

2023/24 MID-YEAR BUDGET MONITORING

Head of Service:	Brendan Bradley, Head of Finance
Wards affected:	College Ward; Town Ward; Woodcote and Langley Vale Ward.
Appendices (attached):	Appendix 1 – 2023/24 Mid-Year Monitoring Appendix 2 – 2022/23 External Audit Report

Summary

This item reports on the income and expenditure position as at 31 August 2023 and seeks guidance on the preparation of the budget and precept for 2024/25.

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 2024/25;**
- (3) Note the conclusion of the 2022/23 external audit of the accounts;**
- (4) Agree the £10,000 reserve transfer between the Repairs & Renewals Fund and the working balance.**

1 Reason for Recommendation

- 1.1 To make the Epsom & Walton Downs Conservators (EWDC) aware of the mid-year financial position for 2023/24 and seek guidance on the provisional budget estimates for 2024/25.

2 Background

- 2.1 The Conservators budget for 2023/24 was agreed at the meeting of 23 January 2023.
- 2.2 The attached budget monitoring statement at Appendix 1 shows income and expenditure from 01 April 2023 and provides a forecast outturn position for 2023/24, in the standard accounts format for EWDC.

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- 2.3 Net expenditure for 2023/24 is forecast at £479,600, which would result in an adverse variance of £20,950 against the budget of £458,650. This adverse variance is mainly due to additional tree maintenance costs to tackle Ash Dieback, as agreed by Conservators in June, plus additional spot hire of vehicles during the Wayfinder Trails installation.
- 2.4 The working balance stood at £41,142 at 31 March 2023. The projected £20,950 deficit, partially offset by a £6,000 budgeted contribution to reserves, would reduce the working balance to £26,192.

3 Budget Estimates 2024/25

- 3.1 The final column of Appendix 1 provides an indicative budget position for 2024/25. 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.
- 3.2 The main provisional changes from 2023/24 are:
 - 3.2.1 Staffing budgets have been increased by an estimated 5%, although this is an indicative amount while pay deal negotiations for 2024/25 remain ongoing.
 - 3.2.2 Fees and charges income budgets have been increased by 6%.
 - 3.2.3 The tree maintenance budget has increased by 82%, from £7,300 to £13,300, to provide additional resources for a phased approach to tackling Ash Dieback.
 - 3.2.4 The budgeted contribution to the working balance has increased from £6,000 to £11,180, in order to replenish the working balance and improve financial resilience.
 - 3.2.5 The majority of other running budgets have been inflated by 6% to reflect overall inflation where necessary.
- 3.3 The indicative budget provides a useful basis to identify the main issues that should be addressed in the budget report in January 2024. It enables early consideration of the recommended precepts for 2024/25 and any options the Conservators would like to have included in the budget report.
- 3.4 An increase in each preceptor's contribution of 6% would create a balanced budget which incorporates an annual contribution of £11,180 to replenish the working balance.
- 3.5 Inflation is currently at 6.7% (August 2023 consumer price index). The Government's current inflation target is 2%.

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- 3.6 An alternative option of a 4% increase in precepts could see the 2024/25 budget at Appendix 1 maintained, but with the contribution to the working balance reduced from £11,180 to £2,010.
- 3.7 Conservators are asked to provide any further guidance on this indicative budget and whether a 4% or 6% provisional increase in precepts is supported, to be factored into the final budget to be brought back to Conservators for approval in January 2024.

4 Audit of the Accounts 2022/23

- 4.1 The external auditors, PKF Littlejohn LLP, have completed the audit of the accounts for the year ended 31 March 2023.
- 4.2 The auditors have signed off the audit certificate but included the following 'except for' matter to bring to Conservators' attention.
- 4.3 During 2021/22 EWDC incurred expenditure of £40,422 on the Visitor Trails project, funded by European Agricultural Fund for Rural Development (EAFRD) grant income, although the grant cash was only received after the year-end date of 31 March 2022. Similarly in 2022/23, EWDC incurred expenditure of £42,591 on the project, but the grant income cash from the EAFRD was only received in May 2023, after 31 March 2023 year-end.
- 4.4 To fairly present EWDC's financial position at each year-end, grant income due at 31 March was accrued in the respective year's accounts, because it would not have been a fair presentation to report the expenditure but not to declare the accrued income.
- 4.5 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 of the 'Joint Panel on Accountability and Governance Practitioners' Guide' that grant income should be accounted for on a cash basis, not an accruals basis.
- 4.6 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 year end.
- 4.7 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.
- 4.8 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. The external auditor's report is attached at Appendix 2.

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5 Risk Assessment

Legal or other duties

5.1 Equality Impact Assessment

5.1.1 None arising from the contents of this report.

5.2 Crime & Disorder

5.2.1 None arising from the contents of this report.

5.3 Safeguarding

5.3.1 None arising from the contents of this report.

5.4 Dependencies

5.4.1 None arising from the contents of this report.

5.5 Other

5.5.1 The Conservators maintain a separate strategic risk register.

5.5.2 The Conservators hold a working balance and a Repairs and Renewals Fund reserve, to mitigate the risk of unexpected expenditure. Any withdrawals from the working balance will need to be carefully assessed, to ensure sufficient funds are retained in reserves to cover unexpected expenditure and maintain a stable level of contribution from preceptors.

6 Repairs & Renewals Fund

6.1 The Conservators' Repairs & Renewals Fund has a projected balance of £32,880. This is a reserve held to cover unexpected costs of replacing vehicles, equipment and building repairs.

6.2 Since Tattenham Corner Conveniences were demolished in 2022, Conservators' exposure to potential building repairs has reduced, leaving the Keepers' Hut remaining as the only property to be maintained.

6.3 To reflect this reduced exposure to potential building repairs, it is recommended that £10,000 could be transferred from the Repairs & Renewals Fund to the working balance.

6.4 Officers consider that retaining £22,880 in the Repairs & Renewals Fund would be adequate to mitigate the risks of unexpected repairs at Keepers' Hut and ad hoc replacement of vehicles and equipment. Furthermore, the indicative 2024/25 budget includes a provision of £2,000 to replenish the Repairs & Renewals Fund annually.

7 Financial Implications

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- 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 £26,192 at 31 March 2023. In addition, the Repairs and Renewals Fund will hold a projected balance of £32,880.
- 7.3 If the proposed transfer between the two reserves is agreed, the working balance would increase by £10,000 to £36,192, with the Repairs & Renewals Fund decreasing to £22,880.
- 7.4 **Section 151 Officer's comments:** The Conservators are asked to provide guidance on the indicative budget for 2024/25. Based on this guidance, a final draft budget will be brought back to Conservators for approval in January 2024. With reserves at relatively low levels compared to recent years, Conservators may be guided towards a 6% precept increase, however a 4% option has also been included for consideration.

8 Legal Implications

- 8.1 There are no legal implications arising from the contents of this report.
- 8.2 **Legal Officer's comments:** None for the purpose of this report

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 2023/24 – 23 January 2023

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- Final Accounts 2022-23 – 19 June 2023

Other papers:

- None