

Funding the Parish Council – The Precept

What is a Precept?

The Precept is a tax that Parish Council's charge their local electors to meet their budgetary requirements.

Parish Councils do not receive any direct funding from central government and rely on their Precept, plus any other income they generate from services or facilities they provide.

The Parish Council Precept is part of the Council Tax and is collected from local electors via their Council Tax payments, it requests this funding from its 'local billing authority'. The Parish Council is required (in law) to agree a budget before it can set its Precept.

How is it Calculated?

The Precept requirement is the difference between the Parish Council's estimated income and its anticipated spending requirements for the financial year (its budget). The financial year runs from 1st April to 31st March. The Parish Council has to agree a budget before it can set its Precept and both must be agreed by the full Parish Council. This normally happens around January.

When calculating the Precept, the Parish Council takes into consideration current year's spending levels – for ongoing services for which it is responsible and these might include:-

- recreation facilities
- grass cutting
- insurance
- staffing
- contractors' and suppliers charges
- costs for plans or projects
- provision for contingencies and reserves – which should ideally be sufficient to cover 1 years' finances in the event of the local billing authority experiences bankruptcy
- levels of anticipated income – from services for which it is responsible e.g. rental income, allotment fees, and grants

They should be able to explain and justify larger precept increases.

Once a Precept has been approved by the Parish Council, they inform the higher charging authority (CBC) and it is then added to residents Council Tax bills. CBC pay the Precept to the Parish Council in two instalments (Apr and Sept).

Tax base and Band D equivalent.

Part of the Precept Calculation is the 'Band D equivalent'. Band D is the middle band of Council Tax and is supposed to represent the amount of Council Tax paid on an average property in the area. The Band D equivalent provides a measure which allows precepts among councils of different sizes to be compared. The estimated number of Band D equivalent properties in the tax base is notified to the Parish Council prior to the Precept setting exercise. The required Precept is divided by the number of houses in the tax base to get the Band D equivalent.

The Precept is a tax, included within the local Council Tax, which enables the Parish Council to perform its functions. Parish Councils can apply for other funding such as grants and funding awards, generally for specific projects, but they do not receive funds directly from Central Government.

How is the Precept calculated?

The Parish Council is required (in law) to agree a budget before it can set its Precept and both must be agreed by the full Parish Council. Once the Parish Council has forecast its budget requirements for the following financial year, it requests this funding from its 'local billing authority' in the form of the Precept.

The billing authority then converts the Precept into an amount per Council Taxpayer that is added to the Council Tax bill (according to the property band) for all the dwellings within the Parish area. We look to publish a Precept Calculator within its papers for the January meeting each year, so that the Council is able to make an informed decision on various scenarios.

The Tax Base

The Tax Base is produced from the Council Tax system by the "billing authority" which gives a listing of all the properties in each town or parish in the District. It then adjusts this to take into account any discounts that are given, for example, single occupancy, second homes or homes that are empty or exempt.

Properties are translated into Band D equivalents using the following ratios:

Band A	6/9
Band B	7/9
Band C	8/9
Band D	9/9 (base line)
Band E	11/9
Band F	13/9
Band G	15/9
Band H	18/9

For example Band A is six-ninths of Band D and Band H is twice Band D.

Finally, the estimated number of Band D equivalents to be built in the year are added to the list. This then gives the total number of Band D equivalent properties to use for the Tax Base. The Tax Base is used to calculate the Band D charge for each town or parish which is done by dividing the total Precept requirement by the Tax Base. This figure will be compared with the previous year's Band D charge and supplied to the Parish.

There are a number of reasons why the Tax Base changes.

It can go up if more homes are created but can go down due to more properties in the town or parish claiming for discounts – most commonly an increase in the number of properties claiming the single occupancy discount. Other factors will include homes being demolished, becoming empty, becoming second homes, boundary changes or even a change in collection date.