

FAREHAM

BOROUGH COUNCIL

Report to Portchester Crematorium Joint Committee

Date: **14 December 2015**

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

Subject: **REVENUE BUDGET 2016/17**

SUMMARY

This report sets out the revenue budget and repairs and renewals programme for 2015/16 and 2016/17, together with a review of fees and charges. The revised capital works programme for 2015/16 and future years has also been included for consideration.

RECOMMENDATIONS

- (a) That expenditure of £115,000 in 2016/17 to be financed from the repairs and renewals fund as detailed in Appendix D is approved;
- (b) That the capital works programme as detailed in Appendix E be approved;
- (c) That the proposed charges as set out in Appendices B and C are approved from 1 April 2016;
- (d) 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 & c) above.
- (e) That the Joint Committee considers writing to the Leader of each constituent authority to advise them of the annual payment to be received from the Portchester Crematorium Joint Committee in 2015/16 and 2016/17 and the reduction in 2017/18.

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 2016/17.
3. Detailed information is set out in the various appendices to this report which cover the following:
 - Appendix A - Revised revenue budget for 2015/16 and the revenue budget for 2016/17;
 - Appendix B - Optional charges 2016/17;
 - Appendix C - Cremation fees 2016/17;
 - Appendix D - Repairs and renewals programme and funding;
 - Appendix E - Capital works programme and funding;

BASE REVENUE BUDGET 2015/16

4. The original revenue budget for 2015/16 was set to a breakeven level, and prepared on a projected outturn basis with an allowance for price increases included within the various budget heads as appropriate.

BUDGET ISSUES

5. Since December 2013 the operating environment of Portchester Crematorium has significantly changed, with the opening of 'The Oaks', a private crematorium facility in the district of East Hampshire, very close to the border with the borough of Havant. The risk that this facility poses to the operation at Portchester has been fully evaluated and a report detailing measures to develop and enhance our service was presented to the Joint Committee in September 2013 when all of the recommendations were approved.
6. Considered reductions in revenue were allowed for in the budget for 2014/15 and 2015/16, initially based on a 30% annual reduction in the number of cremations at Portchester once the new crematorium opened. The impact on revenue income to the crematorium has been closely monitored throughout the 2014/15 and 2015/16 financial year to date using a ten year average of cremation numbers to 2013/14 as a comparative figure. The reduction in 2014/15 was less than originally anticipated at 15.56%, a total of 3,364 cremations. The number of cremations in 2015/16 to

date is slightly lower than for 2014/15 and so a projected figure of 3,220 has been used for 2015/16.

7. In December 2015, in light of the level of reduced cremations and related income, a decision was made that the payment to the constituent authorities be reduced over a two year period, initially to £125,000 in 2015/16 and to £100,000 in 2016/17. Taking account of the lower reduction in cremation numbers it is proposed to maintain the level of payment to the constituent authorities at £125,000 into 2016/17, deferring the further reduction to £100,000 by one year until 2017/18.

REVISED BUDGET 2015/16

8. The revised budget has been set to a break-even level. The budget variations are shown in the following table, and explained further below.

	Actuals 2014/15	Base Estimate 2015/16	Revised Estimate 2015/16	Variation
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	244,349	243,600	251,600	8,000
PREMISES RELATED EXPENDITURE	481,428	587,700	703,400	115,700
SUPPLIES AND SERVICES	261,975	234,800	255,400	20,600
CAPITAL CHARGES	329,656	310,000	335,000	25,000
SPECIAL EXPENDITURE	1,017,334	1,020,000	1,030,000	10,000
GROSS EXPENDITURE	2,334,742	2,396,100	2,575,400	179,300
GROSS INCOME	2,334,742	2,396,100	2,575,400	179,300

9. Premises related expenditure has increased overall by £115,700; from £587,700 to £703,400. A budget of £244,600 has been set against repairs and renewals expenditure to reflect the programme set out in Appendix D. This expenditure budget is fully offset by 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. The budget for repair and maintenance of buildings has been increased by £5,000, and the budget for NDR has been increased by £3,000.
10. Supplies and services related expenditure has increased overall by £20,600; from £234,800 to £255,400. The budget for insurance has increased by £8,700 and the budget for Book of Remembrance inscriptions has increased by £5,000.
11. Special Expenditure has been increased by £10,000. To ensure that sufficient resources are in place to finance all anticipated capital works, an annual contribution is made out of revenue income to the Committee's Capital Works Fund. The Capital Works Fund as at 1 April 2015 was £991,424 and in order to replenish the Fund to levels that will meet future demands of the crematorium a budget of £340,000 has been included in the revised budget for 2015/16, an increase of £10,000 from the base budget.
12. Gross income has increased overall by £179,300; from £2,396,100 to £2,575,400 which includes an increased contribution from the repairs and renewals fund of £107,300 in respect of the programme set out in Appendix D. The impact on revenue income to the crematorium has been closely monitored throughout the 2014/15 and 2015/16 financial year to date. The reduction in 2014/15 was less

than originally anticipated at 15.56%, a total of 3,364 cremations. The number of cremations in 2015/16 to date is slightly lower than for 2014/15 and so a projected figure of 3,220 has been used for 2015/16.

BASE BUDGET 2016/17

13. The base budget for 2016/17 has been set to a breakeven level. The budget variations are shown in the following table, and explained further below.

	Actuals 2014/15	Base Estimate 2015/16	Base Estimate 2016/17	Variation
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	244,349	243,600	251,600	8,000
PREMISES RELATED EXPENDITURE	481,428	587,700	580,300	-7,400
SUPPLIES AND SERVICES	261,975	234,800	251,900	17,100
CAPITAL CHARGES	329,656	310,000	335,000	25,000
SPECIAL EXPENDITURE	1,017,334	1,020,000	1,040,000	20,000
GROSS EXPENDITURE	2,334,742	2,396,100	2,458,800	62,700
GROSS INCOME	2,334,742	2,396,100	2,458,800	62,700

14. Premises related expenditure has decreased overall by £7,400; from £587,700 to £580,300. A budget of £115,000 has been set against repairs and renewals expenditure to reflect the programme set out in Appendix D. This expenditure budget is fully offset by 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. The budget for repair and maintenance of buildings has been increased by £5,000, and the budget for NDR has been increased by £5,000.
15. Supplies and services related expenditure has increased overall by £17,100; from £234,800 to £251,900. The budget for insurance has increased by £6,000 and the budget for Book of Remembrance inscriptions has increased by £5,000.
16. Special Expenditure has been increased by £20,000. To ensure that sufficient resources are in place to finance all anticipated capital works, an annual contribution is made out of revenue income to the Committee's Capital Works Fund. The Capital Works Fund as at 1 April 2015 was £991,424 and in order to replenish the Fund to levels that will meet future demands of the crematorium a budget of £350,000 has been included in the base budget for 2016/17, an increase of £20,000.
17. Gross income has increased overall by £62,700; from £2,396,100 to £2,458,800. The impact on revenue income to the crematorium has been closely monitored throughout the 2014/15 and 2015/16 financial year to date. The reduction in 2014/15 was less than originally anticipated at 15.56%, a total of 3,364 cremations. The number of cremations in 2015/16 to date is slightly lower than for 2014/15 and so a projected figure of 3,220 has been used for 2015/16.

REVIEW OF FEES & CHARGES

18. The optional charges are set out in Appendix B to this report, with considered increases proposed against Book of Remembrance and Memorial Cards charges.

Charges are rounded to the nearest pound for ease of cash handling and it is proposed that these are increased from 1 April 2016.

19. The cremation fees are set out in Appendix C to this report, with a £10 increase proposed for 2016/17, equating to 1.82%. The fee level of £560 is still below the 2015 average cremation fee for the UK of £679.56, and the 2015 average cremation fee for Hampshire of £721. The table below shows a comparison of the 2015 fees with the nearest crematoria:

Chichester	£900
Southampton	£670
Eastleigh	£745
Portchester	£550
Havant	£739

20. It is suggested that a new level of cremation fee is introduced for walk-through cremations. Many other crematoria now offer this service at a reduced fee and it is hoped that by reducing our fee the level of demand for this type of service may increase. The proposed cremation fee for a walk through service is £400.

REPAIRS AND RENEWALS FUND

21. Appendix D sets out the revised repairs and renewals programme for 2015/16 which totals £244,600. The programme of repairs and renewals projects for 2016/17 which totals £115,000 is presented for approval.
22. 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 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

23. Appendix E sets out the future programme for capital works schemes which total approximately £2,750,000.
24. Although the cremators are unlikely to be replaced for many years, the estimated cost of £2,600,000 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

25. The Revenue Reserve is an accumulation of budget surpluses from previous years and was approximately £141,402 as at 1 April 2015, being 6.1% of gross expenditure for 2014/15. In accordance with the Finance Strategy for 2015/16 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. After taking into account the revised estimates for this year, and the proposed charges for 2016/17, the balance of the General Fund Revenue Reserve will not be increased.

FINANCIAL RISK ASSESSMENT

26. 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.
27. 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.
28. The repairs and renewals programme is fully funded from an earmarked fund, and it is estimated that there will be a retained balance of £400 as at 31st March 2017. A programme of repairs and renewals projects has been prepared within the available balance carried forward and the budgeted contribution to the earmarked fund of £80,000 for 2016/17.
29. The 6 year capital programme, from 2015/16 to 2020/21, totals £2,750,000. The programme is set out as being fully funded from the existing Capital Works Fund balance of £991,424 plus annual contributions over the life of the programme totalling £2,090,000. 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 along with required reactive capital expenditure for mechanical equipment to maintain the crematory function. Wherever possible, steps will be taken to strengthen the Capital Works Fund balance, for example, where underspends occur in the year.

CONCLUSION

30. 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 2016

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 2015/16' - 15 December 2014.
- (b) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Actual Income and Expenditure Account 2014/15' - 15 June 2015.

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Treasurer to the Joint Committee
Civic Offices, Fareham

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

REVENUE ACCOUNT FOR THE YEAR ENDING 31 MARCH 2016

	Actual 2014/15 £	Base Estimate 2015/16 £	Revised Estimate 2015/16 £	Base Estimate 2016/17 £
EMPLOYEES				
Salaries-Full Time Officers	191,250.92	191,200	197,000	197,000
Salaries-Part Time Officers				
Salaries-Overtime	4,255.17	5,000	5,000	5,000
National Insurance	11,425.00	12,000	12,000	12,000
Superannuation	35,689.32	35,000	37,200	37,200
First Aid Allowances	280.00	400	400	400
Training Expenses	375.00	0	0	0
Staff Advertising	631.93	0	0	0
Retirement Gift	442.00	0	0	0
TOTAL EMPLOYEES	244,349.34	243,600	251,600	251,600
PREMISES				
- Buildings	31,742.04	20,000	25,000	25,000
Fire risk assessment	595.00	0	0	0
- Plant and Cremators	108,522.36	75,000	75,000	75,000
RR/CW financed from revenue	0.00	137,300	244,600	115,000
- Repairs & Maintenance - Grounds	65,521.40	70,000	70,000	70,000
- Garden Improvement Scheme - PCC	0.00	1,500	1,500	1,500
Electricity	30,370.50	34,500	34,500	36,000
Gas	86,887.83	90,000	90,000	93,000
Rent payable-Premises	11,554.04	11,500	11,500	11,500
NNDR	131,586.00	132,000	135,000	137,000
Water Charges - Portsmouth Water Co	1,156.02	2,000	2,000	2,000
Sewerage & Env Services (SWS)	575.37	500	500	500
Fire precaution appliances	351.30	0	400	400
Cleaning Materials	332.26	400	400	400
Toilet Requisites	4,983.22	5,000	5,000	5,000
Removals of Wreaths	7,250.52	8,000	8,000	8,000
TOTAL PREMISES	481,427.86	587,700	703,400	580,300
SUPPLIES AND SERVICES				
Furniture and Equipment - Purchase	9,821.58	3,000	3,000	3,000
Materials (Operational)	133.96	100	100	100
	0.00	0	0	0
Furniture and Equipment - Maintenance	3,174.61	3,000	6,000	6,000
Protective Clothing and Uniforms	812.51	1,600	1,600	1,600
Laundry	30.17	500	500	500
Books and Publications	333.20	1,000	1,000	1,000
External Printing	2,700.80	3,500	3,500	3,500
Stationery	4,119.40	2,500	2,500	2,500
Inscriptions - Book of Remembrance	27,311.52	20,000	25,000	25,000
Inscriptions - Memorial Cards	5,346.71	5,000	5,000	5,000
Legal fees - PCC	1,616.50	0	0	0
Consultants fees HCC/other	15,048.25	1,500	1,500	1,500
Administrative Expenses - Fareham	18,656.82	20,000	20,000	20,000
Consultants fee - Gosport	0.00	0	0	0
Administrative Expenses - Portsmouth	9,577.58	9,500	9,500	9,500
Medical Referees Fees	61,398.00	57,400	58,000	58,600
Organists Fees	17,995.50	17,000	17,000	17,000

Audit Fees	2,400.00	2,400	2,100	1,000
Pest Control	440.41	0	500	500
Postages	1,008.06	1,200	1,200	1,200
Telephones	2,087.55	1,700	3,000	3,000
Computer Software	2,346.79	3,000	5,000	5,000
Travel/Subsistence Expenses - Officers	1,006.40	700	700	700
Conference Expenses - Officers	0.00	500	500	500
Subscriptions	3,133.88	3,500	3,500	3,500
Miscellaneous Insurances	25,262.29	24,000	32,700	30,000
Advertising	176.80	1,000	500	500
Non Reclaimable VAT	44,835.40	50,000	50,000	50,000
Bank Charges	1,200.04	1,200	1,500	1,200
Special Expenditure	0.00	0	0	0
TOTAL SUPPLIES AND SERVICES	261,974.73	234,800	255,400	251,900

CAPITAL FINANCING COSTS

Depreciation	329,656.00	310,000	335,000	335,000
TOTAL CAPITAL FINANCING COSTS	329,656.00	310,000	335,000	335,000

SPECIAL EXPENDITURE

Contributions to Capital Works Fund	259,334.58	330,000	340,000	350,000
Pension interest cost and return assets	78,000.00	110,000	110,000	110,000
Contributions to R & R Fund	80,000.00	80,000	80,000	80,000
Contribution to Constituent Authorities	600,000.00	500,000	500,000	500,000
TOTAL SPECIAL EXPENDITURE	1,017,334.58	1,020,000	1,030,000	1,040,000

GROSS EXPENDITURE

2,334,742.51	2,396,100.00	2,575,400	2,458,800
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INCOME

Contribution from Garden Imp. Fund	0.00	-1,500	-1,500	-1,500
CAMEO	-48,679.66	0	0	0
Memorial Cards	-7,015.82	-8,000	-8,000	-8,000
Cremation Fees No's	-1,762,280.00	-1,730,500	-1,771,000	-1,780,000
Book of Remembrance	-56,462.48	-53,600	-54,600	-55,100
Organists Fees	-45,470.84	-40,000	-43,000	-45,000
Web Broadcasting	-75.00	0	-1,500	-2,000
Costs recovered	-99.00	0	0	0
Other	-6,811.00	-5,000	-6,000	-7,000
Bank Investment Account	-192.71	-200	-200	-200
Asset Rental Recharge	-329,656.00	-310,000	-335,000	-335,000
Contribution from reserves to RR/CW Fund	0.00	-137,300	-244,600	-115,000
Return on pension fund asset	-50,000.00	-50,000	-50,000	-50,000
Movement on Pension reserve	-28,000.00	-60,000	-60,000	-60,000

GROSS INCOME

-2,334,742.51	-2,396,100	-2,575,400	-2,458,800
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PORTCHESTER CREMATORIUM JOINT COMMITTEE

OPTIONAL CHARGES

<u>BOOK OF REMEMBRANCE (INC. VAT)</u>	Charges <u>2015/16</u> £	Proposed Charges <u>2016/17</u> £	% <u>Increase</u>
Single entry (2 lines)	49.00	50.00	2.04
Double entry (5 lines)	80.00	82.00	2.50
Double entry with badge or crest	130.00	132.00	1.54
Treble entry (8 lines)	110.00	112.00	1.82
Treble entry with badge or crest	160.00	162.00	1.25
 <u>MEMORIAL CARDS (INC. VAT)</u>			
Single entry (2 lines)	35.00	36.00	2.86
Double entry (5 lines)	42.00	43.00	2.38
Double entry with badge or crest	92.00	93.00	1.09
Treble entry (8 lines)	48.00	49.00	2.08
Treble entry with badge or crest	98.00	99.00	1.02
 <u>USE OF ORGAN (INC. VAT)</u>			
Use of Organ	32.00	32.00	0.00
Services of Organist	30.00	31.00	3.33
Services of Organist	20.00	21.00	5.00
 <u>OTHER</u>			
Scattering of ashes from other Crematoria	50.00	52.00	4.00
Temporary retention of cremated remains	11.00	12.00	9.09

APPENDIX C

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CREMATION FEES

	Number of Cremations 2014/15	Existing Charge 2015/16 £	Proposed Charge 2016/17 £	% Increase
A young person whose age at the time of death did not exceed 16 years	22	No charge	No charge	
A person whose age at the time of death exceeded 16 years	3,389	550	560	1.82
Walk through cremation		N/A	400	

PORTCHESTER CREMATORIUM JOINT COMMITTEE

STATEMENT OF REPAIRS AND RENEWALS FUND

Balance 1.4.2015	200,000
Contribution from Revenue Account 2015/16	80,000
	<hr/> 280,000

Proposed applications 2015/16

-1502-3 South Chapel refurbishment	205,000	
-1508 Water Feature	3,000	
-1509 Works to Mess Room	2,600	
-1510 Crematory / Committal areas	9,000	
-1601 Internal redecoration – North Chapel and Foyer	10,000	
-1602 External redecoration – rolling programme	5,000	
-1603 Steam cleaning paving – rolling programme	3,000	
-1606 Renewal of white lining	2,000	
-1607 Internal redecoration – rolling programme	5,000	
	<hr/>	<hr/> -244,600

Estimated Balance 31.3.2016

Contribution from Revenue Account 2016/17	<hr/> 80,000
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Proposed applications 2016/17

-1701 Roofing Programme - Survey, clearance and initial Repairs (see Capital Programme)		
-1702 External redecoration	60,000	
-1703 Paving Works cleaning and repointing	40,000	
-1704 Staff Room Refurbishment	2,500	
-1705 Internal Redecoration – Charge & Cremation Room	3,000	
-1706 Internal Redecoration – South Cloister Toilets	1,500	
-1707 Water Feature Review	4,000	
-1708 Review compliance with Disability Discrimination Act And Provide new accessible door to the office	4,000	
	<hr/>	<hr/> 115,000

Estimated Balance 31.3.2017

	<hr/> 400
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APPENDIX E

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CAPITAL WORKS PROGRAMME

	Revised Budget 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
	£	£	£	£	£	£
Balance of Fund as at 1.4.2015	991,424	1,231,424	1,531,424	1,881,424	2,231,424	-18,576
Advance during year	340,000	350,000	350,000	350,000	350,000	350,000
	<u>1,331,424</u>	<u>1,581,424</u>	<u>1,881,424</u>	<u>2,231,424</u>	<u>2,581,424</u>	<u>331,424</u>
Less Applications						
Cremator Furnace Relining	80,000					
Hearth Replacement	20,000					
Roofing Programme -						
Survey, clearance and initial repairs		50,000				
Replacement cremator programme					2,600,000	
	<u>100,000</u>	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>2,600,000</u>	<u>0</u>
Balance of Fund	<u>1,231,424</u>	<u>1,531,424</u>	<u>1,881,424</u>	<u>2,231,424</u>	<u>-18,576</u>	<u>331,424</u>