**BUDGET & PRECEPT 2023/24**

Middleton Cheney Parish Council must act within the law, and we can only spend, raise or use money if we have a statutory power to do so, otherwise we act ultra vires (beyond our powers). Parish councils have a wide range of powers under different acts of Parliament. Most of these powers are discretionary, i.e., a council may do something, rather than it must do something.

The parish council has the unfettered right to raise money by precept (a mandatory demand) on the district council. The precept required by the parish council is then collected by West Northants council as part of the council tax levied on taxpayers in that parish.

All parish councils are under a statutory duty to produce a budget, and we aim to start preparing our budget in the autumn for the following financial year with a view to setting the precept at the December/ January meeting. The Council Tax Referendum Principles do not apply to the parish council currently and there is no indication that the government plans to introduce “capping” for parish and town councils in the future. A number of District, Borough, and County Councils have gone on record as saying that the cost-of-living crisis is causing a funding gap far worse than anything experienced previously, including austerity. Historically, the higher tier authorities have been “capped” at 2% to 5% increases in council tax, with costs estimated by some authorities to have increased by 15% or more.

The latest Consumer Prices Index (CPI) annual rate is at 10.7% (Nov) and anticipated to peak at up to 14% by end 2022 according to the British Chambers of Commerce (BCC). The BCC forecasts the rate to fall to 5.6% in 2023 and 2% in 2024. Clearly though, the economy is volatile and subject to external forces, not least global energy prices, which have been affected by the war in Ukraine, so all forecasts are inherently unreliable.

Although the principal authority has not confirmed any plans for wholescale devolution of assets or services in 2023/24, the parish council must remain prepared for the eventuality and is advised to ensure that we have good reserves so that if a service or asset is identified for devolution in 2023/24, the council at least has the option to consider it. The financial situation looks currently sound for the principal authority who are reporting a balanced position.

As we do not know if we will have an election or not until just before the election itself, we budget a nominal amount for a contested election. If we do not need the budgeted funds, then we can either vire them to another purpose or keep them for the 2027 elections.

Council holds general reserves and earmarked reserves. There is no limit at all on earmarked reserves, which are held for particular purpose, such as long-term capital projects or acquisitions. Advice on the appropriate level of general reserves suggests these should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE)”, where NRE = Precept minus (loan repayments + capital projects + transfers to earmarked reserves). Having healthy general reserves gives council more options, particularly in an operating environment that is uncertain.

**Middleton Cheney Parish Council Precept 5-Years**

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| **Year** | **Precept** | **Difference** | **5-Years** |
| 2023/24 | £133,728 | -2.16% | 3.43% |
| 2022/23 | £136,680 | -14.40% |  |
| 2021/22 | £159,680 | 22.12% |  |
| 2020/21 | £130,757 | 1.13% |  |
| 2019/20 | £129,297 |  |  |

The amount of precept to levy against council taxpayers is a financial decision for the council, but also a political one. For this round of budgeting, perhaps more than ever, there are differences of opinion on the council, ranging from those councillors who say the precept should not increase at all during a cost of living crisis, to those that say the precept must increase by inflation in order to “stand still”, to those that say the precept should increase to whatever it needs to increase to, even way above inflation, in order to provide vital council services just when people need them most of all.

Against this backdrop the Finance & Policy Committee developed the budget for 2023/24 which was subsequently adopted by council at the 19th December meeting. Council is continually considering avenues to reduce costs and introduce efficiencies, and this year a project to upgrade the Parish Street Lighting was brought to completion which will give significant electricity cost reduction going forward. The Precept derived from the 2023/24 budget being £133,728 represents a 2.16% reduction on the previous year.

The table above shows the Middleton Cheney Parish Council Precept for the last 5 years. What can be seen here is a modest inflationary level rise in the 2020/21 year, followed by a large 22.1% increase in the subsequent 2021/22 year. From then though, the Precept has been reduced first by 14.4 % in 2022/23, then reduced again this year by the 2.16% for the forthcoming 2023/24 financial year. The overall change over the 5-year period now stands at +3.43%.

Considering the exceptional change in the Precept demand in 2021/22 and the challenging economic environment over the past couple of years, this demonstrates that the current council is bringing the finances into control and driving cost savings and efficiencies, whilst still delivering the usual high levels of service to the community.

Alan Youel
Chairman
Middleton Cheney Parish Council