

NONSUCH JMC FINANCE REPORT AND BUDGET 2019-20

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Annexes/Appendices (attached): Annexe 1

Other available papers (not attached):

Report summary

This report provides an updated forecast for 2018/19 and seeks the Joint Management Committee's approval of both the 2019/20 budget and the recommended precept to be levied on the constituent authorities.

Recommendation (s)

That the Committee:

- (1) Notes the latest 2018/19 forecast position;**
- (2) Agrees the revenue budget for 2019/20 as set out in Annexe 1;**
- (3) Agrees to seek contributions of £101,400 from both Epsom and Ewell Borough Council and the London Borough of Sutton for the financial year 2019/20.**

1 Background

- 1.1 This report provides the latest estimate of income and expenditure for the current financial year 2018/19 and a recommended budget for 2019/20.

2 Forecast for 2018/19

- 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 Q2 had been for a deficit of £16,400, mainly due to increased maintenance costs, as set-out in October's Planned Maintenance report, and due to the ongoing vacancy at Mansion House flat three.
- 2.3 Updated projections at Q3 now show a greater forecast deficit of £45,200, which represents an adverse movement of £28,800 since Q2.

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- 2.4 This adverse movement is principally due to an additional £26,000 expenditure on roads' maintenance since Q2, including urgent pothole repairs that could lead to liability claims if not rectified. The Planned Maintenance report on this Committee agenda provides full details of maintenance expenditure.
- 2.5 Furthermore, £5,000 unbudgeted legal expenses for agreeing a new lease with Bovingtons for the Mansion House first floor are now expected. These costs are unavoidable if a lease is to be signed.
- 2.6 Based on this forecast, at year-end the working balance would reduce to £110,770 and the Repair and Renewals balance would stand at £7,600.
- 2.7 Although the forecast adverse variance is mainly due to one-off maintenance and legal costs, the expected outturn exerts pressure to raise the precept next year and to generate additional income from Estates where possible.

3 Budget for 2019-20

- 3.1 The estimates for 2019/20 are also attached in Annexe 1.
- 3.2 Net expenditure is budgeted at £202,800, an increase of £4,000 compared to the 2018/19 budget.
- 3.3 The budget position for 2019/20 is summarised as follows:

	£'000
Grounds	96
Mansion House	120
Staffing and central expenses	171
Less: Rent and other income	(184)
Net expenditure	203
Contributions from LBS/EEBC	(203)
Budget Surplus	0

- 3.4 The 2019/20 budget has been prepared using the following assumptions:

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- 3.4.1 October RPI inflation of 3.3% has been applied to expenditure budgets where necessary. In particular, the building and road maintenance budgets have increased by 3.3% to £74,370 and £16,530 respectively.
- 3.4.2 The provision for LB Sutton management charges has been lowered by £2,000, reflecting that the budget has not been needed to support capital bids in recent years.
- 3.4.3 Based on both recent usage trends and the fact NJMC no longer pays for bills at London Road Lodge, the combined utilities budgets have been reduced by £2,000 to align the budget with actual expenditure.
- 3.4.4 A contribution to the repair and renewals fund of £7,260 has been budgeted in order to replenish this fund over time.
- 3.4.5 A rent review of the existing Mansion House lease to Bovingdons is expected to yield an additional £9,000 income. Any further outcomes of ongoing lease negotiations will be factored into the NJMC budget once negotiations have concluded.
- 3.4.6 No rental income from Flat Three at Mansion House is included in the budget, as the flat has remained vacant for an extended period. Notwithstanding, it is hoped that eventually a commercial (rather than residential) income will be generated from it.
- 3.4.7 Income from Military Fitness and the Town and Country Show will continue to be achieved at a similar level to 2018/19..

Contributions

- 3.5 The budget estimates for next year show a balanced budget, after 2% increases in the precepts to £101,400 from each Council. These increases are subject to confirmation by both Councils.
- 3.6 The income budget is assumed to grow by 2%, the main assumptions behind which are listed in 3.4.5 onwards.

Working Balances

- 3.7 The working balance at 31 March 2019 is forecast to be £110,770 and remain unchanged the year after.
- 3.8 The repair and renewals fund at 31st March 2019 is estimated to be £7,600 and £14,860 the year after, assuming no further drawdowns from the fund in the period.

4 Risk Assessment

- 4.1 The main risks that the JMC manages are:

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- 4.1.1 Funding for repairs and maintenance, particularly at buildings and for potholes on roads
- 4.1.2 Vacant properties / loss of rent
- 4.1.3 Lack of resource to fund management plan
- 4.2 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.

5 Conclusion and Recommendations

- 5.1 The JMC's financial position remains satisfactory but the overspends detailed in section 2 would not be sustainable over the longer term.
- 5.2 To create a balanced budget, a 2% increase in precepts to £101,400 is proposed.
- 5.3 The JMC is asked to agree the budget and precepts for 2019/20, as set out in Annexe 1.

Ward(s) affected: Nonsuch Ward;