory for all proposals in order to meet statutory obligations.



## SECTION 8. CONCLUSION

### 8.1 How have people most likely to be affected by the proposal been involved in developing it?

A [Phase 1 consultation](#) which ran from July to October 2022 sought views from the public and stakeholders on the Welsh Government’s ambitions for creating a fairer and more progressive system, including the introduction of regular revaluations and a review of the Council Tax Reduction Scheme and the suite of discounts, disregards, exemptions, and premiums. The consultation was widely publicised through activity in the Senedd, on social media channels, in press articles, television and radio coverage at both national and UK levels, and through a number of stakeholder organisations. The Welsh Government received 1,024 consultation responses. A [summary of responses](#) to this consultation was published in December 2022. The proposals are also informed by ongoing consultation and engagement with partner and stakeholder organisations. This includes a range of formal groups with local government and subgroups on specific topics. Our engagement spans elected members representing communities, as well as officers and practitioners of varying specialisations.

In creating a fairer and more progressive council tax, the Welsh Government has chosen to phase its consultation and engagement over a period time, to ensure changes to the council tax system are undertaken in collaboration with representative organisations. The Welsh Government will publicise any future consultations, across a range of platforms, to encourage as many people to respond as possible. The Welsh Government will also continue to consult with stakeholder groups during this time.

### 8.2 What are the most significant impacts, positive and negative?

Achieving a fairer council tax is one action the Welsh Government can take towards making Wales a more equal nation. Analysis undertaken by the [Institute for Fiscal Studies \(IFS\)](#) illustrates how council tax reform can have positive impacts on communities and reduce wealth inequalities. To support our commitments under the Well-being of Future Generations (Wales) Act 2015, safeguarding the future financial sustainability of local government through council tax reforms can assist our local government partners to deliver our shared seven well-being goals. By strengthening the local government finance system in Wales, local government will be in a stronger and more sustainable position to deliver public services and to develop their services to support the communities they serve.

Negative impacts may be more pronounced in lower socio-economic contexts, where people are more likely to depend on public services. Economic conditions can also significantly impact households’ ability to pay council tax. Economic downturns, such as the current cost-of-living crisis, may lead to financial challenges for households in Wales, affecting the number of individuals

or families requiring financial assistance with council tax payments. The reviews of the Council Tax Reduction Scheme and the list of exemptions and discounts which are used to balance the amount of tax payable for specific sets of individuals and households, will be used to ensure that they remain targeted and still relevant and fit for purpose, while maximising our support to those who need it most.

It is possible that some people living in relative income poverty, including children, people with protected characteristics, those residing in rural areas, or Welsh language speakers, could see an increase in their council tax bill following a regular revaluation. However, it is anticipated that more frequent revaluations will prevent significant shifts in property valuations and thus movement of properties between bands. At each revaluation, some households will also see a decrease in council tax. To mitigate the impacts of an initial revaluation, and subsequent regular revaluations, the Local Government Finance (Wales) Bill provisions include powers to make timely changes to the Council Tax Reduction Scheme (CTRS) and the current system of discounts, disregards, and exemptions.

The reforms have been designed to address inequalities by ensuring more regular opportunities for liability to be updated and redistributed, based on more up-to-date valuations, and transferred from households with less wealth to those with more.

### **8.3 In light of the impacts identified, how will the proposal:**

- **maximise contribution to our well-being objectives and the seven well-being goals: and/or,**
- **avoid, reduce or mitigate any negative impacts?**

The new system will aim to:

- Implement a less regressive tax burden on households;
- Use in-built regular updates to keep the tax fair in the future, using modern data-driven technology;
- Continue to fund vital services that benefit everyone, but helps those in need;
- Create a level of transparency that allows interaction with taxpayers; and
- Ensure that it remains a tax that connects people with local communities.

A council tax revaluation aims to safeguard the stability and effectiveness of the local government finance system to ensure these services remain sustainable, effective, and robust for current and future generations. Such an outcome could improve the experiences for all service users, including those identified through this integrated impact assessment (IIA).

Statutory regular cycles would ensure fairness for the taxpayer into the future, by ensuring council tax liability is continually and fairly distributed amongst households. It would provide clarity for taxpayers, creating an expectation that council tax bills will track the market more closely. It would also clarify the future operational requirements for the VOA, the Valuation Tribunal for Wales, councils and local advice agencies.

As highlighted throughout this document, there are risks for revaluation at any time and governments have rescheduled or delayed revaluations for local taxes previously when necessary. The Local Government Finance (Wales) Bill would provide for such flexibility but would require a conscious choice to move away from the regular cycle.

Giving the Welsh Ministers certain regulation-making powers through the Local Government Finance (Wales) Bill will also provide greater flexibility and help future-proof provisions relating to council tax discounts, disregards, exemptions and premiums. The Local Government Finance (Wales) Bill also presents an opportunity to provide the Welsh Ministers with increased legislative flexibility regarding the Council Tax Reduction Scheme and to make more substantive changes in the future, removing the restriction which prevents a scheme from being amended in year.

#### **8.4 How will the impact of the proposal be monitored and evaluated as it progresses and when it concludes?**

The Welsh Government has created a robust evidence and research plan to monitor the impacts of council tax reform. This includes academic research, internal government analysis, extensive administrative data, and the outcomes of public consultations as well as regular stakeholder engagement. The Phase 1 consultation was informed by, amongst other things, extensive research undertaken by the Institute for Fiscal Studies in the published report [Revaluation and reform of council tax in Wales](#), which identified how a revaluation could affect taxpayers under different reform options. A further report published by the IFS, "[Assessing the Welsh Government's consultation on reforms to council tax](#)", informed the Phase 2 consultation. These reports by the IFS assess the associated impact of alternative tax structures on Welsh households in relation to incomes and family types.

The VOA has provided data on council tax revaluations and the implementation of the Local Government Finance (Wales) provisions, and will continue to do so, as the policy develops. This enables the Welsh Government to continue conducting in-depth analysis of the impact on households that are likely to experience changes in their bills, and other changes as a result of reforms. This data will help officials and the Welsh Ministers to identify which types of households might be adversely impacted by a revaluation and to inform appropriate action. This information may also be used to design transitional arrangements where required.

Statistics on council tax discounts, disregards and exemptions are published annually by [StatsWales](#). The Welsh Government also publishes an annual [Council Tax Reduction Scheme](#)

[report](#). We will use these mechanisms to monitor the effects of the provisions in the Local Government Finance (Wales) Bill after implementation.

## SECTION 9. DECLARATION

### **Declaration**

I am satisfied that the impact of the proposed action has been adequately assessed and recorded.

Name of Senior Responsible Owner / Deputy Director: Clare Blake

Department: Local Government and Planning Directorate, Council Tax Policy and Reform

Date: July 2024

## FULL IMPACT ASSESSMENTS

### A. CHILDREN'S RIGHTS IMPACT ASSESSMENT

#### 1. Describe and explain the impact of the proposal on children and young people.

The Welsh Government is committed to reforming council tax to ensure a fairer and progressive system, with an aim to reduce the tax burden placed on people with lower wealth or people experiencing socio-economic disadvantage. The programme of reform will be achieved by undertaking a full revaluation of the 1.5m domestic dwellings in Wales, introducing regular revaluations, reviewing the discounts, disregards, exemptions and premiums, and the Council Tax Reduction Scheme (CTRS), and improving administration and enforcement practices.

An exercise to revalue all 1.5 million residential properties in Wales to rebalance the system to reflect property values is underway. The tax-base in Wales was last valued in 2005 based on information from April 2003 and is nearly twenty years out-of-date. Because a revaluation will update everyone's bands, increases in individual property values will not necessarily result in a household's council tax bill increasing. The Welsh Government is clear that it is not aiming to raise more council tax revenue as a result of the revaluation.

The new system will aim to:

- Implement a less regressive tax burden on households;
- Use in-built regular updates to keep the tax fair in the future, using modern data-driven technology;
- Continue to fund vital services that benefit everyone, but helps those in need;
- Create a level of transparency that allows interaction with taxpayers; and
- Ensure that it remains a tax that connects people with local communities.

Regular council tax revaluations will help to safeguard the stability and effectiveness of the local government finance system to ensure services remain sustainable, effective, and robust for current and future generations. Such an outcome could improve the experiences for all service users, including those identified in this assessment. A balance must be struck between reducing the liability falling on incomes for households experiencing socio-economic disadvantage and raising the council tax revenue needed to safeguard the local government finance system and the vital public services council tax contributes towards, including the police, education, and social services.

## Local Government Finance (Wales) Bill Provisions

This impact assessment focuses on the parts of the reform programme that form provisions in the Local Government Finance (Wales) Bill 2024. These provisions are:

- Introduction of statutory regular revaluation cycles of the tax-base (at least every five years)
- Powers to enable changes to the labelling of any future band structure developed as part of a revaluation exercise
- To implement the outcomes of a review of the current disregards, exemptions and premiums arrangements as well as giving the Welsh Ministers the powers to amend, create, remove, and change the arrangements in the futures.
- To implement the outcomes of a review of the Council Tax Reduction Scheme and introduce flexibility to make in year changes to the scheme.
- .

The purpose of the provisions in the Bill are to help support a fairer distribution of the tax burden and modernise the operation of the tax system, while maintaining the delivery of public services supported by council tax revenue.

The public services funded by council tax revenue support the development of children and improve their quality of life, maintaining or improving the provision of education and care, alongside hundreds of other council services from which families benefit, including recreational services and housing. The positive impact of sustainable services will be more pronounced for people from lower socio-economic backgrounds, who are more likely to depend on public services.

The [2021 Census](#) data showed households with dependent children (under 18) accounted for 26.5% of all households in Wales. The impact on households with children will vary depending on updated property values, the composition of the household and the eligibility of the household for discounts, disregards, exemptions, and reductions on council tax bills.

There may be some children living in poverty who are affected by the Local Government Finance (Wales) Bill provisions, but the impact will vary on a case-by-case basis. Families with children made up [47% of the people in Wales who were living in relative income poverty](#) from the financial year ending 31 March 2020 to financial year ending 2022. The cost-of-living crisis has seen more people struggling to manage everyday living costs than at [any other time since devolution](#). Through the Local Government Finance (Wales) Bill provisions, there will be a reformed council tax that places a less regressive tax liability on households and has in-built regular updates to keep the tax fair in the future.

Having long periods of time between council tax revaluations creates a highly regressive system. Relative values of different properties will change significantly over time, for example, [research by](#)

the IFS shows that official estimates suggest that while average prices had doubled since 2003 across Wales as a whole by the end of 2019, those in Blaenau Gwent had risen 171% compared with just 77% in Wrexham. A move to five-year revaluation cycles will help to ensure that properties remain in tax bands that reflect their value. This is important for families with children living in relative income poverty, who are more likely to live in lower value housing and are therefore could be disproportionately affected by out-of-date bands.

It is possible that families with children living in relative income poverty would see an increase in their council tax bill following a revaluation. However, it is anticipated that more frequent revaluations will prevent significant shifts in property valuations and thus movement of properties within bands. At each revaluation, some properties will move down bands and many will stay in the same band.

Although take-up on the Council Tax Reduction Scheme is uncertain, it has been suggested that it could be [between 55% and 65% for low-income households in Wales](#). Low uptake of the scheme affects the progressivity and fairness of council tax. Recent research by [Policy in Practice](#) suggests that inadequate levels of support can also contribute to children's needs not being met, particularly with the rising cost of living. Alongside the provisions in the Local Government Finance (Wales) Bill, the Welsh Government is conducting reviews of the Council Tax Reduction Scheme and the system of discounts and exemptions: these will aim to ensure the support remains fit for purpose and utilised to best support people who need it. Awareness of the scheme will be raised alongside communications on the Local Government Finance (Wales) Bill and its provisions. The Welsh Government will monitor the impacts of these provisions as they come into effect and will continue to consider uptake as a part of this.

Living with debt can also be detrimental to children and young people's health and wellbeing, particularly during the cost-of-living crisis. The aim of provisions giving the Welsh Ministers additional powers to create a more flexible and responsive system is to allow us to react promptly to any local, national, health or economic emergency. The Welsh Ministers will be able to amend, create, remove, and make changes to discounts, exemptions and disregards, and will have the ability to make in-year changes to the Council Tax Reduction Scheme as wider conditions dictate, targeting mitigation where most needed.

Statistics on council tax discounts, exemptions, and disregards are published annually by [StatsWales](#). The Welsh Government also publishes an annual [Council Tax Reduction Scheme report](#). We will use these mechanisms to monitor impacts of the provisions after implementation.

The Local Government Finance (Wales) Bill provisions will aim to make a measurable change to the lives of children and young people in poverty, through reducing household costs and maximising the incomes of families. They will also help to ensure that financial support such as the Council Tax Reduction Scheme remains progressive and accessible. This can be linked to Objective 1 of the



[Child Poverty Strategy for Wales 2024](#), that aims to combat poverty and inequality for children in Wales.

## 2. Explain how the proposal is likely to impact on children’s rights.

The Local Government Finance (Wales) Bill provisions aim to sustain an important funding stream for public services in Wales through a progressive, up-to-date council tax system. Such services are essential to the maintenance of living in a safe and nurturing environment, and to aid children who need additional support from authorities. We believe the following articles of the United Nations Conventions on the Rights of the Child (UNCRC) will be supported, or furthered advanced, by the security of local government income.

Article	Description	Impact
<b>Article 18</b> (parental responsibilities)	Governments must support parents by creating support services for children and giving parents the help they need to raise their children.	Council tax reform will support the stability and effectiveness of the council tax system, which provides vital funding for support services for children.
<b>Article 19</b> (protection from violence, abuse and neglect)	Governments must do all they can to ensure that children are protected from all forms of violence, abuse, neglect and bad treatment by their parents or anyone else who looks after them.	The Bill provisions aim to reduce costs and maximise the incomes of low-income families with children. This will help to protect children from neglect arising from poverty.  Council tax reform will also support the stability and effectiveness of the council tax system, which provides vital funding for services such as authority-led targeted intervention programmes, child protective services and social services.
<b>Article 20</b> (children unable to live with their family)	If a child cannot be looked after by their immediate family, the government must give them special protection and assistance. This includes making sure the child is provided with alternative care that is continuous and respects the child’s culture, language, and religion.	Council tax reform will support the stability and effectiveness of the council tax system, which provides vital funding for alternative care for children.
<b>Article 23</b> (Children with a disability)	A child with a disability has the right to live a full and decent life with dignity and, as far as possible,	Around 13,500 adapted properties in Wales receive a Disabled Band Reduction.

Article	Description	Impact
	independence and to play an active part in the community. Governments must do all they can to support disabled children and their families.	<p>The powers to amend the Council Tax Reduction Scheme and the suite of discounts, disregards, and exemptions will enable the Welsh Ministers to provide parents with support that remains flexible and up to date.</p> <p>Council tax reform will support the stability and effectiveness of the council tax system which provides vital funding for services accessed by disabled children.</p>
<b>Article 26</b> (social security)	Governments must provide social security, including financial support and other benefits, to families in need of assistance.	The powers to amend the Council Tax Reduction Scheme and the suite of discounts, disregards, and exemptions will enable the Welsh Ministers to provide parents with support that remains flexible and up to date.
<b>Article 27</b> (adequate standard of living)	Every child has the right to a standard of living that is good enough to meet their physical and social needs and support their development. Governments must help families who cannot afford to provide this.	The powers to amend the Council Tax Reduction Scheme and the suite of discounts, disregards, and exemptions will support low income families with children. This will help them to provide an adequate standard of living.
<b>Article 29</b> (goals of education)	Education must develop every child's personality, talents and abilities to the full. It must encourage the child's respect for human rights, as well as respect for their parents, their own and other cultures, and the environment.	Council tax reform will support the stability and effectiveness of the council tax system which provides vital funding for education services.
<b>Article 31</b> (leisure, play and culture)	Every child has the right to relax, play and take part in a wide range of cultural and artistic activities.	Council tax reform will support the stability and effectiveness of the council tax system which provides vital funding for leisure, play and cultural services.

## B. EQUALITY IMPACT ASSESSMENT

## **1. Describe and explain the impact of the proposal on people with protected characteristics as described in the Equality Act 2010.**

The Welsh Government is committed to reforming council tax to ensure a fairer and progressive system, with an aim to reduce the tax burden placed on people with lower wealth or people experiencing socio-economic disadvantage. The evidence base indicates that reforming and updating council tax is one of the most beneficial actions the Welsh Government can take to reduce wealth inequalities in Wales. The reforms have been designed to address inequalities by transferring liability from the households with least wealth to those with more and updating the system so that it more accurately reflects current property wealth rather than the position 20 years ago. While wealth inequalities are not referenced in the Equality Act 2010, they are often more evident amongst people with one or more of the protected characteristics.

The programme of reform will be achieved by undertaking a full revaluation of the 1.5m domestic dwellings in Wales, introducing regular revaluations, reviewing the discounts, disregards, exemptions and premiums, and the Council Tax Reduction Scheme (CTRS), and improving administration and enforcement practices.

An exercise to revalue all 1.5 million residential properties in Wales to rebalance the system to reflect property values is underway. The tax-base in Wales was last valued in 2005 based on information from April 2003 and is nearly twenty years out-of-date. Because a revaluation will update everyone's bands, increases in individual property values will not necessarily result in a household's council tax bill increasing. The Welsh Government is clear that it is not aiming to raise more council tax revenue as a result of the revaluation.

The new system will aim to:

- Implement a less regressive tax burden on households;
- Use in-built regular updates to keep the tax fair in the future, using modern data-driven technology;
- Continue to fund vital services that benefit everyone, but helps those in need;
- Create a level of transparency that allows interaction with taxpayers; and
- Ensure that it remains a tax that connects people with local communities.

Regular council tax revaluations will help to safeguard the stability and effectiveness of the local government finance system to ensure services remain sustainable, effective, and robust for current and future generations. Such an outcome could improve the experiences for all service users, including those identified in this assessment.

A balance must be struck between reducing the liability falling on incomes for households experiencing socio-economic disadvantage and raising the council tax revenue needed to

safeguard the local government finance system and the vital public services council tax contributes towards, including the police, education, and social services.

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

This impact assessment focuses on the parts of the reform programme that form provisions in the Local Government Finance (Wales) Bill 2024. These provisions are:

- The introduction of statutory regular revaluation cycles of the tax-base (at least every five years)
- Powers to enable changes to the labelling of any future band structure developed as part of a revaluation exercise To implement the outcomes of a review of the current discounts, disregards, exemptions and premiums arrangements as well as giving the Welsh Ministers the powers to amend, create, remove and change the arrangements in the future.
- To implement the outcomes of a review of the current Council Tax Reduction Scheme, and introduce flexibility to make in-year changes to the scheme.

The purpose of the provisions in the Local Government Finance (Wales) Bill are to help support a fairer distribution of the tax burden and modernise the operation of the tax system, while maintaining the delivery of public services supported by council tax revenue.

The Local Government Finance (Wales) Bill will enable the Welsh Ministers to amend, create, remove and make changes to discounts, exemptions and disregards, and provides the ability to make in-year changes to the Council Tax Reduction Scheme as wider conditions dictate, targeting mitigation where it is most needed. Such an outcome could improve the experiences for all citizens, including those identified in this assessment.

Equality impacts have been considered as part of research conducted by the [Institute for Fiscal Studies \(IFS\)](#) on the impact of revaluation, and this will be updated ahead of new reforms being introduced.

## Record of Impacts by protected characteristic

Protected characteristic or group	What are the positive or negative impacts of the proposal?	Reasons for your decision (including evidence)	How will you mitigate Impacts?
<b>Age</b> (consider different age groups)	Some pensioners may live in a property that does not reflect their current income but is an asset accumulated from their working life. Therefore, regular revaluations may cause a rise in council tax bills for some pensioners, although other pensioners would see a decrease or little change. Unlike most other groups, pensioners cannot be expected to seek paid employment to increase their income.	As a result of a revaluation, the <a href="#">IFS</a> (p.69) reported that pensioner couples could see a slight average increase in their council tax bill. Single pensioners, on average, could see little to no change in their annual council tax bills.	Households whose bills increase as a result of regular revaluations may become eligible for additional support through discounts, disregards or exemptions, or through the Council Tax Reduction Scheme. The Council Tax Reduction Scheme currently provides enhanced support for pensioner households.
<b>Disability</b> (consider the social model of disability <sup>1</sup> )	While households with disabled people are unlikely to be disproportionately affected compared to other households, households with a disabled member could be impacted more adversely if there is an increase in council tax bills as a result of regular revaluations.	According to analysis from the <a href="#">IFS</a> (p. 73), there is likely to be a marginal average impact on the bills of disabled people under a council tax revaluation.	Households whose bills increase as a result of regular revaluations may become eligible for additional support through discounts, disregards or exemptions, or through the Council Tax Reduction Scheme.  Around 13,500 adapted properties in Wales receive a Disabled Band Reduction.

<sup>1</sup> Welsh Government uses the social model of disability. We understand that disabled people are not disabled by their impairments but by barriers that they encounter in society.

Protected characteristic or group	What are the positive or negative impacts of the proposal?	Reasons for your decision (including evidence)	How will you mitigate Impacts?
			The reviews of support will consider whether enhancements are needed. Consideration will be given whether the reductions for properties adapted for use by people with a disability can be amended, simplified, or improved.
<b>Gender Reassignment</b> (the act of transitioning and Transgender people)	There is no anticipated impact of the Local Government Finance (Wales) provisions that would disproportionately affect an individual based on their gender reassignment.		
<b>Pregnancy and maternity</b>	There is no anticipated impact of the Local Government Finance (Wales) Bill provisions that would disproportionately affect people in this category.		
<b>Race</b> (include different ethnic minorities, Gypsies and Travellers and Migrants, Asylum seekers and Refugees)	Ethnic minority families are more likely to live as large, multi-generational households in larger properties. These households may be impacted by regular revaluations, particularly if living in an area with a higher-than-average council tax rate. However, on average, the IFS estimates that on average, ethnic minority households	According to analysis from the IFS (p. 74), households from certain ethnic groups are more likely to live in areas with larger percentages of properties in higher bands.	Households whose bills increase as a result of regular revaluations may become eligible for additional support through discounts, disregards or exemptions, or through the Council Tax Reduction Scheme.

Protected characteristic or group	What are the positive or negative impacts of the proposal?	Reasons for your decision (including evidence)	How will you mitigate Impacts?
	could see a slight reduction per year on annual council tax bills.		
<b>Religion, belief and non-belief</b>	There is no anticipated impact of the Local Government Finance (Wales) Bill provisions that would disproportionately affect an individual based on their religious belief.		
<b>Sex / Gender</b>	There is no anticipated impact of the Local Government Finance (Wales) Bill provisions that would disproportionately affect an individual based on their sex.		
<b>Sexual orientation</b> (Lesbian, Gay and Bisexual)	There is no anticipated impact of the Local Government Finance (Wales) Bill provisions that would disproportionately affect an individual based on their sexual orientation.		
<b>Marriage and civil partnership</b>	There is no anticipated impact of the Local Government Finance (Wales) Bill provisions that would disproportionately affect a couple who are married or in a civil partnership.		
<b>Children and young people up to the age of 18</b>	There may be some children living in poverty who are affected by the Local Government Finance (Wales) Bill provisions, but	Families with children made up <b>48% of the people in Wales who were living in relative income poverty</b> from the financial year ending 31	Through the Local Government Finance (Wales) Bill provisions, there will be a reformed council tax that places a less regressive tax liability

Protected characteristic or group	What are the positive or negative impacts of the proposal?	Reasons for your decision (including evidence)	How will you mitigate Impacts?
	the impact will vary on a case-by-case basis.	March 2022 to financial year ending 2023. As highlighted in the <a href="#">Child Poverty Strategy for Wales 2024</a> , the combined impacts of austerity, Brexit, COVID-19, high inflation and global instability have seen more people in challenging financial situations since the onset of devolution.	on households and has in-built regular updates to keep the tax fair in the future.
	Low uptake of the Council Tax Reduction Scheme affects the progressivity and fairness of council tax. Recent research by <a href="#">Policy in Practice</a> suggests that inadequate levels of support can also contribute to children’s needs not being met, particularly with the rising cost of living.	Although take-up on the Council Tax Reduction Scheme is uncertain, it has been suggested that it could be <a href="#">between 55% and 65% for low-income households in Wales</a> .	The Local Government Finance (Wales) Bill provisions include powers which will be used to implement the outcomes of a review of the Council Tax Reduction Scheme and the system of discounts and exemptions: these will aim to ensure the support remains fit for purpose and utilised to best support people who need it.



Protected characteristic or group	What are the positive or negative impacts of the proposal?	Reasons for your decision (including evidence)	How will you mitigate Impacts?
<b>Low-income households</b>	<p>Low-income households typically live in smaller properties, with lower council tax bills.</p> <p>Regular revaluations may lead to some low-income households living in higher council tax bands seeing increased pressure on household finances.</p> <p>Conversely, some low-income households could see their council tax band decrease.</p>	<p>Analysis from the IFS (p. 76) indicates regular revaluation could redistribute liability away from households with lower property wealth. Households with lower property wealth are more likely to see a reduction in their council tax band rather than an increase or remain unaffected.</p>	<p>Households whose bills increase as a result of regular revaluations may become eligible for additional support through discounts, disregards or exemptions, or through the Council Tax Reduction Scheme. The review of the Council Tax Reduction Scheme considers whether to amend the current scheme: this could potentially target more support towards lower income households.</p>

### Human Rights and UN Conventions

Human Rights	What is the provision? / How might it impact human rights?	Reason for decision / How will you mitigate negative impacts?
<b>A1P1 – Protection of property</b>	<p>There may be a perception that the council tax revaluation provisions may engage A1P1 as revaluations could lead to an increase or decrease in council tax. However, this impact would be indirect.</p>	<p>The interference of property rights for taxation purposes is generally justified and the State is allowed a wide margin of appreciation for measures of economic strategy as well as when framing and implementing policy in the area of taxation. The measures in the Local Government Finance (Wales) Bill have a reasonable foundation and strike a fair balance between the demands of the general interest of the community and the protection of an individual's fundamental rights.</p>
<b>Article 8 - Respect for</b>	<p>The Local Government Finance (Wales) Bill has no further impact on this article</p>	<p>NA</p>

your private and family life	<p>beyond that which arises from the current council tax system and the need for basic information from householders to operate the system.</p> <p>While there is a perception amongst some people that taxation on property infringes on Article 8 rights, it is widely accepted that legal provision for the charging of a local tax does not infringe on Article 8, or other human rights.</p>	
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### **EU/EEA and Swiss Citizens' Rights**

The proposed council tax reforms do not impact on the rights of EU/EEA and Swiss Citizens' Rights. EU/EEA/Swiss citizens living in Wales are subject to the same council tax legislation and regulations as UK citizens.

## C. RURAL PROOFING IMPACT ASSESSMENT

### 1. Describe and explain the impact of the proposal on rural people, businesses and communities.

The Welsh Government is committed to reforming council tax to ensure a fairer and progressive system, with an aim to reduce the tax burden placed on people with lower wealth or people experiencing socio-economic disadvantage. The programme of reform will be achieved by undertaking a full revaluation of the 1.5m domestic dwellings in Wales, introducing regular revaluations, reviewing the discounts, disregards, exemptions and premiums, and the Council Tax Reduction Scheme (CTRS), and improving administration and enforcement practices.

An exercise to revalue all 1.5 million residential properties in Wales to rebalance the system to reflect property values is underway. The tax-base in Wales was last valued in 2005 based on information from April 2003 and is nearly twenty years out-of-date. Because a revaluation will update everyone's bands, increases in individual property values will not necessarily result in a household's council tax bill increasing. The Welsh Government is clear that it is not aiming to raise more council tax revenue as a result of the revaluation.

The new system will aim to:

- Implement a less regressive tax burden on households;
- Use in-built regular updates to keep the tax fair in the future, using modern data-driven technology;
- Continue to fund vital services that benefit everyone, but helps those in need;
- Create a level of transparency that allows interaction with taxpayers; and
- Ensure that it remains a tax that connects people with local communities.

Regular council tax revaluations will help to safeguard the stability and effectiveness of the local government finance system to ensure services remain sustainable, effective, and robust for current and future generations. Such an outcome could improve the experiences for all service users, including those identified in this assessment.

A balance must be struck between reducing the liability falling on incomes for households experiencing socio-economic disadvantage and raising the council tax revenue needed to safeguard the local government finance system and the vital public services council tax contributes towards, including the police, education, and social services.

## Local Government Finance (Wales) Provisions

This impact assessment focuses on the parts of the reform programme that form provisions in the Local Government Finance (Wales) Bill 2024. These provisions are:

- The introduction of statutory regular revaluation cycles of the tax-base (at least every five years)
- Powers to enable changes to the labelling of any future band structure developed as part of a revaluation exercise
- To implement the outcomes of a review of the current discounts, disregards, exemptions and premiums arrangements as well as giving the Welsh Ministers the powers to amend, create, remove and change the arrangements in the future
- To implement the outcomes of a review of the current Council Tax Reduction Scheme and introduce flexibility to make in-year changes to the scheme,

The purpose of the provisions in the Local Government Finance (Wales) Bill are to help support a fairer distribution of the tax burden and modernise the operation of the tax system, while maintaining the delivery of public services supported by council tax revenue.

Council tax reform aims to reduce the tax liability placed on households with lower wealth or at a socio-economic disadvantage. The reforms will be applied consistently across Wales but may have a different impact in rural communities compared to other areas. In our [Phase 1 Consultation 'A Fairer Council Tax'](#), respondents commented that council tax reform should not contribute to affordability issues within communities, particularly rural communities.

In rural areas, the availability of affordable housing and potential for dispersal of Welsh language communities may be more significant issues than in other areas. While the root causes of deprivation in rural areas are the same as in urban areas, accessing services, fuel poverty and in-work poverty may be experienced in different ways.

The Welsh Government is conscious of the potential impact that regular revaluations may have on low socio-economic households if their council tax bills increase as a result, although council tax for many households would stay around the same or be reduced. The reviews of our Council Tax Reduction Scheme and the range of discounts, exemptions, disregards and premiums will ensure households who experience socio-economic disadvantage can access appropriate financial support.

To keep these systems up-to-date, the Local Government Finance (Wales) Bill will allow in-year changes and the implementation of new Council Tax Reduction Scheme provisions, and provide the Welsh Ministers with the flexibility to update, create or remove discounts, disregards and exemptions.

The Local Government Finance (Wales) provisions will allow Wales to react quickly to impacts such as those experienced during the pandemic and the cost-of-living crisis. In addition, moving to five-year regular revaluation cycles with the flexibility to amend, delay and cancel a property revaluation exercise, will help to keep council tax fair.

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The Welsh Government will monitor the impacts of the Local Government Finance (Wales) Bill provisions as they come into effect and will use the flexibility provided to adapt the system as necessary.

## D. DATA PROTECTION IMPACT ASSESSMENT SCREENING

<b>Title of proposal:</b> Local Government Finance (Wales) Bill - Council Tax Reform Provisions
<b>Name of Information Asset Owner:</b> Clare Blake
<b>PIA reference number:</b> objective:\id:A45568600
<p><b>Please describe your proposal:</b></p> <p><i>(i) If this is a change to an existing system/ project/ process/ policy then please outline the present arrangements (and how personal data is currently processed) and then outline the changes, including whether personal data will now be shared with third parties.</i></p> <p><i>(ii) If this is a new system/ project/ process/ policy then please detail how the new system/ project/ process/ policy will work, including how the personal data will be processed and whether the personal data will be shared with 3<sup>rd</sup> parties.</i></p> <p><i>(iii) IMPORTANT - Will the proposal involve the development of new legislation/measures that will require the processing of personal data by Welsh Government or any other parties?</i></p>
<p>The Welsh Government is committed to reforming council tax to ensure a fairer and progressive system, with an aim to reduce the tax burden placed on people with lower wealth or at socio-economic disadvantage. The programme of reform will be achieved by undertaking a full revaluation of the 1.5m domestic dwellings in Wales, introducing regular revaluations, reviewing the discounts, disregards, exemptions and premiums and the Council Tax Reduction Scheme (CTRS), and refining administration and enforcement practices as a part of the Local Government Finance (Wales) Bill.</p> <p>This impact assessment focuses on the Bill provisions, which are:</p> <ul style="list-style-type: none"> <li>• Introduction of statutory regular revaluation cycles of the tax-base (at least every five years)</li> <li>• Powers to enable changes to the labelling of any future band structure developed as part of a revaluation exercise</li> <li>• To implement the outcomes of a review of the current discounts, disregards, exemptions and premiums arrangements as well as giving the Welsh Ministers the powers to amend, create, remove and change the arrangements in the future.</li> <li>• To implement the outcomes of a review of the current Council Tax Reduction Scheme (CTRS) and introduce flexibility to make in-year changes to the scheme</li> </ul> <p>A council tax revaluation would involve updating the property valuations of all 1.5 million domestic dwellings across Wales, and subsequently updating the domestic tax-base for Wales, for the purposes of enabling councils to charge and collect council tax. The</p>

property valuation work is carried out by the Valuation Office Agency (VOA), an agency of HM Revenue and Customs (HMRC), which must undertake this role as part of its legal functions. The collection and billing functions of local authorities are also statutory requirements.

In order to value properties, the Valuation Office Agency requires information about a property's physical characteristics, e.g. the age of the property and number of bedrooms, location and sales prices. The VOA already holds a wide range of information for every domestic property in Wales, from various sources, but some of it may be out of date. As part of a revaluation, the VOA updates information about individual properties and potentially adds new properties to its list. Full addresses are held for each property but no names of owners or occupiers.

The current valuation list is publicly available to search via <https://www.gov.uk/council-tax-bands>.

The regular revaluations, taking place every 5 years, would be an update of an existing VOA dataset using Automated Valuation Methodology (AVM) and will be used internally by the VOA to undertake the revaluation. For the data it currently holds and will hold in the future, the VOA is the data controller.

The VOA provides high level analysis and non-identifiable data sets to the Welsh Government to assist with the development of policy and legislation, such as council tax bands, transitional arrangements and appeals policy. This data will continue to be shared with the Welsh Government under existing arrangements. Any data shared with the Welsh Government for this purpose will not contain personal data.

For other council tax provisions in the Local Government Finance (Wales) relating to discounts and exemptions, and the Council Tax Reduction Scheme the Welsh Government is not proposing new data-sharing arrangements which would require it to process personal data outside existing arrangements.

The provisions in this Bill do not seek to change the existing data-sharing arrangements and governance the Welsh Government has with local authorities and any other organisations required to maintain the system.

**Has data protection impact screening or assessment already been carried out?**

- No

**Does the proposal involve the processing of personal data by Welsh Government or any other parties?**

- No: there is no need to complete the remainder of this form. Please return it to DataProtectionQueries@gov.wales, copied to your Information Asset Owner

**Is a Data Protection Impact Assessment (DPIA) required for this proposal?**

- No

**Has advice on UK General Data Protection Regulation (UK GDPR) compliance been provided?**

- No



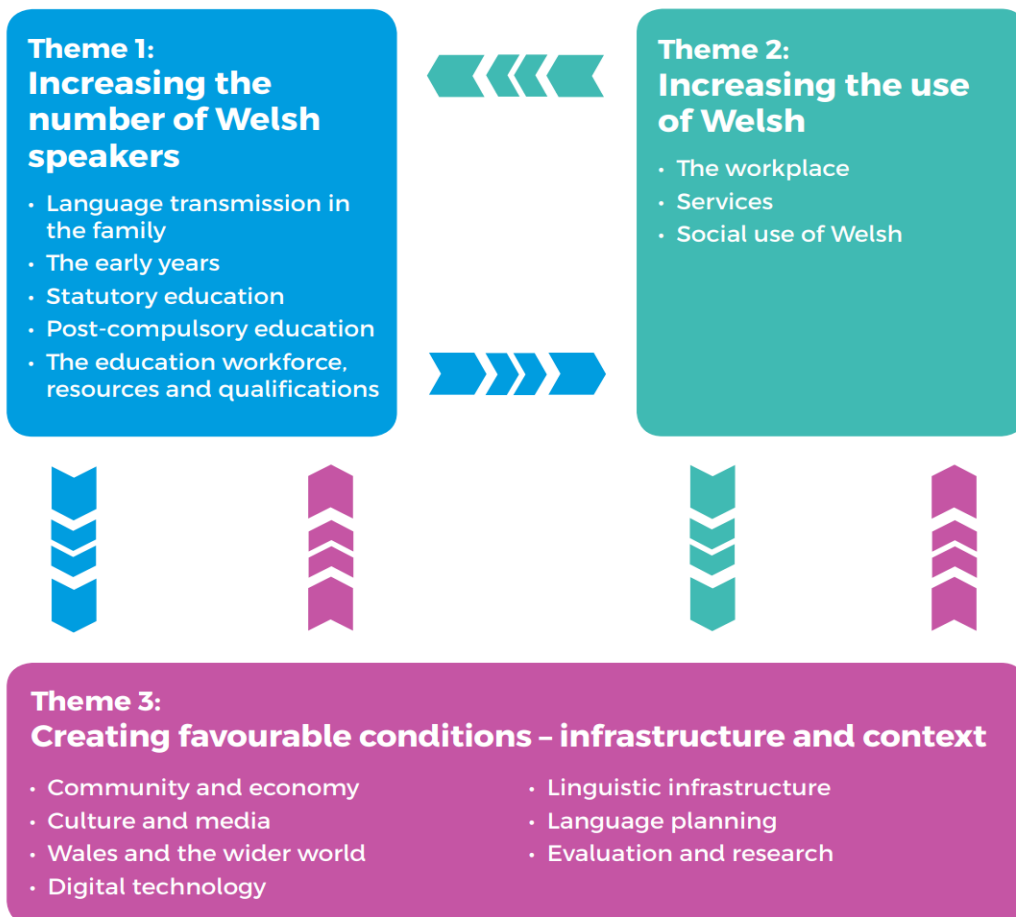
## E. WELSH LANGUAGE IMPACT ASSESSMENT

*Cymraeg 2050* is our national strategy for increasing the number of Welsh speakers to a million by 2050.

The Welsh Government is fully committed to the new strategy, with the target of a million speakers included in its Programme for Government. A thriving Welsh language is also included in one of the 7 well-being goals in the Well-being of Future Generations (Wales) Act 2015.

We also have a statutory obligation to fully consider the effects of our work on the Welsh Language. This means that any Welsh Government policy should consider how our policies affect the language and those who speak it.

The *Cymraeg 2050 strategy* has three interrelated themes:



The headings under each theme outline the scope of activities that can affect the language.

As a general rule, if your policy has the potential to impact on people, it will impact in some way on Welsh speakers and therefore on the Welsh language.

1. *Welsh Language Impact Assessment reference number (completed by the Welsh Language Standards Team, email: Safonau.Standards@gov.wales):*

**05/07/2023**

2. *Does the proposal demonstrate a clear link with the Welsh Government’s strategy for the Welsh language? – Cymraeg 2050 A million Welsh speakers and the related Work Programme for 2017-2021?*

The Welsh Government is committed to reforming council tax to ensure a fairer and progressive system, with an aim to reduce the tax burden placed on people with lower wealth or people experiencing socio-economic disadvantage. The programme of reform will be achieved by undertaking a full revaluation of the 1.5m domestic dwellings in Wales, introducing regular revaluations, reviewing the discounts, disregards, exemptions and premiums, and the Council Tax Reduction Scheme (CTRS), and improving administration and enforcement practices.

Safeguarding the local government finance system will provide local authorities with the tools to deliver appropriate public services, including the delivery of Welsh language or bilingual services and the operation of Welsh-medium schools and services.

The Welsh Government anticipates these indirect impacts and outcomes will continue to support our ambitions to see the Welsh language thrive in Wales.

3. *Describe and explain the impact of the proposal on the Welsh language and explain how you will address these impacts to improve outcomes for the Welsh language. **How will the proposal affect Welsh speakers of all ages (both positive and/or adverse effects)? You should note your responses to the following in your answer to this question, along with any other relevant information:***

This impact assessment focuses on the parts of the reform programme that form provisions in the Local Government Finance (Wales) Bill 2024. These provisions are:

- Introduction of statutory regular revaluation cycles of the tax-base (at least every five years)
- Powers to enable changes to the labelling of any future band structure developed as part of a revaluation exercise
- To implement the outcomes of a review of the current discounts, disregards, exemptions and premiums arrangements as well as giving the Welsh Ministers the powers to amend, create, remove and change the arrangements in the future
- To implement the outcomes of a review of the current Council Tax Reduction Scheme (CTRS) and introduce flexibility to make in-year changes to the scheme

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The purpose of the provisions in the Local Government Finance (Wales) are to help support a fairer distribution of the tax burden and modernise the operation of the tax system, while maintaining the delivery of public services supported by council tax revenue.

The reforms will be applied consistently across Wales but may have different impacts in different communities. Welsh-speaking households could see increases in their council tax bills as a result of regular revaluations. This could place a further pressure on household finances. Conversely, many Welsh-speakers in North and South West Wales living in post-industrial towns – which are [areas of multiple deprivation](#) – could see reductions. However, a move to five-year revaluation cycles will mean that properties are less likely to move council tax bands at revaluation, as relative property values will not change as significantly during the shorter cycle as they do between infrequent revaluations. Furthermore, the flexibility to amend, reschedule or cancel a property revaluation exercise could help to limit pronounced shifts in council tax in the future.

A balance must be struck between reducing the pressure on incomes for households experiencing socio-economic disadvantage and raising the council tax needed to safeguard the local government finance system and the vital public services council tax contributes towards, including policing, education, and social services.

The review of our Council Tax Reduction Scheme and the review of the range of discounts, exemptions, disregards, and premiums will consider how the systems can be designed to best suit the needs of today's society. Discounts and exemptions will continue to assist households who need financial assistance, including those from Welsh speaking communities. Furthermore, the Local Government Finance (Wales) Bill will give the Welsh Ministers the flexibility to update, create or remove discounts, disregards and exemptions, and the ability to make in-year changes to the Council Tax Reduction Scheme. The aim of these provisions is to enable the Welsh Ministers to react promptly to any local, national, health or economic emergency. Statistics on council tax discount, exemptions, and disregards are published annually by StatsWales. The Welsh Government also publishes an annual [Council Tax Reduction Scheme report](#). We will use these mechanisms to monitor the effects of the Local Government Finance (Wales) Bill after implementation.

The Welsh Government is committed to delivering the Local Government Finance (Wales) Bill provisions through both languages in Wales. Our partners in the Valuation Office Agency (VOA), who are key in delivering the regular council tax revaluations, are also committed to providing services and communicating with taxpayers and interested parties bilingually, as set out in their [Welsh language scheme](#).

The Welsh Government will monitor the impacts of these Local Government Finance (Wales) Bill provisions as they come into effect and will use the flexibility provided to adapt the system as necessary.

## F. BIODIVERSITY IMPACT ASSESSMENT

### Embedding biodiversity

#### 1. How will your proposal integrate biodiversity into decision making?

Council tax is a local tax on the owner or occupier of domestic property (property used as living accommodation). It is based on property valuations and is applied in a consistent way across properties. As such, biodiversity is not an integral aspect of the decision-making in relation to the provisions in the Local Government Finance (Wales) Bill. The reforms will however help to maintain a stable local government finance system and local authorities may opt to use some of their resources to support biodiversity.

#### 2. Has your proposal ensured biodiversity is accounted for in business decisions?

The provisions in the Local Government Finance (Wales) Bill relating to council tax reform have not accounted for biodiversity in business decision making.

#### 3. How does your proposal improve understanding and raise awareness of the importance of biodiversity, encouraging others to act?

The provisions in the Local Government Finance (Wales) Bill relating to council tax reform do not improve understanding or raise awareness of the importance of biodiversity.

### Improving our evidence, understanding and monitoring

#### 4. Have you used the best available evidence of biodiversity to inform your proposal and this assessment?

Not applicable.

#### 5. Have you used up to date knowledge of the key impacts on biodiversity to make evidence-based decisions?

Not applicable.

#### 6. Can your proposal contribute to our body of knowledge for biodiversity?

Not applicable.

**Governance and support for delivery of biodiversity action**

**7. Can your proposal support biodiversity action in any way?**

Not applicable.

**8. Can your proposal help to build capacity for biodiversity action?**

Not applicable.

**9. Have you recorded decisions and actions to maintain and enhance biodiversity?**

Not applicable.

## G. SOCIO-ECONOMIC DUTY ASSESSMENT

### **What evidence has been considered to understand how the proposal contributes to inequalities of outcome experience as a result of socio-economic disadvantage?**

The Welsh Government is committed to reforming council tax to ensure a fairer and progressive system, with an aim to reduce the tax burden placed on people with lower wealth or people experiencing socio-economic disadvantage. The evidence base indicates that reforming and updating council tax is one of the most beneficial actions the Welsh Government can take to reduce wealth inequalities in Wales. The reforms have been designed to address inequalities by transferring liability from the households with least wealth to those with more and updating the system so that it more accurately reflects current property wealth rather than the position 20 years ago.

The programme of reform will be achieved by undertaking a full revaluation of the 1.5m domestic dwellings in Wales, introducing regular revaluations, reviewing the discounts, disregards, exemptions and premiums, and the Council Tax Reduction Scheme (CTRS), and improving administration and enforcement practices.

An exercise to revalue all 1.5 million residential properties in Wales to rebalance the system to reflect property values is underway. The tax-base in Wales was last valued in 2005 based on information from April 2003 and is nearly twenty years out-of-date. Because a revaluation will update everyone's bands, increases in individual property values will not necessarily result in a household's council tax bill increasing. The Welsh Government is clear that it is not aiming to raise more council tax revenue as a result of the revaluation.

The new system will aim to:

- Implement a less regressive tax burden on households;
- Use in-built regular updates to keep the tax fair in the future, using modern data-driven technology;
- Continue to fund vital services that benefit everyone, but helps those in need;
- Create a level of transparency that allows interaction with taxpayers; and
- Ensure that it remains a tax that connects people with local communities.

Regular council tax revaluations will help to safeguard the stability and effectiveness of the local government finance system to ensure services remain sustainable, effective, and robust for current and future generations. Such an outcome could improve the experiences for all service users, including those identified in this assessment.

A balance must be struck between reducing the liability falling on incomes for households experiencing socio-economic disadvantage and raising the council tax revenue needed to safeguard the local government finance system and the vital public services council tax contributes towards, including the police, education, and social services.

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

This impact assessment focuses on the parts of the reform programme that form provisions in the Local Government Finance (Wales) Bill 2024. These provisions are:

- Introduction of statutory regular revaluation cycles of the tax-base (at least every five years)
- Powers that enable changes to the labelling of any future band structure developed as part of a revaluation exercise
- To implement the outcomes of a review of the current discounts, disregards, exemptions and premiums arrangements as well as giving the Welsh Ministers the powers to amend, create, remove and change the arrangements in the future
- To implement the outcomes of a review of the current Council Tax Reduction Scheme (CTRS) and introduce flexibility to make in-year changes to the scheme
- .

The purpose of the provisions in the Local Government Finance (Wales) Bill are to help support a fairer distribution of the tax burden and modernise the operation of the tax system, while maintaining the delivery of public services supported by council tax revenue.

While property value remains a good indicator of relative wealth and ability to pay council tax, it is not perfect. The reviews of the Council Tax Reduction Scheme and of the range of discounts, exemptions, disregards and premiums which will take place while the Local Government Finance (Wales) Bill is in the Senedd, will ensure households who experience socio-economic disadvantage can access appropriate financial support.

Findings from the following sources informed the reforms:

- Programme for Government
- Co-operation agreement
- HM Land Registry
- Valuation Office Agency (VOA)
- Welsh Government commissioned research on reforming local government finance
- Welsh Government commissioned research on the impacts of revaluation on councils and households



- Welsh Government’s own economic analysis of wealth and incomes undertaken by the Welsh Treasury.

We consulted with stakeholders and members of the public on our broad proposals in our [Phase 1 Consultation – A Fairer Council Tax](#), including the provisions in the Local Government Finance (Wales) Bill. Responses from people experiencing socio-economic disadvantage and from those who act as advocates on their behalf, will be sought proactively as the policy detail is developed.

In particular, we will use various networks representing people of different backgrounds and people with protected characteristics to discuss the reform proposals.

The impact of this policy on individuals with protected characteristics has been considered in the Equalities Impact Assessment included in this document.

The following links provides evidence to the background of the decision to reform council tax and anticipated impacts.

[Phase 2 Consultation A Fairer Council Tax: Summary of Responses – Welsh Government, 2024.](#)

[Assessing the Welsh Government’s consultation on reforms to council tax – Institute for Fiscal Studies, 2023.](#)

[Public attitudes to council tax – Welsh Government, 2023.](#)

[Phase 1 Consultation A Fairer Council Tax: Summary of Responses – Welsh Government, 2022.](#)

[Public attitudes to council tax – Welsh Government, 2022.](#)

[Understanding the impact of Covid-19 on the Council Tax Reduction Scheme in Wales: Final Report – Policy in Practice, 2021.](#)

[Reforming Local Government Finance in Wales: Summary of Findings – Welsh Government, 2021.](#)

[A statistical revaluation of council tax subjects in Wales – University of Sheffield and the UK Collaborative for Housing Evidence \(CaCHE\), 2021.](#)

[Revaluation and reform of council tax in Wales: impacts on different councils and household types – Institute for Fiscal Studies, 2020.](#)

**How could the proposal potentially further exacerbate inequality of outcome experienced as a result of socio-economic disadvantage?**

Households experiencing socio-economic disadvantage may be more likely to live in lower-valued properties (including social housing) and to be tenants rather than homeowners. Some families or individuals at socio-economic disadvantage may live in properties of higher relative value, including those in larger homes (multigenerational households in particular). The Institute for Fiscal Studies ([IFS, section 4.2](#)) previously identified that some of these households may include people from ethnic minority groups or pensioners. We will continue to gather evidence of possible impacts through expert networks.

The Local Government Finance (Wales) will allow the Welsh Ministers to update the existing support mechanisms, including the Council Tax Reduction Scheme and the range of discounts, disregards and exemptions, to ensure they remain effective for people experiencing socio-economic disadvantage.

Some households could see increases in their council tax bills as a result of regular revaluations, and some households would see decreases in council tax. The introduction of regular revaluations, taking place every five years, could also cause increased uncertainty for people at a socio-economic disadvantage. Some feedback from our [Phase 1 Consultation](#) highlighted how taxpayers could be “permanently worried about the bills being raised to unaffordable levels”. Research by the University of Sheffield and CaCHE also noted that “there is danger that periods of instability...could result in greater short-term distortions to the distribution of dwellings by council tax band”. However, provisions in the Local Government Finance (Wales) Bill will allow the Welsh Ministers to update, create or remove discounts, disregards and exemptions, and to make in-year changes to the Council Tax Reduction Scheme. Having a responsive system of support could help to mitigate negative impacts for such households.

#### **How could the decision potentially improve outcomes for those who experience socio-economic disadvantage?**

The evidence and experts agree delivering a reformed council tax is one of the most beneficial actions the Welsh Government can take to reduce wealth inequalities. Statistical research by the [University of Sheffield](#) and CaCHE showed that “the tax burden is much higher at lower bands both in terms of proportion of property capital value, and proportion of income of resident households”.

Households from lower socio-economic backgrounds may also be more likely to depend on public services than others. The Local Government Finance (Wales) Bill aims to safeguard the stability and effectiveness of the local government finance system to ensure these services remain sustainable, effective, and robust for current and future generations. Such an outcome could improve the experiences for service users, including

those from disadvantaged socio-economic backgrounds. Please see the other impact assessments for further consideration of the impacts on the different groups.

The University of Sheffield and CaCHE commented that “failure to revalue frequently acts to increase the regressivity of the tax”. A system of more regular revaluations, with the flexibility to amend, reschedule or cancel a property revaluation exercise will help to mitigate against significant shifts in council tax bills in the future. This may provide some security for people at socio-economic disadvantage.

The reviews of the Council Tax Reduction Scheme and the discounts, disregards and exemptions which will be carried out alongside the Local Government Finance (Wales) will aim to ensure that the systems remain fit for purpose and are utilised in a pragmatic way to best support those who need it. Improving the flexibility of these systems – e.g. by introducing the power to make in-year changes to the Council Tax Reduction Scheme and for the Welsh Ministers to update, create or remove discounts, disregards and exemptions – will allow the Welsh Government to consider what actions can be taken to alleviate the financial pressures on households. This means that people at socio-economic disadvantage will be well supported, now and in the future. The Local Government Finance (Wales) Bill provisions align with the priorities across portfolios and would help meet a number of the seven wellbeing goals, most directly: a resilient Wales, a prosperous Wales and a more equal Wales.

#### **How will you monitor the impact of this decision?**

The Welsh Government has created a robust evidence and research plan to monitor the impacts of council tax reform. This includes academic research, internal government analysis, extensive administrative data, and the outcomes of public consultations as well as regular stakeholder engagement. The Phase 1 consultation was informed by, amongst other things, extensive research undertaken by the Institute for Fiscal Studies in the published report [Revaluation and reform of council tax in Wales](#), which identified how a revaluation could affect taxpayers under different reform options.

A further report published by the IFS, [“Assessing the Welsh Government’s consultation on reforms to council tax”](#), informed the Phase 2 consultation. The IFS has assessed the associated impact of alternative tax structures on Welsh households in relation to incomes and family types.

The Valuation Office Agency (VOA) has provided data on council tax revaluations to enable the Welsh Government to conduct in-depth analysis of the impact on households that are likely to experience changes in their bills, and other changes as a result of reforms. This data helps officials and the Welsh Ministers to identify which types of households might be adversely impacted by a revaluation and to inform appropriate action. This information may also be used to design transitional arrangements where required.

Statistics on council tax discounts, disregards and exemptions are published annually by [StatsWales](#). The Welsh Government also publishes an annual [Council Tax Reduction Scheme report](#). We will use these mechanisms to monitor the effects of the provisions in the Local Government Finance (Wales) Bill after implementation.

The Welsh Government will consider what further services or analysis can be utilised to evaluate the success of any council tax reforms implemented.