

Finance update to inform budget setting

Date: 04/12/20

The general reserve at the end of the last financial year (2019-20) was £121,626.

The parish council finances have been tested considerably by the COVID-19 crisis and the lack of any income at Bracklesham Barn within in the current financial year. This has resulted in a projected loss of income this year of £35K. We have received approx. £16K in grants that have helped fill some of the shortfall. We have also managed to save in other areas – no events this year, and the recruitment of the Youth Worker has been postponed as the Youth club has not been operating since March.

On this basis, we anticipate that at the end of the year the financial impacts of COVID to the council will be largely cost-neutral and will require a modest draw on the general reserve of less than £2,500.

The financial picture for next year is considerably more challenging. We do not anticipate that levels of business will return to their pre-pandemic peak for at least 2-3 years as many hirers are no longer planning on returning and it will take time for business and consumer confidence to return. We also do not anticipate activities such as the Cinema resuming until Autumn 2021 at the earliest, due to problems in the supply-chain of suitable movies being available for community screenings. As such, we anticipate income at the barn being approximately 50% of the previous levels.

Finally, as had been feared, the tax base for 2021-22 has reduced due to more residents being exempt from council tax as a results of receiving qualifying benefits due to the huge increase in hardship precipitated by the COVID crisis.

Residents claiming out of work benefits have increased 300% from less than 60 in February 2020 to 185 in October 2020, whilst the proportion of pupils on roll at East Wittering Primary school eligible for the pupil premium has increased from 11% to 29%.

This means that the council will see a 1% shortfall in the precept raised at our current Band D equivalent compared to the precept levied this year.

In October 2020 an options paper was prepared for the council outlining the potential risks to the 2021/22 tax base, projected shortfalls in the annual budget and analysing the likely effects of taking on additional costs of £11,500 per year from WSCC to pay for the continuation of the mobile household waste recycling service. The report highlighted that in order to maintain existing expenditure on services and take on additional services from WSCC a very significant increase in the annual precept would be required, which could have negative impacts upon residents who are already showing signs of financial distress.

The report recommended that the HWRS not be taken on, but that all other key services be maintained with modest cuts across the board.

At the council meeting on 8th October, via resolution 20.76, council resolved not to accept recommendations and agreed to take on funding of the HWRS. In order to limit the financial hardship caused to residents, in the same resolution they also agreed to limit the total precept increase in 2021-22 to a maximum of 3.5%, thereby requiring the funding for the HWRS to be found via cuts to existing services.

This means that the maximum precept that can be raised in 2021-22 with the new tax base is £153,647. On this basis a balanced budget has been prepared by the clerk, which meets the requirements of the council resolution, but which will see major cuts or cancellation of many community services – youth work, events, Christmas Lights, etc. This is a low-range scenario and meets within the councils resolution.

A high-range scenario has also been prepared, which keeps all existing services, plus adds in the costs of the now contracted of the HWRS. This shows a budget shortfall in 2021-22 of £42,000, which would require a precept increase of 31% to achieve a balanced budget.

Both scenarios assume income of £20,000 for Bracklesham Barn, a drop of just under 50% on previous years. If this assumption proves optimistic it would increase the need to draw on the general reserve in both budget scenarios.

Standing orders state that council cannot reverse a decision made within the last six months unless via a special resolution, so should any budget other than the low-cost scenario be proposed, a special motion to annul resolution 20.76 would have to be passed first.