

For publication

ESTIMATES OF REVENUE EXPENDITURE & INCOME
FOR YEARS ENDING 31ST MARCH 2019 onwards

Meeting: Chesterfield and District Joint Crematorium
Committee

Date: 17th December 2018

Cabinet portfolio: N/A

Report by: Bereavement Services Manager
Clerk & Treasurer

For publication

1.0 PURPOSE OF REPORT

1.1 To present for Members consideration the Committee's revenue estimates for 2018/19 to 2021/22, as detailed in the attached appendices:

Appendix 1 - Detailed Estimates

Appendix 2 - Details of Major variations in 2018/19

Appendix 3 - Notes on 2019/20 estimates

Appendix 4a - Reserves Forecasts

Appendix 4b - 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. (para 3.4 & 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 £498,860 to the Constituent Authorities be approved for 2018/19.
- 2.4 That the planned use of reserves be approved (para 6.0).

3.0 Revised 2018/19

- 3.1 There is a reported deficit of £19,830 in 2018/19 compared to the original breakeven budget. However, this deficit is all due to carry forwards approved at the Joint Board meeting on 22nd May 2018 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 £498,860.
- 3.2 Details of the variations are shown in **Appendix 2** and summarised below:

Table 1: Variances – Original to Revised 2018/19			
Para. Ref.		Amount £	Over/(Under)
	Original Budget	0	
	<u>+/- Variances in the year:</u>		
3.3.1	Employees	(1,220)	Under-spend
3.3.2 & 3.3.5	Premises	87,885	Over-spend
	Transport	130	Over-spend

3.3.4	Supplies & Services	860	Over-spend
	Central /Admin Support	4,560	Over-spend
	Capital Charges	(550)	Under-spend
3.3.4	Income	37,550	Over-spend
3.3.5	Movement to reserves	(36,500)	Under-spend
	Decreased re-distribution	(72,885)	Under-spend
	Revised Out-turn	19,830	Deficit

Source: Appendix 1

3.3 Explanation of Significant Variances

3.3.1 Employees:

- There has been an underlying saving on staffing costs this year due to vacant posts however the Bereavement Services Manager has requested that £10,330 be carried forward to 2019/20 in order to extend the contract of the fixed term contract employee (see Bereavement Services Manager Report). There have been some unforeseen cost pressures that have had to be built into the budgets for example the pay award for staff at lower grades was more than originally budgeted and the payment of holiday pay on overtime payments following a successful Court case.

3.3.2 Premises:

- The cremator repairs budget has been increased by £63.6k mainly to reflect the new maintenance contract arrangements but there is a one-off spend this year of £3.6k to cover an upgrade to the PC's that operate the cremators and some duct work. This increase will partly be met by the removal of the £35k contribution to the Cremator Repairs Reserve (see 3.3.5) and has also saved £30k to £40k/cremator of capital expenditure over the next few years in respect of new hearths and relining.
- £6.8k savings in utility expenditure, mainly on gas costs

- £12k for the emergency repairs to the paths approved at the Joint Board meeting on the 24th September
- £19,120 has been added to the budgets to cover repairs/improvements highlighted in the Management Improvement Plan as follows:
 - £13,670 - for the waiting room toilets (£12,070 carry forward)
 - £1,900 – for the memorialisation of rose beds (carry forward)
 - £2,900 – routine repair to paths (carry forward)
 - £650 – new signage (carry forward)

3.3.3 Supplies & Services:

- Carry forward from 2017/18 - £2.5k for the refurbishment of the mess room identified in the Management Improvement Plan. A further £3.7k has been added to this budget due to identification of asbestos during the project.
- £3.1k decrease in Organist fees (see Managers Report dated 22nd May)
- £2.3k saving on insurance premiums

3.3.4 Income:

- A fee increase from £730 to £750 to the main cremation fee (incl Mercury Abatement & Medical Referees fees) is being proposed from January 2019 (see the Bereavement Managers Fees & Charges Report), which will generate £9,650 more income in 2018/19. However, the base budget was overstated which after adjustment means that there is an overall decrease of £32,050 in budgeted income. There is no proposal to increase the fee for the early service (£560 fully inclusive) or to charge for children but this maintains a balanced budget in the face of some increased costs e.g. new cremator repairs contract, staffing costs etc.

- The budgets for the miscellaneous income and other sales for example memorials have been reviewed and have been reduced by £12k however £6k of this relates to the removal of organist fee income
- A payment of £7k has been estimated from CAMEO.

3.3.5 Reserves

- The £35k contribution to the cremator repairs reserve has been removed as this is no longer required due to the introduction of the new 5 year maintenance contract (see 3.3.2)
- The £1.5k contribution to the organ reserve has been removed as the Crematorium is no longer offering this service directly.

3.4 Capital Projects

- Capital Improvement Reserve (see para 6.7) – £25k was carried forward from 2017/18 to complete the chapel refurbishment. The area near the exit has now been re-surfaced and refurbishment of the toilets is scheduled for January 2019.

4 ESTIMATES 2019/20

4.1 There is an estimated revenue surplus for the next financial year of **£533,265 (Appendix 1)** prior to any re-distribution after allowing for:

- A cremation fee increase of approximately 2.7% in January 2019 and 2020
- A pay award of 2% for 2019/20
- Revised cremation income based on 2,000 cremations

4.2 Expenditure to be funded from reserves

It is proposed to spend an additional £29k from reserves in 2019/20 (see para 6.7).

5.0 **MEDIUM TERM FORECASTS**

5.1 The key assumptions made in producing the forecasts in Appendix 1 for 2020/21 and 2021/22 include:

- Pay awards of 2.5% over the next few years
- A cremation fee increase of approximately 2.6% in 2020/21 and 2021/22 in order to achieve a balance budget
- Setting aside the Mercury Abatement surcharge income of £106,000 pa into a reserve for future replacements
- A revenue contribution of £90k in 2020/21 and 2021/22 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 £750 from January 2019. 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 £498k. 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 2018/19 is £722,756. The £53 charge per cremation is still being made even though the plant is installed and will be set aside for future replacement works. It is estimated that the cremators are approximately half way through their original useful life. The Bereavement Services Manager has reviewed the balance on the reserve and projected contributions and currently views these to be sufficient. However, due to the potential significant cost of replacing the cremators in the future this reserve will be reviewed annually.
- 6.4 **Equipment Replacement Reserve – Appendix 5a** shows that the opening balance at the start of 2018/19 was £6,260. 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 £9,000 in 2018/19. It is proposed to cease contributions to this reserve now that the Crematorium no longer directly offers an organist service but at present to maintain the reserve to fund any repairs.
- 6.6 **Cremator Repairs Reserve – Appendix 5a** shows an opening balance of £333k. Since the last budget setting the Crematorium has entered into a 5 year servicing agreement. The majority of the routine maintenance will be covered by this contract so it is proposed to cease contributions to this reserve but at present to maintain the reserve at its current level in

case of unforeseen works outside of the contract. This situation will be kept under review.

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. As the original survey is now three years old the Bereavement Services Manager has reviewed the plan. The budget for 2018/19 onwards has been amended to reflect this, namely the purchase of a new triple mower for £29k in 2019/20 and £14k in 2021/22 to refurbish the garage area. This leaves a projected balance on the reserve of £589k at the end of 2021/22. It is therefore viewed that the 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 it is viewed that these are sufficient to meet the Crematoriums requirements over the medium term.

Reserve	2018/19 Original	2018/19 Revised	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Mercury Abatement	710	723	829	935	1,041
Equipment	12	12	17	16	22
Organ	10	9	9	9	9
Cremator Repairs	141	333	333	333	333
Capital Improvement	361	361	422	512	589

Total Earmarked Reserves	1,234	1,438	1,610	1,805	1,994
Revenue Reserves	250	250	250	250	250
Total Reserves	1,484	1,688	1,860	2,055	2,244

7.0 REDISTRIBUTION TO CONSITUENT AUTHORITIES

7.1 The last redistribution took place in 2017/18 when £512k 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 in 2018/19 will be £498,860.

7.3 Based on the number of cremations from each area over 3 years the distribution of the £498,860 would be as follows:

Proposed Distribution to Constituent Authorities

	Proportion	Share
Chesterfield	55%	£274,373
North East Derbyshire	31%	£154,647
Bolsover	14%	£69,840
Total	100%	£498,860

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 £498,860 to the Constituent Authorities be approved for 2018/19.

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 2018/19 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>	
Annexes to the report	
Annexe 1	Detailed estimates
Annexe 2	Details of major variations in 2018/19
Annexe 3	Notes on 2019/20 estimates
Annexe 4a	Reserves Forecast
Annexe 4b	Capital Improvement Reserve

