



FARNHAM TOWN COUNCIL



Report
Council

Date: 21st January 2021

Precept 2021/22

Purpose
To agree the precept for 2021/22

Introduction

- 1** This report is a report of the Strategy & Finance Working group and should be read in conjunction with the notes of the discussion at Appendix B.
- 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). 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 3% on top of the 2% cap for principal authorities (or £5 if greater for shire district council Band D bills). A £15 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. 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.

In 2020, the Local Councils sector as a whole received just 1.8% of money raised by Council tax (£596m out of £33.1 billion). 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 2020/21 the average Parish increase was 4.0% whilst Farnham was 2.48%. The average council tax precept for Town and parish councils is £69.89 against the Farnham level in 2020/21 of £66.09.

The table below shows how Farnham has consistently managed to minimise its precept increases over the past six years and is significantly below the average for the sector.

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	£57.40	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%
2020/21	£66.09	£69.89	2.48%	4.0%

Farnham's Budget 2020/21

5 In 2020, Farnham's tax base has provisionally increased by 21.8 additional band D units (equivalent to an income of £1,393 based on the 2020/21 precept of £66.09) with a provisional Band D tax base of 17,363 (up slightly from 17,341.2 Band D properties in 2019). As a result of COVID-19, there has been a significant number of people applying for financial support including Council Tax support. This has led to a higher number of exemptions from the calculated tax base. In addition, Waverley Borough Council has had to consider the likelihood of being able to collect the same level of Council Tax as it does usually. It has made a judgement that it needs to adjust the collection rate from 99% to 98% in order to make provision for difficulties it may face. 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.

6 At the Council meeting in December, Members approved a reduced gross budget of £1,399,850 and, after discretionary income of £204,870 (including a reduced Council Tax support grant of £9,100) is taken into account, a revised net budget of £1,194,980 results. In this budget, Council has recognised the pressures on residents and also the income challenges resulting from the ongoing Coronavirus pandemic.

If the 2020/21 Band D rate of £66.09 were applied it would raise £1,147,521 resulting in a shortfall of £47,459. A 1% increase in precept would bring just over £11,475 of additional income for Farnham Town Council at a cost of just over 66p per band D dwelling per annum.

8 Inflation at October 2020 was running at 0.7% (Consumer Price Index) with the RPI (Retail Price Index) being approximately 1% higher. The Government has announced it is moving away from the RPI going for CPIH (including housing costs) going forward but the inflation forecast for 2021 to 2025 is 2.09% (source macrotrends). It should be noted that contract price inflation and other expenditure of the Town Council does not necessarily mirror the CPI basket of goods.

9 In determining the level of precept Council should consider whether it wishes to:
1) use any of its reserves (see separate appendix for details of the current reserves) to meet the shortfall;

- 2) increase further the income targets for services, or
- 3) set unallocated in-year savings targets.

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 .

Strategy & Finance Working Group looked at these options in detail and agreed unanimously to recommend that the shortfall be partly met from reserves and partly by a small increase in the precept. It was agreed to recommend that reserves of £25,150 be used to keep the level of increase at 1.94%. As a result, the proposal is that the precept be set at £1,169,830, a Band D equivalent amount of £67.37 per annum, (just under £1.30 per week). This represents less than 2.5 pence per week increase for the Farnham element of the council tax for a typical Band D property.

Recommendation to Council:

It is recommended that the 2021/22 precept be £1,169,830 representing a Band D equivalent amount of £67.37.