

For publication

ESTIMATES OF REVENUE EXPENDITURE & INCOME
FOR YEARS ENDING 31ST MARCH 2020 onwards

Meeting: Chesterfield and District Joint Crematorium
Committee

Date: 16th December 2019

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 2019/20 to 2022/23, as detailed in the attached appendices:

Appendix 1 - Detailed Estimates

Appendix 2 - Details of Major variations in 2019/20

Appendix 3 - Notes on 2020/21 estimates

Appendix 4a - Reserves Forecasts

Appendix 4b - Capital Improvement Reserve

2.0 RECOMMENDATIONS

- 2.1 That the revenue estimates be approved.
- 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 £639,190 to the Constituent Authorities be approved for 2019/20. This includes an additional amount to re-distribute excess funds held in the Revenue Reserve from 2018/19 (see para 6.2).
- 2.4 That the planned use of reserves be approved (para 6.0).

3.0 Revised 2019/20

- 3.1 There is a reported deficit of £113,210 in 2019/20 compared to the original breakeven budget. However, this deficit is after a re-distribution of £639,190 is made to the three constituent authorities made up of £540k surplus and £99k funded from surplus funds in the Summary Revenue Reserve.
- 3.2 Details of the variations are shown in **Appendix 2** and summarised below:

Table 1: Variances – Original to Revised 2019/20			
Para. Ref.		Amount £	Over/(Under)
	Original Budget	0	
	<u>+/- Variances in the year:</u>		
3.3.1	Employees	6,310	Over-spend
3.3.2	Premises	1,825	Over-spend
	Transport	20	Over-spend
3.3.3	Supplies & Services	7,450	Over-spend

	Agency/Contracted Services	(50)	Under-spend
	Central /Admin Support	(4,870)	Under-spend
3.3.4	Income	(3,400)	Under-spend
	Increased re-distribution	105,925	Over-spend
	Revised Out-turn	113,210	Deficit

Source: Appendix 1

3.3 Explanation of Significant Variances

3.3.1 Employees:

- There is a projected over spend on staffing however this is covered by a carry forward from 2018/19 approved by the Joint Board on 23rd May 2019. This was to allow the extension of the contract for the fixed term employee in order that the digitalisation of the cremation records could be completed.

3.3.2 Premises:

- The over spend on premises costs has mainly been caused by the inclusion of a carry forward of £4k from 2018/19 approved on 23rd May 2019 in order to allow improvements to the rose beds to be completed. There has been minor adjustments to other budgets e.g. utilities etc.

3.3.3 Supplies & Services:

- £2.5k to cover the increased cost of providing environmentally friendly urns.
- £5.75k for the purchase/upgrade of essential equipment for example the Wesley Music requires an urgent upgrade (£4.5k)
- There have been minor adjustments to other budgets.

3.3.4 Income:

- The revised fee and banding structure approved at the Joint Board on 23rd September 2019 has been included in the budgets and has resulted in a decrease in income of £8k.
- The budgets for the miscellaneous income and other sales for example memorials have been reviewed and have been increased by £5.5k however £2k of this relates to the one-off sale of the old mower
- A payment of £6k has been estimated from CAMEO.

3.3.5 Reserves

- Contribution to reserves have been maintained at budgeted levels (£90k to Capital Improvement Reserve, £5.4k to Equipment Reserve & £106k to Mercury Abatement Reserve).

3.4 Capital Projects

- Capital Improvement Reserve (see para 6.7) – £14.9k was carried forward from 2018/19 to complete the chapel refurbishment. The refurbishment of the toilets is now complete with an estimated over spend of £2k. £29k had been budgeted to purchase a new mower this year, this has been purchased for £24.6k with an additional £2k revenue receipt being received from the sale of the old mower (see para 3.3.4).

4 ESTIMATES 2020/21

4.1 There is an estimated revenue surplus for the next financial year of **£524,300 (Appendix 1)** prior to any re-distribution after allowing for:

- Cremation fee increases on Bands B and C in January 2021 at the similar levels as approved this year
- A pay award of 2.5% for 2020/21
- Revised cremation income based on 2,000 cremations

4.2 Expenditure to be funded from reserves

It is proposed to spend an additional £18k from reserves in 20/21 (see para 6.7).

5.0 **MEDIUM TERM FORECASTS**

5.1 The key assumptions made in producing the forecasts in Appendix 1 for 2021/22 and 2022/23 include:

- Pay awards of 2.5% over the next few years
- Cremation fee increases on Bands B and C in 2020/21 and 2021/22 similar to those approved this year in order to achieve a balanced budget
- Setting aside the Mercury Abatement surcharge income of £106,000 pa into a reserve for future replacements
- A revenue contribution of £90k in 2021/22 and 2022/23 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 4a** includes the approved fee increases from January 2020. 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 surplus of approximately £540k in 2019/20. Therefore, it is recommended that the additional £99k held in this reserve is included in the re-distribution to the constituent authorities leaving a balance of £250k.

- 6.3 **Mercury Abatement Reserve - Appendix 4a** shows the contributions which will be made each year from income collected of £106k for 2019/20 onwards. The projected balance on the reserve at the end of 2019/20 is £835,169. 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 4a** shows that the opening balance at the start of 2019/20 was £11,620. The contribution this year and in future will be £5,360. The next planned expenditure from this reserve is for a replacement mower and tractor (£60k) scheduled for 2030.
- 6.5 **Organ Reserve - Appendix 4a** shows an opening balance of £9,000 in 2019/20. The Crematorium no longer directly offers an organist service and use of the organ has been reducing. Contributions to this reserve were ceased in 2017/18. In order to consolidate the number of reserves it is recommended that this reserve be closed, and the balance transferred to the Revenue Reserve. It is viewed that any future repairs can be met from existing revenue budgets.

6.6 **Cremator Repairs Reserve – Appendix 4a** shows an opening balance of £333k. The Crematorium has entered into a 5 year servicing agreement which covers the majority of the routine maintenance required by the cremators. This reserve is maintained to cover unforeseen works outside of the contract e.g. duct work, waste heat cooler etc. This situation will be kept under review.

6.7 **Capital Improvement Reserve – Appendix 4b** 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 the management improvement plan has been reviewed again this year and approved by the Joint Board on 23rd May 2019. The revised management improvement plan (revenue & capital) has now been built into the budgets. This leaves a projected balance on the reserve of £645k at the end of 2022/23. 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	2019/20 Original - £000's	2019/20 Revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Mercury Abatement	829	835	941	1,047	1,153
Equipment	17	17	22	28	33
Organ	9	0	0	0	0

Cremator Repairs	333	333	333	333	333
Capital Improvement	422	425	496	569	645
Total Earmarked Reserves	1,610	1,610	1,792	1,977	2,164
Revenue Reserves	250	250	250	250	250
Total Reserves	1,860	1,860	2,042	2,227	2,414

7.0 REDISTRIBUTION TO CONSITUENT AUTHORITIES

- 7.1 The last redistribution took place in 2018/19 when £499k 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 2019/20 will be £639,190.
- 7.3 Based on the number of cremations from each area over 3 years the distribution of the £639,190 would be as follows:

Proposed Distribution to Constituent Authorities

	Proportion	Share
Chesterfield	55%	£351,555
North East Derbyshire	31%	£198,149
Bolsover	14%	£89,486
Total	100%	£639,190

8.0 OTHER MATTERS

- 8.1 In recent months minor cracking to some of the walls at the rear of the chapel and damage to two drains has been identified. An engineer's report has been obtained however, at the time of writing this report the remedial works required has not been fully ascertained and costed and therefore not included within these budgets.
- 8.2 The triannual review of the Crematorium's pension is due before the end of the financial year. In anticipation of this employer contributions have been increased by 1% to 18.8% from 2020/21 although once the outcome of the review is known further action may need to be taken to address any pension shortfall.
- 8.3** £3k has been built into the budgets from 2020/21 in order to accommodate the costs of a carbon offsetting scheme as discussed by the Joint Board on 23rd May 2019. Further details will be provided by the Bereavement Services Manager once suitable schemes have been identified.

9.0 RECOMMENDATIONS

- 9.1 That the revenue estimates be approved.
- 9.2 That the Capital schemes be approved (para 3.4 & 6.7).
- 9.3 In line with the recommendation agreed at the Joint Board meeting on the 12th December 2016 that a re-distribution of £639,190 to the Constituent Authorities be approved for 2019/20. This includes an additional amount to re-distribute excess funds held in the Revenue Reserve from 2018/19 (see para 6.2).
- 9.4 That the planned use of reserves be approved (para 6.0).

10.0 Reasons for recommendations

- 10.1 To enable the Crematorium to set a balanced budget and maintain adequate reserves for 2019/20 and in future years.

Glossary of Terms <i>(delete table if not relevant)</i>	

Decision information

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

Document information

Report author	Contact number/email
David Corker	01246 345596 david.corker@chesterfield.gov.uk
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 2019/20
Annexe 3	Notes on 2020/21 estimates
Annexe 4a	Reserves Forecast
Annexe 4b	Capital Improvement Reserve