



FARNHAM TOWN COUNCIL

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Report Strategy & Resources

Date: 5th December 2023

Budget for 2024-25

Introduction

1. The draft budget recommended by Strategy & Resources for consideration by Council for 2024-25 is attached at Annex 1 (Summary by Working Group) and at Annex 2 (by account code), with notes explaining key points or changes in the draft budget attached at Annex 3. Budget setting is not a science as there are a number of variables which can be adjusted depending on the approach of Council. The income levels can be adjusted depending on whether Council wishes to draw down reserves, increase more challenging sponsorship targets or take a more optimistic approach to ticket sales for events. The aim is to create a budget that delivers the aspirations of Council and the needs of the community but without increasing the precept level to a point that would leave a surplus at the end of the year. This report sets out a series of options and variables for the Working Group to consider and an indication of the impact this would have on the precept. The precept level is not considered until the January meeting so that options for meeting the budget (and any shortfall) agreed by Council can be revisited.
2. In 2023, Farnham has a provisional Band D tax base of 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).
3. The provisional budget has been drawn up based on a review of expenditure in 2023/24 and on the 2022/23 outturn but in a context of continuing economic pressures and high inflation. It also takes into account evolving priorities of the new administration elected in May 2023 and the report on the Strategy Workshop held on November 4th which was subject to a separate report at the December Strategy & Resources Working Group, and circulated to all councillors. The most significant change has been an addition of £90,000 to extend service provision for younger people together with provision for an additional member of the Outside Services team to deal with the additional requirements being discussed. There is a wider role evaluation to be undertaken (agreed in the 2022/23 financial year but not yet formally commissioned) and it is expected this will result in some additional expenditure as some roles are thought to have fallen behind the sector equivalents.
4. 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 to be at 4.5% at the end of 2023 and not reach its target inflation rate until the first half of 2025.

5. In drawing up the FTC budget and mindful of the impact on residents, this is a cautious budget and with inflation provision kept low. A cautious approach for potential sponsorship and income from activities has also been taken based on experience in 2023-24 but with an increase of some elements. These will remain a challenge in the current economic climate. Investment income with rising bank rates has been increased with the expectation that they will continue at a higher level but drop towards the end of 2024. A positive assumption of a 5% return has been made. The budget assumes fees and charges broadly based on 2023-24 levels, given the continuing uncertainty in the economic climate but with provision for increases in some areas. It is hoped there will be some matched contributions from the emerging Business Improvement District for matters such as the promotion of the town and replacement infrastructure such as the Christmas Lights and CCTV to promote community safety. As there have been no discussions yet, no assumptions have been made about the impact of this. A full list of fees and charges will be presented to the January meeting after discussion at Strategy & Resources.
6. The overall salary costs are based on the assumption that the full staffing establishment is employed but with a vacancy factor and grade 'lag' built in. The 2023 cost of living employers' offer (a flat rate of £1,925 or 3.88% - pro rata for part time employees - was announced in November and will be implemented in the December payroll. The budget level includes provision of a similar cost of living increase for 2024/25 of an estimated 4% (similar to the 2023/24) but discussions between the Unions and the National Employers have not yet started. The cost implication of this in a full year would be in the order of £30,000. The salary allocations include provision for the replacement of the full time Communities and Administration Manager with a part-time Democratic Services Officer and part-time project officer/fundraiser. This latter role will become more important with the need to attract external funding from a range of sources for projects being implemented by FTC. The cost of any Youth provision/support is included within the £90,000 allocation mentioned above and would be partly reallocated to salaries if this post were to be directly employed. If Members also wished to employ a part time Climate officer role to add to the community engagement on climate matters an additional provision in the region of £25,000 to £30,000 would need to be added to the budget for the cost of employment.
7. 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 and there is concern about the need to extend services for young people and well-being in particular and also address the impacts of climate change and raise awareness amongst the wider Farnham Community.
8. The Environmental/Community Initiatives fund been put maintained at £40,000 to allow for further investment in these two areas. Provision for continuing the Craft Co-ordinator throughout the year to support the impact of World Craft Town on the economy and Tourism, and continuing the co-ordinator role for the successful Literary Festival are again included. The sum for additional staffing and events is being maintained at the same level but the rate for events will be adjusted to reflect the unsocial hours of the activities being undertaken and reflect potential different arrangements for the summer programme in particular.
9. 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. Farnham Town Council's approach in 2023/24 was again below the average sector increase for an eleventh consecutive year as it used reserves and savings targets to minimise the impact of residents.
10. When the Council considers its precept strategy it will need to bear in mind that 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.

11. In this Council meeting, Farnham Town Council will set its budget and in January 2024 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 income targets set by Council. Given the challenges around income uncertainty and the pressures on families facing hardship, Council will wish to use every means available to minimise the impact of rising cost of services and other pressures.
12. The provisional budget proposed by the Working Group to consider has provisional expenditure of £1,806,950 with draft discretionary income of £359,750 (with improved bank interest and more challenging sponsorship and events income targets) and (assuming no precept increase) a total income of £1,694,568. This represents a shortfall of income at this stage of £112,382. A shortfall of this amount could potentially result in a £6.12 increase (if the amount were purely met from precept income) in the level of Band D per annum which would still be below the sector average for 2023/24.
13. There are a number of options within the budget for Council to adjust spending (up or down) or income targets. The budget notes (at Annex 3) provide some useful explanation on how the elements of the budget are put together. There are some earmarked reserves which have been taken into account to minimise the budget allocations for some areas which expected to be bigger spending items in the year ahead such as the replacement Christmas lights, the Neighbourhood Plan Review.

Recommendation

The Working Group propose that Council set a budget for 2024/25 at £1,806,950.