

Department for Communities and Local Government



Local Government
Finance (England)

Referendums Relating to Council Tax Increases (Alternative Notional Amounts) (England) Report 2017/18

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Presented to the House of Commons pursuant to section 52ZE of the
Local Government Finance Act 1992 as amended by Schedule 5 to the
Localism Act 2011

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Introduction: legislative background

1. Under section 52ZB of the Local Government Finance Act 1992¹ (“the 1992 Act”) each billing authority², major precepting authority and local precepting authority in England is required to determine whether its relevant basic amount of council tax³ for a financial year (“the year under consideration”) is excessive. Such a determination must be made as soon as is reasonably practicable after council tax referendum principles determined by the Secretary of State under section 52ZC of the 1992 Act have been approved by the House of Commons.
2. The principles determined by the Secretary of State under section 52ZC must include a comparison between –
 - the authority’s relevant basic amount of council tax for the year under consideration; and
 - the authority’s relevant basic amount of council tax for the immediately preceding financial year⁴.
3. Under section 52ZE of the 1992 Act the Secretary of State has power in relation to the year under consideration to make a report specifying an amount (“an alternative notional amount”) which he thinks should be used by an authority as the basis of any comparison in applying section 52ZC in place of the authority’s relevant basic amount of council tax for the preceding year. If the report is approved by resolution of the House of Commons the alternative notional amount is used for the purposes of the comparison referred to in section 52ZC of the 1992 Act.

¹ Chapter 4ZA of Part 1 of the 1992 Act (sections 52ZA to 52ZY) inserted by the Localism Act 2011, Schedule 5.

² Billing authority, major precepting authority and local precepting authority are defined in sections 1(2), 39(1) and 39(2) of the 1992 Act respectively.

³ See section 52ZX of the 1992 Act for the meaning of “relevant basic amount of council tax”; amended by section 41 of the Local Audit and Accountability Act 2014

⁴ See section 52ZC(2) and (3) of the 1992 Act.

The Report

4. This report is made by the Secretary of State for Communities and Local Government (“the Secretary of State”) and is laid before the House of Commons under section 52ZE of the 1992 Act.
5. It relates to the authority listed in Annex A of this Report (“the relevant authority”). In relation to this authority it specifies an alternative notional amount in relation to the financial year beginning on 1st April 2016. It also sets out such explanation as the Secretary of State thinks desirable of the need for the calculation of the alternative notional amount and the method for that calculation.
6. If this report is approved by resolution of the House of Commons, in relation to the financial year beginning on 1st April 2017 (the year under consideration), the alternative notional amount specified must be used for the purposes of the comparison referred to in section 52ZC of the 1992 Act⁵.

Territorial application

7. This report applies in relation to England only.

Alternative notional amount

8. Annex A of this Report sets out an amount by reference to the relevant authority.
9. In relation to the financial year beginning on 1st April 2016, the Secretary of State specifies that amount as an alternative notional amount for that authority.

Need for the calculation of an alternative notional amount

10. Annex B of this Report contains such explanation as the Secretary of State thinks desirable of the need for the calculation of the alternative notional amount.

Method for calculation of the alternative notional amount

11. Annex B of this Report also contains such explanation as the Secretary of State thinks desirable of the method for the calculation of the alternative notional amount.

Signed by authority of the Secretary of State

20 February 2017

Marcus Jones MP
Parliamentary Under Secretary of State
Department for Communities and Local Government

⁵ See section 52ZE(5) of the 1992 Act.

Annex A**Alternative Notional Amount as regards the financial year beginning 1 April 2016**

Authority	Alternative Notional Amount for 2016/17
Sedgemoor District Council	£147.32

Annex B

Explanation for the calculation of the alternative notional amount and method of calculation

1. This annex explains why an alternative notional amount is needed and sets out the method for the calculation of the alternative notional amount, as required by section 52ZE(3)(c) of the 1992 Act.
2. In this Annex –
 - “2016/17” means the financial year beginning on 1st April 2016;
 - “2017/18” means the financial year beginning on 1st April 2017;
 - “the 1992 Act” means the Local Government Finance Act 1992;
 - “band D dwelling” means a chargeable dwelling in an authority’s area which is listed in valuation band D;
 - “chargeable dwelling” has the meaning given by section 4(2) of the 1992 Act;any reference to chargeable dwellings listed in valuation band D is to be construed in accordance with section 5(6) of the 1992 Act.
3. In 2016/17 the Secretary of State set alternative notional amounts for Somerset County Council and five district councils to fund the Somerset Rivers Authority (SRA) as an interim measure pending further consideration of future funding options.⁶ The SRA is an association of local authorities and statutory bodies, with a board operating under a constitution and local memorandum of understanding. It was set up following the severe flooding of 2013/14 and had previously received Government grant. By notionally increasing the 2015/16 Band D council tax figure of these authorities by 1.25%, they were able to raise an additional £2.7m without triggering the requirement to hold a council tax referendum.
4. This revenue is intended to remain in the authorities’ baselines and grow with any annual overall increases until a permanent funding solution is put in place.
5. Sedgemoor District Council did not use this flexibility in 2016/17 and instead provided their contribution to the SRA from existing resources. Sedgemoor has now requested an alternative notional amount for 2016/17 which would be worth a 1.25% increase in the council tax for a Band D dwelling for use in 2017/18. This will secure their contribution to the SRA for the foreseeable future.
6. It is calculated that a 1.25% increase in the council tax for a band D dwelling in the Sedgemoor District Council area would allow the authority to raise £70,839 as its contribution towards the work of the SRA. The calculation is set out as follows:

Authority	2016/17 council tax requirement*	% rise in council tax requirement**	Increase in council tax requirement
Sedgemoor District Council	£5,631,126	1.25%	£70,839

* based on returns provided by local authorities’ CTR1 and CTR2 forms;

** assumes no increase in the taxbase

⁶ See Alternative Notional Amounts Report for 2016/17 at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/498422/HC791_Alternative_notional_amounts.pdf

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