



FARNHAM TOWN COUNCIL

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Report
Council

Date: 18th December 2025

Budget for 2026-27

Introduction

1. The draft budget recommended by Strategy & Finance for consideration by Council for 2026-27 is attached at Annex I, with notes explaining key points or changes in the draft budget attached at Annex II. This is the culmination of two Strategy discussions in November and December which preceded the discussion at Strategy & Resources on 11 December. A summary of key points raised are set out below. In the context of Local Government Reorganisation and the aspirations of Council this has been the most difficult period for Farnham's budget planning for many years. There is significant uncertainty especially in the context of concern by councillors of the cumulative impact on residents of expenditure rises in other councils and the wider economy and concern that the Council needs to be well-placed to be responsive to the needs of residents when the new West Surrey authority is created.
2. The proposed budget has been drawn up based on a review of expenditure in 2025-26 and on the 2024/25 outturn but in the context of continuing economic pressures and Local Government Reorganisation with accelerated consideration of Community Asset Transfers. It also takes into account evolving priorities discussed at the Strategy Workshops held in November and December. The most significant changes are set out in Annex III and include bringing staffing resources to a required level after absorbing pressures and managing vacancies over recent years. There has been a review of income at every level and challenging income targets (an increase of 21%) have been set to reduce the impact on the precept. A large increase in investment income is budgeted given the recent CIL receipt. In terms of expenditure, an addition of £50,000 in the grants pot to continue to meet the needs of community organisations including a £15,000 to support the management of the Farnham Museum and an additional £10,000 towards additional holiday activities for younger people. Inflationary pressures have been covered with a general provision of 3.8%, and a cautious calculated increase for grounds maintenance has been provisioned for any recreation grounds and green spaces being taken on by Farnham. In line with experience from reorganisation in other county areas, further increases would be required for future years once the new West Surrey Authority has been established.
3. In 2025, Farnham has a provisional Band D tax base of 18,586.9, up from 18,398.9 based on an assumed collection rate of 99%. 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 £1,551,077 up from £1,535,300 (an increase of £15,777).

4. Inflation has continued to be high at 3.8% (CPIH, October 2025) or 4.2% (RPI).
5. In drawing up the FTC budget, Council is very mindful of the impact on residents especially with the forecast increases of both the Borough and County Councils council tax levels which are likely to be at least 3% with the police and crime commissioner indicating a 4.2% increase was likely in 2026/27. For information, a 1% increase in Surrey's council tax level is £18.46, a 1% in Surrey police is £3.37 and a 1% increase in Waverley is £2.48. This compares with a 1% increase in the FTC budget of £0.85.
6. Members will be aware that there has been a transfer of some costs of the principal authorities as FTC is already picking up some reductions in grants to community organisations to support those most in need in the community and will be taking on maintenance costs for any community assets transferred to give them protection from future development. The approach by the Town Council is to prepare prudently for changes ahead whilst maintaining and improving existing services. The increase for support for younger people is continuing at with a proposed increase of 10% in 2026-2027.
7. Investment income has been increased with the expectation that they will continue at a higher level with recent CIL receipts but drop as earmarked reserves are spent on capital projects. The budget assumes fees and charges broadly based on 2025-26 levels. A full list of fees and charges will be presented to the January meeting after discussion at Strategy & Finance.
8. The overall salary costs are based on the 2024 job evaluations and the assumption that the full staffing establishment is employed as there has been continued pressure on delivering services alongside new areas of focus in recent years. The budget level includes provision for a cost-of-living increase for 2026/27 of around 3.5% noting that although discussions between the Unions and the National Employers have not yet started the claim presented to the National Joint Negotiating Committee is substantially higher.
9. Members have previously discussed the potential impact of pressures on the budgets of principal authorities and the increasing likelihood that there may be a need to further top-up or take on services such as street cleansing and litter collection to meet the aspirations of the local community. The budget continues a fund for community and environmental initiatives to enable funding to be available to provide an enhanced clean of the new wider footways either directly or through the current Waverley street cleaning programme. In 2026/27, there will be a new amenity building constructed in Gostrey Meadow providing much improved toilets and storage facilities and the restoration of the Borelli Shelter.
10. The Government has not yet indicated any intention to put a restriction on the level of increase in a precept (or band D council tax rise) for town and parish councils (the capping principle). This will not be known until the Local Government Finance Settlement is announced around Christmas. Farnham Town Council's precept level in 2025-26 was again below the average sector increase for an fifteenth consecutive year as a result of prudent management of council finances and partnership working to reduce costs and the ongoing contribution of volunteers to deliver above expected levels of services.
11. At the Strategy sessions and at Strategy & Resources, there was considerable discussion over potential asset transfers to safeguard green spaces or community buildings (many of which were acquired by Waverley from the former Urban District Council in 1974) that would enable services to be delivered in future (eg Montrose House, the former Surveyors offices adjacent to Farnham Town Hall, the dilapidated Waggon Yard garages as a hub for craft makers). It was noted that apart from Morley Road Recreation Ground, Waverley's delayed timetable meant that no indication of assets proposed for transfer would be made until after Farnham had set its precept for the year ahead and a continued earmarked reserve would be required. Services such as the Farnham Museum (perhaps creating it into the UK's first Museum of Craft reflecting Farnham as a

World Craft Town, and street cleaning were also identified as significant issues where Waverely's role would increase. It was also noted that Farnham would be the 'face' of the combined councils in the future with the new Unitary HQ expected to be in Woking or further afield. There was also discussion on continuing the Neighbourhood Area Committees once the pilot concluded with Farnham taking the lead (through its Community & Wellbeing Working Group) to avoid a loss of momentum if Surrey or the new shadow unitary did not prioritise them continuing. In terms of the new council elections coming up for Farnham in 2027, the costs could be double the usual costs if there were no other election taking place to share the costs, and Members noted the increased workload expected of town councillors once the new unitary councils were set up as the number of principal authority councillors would reduce from 19 to six. As such, consideration for a potential for a member's expense allowance would be essential to attract councillors representing all walks of life.

12. When the Council considers its precept strategy it will need to bear in mind that a 1% increase in precept would bring £15,353 of additional income for Farnham Town Council at a cost of approximately 85p per band D dwelling per annum.
13. At the December Council meeting, Farnham Town Council will set its budget and in January 2026 will then agree the level of precept to deliver its services. The level of precept, which is divided by all the Band D properties to find the Band D level of council tax may be supported by the use of reserves or any changes in the fees and charges or income targets set by Council. Given the challenges around income uncertainty and the ongoing pressures on families facing hardship, the Working Group were concerned to available to minimise the impact of rising cost of services and other pressures but also recognising the changes in Local Government structures is a once in a generation change.
14. Council is recommended to approve expenditure of £2,205,030 and draft discretionary income of £501,100. The Working Group was concerned the income target was very challenging with increased sponsorship and events income targets along with investment income and considered reducing the levels but after debate agreed to adopt the recommendations of officers. As such, assuming no precept increase a total income of £2,052,177. This represents a significant shortfall of income at this stage of £152,853 which if funded by precept alone would be the equivalent of £8.22 per band D property (69pence per week). However, further consideration of this will take place at the January meeting when fees and charges are also discussed.
15. In conclusion, this is a tight budget. There are many uncertainties but the budget is designed to create the best opportunity to safeguard services for the community and in particular for families and young people, and community organisations that deliver important services to young people, families and isolated elderly. At the Strategy & Resources meeting it was noted that some of the impacts of reorganisation could be met from the earmarked and other reserves held by the Council in order to minimise the impact on Farnham's share of the Council Tax but that these could only be deployed in a limited way.
16. In finalising the budget, Council could consider adjusting spending (up or down) or income targets but the Strategy & Resources recommendation is as follows:

Recommendation

It is recommended that the gross expenditure budget for 2026-27 be set at £2,205,030