

Referendums relating to Council Tax Increases (Alternative Notional Amounts) (England) Report 2021-2022

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

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.

¹ 1992 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.

⁴ 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 those authorities it specifies an alternative notional amount in relation to the financial year beginning on 1st April 2020. 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 2021 (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 2020, 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

[] 2021

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

Annex A

Alternative Notional Amount as regards the financial year beginning 1 April 2020

Authority	Alternative Notional Amount for 2020/21
Hampshire and Isle of Wight Fire and Rescue Authority	£ 69.06
Isle of Wight Council	£ £1,600.87

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.

Transfer of the Isle of Wight Council’s fire function to the Hampshire and Isle of Wight Fire and Rescue Authority

2. From 1 April 2021 the fire functions of the Isle of Wight Council and the Hampshire Fire and Rescue Authority will transfer to the new Hampshire and Isle of Wight Fire and Rescue Authority (“the new FRA”). The Hampshire Fire and Rescue Authority will be wound up.
3. The new FRA has the power to issue a precept from financial year 2021-22. Agreement has been reached between the authorities about the assets and liabilities which will transfer with the fire functions. This includes agreement about an amount of council tax which should no longer be charged by the Isle of Wight Council, but instead charged by the new FRA. The ANAs reflect this agreement and will enable both authorities to determine the ‘excessiveness’ of their 2021-22 council tax level as required by legislation.
4. The ANA for the Isle of Wight Council is set at the level of the Isle of Wight Council’s band D council tax for 2020-21 (£1663.05) minus £62.18 which was charged in respect of the fire functions which will transfer to the new FRA.
5. The Hampshire and Isle of Wight Fire and Rescue Authority is a new legal entity and did not set a precept in 2020-21. As such its ANA is set at the 2020-21 band D council tax level of the outgoing Hampshire Fire and Rescue Authority (£69.06).
6. The ANAs for the Isle of Wight Council and the Hampshire and Isle of Wight Fire and Rescue Authority have been agreed with the authorities concerned. They will not result in any adverse financial impact on the Isle of Wight Council or local fire services. The ANAs will not result in any increase in bills for tax payers in Hampshire. Band D tax payers in the Isle of Wight will experience a £6.88 increase in the amount they pay towards fire services. The principle of an uplift to ensure everyone living in the area of the new FRA pays the same amount while maintaining the quality of services has been consulted upon at local level.