

NJMC FINANCE REPORT & BUDGET 2021/22

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	Nonsuch Ward;
Appendices (attached):	Appendix 1 - 2020/21 Forecast and 2021/22 Proposed Budget

Summary

This report provides an updated forecast for 2020/21 and seeks the Joint Management Committee's approval of both the 2021/22 budget and the recommended precept to be levied on the constituent authorities.

Recommendation (s)

The Committee is asked to:

- (1) Note the latest 2020/21 forecast position;**
- (2) Agree the revenue budget for 2021/22 as set out in Appendix 1;**
- (3) Agree to seek contributions of £103,430 from both Epsom and Ewell Borough Council and the London Borough of Sutton for the financial year 2021/22.**

1 Reason for Recommendation

- 1.1 To make the JMC aware of the current financial position for 2020/21 and to agree a budget for 2021/22.

2 Background

- 2.1 This report provides the latest estimate of income and expenditure for the current financial year 2020/21 and a recommended budget for 2021/22.

3 Forecast for 2020/21

- 3.1 The latest forecast of expenditure and income for the current year is shown at Appendix 1, which is in the standard accounts format for NJMC.
- 3.2 The forecast at Q2 had been for a deficit of £11,737, mainly due to increased road maintenance costs, and due to the ongoing vacancy at London Road Lodge creating an overspend on council tax.

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- 3.3 The forecast at Q3 now shows a forecast deficit of £3,600, which represents a favourable movement of £8,137 since Q2. The main variances to budget are explained in the following paragraphs.
- 3.3.1 The maintenance of roads is expected to exceed the budget by £8,900. This is principally due to additional works identified by an inspection, which found a section of pathway in sufficiently poor condition to require immediate remedy. The works were carried out in August 2020. The proposed budget for 2021/22 includes an additional £1,570 provision for road maintenance going forward.
- 3.3.2 Council Tax for London Road Lodge is £3,050 over budget, as the full premium charge for an empty property is now payable. As the lodge is expected to be let in the coming year, this overspend is not expected to re-occur.
- 3.3.3 Commercial tenanted property insurance is £4,420 over budget following a revaluation of the insured amounts. However the increased sum will be recharged out to the tenants.
- 3.3.4 Building maintenance expenditure is forecast at £48,410, which £27,080 under budget, due to the postponement of the Mansion House windows redecoration as reported in the separate Property Maintenance Update report on this agenda. This underspend will be set-aside in the Repairs and Renewals reserve to fund the project in the next financial year.
- 3.3.5 Hire income is £6,400 under budget, as events and fitness classes were cancelled during lockdowns. However, the JMC expects to receive the full budgeted income from Nursery Lodge and Bovingdons.
- 3.3.6 Based on the latest forecast, at year-end the working balance would reduce from £85,301 to £81,701 and the Repair and Renewals balance would increase from £36,400 to £61,400.

4 Budget for 2021/22

- 4.1 The estimates for 2021/22 are also attached in Appendix 1.
- 4.2 Net expenditure is budgeted at £206,860 which is unchanged compared to the 2020/21 budget.

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4.3 The budget position for 2021/22 is summarised as follows:

2021/22 Budget	£'000
Grounds	105
Mansion House	132
Staffing and central expenses	178
Less: Rent and other income	(208)
Net expenditure	207
Contributions from LBS/EEBC	(207)
Budget Surplus/Deficit	0

4.4 The 2021/22 budget has been prepared using the following assumptions:

4.5 Inflation of 0.5% has been applied to general operational costs of maintaining and managing Nonsuch Park, and staffing recharges have increased by 2.5%.

4.6 Facilities maintenance and cleaning budgets have been adjusted to reflect the new contracts with Rydon and Churchill respectively.

4.7 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.

4.8 Following rent reviews, rental income from Bovingdons will remain at £106,700, whereas the rental income for Nursery Lodge will increase to £20,000 per annum.

4.9 The road maintenance budget has increased from £16,530 to £18,000, and the building maintenance budget has increased from £75,490 to £77,000, reflecting the significant maintenance costs of the listed building and roads.

4.10 Rental income for Flat 3 Mansion House is now included at £9,180 per annum, following agreement at this Committee on 19 October 2020 (Property Update report) that the flat should be let to EEBC for use as temporary accommodation. The final agreement is subject to the legal contract being finalised.

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- 4.11 A contribution to the repair and renewals fund of £7,260 has been budgeted in order to replenish this fund over time.

Contributions

- 4.12 The budget estimates for next year show a balanced budget, with precepts of £103,430 from each Council, which are unchanged from the prior year.
- 4.13 The precepts are subject to confirmation by both Councils.

Working Balances

- 4.14 The working balance at 31 March 2021 is forecast to be £81,701 and remain unchanged the year after.
- 4.15 The Repair and Renewals fund at 31 March 2021 is estimated to be £61,400, reducing to £43,660 the year after, assuming a drawdown to fund the Mansion House Windows redecoration project next year.

5 Risk Assessment

Legal or other duties

5.1 Impact Assessment

5.2 The principal risks that the JMC manages are as follows:

- 5.2.1 Funding for repairs and maintenance, particularly at buildings and for potholes on roads.
- 5.2.2 Vacant properties / loss of rent
- 5.2.3 Lack of resource to fund management plan
- 5.2.4 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.

5.3 Crime & Disorder

- 5.3.1 None arising from the contents of this report.

5.4 Safeguarding

- 5.4.1 None arising from the contents of this report.

5.5 Dependencies

- 5.5.1 None arising from the contents of this report.

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5.6 Other

5.6.1 None arising from the contents of this report.

6 Financial Implications

6.1 **Section 151 Officer's comments:** Financial implications are set-out in the body of the report.

7 Legal Implications

7.1 There are no legal implications arising from this report.

7.2 **Monitoring Officer's comments:** None arising from the contents of this report.

8 Policies, Plans & Partnerships

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

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

8.3 **Climate & Environmental Impact of recommendations:** None.

8.4 **Sustainability Policy & Community Safety Implications:** None.

8.5 **Partnerships:** London Borough of Sutton and Epsom and Ewell Borough Council have shared responsibility for managing Nonsuch Park.

9 Background papers

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

Previous reports:

- Property Update report to Nonsuch JMC on 19 October 2020
- Mid-Year Budget Monitoring report to Nonsuch JMC on 19 October 2020

Other papers:

- Property Maintenance report, a separate item on this Committee's agenda of 25 January 2021.