



Report to Portchester Crematorium Joint Committee

Date: **3 December 2007**

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

Subject: **REVENUE BUDGET 2008/09**

SUMMARY

This report sets out the revenue budget and repairs and renewals programme for 2007/08 and 2008/09, together with a review of fees and charges. The revised capital works programme for 2007/08 and future years has also been included for consideration.

RECOMMENDATIONS

- (a) That expenditure of £74,500 in 2008/09 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 2008;
- (c) That the estimates as set out in Appendix A be approved subject to the Committee's decisions in respect of the recommendations (a, b) above.

INTRODUCTION

1. This annual report is prepared 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 2008/09.
2. Detailed information is set out in the various appendices to this report which cover the following:
 - Appendix A - Revised revenue budget for 2007/08 and the revenue budget for 2008/09;
 - Appendix B - Optional charges;
 - Appendix C - Cremation fees;
 - Appendix D - Repairs and renewals programme and funding;
 - Appendix E - Capital works programme and funding;

REVENUE BUDGET 2007/08

3. The original revenue budget for 2007/08 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 £40,100 based on 4,100 cremations during the year.

BUDGET ISSUES

4. The main budget issue concerns the national decline in mortality rates and therefore for the Joint Committee a reduction in the number of cremations carried out annually. As this is the main source of income for the Joint Committee, any fall in cremations carried out will have a material effect on the budget.
5. The impact of a reduction in cremations carried out, together with other budget variations is fully explained in the following paragraphs.

REVISED BUDGET 2007/08

6. The revised budget shows a surplus of £16,100, which is a decrease of £24,000 from the original estimated surplus of £40,100. This variation is mainly due to the reduced number of cremations and this together with other budget variations are shown in the following table:

	£	£	Notes
Base estimate 2007/08		-40,100	
Additional Expenditure			
Employees	5,300		(a)
Repairs & maintenance grounds	2,000		(b)
Other variations	3,400		
Reduction in Income			
Cremation fees	57,300		(c)
Book of remembrance and organ music fees	<u>3,500</u>	71,500	(d)
Less Savings/reduced expenditure			
Energy costs	-16,900		(e)

Rent and rates	-3,400	(f)
Administrative expenses Fareham	-2,600	(g)
Non reclaimable VAT	-3,000	(h)
Pension interest cost and expected return on pension assets	-10,000	(a)
Miscellaneous	-3,400	
Increase in Income		
Interest receivable	-8,100	(i)
Other	-100	
	<u>-47,500</u>	
Total net surplus 2007/08		
	<u>-16,100</u>	

Notes

- (a) With the pay award settlement being less than estimated together with other employee factors the actual salaries budget had reduced by £4,700. However, included within the employee's budget for the first time is the sum of £10,000 for the FRS 17 pension adjustment which is offset by a reduction in the Pension increase cost and expected return on pension assets budget.
- (b) This increase covers the additional planting around the paved areas. The work was originally part of the Paved areas capital scheme but the scale of the project has now diminished and the remaining works have been moved to the repairs and renewal programme.
- (c) Based on the number of cremations carried out in the last two years and the trend in the current year, the estimated number of cremations has been reduced from 4,100 to 3,950 with a consequent reduction in income.
- (d) The budget for income from Book of remembrance and organists fees has been reduced which reflects the decrease in the number of cremations carried out.
- (e) The gas contract has recently been tendered through Fareham Borough Council which has resulted in a significant fall in the price charged for energy.
- (f) The crematorium's rateable value has been reduced which has resulted in this saving.
- (g) Due to time recoding the budget for Fareham's administrative expenses has been reduced.
- (h) Because of the Joint Committee's partial exemption VAT status, only a proportion of any VAT incurred can be reclaimed from HM Revenue and Customs. With a decrease in expenditure, the amount of VAT that cannot be reclaimed has also decreased.
- (i) With interest rates increasing and investments being greater than anticipated, the amount of income earned on investments has grown.

BASE BUDGET 2008/09

7. The budget has been prepared on an outturn basis with an allowance for inflation and the pay award for 2008/09 included within the various budget heads. The budget shows an estimated surplus of £94,000 after allowing for the increase in crematorium fees and charges referred to in paragraphs 14 to 15. This projected surplus is an increase of £53,900 from the base estimate for 2007/08 and the main variations are listed in the following table:

	£	£	Notes
Base Budget 2007/08		-40,100	
Additional Expenditure			
Employee costs	13,600		(a)
Repairs and maintenance of grounds	2,000		(b)
Administrative expenses - Gosport	2,000		(c)
Medical referees fees	4,600		(d)
Contribution to Constituent Authorities	12,000		(e)
Contribution to repairs and renewals fund	5,000		(f)
Other variations	6,800		
Reduction in income			
Organ music	500	46,500	
Less Savings/reduced expenditure			
Energy costs	-35,900		(g)
Administrative expenses Fareham	-2,600		(h)
Non reclaimable VAT	-2,100		(i)
Pension interest cost and expected return on pension assets	-10,000		(a)
Increase in Income			
Cremation fees	-37,500		(j)
Interest receivable	-11,200		(k)
Other income	-1,100	-100,400	
Total net surplus for 2008/09		<u>-94,000</u>	

Notes

- (a). The employees budget includes the provision for the 2008/09 pay award together with the £10,000 FRS17 pension adjustment which is offset by the Pension interest cost and expected return on pension assets.
- (b). An allowance for inflation has been included in the repairs and maintenance of grounds budget.
- (c). Gosport's administrative expenses have increased by £2,000 due to the level of buildings and plant maintenance monitoring.
- (d). An allowance for inflation has been included for the medical referees fees.
- (e). A small increase of £3,000 has been added to the contribution to each of the four constituent authorities.

- (f). The contribution to the repairs and renewals fund has been increased by £5,000 to ensure sufficient resources are available to meet future requirements.
- (g) The reduction in energy costs is due to the tender costs for gas and shows the full year effect of the revised contract.
- (h) Due to time recording the budget for Fareham's administrative expenses has been reduced.
- (i) Because of the Joint Committee's partial exemption VAT status, only a proportion of any VAT incurred can be reclaimed from HM Revenue and Customs. With a decrease in expenditure, the amount of VAT that cannot be reclaimed has also decreased.
- (j) With the continuation of funds being set aside for the future capital programme, interest received from investments shows significant growth. However the investment income will fall in the near future when some of the funds are utilised.
- (k) While the budgeted number of cremations has been reduced annually by 150, the fees have been increased and this budget now shows a net overall increase.

REPAIRS AND RENEWALS FUND

- 8. Appendix D sets out the revised repairs and renewals programme for 2007/08, which includes slippage from the 2006/07 programme. The programme of new schemes for 2008/09 totals £74,500.
- 9. The budget within the premises heading for the repairs and renewals and capital works fund repairs financed from revenue, reflects the revenue element of the programme for the year. This has changed significantly compared to the base 2007/08 but is fully offset in a reduction in the use of the RR & CW fund reserves to finance these works, so there is no overall effect on the budget.

CAPITAL WORKS FUND

- 10. Appendix E sets out the future programme for capital works schemes which totals £4.17 million. A longer term view of potential schemes has been taken to cover the next 11 years which is essentially the same as reported last year and the expenditure on the following schemes has been revised or the programme commencement amended.

Cremator Furnace Relining

- 11. This scheme was originally programmed for 2009-2011 but at the meeting of the Joint Committee in September, the Engineers reported that value for money could be achieved by bringing the programme forward. This would enable the balance of the hearth replacement programme to be curtailed.

Environmental Protection Act Phase 2

12. This scheme is included in the programme as the Government require the level of mercury emissions from crematoria to be abated and the work required to achieve this has to be completed by the year 2012. A budget of £40,000 has been included for 2008/09 for preparatory work in relation to this scheme and for estimate purposes a total budget of £1.54 million has been included. The budget for this scheme will be subject to amendment when the full details of requirements are known.

Replacement of Cremators

13. Although the cremators are unlikely to be replaced for many years, the estimated cost of £2,231,000 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.

Improvements to Public Waiting Facilities

14. There are still some outstanding quality issues relating to this project which may need remedial action, and an additional £20,000 has been added to the remaining budget should further works be required to ensure the building is maintained to a high standard.

REVIEW OF FEES & CHARGES

15. The optional charges are set out in Appendix B and show increases generally in the region of 5% or less apart from the temporary retention of cremated remains. Charges are generally rounded to the nearest pound for ease of cash handling and it is proposed that these charges are increased from 1 April 2008.
16. Despite the level of future works required in the capital programme it has been possible to restrict the increase in the cremation fees set out in Appendix C to 6% for the second year running. This has mainly been possible due to the significant reduction in energy costs

GENERAL FUND REVENUE RESERVES

17. This reserve is an accumulation of budget surpluses from previous years and as at 1 April 2007 stands at £61,500 (Appendix C refers). Over the last few years it has become difficult to predict with accuracy future budgets due to many variable factors. This ranges from large increases in energy costs to reductions in the number of cremations. I have reported over recent years that it would be prudent to budget for a reserve of at least £100,000 but this is taking time to achieve. As a safeguard against unforeseen budget variations in subsequent years the level of surplus in 2008/09 should enable a reserve in excess of £100,000 to be achieved. The general fund reserve is therefore estimated to stand at approximately £171,000 by 2009.

FINANCIAL RISK ASSESSMENT

18. The revenue budget has therefore been prepared based on current and previous year's activity as well as changes that are known to occur in the current and next year, and steps have been taken to provide a small retained revenue reserve to meet any 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.

19. The repairs and renewals programme is fully funded from an earmarked fund, and it is estimated that a retained balance of £58,712 will remain as at 31st March 2009, which is available to meet unforeseen costs and scheme variations.
20. The 11 year capital programme totals £5,034,472, and is fully funded from the existing Capital works Fund balance (£695,760) plus annual contributions over the life of the programme (totalling £3.85m). Taking account of expenditure already incurred (up to 31st March 2007), is estimated that a small balance of £370,210 will remain at the end of the programme life. 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

21. 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 2009

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 2006/07' December 2006.
- (b) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Final Accounts 2006/07' June 2007.

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For further information on this report, contact Alan Larner (Ext:2340)

APPENDIX A

PORTCHESTER CREMATORIUM JOINT COMMITTEE

REVENUE ACCOUNT FOR THE YEAR ENDING 31 MARCH 2009

	Actual 2006/07	Base Estimate 2007/08	Revised Estimate 2007/08	Base Estimate 2008/09
<u>EMPLOYEES</u>	£	£	£	£
Salaries-Full Time Officers	212,206	213,400	220,000	226,700
Salaries-Part Time Officers	9,428	11,000	9,700	11,300
TOTAL EMPLOYEES	221,634	224,400	229,700	238,000
<u>PREMISES</u>				
Repairs and Maintenance buildings/plant	51,549	59,900	59,900	60,900
RR/CWF repairs financed from revenue	49,551	141,500	121,700	74,500
Repairs and Maintenance grounds	62,683	64,000	66,000	66,000
Garden Improvement Scheme	0	3,000	3,000	3,000
Energy costs	114,777	144,900	128,000	109,000
Water services	704	1,500	1,600	1,600
Rent & Rates	88,831	94,500	91,100	94,700
Removal of Wreaths/cleaning materials	5,900	5,600	6,800	6,800
TOTAL PREMISES	373,995	514,900	478,100	416,500
<u>SUPPLIES AND SERVICES</u>				
Equipment, Furniture and Materials	5,597	6,000	6,200	6,400
Protective Clothing, Uniforms & Laundry	5,361	6,000	6,200	6,300
Printing, Stationery & General Expenses	4,324	4,400	4,500	4,600
Inscriptions - Book of Remembrance	18,120	18,500	19,000	19,500
- Memorial Cards	5,647	5,800	6,000	6,200
Consultants fees	500	400	600	600
Administrative Expenses - Fareham	14,474	18,600	16,000	16,000
- Gosport	17,018	21,000	21,000	23,000
- Portsmouth	11,000	13,000	11,300	13,000
Medical Referees Fees	67,128	71,700	72,300	76,300
Organists Fees	24,241	27,500	26,700	27,500
External audit fees	4,500	5,000	4,800	5,000
Bank Charges	625	600	600	1,600
Postages, Telephones and Advertising	2,726	3,300	3,300	3,400
Conferences, Subsistence & Travelling	304	900	500	900
Subscriptions	3,137	2,900	3,000	3,100
Miscellaneous Insurances	14,753	15,500	15,200	16,000
Non reclaimable VAT	32,000	43,500	40,500	41,400
TOTAL SUPPLIES AND SERVICES	231,455	264,600	257,700	270,800

	Actual 2006/07 £	Base Estimate 2007/08 £	Revised Estimate 2007/08 £	Base Estimate 2008/09 £
<u>CAPITAL CHARGES</u>				
Depreciation	121,922	119,200	121,900	125,000
TOTAL CAPITAL CHARGES	121,922	119,200	121,900	125,000
GROSS EXPENDITURE	949,006	1,123,100	1,087,400	1,050,300
<u>INCOME</u>				
Memorial Cards	-9,832	-11,500	-11,500	-12,000
Cremation Fees	-1,408,680	-1,566,200	-1,508,900	-1,603,700
Book of Remembrance	-62,007	-69,000	-67,500	-69,500
Organ Music	-62,880	-70,500	-68,500	-70,000
Other	-4,593	-4,500	-4,600	-4,600
GROSS INCOME	-1,547,992	-1,721,700	-1,661,000	-1,759,800
NET COST OF SERVICE	-598,986	-598,600	-573,600	-709,500
Interest Receivable	-37,865	-50,800	-58,900	-62,000
Pension Interest cost and expected return on pension assets	10,000	20,000	10,000	10,000
NET OPERATING INCOME	-626,851	-629,400	-622,500	-761,500
MOVEMENT ON THE GENERAL FUND BALANCE				
(Surplus)/Deficit on the Income & Expenditure Account	-626,851	-629,400	-622,500	-761,500
Depreciation of Fixed Assets	-121,922	-119,200	-121,900	-125,000
Contributions to Constituent Authorities	440,000	448,000	448,000	460,000
Contributions to Capital Works Fund	300,000	350,000	350,000	350,000
Contributions to Repairs & Renewals Fund	70,000	75,000	75,000	80,000
Contributions to/from Garden Imp. Fund	0	-3,000	-3,000	-3,000
Contribution to/from pension reserve	-20,000	-20,000	-20,000	-20,000
Contribution from reserves to finance repairs and renewals/capital works programmes	-49,551	-141,500	-121,700	-74,500
SURPLUS/DEFICIT FOR THE YEAR	-8,324	-40,100	-16,100	-94,000
Number of Cremations	3,940	4,100	3,950	3,950

APPENDIX B

PORTCHESTER CREMATORIUM JOINT COMMITTEE

OPTIONAL CHARGES

<u>BOOK OF REMEMBRANCE (INC. VAT)</u>	Charges <u>2007/08</u> £	Proposed Charges <u>2008/09</u> £	% <u>Increase</u>
Single entry (2 lines)	38.00	40.00	5.26
Double entry (5 lines)	63.00	65.00	3.17
Double entry with badge or crest	104.00	107.00	2.88
Treble entry (8 lines)	87.00	90.00	3.45
Treble entry with badge or crest	122.00	125.00	2.46
Quadruple entry (11 lines)	105.00	108.00	2.86
Quadruple entry with badge or crest	135.00	138.00	2.22

MEMORIAL CARDS (INC. VAT)

Single entry (2 lines)	27.00	28.00	3.70
Double entry (5 lines)	33.00	34.00	3.03
Double entry with badge or crest	63.00	65.00	3.17
Treble entry (8 lines)	39.00	40.00	2.56
Treble entry with badge or crest	67.00	69.00	2.99
Quadruple entry (11 lines)	45.00	46.00	2.22
Quadruple entry with badge or crest	73.00	75.00	2.74

USE OF ORGAN (INC. VAT)

Use of Organ	28.00	28.50	1.79
Services of Organist	<u>18.00</u>	<u>18.50</u>	<u>2.78</u>
	<u>46.00</u>	<u>47.00</u>	<u>2.17</u>

OTHER

Scattering of ashes from other Crematoria	42.00	43.00	2.38
Temporary retention of cremated remains	10.00	11.00	10.00

APPENDIX C

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CREMATION FEES

	Number of Cremations 2006/07	Existing Charge 2007/08 £	Proposed Charge 2008/09 £	% Increase
A young person whose age at the time of death did not exceed 16 years	27	No charge	No charge	
A person whose age at the time of death exceeded 16 years	3,913	382	406	6.28

After taking into account the revised estimates for this year, and the proposed charges for 2008-09, the balance of the General Fund is estimated to be £171,624 by 31 March 2009 as follows:

	£
General Fund balance as at 1 April 2007	61,524
<u>Add</u> Estimated revenue surplus 2007/08	<u>16,100</u>
Balance of fund 31.03.2008	77,624
<u>Add</u> Estimated revenue surplus 2008/09	<u>94,000</u>
Balance of fund 31.03.2009	<u>171,624</u>

APPENDIX D

PORTCHESTER CREMATORIUM JOINT COMMITTEE

STATEMENT OF REPAIRS AND RENEWALS FUND

	£	£
Balance 1.4.2007		71,692
Contribution from Revenue Account 2007/08		<u>75,000</u>
		146,692
Proposed applications 2007/08:		
* New Reconstituted Stone Signage	1,000	
* Works to Paths	6,000	
* Roof insulation to North & South Chapels	9,500	
* Install Portico to Vestry Door	3,000	
- Internal Decorations (rolling programme)	3,300	
- Improvements to Lectern	700	
- Refurbishment of Glazed Covered Way	9,500	
- Garden of Contemplation/N.Chapel Toilet Stonework		
Signs	1,900	
- Replace Roof to Gardeners' Compound	2,000	
- Redecorate Summer Houses	1,280	
- Repair/Replace External & Internal Doors	6,500	
- Renew Panels to Cremators	4,000	
- Refurbish North Chapel Toilets	2,250	
- CCTV Cameras to Car Park	6,300	
- Water Supply to South Chapel Waiting Room	2,000	
- Air Conditioning to Office	5,000	
- Air Conditioning to Music Room	2,750	
- Renewal of Glazing to Screens (Rolling Programme)	18,500	
- Paved areas (transfer from capital programme)	5,000	
- Unrecoverable Vat on buildings and plant	<u>3,000</u>	<u>93,480</u>
Estimated Balance 31.3.2008		53,212
* Balance of works from prior years programmes		
Contribution from Revenue Account 2008/09		<u>80,000</u>
		133,212
Proposed applications 2008/09:		
- Treatment North Border Timber Fence	9,000	
- Wreath marker post supports	3,500	
- Clean south border paving	2,000	
- Bench seat granite covers nr seats	4,000	
- Replace marble inlay to 10 nr cloister seats	2,500	
- Granite covers to wreath bays (rolling programme)	15,000	
- Replace deflected grill south chapel covered way	1,000	
- Install gates to compactor area	3,000	
- Refurbish service order panel and provide protection	1,000	
- Replace North chapel catafalque doors	6,000	
- Refurbish South chapel and transfer doors	2,000	
- Refurbish brass kickplates to doors	500	
- Refurbish/redecorate book of remembrance fittings	2,000	
- Improve crematory lighting	4,000	
- Internal/external redecoration	6,000	
- Fire precautions installations work	10,000	
- Unrecoverable Vat on buildings and plant	<u>3,000</u>	<u>74,500</u>
Estimated Balance 31.3.2009		<u>58,712</u>

APPENDIX E

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CAPITAL WORKS PROGRAMME

SCHEME	Estimated Total	Exp. to	Revised Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimated after
	Cost	31.03.0 7	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	March 2013
Improvements to Public Waiting Facilities	862,525								
- Works		658,990	36,000						
- Fees		90,455	2,150						
- Non reclaimable Vat		73,040	1,890						
Cremators 1-6 Hearth Replacement	24,417								
- Works		13,980	6,700						
- Fees		3,187	550						
Works to Roadway	47,530								
- Works		15,000	27,330						
- Fees		4,270	930						
Cremator Furnace relining	329,000		45,000	90,000		15,000			179,000
Environmental Protection Act Phase 2	1,540,000			40,000	750,000	750,000			
Replacement Cremator programme	2,231,000								2,231,000
	5,034,472	858,922	120,550	130,000	750,000	765,000	0	0	2,410,000

	Revised Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimated after March
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013
<u>Capital Works Fund</u>							
Opening balance	695,760	925,210	1,145,210	745,210	330,210	680,210	1,030,210
Contribution from Revenue Account (11 years)	350,000	350,000	350,000	350,000	350,000	350,000	1,750,000
	1,045,760	1,275,210	1,495,210	1,095,210	680,210	1,030,210	2,780,210
Less Cost of Works/Fees	120,550	130,000	750,000	765,000	0	0	2,410,000
Balance C/F	925,210	1,145,210	745,210	330,210	680,210	1,030,210	370,210

