



Report to Portchester Crematorium Joint Committee

Date: **12 December 2016**

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

Subject: **FINANCE STRATEGY AND BUDGET FOR 2017/18**

SUMMARY

At its meeting on 14 December 2015, the Joint Committee approved the Finance Strategy and the revenue budget for 2016/17.

The Finance Strategy for 2017/18 has been prepared and is attached as appendix A of this report, for the Joint Committee's consideration.

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.

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 2017/18, attached as Appendix A to this report, be approved;
- (b) That the Finance Strategy 2017/18 be sent to the constituent authorities to note.

PORTCHESTER CREMATORIUM JOINT COMMITTEE

FINANCE STRATEGY AND BUDGET FOR 2017/18

INTRODUCTION

1. The Portchester Crematorium was opened on 27 September 1958 and is the fifth busiest crematorium in England. 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, supported by approved Financial Regulations.
3. The current Development Plan was approved by the Joint Committee on 16 March 2015 and covers the period from 2015 to 2020.

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 is directly affected by fluctuations in the mortality rate and increased local competition.
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 Joint Committee'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.

TREASURY MANAGEMENT

10. The function of treasury management is to support the funding of the Joint Committee's planned capital works, which should be funded from revenue income. To earmark resources for this purpose any surplus funds are invested with Fareham Borough Council at 0.25% below base rate.

FINANCIAL PLANNING

11. 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.
12. 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

13. 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.
14. Budgets are monitored by the Finance staff on a weekly basis and significant variances are brought to the attention of the appropriate officer and to the Treasurer.
15. 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

16. 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

17. 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

18. 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.
19. 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.
20. Any decision to reallocate revenue or capital budgets from one service to another should not exceed the virement rules.

THE OVERALL FINANCIAL POSITION

21. 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.
22. 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.
23. 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, 2015/16 and 2016/17 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, in 2015/16 this rose to 19.33%, a total of 3,214 cremations. The number of cremations in 2016/17 to date is in line with the 2015/16 financial year and so a projected figure of 3,200 has been used for both 2016/17 and 2017/18.

24. 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. The payment was reduced to £125,000 in 2015/16 and it has been possible to increase this level of payment by £5,000 into 2016/17.
25. In November 2016 notification has been received from the Valuation Office Agency of the 2017 draft Rateable Value for Portchester Crematorium. This has increased from £273,000 to £392,000, increasing the amount of Business Rates payable by an estimated £51,200 from 2017 onwards.
26. The budget setting report for 2017/18 will take account of cremation numbers being experienced and the increased amount of Business Rates payable and the impact on the level of payment to the constituent authorities. Two options will be set out for the Joint Committee's consideration that either maintain the payments to the constituent authorities at £125,000 or increase the payment to £135,000, mitigating the reductions over recent years and limiting any further negative budgetary impact to them.

THE CAPITAL POSITION

27. 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.
28. The Capital Works Fund as at 1 April 2016 was £1,341,424. In order to replenish the Capital Works Fund to levels that will meet future demands of the crematorium a budget of £350,000 will be included in the budget for 2016/17 onwards.
29. 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 Repairs and Renewals Fund as at 1 April 2016 was £58,202. The programme of works for 2016/17 includes the external redecoration and paving works cleaning and repointing although these costs are not anticipated to be as high as originally estimated. Therefore the budgeted contribution to the Repairs and Renewals Fund for 2016/17 will be maintained at the same level as 2015/16 at £100,000.

THE REVENUE POSITION

30. 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.
31. The principal fluctuations are variations in the number of cremations and increased external competition.

32. The Revenue Reserve is an accumulation of budget surpluses from previous years and was approximately £141,402 as at 1 April 2016, being 5.5% of gross expenditure for 2015/16.
33. It is prudent to maintain the level of this reserve at over £100,000.

FINANCIAL RISK ASSESSMENT

34. 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 operating environment that impact on the current revenue budget are taken into account as part of the revised budget preparation.
35. 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.

SUMMARY

36. Historically, Portchester 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.
37. 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.
38. 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.