

For publication

Estimates of Revenue Expenditure and Income for Years Ending 31 March 2018 Onwards

Meeting:	Chesterfield and District Joint Crematorium Committee
Date:	18 th December 2017
Cabinet portfolio:	N/A
Report by:	Acting Bereavement Services Manager Clerk and Treasurer

For publication

1.0 Purpose of Report

1.1 To present for Members consideration the Committee's revenue estimates for 2017/18 to 2020/21, as detailed in the attached appendices:

- Appendix 1 - Detailed Estimates
- Appendix 2 - Details of Major variations in 2017/18
- Appendix 3 - Notes on 2018/19 estimates
- Appendix 4 - Employee Summary
- Appendix 5a - Reserves Forecasts
- Appendix 5b - Capital Improvement Reserve

2.0 Recommendations

2.1 That the revenue estimates be approved, subject to the approval of the Fees & Charges.

- 2.2 That the Capital schemes be approved. (para3.4 & 6.7).
- 2.3 In line with the recommendation agreed at the Joint Board meeting on the 12th December 2016 that a re-distribution of £511,745 to the Constituent Authorities be approved for 2017/18 .
- 2.4 That the planned use of reserves be approved (para 6.0).

3.0 Revised 2017/18

- 3.1 There is a reported deficit of £45,110 in 2017/18 compared to the original breakeven budget. However, this deficit is all due to carry forwards approved at the Joint Board meeting on 26th June 2017 and will be funded from the balance in the Revenue Reserve (see appendix 5a). The deficit position includes the re-distribution to the constituent Authorities of £511,745, an increase of £7,795 over the original budget.
- 3.2 Details of the variations are shown in **Appendix 2** and summarised below:

Table 1: Variances – Original to Revised 2017/18			
Para. Ref.		Amount £	Over/(Under)
	Original Budget	0	
	<u>+/- Variances in the year:</u>		
3.3.1	Employees	(140)	Under-spend
3.3.2 & 3.3.5	Premises – net contribution from Cremator Repairs Reserve	43,185	Over-spend
	Transport	1,300	Over-spend
3.3.3	Supplies & Services	6,020	Over-spend
	Central /Admin Support	(170)	Under-spend
3.3.4	Income	(16,880)	Under-spend
3.3.5	Movement to reserves	4,000	Over-spend
	Increased re-distribution	7,795	Over-spend
	Revised Out-turn	45,110	Deficit

Source: Appendix 1

3.3 Explanation of Significant Variances

3.3.1 Employees:

- The delayed recruitment of a new Bereavement Services Manager created a staffing saving however two other members of staff could now potentially be off on long term sickness. In his report the Acting Manager has outlined his plan to use this saving and other savings identified in the premises budget (see para 3.3.2) to temporarily increase the overtime budget and also fund an additional one year fixed term administration officer. This is to ensure the smooth operation of the crematorium over a potentially busy period and commence the digitisation of manual records.

3.3.2 Premises:

- Estimated cremator repairs of £67k which will be mainly met by a contribution from the Cremator Repairs Reserve (see 3.3.5)
- Minor increases in utility charges
- £15,750 increase in business rates
- A saving of £8,125 identified in one of the grounds maintenance budgets will be used to fund additional temporary staffing (see para 3.3.1)
- £32,320 has been added to the budgets to cover repairs/improvements highlighted in the Management Improvement Plan as follows:
 - £12,070 - for the waiting room toilets (carry forward)
 - £4,350 – refurbishment of the Book of Remembrance Room (carry forward)
 - £13,900 – re-location of waste conveyor (carry forward)
 - £2,000 – new signage (carry forward)

3.3.3 Supplies & Services:

- Carry forward from 2016/17 - £2.5k for the refurbishment of the mess room identified in the Management Improvement Plan

- £10,290 has been carried forward from 2016/17 to fund professional advice relating to the setting up of the separate trading company
- £4.5k decrease in Organist fees
- £2.3k saving on insurance premiums

3.3.4 Income:

- A fee increase from £690 to £730 (incl Mercury Abatement & Medical Referees fees) is being proposed from January 2017. This will yield an additional £23k in 17/18, (as per the Managers fees & charges report). This includes an increase in the Mercury Abatement Surcharge from £45 to £53 as recommended by CAMEO.
- The budgets for the miscellaneous income and other sales for example memorials have been reviewed and have been reduced by £16k
- A payment of £10k has been estimated from CAMEO.

3.3.5 Reserves

- A contribution of £35k has been made from the Cremator Repairs Reserve into revenue to fund repairs in 17/18 (see 3.3.2)
- The contribution to the mercury abatement reserve has been increased by £4k to reflect the increase in the Mercury Abatement Surcharge (see para 3.3.4)

3.4 Capital Projects

- Capital Improvement Reserve (see para 6.7) – the original budget for the chapel refurbishment was £165.8k. This project has taken a long period of time and there have been a number of significant changes to the original plans resulting in the current projected spend now being £209k. The major variances are as follows:
 - £23k – additional costs on exterior works including deeper foundations for the exit ramp and additional paved areas
 - £25k – interior furnishings in particular increasing the quality and number of seats as well as purchasing additional chairs for the Ministers

- (£17k) – the new windows have meant that there is no longer a need for air conditioning
- £4k – estimated increase in cost of refurbishing the toilets in the chapel
- £7k – professional fees not originally budgeted for.

This project is not yet complete and the Joint Board will be kept informed of its progress.

4.0 Estimates 2018/19

4.1 There is an estimated revenue surplus for the next financial year of **£571,745 (Appendix 1)** prior to any re-distribution after allowing for:

- The January 2017 fee increase
- No increase in fees & charges from January 2018
- A pay award of 2% for 2018/19
- Revised cremation income based on 2,000 cremations
- The £65k budget for contributing to the Cremator Repairs Reserve has been split; £35k to fund the reserve and £30k towards cremator repairs in each year.

4.2 Expenditure to be funded from reserves

At the time of preparing the revised budgets there are no plans to fund any expenditure from reserves in 2018/19.

5.0 Medium Term Forecasts

5.1 The key assumptions made in producing the forecasts in Appendix 1 for 2019/20 and 2020/21 include:

- Pay awards of 2% over the next few years
- No increase in fees & charges
- Setting aside the Mercury Abatement surcharge income of £106,000 pa into a reserve for future replacements
- Maintaining a £35k contribution to the Cremator repairs reserves
- A revenue contribution of £90k in 2018/19 and 2019/20 into the Capital Improvement Reserve

- Re-distribution of all ongoing surpluses to the constituent authorities.

6.0 Reserves

6.1 The Joint Crematorium maintains six reserves:

- Revenue Reserve (including the minimum Working Balance)
- Mercury Abatement Reserve
- Equipment Replacement Reserve
- Organ Reserve
- Capital Improvement Reserve
- Cremator Repairs Reserve

6.2 **Revenue Reserves** – the forecasts in **Appendix 5a** includes the approved fee increase to £730 from January 2017. It was approved at the Joint Board meeting on the 12th December 2016 to re-distribute any surplus over the £250k minimum working balance to the constituent authorities provided that the surplus exceeded £100k. The budget has forecast a re-distribution of approximately £512k. Therefore it is recommended that the balance of this reserve remain at £250k.

6.3 **Mercury Abatement Reserve – Appendix 5a** shows the contributions which will be made each year from income collected of £106k for 2018/19 onwards. The projected balance on the reserve at the end of 2017/18 is £603,563. The £53 charge per cremation is still being made even though the plant is installed and will be set aside for future replacement works.

6.4 **Equipment Replacement Reserve – Appendix 5a** shows that the opening balance at the start of 2017/18 was £900. The contribution this year and in future will be £5,360. The next planned expenditure from this reserve is for mowers (£6k) in 2020/21

6.5 **Organ Reserve – Appendix 5a** shows an opening balance of £7,500 in 2017/18 and a further contribution of £1,500 in 2017/18 and future years.

6.6 **Cremator Repairs Reserve – Appendix 5a** shows the contributions made from the revenue account to fund repairs to the cremators, the repairs are an unknown cost therefore a reserve is the best way of dealing with these kind of costs. Originally it was forecast that £35k would be contributed to the reserve in 2017/18. However, there have been significant costs this year including a hearth replacement (£8k) to one of the cremators and a possible roof re-line (£12k) to another meaning that this year there will be no contribution to the reserve. The balance of the reserve is £106k and it is viewed that for the time being it is sufficient to fund any additional repairs required however the Acting Manager is currently in the process of reviewing options with the maintenance contractor. The Joint Board will be informed of any change in arrangements.

6.7 **Capital Improvement Reserve – Appendix 5b** shows the contributions made from the revenue account to fund capital schemes, and in which year the scheme will take place. A detailed condition survey was undertaken in 2015 and following this a management improvement plan was approved by the Joint Board at the 14th December 2015 meeting. Capital expenditure approved at this meeting has been included in the budgets. The budget for 2017/18 has been amended to reflect the forecast increased expenditure on the chapel refurbishment detailed in paragraph 3.4. The major capital refurbishments highlighted in the management improvement plan should be completed by the end of 2017/18. This leaves a projected balance on the reserve of £271k with no further planned calls on the reserve until 2020/21 when it is planned to spend £14k refurbishing the garage area. It is therefore viewed that balance of the reserve and budgeted contributions (£90k) are sufficient to meet the crematoriums medium term requirements.

6.8 Reserves summary

The table below shows that based on current estimates the earmarked reserves will continue to grow and that a healthy revenue reserve can also be maintained over the medium term.

Reserve	2017/18 Original	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
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Mercury Abatement	584	604	710	816	922
Equipment	5	6	12	17	16
Organ	9	9	10	12	13
Cremator Repairs	140	106	141	176	211
Capital Improvement	873	271	361	451	528
Total Earmarked Reserves	1,611	996	1,234	1,472	1,690
Revenue Reserves	250	250	250	250	250
Total Reserves	1,861	1,246	1,484	1,722	1,940

7.0 Re-distribution to Constituent Authorities

- 7.1 The last redistribution took place in 2016/17 when £1,621k was redistributed.
- 7.2 At the Joint Board meeting on the 12th December 2016 approval was given to redistribute any surplus provided that it exceeded £100k and that the minimum working balance (£250k) was maintained in the Revenue Reserve. In this respect the planned re-distribution will be £511,745.
- 7.3 Based on the number of cremations from each area over 3 years the distribution of the £511,745 would be as follows:

Proposed Distribution to Constituent Authorities

	Proportion	Share
Chesterfield	55%	£281,460
North East Derbyshire	31%	£158,641
Bolsover	14%	£71,644
Total	100%	£511,745

8.0 Recommendations

- 8.1 That the revenue estimates be approved, subject to the approval of the fees & charges.
- 8.2 That the Capital schemes be approved (para 3.4 & 6.7).
- 8.3 In line with the recommendation agreed at the Joint Board meeting on the 12th December 2016 that a re-distribution of £511,745 to the Constituent Authorities be approved for 2017/18.
- 8.4 That the planned use of reserves be approved (para 6.0).

9.0 Reasons for recommendations

- 9.1 To enable the Crematorium to set a balanced budget and maintain adequate reserves for 2017/18 and in future years.

Decision information

Key decision number	N/A
Wards affected	All
Links to Council Plan priorities	To provide value for money services.

Document information

Report author	Contact number/email
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Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	
Appendices to the report	
Appendix 1	Detailed estimates
Appendix 2	Details of major variations in 2017/18
Appendix 3	Notes on 2018/19 estimates
Appendix 4	Employee survey

Appendix 5a	Reserves forecast
Appendix 5b	Capital improvement reserve