

MID-YEAR BUDGET MONITORING

Head of Service:	Brendan Bradley, Head of Finance
Wards affected:	College Ward; Town Ward; Woodcote Ward;
Appendices (attached):	Appendix 1 – Mid-Year Monitoring 2022/23

Summary

This item reports on the income and expenditure position as at 31 August 2022 and seeks guidance on the preparation of the budget and precept for 2023/24.

Recommendation (s)

The Conservators are asked to:

- (1) Note the mid-year income and expenditure position;
- (2) Provide guidance on the preparation of the budget for 2023/24;
- (3) Note the conclusion of the 2021/22 external audit of the accounts.

1 Reason for Recommendation

- 1.1 To make the Conservators aware of the mid-year financial position for 2022/23 and seek guidance on the provisional budget estimates for 2023/24.

2 Background

- 2.1 The Conservators budget for 2022/23 was agreed at the meeting of 24 January 2022.
- 2.2 The attached budget monitoring statement at Appendix 1 shows income and expenditure from 01 April 2022 and provides a forecast outturn position for 2022/23, in the standard accounts format for EWDC.
- 2.3 Net expenditure for 2022/23 is forecast at £441,228, which would result in an adverse variance of £8,528 against the budget of £432,700. This adverse variance is mainly due to anticipated increases in energy costs, and the increased costs of the new tree maintenance contract as set out in paragraph 5.2.3 below.

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- 2.4 The working balance stood at £60,659 at 31 March 2022. The projected £8,528 deficit, partially offset by a £1,400 contribution to reserves would reduce the working balance to £53,531. In addition, a further £15,400 of the working balance is committed as funding for the EAFRD project, which reduces the projected, uncommitted balance to £38,131.

3 EAFRD Project

- 3.1 The Visitor Trails project is close to completion, and the grant claim for £132,000 has been submitted to the Rural Development Programme for England (RDPE). An update on the project is expected to be taken to a forthcoming meeting.

4 Tattenham Corner Conveniences

- 4.1 In November 2021, it was agreed to proceed with the demolition of Tattenham Corner Conveniences, with the budgeted £36,000 cost to be funded from the Repairs and Renewals Fund. The demolition has now taken place and the final cost is not expected to exceed £22,000.

5 Budget Estimates 2023/24

- 5.1 The final column of Appendix 1 provides an indicative budget position for 2023/24. This indicative budget has been prepared ahead of the Council finalising its service estimates and the figures are provisional. Based on the indicative budget, an overall 6% increase in precepts would be required to set a balanced budget for next year.
- 5.2 The main provisional changes from 2022/23 are:
- 5.2.1 Electricity budget has increased by 350%, although actual 2023/24 costs will naturally depend on volatile market prices and whether the government energy price cap is extended beyond 31 March 2023.
- 5.2.2 Staffing budgets have been increased by 5% to reflect the Council's agreed pay policy, which is expected to provide a 3% cost of living increase and standard pay progression for staff members.
- 5.2.3 Tree maintenance costs have increased substantially after the expiry of the Council's previous 10-year contract. Following a competitive tendering process, the new contract is expected to require the budget to increase from £3,480 to £7,300, to fund medium and low priority work. It is recommended that a separate report on tree maintenance should be brought to Conservators to consider a programme of tree works.
- 5.2.4 Fees and charges income budgets have been increased by 6%.
- 5.2.5 The majority of other running budgets, where costs can be controlled, have been inflated by 3%.

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- 5.3 The indicative budget provides a useful basis to identify the main issues that should be addressed in the budget report in January 2023, and early consideration of the recommended precepts for 2023/24 and any options the Conservators would like to have included in the budget report.
- 5.4 A decision will be required in January 2023 on the proposed contributions across the three preceptors. An increase in each preceptor's contribution of 6% would create a balanced budget which incorporates an annual contribution of £6,000 to replenish the working balance.
- 5.5 Inflation is currently at 9.9% (August 2022 consumer price index). The Government's current inflation target is 2%.

6 Appointment of External Auditor 2022/23

- 6.1 Under the Local Audit (Smaller Authorities) Regulations 2015, SAAA (Smaller Authorities' Audit Appointments) is responsible for appointing external auditors to all applicable opted-in smaller authorities, for setting the terms of appointment for limited assurance reviews and for managing the contracts with the appointed audit firms. This centralised approach is more cost-effective and less administratively burdensome than each smaller authority attempting to appoint their own external auditor, which may not result in a successful appointment.
- 6.2 Through SAAA's central procurement exercise in 2016, PKF Littlejohn LLP were appointed as the auditor to all relevant smaller authorities in Surrey for 5 years from 2017/18 to 2021/22.
- 6.3 SAAA recently advised that the central procurement for external audit appointments for the next five-year period from 01 April 2022 to 31 March 2027 has commenced. Epsom and Walton Downs Conservators remain opted-in to the central procurement and any announcement of an external auditor appointment will be reported back to Conservators.

7 Audit of the Accounts 2021/22

- 7.1 The external auditors, PKF Littlejohn LLP, have completed the audit of the accounts for the year ended 31 March 2022.
- 7.2 The auditors have signed off the audit certificate but included the following 'except for' matter to bring to Conservators' attention.
- 7.3 During 2021/22, EWDC incurred £40,422 expenditure on the Visitor Trails project, to be funded by EARFD grant income. Although the grant income cash had not been received by 31 March 2022, it is due to be received during 2022/23 upon completion of the project.
- 7.4 To fairly present EWDC's financial position at 31 March 2022, £40,422 grant income was accrued in 2021/22's accounts, because it would not have been a fair presentation to report the expenditure but not to declare the accrued income.

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- 7.5 The issue raised by the auditor is that as well as a requirement to present fairly EWDC's financial position, it is also a requirement to follow the Joint Panel on Accountability and Governance Practitioners' Guide, which requires that grant income be accounted for on a cash basis, not an accruals basis.
- 7.6 The contradiction for EWDC is that had grant income been presented in the accounts on a cash basis, it would not have resulted in a fair presentation of the Conservators' financial position at 31 March 2022.
- 7.7 Officers have sought external accounting advice to support the current presentation of grant income in the accounts.
- 7.8 As such, the external auditor has signed off the external audit without requiring any changes to the accounts but included the 'except for' matter to recognise the conflicting requirements of following the Practitioners' Guide.
- 7.9 The accounts and audit documents have been published on the Council's website in accordance with the Accounts and Audit Regulations 2015 requirement to do so by 30 September.

8 Risk Assessment

Legal or other duties

8.1 Equality Impact Assessment

8.1.1 None arising from the contents of this report.

8.2 Crime & Disorder

8.2.1 None arising from the contents of this report.

8.3 Safeguarding

8.3.1 None arising from the contents of this report.

8.4 Dependencies

8.4.1 None arising from the contents of this report.

8.5 Other

8.5.1 None arising from the contents of this report.

9 Financial Implications

- 9.1 Precept contributions are met by the Borough Council (60%), Epsom Racecourse (30%), and the Training Board (10%).

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9.2 In reserves, the Conservators hold the working balance which has a projected, uncommitted balance of £38,131 at 31 March 2023. In addition, the Repairs and Renewals Fund will hold a projected balance of £22,965.

9.3 **Section 151 Officer's comments:** The Conservators are asked to provide guidance on the indicative budget for 2023/24. Based on this guidance, a final draft budget will be brought back to Conservators for approval in January 2023.

10 Legal Implications

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

10.2 **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.

11 Policies, Plans & Partnerships

11.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council, Green & Vibrant.

11.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

11.3 **Climate & Environmental Impact of recommendations:** None

11.4 **Sustainability Policy & Community Safety Implications:** None

11.5 **Partnerships:** The Jockey Club, Training Board and Epsom and Ewell Borough Council are represented by Members on the Conservators Committee.

12 Background papers

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

Previous reports:

- Budget 2022/23 – 24 January 2022

Other papers:

- None