



Department for
Communities and
Local Government

DRAFT

Referendums relating to Council Tax
Increases (Alternative Notional Amounts)
(England) Report 2016/17

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Referendums relating to Council Tax Increases (Alternative Notional Amounts) (England) Report 2016/17

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. 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 in his opinion 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 applies to the authorities listed in Annex A of this Report ("the relevant authorities"). In relation to these authorities it specifies alternative notional amounts in relation to the financial year beginning on 1st April 2015. It also sets out such explanation as the Secretary of State thinks desirable of the need for the calculation of the alternative notional amounts 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 2016 (the year under consideration), the alternative notional amounts specified must be used for the purposes of the comparison referred to in section 52ZC of the 1992 Act⁵.

Alternative notional amounts

7. Annex A of this Report sets out amounts by reference to the relevant authorities.
8. In relation to the financial year beginning on 1st April 2015, the Secretary of State specifies those amounts as alternative notional amounts for those authorities.

Need for the calculation of alternative notional amounts

9. 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 alternative notional amounts

10. 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 Communities and Local Government

Parliamentary Under Secretary of State
Department for Communities and Local Government
[] 2016

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

Annex A

Alternative Notional Amounts as regards the financial year beginning 1 April 2015

Authority	Alternative Notional Amount for 2015/16
Somerset County Council	£1,040.14
Mendip District Council	£149.10
Sedgemoor District Council	£142.28
South Somerset District Council	£149.60
Taunton Deane District Council	£140.74
West Somerset District Council	£142.32
Dorset and Wiltshire Fire and Rescue Authority	£67.86

Annex B

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

1. This annex explains why alternative notional amounts are required. It also sets out the method for that calculation for the alternative notional amounts, as required by section 52ZE(3)(c) of the 1992 Act.

2. In this Annex —

“2015-16” means the financial year beginning on 1st April 2015;

“2016-17” means the financial year beginning on 1st April 2016;

“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.

Somerset

3. A Somerset Rivers Authority (SRA) was formed in January 2015 to deliver the Somerset Levels and Moors Flood Action Plan, which was developed after the prolonged flooding in the county during winter 2013/14. Board membership includes representatives from Somerset local authorities, the three local Internal Drainage Boards, the Environment Agency and landowners. The scope of the SRA includes strategic planning, land management and building local resilience as key activities, with community engagement around these responsibilities.
4. The SRA received interim funding of £2.7 million for its first year of operation in 2015-16: £1.9 million was provided by central Government and £800,000 by local authorities in Somerset, pending the development of longer term local funding options from 2016-17 onwards.
5. Ministers’ policy is to facilitate an interim funding arrangement through council tax without this affecting the authorities’ ability to raise council tax for spending on matters other than the SRA.
6. It is calculated that a 1.25% increase in band D council tax for the local authorities in question in Somerset would allow them to raise, and pass on to the SRA, the same level of funding of £2.7 million as the SRA received in 2015-16. The calculation is set out as follows:

Authority	2015-16 council tax requirement*	% rise in council tax requirement**	Increase in council tax requirement
Somerset County Council	£189,389,700	1.25%	£2,368,389
Somerset District Councils	£26,517,464		
<i>Mendip</i>	(£5,603,077)	1.25%	£70,069
<i>Sedgemoor</i>	(£5,255,424)	1.25%	£65,721
<i>South Somerset</i>	(£8,442,979)	1.25%	£105,583
<i>Taunton Deane</i>	(£5,330,400)	1.25%	£66,659
<i>West Somerset</i>	(£1,885,584)	1.25%	£23,580
Total	£215,907,164	1.25%	£2,700,000 (rounded)

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

** assumes no increase in the tax base

7. In the financial year that the precepting authority is eventually established, the Government intends to set ANAs for the same Somerset local authorities which are lower than the amount of the council tax for a band D dwelling for the previous financial year, to the equivalent of £2.7 million funding; this is to ensure that council tax payers do not pay twice for the SRA in the financial year that the body is established.

Dorset and Wiltshire Fire and Rescue Authority

8. The Dorset Fire Authority ("Dorset") and the Wiltshire and Swindon Fire Authority ("Wiltshire") are merging with effect from 1st April 2016. The Secretary of State agreed that the merger was in the interests of efficiency, economy and effectiveness, and the Dorset and Wiltshire Fire and Rescue Authority (Combination Scheme) Order 2015⁶ came into force for certain purposes on 1st April 2015. The authorities have set up a shadow authority ahead of the merger on 1st April 2016.
9. Dorset's precept for 2015-16 was £67.86 and Wiltshire's was £64.88.
10. In relation to 2016-17 the Dorset and Wiltshire Fire and Rescue Authority needs to be able to make a comparison between its relevant basic amount of council tax for that year and a relevant basic amount of council tax for 2015-16. As there was no relevant basic amount of council tax for the combined area for 2015-16 the Secretary of State needs to set an alternative notional amount.
11. The Secretary of State considers that it is appropriate to set an Alternative Notional Amount for the newly merged Dorset and Wiltshire Fire and Rescue Authority of £67.86 in respect of 2015-16, i.e. the same level as the relevant basic amount of council tax for the outgoing Dorset Fire Authority, to allow equalisation to take effect in the first year of the new authority.

⁶ S.I. 2015/435.