



## **Report to Portchester Crematorium Joint Committee**

*Date:*           **13 December 2010**

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

*Subject:*       **REVENUE BUDGET 2011/12**

### **SUMMARY**

This report sets out the revenue budget and repairs and renewals programme for 2010/11 and 2011/12, together with a review of fees and charges. The revised capital works programme for 2010/11 and future years has also been included for consideration.

### **RECOMMENDATIONS**

- (a) That expenditure of £99,600 in 2011/12 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 2011;
- (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. The Joint Committee has in place a co-ordinated finance strategy that allows the availability of resources to finance both capital and revenue expenditure to be considered 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 2011/12.
3. Detailed information is set out in the various appendices to this report which cover the following:
  - Appendix A - Revised revenue budget for 2010/11 and the revenue budget for 2011/12;
  - Appendix B - Optional charges 2011/12;
  - Appendix C - Cremation fees 2011/12;
  - Appendix D - Repairs and renewals programme and funding;
  - Appendix E - Capital works programme and funding;

## **BASE REVENUE BUDGET 2010/11**

4. The original revenue budget for 2010/11 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 £7,300 based on 4,000 cremations during the year.

## **BUDGET ISSUES**

5. The main budget issue 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. A further issue is the continued lack of interest from investments due to the Bank of England base rates remaining at 0.50% and no indication that these will increase in the foreseeable future. This has the impact of reducing the interest received by the Joint Committee on surplus funds by anywhere between £60,000-£90,000 (assuming investment interest 3-4%).

7. Until the result of the business rating appeal is known, 2011/12 shows a large increase in rates payable of approximately £23,000.
8. The projected number of cremations to be carried has decreased by 150 which as a consequence is an income reduction of £69,000 although there are some compensating decreases in expenditure.
9. The Government has announced that from 1 January 2011 VAT will be increased by 2.5% to 20%. This will affect both revenue and more significantly the capital programme.
10. The impact of the capital programme, reduction in interest received on investments, the business rates increase, VAT increase and the reduced number of cremations together with other budget variations is fully explained in the following paragraphs.

### REVISED BUDGET 2010/11

11. The revised budget shows a surplus of £5,400, which is a decrease of £1,900 from the original estimated surplus of £7,300. The budget variations are shown in the following table:

	£	£	Notes
Base estimate 2010/11		-7,300	
<b>Additional Expenditure</b>			
Legal fees	1,600		(a)
Non reclaimable VAT	1,500		(b)
Other variations	2,400		
<b>Reduction in Income</b>			
Cremation fees	68,500		(c)
Fees and charges .e.g organists, BOR etc	8,300	82,300	(d)
<b>Less Savings/reduced expenditure</b>			
Employees	-1,500		(e)
Repairs and maintenance of grounds	-1,900		(f)
Energy costs	-8,000		(g)
Consultant fees	-13,300		(h)
Administrative expenses - Fareham	-2000		(i)
Medical referees fees	-10,700		(j)
Organists fees	-1,700		(j)
Contribution to capital works fund	-40,000		(k)
Other variations	-1,300	-80,400	
<b>Total net surplus 2010/11</b>		<u>-5,400</u>	

### Notes

1. Excluded from the variations above are the following which are accounting entries required by the Accounting Code of Practice on Local Authority Accounting but these have no effect on the revenue budget deficit/surplus.

Heading	Exp/- Inc £
Employees - FRS 17 pension adjustment	-20,000
RR/CWF repairs financed from revenue	41,200
Capital charges - depreciation	-21,200

Pension interest cost and expected return on assets	50,000
Depreciation of fixed assets	21,200
Contribution to/from pension reserve	-30,000
Contribution from reserves to finance RR/CW programmes	-41,200

- (a) Specialist legal advice from Counsel was required related to the tendering exercise for consultants.
- (b) The Joint Committee's partial exemption status means that the amount of VAT that can be reclaimed is limited. The value of goods and services has increased in the current year, resulting in a budget increase.
- (c) Bases on comparisons to previous years together with the trend in the current year, the number of cremations is likely to decrease from 4,000 to 3,850. Whether this decrease is due to the national trend in mortality rates or other factors such as a new crematorium opening nearby, is open to speculation.
- (d) In the current economic climate the purchase of Book of Remembrance entries shows a small reduction and the use of the organist has also decreased due to the reduced number of cremations.
- (e) A small increase for pay inflation had been built into the current year's budget, however, as there was a zero percent pay award in 2010/11, this is no longer needed. The main reduction is a pension adjustment shown in note 1.
- (f) As reported to Member's in the revenue outturn report last June, the repairs to the pond had resulted in a small overspending and consequently the budget has been reduced by the equivalent sum in 2010/11.
- (g) The reduction in the budget is due to savings achieved by purchasing both gas and electricity supplies through a framework agreement with a National Government Agency.
- (h) Following a tender exercise, the contract for the Joint Committee's consultant services has produced a budget saving.
- (i) Fareham's expenses for accountancy, payroll, IT etc show a small reduction.
- (j) The reduction in the number of cremations carried out has resulted in the budget for medical referees decreasing and the reduction also affects the purchasing of the organists services.
- (k) Income from cremation fees will likely be £69,000 less that anticipated and the knock on effect of this is that the contribution to the capital works funds has been reduced by £40,000 to compensate for this loss of income.

## BASE BUDGET 2011/12

12. The budget has been prepared on an outturn basis with an allowance for inflation and other price increases included within the various budget heads. The budget shows an estimated surplus of £13,800 after allowing for the increase in the crematorium fees and charges referred to in paragraphs 14 and 15. This projected surplus is an increase of £6,500 from the base estimate for 2010/11 and the budget variations are shown in the following table:

13.

	£	£	Notes
Base Budget 2010/11		-7,300	
<b>Additional Expenditure</b>			
Rent and rates	24,100		(a)
Non-reclaimable VAT	5,600		(b)
Contribution to Constituent Authorities	20,000		(c)
Contribution to repairs and renewals fund	10,000		(d)
Other variations	3,600		
<b>Reduction in Income</b>			
Fees and charges .e.g organists, etc	4,700	68,000	(e)
<b>Less Savings/reduced expenditure</b>			
Employees	-1,500		(f)
Consultant fees	-11,700		(g)
Medical referees fees	-6,800		(h)
Organists fees	-1,700		(h)
Other variations	-1,700		
<b>Increase in Income</b>			
Cremation fees	-50,800		(i)
Other income	-300	-74,500	
<b>Total net surplus for 2011/12</b>		<b>-13,800</b>	

### Notes

1. Excluded from the variations above are the following which are accounting entries required by the Accounting Code of Practice on Local Authority Accounting but these have no effect on the revenue budget deficit/surplus.

Heading	Exp/- Inc £
Employees - FRS 17 pension adjustment	-20,000
RR/CWF repairs financed from revenue	31,800
Capital charges - depreciation	79,800
Pension interest cost and expected return on assets	50,000
Depreciation of fixed assets	-79,800
Contribution to/from pension reserve	-30,000
Contribution from reserves to finance RR/CW programmes	-31,800

(a) As reported to Members last year the rateable value of the crematorium has been increased by over £72,000 over a five year period, which is currently the subject of appeal by Fareham Borough Council. The increase in 2011/12 of £23,000 together with a three year rent review for the crematorium grounds and car parking has resulted in the budget increasing by £24,000.

- (b) The amount of VAT that cannot be reclaimed as increased due to the level of goods and services purchased by the Joint Committee together with the VAT increase to 20%.
- (c) The contribution to the four constituent authorities has been increased by inflation.
- (d) The budget required for the repairs and renewals programme has continued to grow therefore the contribution to the fund needs to increase to ensure funds are available in future years.
- (e) The decrease in the number of budgeted cremations is reflected by a corresponding drop in income despite the fees for this service being increased.
- (f) The Government have announced that there public sector pay will be from in 2011/12 which has resulted in a small budget decrease. The main reduction is a pension adjustment shown in note 1.
- (g) Following a tender exercise, the contract for the Joint Committee's consultant services has produced a budget saving.
- (h) The reduction in the number of cremations carried out has resulted in the budget for medical referees decreasing and the reduction also affects the purchasing of the organists services.
- (i) A small increase in the cremation fees has resulted in this additional income.

#### **REVIEW OF FEES & CHARGES**

- 14. The optional charges are set out in Appendix B and most charges show an increase of just over 4%. From the 1<sup>st</sup> January 2011, the Government have announced that VAT will be increasing by 2.50%, therefore the increase excluding VAT is below current inflation levels. Charges are also generally rounded to the nearest pound for ease of cash handling and it is proposed that these charges are increased from 1 April 2011.
- 15. The cremation fees have been increased by 6.78%. It had been forecast that the contribution to the capitals fund could be reduced from 2011/12, however with the number of cremations dropping and the capital programme increasing this has not been possible.

#### **REPAIRS AND RENEWALS FUND (RR)**

- 16. Appendix D sets out the revised repairs and renewals programme for 2010/11, which includes any slippage from the 2009/10 programme. The programme of new schemes for 2011/12 totals £99,600.

17. The revenue 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. However, this is fully offset by an increase in the use of the RR fund reserves to finance these works, so there is no overall effect on the budget.

### **CAPITAL WORKS FUND**

18. Appendix E sets out the future programme for capital works schemes which total approximately £5.731 million. A longer term view of potential schemes has been taken to cover the next 10 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.

#### **Mercury Abatement - EPA Phase 2**

19. Progress continues to be made on this scheme and tenders have gone out for the supply of abatement plant. An analysis of requirements for this scheme has resulted in additional costs which together with VAT that cannot be reclaimed and the VAT increase to 20%, this amounts to approximately £568,000. A report on this scheme will be given to members at today's meeting by the Engineer to the Joint Committee.

#### **20. Cremator Furnace relining**

It was reported to members at the June meeting, that due to the collapse of brickwork in the No 1 cremator, essential repairs were required and works were therefore brought forward for this cremator. Works to cremator number 2 will now take place during 2011/12 with the remaining cremators 3-6 being relined during 2013/14. These works in general need to be carried out every 6/7 years and therefore as the capital programme covers a 10 year period, occasionally the same scheme will appear more than once in the programme and this is one such scheme.

#### **Replacement of Cremators**

21. Although the cremators are unlikely to be replaced for many years, the estimated cost of £2,300,000 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 RESERVES**

22. This reserve is an accumulation of budget surpluses from previous years and as at 1 April 2010 stands at £102,346 (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 the fluctuation in energy costs, business rates and medical referees fees to reductions in the number of cremations and large interest rate changes. I have reported over recent years that it would be prudent to budget for a reserve of at least £100,000 and the reserve is estimated to be £122,000 by March 2012.

## **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 financial 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 £50,000 will remain as at 31<sup>st</sup> March 2012, which is available to meet unforeseen costs and scheme variations.
20. The 10 year capital programme totals almost £5.8 million, and is fully funded from the existing Capital works Fund balance (£1.917 million) plus annual contributions over the life of the programme (totalling £4.19 million). Taking account of expenditure already incurred (up to 31<sup>st</sup> March 2010), it is estimated that a balance of £460,000 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 2012

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 2010/11' December 2009.
- (b) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Final Accounts 2009/10' June 2010.

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**APPENDIX A**

**REVENUE ACCOUNT FOR THE YEAR ENDING 31 MARCH 2012**

	Actual 2009/10 £	Base Estimate 2010/11 £	Revised Estimate 2010/11 £	Base Estimate 2011/12 £
<b><u>EMPLOYEES</u></b>				
Salaries-Full Time Officers	218,403	243,500	222,200	222,200
Salaries-Part Time Officers	11,203	11,200	11,000	11,000
<b>TOTAL EMPLOYEES</b>	<b>229,606</b>	<b>254,700</b>	<b>233,200</b>	<b>233,200</b>
<b><u>PREMISES</u></b>				
Repairs and Maintenance buildings/plant	65,691	64,600	65,600	66,200
RR/CWF repairs financed from revenue	21,607	67,800	109,000	99,600
Repairs and Maintenance grounds	69,864	69,500	67,600	70,000
Garden Improvement Scheme	9,764	3,000	3,000	3,000
Energy costs	106,190	108,000	100,000	107,000
Water services	929	1,500	1,500	1,500
Rent & Rates	99,841	110,700	111,200	134,800
Removal of Wreaths/cleaning materials	6,484	8,300	8,100	8,300
<b>TOTAL PREMISES</b>	<b>380,370</b>	<b>433,400</b>	<b>466,000</b>	<b>490,400</b>
<b><u>SUPPLIES AND SERVICES</u></b>				
Equipment,Furniture and Materials	5,193	7,700	7,600	7,200
Protective Clothing,Uniforms & Laundry	5,386	6,600	6,600	6,600
Printing,Stationery & General Expenses	5,513	5,000	5,200	5,200
Inscriptions - Book of Remembrance	19,264	20,500	20,000	20,500
- Memorial Cards	5,875	6,700	6,500	6,700
Legal/Consultants fees	10,537	1,500	3,100	1,500
Consultant fees - Gosport	18,181	22,700	9,400	11,000
Administrative Expenses - Fareham	16,706	20,000	18,000	20,000
- Portsmouth	12,101	12,200	12,000	12,000
Medical Referees Fees	71,118	80,000	69,300	73,200
Organists Fees	25,031	27,000	25,300	25,300
External audit fees	5,000	5,200	5,200	5,500
Bank Charges	1,086	1,300	1,300	1,300
Postages,Telephones and Advertising	3,642	3,600	4,300	4,300
Conferences,Subsistence & Travelling	779	1,600	1,600	1,600
Subscriptions	3,064	3,400	3,400	3,400
Miscellaneous Insurances	13,475	13,900	13,800	14,200
Non reclaimable VAT	26,543	40,000	41,500	45,600
<b>TOTAL SUPPLIES AND SERVICES</b>	<b>248,494</b>	<b>278,900</b>	<b>254,100</b>	<b>265,100</b>

	Actual 2009/10 £	Base Estimate 2010/11 £	Revised Estimate 2010/11 £	Base Estimate 2011/12 £
<b><u>CAPITAL CHARGES</u></b>				
Depreciation	143,948	171,200	150,000	251,000
<b>TOTAL CAPITAL CHARGES</b>	<b>143,948</b>	<b>171,200</b>	<b>150,000</b>	<b>251,000</b>
<b>GROSS EXPENDITURE</b>	<b>1,002,418</b>	<b>1,138,200</b>	<b>1,103,300</b>	<b>1,239,700</b>
<b><u>INCOME</u></b>				
Garden Improvement Fund contributions	-9,764	-3,000	-3,000	-3,000
Memorial Cards	-10,333	-11,700	-11,700	-12,000
Cremation Fees	-1,744,752	-1,828,000	-1,759,500	-1,878,800
Book of Remembrance	-65,352	-68,000	-66,000	-68,000
Organ Music	-65,067	-70,500	-64,600	-66,000
Other	-4,354	-5,200	-4,800	-5,000
<b>GROSS INCOME</b>	<b>-1,899,622</b>	<b>-1,986,400</b>	<b>-1,909,600</b>	<b>-2,032,800</b>
<b>NET COST OF SERVICE</b>	<b>-897,204</b>	<b>-848,200</b>	<b>-806,300</b>	<b>-793,100</b>
Interest Receivable	-72	-100	-100	-100
Pension Interest cost and expected return on pension assets	60,000	10,000	60,000	60,000
<b>NET OPERATING INCOME</b>	<b>-837,276</b>	<b>-838,300</b>	<b>-746,400</b>	<b>-733,200</b>
<b>MOVEMENT ON THE GENERAL FUND BALANCE</b> (Surplus)/Deficit on the Income &				
Expenditure Account	-837,276	-838,300	-746,400	-733,200
Depreciation of Fixed Assets	-143,948	-171,200	-150,000	-251,000
Contributions to Constituent Authorities	440,000	540,000	540,000	560,000
Contributions to Capital Works Fund	550,000	490,000	450,000	490,000
Contributions to Repairs & Renewals Fund	70,000	70,000	70,000	80,000
Contribution to/from pension reserve	-60,000	-30,000	-60,000	-60,000
Contribution from reserves to finance repairs and renewals/capital works programmes	-21,607	-67,800	-109,000	-99,600
<b>SURPLUS/DEFICIT FOR THE YEAR</b>	<b>-2,831</b>	<b>-7,300</b>	<b>-5,400</b>	<b>-13,800</b>
<b>Number of Cremations</b>	<b>3,950</b>	<b>4,000</b>	<b>3,850</b>	<b>3,850</b>

**APPENDIX B**

**PORTCHESTER CREMATORIUM JOINT COMMITTEE**

**OPTIONAL CHARGES**

	Charges	Proposed	
<b><u>BOOK OF REMEMBRANCE (INC. VAT)</u></b>	<u>2010/11</u>	<u>2011/12</u>	<u>%</u>
	£	£	<u>Increase</u>
Single entry (2 lines)	43.00	45.00	4.65
Double entry (5 lines)	69.00	72.00	4.35
Double entry with badge or crest	114.00	119.00	4.39
Treble entry (8 lines)	95.00	99.00	4.21
Treble entry with badge or crest	133.00	139.00	4.51
Quadruple entry (11 lines)	115.00	120.00	4.35
Quadruple entry with badge or crest	146.00	152.00	4.11
 <b><u>MEMORIAL CARDS (INC. VAT)</u></b>			
Single entry (2 lines)	30.00	31.00	3.33
Double entry (5 lines)	36.00	38.00	5.56
Double entry with badge or crest	69.00	72.00	4.35
Treble entry (8 lines)	42.00	44.00	4.76
Treble entry with badge or crest	73.00	76.00	4.11
Quadruple entry (11 lines)	48.00	50.00	4.17
Quadruple entry with badge or crest	79.00	82.00	3.80
 <b><u>USE OF ORGAN (INC. VAT)</u></b>			
Use of Organ	29.80	31.35	5.20
Services of Organist	<u>19.20</u>	<u>19.65</u>	<u>2.34</u>
	<u>49.00</u>	<u>51.00</u>	<u>4.08</u>
 <b><u>OTHER</u></b>			
Scattering of ashes from other Crematoria	45.00	45.00	0.00
Temporary retention of cremated remains	11.00	11.00	0.00

**APPENDIX C**

**PORTCHESTER CREMATORIUM JOINT COMMITTEE**

**CREMATION FEES**

	Number of Cremations 2009/10	Existing Charge 2010/11 £	Proposed Charge 2010/11 £	% Increase
A young person whose age at the time of death did not exceed 16 years	38	No charge	No charge	
A person whose age at the time of death exceeded 16 years	3,912	457	488	6.78

After taking into account the revised estimates for this year, and the proposed charges for 2011/12, the balance of the General Fund is estimated to be £121,546 by 31 March 2012 as follows:-

	£
General Fund balance as at 1 April 2010	102,346
<u>Add</u> Estimated revenue surplus 2010/11	<u>5,400</u>
Balance of fund 31.03.2011	107,746
<u>Add</u> Estimated revenue surplus 2011/12	<u>13,800</u>
Balance of fund 31.03.2012	<u>121,546</u>

**PORTCHESTER CREMATORIUM JOINT COMMITTEE**

**STATEMENT OF REPAIRS AND RENEWALS FUND**

	£	£
Balance 1.4.2010		109,025
Contribution from Revenue Account 2010/11		<u>70,000</u>
		179,025
<b>Proposed applications 2010/11</b>		
* Bench seat granite covers nr seats	2,200	
* Replace marble inlay to 10 nr cloister seats	2,500	
* Granite covers to wreath bays (rolling programme)	15,000	
* Fire precautions installations work	10,000	
* Refurbish/redecorate book of remembrance fittings	2,000	
* Wreath marker post supports	1,900	
* DDA improvements to rear North Chapel	2,500	
* Surface water drainage imps compactor area	2,400	
- Water Feature Surface repair and Curved Drain	12,500	
- Litter Bins and Signage by Remembrance Garden	2,700	
- Replace Vinyl Flooring to Public Toilets	2,000	
- Internal Redecoration of Mess Room including Floor	4,600	
- White Lining to Car Park	800	
- Steam Clean Paving (Rolling Programme)	900	
- Remove Lectern and Provide Interpretation Panel	1,900	
- North Chapel Internal Redecoration	4,500	
- Internal Redecoration (Rolling Programme)	4,100	
- Clean out and Decorate Cloister Rooflights	3,800	
- External Redecoration	6,300	
- Granite Covers to Wreath Bays (Rolling Programme)	10,000	
- Hearth Repair Works to Cremator Nr 2	3,900	
- Gardeners compound facility - provisional	10,500	
- Unrecoverable Vat on buildings and plant	<u>2,000</u>	<u>109,000</u>
<b>Estimated Balance 31.3.2011</b>		70,025
* Balance of works from prior years programmes		
Contribution from Revenue Account 2011/12		<u>80,000</u>
		150,025
<b>Proposed applications 2011/12:</b>		
- Hearth maintenance cremators 3 to 6	28,800	
- Combustion air fans cremators 1 & 2	6,000	
- Codel change to PCME cremator 5	6,000	
- Refurbish Book of Remembrance room	8,000	
- Internal Redecoration (Rolling Programme)	5,000	
- Repairs to paving	5,500	
- Redecorate N.Chapel waiting room	5,000	
- Door refurbishment/redecorate timber screens	5,500	
- Refurbish Garden of Contemplation seating	8,000	
- Granite covers to wreath bays (final phase)	18,000	
- Store for grit and materials	2,500	
- Unrecoverable Vat on buildings and plant	1,300	<u>99,600</u>
<b>Estimated Balance 31.3.2012</b>		<u>50,425</u>

