



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

Date/Dyddiad: 12th 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 2nd 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 29th June 2022 to discuss council tax reform and your address at the Society of Welsh Treasurers Development Day on 1st 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 Tudful
... lle i fod yn falch ohono

Merthyr Tydfil
... a place to be proud of

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 Officers 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:

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