



FARNHAM TOWN COUNCIL

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Report Council

Date: January 2024

Precept 2024/25

Introduction

- 1** This report is a report of the Strategy & Finance Working Group.
- 2** A local council precepts on the billing/collection authority (Waverley) for an amount which it requires to deliver its agreed programme of activities for the forthcoming year. Unlike the major precepting authorities (Waverley BC, Surrey CC, Surrey Police Authority) which set a rate for the various bands described as a Band D equivalent figure, a parish sets a budget and precept. This amount is payable by the collection authority, regardless of how much is collected, as a result of the levy set by the precepting council (eg Farnham) to be able to deliver its services. It is good practice however, to do the calculation to understand what the Band D levy (or Council Tax amount) is going to be, in both cash and percentage increase terms, as this helps explain the budget impact to electors.
- 3** As part of the provisional Local Government Finance Settlement (SFA) announced in December, the Government again announced additional funds available for Adult Social Care via a precept of 2%, on top of the 3% cap for principal authorities (or £5 if greater for shire district council Band D bills). A £13 increase is allowed for Police & Crime Commissioners.
- 4** The Government created legislation which allows a restriction on increases in Council tax. Town and Parish. Councils do yet not face the risk of being 'capped' and are increasingly taking on or contributing to services being cut or stopped as a result of pressure on the principal authorities. On 18th December, the Secretary of State confirmed that the referendum 'capping' principles will not be extended to the Town and Parish Council tier of local government. The Government has not previously set referendum principles for town and parish councils. This approach was contingent on town and parish councils taking all available steps to mitigate the need for council tax increases and the Government seeing clear evidence of restraint.
- 5** In 2023-24, the Local Councils sector as a whole received just 1.8% of money raised by Council tax (£708m out of £38.7billion). In recent years, more services have been taken on by the Town and Parish sector from principal authorities as a result of structural change or pressures on finance. In 2023/24 the average Parish increase was £4.54 (6.1%) whilst Farnham was again below average at 4.94%. The average council tax precept for Town and parish councils was £79.35 against the Farnham level in 2023/24 of £73.21. Overall there are

104 councils with a precept above £1m (including 11 above £2m and 4 above £3m), but the average for councils in a two tier area is £73,012 (compared with a unitary area of £87,916).

- 6 The table below shows how Farnham has consistently been prudent and managed to minimise its precept increases over the past decade, without negatively impacting on its wide range of services, and is significantly below the average for the sector. It is also below the average increase for principal authorities running at 2.8% on average over an eleven year period compared to 3.2% for principal authorities and 4.7% for parish councils per annum.

In 2013, Farnham's precept amount was £5.63 above the sector average whereas in 2023/24 it was £6.13 below the sector average despite having taken on extra land from Waverley Borough Council, significantly expanding the number of activities being run by the Council, and maintaining high standards of service which have been recognised by national awards.

Year	FTC precept	Average national parish precept	FTC increase	National average parish increase	Capped National average - Principal authorities
2013/14	£55.86	£50.23	3.3%	5.2%	0.8%
2014/15	£56.87	£52.37	1.8%	4.3%	0.8%
2015/16	£57.59	£54.12	1.27%	3.3%	1.1%
2016/17	£59.83	£57.40	3.89%	6.1%	3.1%
2017/18	£61.03	£61.03	2%	6.3%	4.0%
2018/19	£62.62	£64.04	2.6%	4.9%	5.1%
2019/20	£64.49	£67.18	2.99%	4.9%	4.7%
2020/21	£66.09	£69.89	2.48%	4.0%	3.9%
2021/22	£67.37	£71.86	1.94%	2.8%	4.4%
2022/23	£69.76	£74.81	3.55%	4.1%	3.5%
2023/24	£73.21	£79.35	4.94%	6.1%	5.1%
		Eleven year average	2.8%	4.7%	3.2%

Farnham's Budget 2024/25

- 7 In 2023, Farnham's provisional Band D tax base was set at 18,231.9 up from 17,973.5 based on an assumed collection rate of 98.5%. After exemptions in each area have been deducted, this percentage is multiplied against the Band D calculation in order to calculate the Band D number for each part of the Borough. This means the precept income (with no change) would be £1,334,818 up from £1,315,900 (an increase of £18,918).
- 8 At the Council meeting in December, Members approved expenditure of £1,806,950 with draft discretionary income of £359,750 (including more challenging sponsorship and events income targets) and (assuming no precept increase) a total income of £1,694,568. This represented a revised net budget of £1,447,200 and a shortfall of income of £112,382.
- 9 A 1% increase in precept would bring £13,348 of additional income for Farnham Town Council at a cost of approximately 73p per band D dwelling per annum.
- 10 The precept needs to be set in a context of continuing significant economic pressures particularly with energy costs and higher inflation for both the Council and for residents. Inflation over the past 12 months was at a 40 year high of 11% at the beginning of the year and falling to 6.7% (CPI, September 2023) or 8.9% (RPI) with the Bank of England expecting inflation will not reach its target inflation rate until the first half of 2025. Costs have risen significantly for many of the Council's activities.

- 11** It should be noted that the purchasing power of the precept has been eroded with increases being below inflation in the same way as interest and dividends below inflation erode the value of investments.
- 12** In determining the level of precept Council for the year ahead should consider whether it wishes to:
- 1) use any of its reserves to meet the shortfall;
 - 2) increase further the income targets for services, or
 - 3) set unallocated in-year savings targets.
- 13** Council could also consider other options such as reducing the precept level further by using more reserves; applying a freeze on the Farnham Town Council proportion of the Council tax; funding the agreed budget with an increase in the precept; or funding the budget with a combination of reserves, additional income and precept. However, some of these options may present a challenge in terms of future funding and the emerging priorities of the Council.
- 14** It is worth noting that the amount paid by a Band D council taxpayer in Farnham in 2023/24 was £2,260.5. 74% of the total went to Surrey County Council, 14% to the Police & Crime Commissioner, 9% to Waverley Borough Council and 3% to the Town Council.
- 15** Strategy & Resources Working Group debated these issues extensively and considered a number of recommendations it could make to Council on how the funding shortfall is met. It noted that if funded by the precept alone, the shortfall would represent an increase of £6.16 per Band D property per annum, or 12p per week, the equivalent to taking a Band D contribution to £79.37 per annum (or £1.53 a week). However, members were mindful of the cumulative effect on local residents with other Councils' increases and of the considerable uncertainty with world events and determined to reduce the impact and recommend using a £22,382 of reserves. The approved budget already included increased income targets for investment income, fees and charges and sponsorship. The net shortfall of £90,000 represents the significant new investment in supporting younger people and represents just 9p per week per Band D property.
- 16** This would mean the Farnham Town Council portion of the Council tax would increase by £4.93 per Band D property to £78.15 per annum (or £1.50 per week).

It is recommended that

- 1) Reserves of £22,382 be used to reduce the 2024/25 precept increase;**
- 2) The 2024/25 precept be set at £1,424,818 representing a Band D equivalent amount of £78.15 per annum or £1.50 per week.**