



FARNHAM TOWN COUNCIL

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Report Council

Date: 26th January 2023

Precept 2023/24

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 £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. On 19th 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 2022-23, the Local Councils sector as a whole received just 1.8% of money raised by Council tax (£655m out of £36.3billion). 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 2022/23 the average Parish increase was 4.1% whilst Farnham was again below average at 3.6%. The average council tax precept for Town and parish councils was £74.81 against the Farnham level in 2022/23 of £69.76.

- 6 The table below shows how Farnham has consistently managed to minimise its precept increases over the past ten years and is significantly below the average for the sector. It is also below the average increase for principal authorities running at 2.6% on average over a ten year period compared to 3.16% for principal authorities and 4.6% for parish councils per annum..

In 2013, Farnham's precept amount was £5.63 above the sector average whereas in 2022/23 it was £5.05 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%
		Ten year average	2.6%	4.6%	3.14%

Farnham's Budget 2023/24

- 7 In 2022, Farnham's provisional Band D tax base was 17,973.5. up from 17654.4 based on an assumed collection rate of 98%. 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 £1,253,831 up from £1,189,377 (an increase of £64,453).
- 8 At the Council meeting in December, Members approved expenditure of £1,643,750 with draft discretionary income of £278,850 (with more challenging sponsorship and events income targets) and (assuming no precept increase) a total income of £1,532,681. This represented a revised net budget of £1,364,900 and a shortfall of income of £111,069.
- 9 A 1% increase in precept would bring £12,538 of additional income for Farnham Town Council at a cost of approximately 70p per band D dwelling per annum.
- 10 The precept needs to be set in a context of significant economic pressures particularly with energy costs and high inflation. With Inflation at a 40 year high, running at 11.1% (CPI, October 2022 dropping slightly to 10.7% in November) or 14.2% (RPI in October dropping to 14% in November)) with the Office for Budget Responsibility not expecting target inflation to return until the end of 2025 and the UK is expected to have the highest inflation among the G7 nations until 2024.
- 11 This is particularly important when the recent refurbishment projects of the public conveniences and potential investment in other building projects is considered where price inflation is running higher than wage inflation. It should be noted that a below inflation

increase erodes the purchasing power of the precept in the same way as interest and dividends below inflation erode the value of investments.

- 12** 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.
- 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 depending on decisions being made at this meeting relating to Gostrey Meadow.
- 14** It is worth noting that the amount paid by a Band D council taxpayer in Farnham in 2022/23 was £2,187.51. 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. The increase in Surrey County Council's element alone for 2023/24 is expected to exceed £80 per annum.
- 15** Strategy & Finance Working Group considered a number of recommendations it could make to Council on how the funding shortfall is met. If funded by the precept alone, this would represent an increase of £6.18 per Band D property per annum, or 12p per week, the equivalent to 8.9%, taking a Band D contribution to £75.94 (£1.46 a week). However, members were mindful of the effect on local residents and of the considerable uncertainty surrounding inflation on many of the costs facing Council in the coming year.

As a result, the Working Group determined to make a recommendation that set additional income target of £10,000 for the Cemetery service based on the previous year's outturn and the current performance, a savings target of £20,000 on the salaries and agency staff budget, and the use of £19,000 of reserves. By adopting this approach, the potential increase would be minimised and limited to less than a penny a day. (£3.45 per annum per Band D) resulting in a precept of £1,315,900 and a Band D rate of £73.21. At a level of 4.94%, this would be less than half the current inflation rate and again be below the £5 cap that would be set for principal authorities. It is considered a prudent, fair and reasonable approach that would support local residents at a difficult time.

Recommendation for Council:

It is recommended that

- 1) An additional income target for the Cemeteries service of £10,000 and targeted staff and agency savings of £20,000 be set and £19,000 of reserves be used to minimise the 2023/24 precept increase;**
- 2) The 2023/24 precept be set at £1,315,900 representing a Band D equivalent amount of £73.21 per annum or £1.41 per week.**