



## **FULL COUNCIL MEETING**

**5.30 PM WEDNESDAY, 2ND MARCH, 2022**

Please note that this supplement only contains response papers that have been provided by the responsible departments.

Anyone requiring information should contact the Democratic Services Department on (01685) 725203 or [democratic@merthyr.gov.uk](mailto:democratic@merthyr.gov.uk)

4. To apply a Fixed Percentage Tax Rate to updated (continuous) Property Values but retaining existing Discounts, Premiums and Exemptions as Proportional Reductions or Additions to this Fixed Rate Tax **3 - 8**

This page is intentionally left blank



Civic Centre, Castle Street,  
Merthyr Tydfil, CF47 8AN

Canolfan Ddinesig, Stryd y Castell,  
Merthyr Tudful, CF47 8AN

Tel/Ffôn: (01685) 725000

[www.merthyr.gov.uk](http://www.merthyr.gov.uk)

Cyngor Bwrdeistref Sirol  
**MERTHYR TUDFUL**  
**MERTHYR TYDFIL**  
County Borough Council

Rebecca Evans MS  
Minister for Finance and Local Government  
Welsh Parliament  
Cardiff Bay  
Cardiff  
CF99 1SN

Date/Dyddiad: 12<sup>th</sup> July 2022

Please ask for/*Gofynnwch am:*

e-mail/*e-bost:*

Dear Minister,

## **Council Tax Reform**

I refer to a 'Notice of Motion' approved at a full Council meeting of Merthyr Tydfil County Borough Council on 2<sup>nd</sup> March 2022 (copy attached).

The 'Notice of Motion' approved unanimously by Council proposed "*The 151 Officer supported by the Chief Executive Officer and Leader of the Council will send a joint Communication to Rebecca Evans MS Senedd Finance Minister to inform Welsh Government of our preference for Council Tax and Revenue Support Grant Reform*".

Following your meeting with Council Leaders on the 29<sup>th</sup> June 2022 to discuss council tax reform and your address at the Society of Welsh Treasurers Development Day on 1<sup>st</sup> July 2022, this is considered the opportune time to action the Council approved 'Notice of Motion'.

The proposal within the 'Notice of Motion' is based on the Institute of Fiscal Studies (IFS) research included within the Welsh Government publication of February 2021, '*Reforming Local Government Finance in Wales : Summary of Findings*'. This research modelled a number of possible options for improving the progressiveness of council tax.

The Council in approving the 'Notice of Motion' supports the IFS Council Tax Reform option relating to a 'Continuous and Proportional System' removing the current banding structure and applying a fixed tax rate as a percentage of property values, but retaining existing discounts, premiums and exemptions.

Based on the IFS modelling, adoption of the 'Continuous and Proportional System' option for reform, would result in a 24% reduction in the tax base for Merthyr Tydfil, adversely impacting upon the Council's revenue-raising ability. To offset this negative impact however, the IFS model suggests counter changes in the distribution of the Revenue Support Grant (RSG), resulting in a process of resource equalisation.

Under the 'Continuous and Proportional System', it is projected that changes in grant funding to fully offset changes in tax bases would lead to an additional £4.6 million (4.2%) RSG for Merthyr Tydfil. In addition, it is projected that Merthyr Tydfil would experience the highest reduction in average council tax bills (circa 20%) reflecting its status as one of the Local Authorities with the lowest average property values in Wales. As a result, the average net council tax bill for Merthyr Tydfil is estimated to fall by £200 under the 'Continuous and Proportional System'.

In contrast, if Council Tax reform takes the form of a 'Pure Revaluation', using updated property values to assign properties to council tax bands, the average net council tax bill for Merthyr Tydfil is projected to increase by £7.

In conclusion, the Council supports a more progressive Council Tax system, one which reflects the IFS modelled 'Continuous and Proportional System'. This would narrow gaps in property values between high-price and low-price parts of Wales, acting to reduce geographical wealth inequality. For example, it is projected that average property values in Merthyr Tydfil would increase by circa £9,900. In addition, a projected reduction in the net council tax bill of £200 would be most welcome when Merthyr Tydfil's council tax is currently the second highest in Wales.

Your urgent consideration of the Council's position is respectfully requested as a more progressive council tax system would undoubtedly be of significant benefit to the residents of the County Borough of Merthyr Tydfil.

Yours sincerely

Cllr Geraint Thomas  
Leader, Merthyr Tydfil CBC

Ellis Cooper  
Chief Executive

Steve Jones  
Chief Finance Officer

MERTHYR TYDFIL COUNTY BOROUGH COUNCIL

**NOTICE OF MOTION**

Except for motions which can be moved without notice under Rule 4.01.13 of the Constitution, written notice of every motion signed by at least two Councillors must be delivered to the Proper Officer not later than 12 noon, eight working days before the date of the meeting. These will be entered in a book open to public inspection.

COMMITTEE	FULL COUNCIL	DATE	21/02/2022
DATE RECEIVED	18/2/2022	SUBMITTED BY	Cllr Andrew Barry

**MOTION:**

*The Community Independent Group request Merthyr Tydfil CBC petition Welsh Government to apply a fixed percentage tax rate to updated (continuous) property values but retaining existing discounts, premiums and exemptions as proportional reductions or additions to this fixed tax rate*

*This will be a revaluation with a continuous and proportional system - remove the banded structure and apply a fixed proportional tax rate to the exact estimated value of each property*

*We require a commitment from Welsh Government to begin implementation of a revaluation with a continuous and proportional system by April 2023 - 20 years after the last revaluation*

*A move toward a proportional Council tax system would involve revaluation that will bring an estimated reduction to the average net council tax bill in Merthyr Tydfil (Band D) of between £180 and £200 per annum under the proportional options*

*As the Institute for Fiscal Studies has identified Council Tax reform in isolation will be difficult it will need the associated equitable reforms and guarantees by the mechanisms that produce the Revenue Support Grant (RSG) reviewed along the same timeline*

*If Welsh Government are to maintain this type of equalisation following revaluation and reform it will need to adjust the RSG it provides to reflect the resulting changes in tax bases increasing the RSG for those whose tax bases fall such as Merthyr and reducing it for those whose tax bases rise*

*This needs to be communicated by way of representation to Welsh Government's Minister for Finance Rebecca Evans MS by the Leader of the Council Chief Executive Officer and by our 151 Officer at the Directors of Finance (151) Officers meetings to relate the magnitude and urgency of the change required and the response will be fed back to all Members of this Council the results of which will benefit the residents of Merthyr Tydfil for years to come*

**Councillor Names:**

<b>Cllr. Andrew Barry</b>	<b>7th February 2022</b>
<b>Cllr. Kevin O'Neill</b>	<b>7th February 2022</b>
<b>Cllr. Declan Sammon</b>	<b>7th February 2022</b>
<b>Cllr. John Thomas</b>	<b>7th February 2022</b>
<b>Cllr. David Hughes</b>	<b>7th February 2022</b>



Ein cyf/Our ref: RE-00581-22

Steve Jones

19 July 2022

Dear Steve,

Thank you for your letter regarding a Notice of Motion approved at a full Council meeting of Merthyr Tydfil County Borough Council in March.

The Welsh Government is committed in its [Programme for Government 2021 to 2026](#) and [The Co-operation Agreement: 2021](#) to a fairer and more progressive council tax. This important commitment will contribute to a fairer Wales, and is based on [detailed explorative work](#), a summary of which was published in February 2021. Council tax provides a significant annual revenue stream of £2bn which helps to fund some of our most essential local public services – educating our children, caring for our loved ones, keeping communities safe, and recycling our waste, to name a few. While it has many advantages as an efficient local tax, we believe the system could be more progressive in its design and that it could be modernised, having existed in its current form since 1993.

I want to ensure the contributions made by the people of Wales are applied as fairly as possible, and better aligned to household wealth and economic circumstances. On 7 December, I [outlined](#) an ambitious package of reforms as the starting point to creating a fairer system, focussing on what is achievable in this Senedd term. A Phase 1 consultation was [launched](#) on 12 July and will run until 4 October 2022. As part of my approach to engagement, I met Leaders and Finance Cabinet Members on 29 June to provide an update on the progress of this important work prior to the consultation launch.

The consultation seeks broad views on a revaluation of the tax-base in Wales, which is currently based on property values from 2003, now almost twenty years out of date. The consultation also seeks views on improving our national Council Tax Reduction Scheme which supports low-income households and reviewing the various arrangements for discounts and exemptions to ensure they remain aligned to our priorities.

The reforms we are seeking views on are significant undertakings which will involve considerable preparatory work. However, as we face continued economic instability, rising inequality and a climate change emergency, we need to ensure the arrangements for council tax are resilient and protect funding for our public services whilst striving for a fairer Wales.

I note the proposal within the Notice of Motion is based on the research commissioned by the Welsh Government from the Institute for Fiscal Studies. The motion supports the IFS option of a continuous and proportional system, removing the bands and applying a fixed tax rate as a percentage of property value. I agree reform of this nature would help to make council tax less regressive in the context of property value. Nevertheless, reforming the bands can also achieve positive effects and is achievable in the shorter term.

A proportional rate council tax, or 'point value' system would be a fundamental change in approach, requiring substantial new legislation, an amended valuation function and the creation of a larger more detailed appeals framework. It would also require us to consider whether rates should be set centrally or locally within such a system, and this is something which I am not considering within the scope of the Phase 1 consultation.

The Summary of Findings concluded that moving towards such a system is not achievable within the current Senedd term and would probably require work over two Senedd terms. Given the length of time since the last revaluation, it is also preferable to conduct an initial revaluation to reconfigure bands and tax rates prior to moving to any point value system. The IFS report also proposes options which reach a less regressive band structure, including adding bands, which could come close to the effects of a proportional system without removing the bands altogether.

However, I would like to reassure you that moving towards a point value system in the future has not been ruled out and I have been clear that any decisions taken now should leave open options for more substantial reform for the future.

Our comprehensive system of council tax support does much to balance out where bands may be less progressive. We will ensure those elements of the system continue to target support to people who need it most.

Finally, I will continue working with you through the Partnership Council for Wales and its subgroups on the proposals as they develop. I would encourage everyone who wishes to provide views to do so by responding to the [consultation here](#) before the closing date of 4 October 2022.

Yours sincerely,

**Rebecca Evans AS/MS**

Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government