

Rebecca Evans AS/MS
Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad
a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-RE-5685-24

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

2 July 2024

Dear Peredur,

Local Government Finance (Wales) Bill

I am writing to inform you that an updated Explanatory Memorandum has been published ahead of stage 3 proceedings for the Local Government Finance (Wales) Bill, and a copy has been included with this letter.

You will be aware that I accepted all of the Finance Committee's stage 1 recommendations, some of which required revisions to the Explanatory Memorandum. These are as follows:

In relation to recommendation 4, changes have been made to Table 8.2, paragraphs 8.91, 8.92 and 8.128 to address inconsistencies identified by the committee in paragraph 53 of your report. All other relevant figures quoted in the RIA have also been reviewed and updated to ensure consistency between the text and tables.

In relation to recommendation 5, paragraph 8.15 of the RIA has been updated with additional information about the potential implications if the non-domestic rating revaluation cycles in Wales diverged from that in England.

In relation to recommendations 6 and 7, paragraphs 8.125 to 8.127 of the RIA have been updated to clarify the estimated cost to ratepayers of compliance with the new duties to provide information to the Valuation Office Agency and provide further information about timing implications of the delivery of the associated online service.

A number of government amendments were made to the Bill at stage 2 which have also required changes to the Explanatory Memorandum. In particular, the committee will note

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

that as a result of the government amendment which brings forward the start of council tax revaluation cycles from 2030 to 2028, two revaluation cycles will now take place over the RIA's 10-year analysis period, rather than one cycle under the original provision. The total estimated costs in the RIA have been updated from £59 million in the version published at introduction to £106 million in the revised version to reflect this change, and other minor changes.

A number of other revisions have also been made to the Explanatory Memorandum to reflect government responses to recommendations made by the Local Government and Housing Committee and the Legislation, Justice and Constitution Committee. All of the revisions made to the Explanatory Memorandum are listed in Annex A below.

I hope you find this information useful.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS

Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office

Annex A

Local Government Finance (Wales) Bill – Revisions made to EM/RIA to reflect government responses to stage 1 recommendations from the Local Government and Housing Committee

Recommendation	Government response	Revisions to EM/RIA
<p>Recommendation 2: The Welsh Government should amend the Bill to include a requirement for a statutory review to be undertaken on the use of powers under sections 5 [NDR reliefs], 9 [NDR exemptions], 10 [NDR multipliers], 13 [NDR avoidance] and 18 [CT discounts] of the Bill. The review should be undertaken before the end of the Seventh Senedd and should include:</p> <ul style="list-style-type: none"> • An assessment by the Welsh Ministers of alternative legislative mechanisms for making changes to Welsh legislation in the context of NDR reliefs, exemptions, multipliers, anti-avoidance provisions and council tax discounts; and • A requirement to consult the Senedd. 	<p>ACCEPT IN PRINCIPLE. Rather than include a commitment to undertake a statutory review on the face of the Bill, the Government will amend the Explanatory Memorandum after stage 2 to include a commitment to undertake a post-implementation review of the operation and impact of this legislation before the end of the Seventh Senedd. This will include consideration of the relevant subordinate legislation making powers in the Bill.</p>	<p>Revisions have been made to paragraph 11.5 of Chapter 11 of the Explanatory Memorandum, to include the commitment to undertake the post-implementation review set out in response to the stage 1 recommendation from the committee.</p>

Local Government Finance (Wales) Bill – Revisions made to EM/RIA to reflect government responses to stage 1 recommendations from the Finance Committee

Recommendation	Government response	Revisions to EM/RIA
<p>Recommendation 4: The Committee recommends that the Minister reviews the points raised around inconsistencies in the RIA noted in this section, with a view to clarifying the information identified in a revised RIA.</p>	<p>ACCEPT We thank the committee for bringing these to our attention. We will review and ensure the figures are consistent. A revised RIA will be provided ahead of stage 3.</p>	<p>Changes have been made to Table 8.2; paragraph 8.128 and paragraphs 8.91 and 8.92 to address inconsistencies identified by the committee in paragraph 53 of your report. All other relevant figures quoted in the RIA have also been reviewed and updated to ensure accuracy and consistency between the text and tables.</p>
<p>Recommendation 5: The Committee recommends that the</p>	<p>ACCEPT The RIA explains that, at the present time, it is not possible</p>	<p>Additional information has been included in paragraph 8.15 of the RIA. Divergence</p>

Recommendation	Government response	Revisions to EM/RIA
<p>Minister provides information on the risks and cost implications for Wales in diverging from England in terms of the timing of its non-domestic rates revaluations, and for this information to be included in a revised RIA.</p>	<p>to fully quantify the costs and risks which would arise from divergence. It is, however, possible to provide further information on the resourcing implications for the Valuation Office Agency ('VOA') and high-level risks. Additional details will be included ahead of stage 3.</p>	<p>with England in relation to the revaluation cycle would lead to an increase in resource requirements in all valuation areas in Wales. The VOA's estimates indicate an additional cost of around £1m per revaluation cycle. Valuations of some property types may be less robust, leading to appeals and rateable value loss.</p>
<p>Recommendation 6: The Committee request further information on the total cost to ratepayers of the new duty to supply up-to-date information to the VOA, in particular, whether the £35 and £20 cost per ratepayer is in addition to the costs currently estimated for relevant activity, and for this information to be included in a revised RIA.</p>	<p>ACCEPT. The figures represent an average estimate of the additional costs of compliance. Actual costs will depend on individual circumstances. For some ratepayers, the costs of complying with the new duty will not represent new or additional costs compared to those incurred on the current system. This information will be included in the revised RIA ahead of stage 3.</p>	<p>The requested information, as described in response to the committee during stage 1, has been included in paragraph 8.126 of the RIA.</p>
<p>Recommendation 7: The Committee recommends that the Minister provides further information on the potential costs and risks associated with the VOA's new online system. This should include when it will be implemented and the risks of any potential delays in implementation to ratepayers complying with the new requirements to provide information, and for this information to be included in a revised RIA.</p>	<p>ACCEPT. The completion of a revaluation in 2026 is not dependent on the launch of the online system, as the VOA is already preparing to undertake that exercise under current arrangements. The system is intended to ensure the sustainability of more frequent revaluations over the longer-term. There is no risk to ratepayers associated with the timing of launch, because the duties will only be brought into force when the Welsh Government and the VOA are satisfied that ratepayers can reasonably be expected to comply. This information will be included, alongside the estimated costs already provided, in the revised RIA ahead of stage 3.</p>	<p>Paragraph 8.125 of the RIA has been updated to clarify that the VOA cost profile for the online system is based on an assumption that it will launch during 2026-27. This is subject to confirmation as the programme progresses.</p> <p>Paragraph 8.127 of the RIA has been updated to provide the additional explanation and clarification, provided in response to the committee during stage 1, about the timing implications of the delivery of the online service.</p>

Local Government Finance (Wales) Bill – Revisions made to EM/RIA to reflect government responses to stage 1 recommendations from the Legislation, Justice and Constitution Committee

Recommendation	Government response	Revisions to EM/RIA
Recommendation 13: The Minister should clarify which scrutiny procedure will apply to regulations made under section 13(1) of the Local Government Finance Act 1992 ('the 1992 Act') (as amended).	Regulations made under section 13(1) of the 1992 Act will be subject to the negative procedure as already provided in the 1992 Act. Table 5.1 in the Explanatory Memorandum will be amended to reflect this position.	Table 5.1 in the Explanatory Memorandum has been amended.

Local Government Finance (Wales) Bill – Revisions made to EM/RIA to reflect stage 2 government amendments

Government amendment	Impact of amendment	Revisions to EM/RIA
Government amendment 1: Section 14, page 24, line 22, after 'paragraphs', insert '1(2)'.	This amendment ensures that the affirmative procedure continues to apply to an existing regulation-making power relating to the setting of the daily chargeable amount for unoccupied hereditaments before any reliefs are applied.	The only change required is a minor update made to reflect the effect of the amendment in the Keeling Schedule for section 143A(5)(i) of the Local Government Finance Act 1988 ('the 1988 Act').
Government amendment 2: Section 21, page 33, line 27, leave out '2029' and insert '2027'.	This amendment replaces a reference to the year 2029 with a reference to 2027. This will change the latest year by which the Welsh Ministers may, under existing legislative powers, specify as the year when the next council tax valuation list is to be compiled. The intention is for five-yearly council tax revaluation cycles to begin in 2028.	The Explanatory Notes have been updated in relation to section 21 'Procedure for the compilation of valuation lists' to replace a reference to the year 2029 with a reference to 2027. The Keeling Schedule, particularly new subsections (3A) to (3C) within section 22B of the 1992 Act, have also been updated in this respect.
Government amendment 3: Section 21, page 33, line 31, leave out '2030' and insert '2028'.	This amendment changes a reference to the year when the five-yearly council tax revaluation cycles will begin under the provisions of the Local Government Finance (Wales) Bill, from 2030 to 2028.	References to 2030 have been changed to 2028 throughout the Explanatory Memorandum, and information provided outlining the Phase 2 consultation outcome. The

Government amendment	Impact of amendment	Revisions to EM/RIA
		<p>paragraphs and tables amended are as follows:</p> <p>Paragraphs - 3.95; 4.9 – 4.13; 8.154; 8.162 – 8.166; 8.168 – 8.169; 8.173; 8.175 – 8.177; 8.180; 9.26; 12.9 – 12.10; & 12.17.</p> <p>Tables - RIA Summary Table at pp.48 – 49; Tables 8.8 – 8.12; Table 8.14; Tables 12.3; 12.4 & 12.6.</p>
<p>Government amendment 4: Section 24, page 36, line 11, after '25', insert 'and paragraph [first sub-sub-paragraph to be inserted by amendment 6] of the Schedule (and section 15 in so far as relating to paragraph [first sub-paragraph to be inserted by amendment 6])'.</p>	<p>This amendment will ensure that the sub-paragraph which will enable the Welsh Ministers to provide a right to appeal to the Upper Tribunal in respect of decisions made by the Valuation Tribunal for Wales in the context of appeals under paragraphs 5C and 6AA of Schedule 9 to the 1988 Act will come into force on the day after the day of Royal Assent for the Bill.</p>	<p>The Explanatory Notes, particularly in relation to section 15 of, and Schedule 1 to, the Bill, which make minor and consequential amendments relating to Part 1, have been revised to reflect the coming into force date of the sub-paragraph which will enable the Welsh Ministers to provide a right to appeal to the Upper Tribunal in respect of decisions made by the Valuation Tribunal for Wales in the context of appeals under paragraphs 5C and 6AA of Schedule 9 to the 1988 Act.</p>
<p>Government amendment 5: Schedule 1, page 42, after line 12, insert— 'Local Government and Rating Act 1997 (c. 29) [] (1) The Local Government and Rating Act 1997 is amended as follows. (2) In Schedule 3, omit paragraph 23.'</p>	<p>This amendment will add a reference to paragraph 23 of Schedule 3 to the Local Government and Rating Act 1997 to the Schedule to the Local Government Finance (Wales) Bill.</p>	<p>The Explanatory Notes, particularly in relation to section 15 of, and Schedule 1 to, the Bill, which make minor and consequential amendments relating to Part 1, have been revised to reflect the addition to the Schedule to the Bill the reference to paragraph 23 of Schedule 3 to the Local Government and Rating Act 1997 (for the purpose of</p>

Government amendment	Impact of amendment	Revisions to EM/RIA
		<p>repealing that spent provision which relates to time limits on discretionary NDR reliefs which will no longer apply to Wales as a result of the Local Government Finance (Wales) Bill).</p> <p>The Keeling Schedule also illustrates the change to the Local Government and Rating Act 1997.</p>
<p>Government amendment 6:</p> <p>Schedule 1, page 44, after line 27, insert— ‘ () after paragraph 11(1) insert— “(1A) Regulations under paragraph 1 may also include provision that an appeal lies to the Upper Tribunal in respect of a decision or order given or made by a tribunal established under that paragraph on an appeal under paragraph 5C or 6AA of Schedule 9.”; () in paragraph 11, in subparagraph (1A) (as inserted by subparagraph [first subparagraph to be inserted by this amendment]) before “5C or 6AA” insert “5BB, 5BE, ”.’</p>	<p>Amendment 6 will ensure that regulations may provide for rights of appeal to the Upper Tribunal, where ratepayers are subject to a penalty for failure to comply with requirements to provide information to the VOA, HMRC and local authorities. The intention is to enable consistency across similar duties on ratepayers within the NDR system, including those introduced by section 12 of the Bill.</p>	<p>Table 5.1 (Summary of powers to make subordinate legislation) of the Explanatory Memorandum has been updated to include this amendment.</p> <p>The Explanatory Notes, particularly in relation to section 15 of, and Schedule 1 to, the Bill, which make minor and consequential amendments relating to Part 1, have been revised to reflect the amendment to paragraph 11 of Schedule 11 to the 1988 Act which relates to rights of appeal from the Valuation Tribunal for Wales to the Upper Tribunal in respect of decisions made by local authorities, VOA or HMRC.</p> <p>The Keeling Schedule also illustrates the changes to Part 3 of Schedule 11 to the 1988 Act.</p>
<p>Government amendment 7:</p> <p>Schedule 1, page 44, line 36, after ‘(e)’, insert ‘, (3)(b)(i) and (6)’.</p>	<p>This amendment will add section 151(3)(b)(i) and (6) of the Local Government and Elections (Wales) Act 2021 to the list of provisions omitted by this Bill. The effect of this amendment is to include provisions previously inserted into the 1988 Act in respect of penalties for failing to provide information to valuation officers, but which</p>	<p>The Explanatory Notes, particularly in relation to section 15 of, and Schedule 1 to, the Bill, which make minor and consequential amendments relating to Part 1, have been revised to reflect the fact that these provisions no longer apply in Wales.</p>

Government amendment	Impact of amendment	Revisions to EM/RIA
	are superseded by new provisions in this Bill, in the Schedule so that they will no longer apply in Wales.	The Keeling Schedule also illustrates the change to the Local Government and Elections (Wales) Act 2021.
<p>Government amendment 8:</p> <p>Schedule 1, page 45, after line 9, insert— ‘() in paragraph 11, in sub-paragraph (1A) (as inserted by paragraph [first sub-paragraph to be inserted by amendment 6] of this Schedule) after “on an appeal under” insert “section 63L or”.’.</p>	<p>This amendment will enable regulations to provide for a right of appeal to the Upper Tribunal, in relation to a liability notice imposed to counteract an artificial avoidance arrangement.</p>	<p>Table 5.1 (Summary of powers to make subordinate legislation) of the Explanatory Memorandum has been updated to include this amendment.</p> <p>The Explanatory Notes, particularly in relation to section 15 of, and Schedule 1 to, the Bill, which make minor and consequential amendments relating to Part 1, have been revised to reflect the right of appeal for ratepayers to the Upper Tribunal in relation to a liability notice imposed to counteract an artificial avoidance arrangement.</p> <p>The Keeling Schedule also illustrates the changes to Part 3 of Schedule 11 to the 1988 Act.</p>