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.

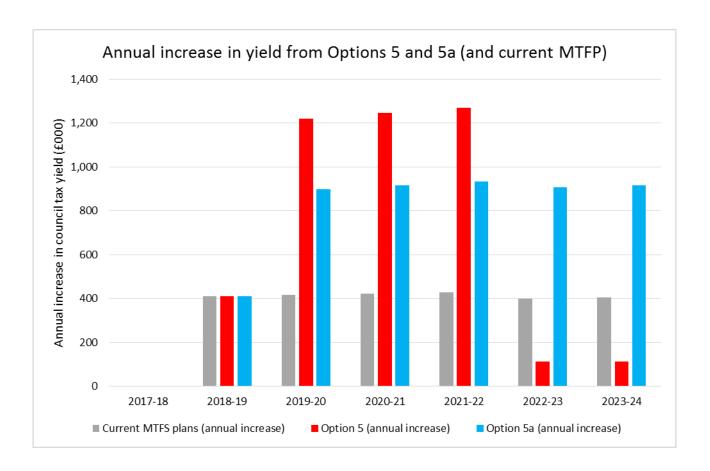
	Option 5	Option 5a
WDBC Annual increase in	£5 increase in West Devon	£5 increase in West Devon per
Band D - This sets out the	Band D each year for first	year for each of the 5 years
impact on West Devon	three years; then frozen for	
residents	Year 4 and Year 5	
SHDC Annual increase in	£25.99 increase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

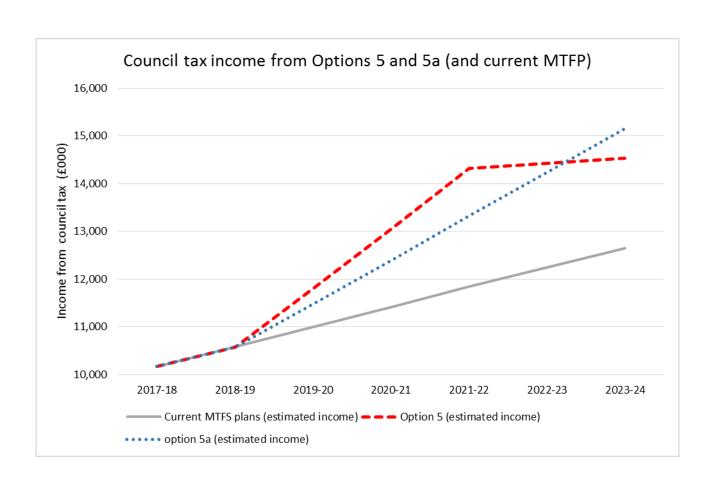
The table shows (a) the annual increase in yield for each option and (b) the estimated total income from each option. The estimated income from the current MTFS projections is also shown for comparison.

	2017-	2018-	2019-	2020-	2021-	2022-	2023-
	18	19	20	21	22	23	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.





Advantages of Option 5

Option 5 tackles equalisation		
more rapidly so that a freeze		
in Years 4 and 5 can be		
offered		

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.

Advantages of Option 5a:

More gradual increase in	Growth in council tax income is more gradual for Option 5a, with
Band D council tax in Option	increases in council tax being more gradual. Band D for residents
5a	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).
Higher base for council tax	The base for council tax income is higher for the single council at
income in Option 5a	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.