



Report to Portchester Crematorium Joint Committee

Date: **12 December 2011**

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

Subject: **FINANCE STRATEGY AND BUDGET FOR 2012/13**

SUMMARY

At its meeting on 13th December 2010, the Joint committee approved the revenue budget for 2011/12. The report explained the principles on which the budget had been compiled and set out some of the challenges that are faced in the future.

One of the criteria for 2011 recognises that partnerships (such as the Joint Committee) play a key role in delivering services that individual authorities have a responsibility for. Underpinning this relationship, it is felt necessary to be able to demonstrate that any financial or service policies of the Joint Committee work in harmony with equivalent policies of the individual authorities.

The Finance Strategy was last approved by Members in March 2010, setting out the principles on which the strategy has been compiled, together with risks and other aspects of the financial management framework that the Crematorium operates in.

The updated Finance Strategy provides a clear overview of the Joint Committee's financial framework and provides added assurance to the Committee and to the constituent authorities that sound and effective arrangements are in place to manage the Crematorium's finances.

The Finance Strategy has been prepared and is attached as appendix A of this report, for the Joint Committee's consideration.

Subject to approval, the Finance Strategy will be sent to the constituent authorities. Any comments received from them in response to the strategy will be brought back to the joint committee and, if appropriate, incorporated into the strategy when it is reviewed again.

RECOMMENDATIONS

- (a) That the Finance Strategy 2012/13, attached as Appendix A to this report, be approved;
- (b) That the Finance Strategy 2012/13 be sent to the constituent authorities to note.

PORTCHESTER CREMATORIUM JOINT COMMITTEE

FINANCE STRATEGY AND BUDGET FOR 2012/13

INTRODUCTION

1. The Portchester Crematorium was opened on 27 September 1958 and is the main crematorium in south-east Hampshire. It is managed by a Joint Committee of eight councillors, two from each of the constituent authorities of Fareham, Gosport, Havant and Portsmouth.
2. The key financial policies of the Joint Committee are set out in the Portchester Crematorium Development Plan – a document that is revisited and reviewed approximately every two years.
3. The current Development Plan was approved by the Joint Committee on 13 December 2010 and covers the period from 2011 to 2016.

FINANCIAL MANAGEMENT

4. The main focus of prudent financial management is the Joint Committee's Finance Strategy, the overall objective of which is to structure and manage the Joint Committee's financial resources to ensure that they match and support the achievement of the Joint Committee's objectives.
5. At the same time the strategy must ensure that the requirement to set a balanced budget is fully met and that the Joint Committee is able to respond to year-on-year changes and short-term service delivery issues.
6. This can be difficult to achieve when faced with increasing expenditure and one main source of income that reflects the decline in the mortality rate.
7. To overcome these difficulties there are a number of fundamental principles that are followed by the Joint Committee and which form the basis of the Finance Strategy.

THE FUNDAMENTAL POLICIES

8. These fundamental and long-standing policies (set out in the following paragraph) on which the PCJC's Finance Strategy is based are subject to annual review as part of the budget process:
 - (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.

9. The distribution of the annual contribution in this way is effectively recognition of the significant original investment by each of the authorities in the Crematorium. These payments also assist them indirectly to support their own cemeteries and bereavement services.

FINANCIAL PLANNING

10. The financial planning process supports the preparation of this Finance Strategy and gives the necessary flexibility to allow the Joint Committee to consider objectives and priorities, as well as the maintenance of service standards and the scope for improvements where necessary, but at the same time seeking to minimise the increase in the overall net budget and the fees and charges for cremation.
11. The Finance Strategy, revenue budget and capital programme are the subject of a report to the Joint Committee by the Treasurer each December.

BUDGETARY CONTROL AND REPORTING

12. An essential pre-requisite of good financial management is to ensure that everyone with responsibility for the control of budgets has access to up to date information on the budgets for which they are responsible to inform their decision making and ensure that strict control of budgets is maintained.
13. Budgets are monitored by the Finance staff on a weekly basis and problems are brought to the attention of the appropriate officer and to the Treasurer.
14. Budgetary control information is provided to the Treasurer on a daily basis in respect of revenue expenditure and monthly in respect of capital expenditure.

BUDGET RESPONSIBILITIES

15. Responsibility for budgets rests formally with the Joint Committee but there are arrangements in place as part of the Constitution that delegates certain responsibilities to the officers.

Joint Committee

16. The Joint Committee has the general responsibility for setting the policy and budget framework and must ensure the following:
 - Spending plans are approved in accordance with the projected resources of the Joint Committee;
 - Approved revenue budgets, capital programmes and the level of fees and charges are in accordance with the Finance Strategy;
 - Supplementary estimates are only approved after consideration of the Joint Committee's overall financial position.

The Appointed Officers

17. The Appointed Officers have general responsibility for the preparation of the detailed estimates of expenditure and income and the proposed fees and charges are prepared within the context of the Finance Strategy for approval by the Joint Committee.

18. They must also ensure that expenditure is only incurred if it forms part of the revenue budget or capital programme and that the overall revenue budget and capital programme are not exceeded.
19. Any decision to reallocate revenue or capital budgets from one service to another should not exceed the virement rules.

THE OVERALL FINANCIAL POSITION

20. Adherence to these fundamental policies means that the Joint Committee is in a strong financial position and able to meet all planned expenditure from income. Since 1999-2000 the Joint Committee has achieved sufficient surpluses to allow an amount to be distributed to each of the constituent authorities. For 2012/13 the payment to each authority will amount to £150,000.

THE CAPITAL POSITION

21. 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.
22. The Capital Works Programme over the next 10 years amounts to approximately £6.1 million, principally to recover mercury emissions through the abatement scheme, relining cremator furnaces, analyser renewal and completing the next cremator replacement programme.
23. The Capital Works Fund as at 1 April 2011 was approximately £2.234 million, with a budgeted annual contribution of £490,000 for 2011/12. Maintaining this contribution to the Capital Works Fund at a slightly higher level over the coming years will support the necessary resources to match progress on the completion of the works programme.
24. The Joint Committee also approves annually a programme of repairs and renewal work. To finance this expenditure an annual contribution is made from revenue income to the Repairs and Renewals Fund to ensure that these works are fully funded.

THE REVENUE POSITION

25. It is the Joint Committee's policy to maintain a significant Revenue Reserve in order to deal with fluctuations in revenue income and expenditure that are outside of the Joint Committee's control.
26. The principal fluctuations are a reduction in the number of cremations as a result of the national decline in mortality rates and the significant variations in energy costs together with business rate re-valuations.
27. The Revenue Reserve is an accumulation of budget surpluses from previous years and was approximately £108,000 as at 1 April 2011.
28. It is prudent to maintain the level of this reserve at over £100,000.

FINANCIAL RISK ASSESSMENT

29. Each year the revenue budget is prepared 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 future that will have a bearing on the forecast for the financial year ahead. Changes in the crematorium's environment that impact on the current revenue budget are taken into account as part of the revised budget preparation.
30. The revenue reserve provides a small retained resource to meet unforeseen costs or changes in activity. Measures are also considered throughout the year in order to preserve the Joint Committee's income streams and keep costs to a minimum.
31. The repairs and renewals programme is fully funded from an earmarked fund, and it is estimated that there will be a small retained balance as at 31st March 2012, which is available to meet unforeseen costs and scheme variations.
32. The 10 year capital programme is also fully funded from the existing Capital Works Fund plus annual contributions over the life of the programme. 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. There is very little scope to meet unforeseen cost variations over the life of the programme. The ability to fund the programme could be directly affected by the fluctuating levels of activity, so wherever possible, steps should be taken to strengthen the Capital Works Fund balance, for example, where underspends occur in the year.

SUMMARY

33. Historically, the Crematorium has always strived to provide the best quality of service that it can and to achieve this, the Joint Committee is committed to the maintenance of high standards in relation to both staff performance and to the maintenance, repair and improvement of the Crematorium infrastructure.
34. In addition increases in cremation charges have been kept to a minimum with the current charge being the lowest in Hampshire and well below the national average.
35. The principles of financial management set out in the Finance Strategy continue to support the achievement of these aims and objectives by ensuring that the Joint Committee remains in a strong financial position, able to meet all planned expenditure from income and since 1999-2000 has made an annual surplus which has been distributed to each of the constituent authorities.