

## **An explanation about how the precept is calculated for Parish Councils.**

### **What is a Precept?**

The Precept is a tax that Parish Council's charge their local electors to meet their budget 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 East Staffordshire Borough Council Tax payments .

### **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 31<sup>st</sup> March. The Parish Council needs to agree a budget before it can set its Precept and both must be agreed by the full Parish Council.

When calculating the Precept, the Parish Council takes into consideration:

- current year's spending levels - for ongoing services for which it is responsible e.g. grounds maintenance, asset repairs, insurance and cost of the Parish Council running costs
- costs of any additional spending plans or projects, agreed in Budget meeting
- provision for contingencies and reserves
- levels of anticipated income –e.g. grants

Currently there is no cap on the amount that Parish Councils can raise via their precept (District/Borough Councils and County Councils are capped). This is under consideration but for now Central Government expects Parish Councils to demonstrate restraint. They should be able to explain and justify larger precept increases.

Once a Precept has been approved by the Parish Council, they inform East Staffordshire Borough Council and it is then added to residents Council Tax bills. East Staffordshire Borough Council pay the Precept to the Parish Council in two instalments to the Parish Council (April/September).

### **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 by SCDC 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.