

## Sherburn in Elmet Town Council

### Precept Factsheet

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

The Precept is a tax that Town Council's charge their local electors to meet their budget requirements. Town 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 Town Council Precept is part of the Council Tax and is collected from local electors via their Council Tax payments.

#### **How is it Calculated?**

The Precept requirement is the difference between the Town 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 Town Council needs to agree a budget before it can set its Precept and both must be agreed by the full Town Council. When calculating the Precept, the Town Council takes into consideration:

- current year's spending levels - for ongoing services for which it is responsible e.g. recreation facilities, lighting, cemeteries, insurance and cost of the Town Office
- costs of any additional spending plans or projects
- provision for contingencies and reserves
- levels of anticipated income – from services for which it is responsible e.g. rental income, allotment fees, burial fees, grants etc.

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

Once a Precept has been approved by the Town Council, they inform SDC and it is then added to residents Council Tax bills. SDC pay the Precept to the Town Council in two instalments (Apr and Sept). I understand that under the new NY, this arrangement may change to one instalment at the start of the financial year.

#### **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 Town Council by SDC 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.

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#### Frequently Asked Questions (FAQ)

I have included FAQs on the precept as collected annually by the Town Council to fund its operations for the benefit of the village:

##### **Q1. What is the Council Tax Base?**

The Council Tax Base is effectively the number of properties in a particular area that are liable to pay Council Tax.

##### **Q2. When is the Council Tax Base determined?**

The Local Government Finance Act 1992 requires every billing authority to calculate its Council Tax Base in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012 and must do so at some point between 1<sup>st</sup> December and 31<sup>st</sup> January leading up to the next financial year.

##### **Q3. Why is it expressed as Band D equivalents?**

The legislation referred to above dictates that the Tax Base must be expressed as Band D equivalents, as a single measure of the number of properties liable to pay Council Tax.

##### **Q4. How is it calculated?**

All properties are valued by the Valuation Office Agency (an Executive Agency of Her Majesty's Revenue and Customs) in to 1 of 8 Bands, A to H. The number of properties in each Band after taking account of discounts, exemptions, and the Local Council Tax Support Scheme in a particular area are converted to Band D equivalents using the following proportions:

Band	Proportion of Band D
A	6/9ths
B	7/9ths
C	8/9ths
D	9/9ths
E	11/9ths
F	13/9ths
G	15/9ths
H	18/9ths

Band A therefore is equivalent to 6/9<sup>ths</sup> of a Band D and, at the other end of the scale, Band H is equivalent to 18/9<sup>ths</sup> or more simply 2 Band D's.

##### **Q5. What factors influence the movements from one year to the next?**

As referred to in the previous question, not all properties are liable to pay the full amount of Council Tax as they may be entitled to a discount, exemption, or help through the Local Council Tax Support Scheme. Changes in discounts, exemptions & Local Council Tax Support, as well as new build properties and demolitions, all affect the level of the Council Tax Base.

##### **Q6. Can the Council Tax Base change even if no new houses have been built in the Town?**

Yes – the Council Tax Base could change as a result of changes in discounts, exemptions & Local Council Tax Support.

##### **Q7. Why is the Council Tax Base important when setting the Town Precept?**

The Council Tax Base is important as, in effect, it will be the number of properties the Town Precept is levied against.

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#### **Q8. How is the precept reflected on Council Tax Bills?**

The Town Precept will be divided by the number of Band D equivalents in the Council Tax Base and then applied to Council Tax Bills in the proportions previously referred to. Both the old and new precept figures applicable to the relevant Band will be reflected on the face of Council Tax bills with a percentage increase from one year to the next rounded to 1 decimal place.

#### **Q9. Will requesting the same total precept as last year show as a zero increase on Council Tax Bills?**

It could do, but the chances are that the Council Tax Base will not be the same figure as the previous year for the reasons referred to previously and in such a scenario a percentage increase or decrease. If the Council Tax Base were to have reduced from year 1 to year 2, this would have shown as an increase for each taxpayer as a smaller number of tax payers are being levied with the same total precept.

#### **Q10. What factors should be considered when setting the total Town Precept?**

The Town Council will need to consider what funding is required to pay for the provision of services it is proposing to undertake in the forthcoming year. It will also need to consider the number of Council Tax payers (Council Tax Base) that the precept will be levied against. A combination of these 2 factors will determine the impact upon individual Council Tax bills.

#### **Q11. What help is available to understand the implications of our precept on Council Tax Bills?**

When the Council contacts Town Councils with their Council Tax Base information, they will provide a modelling tool (electronically via email) to allow Town Councils to assess how different total precept levels will impact upon individual Council Tax bills.

#### **Q12. Is there a limit as to the annual increase in a precept?**

Local Authorities have for a number of years been restricted to a 2% increase in Council Tax levels for Band D equivalent dwellings before which a referendum would be required to agree anything higher. No such restriction applies to Town Councils although the Government has stated in past Local Government Financial Settlement Consultations that it would keep this under review and take action if necessary. The focus of the consultation is on Town Councils exercising restraint when setting precepts.