



# FARNHAM TOWN COUNCIL

Report  
Council;

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**Date: 23rd January 2020**

**Precept 2020/21**

**Purpose**

**To agree precept for 2020/21**

## **Introduction**

- 1 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).
- 2 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 2% cap for principal authorities (or £5 if greater for shire district council Band D bills).
- 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. The Secretary of State has confirmed that the referendum 'capping' principles will not be extended to the Town and Parish Council tier of local government but Town and Parish Councils are expected to demonstrate restraint and meet certain criteria when setting increases that are not a direct result of taking on additional responsibilities. However, as in previous years this likely to be dependent upon:
  - the sector taking all available steps to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for other uses or for "invest to save" projects which will lower on-going costs, and;
  - the Government seeing clear evidence of restraint in the increases set by the sector as a whole.

The Local Councils sector as a whole receives just 1.8% of money raised by Council tax (£554m out of £31.4billion). 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 2019/20 the average Parish increase was 4.9% whilst Farnham was 2.99%. The average council tax precept for Town and parish councils is £67.18 against the Farnham level in 2019/20 of £64.49.

The table below shows how Farnham has managed to minimise its precept increases over the past five years

Year	FTC precept	Average national parish precept	FTC increase	National average parish increase
2015/16	£57.59	£54.12	1.27%	3.3%
2016/17	£59.83	£57.4	3.89%	6.1%
2017/18	£61.03	£61.03	2%	6.3%
2018/19	£62.62	£64.04	2.6%	4.9%
2019/20	£64.49	£67.18	2.99%	4.9%

### Farnham's Budget 2020/21

- 5 The figures provided by Waverley Borough Council for 2020/21 show 17,341.2 Band D properties for Farnham after being adjusted for a 99% collection rate (up from 17102.9 in 2019/20). The Collection rate is significant since any loss or surplus is shared between the major precepting authorities (Surrey, Waverley and the Police authority), but not Town and Parish Councils. It is interesting to note that there has not been a loss on the Collection fund in the last ten years, but a substantial surplus shared between the principal authorities.
- 6 At the Council meeting in December, Members approved a gross budget of £1,400,327 and, after discretionary income of £254,300 is taken into account, a revised net budget of £1,146,027. In this budget, Council has absorbed the costs of the freehold transfer of properties from Waverley Borough Council (approximately £80,000 per annum); made provision to begin to meet the environmental challenges facing the community as a result of climate change; identified capital projects for further investment in Gostrey Meadow and public conveniences; agreed the principle of supplementing or taking on services which had reduced standards from the principal authorities; pledged to continue to maintain its delivery of Farnham Town Council's high performing services.
- 7 Farnham's Town Council's share of the total Council tax bill for a Band 'D' property in Farnham in 2019/20 of £1,960.89 was just £64.49. (The rest was made up of Surrey County Council £1,453.50; Waverley Borough Council £182.33; and Surrey Police £260.57).

This same Band D rate would, if applied in 2020/21, raise £1,118,334 for Farnham Town Council. With the addition of the Council Tax Support Grant (£9,100) and budgeted income from services of £245,200 the total income for Farnham Town Council would be £1,372,634 a shortfall of £27,693.

This represents an increase of £1.60 per annum (some 3.1 pence per week) per band D property if funded through the precept making the cost for Farnham Town Council Services for the average Band D household £66.09 per annum (£1.27 per week).

A 1% increase in precept would bring just over £11,180 of additional income for Farnham Town Council at a cost of just over 65p per band D dwelling per annum.

- 8 Inflation at November 2019 was running at 1.5% (Consumer Price Inflation) and 2.2% by the RPI (Retail Price Index). However, the Strategy & Finance Working Group noted that

inflation on services provided by the Town Council may be significantly higher than the basket of goods and services used to make up CPI and RPI. It was also noted that salary settlements had generally been higher than these rates in the past year as they had fallen behind in real terms over several years. The Working Group were aware of the pressures on those whose own income (eg pensions) were pegged to CPI and who were facing increased pressures on their own household incomes.

- 9 In determining the level of precept Council 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.

The Strategy & Finance Working Group considered all these options and also whether to reduce the precept level further; applying a freeze on the Farnham Town Council proportion of the Council tax; or whether funding the agreed budget with an increase in the precept was the most prudent thing to do. The Working Group debated a number of scenarios and whether any of the earmarked reserves could be released but felt that a modest rise in the precept was required given the continuing uncertainty of services being taken on by the Town Council as a result of reductions in services at the Borough and County Council levels following the removal of government grants and the redistribution of funds by the government to other parts of the country.

It was therefore agreed to recommend to Council a precept level of £1,137,027. This represents a modest increase of 3.1 pence per week (£1.60 per annum) equating to 2.48% for the Farnham element of the council tax for a typical Band D property. The total cost for Band D for Farnham Town Council would be £66.09 per annum (£1.27 per week).

### **Recommendation**

It is recommended that Council

Sets a precept of £1,146,027 for 2020/21 equating to a Band D cost of £66.09 per annum (£1.27 per week).