

MID-YEAR BUDGET MONITORING

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	College Ward; Town Ward; Woodcote Ward;
Appendices (attached):	Appendix 1 – Mid-Year Monitoring 2021/22

Summary

This item reports on the income and expenditure position as at 31 August 2021 and seeks guidance on the preparation of the budget and precept for 2022/23.

Recommendation (s)

The Conservators are asked to:

- (1) Note the mid-year income and expenditure position as at 31 August 2021;
- (2) Provide guidance on the preparation for the budget for 2022/23, including the savings target set-out in section 5;
- (3) Note the conclusion of the 2020/21 external audit of the accounts.

1 Reason for Recommendation

- 1.1 To make the Conservators aware of the mid-year financial position for 2021/22 and seek guidance on the provisional budget estimates for 2022/23.

2 Background & Mid-Year Income and Expenditure Position

- 2.1 The Conservators budget for 2021/22 was agreed at the meeting of 25 January 2021.
- 2.2 The attached budget monitoring statement at Appendix 1 shows income and expenditure from 1 April 2021 and provides a forecast outturn position for 2021/22, in the standard accounts format for EWDC.

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- 2.3 Net expenditure in 2021/22 is forecast at £447,331, which would result in an adverse variance of £13,761 against the budget of £433,570. This adverse variance is mainly due to additional management costs (and VAT), for work requesting the Traffic Order earlier in the year, reviewing the Tattenham Corner Conveniences and preparing a Habitat Management Plan. These additional costs are partially offset by savings on running costs from the continued closure of the Tattenham Conveniences.
- 2.4 Major events have yet to return to the Downs, although some income is anticipated this financial year.
- 2.5 The working balance stood at £61,817 at 31 March 2021. The projected £13,761 deficit, partially offset by a £3,000 budgeted contribution to reserves, would reduce the working balance to £51,056 at 31 March 2022. In addition, £20,000 of the working balance is committed as funding for the EAFRD project, which reduces the projected, uncommitted balance to £31,056.

3 EAFRD Project

- 3.1 The Visitor Trails: Explore the Equestrian Heritage of the Epsom and Walton Downs project is mainly funded by the Rural Development Programme for England. Permission to commence the project was received in August 2021, with works due to commence by December, and an anticipated completion date of March 2022.
- 3.2 The Conservators revenue contribution to project is £20,000, funded from the working balance. This represents expenditure that is critical to the project but not re-claimable as part of the grant. A further £7,500 of match funding is being provided by the Jockey Club.

4 Budget Estimates 2022/23

- 4.1 The final column of Appendix 1 provides an indicative budget position for 2022/23. This indicative budget has been prepared ahead of the Council finalising its service estimates and the figures are provisional. Based on the indicative budget, a 4.38% increase in precepts would be required to set a balanced budget for next year.
- 4.2 However, the Council has set a target for reducing its share of the precepts by £12,000 from 2022/23. To deliver this, the Conservators would need to reduce net annual expenditure by £20,000, generating precept reductions of £12,000 for the Council (60%), £6,000 for the Racecourse (30%) and £2,000 for the Training Board (10%). Conservators are asked to consider whether this savings target can be delivered.
- 4.3 The main provisional changes from 2021/22 are:
 - 4.3.1 Running costs have been inflated by 3%.

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- 4.3.2 The existing £19,840 budget for the Conveniences, which covers the essential running costs if the facilities were reopened, has been provisionally retained, pending the outcome of any further discussions. The removal of this £19,840 budget would enable the Conservators to substantially achieve the saving target set-out in paragraph 4.2. **Conservators are asked to provide guidance on whether this budget should be retained or removed to meet the savings target. If this budget is removed, then the projected 2022/23 precept would change from an increase of 4.38%, to a reduction of 0.20%.**
- 4.3.3 The hire income budget has been set at a similar level of 2021/22, on the assumption that events on the Downs will return to pre-pandemic levels.
- 4.3.4 Budgeted contributions to both the working balance and Repairs and Renewals Fund have been provisionally increased, from £3,000 to £6,000 and from £2,000 to £4,000 respectively. This would allow these reserves to be replenished more quickly and potentially set aside funds for any additional work plan items as referenced in 4.7 below.
- 4.4 The indicative budget provides a useful basis to identify the main issues that should be addressed in the budget report in January 2022, and early consideration of the recommended precepts for 2022/23 and any options the Conservators would like to have included in the budget report.
- 4.5 A decision will be required in January 2022 on the proposed contributions across the three preceptors. An increase in each preceptor's contribution of 4.38% would create a balanced budget which incorporates an annual contribution to the working budget of £6,000. If the budget for operating Tattenham Corner Conveniences were removed, instead of a 4.38% increase, the preceptors would benefit from a 0.20% decrease in contributions compared to 2021/22.
- 4.6 Inflation is currently at 3.1% (September 2021 consumer price index). The Government's current inflation target is 2%.
- 4.7 Within management recharges, the budget does not include provision for one-off workstreams that are over and above the standard support provided to the Conservators. Should any additional workstreams be agreed in future, the budget implication will need to be considered at the time.

5 Audit of the Accounts 2020/21

- 5.1 The external auditors, PKF Littlejohn LLP, have completed the audit of the account for the year ended 31 March 2021.

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- 5.2 The auditors concluded that the accounts had been prepared in accordance with proper practices and raised no matters of concern. As such, no changes are required to the financial position for 2020/21 as reported in June 2021.
- 5.3 The accounts and audit documents have been published on the Council's website in accordance with the requirements of the Accounts and Audit Regulations 2015.

6 Risk Assessment

Legal or other duties

6.1 Impact Assessment

6.1.1 None arising from the contents of this report.

6.2 Crime & Disorder

6.2.1 None arising from the contents of this report.

6.3 Safeguarding

6.3.1 None arising from the contents of this report.

6.4 Dependencies

6.4.1 None arising from the contents of this report.

6.5 Other

6.5.1 None arising from the contents of this report.

7 Financial Implications

- 7.1 Precept contributions are met by the Borough Council (60%), Epsom Racecourse (30%) and the Training Board (10%).
- 7.2 In reserves, the Conservators hold the working balance which has a projected, uncommitted balance of £31,056 at 31 March 2022. In addition, the Repairs and Renewals Fund will hold a projected balance of £42,503.
- 7.3 **Section 151 Officer's comments:** The Conservators are asked to provide guidance on the indicative budget for 2022/23. Based on this guidance, a final draft budget will be brought back to Conservators for approval in January 2022.

8 Legal Implications

- 8.1 There are no legal implications arising from the contents of this report.

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- 8.2 **Legal Officer's comments:** Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure, as are the management actions which are stimulated by such reporting.

9 Policies, Plans & Partnerships

- 9.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council, Green & Vibrant.
- 9.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 9.3 **Climate & Environmental Impact of recommendations:** None
- 9.4 **Sustainability Policy & Community Safety Implications:** None
- 9.5 **Partnerships:** The Jockey Club, Training Board and Epsom and Ewell Borough Council are represented by Members on the Conservators committee.

10 Background papers

- 10.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Budget 2021/22 – 25 January 2021

Other papers:

- None