

# Referendums Relating to Council Tax Increases (Alternative Notional Amounts) (England) Report 2019/20

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

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## Referendums relating to Council Tax Increases (Alternative Notional Amounts) (England) Report 2019-2020

### Introduction: legislative background

1. Under section 52ZB of the Local Government Finance Act 1992<sup>1</sup> (“the 1992 Act”) each billing authority, major precepting authority and local precepting authority<sup>2</sup> in England is required to determine whether its relevant basic amount of council tax<sup>3</sup> 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 year<sup>4</sup>.

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

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.

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

<sup>2</sup> 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.

<sup>3</sup> 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 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.

<sup>4</sup> See section 52ZC(2) and (3) of the 1992 Act.

5. It relates to the authorities listed in Annex A of this Report (“the relevant authorities”). In relation to these authorities it specifies an alternative notional amount in relation to the financial year beginning on 1st April 2018. 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 2019 (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 Act<sup>5</sup>.

### **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 2018, 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

Rishi Sunak  
*Parliamentary Under Secretary of State*

29 January 2019     *Ministry of Housing, Communities and Local Government*

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<sup>5</sup> See section 52ZE(5) of the 1992 Act.

## Annex A

### Alternative Notional Amount as regards the financial year beginning 1 April 2018

Authority	Alternative Notional Amount for 2018/19
Staffordshire Commissioner Fire and Rescue Authority	<b>£73.53</b>
North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority	<b>£69.20</b>
Northamptonshire Commissioner Fire and Rescue Authority	<b>£59.00</b>
Northamptonshire County Council	<b>£1177.35</b>
Weymouth and Portland Predecessor area of new Dorset Council*	<b>£1618.62</b>
Dorset Council*	<b>£1582.44</b>
Christchurch predecessor area of new Bournemouth, Christchurch and Poole Council*	<b>£1598.30</b>
Bournemouth, Christchurch and Poole Council*	<b>£1445.61</b>
* These Alternative Notional Amounts provide for the different ways in which unitarising authorities may apply referendum principles to the increase in their 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 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.

### **Transfer of fire functions to Police and Crime Commissioner-Fire and Rescue Authorities (PCC-FRAs)**

#### The Staffordshire Commissioner Fire and Rescue Authority and the North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority

2. The Policing and Crime Act 2017 made provision to enable Police and Crime Commissioners (PCCs) to take on responsibility for the governance of fire and rescue services within their area, where they submit a local proposal to do so and it appears to the Home Secretary to be in the interests of economy, efficiency and effectiveness, or public safety to do so.
3. The PCC for Staffordshire became a Police, Fire and Crime Commissioner from 1 August 2018, assuming the functions of the former Stoke-on-Trent and Staffordshire Fire Authority. The PCC for North Yorkshire became a Police, Fire and Crime Commissioner from 15 November 2018, assuming the functions of the former North Yorkshire Fire and Rescue Authority.
4. In both areas, the PCC-FRA is a new legal entity which has not previously set a fire precept. In order to ensure that the 'excessiveness' of the PCC-FRAs' 2019-20 precept can be determined as required by legislation it is necessary to set alternative notional amounts in respect of 2018-19 against which they can be compared. The alternative notional amounts are set at the level of the former Fire and Rescue Authorities' 2018-19 precept. These amounts will not result in any loss of income to the new PCC-FRAs, nor any increase in bills for tax payers.

#### Transfer of Northamptonshire County Council's fire function to the Northamptonshire Commissioner Fire and Rescue Authority

5. The fire functions of Northamptonshire County Council were transferred to the Northamptonshire Commissioner Fire and Rescue Authority from 1 January 2019, including the power to issue a fire precept from 2019-20. The change in function of Northamptonshire County Council means that an alternative notional amount is required in respect of 2018-19 to ensure that the 'excessiveness' of its 2019-20 council tax level can be determined as required by legislation. The alternative notional amount is set at the level of Northamptonshire County Council's band D council tax for 2018-2019, minus the portion which was charged in respect of the fire functions which have been transferred to the Northamptonshire Commissioner Fire and Rescue Authority. This transferred amount is the level of the

alternative notional amount being set for the Northamptonshire PCC-FRA which is a new legal entity and which has not previously set a fire precept.

6. The ANAs for Northamptonshire County Council and Northamptonshire Commissioner Fire and Rescue Authority have been agreed by the PCC and county council. They will not result in any loss of income to Northamptonshire County Council, nor any increase in bills for tax payers.

### Unitarising Authorities

7. Following Orders made by the Secretary of State under section 7 of the Local Government and Public Involvement in Health Act 2007, local government in Dorset will be restructured from 1 April 2019. Two new unitary authorities will be formed as follows

- a. **Bournemouth, Christchurch and Poole Council**, comprising the former Bournemouth Borough Council, Christchurch Borough Council (including the functions of Dorset County Council in that area) and Poole Borough Council.
- b. **Dorset Council**, comprising the former East Dorset, North Dorset, Purbeck, West Dorset, and Weymouth and Portland district councils, and the functions of Dorset County Council in those areas.

Shadow authorities were established on 26 May 2018 and will set the 2019-20 council tax for the new unitary authorities.

8. In parallel with the restructuring, community governance reviews have been undertaken by some of the existing district councils in the area. As a result of these reviews, new town and parish councils are being created in Christchurch and in Weymouth and Portland. Some functions will be transferred to these councils rather than being exercised by the new unitary authorities. Specifically,

- a. In the **Weymouth and Portland District Council area**, functions calculated to be worth £88.80 of the 2018-19 council tax bill for a band D property in this predecessor area will transfer to Weymouth Town Council.
- b. In the **Christchurch Borough Council area**, functions calculated to be worth £8.67 of the 2018-19 council tax bill for a band D property in this predecessor area are being transferred to Christchurch Town Council; and functions calculated to be worth £9.89 of the local 2018-19 band D bill are being transferred to Highcliffe and Walkford Neighbourhood Council.

9. To reflect the transfer of functions, ensure that council tax payers do not pay twice for any services, and to ensure a like-for-like comparison of council tax levels can be made when determining whether increases set in 2019-20 are excessive by reference to the Secretary of State's referendum principles, alternative notional amounts are required for Dorset and Bournemouth, Christchurch and Poole councils and a number of affected predecessor areas.



10. 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.
11. For Bournemouth, Christchurch and Poole Council:
  - a. An ANA for the **Christchurch** predecessor area's band D amount in 2018-19 to reflect the transfer of functions and council tax to two new town councils. This is calculated using the aggregate of the amounts charged by Christchurch Borough Council and Dorset County Council in 2018-19 minus a tax base-weighted average amount of £8.24 for the services being passed on to the two new town councils.
  - b. An ANA for the average band D amount across all of **Bournemouth, Christchurch and Poole Council's** predecessor areas in 2018-19, weighted according to their tax base, to reflect the transfer of some functions and council tax in Christchurch to the two new councils. The average is calculated by taking the amounts charged in each area (for Christchurch predecessor area this is the figure calculated in paragraph 11a 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 alternative notional amount.
12. For Dorset Council:
  - a. An ANA for the **Weymouth and Portland** predecessor area's band D amount in 2018-19 to reflect the transfer of functions and council tax to a new town council. This is calculated using the aggregate of the amounts charged by Weymouth and Portland Borough Council and Dorset County Council in 2018-19, minus £88.80 because of services being passed on to the new town council.
  - b. An ANA for the average band D amount across all of **Dorset Council's** predecessor areas in 2018-19, weighted according to their tax base, to reflect the transfer of some functions and council tax in Weymouth to a new town council. The average is calculated by taking the combined shire district and shire county amounts charged in each area (for the Weymouth and Portland predecessor area this is the figure calculated in paragraph 12a 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 alternative notional amount.
13. The calculations underpinning the alternative notional amounts for unitarising authorities have been agreed with the authorities concerned.

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