

NJMC FINANCE REPORT & BUDGET 2020/21

Head of Service / Contact: Lee Duffy, Chief Finance Officer
Annexes/Appendices (attached): Annexe 1 - 2019/20 Forecast and 2020/21 Proposed Budget
Other available papers (not attached):

Report summary

This report provides an updated forecast for 2019/20 and seeks the Joint Management Committee's approval of both the 2020/21 budget and the recommended precept to be levied on the constituent authorities.

Recommendation (s)

That the Committee:

- (1) Notes the latest 2019/20 forecast position;**
- (2) Agrees the revenue budget for 2020/21 as set out in Annexe 1;**
- (3) Agrees to seek contributions of £103,430 from both Epsom and Ewell Borough Council and the London Borough of Sutton for the financial year 2020/21.**

1 Background

- 1.1 This report provides the latest estimate of income and expenditure for the current financial year 2019/20 and a recommended budget for 2020/21.

2 Forecast for 2019/20

- 2.1 The latest forecast of expenditure and income for the current year is shown at Annexe 1, which is in the standard accounts format for NJMC.
- 2.2 The forecast at the mid-year position in October 2019 had been for a small favourable variance of £305.

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- 2.3 Updated projections at Quarter 3 now show a forecast surplus of £4,140, which is principally due to £3,000 additional income received following rent reviews with Bovingdons and at Nursery Lodge. Furthermore, the £3,000 budget for project work to support any capital bids is forecast to remain unspent this year.
- 2.4 To complete the rent reviews - which will generate at least £11,400 per annum additional income from 2020/21 - external advisers had to be engaged, as reported to NJMC in October 2019 (Review of Property and Leases Report) at an unbudgeted cost of £5,400.
- 2.5 A net £9,000 underspend on the planned maintenance programme budget is offset by the increased costs of the ad hoc maintenance and cleaning contracts with Rydon and Churchill.
- 2.6 Based on this forecast, at year-end the working balance would increase from £101,390 to £105,530 and the Repairs and Renewals Fund balance would increase from £29,000 to £36,260.

3 Budget for 2020/21

- 3.1 The estimates for 2020/21 are also attached in Annexe 1
- 3.2 Net expenditure is budgeted at £206,860, an increase of £4,060 or 2.0% compared to the 2019/20 budget.
- 3.3 The budget position for 2020/21 is summarised as follows:

2020/21 Budget	£'000
Grounds	103
Mansion House	125
Staffing and central expenses	174
Less: Rent and other income	(195)
Net expenditure	207
Contributions from LBS/EEBC	(207)
Budget Surplus/Deficit	0

- 3.4 The 2020/21 budget has been prepared using the following assumptions:
- Inflation of 2.5% has been applied to the operational service's cost of maintaining and managing Nonsuch Park
 - Facilities maintenance and cleaning budgets have been uplifted to reflect the new contracts with Rydon and Churchill respectively.
 - The provision for LB Sutton management charges has been maintained at £3,000, this budget is provided to support any capital bids or project work.

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- Following rent reviews and updated leases in 2019/20, additional rental income from Bovingdons, Nursery Lodge, Mansion House Flat 1 and the Old Boathouse totalling £11,430 has been budgeted for 2020/21.
- A contribution to the repair and renewals fund of £7,260 has been budgeted in order to replenish this fund over time.
- No rental income from Flat Three at Mansion House is included in the budget, as the flat has remained vacant for an extended period.
- Income from Military Fitness and the Town and Country Show will continue to be achieved at a similar level to 2019/20.

Contributions

- 3.5 The budget estimates for next year show a balanced budget, after 2% increases in the precepts to £103,430 from each Council. These increases are subject to confirmation by both Councils.
- 3.6 The income budget is assumed to grow by 6.2% following rent reviews and new leases agreed in 2019/20, as set-out at paragraph 3.4.

Working Balances

- 3.7 The working balance at 31 March 2020 is forecast to be £105,530 and remain unchanged the year after.
- 3.8 The repair and renewals fund at 31 March 2020 is estimated to be £36,260 and £43,520 the year after, assuming no further drawdowns from the fund in the period.

4 Legal Implications

- 4.1 There are no legal implications arising from this report.
- 4.2 Monitoring Officer Comments: None arising from the content of this report.

5 Risk Assessment

- 5.1 The main risks that the JMC manages are:
- Funding for repairs and maintenance, particularly at buildings and for potholes on roads
 - Vacant properties / loss of rent
 - Lack of resource to fund management plan

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- 5.2 The JMC mitigates these risks through the monitoring of buildings and roads by officers, and by managing relationships with tenants. The JMC also holds a working balance and a repairs and renewals reserve, which can be used to fund one-off, unexpected budget variances.

6 Conclusion and Recommendations

- 6.1 The JMC's financial position remains satisfactory and the budget will continue to be monitored and reviewed regularly.
- 6.2 To create a balanced budget, a 2% increase in precepts to £103,430 is proposed.
- 6.3 The JMC is asked to agree the budget and precepts for 2020/21, as set-out in Annexe 1.

Ward(s) affected: Nonsuch Ward;