

Referendums relating to Council Tax Increases (Alternative Notional Amounts) (England) Report 2020-2021

Introduction: legislative background

1. Under section 52ZB of the Local Government Finance Act 1992¹ (“the 1992 Act”) each billing authority, major precepting authority and local precepting authority² in England is required to determine whether its relevant basic amount of council tax³ for a financial year (“the year under consideration”) is excessive. In essence, the relevant basic amount of council tax for an authority is that authority’s average band D council tax, excluding local precepts. 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.

The Report

¹ 1999 c.14. Chapter 4ZA of Part 1 of the 1992 Act (sections 52ZA to 52ZY) inserted by Schedule 5 of the Localism Act 2011 (c.20).

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 (c.2) and S.I. 2017/611. Paragraph 10 of the Schedule to the Combined Authorities (Finance) Order 2017 (S.I. 2017/611) amends section 52ZX of the 1992 Act so that in respect of precepts for mayoral combined authorities with PCC functions, references to the relevant basic amount of council tax are references to a PCC component of council tax for the year, or a general component of council tax for the year. If an authority has the power to calculate its council tax for a financial year under Part 4 of the Local Government (Structural Changes) (Finance) Regulations 2008 (S.I. 2008/3022), Schedule 3 of those Regulations modifies the application of section 52ZX of the 1992 Act.

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

4. This report is made by the Secretary of State for Housing, 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 authorities listed in Annex A of this Report ("the relevant authorities"). In relation to those authorities it specifies an alternative notional amount in relation to the financial year beginning on 1st April 2019. It also sets out at Annex B 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 2020 (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 authorities.

9. In relation to the financial year beginning on 1st April 2019, the Secretary of State specifies that amount as an alternative notional amount for those authorities.

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 amounts.

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 amounts.

Signed by authority of the Secretary of State for Housing, Communities and
Local Government

[] 2020

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

Annex A

Alternative Notional Amount as regards the financial year beginning 1 April 2019

Authority	Alternative Notional Amount for 2019/20
Bournemouth predecessor area of Bournemouth, Christchurch and Poole Council*	£1471.30
Poole predecessor area of Bournemouth, Christchurch and Poole Council*	£1439.38
Bournemouth, Christchurch and Poole Council*	£1476.70
Somerset West and Taunton Council	£159.63

* These Alternative Notional Amounts provide for the different ways in which the authority may apply referendum principles to the increase in its relevant basic amount of council tax. See Annex B for further details.

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

1. This annex explains why an alternative notional amount (“ANA”) is needed and sets out the method for the calculation of the ANA, as required by section 52ZE(3)(c) of the 1992 Act.

Bournemouth, Christchurch and Poole Council

2. As part of the restructuring of local government in Dorset from 1st April 2019, **Bournemouth Christchurch and Poole Council** was formed. This unitary authority comprises the former Bournemouth Borough Council, Christchurch Borough Council (including the functions of Dorset County Council in that area) and Poole Borough Council.
3. In parallel with the restructuring, charter trustees were established for Bournemouth and Poole to ensure the continuation of the civic, historic and ceremonial traditions of the former boroughs, and to choose a Mayor and Deputy Mayor each year. The charter trustees were established from 1st April 2019 and were funded through an additional charge on the council tax of Bournemouth, Christchurch and Poole Council during their first year of operation.⁶
4. For the financial year beginning 1st April 2020 onwards, the charter trustees will be local precepting authorities, with the ability to charge council tax in their own right. To reflect this change, ensure that residents pay the correct amount for charter trustees and to ensure a like-for-like comparison of council tax levels can be made when determining whether increases set in 2020-21 are excessive, ANAs are required for Bournemouth, Christchurch and Poole Council and two affected predecessor areas. Specifically:
 - a. In the **Bournemouth predecessor area** £2.10 was charged by Bournemouth, Christchurch and Poole Council on the bills of band D properties in 2019-20. This amount will not be charged by the authority in 2020-21.
 - b. In the **Poole predecessor area** £2.15 was charged by Bournemouth, Christchurch and Poole Council on the bills of band D properties in 2019-20. This amount will not be charged by the authority in 2020-21.

⁶ See Regulation 6 of the Local Government (Structural Changes) (Further Financial Provisions and Amendment) Regulations 2009 (S.I. 2009/5, amended by S.I. 2012/460), and Regulation 12 of The Charter Trustees Regulations 2009 (S.I. 2009/467, amended by S.I. 2018/1296).

5. Restructuring authorities which have inherited different levels of council tax in their predecessor areas and which are going through a process of equalisation under Part 4 of the Local Government (Structural Changes) (Finance) Regulations 2008, are able to choose how they comply with the referendum principles set by the Secretary of State in relation to their council tax increase, in accordance with their local preference. The comparison made under the principles can be in respect of either the increase in the band D amount in each individual predecessor area, or the increase in the average band D amount across all of their predecessor areas. ANAs are required to cater for both approaches. As such, this report sets out the following amounts.
6. For Bournemouth, Christchurch and Poole Council:
 - a. An ANA for the **Bournemouth** predecessor area's band D amount in 2019-20 to reflect the ending of its responsibility to charge additional council tax to fund charter trustees during their first year of operation. This is calculated using the amount charged on a band D property in the Bournemouth predecessor area in 2019-20, minus the £2.10 charged to fund the charter trustees.
 - b. An ANA for the **Poole** predecessor area's band D amount in 2019-20 to reflect the ending of its responsibility to charge additional council tax to fund charter trustees during their first year of operation. This is calculated using the amount charged on a band D property in the Poole predecessor area in 2019-20 minus the £2.15 charged to fund the charter trustees.
 - c. An ANA for the average band D amount across all of **Bournemouth, Christchurch and Poole Council's** predecessor areas in 2019-20, weighted according to their tax base, to reflect the ending of its responsibility to charge additional council tax to fund the two sets of charter trustees. The average is calculated by taking the amounts charged in each predecessor area (for the Bournemouth and Poole predecessor areas these are the figures calculated in paragraphs 4a and 4b above) and multiplying them by the tax base to get an area council tax requirement figure. This council tax requirement is then divided by the area's tax base to produce the ANA.

Somerset West and Taunton Council

7. From 1st April 2019, charter trustees were established for Taunton to ensure the continuation of the civic, historic and ceremonial traditions of the former borough, and to choose a Mayor and Deputy Mayor each year, following the merger of West Somerset and Taunton Deane district councils. The charter trustees were funded through an additional charge of £3.02 on the bills of band D properties in the Taunton area of the new Somerset West and Taunton Council.⁷ This increased the authorities' average band D council tax level by £0.82 to £160.45 in 2019-20.

⁷ See Regulation 6 of the Local Government (Structural Changes) (Further Financial Provisions and Amendment) Regulations 2009 (S.I. 2009/5, amended by S.I. 2012/460), and Regulation 12 of The Charter Trustees Regulations 2009 (S.I. 2009/467, amended by S.I. 2018/1296).

8. For the financial year beginning 1st April 2020 onwards, the charter trustees will be a local precepting authority with the ability to charge council tax in their own right. To reflect this change, ensure that residents pay the correct amount for charter trustees, and to ensure a like-for-like comparison of council tax levels can be made when determining whether increases set in 2020-21 are excessive, an ANA is required for Somerset West and Taunton Council.

9. The ANA for Somerset West and Taunton Council's band D amount in 2019-20 reflects the ending of its responsibility to fund the work of the charter trustees during their first year of operation. This is calculated by using the average band D amount charged by Somerset West and Taunton Council minus the £0.82p charged to fund the charter trustees.

10. The calculations underpinning the ANAs for Bournemouth, Christchurch and Poole Council and its predecessor areas and for Somerset West and Taunton Council have been agreed with each authority.