

Limit the Welsh Councils to a maximum increase of 2% on Council tax each year

Y Pwyllgor Deisebau | 10 Mawrth 2025
Petitions Committee | 10 March 2025

Reference: SR2510747-3

Petition Number: P-06-1508

Petition title: Limit the Welsh Councils to a maximum increase of 2% on Council tax each year

Text of petition: Limit the Welsh Councils to a maximum increase of 2% on Council tax each year, starting in April 2025. The increase in council tax in 2024 was too high for the people of Wales, and to increase Council tax again by above inflation is not a fair increase for the people of Wales.

1. Background

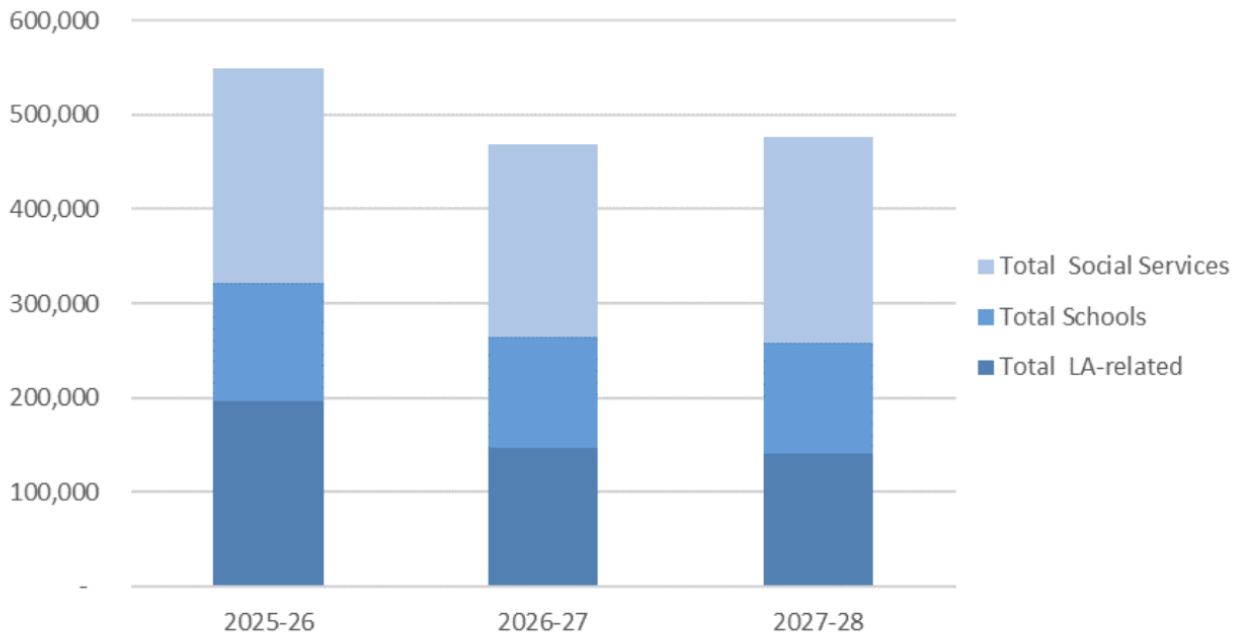
The Welsh Government provides the majority of local government funding through the Revenue Support Grant (RSG) and redistributed Non-Domestic Rates (NDR). For 2025-26, local authorities, through the provisional local government settlement, will receive around £6.1 billion from the Welsh Government in core revenue funding and non-domestic rates. The Welsh Government has also allocated over £1.1 billion in specific grants, and over £1 billion in capital funding.



The remaining funds needed to support local services are raised by local authorities themselves. The most significant element is council tax, but there are also a number of other income streams for local authorities, such as discretionary charges for leisure services, parking and trade waste.

Local authorities have recently consulted on how much to increase their council tax for 2025-26 to make up some of the estimated funding shortfalls. The Welsh Local Government Association (WLGA) in its [written evidence on the Welsh Government’s Draft Budget 2025-26](#) has estimated funding pressures in excess of £550 million for Welsh local authorities in the next financial year. The WLGA illustrated in its evidence the budget pressures, by service, faced by local authorities over the next three years:

Budget pressures by service, 2025-26 to 2027-28, £000



Source: SWT Survey 2024

2. Average council tax increases

Average Band D council tax for Wales increased in 2024-25 by [£122 \(7.8%\) over the previous year](#). Police increases averaged 7.1% (£23). These increases combined produce an average band D rise of 7.7% (or £145). This provided for the highest combined increase in average Band D rates since 2019-20 when there was an average Band D rise of 6.6% (£99).

Between 2018-19 and 2024-25, the average Band D combined rate (council tax and police) has increased by a little under 36%, and over a period of a decade (between 2015-16 and 2024-25), it has increased by over 50%.

3. Council tax limits and the legislative framework

The Welsh Ministers do currently have powers to limit (cap) excessive increases in the budget requirement of local authorities in Wales. However, the Cabinet Secretary for Finance and Welsh Language, Mark Drakeford MS notes in his response to the petition that ‘the Welsh Government has respected the autonomy of local authorities and has not sought to cap or limit council tax in Wales since devolution’.

The Cabinet Secretary’s response goes on to state that the:

Welsh Government channels as much of the available funding as possible into the unhypothecated Local Government Settlement so that local authorities have greater flexibility in allocating funding according to local priorities.

3.1. Legislative framework to limit excessive increases

The relevant legislation is the Local Government Finance Act 1992 (“the LGFA 1992”).

Section 52B of the LGFA 1992 gives Welsh Ministers the power to take action against a local authority if they consider that the budget requirement set out by the local authority for the upcoming year is ‘excessive’.

A “budget requirement” is the amount equal to how much the local authority’s expected spending (i.e. expenditure incurred during the year in performing its functions, grant monies that will have to be repaid to Welsh Ministers, allocation of funds to financial reserves and contingencies) exceeds its expected income (i.e. monies which the authority expects to receive that year, subject to certain exceptions).

Section 52B provides that they must produce a set of principles that will be used to determine whether the budget requirement is excessive. It also provides that

these principles must (as a minimum) contain a comparison of the budget requirement for the year under consideration with that of an earlier year.

Section 52C provides that the Welsh Ministers may publish a report which sets a “notional amount” for a local authority’s budget, to be used as the basis of any comparison between the year under consideration and any previous year. Notional amounts may be set by the Welsh Ministers in certain circumstances such as where there has been a change in function or boundary – thereby allowing a valid comparison can be made with the budget requirement for the year under consideration. It may also be used to set a notional amount where there was no budget requirement set for an earlier year.

Following determination using the principles required by section 52B, if the Welsh Ministers are of the opinion that the amount calculated by an authority as its budget requirement for the year is excessive, section 52D enables the Welsh Ministers to “designate” or “nominate” the local authority in question.

3.2. Designated Local Authorities

Section 52E provides that if a local authority is *designated*, the Welsh Ministers must notify the authority of the amount which they propose should be the maximum amount calculated by the local authority as its budget requirement of the year, and set out the maximum amount which the Welsh Ministers propose the authority could calculate as its budget requirement for the year without the amount calculated being excessive.

The local authority can then either:

- accept the designated maximum amount provided by the Welsh Ministers; or
- challenge the decision of the Welsh Ministers.

If an unsuccessful challenge to the maximum amount is made by the local authority, the Welsh Ministers are able to issue a mandatory order to the local authority to ensure that the authority complies.

3.3. Nominated Local Authorities

Section 52L provides that if a local authority is *nominated*, the Welsh Ministers must notify the authority of the amount which they would have proposed as the

target amount of budget requirement for the year under consideration if they had *designated* the authority.

After a local authority has been nominated, the Welsh Ministers can decide whether to:

- *designate* the authority (following the procedure in section 52E outlined above); or
- determine an amount that they propose should be the notional amount calculated by the authority as its budget requirement for the year.

If the local authority receives notification from the Welsh Ministers of a proposed amount, the authority has 21 days to either:

- accept the amount proposed by the Welsh Ministers; or
- challenge the proposed amount and request that the Welsh Ministers reconsider their determination.

If the amount proposed is challenged by the local authority and the reasons given for the challenge are agreed with, the Welsh Ministers may reconsider their decision.

3.4. Interpretation of the legislation

While the provisions in Chapter IVA of the LGFA 1992 do not specifically mention council tax, the title of the chapter which they fall under is called “Limitation of Council Tax and Precepts”. A [House of Commons Briefing Paper on Council tax capping](#) published in 2004 (specifically Chapter III) provides some background as to why this section of the legislation provides Ministers with the power to cap council tax.

Welsh Ministers have in the past outlined how they might be prepared to use the powers available to limit increases in council tax if these were deemed excessive. For example, in her [statement on the Provisional Local Government Settlement for 2014-15](#) (16 October 2013), the then Minister for Local Government (Lesley Griffiths MS), said:

In enabling Local Authorities to make local decisions about council tax, I am offering them flexibilities in managing their budgets which are not available to their counterparts in England where restrictive freezes apply. However, I have made it very clear I am prepared to use capping powers available to me in the event of excessive increases.

A similar statement was made in 2015 by the then Minister for Public Services, Leighton Andrews AM, stating in his [letter accompanying the Final Local Government Settlement 2015-16](#):

I am prepared to use the capping powers available to me should I consider any proposed increase in council tax to be excessive. I also expect every authority to take account of all the available funding streams in considering service provision and setting its budget and Council Tax.

Despite this, in his response to this petition, the position of the current Cabinet Secretary for Finance and Welsh Language is that the Welsh Government has a “relationship with local government based on collaboration and mutual respect” and that:

we consider the setting of budgets and council tax is an essential aspect of local democracy.

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.