

ESTIMATES OF REVENUE EXPENDITURE & INCOME
FOR YEARS ENDING 31ST MARCH 2015 onwards

MEETING: CHESTERFIELD AND DISTRICT JOINT CREMATORIUM
COMMITTEE

DATE: 8th December, 2014

REPORT BY: BEREAVEMENT SERVICES MANAGER
CLERK & TREASURER

FOR PUBLICATION:

BACKGROUND PAPERS FOR PUBLIC REPORTS:

TITLE: Estimate Working Papers

LOCATION: Corporate Services Department

1.0 PURPOSE OF REPORT

1.1 To present for Members consideration the Committee's revenue estimates for 2014/15 to 2017/18, as detailed in the attached appendices:

- Appendix 1 - Detailed Estimates
- Appendix 2 - Details of Major variations in 2014/15
- Appendix 3 - Notes on 2015/16 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 report.

2.2 The purchase of the John Deere Gator be approved. (para 8.1)

2.3 The fee paid to the organist be increase to £20 per service. (para 3.3)

2.4 That the Capital schemes be approved. (para 6.7).

2.5 The redistribution of £200k to Constituent Authorities be approved for 2014/15 & future years.

2.6 That the planned use of reserves in paragraph 6.0 be approved

2.7 That a long term capital improvement plan be developed. (para 6.7)

3.0 **REVISED 2014/15**

3.1 The revised forecast for the current year (**Appendix 1**) shows a deficit of £295,720 after allowing for the estimated fee increase from January 2015, compared to the last approved budget surplus of £124,920.

3.2 Details of the variations are shown in **Appendix 2** and summarised below:

Table 1: Variances – Original to Revised 2014/15			
Para. Ref.		Amount £	Over/(Under)
	Original Budget	(124,920)	Surplus
	<u>+/- Variances in the year:</u>		
3.3.1	Employees	4,110	Over-spend
3.3.2	Premises	31,530	Over-spend
	Transport	440	Over-spend
3.3.3	Supplies & Services	12,090	Over-spend
	Central /Admin Support	1,050	Over-spend
3.3.4	Income	(21,080)	Under-spend
	Contribution to Organ reserve	(1,500)	
3.3.5	Contribution to Capital Improvement Reserve	324,000	
3.3.6	Contribution to Cremator repairs reserves	(30,000)	
	Additional Redistribution to Authorities	100,000	
	Revised Out-turn	295,720	Deficit

Source: Appendix 1

3.3 **Explanation of Significant Variances**

3.3.1 Employees:

- Decrease in overtime of £8.7k which is due to a change in the working hours of cremator staff which has seen the need for overtime to reduce.
- Increase on pensionable Past Service Costs of £10k and also an increase to the employee pension contribution from 12.8% to 17.8% this equates to an increase of £5k
- General decrease in staffing costs of £2.5k

3.3.2 Premises:

- Carry forwards from 2013/14 - £11k for rose beds, memorials & disposal choices.

- A contribution from the Cremator Repairs reserve of £30k to cover the estimated cost of repairs for the year. (see 3.3.5)
- £7k reduction in utility charges.
- CCTV £5k moved to 15/16.

3.3.3 Supplies & Services:

- Carry forward from 2013/14 - £2.5k Relay Screen & £2k for Literature.
- Organist fees - The current fee paid to organists is £12.53, this fee has remained unchanged since 2008. Due to the introduction of the Wesley system, there has been a reduction in use of the organ and, therefore, the need for an organist which has resulted in a substantial reduction in the fees paid to the organists.

The organists have requested that the rate of pay is increased to £25 to recognise the reduction in work and their increased costs in attending the crematorium. The current fee charged for use of the organ is £35.83 + vat with £3,000 per year of the income received being placed in a reserve to fund a new organ in future.

It is suggested that the payment to organists be increased to £20 per service and the contribution to the reserve reduced to £1,500 per year

- Telephone costs have increased in 2014/15 only by £8.1k this is for the work required to bring the broadband link up to a reasonable speed, there is also an annual increase payable to BT of £3.4k which will start in 2014/15.

3.3.4 Income:

- A fee increase from £595 to £625 (incl Mercury Abatement & Medical Referees fees) is being proposed from January 15 this will yield an additional £14k in 14/15, (as per the Managers fees & charges report)
- The budget of £25k for the sale of the new memorials has been reduced to £12.5k as there has been a delay in these being available for sale.
- The income for organist fees has been reduced by £5.6k, this is a result of an increase in the use of recorded music.
- A payment of £24,060 has been received from CAMEO, it is recommended that this is redistributed to constituent authorities.

3.3.5 Reserves

- Capital Improvement Reserve – The budgets for air conditioning £17k and new chapel exit point £15k and the refurbishment of the Cemetery Chapel £40k (which is no longer a viable option) have been merged together and renamed, 'Chapel Refurbishment' totalling £72k and moved forward into 2015/16. A project plan will be drawn up to confirm what work is required and a revised budget requirement will be reported to the next committee meeting for approval.
- The purchase of a John Deere Gator is required (see 8.1). This totals £13,195 and is planned to be funded from the 'Unallocated' element of the Capital Improvement Reserve.
- The revenue contribution of £496k, will be made into the Capital Improvement Reserve to fund future projects eg the chapel refurbishment. (see 6.2) and

- A contribution of £30k has been made from the Cremator Repairs Reserve and into revenue to fund repairs in 14/15 (see 3.3.2)
- A decreased contribution of £1.5k has been made in to the Organ Reserve to help offset the proposed increase in organists' fees (see 8.1). It is felt that the annual contribution of £1.5k will be sufficient to fund a future replacement.

4 **ESTIMATES 2015/16**

4.1 There is an estimated revenue deficit for the next financial year of **£3,080 (Appendix1)** after allowing for:

- The January 2015 increase
- No increase in fees & charges from January 2015
- A decrease in Gas & Electricity of 7.5%
- A pay award of 1%
- Carry forwards from 13/14 for Digital Signage £1.6k and £7k for Internet booking.
- CCTV moved from 14/15.
- A decrease in Cremation income due to a drop of numbers from 1,800 to 1,700 to take into account the opening of the new crematorium at Swanwick.
- A contribution to the Capital Improvement Reserve of £172k.
- Maintaining a £65k contribution to the Cremator repairs reserves.
- A redistribution of £200k to the constituent authorities.

4.2 **Expenditure to be funded from reserves**

It is proposed that the following be funded from reserves in 2015/16:

- The purchase of a tractor at £26k to be funded from the Equipment Reserve.
- Replacement Boiler and Heating Exchange– There is also additional work which will need undertaking on under floor heating & radiators, the cost of this project will be approximately £90k, this can be funded from the unallocated budget in the Capital Reserves.
- The reception & admin block refurbishment £25k has been moved forward to 2015/16. The scheme is larger than first envisaged as there will be window replacements, rewiring and a change to the layout of the whole admin block. The overall cost may increase to £85k, this can be funded from the unallocated budget in the Capital Reserves

5.0 **MEDIUM TERM FORECASTS**

5.1 The key assumptions made in producing the forecasts in Appendix 1 for 2016/17 and 2017/18 include:

- Pay awards of 1% in 2016/17 and 2017/18.
- No increase in fees & charges.
- Setting aside the Mercury Abatement surcharge income of £76,500 pa into a reserve for future replacements.
- Maintaining a £65k contribution to the Cremator repairs reserves.
- A revenue contribution of £167,000 in 2016/17 and £162,000 in 2017/18 into the Capital Improvement Reserve.
- Maintaining a redistribution of £200k each year 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 £625 from January 2015. The forecast level of this reserve over the next few years is well in excess of the minimum level required (£120k). There are clearly risks, in terms of reducing income, associated with the opening of the new crematorium at Swanwick, but this risk is covered to some extent by assuming a 100 less cremations per annum with the budget estimates. Nevertheless, it would be prudent to temporarily increase the minimum reserve level by a further £130k (to £250k) in order to allow for a worse case scenario. The excess amount in the Revenue reserve (£525k) should then be transferred into the Capital Improvement Reserve. (£396k 14/15, £67k 16/17 & £62k 17/18)

6.3 **Mercury Abatement Reserve – Appendix 5a** shows the contributions which will be made each year from income collected of £81,000 for 2014/15 & reducing to £76,500 onwards. The projected balance on the reserve at the end of 2014/15 is £286,408. The £45 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 2014/15 was £16,080. The annual contribution of £5,360 will continue each year. There is a plan to replace the tractor in 15/16 costing £26k.

6.5 **Organ Reserve – Appendix 5a** shows an opening balance of £3,000 in 2014/15 and a further contribution of £1,500 in 2014/15 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. There is a contribution of £65,000 in 2014/15 and ongoing.

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. As the contributions have been increased (see 6.2) the balance at the end of 2017/18 will be in excess of £1m. Over the next 6 months a detailed condition survey should be undertaken and a comprehensive long term Capital Improvements Programmes be developed in order to assess whether the £1m balance is reasonable.

A summary of the schemes in the reserve are as follows:

2014/15	John Deere Gator £13k Car Park £26.5k Strewing Grounds £13k
2015/16 -	Reception/Admin block area £85k Refurbishment Chapel £72k Boiler & Heat exchange £90k

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	2014/15 Original	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Mercury Abatement	286	286	363	439	516
Equipment	21	21	1	6	12
Organ	6	4	6	7	7
Cremator Repairs	48	78	83	88	93
Capital Improvement	425	807	697	924	1,086
Total Earmarked Reserves	786	1,196	1,150	1,464	1,714
Revenue Reserves	671	251	248	251	251
Total Reserves	1,457	1,447	1,398	1,715	1,965

7.0 REDISTRIBUTION TO CONSITUENT AUTHORITIES

- 7.1 The last redistribution took place in 2013/14 when £100,000 was redistributed.
- 7.2 The planned redistribution in 2014/15 is £176k plus the CAMEO payment of £24k giving a total of £200k.
- 7.3 Based on the number of cremations from each area over 3 years the distribution of the £200k would be as follows:

Proposed Distribution to Constituent Authorities

	Proportion	Share
Chesterfield	55%	£110,000
North East Derbyshire	31%	£62,000
Bolsover	14%	£28,000
Total	100%	£200,000

7.4 It is proposed that the redistribution be maintained at £200k from 2015/16.

8.0 OTHER BUSINESS

8.1 John Deere Gator

The purchase of an additional vehicle for approximately £13,000 is required. This will greatly reduce manual handling for Crematorium staff, whilst also increasing the flexibility and capabilities of the Grounds Maintenance Team based at the Crematorium at a time when their workloads have increased due to recent improvement projects. The vehicle can be used for a variety of duties including the transportation of cremated remains for strewing, delivery of bedding plants to areas, leaf collection and vehicle access to grounds where the tractor cannot reach. The vehicle can also be used by all staff.

9.0 RECOMMENDATIONS

9.1 That the revenue estimates be approved, subject to the approval of the fees & charges report.

9.2 The purchase of the John Deere Gator be approved. (para 8.1)

9.3 The fee paid to the organist be increase to £20 per service. (para 3.3)

9.4 That the Capital schemes be approved. (para 6.7).

9.5 redistribution of £200k to Constituent Authorities be approved for 2014/15 & future years. (para 7.0)

9.6 That the planned use of reserves be approved (para 6.0)

9.7 That a long term capital improvement plan be developed. (para 6.7)

A. DUNN
Bereavement Services Manager

B. DAWSON
Clerk & Treasurer to the Joint Committee

December 2014

Further information on this report can be obtained from Paula Clayton, Accountancy Services (Ext. 2010) or Angela Dunn, Bereavement Services Manager (Ext. 5881).

APPENDIX 2
CHESTERFIELD AND DISTRICT JOINT CREMATORIUM COMMITTEE
Revised Estimate 2014/15 – Details of Major Variation

Net Expenditure (decreased by £420,640)	+ Increase / (Reduction)
1. <u>Employee Expenses</u>	
Overtime	(8,710)
Pensions	15,370
Other savings	(2,550)
2. <u>Premises Related Expenses</u>	
Carry forwards from 13/14 (see 3.3.2)	11,000
Cremator repairs	30,000
NNDR increase	2,700
Reduction in Utility charges	(7,170)
CCTV moved to 15/16	(5,000)
3. <u>Transport Related Expenses</u>	440
Misc increases	
4. <u>Supplies and Services</u>	
Carry forward 13/14 – (see 3.3.3)	4,490
Organist fees	(1,400)
Telephone costs	8,100
Misc supplies & services	900
Reduction in contribution to Organ Reserve	(1,500)
Increase in contribution to Capital Improvement Reserve	324,000
Reduction in contribution to Cremator Repairs (see 3.3.2)	(30,000)
5. <u>Central Admin Support</u>	
Increase in various recharges	1,050
6. <u>Income</u>	
Increase in Cremation income	(14,490)
Decrease in sale of memorials	12,500
Decrease in Organist fees	5,600
CAMEO income	(24,060)
Miscellaneous income	(630)
7. Increase redistribution to Constituent Authorities	100,000
Total	420,640

CHESTERFIELD AND DISTRICT JOINT CREMATORIUM COMMITTEE

Notes on 2015/16 Estimates

1. Inflation

- a) Pay Award Manual & Staff 1%

2. Premises

- a) Decrease of 7.5% on Utility bills
- b) Carry forward of £1,640 from 13/14 for Digital Signage
- c) CCTV moved form 14/15

3. Supplies & Services

- a) A contribution of **£172,000** to the Capital improvement reserves has been included for the Chapel refurbishment and general reserves.
- b) Carry forward of £7,000 from 13/14 for Internet bookings.

6. Income

- a) Based on 1,700 Cremations.
- b) The estimates include a recharge to Chesterfield Borough Council for the cost of a Joint Bereavement Service.
- c) An increase to £625 per cremation from January 2015.

CHESTERFIELD AND DISTRICT JOINT CREMATORIUM COMMITTEE

EMPLOYEE SUMMARY

Estimated number of employees on which the budget is based

	2014/15 Base			2015/16 Base		
	Full Time	Part Time	F.T.E.	Full Time	Part Time	F.T.E.
Salaried staff	3	2	4	3	2	4
Other Employees	5	1	5.5	5	1	5.5
	8	3	9.5	8	3	9.5