

## **For publication**

### **ESTIMATES OF REVENUE EXPENDITURE & INCOME FOR YEARS ENDING 31<sup>ST</sup> MARCH 2024 onwards**

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Meeting:	Chesterfield and District Joint Crematorium Committee
Date:	20 <sup>th</sup> November 2023
Cabinet portfolio:	N/A
Report by:	Bereavement Services Manager Clerk & Treasurer

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## **For publication**

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### **1.0 PURPOSE OF REPORT**

1.1 To present for Members consideration the Committee's revenue estimates for 2023/24 to 2026/27, as detailed in the attached appendices:

- Appendix 1 - Detailed Estimates
- Appendix 2 - Details of Major variations in 2023/24
- Appendix 3 - Notes on 2024/25 estimates
- Appendix 4a - Reserves Forecasts
- Appendix 4b - Capital Improvement Reserve

### **2.0 RECOMMENDATIONS**

2.1 That the revenue forecast position for the 2023/24 financial year be approved.

- 2.2 That the revenue estimates for 2024/25 through to 2026/27 be approved.
- 2.3 That the Capital schemes as detailed in Appendix 4b be approved.
- 2.4 In line with the recommendation agreed at the Joint Board meeting on the 12<sup>th</sup> December 2016 that a re-distribution of £600,000 to the Constituent Authorities be approved for 2023/24.
- 2.5 That the planned use of reserves be approved (para 7.0).

### 3.0 Reasons for recommendations

- 3.1 To enable the Crematorium to set a balanced budget and maintain adequate reserves for 2023/24 and in future years.

### 4.0 Forecast 2023/24

- 4.1 The 2023/24 Joint Crematorium budget was approved by the Committee in December 2022, and assumed an in year surplus of £645k. The latest 2023/24 forecast position shows a surplus of £696k, an additional £51k surplus compared with the original budget.
- 4.2 Details of the variations are shown in **Appendix 2** and summarised below:

<b>Table 1: Variances – Original to Forecast 2023/24</b>			
<b>Para. Ref.</b>		<b>Amount £</b>	<b>Increase/(Decrease)</b>
	<b>Original Budget</b>	<b>0</b>	
	<u>+/- Variances in the year:</u>		
4.3.1	Employees	14,170	<b>Increase</b>
4.3.2	Premises	(39,470)	<b>Decrease</b>
	Transport Costs	270	<b>Increase</b>
4.3.3	Supplies & Services	11,870	<b>Increase</b>

	Agency	(180)	<b>Decrease</b>
	Central /Admin Support	1,020	<b>Increase</b>
4.3.4	Income	(40,640)	<b>Increase</b>
4.3.5	Transfer to Mercury Abatement Reserve	1,570	<b>Increase</b>
	<b>Revised Out-turn</b>	<b>(51,390)</b>	

Source: Appendix 1

### 4.3 Explanation of Significant Variances

#### 4.3.1 Employees:

- The forecast position shows an increase of £14k on the original staffing budget. £10k of the increase is to accommodate this year's pay award compared to the original assumption, £7k for the recruitment of the new apprentice and £2k due to changes in pension contributions following the actuarial review. There is a £5k saving due to delayed recruitment of a vacant post.

#### 4.3.2 Premises:

- The forecast position shows a decrease of £39k on premises costs. £60k relates to a decrease in utility costs namely a £81k decrease in energy assumptions which has been partially offset by a £21k increase in business rates following the revaluation. The new cremator maintenance contract is currently being negotiated and it is estimated that the 2023/24 costs will increase by £10k.
- Following a review of the planned repairs/improvements scheduled for 2023/24, expenditure on the Service Improvement is expected to be £10k more than the original 2023/24 budget. The revised forecast includes £27k of carry forwards from 2022/23 however the roof repairs (£17k) are now expected to be undertaken in the next financial year and the costs of these works have been included within the 2024/25 budget

#### 4.3.3 Supplies & Services:

- £10k has been added to the budgets to cover the cost of the upgrade to the BACAS system however £4k of this relates to one-off implementation costs.
- There have been minor adjustments to other budgets including £2k for the increased costs of the new music system.

#### 4.3.4 Income:

- A fee increase of 7% to the cremation fees across all bands is being proposed from January 2024 (see Managers Fees and Charges Report) and has been included in the budgets. A fee increase of 3% to bands C and D was assumed in the original budgets.
- Miscellaneous income and other sales income shows an increase of £3k. This is to reflect the proposed increases in the pricing of memorials etc in order to offset the increases in supplier costs outlined in para 4.3.3.
- Interest received on the Crematorium's cash balances is forecast to increase by £21k to reflect the further increases in the Bank of England base rate.
- A payment of £5.5k has been estimated from CAMEO.

#### 4.3.5 Reserves

- An additional £1.5k will be added to the mercury abatement reserve due to the increase in the fee charged per cremation.

#### 4.4 Capital Projects

- Capital projects totalling £61k were approved as part of the 2023/24 budget setting report, to be funded from the Capital Improvement Reserves (see para 6.6). These schemes have been reviewed with some being re-profiled into future financial years. In addition, there are a number of new capital schemes that are proposed to be added to the capital programme. The major projects include ventilation work in the crematory (£49k) and lighting/CCTV improvements in the car park. Full details of planned capital expenditure are included in appendix 4b.

## **5.0 ESTIMATES 2024/25**

5.1 There is an estimated revenue surplus for the 2024/25 financial year of **£736,610 (Appendix 1)** prior to any re-distribution. The assumptions made when setting the 2024/25 budget include:

- Cremation fee increases across all bands in January 2024 of 3.0%
- A pay award of 3% for 2024/25
- Revised cremation income based on 2,100 cremations

Full details of the 2024/25 - 2026/27 budgets are included at appendix 1.

5.2 Expenditure to be funded from reserves

- It is proposed to spend an additional of £41k from the Capital Improvement Reserve in 2024/25 (see para 6.6) on new soffits/facias and completing the improvements to the garage area.

## **6.0 MEDIUM TERM FORECASTS**

6.1 The key assumptions made in producing the forecasts in Appendix 1 for 2025/26 and 2026/27 include:

- Pay award of 2.0% in 2025/26 and 2026/27.
- Cremation fee increases across all bands in 2025/26 and 2026/27 of approximately 3.0%
- Setting aside the Mercury Abatement surcharge income of £106,200 pa into a reserve for future replacements
- A revenue contribution of £90k in 2025/26 and 2026/27 into the Capital Improvement Reserve

A new crematorium is due to open at a neighbouring authority in April 2025. The budget assumptions include a reduction in cremation numbers and a resulting reduction in the re-distribution of surplus to be made to the constituent authorities as a result of this. Further work to fully understand the financial impact will be undertaken during 2024/25 financial year.

## **7.0 RESERVES**

7.1 The Joint Crematorium maintains five reserves:

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

7.2 **Revenue Reserves** – the forecasts in **Appendix 4a** includes the proposed fee increases from January 2024. It was approved at the Joint Board meeting on the 12<sup>th</sup> December 2016 to re-distribute any surplus over the £250k minimum working balance to the constituent authorities provided that the surplus exceeded £100k. A re-distribution of £600k to the three constituent authorities leaves a projected balance of £823k.

7.3 **Mercury Abatement Reserve – Appendix 4a** shows the contributions which will be made each year from income collected from 2023/24 onwards. The projected balance on the reserve at the end of 2023/24 is £1,358,062. The £56 charge per cremation (proposed increase to £59) 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 now over halfway 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.

7.4 **Equipment Replacement Reserve – Appendix 4a** shows that the opening balance at the start of 2023/24 was £33,060. 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.

7.5 **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.

7.6 **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 in 2019 and approved by the Joint Board on 23<sup>rd</sup> 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 £840k at the end of 2026/27. The costs of all current major repairs/improvements have been reviewed and reflected in the revised budget and it is viewed that the balance of the reserve and budgeted contributions (£90k) are currently sufficient to meet the crematoriums medium term requirements.

## 7.7 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.

<b>Reserve</b>	<b>2023/24 Original £000</b>	<b>2023/24 Revised £000</b>	<b>2024/25 Estimate £000</b>	<b>2025/26 Estimate £000</b>	<b>2026/27 Estimate £000</b>
Mercury Abatement	1,344	1,358	1,482	1,588	1,694
Equipment	38	38	44	49	55
Cremator Repairs	333	333	333	333	333
Capital Improvement	599	636	685	775	840
<b>Total Earmarked Reserves</b>	<b>2,314</b>	<b>2,365</b>	<b>2,544</b>	<b>2,745</b>	<b>2,922</b>
Revenue Reserves	545	824	960	919	882
<b>Total Reserves</b>	<b>2,859</b>	<b>3,189</b>	<b>3,504</b>	<b>3,664</b>	<b>3,804</b>

## **8.0 REDISTRIBUTION TO CONSITUENT AUTHORITIES**

- 8.1 At the Joint Board meeting on the 12<sup>th</sup> 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. A re-distribution of £600k has been budgeted for in the 2023/24 financial year.
- 8.2 Based on the number of cremations from each area over 3 years the distribution of the £600,000 would be as follows:

### **Proposed Distribution to Constituent Authorities**

	Proportion	Share
Chesterfield	55%	£330,000
North East Derbyshire	31%	£186,000
Bolsover	14%	£84,000
Total	100%	£600,000

## **9.0 OTHER MATTERS**

- 9.2 Current employer pension contributions have been increased from 18.8% to 20.7% and the past service cost has been reduced by £5k in line with the actuarial triennial valuation.





**CHESTERFIELD AND DISTRICT JOINT CREMATORIUM COMMITTEE**

<b>Revised Forecast 2023/24 – Details of Major Variations Net Expenditure</b>	<b>+Increase (Reduction)</b>
<b>1. <u>Employee Expenses</u></b> Salary increases mainly due to pay award Vacant post saving Recruitment of new apprentice Changes to pension contribution rates	9,840 (5,170) 6,930 2,570
<b>2. <u>Premises Related Expenses</u></b> Service Improvement Plan Utilities Cremator Maintenance Contract	10,150 (60,010) 10,390
<b>3. <u>Transport Costs</u></b>	270
<b>4. <u>Supplies &amp; Services</u></b> BACAS system upgrade New music system contract Misc items	10,260 2,360 (750)
<b>5. <u>Agency &amp; Contracted Services</u></b>	(180)
<b>6. <u>Central Admin Support</u></b> Increase in various recharges	1,020
<b>7. <u>Income</u></b> Increase in Cremation income CAMEO income Memorial income Estimated increased interest on balances Other	(10,620) (5,500) (2,870) (20,850) (800)
<b>8. Contribution to Mercury Abatement Reserve</b>	1,570
<hr/> <b>Total</b>	<hr/> (51,390)

## **APPENDIX 3**

### **CHESTERFIELD AND DISTRICT JOINT CREMATORIUM COMMITTEE**

#### **Notes on 2024/25 Estimates**

1. Inflation
  - a) Pay Award of 3.0%
  
2. Premises
  - a) £17k included for repairs to the crematory roof & £10k for improvements to the entrance area (see management improvement plan).
  
4. Income
  - a) Based on 2,100 Cremations (147 at Bands A & B, 189 at Band C & 1,764 at Band D). From the 2025/26 the assumptions are based on 1,800 due to the potential opening of the new crematorium at Shirebrook.
  - b) The estimates include a recharge to Chesterfield Borough Council for the cost of a Joint Bereavement Service.
  - c) An increase to all fee bands of 3% in 2024 and 3% in 2025.

**Glossary of Terms** *(delete table if not relevant)*


### **Decision information**

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

### **Document information**

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<b>Background documents</b>	
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>	
<b>Annexes to the report</b>	
Annexe 1	Detailed estimates
Annexe 2	Details of major variations in 2023/24
Annexe 3	Notes on 2024/25 estimates
Annexe 4a	Reserves Forecast
Annexe 4b	Capital Improvement Reserve

### **Form to return to Democratic Services with report (will be removed before publication)**

<b>Officers/members consulted on the report</b>	
<b>Chief Executive (WBR)</b>	<input type="checkbox"/>
<b>Monitoring officer</b>	<input type="checkbox"/>
<b>Chief finance officer</b>	<input type="checkbox"/>
<b>Policy manager</b>	<input type="checkbox"/>
<b>Human resources manager</b>	<input type="checkbox"/>
<b>Cabinet member portfolio holder (and consultee cabinet member if applicable)</b>	<input type="checkbox"/>

<b>Comments from Cabinet Member (if applicable)</b>