

# DEBENHAM PARISH COUNCIL

## Parish Precept 2013 – 2014

In January each year the parish council is asked to submit to Mid Suffolk District Council (MSDC) the amount it needs to meet the demands of the budget for the parish of Debenham.

In previous years we have received 100% of the funding required to meet the 'parish precept' directly from MSDC, based on an additional Council Tax to cover this, which has been a quite straightforward process to follow.

The parish council followed this process and requested a small increase in the precept (2.4% or £1.92 per annum for a Band D property). This request was submitted at the end of January to MSDC. The parish council was then informed that all parishes needed to reconsider this in view of potential central government changes in future years. This was all very much at the eleventh hour with stringent deadlines to be met.

### What has changed for 2013 -14 and what might happen in 2014-15?

- Central government have amended the tax base calculation as a result of the introduction of Local Council Tax Support Schemes, which has reduced the number of properties used in the calculations.
- In order not to increase the council tax charge per property, parish councils were entitled to a grant, to make good the reduction caused by the change in the tax base.
- The grant is not guaranteed beyond 2013-14. If it is not available the parish council would have to raise the precept to cover this shortfall.
- A further factor that the parish council had to consider was that the government are thinking of introducing an automatic referendum for local councils if the increase in council tax amounts to more than a certain percentage in future i.e. from 2014-15. For District councils, this is 2% for 2013-14 - but a different figure could apply to parish councils.

### What were the options available?

The parish council was presented with 3 possible options for next year 2013 -14. These are shown below, with the parish council's view on each.

**Option 1:** Accept the grant of £4,780 for next year and reduce the Debenham precept by the same amount. This would mean a Debenham precept of £59,517 for 2013 -14. (The current year precept is £62,279). Due to the changed calculation of the tax base, this precept reduction would still result in an increase to the council tax charges of 1.3%. **This option carries a significant risk with it due to the uncertainty about the future availability of the grant.** If the grant is withdrawn in all or in part, the parish council would have less money in future than it currently has each year.

**Option 2:** Accept the grant of £4,780 for next year in addition to the requested 2013-14 precept of £64,297, to give a total budget of £69,077 for 2013 -14. This represents a 9.4%

increase on the current year's precept amount for Debenham. This option does, however, safeguard the financial position of the village and parish council. If the grant is withdrawn, which in the view of the parish council is highly likely, the precept would remain at the same level in future and would not need to be increased to make up any shortfall due to the grant being withdrawn. The increase of 9.4% was considered at length by the parish council. The cash value of the increase for a Band D property amounts to 14 pence per week. The most vulnerable in our society, who receive council tax benefit, would not see any increase at all. **Given these factors and looking to safeguard the medium to long term future of the village, the parish council has decided to choose Option 2.**

**Option 3:** Do not accept the grant and maintain the precept at the requested level of £64,297 for 2013 -14. This results in the same increase (9.4%) in council tax. The parish council could not see any merits in this option which was duly discounted.

**Future Council Tax Increases:** In relation to the possibility of an automatic referendum for local councils if the increase in council tax amounts to more than 2.0% in future, for Debenham, this would cost in the region of £2,000 to organise. These costs would swallow up any proposed increases being considered and make it virtually impossible for the parish council to get the village finances back to the current levels if the grant is withdrawn.

**Why not go for the smaller increase of 1.3%?** This was considered, as the parish council is mindful of the impact that higher increases can have on the local community. By taking the grant, while it is available, we are potentially safeguarding the village from future large increases in council tax, and possibly having to hold a costly referendum. **While the grant is available the parish council can use that money to hold down any future precept increases to the minimum possible.** Although 9.4% is a large increase the actual cash value associated with it (14 pence per week) was considered to be an acceptable increase to maintain the village in a way that we have all become accustomed.

The parish council only had approximately 10 days to reconsider the precept required for next year. Due to the very late timing of information and huge uncertainty about central government's intentions for future years, this put the parish council in a very difficult position in a highly complex and changing area of local government finance.

The table below shows in figures the options presented to the parish council:

| <b>Debenham Parish Council Precept - Summary</b> |                            |                               |                               |                              |
|--|----------------------------|-------------------------------|-------------------------------|------------------------------|
|  | <b>2012 -13<br/>Actual</b> | <b>2013 – 14<br/>Option 1</b> | <b>2013 – 14<br/>Option 2</b> | <b>2013 -14<br/>Option 3</b> |
| Budgeted spend                                   | £62,729                    | £64,297                       | £69,077                       | £64,297                      |
| LCTS Grant                                       | 0                          | £4,780                        | £4,780                        | 0                            |
| Precept  | £62,729                    | £59,517                       | £64,297                       | £64,297                      |
| Tax Base   | £815.66                    | £763.92                       | £763.92                       | £763.92                      |
| Band D council tax charge                        | £76.91                     | £77.91                        | £84.17                        | £84.17                       |
| % increase on current year                       |                            | 1.3%                          | 9.4%                          | 9.4%                         |
| <i>% increase if tax base not changed</i>        |                            | 2.49%                         | 2.49%                         | 2.49%                        |