

Appendix E - Council Tax Equalisation

The following table shows a set of possible options for the equalisation of Council Tax. There are many different ways in which this could be achieved. The number of years over which Council Tax can be equalised can be anywhere between 1 and 5 years. The options in the table below have been equalised over 3 years and 5 years for modelling purposes. The impact of council tax equalisation on the level of council tax income achieved also varies depending on the option chosen.

In the table below, income from each option is compared to the level of council tax income already assumed within each Council's Medium Term Financial Strategy (The MTFs already assumed a £5 increase in council tax per annum).

All of the Options assume that the SHDC Band D Council Tax of £155.42 (17/18) increases by £5 to £160.42 in 18/19 and that the WDBC Band D Council Tax of £218.39 (17/18) increases by £5 to £223.39 in 18/19.

The maximum increase allowed whilst remaining within the council tax threshold would be a £5 increase in the combined Band D and combined Taxbase which is Option 3. DCLG have confirmed that the Council can submit options that also include those that exceed the council tax threshold and this will be considered by Ministers.

Option	Combined Band D Equalised To (£)	Impact on SHDC Band D (£)	Impact on WDBC Band D (£)	Difference in Council Tax Income in 2019-20 (£) Yr1	Difference in Council Tax Income in 2020-21 (£) Yr2	Difference in Council Tax Income in 2021-22 (£) Yr3	Difference in Council Tax Income in 2022-23 (£) Yr4	Difference in Council Tax Income in 2023-24 (£) Yr5
Option One Flat Band D combined	£177.33 by 2021-22	Increase of £5.64 for 3 years (3.5% increase in 19-20)	Decrease of £15.35 for 3 years (6.9% decrease in 19-20)	Decrease of £0.4m	Decrease of £0.8m	Decrease of £1.2m	Decrease of £1.2m	Decrease of £1.2m
Option 2 – 2% increase in combined Band D	£191.95 by 2021-22	Increase of £10.51 for 3 years (6.6% increase in 19-20)	Decrease of £10.48 for 3 years (4.7% decrease in 19-20)	Decrease of £0.1m	Decrease of £0.2m	Decrease of £0.3m	Decrease of £0.3m	Decrease of £0.3m
Option 3 - £5 increase in combined Band D	£197.32 by 2021-22	Increase of £12.30 for 3 years (7.7% increase in 19-20)	Decrease of £8.69 for 3 years (3.9% decrease in 19-20)	Nil	Nil (1K extra)	Nil (2K extra)	Nil (1K less)	Nil (5K less)
Option 4 –	£223.39 by	Increase of	Nil increase	Extra	Extra	Extra	Extra	Extra

Option	Combined Band D Equalised To (£)	Impact on SHDC Band D (£)	Impact on WDBC Band D (£)	Difference in Council Tax Income in 2019-20 (£) Yr1	Difference in Council Tax Income in 2020-21 (£) Yr2	Difference in Council Tax Income in 2021-22 (£) Yr3	Difference in Council Tax Income in 2022-23 (£) Yr4	Difference in Council Tax Income in 2023-24 (£) Yr5
bring South Hams up to WD in 3 years - then freeze for 2 years	2021-22 then freeze for 2 years	£20.99 for 3 years (13.1%) then freeze for 2 years	for 5 years WDBC Band D frozen	£0.5 million	£1.03 million	£1.6 million	£1.3 million (council tax frozen)	£1.0 million (council tax frozen)
Option 5- bring South Hams up to WD in 3 years – WD increases £5 per year – then freeze for 2 years	£238.39 by 2021-22	Increase of £25.99 for 3 years (16.2% increase in 19-20) then freeze for 2 years	Increase of £5 for 3 years then freeze for 2 years	Extra £0.8 million	Extra £1.6 million	Extra £2.5 million	Extra £2.2 Million (council tax frozen)	Extra £1.9 Million (council tax frozen)
Option 4a – bring South Hams up to West Devon over 5 years (WD freezes for 5 years)	£223.39 by 2023-24	Increase of £12.59 for 5 years (7.9%)	Nil increase for 5 years (WDBC level frozen)	Extra £0.2 million	Extra £0.4 million	Extra £0.6 million	Extra £0.8 million	Extra £1.0 million
Option 5a – bring South Hams up to West Devon over 5 years (WD increases by £5 for 5 years)	£248.39 by 2023-24	Increase of £17.59 for 5 years (11%)	Increase of £5 for 5 years	Extra £0.5 million	Extra £1 million	Extra £1.5 million	Extra £2.0 million	Extra £2.5 million

Explanation of the Options

The Options above explain how Council Tax Equalisation could be achieved.

For example in Option One, the South Hams Band D increases by £5.64 each year for 3 years until it equalises at £177.33 in 2021-22. The West Devon Band D reduces by £15.35 each year for 3 years until it also equalises at £177.33 in 2021-22. This option is within the council tax threshold but it means that overall the combined Council loses council tax income of £0.4 million in 19/20 and by 21/22 the loss of council tax income increases to £1.2 million (the loss of council tax income is in comparison to each Council's current MTFs). The greyed options show where there is a loss of council tax income overall.

Option 3 is within the council tax threshold and means that the South Hams Band D would increase by £12.30 for each year of 3 years, until it equalises at £197.32. The West Devon Band D would reduce by £8.69 each year for 3 years, until it also equalises at £197.32 in 2021-22. This option more or less produces the same amount of council tax income as that already modelled in the MTFs for each Council (a slight additional council tax income of £2K is generated by 2021-22).

Options 4 and 5 start to produce a higher amount of council tax income than that already modelled in the MTFs for each Council. Option 4 generates an additional £1.6 million by 2021-22 (yr 3) and Option 5 generates an additional £2.5 million by 2021-22 (yr 3). The reason these two options produce a higher level of council tax income is because in these options the West Devon Band D is not equalised downwards. Instead, the South Hams Band D is brought up to meet the West Devon Band D, with the Band D for West Devon being frozen at £223.39 in Option 4. In Option 5, more council tax income is achieved as the West Devon Band D is increased annually by £5 per annum and the South Hams Band D is brought up to this level over the 3 years of equalisation. Options 4 and 5 exceed the level of the council tax threshold.

Options 4 and 5 have been extended another two years into 2022-23 (Yr4) and 2023-24 (Yr 5) to show the impact on the council tax income produced if in both these options council tax was frozen by the combined Council in Year 4 and Year 5. So for example Option 4 means there is additional council tax income generated of £1.6 million by Year 3 (2021-22) and this income reduces by £300,000 to £1.3 million in Year 4 if council tax is frozen. Council tax income further reduces to £1 million by Year 5.

Options 4a and 5a show the figures if Council Tax is equalised over 5 years (rather than 3 years). So for example in Option 5a, the South Hams element increases by £17.59 for 5 years (11% increase) and the West Devon element increases by £5 for 5 years. This generates additional council tax income of £2.5 million by Year 5 (2023-24).

DCLG have confirmed that a few options (say 3 to 4) can be presented to Ministers for consideration.

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