

TAX BASE, BUDGET AND PRECEPT SETTING PROCESS

BUDGET CALCULATION

1. Introduction

The budget setting process is a critical function of the Broadclyst Parish Council, serving as a roadmap for the council's financial and operational planning. This report explains the reasons behind budget formulation, the process involved, and the relevant legislation underpinning these activities.

2. Why the Parish Council Sets a Budget

The budget is essential for several reasons:

- **Financial Management:** It ensures prudent financial management, aligning expenditures with the council's income.
- **Operational Planning:** The budget aids in planning and executing the council's operations effectively.
- **Transparency and Accountability:** It fosters transparency and accountability in the council's financial dealings.
- **Community Needs:** The budget reflects the council's commitment to addressing the community's needs and priorities.
- **Statutory Requirement:** Under the Local Government Act 1972, parish councils are legally required to set a budget.

3. The Budget Setting Process

The budget setting process involves several key steps:

- **Preparation:** The Responsible Finance Officer (RFO), in this case, the Clerk, gathers necessary financial information and projections.
- **Proposal:** The RFO prepares a draft budget, considering past expenditures, future projects, and community needs.
- **Consultation:** The draft budget is discussed in council meetings, where councillors can propose amendments. Input from community consultations and committee requirements are considered.
- **Approval:** The council votes on the final budget. A majority vote is required for approval.
- **Implementation:** Once approved, the budget is implemented over the fiscal year. It guides the council's spending and activities.
- **Monitoring and Review:** The budget is regularly monitored, and adjustments may be made in response to unforeseen changes.

4. Legislation Governing the Budget Setting Process

Legislation guiding the budget setting process includes:

- **Local Government Act 1972:** Establishes the legal framework for the financial operations of parish councils.
- **Localism Act 2011:** Encourages local decision-making, impacting how budgets address community needs.
- **Transparency Code for Smaller Authorities:** Mandates financial transparency, impacting how budget information is disseminated to the public.

PRECEPT CALCULATION

The precept is a critical element in the financial management of a parish council like Broadclyst Parish Council. It is essentially the method by which a parish council raises funds from its local community to support its services and projects.

This is a breakdown of how the precept is calculated from the budget:

1. Understanding the Budget Needs:

- **Initial Step:** The parish council first determines its budget for the upcoming year. This includes all projected expenses for council activities, projects, maintenance, staff costs, and any other financial commitments.
- **Income Assessment:** The council also assesses its expected income from other sources, like grants, donations, or fees for services.

2. Calculating the Precept:

- **Budget Shortfall:** The difference between the total budgeted expenditure and the anticipated income from other sources represents the amount that needs to be raised through the precept.
- **Precept Formula:** The precept amount is then calculated by dividing this shortfall by the number of properties in the parish that fall into the Council Tax Band D equivalent. This gives a 'Band D equivalent' precept amount.
- **Adjustments:** Adjustments might be made based on specific local considerations, such as reserve funds, anticipated changes in the number of taxable properties, or expected variations in income or expenditure.

3. Approval and Levy:

- **Council Approval:** The calculated precept is presented at a council meeting for approval. This usually involves discussion and a vote.
- **Levying the Precept:** Once approved, the precept is requested from the local billing authority, usually a district or borough council. This authority then collects the precept as part of the Council Tax from residents and passes it to the parish council.

4. Legal and Governance Framework:

- **Legal Basis:** The power to levy a precept is provided under the Local Government Finance Act 1992.
- **Transparency and Accountability:** The parish council must ensure transparency in how the precept is calculated and how the funds are used. The budget and precept calculations are typically subject to public scrutiny and must comply with the principles of sound financial management.

5. Community Engagement:

- **Consultation:** While not a legal requirement, many parish councils engage with the community during the budget and precept setting process to ensure that local needs and priorities are considered.

The precept calculation is a process where the parish council determines the necessary funds to be raised from the local community to meet its budgetary needs, after accounting for other sources of income. This process is grounded in legal requirements and principles of responsible governance, with a focus on community engagement and transparency. It is one of the few duties that cannot be delegated to a committee / officer.

TAX BASE

In the UK, the Local Government Finance Act 1992 is a key piece of legislation governing local taxation, including the setting of precepts by parish councils. This Act, along with subsequent amendments and regulations, outlines the processes and principles for local taxation, ensuring sound governance and fiscal responsibility. It's important for a Parish Council to be familiar with this legislation to ensure compliance and effective financial management.

The term 'Tax Base' generally refers to the aggregate value of all taxable property, income, or other assets within the council's jurisdiction. This value forms the basis for calculating the amount of tax revenue that the council can expect to collect. For parish councils in the UK, the tax base is predominantly focused on residential property, as the primary source of revenue is usually the precept, which is a tax levied on households within the parish area.

Understanding the tax base is crucial for a Parish Council's financial planning. It helps in setting realistic budgets for service delivery and making informed decisions about the precept level. A broader tax base usually means more revenue potential as the precept is spread across more properties, facilitating better services. Conversely, a narrow tax base would require higher tax rates to generate the same revenue and deliver the same public services, so inevitably service delivery is impacted where councils have lower tax bases.

Maintaining a robust understanding of the tax base also aids in transparency and accountability, enabling the Parish Council to effectively communicate with residents about how tax money is being used and the rationale behind precept levels. This openness is vital for maintaining public trust and encouraging community engagement.

Timetable

11.12.2023 Staffing Committee meeting – to resolve staff budget requirement for 24/25, report to Finance.

14.11.2023 Finance Committee meeting – 1st draft

15.01.2024 Full Council – resolution to set budget and to agree 2024/25 Precept demand.

Mid-Jan 2024 (date yet to be confirmed): Precept demand deadline for submission to East Devon District Council, which is the collection agency for precepts.

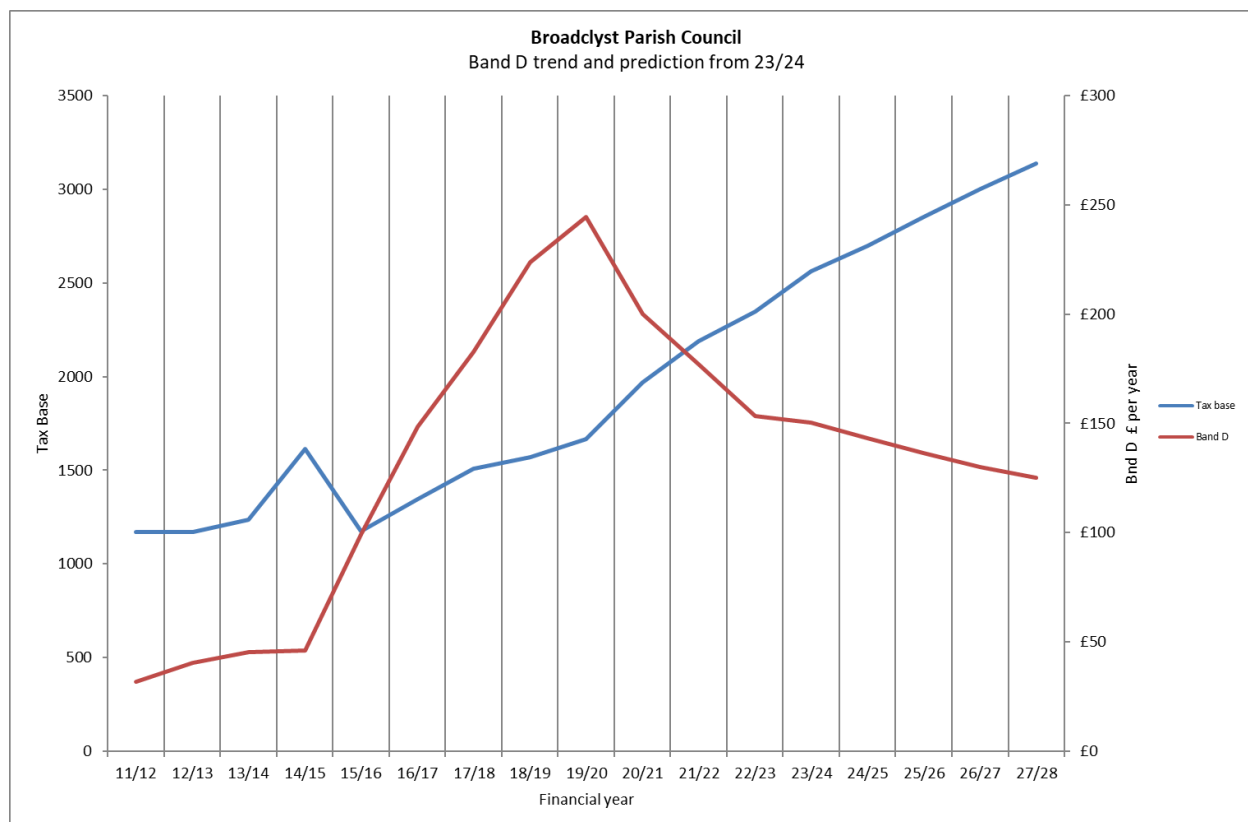
Summary

The budget and precept setting process of the Broadclyst Parish Council is a fundamental activity governed by legislation and driven by the need for effective financial management, operational planning, and community engagement. This process ensures that the council remains transparent, accountable, and responsive to the needs of its taxpayers.

Figures (page 4)

Graph top: the graph shows current and predicted tax base figures (correct to 23/24, estimated thereafter).

Table bottom: the table shows precept, tax base and band D figures since 2011/12, correct to 23/24, estimated tax base and precept increased at 5% per annum thereafter. **Indicative post 23/24 only.**



				Band D
	Precept	Tax base	Band D	% change
11/12	£36,990	1168	£31.67	
12/13	£47,390	1171	£40.47	27.79%
13/14	£55,795	1234	£45.21	11.72%
14/15	£74,065	1612	£45.95	1.62%
15/16	£116,478	1174	£99.22	115.94%
16/17	£199,698	1344	£148.58	49.76%
17/18	£275,744	1510	£182.61	22.90%
18/19	£350,969	1568	£223.83	22.57%
19/20	£407,357	1666	£244.51	9.24%
20/21	£393,731	1970	£199.86	-18.26%
21/22	£387,420	2187	£177.15	-11.37%
22/23	£360,540	2348	£153.55	-13.32%
23/24	£384,665	2560	£150.26	-2.14%
24/25	£386,588	2700	£143.18	-4.71%
25/26	£388,521	2850	£136.32	-4.79%
26/27	£390,464	3000	£130.15	-4.53%
27/28	£392,416	3139	£125.01	-3.95%