

Additional Evaluation of Option 5 and Option 5a for Council Tax Equalisation

The preferred options of the Joint Steering Group for equalising council tax are Options 5 and 5a.

	Option 5	Option 5a
WDBC Annual increase in Band D - This sets out the impact on West Devon residents	£5 increase in West Devon Band D each year for first three years; then frozen for Year 4 and Year 5	£5 increase in West Devon per year for each of the 5 years
SHDC Annual increase in Band D – This sets out the impact on South Hams residents	£25.99 increase in South Hams Band D each year for first three years (16.2% increase), then frozen for Year 4 and Year 5	£17.59 increase in South Hams per year for each of the 5 years
Value of Band D that is equalised to by Year 5 (2023-24)	£238.39 by 2021-22	£248.39 by 2023-24
Equalisation period	3 years	5 years
Council tax threshold	Exceeds council tax threshold	Exceeds council tax threshold

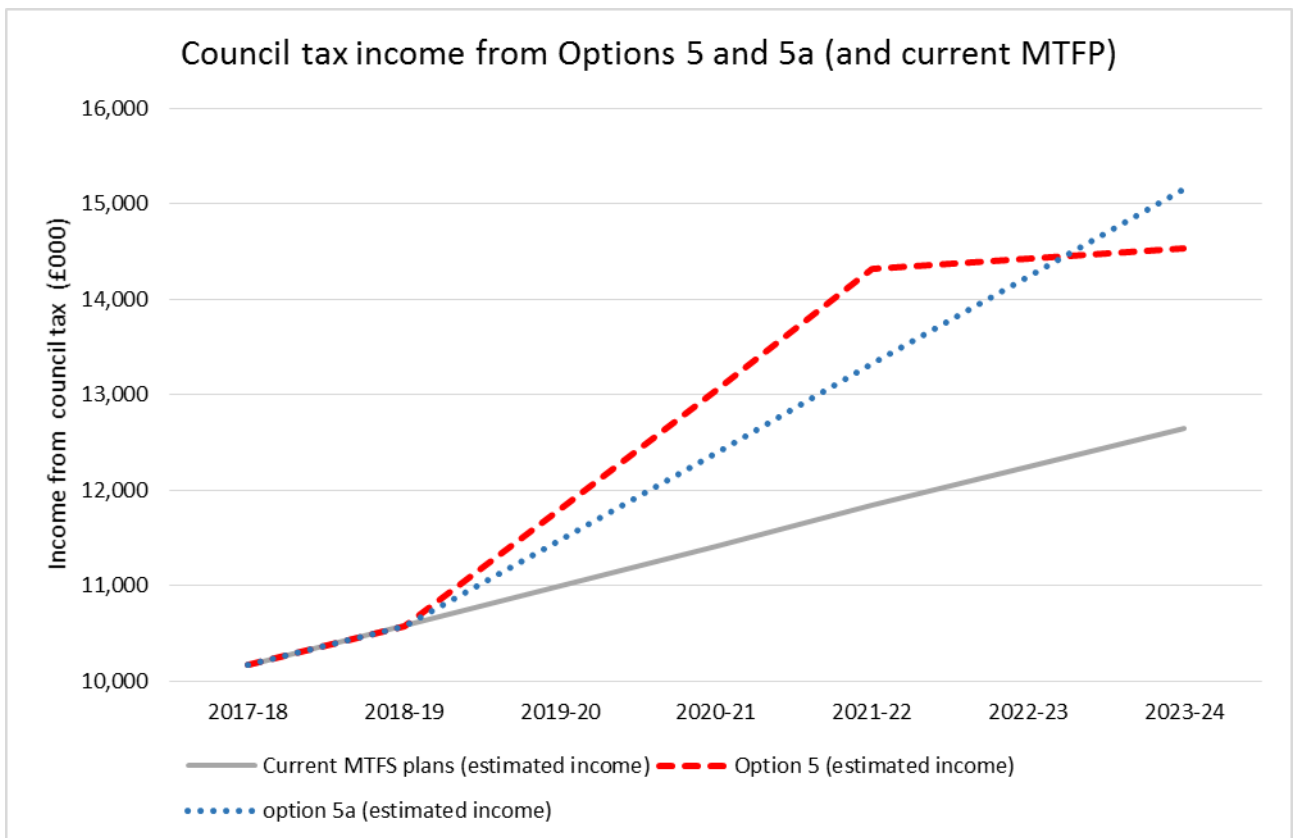
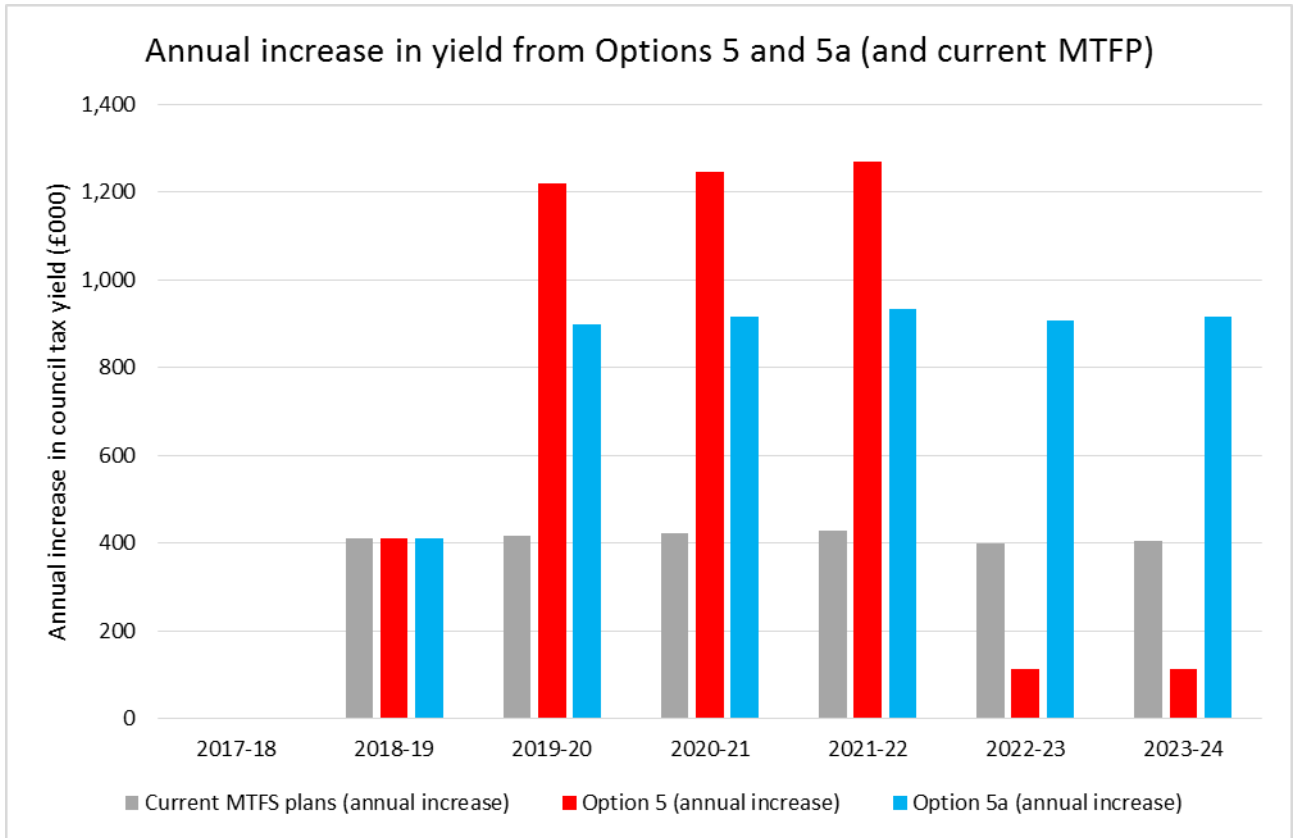
The table shows (a) the annual increase in yield for each option and (b) the estimated total income from each option. The estimated income from the current MTFS projections is also shown for comparison.

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Annual increase in yield							
Current MTFS plans		409	416	423	429	400	405
Option 5		409	1,219	1,245	1,271	219	221
Option 5a		409	898	916	934	906	917
Estimated income from council tax							
Current MTFS plans	10,166	10,575	10,991	11,414	11,843	12,243	12,648
Option 5	10,166	10,575	11,795	13,040	14,310	14,529	14,750
Option 5a	10,166	10,575	11,473	12,389	13,323	14,229	15,147

The first chart shows the increase in yield in each financial year for each option. Option 5 generates large increases in yield in the first 3 years of the new single council (years 2019-20, 2020-21, and 2021-22), followed by flatter yield thereafter (there are small increases due to the growth in taxbase). Option 5a has slower growth in yield – because the equalisation of South Hams takes place over 5 years rather than 3 – but the yield after 5 years is higher. This is because the average Band D council tax is increased by £5 per year for each year (5 years in total), whereas Band D council tax effectively only increases by £5 per year for the first 3 years.

Future growth in yield will depend on decisions the new council makes about increases in its Band D council tax (and the growth in taxbase). However, option 5a would give the new council a higher base from which to grow its council tax, and would give the new council the opportunity to continue with yield that is some £610,000 higher.

APPENDIX F – EVALUATION ON OPTION 5 AND OPTION 5A – COUNCIL TAX EQUALISATION



Advantages of Option 5

<p>Option 5 tackles equalisation more rapidly so that a freeze in Years 4 and 5 can be offered</p>	<p>Option 5 tackles equalisation more rapidly (over 3 years) and gives the new council the opportunity to use savings from the combined Council to offer a freeze in Year 4 and Year 5. This is an opportunity to demonstrate to residents that the new council has delivered real benefits.</p>
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Advantages of Option 5a:

<p>More gradual increase in Band D council tax in Option 5a</p>	<p>Growth in council tax income is more gradual for Option 5a, with increases in council tax being more gradual. Band D for residents in South Hams is increasing by £17.59 per year (which includes both an element for equalisation and the underlying £5 increase in Band D). In option 5, Band D increases by £25.99 per year for 3 years for South Hams (and then is frozen).</p>
<p>Higher base for council tax income in Option 5a</p>	<p>The base for council tax income is higher for the single council at the end of the 5-year period in Option 5a. Band D has continued to increase by £5 per year across the whole 5-year period, and so the base is higher. The yield from council tax is £610,000 higher in Option 5a, which gives the new council greater scope to generate income from council tax in the future. Under this option, the single Council has £610,000 more council tax income from Year 6 onwards as the Band D equalised to is higher at £248.39.</p>