



Report to Portchester Crematorium Joint Committee

Date: **10 December 2012**

Report of: **Treasurer to the Joint Committee**

Subject: **REVENUE BUDGET 2013/14**

SUMMARY

This report sets out the revenue budget and repairs and renewals programme for 2012/13 and 2013/14, together with a review of fees and charges. The revised capital works programme for 2012/13 and future years has also been included for consideration.

RECOMMENDATIONS

- (a) That expenditure of £71,500 in 2013/14 to be financed from the repairs and renewals fund as detailed in Appendix D is approved;
- (b) That the proposed charges as set out in Appendices B and C are approved from 1 April 2013;
- (c) That the proposed revenue account estimates as set out in Appendix A be approved subject to the Joint Committee's decisions in respect of the recommendations (a, b) above.

INTRODUCTION

1. The Joint Committee has in place a co-ordinated finance strategy that allows the consideration of availability of resources to finance both capital and revenue at the same time. There are a number of fundamental principles that are followed by the Joint Committee which form the basis of the finance strategy which are:
 - (i) Sufficient reserves and provisions will continue to be made to ensure that:
 - (a) no precept will be required from the constituent authorities within the foreseeable future and;
 - (b) all anticipated capital works can be funded from revenue income
 - (ii) That subject to (i) above, an optimum annual contribution be available for re-distribution to each of the constituent authorities.
2. This report has been prepared following the finance strategy principles so that members of the Joint Committee can consider in detail the financial position of Portchester Crematorium in the current year and the anticipated position in 2013/14.
3. Detailed information is set out in the various appendices to this report which cover the following:
 - Appendix A - Revised revenue budget for 2012/13 and the revenue budget for 2013/14;
 - Appendix B - Optional charges 2013/14;
 - Appendix C - Cremation fees 2013/14;
 - Appendix D - Repairs and renewals programme and funding;
 - Appendix E - Capital works programme and funding.

BASE REVENUE BUDGET 2012/13

4. The original revenue budget for 2012/13 was prepared on a projected outturn basis with an allowance for inflation and other price increases included within the various budget heads. The estimated surplus for the year was £4,500 based on 3,900 cremations during the year.

BUDGET ISSUES

5. The main budget issue for 2012/13 continues to be the installation and funding of the Mercury Abatement capital scheme. The strategy on budgeting for sufficient funding availability has previously been agreed by members.
6. Gas and electricity are purchased under a framework agreement with the Government Procurement Service (GPS), and provided via GPS transmission partners. The Crematorium's volume is purchased on the wholesale market between April - September each year, and prices are then set for the consumption period October - September. Increases have been incorporated into the revised budget for 2012/13 and base budget 2013/14 accordingly.

7. The impact of the repairs and renewals and capital programmes, together with other budget variations are fully explained in the following paragraphs.

REVISED BUDGET 2012/13

8. The revised budget shows a surplus of £4,500, in line with the original estimated surplus. The budget variations are shown in the following table, and explained further below.

	Actuals 2011/12	Base Estimate 2012/13	Revised Estimate 2012/13	Variance
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	231,319	233,200	233,200	-
PREMISES RELATED EXPENDITURE	484,976	506,500	559,600	53,100
SUPPLIES AND SERVICES	295,991	260,400	267,800	7,400
CAPITAL CHARGES	217,980	305,600	250,000	-55,600
SPECIAL EXPENDITURE	1,220,000	1,290,000	1,290,000	-
GROSS EXPENDITURE	2,450,266	2,595,700	2,600,600	4,900
GROSS INCOME	2,466,469	2,600,200	2,605,100	-4,900
NET EXPENDITURE	-16,203	-4,500	-4,500	-

9. Premises related expenditure has increased overall by £53,100; from £506,500 to £559,600. A budget increase of £44,500 has been set against repairs and renewals expenditure to reflect the programme set out in paragraph 23 and Appendix D. This increase is fully offset by an increase in the use of the Repairs and Renewals Fund reserve to finance these works so there is no overall effect on the revenue budget deficit / surplus.
10. A budget increase of £2,800 has been set against energy costs based on the preceding year's annual usage, and rising energy costs. Budgeted expenditure against lease payments has been reduced by £1,500, whilst the budget for National Non-Domestic Rates has increased by £16,600. The repairs and maintenance budget for building and plant and grounds have been reduced by £5,000. Other minor adjustments have been made to reflect coding changes and adjustments to budgeted expenditure have been made in line with the outturn for 2011/12.
11. Supplies and services related expenditure has increased overall by £7,400; from £260,400 to £267,800. A budget increase of £5,100 has been set against the cost of insurance based on the increased renewal premium incurred for 2012/13 and the budget for the amount of VAT that we are not able to reclaim has been increased by £13,700 from £43,300 to £57,000. Other minor adjustments have been made to budgeted expenditure in line with the outturn for 2011/12.
12. Excluded from the variations explained above is an adjustment to the accounting entries required by the Accounting Code of Practice on Local Authority Accounting for depreciation. A budget decrease of £55,600 has been applied for 2012/13, but a corresponding income entry adjustment is also made which means that this has no overall effect on the revenue budget deficit / surplus.

13. Gross income has increased overall by £4,900; from £2,600,200 to £2,605,100. Included within this reduction is the income entry referred in paragraph 12 relating to depreciation. Reduced income budget levels of £6,000 and £4,000 have been set against income from Book of Remembrance entries and Organists Fees respectively. The income from cremation fees has been increased by £26,000. The contribution from the repairs and renewals fund reserve has been increased by £44,500 as detailed in paragraph 9 above.

BASE BUDGET 2013/14

14. The base budget for 2013/14 has been prepared on an outturn basis and shows a surplus of £8,600. The budget variations are shown in the following table, and explained further below.

	Actuals 2011/12	Base Estimate 2012/13	Base Estimate 2013/14	Variance
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	231,319	233,200	233,200	-
PREMISES RELATED EXPENDITURE	484,976	506,500	562,400	55,900
SUPPLIES AND SERVICES	295,991	260,400	276,900	16,500
CAPITAL CHARGES	217,980	305,600	250,000	-55,600
SPECIAL EXPENDITURE	1,220,000	1,290,000	1,265,000	-25,000
GROSS EXPENDITURE	2,450,266	2,595,700	2,587,500	-8,200
GROSS INCOME	2,466,469	2,600,200	2,596,100	4,100
NET EXPENDITURE	-16,203	-4,500	-8,600	-4,100

15. Premises related expenditure has increased overall by £55,900; from £506,500 to £562,400. This includes an additional £25,000 in 2013/14 for the operation of the mercury abatement process, disposal of arisings and the provision of activated carbon. This is in respect of the period in 2013/14 that falls outside of the first years abatement operation that was included in the cost of the installation contract. Full years costs going beyond 2013/14 will be approximately £50,000. This additional revenue cost has been met by a reduction being made against the contribution to the Capital Works Fund.
16. A budget decrease of £12,500 has been set against repairs and renewals expenditure to reflect the programme set out in paragraph 23 and Appendix D. This increase is fully offset by a decrease in the use of the Repairs and Renewals Fund reserve to finance these works so there is no overall effect on the revenue budget deficit / surplus.
17. A budget increase of £34,900 has been set against energy costs based on the preceding year's annual usage and rising energy costs. The amount of NNDR payable in 2013/14 will decrease as a result of a successful rating valuation appeal so no budget increase is required in this area. Other minor adjustments have been made to reflect coding changes and adjustments to budgeted expenditure have been made in line with the outturn for 2011/12.

18. Supplies and services related expenditure has increased overall by £16,500; from £260,400 to £276,900. A budget increase of £6,000 has been set against the cost of insurance based on the increased renewal premium incurred for 2012/13 and the budget for the amount of VAT that we are not able to reclaim has been increased by £11,700 from £43,300 to £55,000. Other minor adjustments have been made to budgeted expenditure in line with the outturn for 2011/12.
19. Special expenditure has reduced to £1,265,000. The annual contribution to each of the four constituent authorities for 2013/14 remains at £150,000, and the contribution made to the Capital Works Fund has been reduced by £25,000 to £475,000.
20. Excluded from the variations explained above is an adjustment to the accounting entries required by the Accounting Code of Practice on Local Authority Accounting for depreciation. A budget decrease of £55,600 has been applied for 2013/14, but a corresponding income entry adjustment is also made which means that this has no overall effect on the revenue budget deficit / surplus.
21. Gross income has decreased overall by £4,100; from £2,600,200 to £2,596,100. Included within this decrease is the reducing income entry referred in paragraph 19 relating to depreciation. Reduced income budget levels of £8,000 and £6,000 have been set against income from Book of Remembrance entries and Organists Fees respectively. The income from cremation fees has been increased by £78,000. The contribution from the repairs and renewals fund reserve has been decreased by £12,500 as detailed in paragraph 15 above.

REVIEW OF FEES & CHARGES

22. The optional charges are set out in Appendix B to this report, with increases proposed against all existing charges with the exception of those charged for the Use of Organ and Services of Organist. The charges for Book of Remembrance, Memorial Cards and the Scattering of Ashes show increases that range from 2.17% to 3.13%. Charges are rounded to the nearest pound for ease of cash handling and it is proposed that these charges are increased from 1 April 2013.
23. The cremation fees are set out in Appendix C to this report, with an increase of 4% to £520 proposed for 2013/14. This is still below the 2012/13 average cremation fee for the UK of £576.41, and the 2012/13 average cremation fee for Southern England of £605.57. The table below shows a comparison of the 2012/13 fees with the nearest crematoria :

Chichester	£725
Southampton	£605
Eastleigh	£615
Portchester	£500

REPAIRS AND RENEWALS FUND

24. Appendix D sets out the revised repairs and renewals programme for 2012/13, which includes any slippage from the 2011/12 programme and the programme for 2013/14. The revised programme of schemes for 2012/13 totals £128,500 and the programme of new schemes for 2013/14 totals £71,500.

25. The revenue budget within the premises heading 'repairs and renewals and capital works fund repairs financed from revenue', reflects the revenue element of the programme for the year. However, this is fully offset by an increase in the use of the Repairs and Renewals Fund to finance these works, so there is no overall effect on the revenue budget deficit / surplus.

CAPITAL WORKS FUND

26. Appendix E sets out the future programme for capital works schemes which total approximately £4.42 million. A longer term view of potential schemes has been taken to cover the next 6 years, taking account of timings and estimated expenditure against each of the three schemes.

Mercury Abatement - EPA Phase 2

27. Progress continues to be made on this scheme with works nearing completion. A report on this scheme will be given to members at today's meeting by the Engineer to the Joint Committee.

Cremator Furnace Relining

28. A new cycle of Cremator Furnace Relining has been included in the programme with future works to cremators 3, 4 and 5 profiled across 2012/13 - 2013/14. These works in general need to be carried out every 6 to 7 years and therefore, as the capital programme covers a 6 year period, occasionally the same scheme will appear more than once in the programme and this is one such scheme.

Analyser Renewal Cremators 1 to 6

29. This work has been undertaken in tandem with the mercury abatement works.

Replacement of Cremators

30. Although the cremators are unlikely to be replaced for many years, the estimated cost of £2.3 million is shown in the programme as it is essential that sufficient contributions are made to the Capital Works Fund annually to ensure that when the work is required, funding is available to meet the very significant costs.

GENERAL FUND REVENUE RESERVE

31. This reserve is an accumulation of budget surpluses from previous years and as at 1 April 2012 stands at £124,524. This is estimated to increase to £129,024 by March 2013, as shown in Appendix A. In accordance with the Finance Strategy for 2013/14 it is prudent to maintain the level of this reserve at over £100,000 in order to deal with fluctuations in revenue income and expenditure that are outside of the Joint Committee's control.

FINANCIAL RISK ASSESSMENT

32. The revenue budget has been prepared based on a going-concern basis, taking account of current and previous year's activity as well as changes that are known to occur in the current and next financial year. The potential for an increase in competition has been identified and when the change in the crematorium's operating environment becomes more definite this will be accounted for in the revised budget setting for 2013/14 and base budget 2014/15 as appropriate.
33. The General Fund Revenue Reserve has been accumulated to provide a small retained resource to meet unforeseen costs or changes in activity. Measures are also considered on an on-going basis in order to preserve the Joint Committee's income streams and keep costs to a minimum.
34. The repairs and renewals programme is fully funded from the earmarked Repairs and Renewals Fund, and it is estimated that there will be a small retained balance of £40,517 as at 31st March 2014, which will be available to meet unforeseen costs and scheme variations.
35. The 6 year capital programme, from 2012/13 - 2017/18, totals just over £4.42 million. This is fully funded from the existing Capital Works Fund balance of £1.478 million plus annual contributions over the life of the programme totalling £3.225 million. This demonstrates that the programme is heavily reliant on continued revenue contributions to the Capital Works Fund so that the programme of work can be fulfilled. This could be directly affected by the fluctuating levels of activity, so wherever possible, steps will be taken to strengthen the Capital Works Fund balance, for example, where underspends occur in the year.

CONCLUSION

36. This report includes various amendments to the budgets which, together with the proposed increase in fees and charges, will ensure that the Joint Committee remains in a strong financial position and that sufficient reserves are built up to cover any future budget shortfall.

APPENDICES

APPENDIX A – Revenue account for the year ended 31 March 2013

APPENDIX B – Optional charges

APPENDIX C – Cremation fees

APPENDIX D – Repairs and renewals programme

APPENDIX E – Capital works programme

Reference Papers

- (a) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Revenue Budget 2012/13' - 12 December 2011.
- (b) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Actual Income and Expenditure Account 2011/12' - 18 June 2012.

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For further information on this report, contact Kate Busby, 01329 824685

APPENDIX A

REVENUE ACCOUNT FOR THE YEAR ENDING 31 MARCH 2014

	Actual 2011/12	Base Estimate 2012/13	Revised Estimate 2012/13	Base Estimate 2013/14
	£	£	£	£
<u>EMPLOYEES</u>				
Salaries-Full Time Officers		222,200	222,200	222,200
Salaries-Part Time Officers		11,000	11,000	11,000
TOTAL EMPLOYEES	231,319	233,200	233,200	233,200
<u>PREMISES</u>				
Repairs and Maintenance buildings/plant	44,514	60,000	55,000	90,000
RR/CWF repairs financed from revenue	94,835	84,000	128,500	71,500
Repairs and Maintenance grounds	76,492	70,000	65,000	70,000
Garden Improvement Scheme	1,927	1,500	1,500	1,500
Energy costs	119,517	126,200	129,000	161,100
Water services	1,794	1,500	2,200	2,500
Rent & Rates	134,735	152,400	167,500	151,400
Removal of Wreaths/cleaning materials	11,162	10,900	10,900	14,400
TOTAL PREMISES	484,976	506,500	559,600	562,400
<u>SUPPLIES AND SERVICES</u>				
Equipment, Furniture and Materials	6,463	8,200	6,900	9,100
Protective Clothing, Uniforms & Laundry	1,568	4,600	2,100	2,100
Printing, Stationery & General Expenses	8,220	5,500	7,700	7,700
Inscriptions - Book of Remembrance	22,731	20,000	23,000	25,000
- Memorial Cards	4,690	6,000	5,000	5,000
Legal/Consultants fees	26,750	3,000	1,500	1,500
Consultant fees - Gosport	15,670	11,000	11,000	15,000
Administrative Expenses - Fareham	12,578	18,000	13,000	13,000
- Portsmouth	9,450	9,500	9,500	9,500
Medical Referees Fees	71,654	73,200	71,200	71,200
Organists Fees	23,467	25,000	23,000	25,000
External Audit fees	3,000	5,500	4,000	4,000
Bank Charges	1,019	1,500	1,200	1,200
Postages, Telephones and Advertising	3,574	4,700	3,900	3,900
Conferences, Subsistence & Travelling	847	1,800	1,200	1,200
Computer Software	885	1,000	3,000	3,000
Subscriptions	3,428	3,600	3,500	3,500
Miscellaneous Insurances	14,121	15,000	20,100	21,000
Non reclaimable VAT	65,876	43,300	57,000	55,000
TOTAL SUPPLIES AND SERVICES	295,991	260,400	267,800	276,900

	Actual 2011/12 £	Base Estimate 2012/13 £	Revised Estimate 2012/13 £	Base Estimate 2013/14 £
<u>CAPITAL CHARGES</u>				
Depreciation	217,980	305,600	250,000	250,000
TOTAL CAPITAL CHARGES	217,980	305,600	250,000	250,000
<u>SPECIAL EXPENDITURE</u>				
Contribution to Capital Works Fund	490,000	500,000	500,000	475,000
Pension Interest Cost / Return on Assets	90,000	110,000	110,000	110,000
Contribution to Repairs and Renewals Reserve	80,000	80,000	80,000	80,000
Contribution to Constituent Authorities	560,000	600,000	600,000	600,000
TOTAL SPECIAL EXPENDITURE	1,220,000	1,290,000	1,290,000	1,265,000
GROSS EXPENDITURE	2,450,266	2,595,700	2,600,600	2,587,500
<u>INCOME</u>				
Garden Improvement Fund contributions	-1,926	-1,500	-1,500	-1,500
Memorial Cards	7,833	-10,000	-10,000	-10,000
Cremation Fees	-1,928,576	-1,950,000	-1,976,000	-2,028,000
Book of Remembrance	-59,574	-68,000	-62,000	-60,000
Organ Music	-60,525	-66,000	-62,000	-60,000
Other	-5,157	-5,000	-5,000	-5,000
Interest Receivable	-63	-100	-100	-100
Depreciation	-217,980	-305,600	-250,000	-250,000
Contribution from Repairs & Renewals Reserve	-94,835	-84,000	-128,500	-71,500
Return on Pension Fund Assets	-70,000	-50,000	-50,000	-50,000
Movement on Pension Reserve	-20,000	-60,000	-60,000	-60,000
GROSS INCOME	-2,466,469	-2,600,200	-2,605,100	2,596,100
SURPLUS/DEFICIT FOR THE YEAR	-16,203	-4,500	-4,500	-8,600

After taking into account the revised estimates for this year, and the proposed charges for 2013/14, the balance of the General Fund is estimated to be £137,624 by 31 March 2014 as set out below:-

General Fund balance as at 1 April 2012	£ 124,524
<u>Add</u> Estimated revenue surplus 2012/13	<u>4,500</u>
General Fund balance as at 31 March 2013	129,024
<u>Add</u> Estimated revenue surplus 2013/14	<u>8,600</u>
General Fund balance as at 31 March 2014	<u>137,624</u>

APPENDIX B

PORTCHESTER CREMATORIUM JOINT COMMITTEE

OPTIONAL CHARGES

	Charge 2012/13	Proposed Charge 2013/14	% Increase
	£	£	£
<u>BOOK OF REMEMBRANCE (INC. VAT)</u>			
Single entry (2 lines)	46.00	47.00	2.17
Double entry (5 lines)	74.00	76.00	2.70
Double entry with badge or crest	123.00	126.00	2.44
Treble entry (8 lines)	102.00	105.00	2.94
Treble entry with badge or crest	143.00	147.00	2.80
Quadruple entry (11 lines)	124.00	127.00	2.42
Quadruple entry with badge or crest	157.00	161.00	2.55
<u>MEMORIAL CARDS (INC. VAT)</u>			
Single entry (2 lines)	32.00	33.00	3.13
Double entry (5 lines)	39.00	40.00	2.56
Double entry with badge or crest	74.00	76.00	2.70
Treble entry (8 lines)	45.00	46.00	2.22
Treble entry with badge or crest	78.00	80.00	2.56
Quadruple entry (11 lines)	52.00	53.00	1.92
Quadruple entry with badge or crest	85.00	87.00	2.35
<u>USE OF ORGAN (INC. VAT)</u>			
Use of Organ	31.35	31.35	0.00
Services of Organist	<u>19.65</u>	<u>19.65</u>	0.00
	<u>51.00</u>	<u>51.00</u>	0.00
<u>OTHER</u>			
Scattering of ashes from other Crematoria	45.00	48.00	4.44
Temporary retention of cremated remains	11.00	11.00	0.00

APPENDIX C

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CREMATION FEES

	Number of Cremations 2011/12	Existing Charge 2012/13	Proposed Charge 2013/14	% Increase
		£	£	
A young person whose age at the time of death did not exceed 16 years	26	No Charge	No Charge	-
A person whose age at the time of death exceeded 16 years	3,952	500	520	4.00

PORTCHESTER CREMATORIUM JOINT COMMITTEE

STATEMENT OF REPAIRS AND RENEWALS FUND

Balance 1.4.2012		80,517
Contribution from Revenue Account 2012/13		<u>80,000</u>
		160,517
Proposed applications 2012/13		
* Balance of works from prior years programmes		
* Combustion Air Fans to Cremators 1 & 2	5,000	
* Refurbish Book of Remembrance Room	17,500	
* Fire Alarm Upgrade	29,000	
* Fire Precautions Installation Work	10,000	
- North Chapel Curtains	1,000	
- South Chapel Carpet Replacement	9,500	
- Office Carpet Replacement	1,500	
- Internal Redecorations	4,000	
- Repairs to Paving / Steam Cleaning	2,250	
- Treatment of North and West Boundary Fences	3,250	
- Replacement Compactor	16,500	
- Cremation Control Computer Replacement	5,000	
- Replacement WC's in Public Toilets	7,000	
- Upgrade North Chapel Air Conditioning Unit	5,000	
- Renewable Energy Consultant	10,000	
- Unrecoverable Vat on buildings and plant	<u>2,000</u>	<u>128,500</u>
Estimated Balance 31.3.2013		32,017
Contribution from Revenue Account 2013/14		<u>80,000</u>
		112,017
Proposed applications 2013/14		
- CCTV Camera Replacement	6,000	
- Internal Redecorations	5,000	
- Steam Cleaning Paving	3,000	
- Replacement Door Locks	5,000	
- Memorial Storage Room/Workshop Refurbishment	5,500	
- Reception/Office Area Refurbishment	13,000	
- External Lighting Improvements	4,500	
- South Chapel Redecoration	25,000	
- Garden of Contemplation Seating Improvements	<u>4,500</u>	<u>71,500</u>
Estimated Balance 31.3.2014		<u>40,517</u>

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CAPITAL WORKS PROGRAMME

SCHEME	Estimated Total Cost	Expenditure to 31.03.12	Revised Estimate 2012/13	Estimate 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18	Estimated after March 2018
Mercury Abatement - EPA Phase 2	2,439,661								
- Works		1,191,368	981,702	90,000					
- Fees		132,621	43,970						
Cremator Furnace Relining	166,625								
- Works			35,000	120,000					
- Fees			2,625	9,000					
Analyser Renewal Cremators 1 to 6	101,050								
- Works			94,000						
- Fees			7,050						
Non-reclaimable VAT	1,001,467	264,798	232,869	43,800					460,000
Replacement Cremator programme	2,300,000								2,300,000
	6,008,803	1,588,787	1,397,216	262,800	0	0	0	0	2,760,000
			Revised Estimate 2012/13	Estimate 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18	Estimated after March 2018
<u>Capital Works Fund</u>									
Opening balance			1,477,844	580,628	792,828	1,242,828	1,692,828	2,142,828	2,592,828
Contribution from Revenue Account (6 years)			500,000	475,000	450,000	450,000	450,000	450,000	450,000
			1,977,844	1,055,628	1,242,828	1,692,828	2,142,828	2,592,828	3,042,828
Less Cost of Works/Fees			1,397,216	262,800	0	0	0	0	2,760,000
Balance C/F			580,628	792,828	1,242,828	1,692,828	2,142,828	2,592,828	282,828