



Report to Portchester Crematorium Joint Committee

Date: **12 December 2016**

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

Subject: **REVENUE BUDGET 2017/18**

SUMMARY

This report sets out the revenue budget for 2016/17 and 2017/18, together with the repairs and renewals programme for 2016/17 and a review of fees and charges for 2017/18. The revised capital works programme for 2016/17 and future years has also been included for consideration.

RECOMMENDATIONS

- (a) That the capital works programme as detailed in Appendix E be approved;
- (b) That the Joint Committee approve one of the two options for proposed cremation fees and other charges as set out in Appendices B and C from 1 April 2017;
- (c) 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) above.
- (d) 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 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 2017/18.
3. Detailed information is set out in the various appendices to this report which cover the following:
 - Appendix A - Revised revenue budget for 2016/17 and the revenue budget for 2017/18;
 - Appendix B - Optional charges 2017/18;
 - Appendix C - Cremation fees 2017/18;
 - Appendix D - Repairs and renewals programme and funding;
 - Appendix E - Capital works programme and funding;

BASE REVENUE BUDGET 2016/17

4. The original revenue budget for 2016/17 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.
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, 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.

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. 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.
8. 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.
9. This 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.

REVISED BUDGET 2016/17

10. 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 2015/16	Base Estimate 2016/17	Revised Estimate 2016/17	Variation
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	248,995	251,600	258,200	6,600
PREMISES RELATED EXPENDITURE	686,974	580,300	568,000	-12,300
SUPPLIES AND SERVICES	261,152	251,900	232,200	-19,700
CAPITAL CHARGES	334,253	335,000	335,000	-
SPECIAL EXPENDITURE	1,018,187	1,040,000	1,080,000	40,000
GROSS EXPENDITURE	2,549,561	2,458,800	2,473,400	14,600
GROSS INCOME	2,549,561	2,458,800	2,473,400	14,600

11. Premises related expenditure has decreased overall by £12,300; from £580,300 to £568,000. The budget for repair and maintenance of buildings has been increased by £10,000, and the budget for gas has been decreased by £20,000. 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.
12. Supplies and services related expenditure has decreased overall by £19,700; from £251,900 to £232,200. The budget for insurance has decreased by £14,000 in line with the insurance tender carried out for the 2016/17 renewal.

13. Special Expenditure has been increased by £40,000. 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. As at 1 April 2016 the opening balance of this fund was £1,341,424. In order to replenish the Capital Works Fund to levels that will meet future demands of the crematorium the budget of £350,000 will be maintained for 2016/17 onwards.
14. 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.
15. Gross income has increased overall by £14,600; from £2,458,800 to £2,473,400. The impact on revenue income to the crematorium has been closely monitored since 2014/15 through to the 2016/17 financial year to date and the number of cremations in 2016/17 to date is in line with the 2015/16 financial year. A projected figure of 3,200 has been used for both 2016/17 and 2017/18.

BASE BUDGET 2017/18

16. Two base budget options for 2017/18, set to a breakeven level, are detailed for the Joint Committee's consideration, based on different cremation fee increases as set out in Appendix C. The budget variations are shown in the following table, and explained further below.

	Actuals 2015/16	Base Estimate 2016/17	Base Estimate 2017/18	Base Estimate 2017/18
	£	£	£	£
CREMATION FEE		560.00	570.00	595.00
EMPLOYEE RELATED EXPENDITURE	248,995	251,600	261,700	261,700
PREMISES RELATED EXPENDITURE	686,974	580,300	620,500	620,500
SUPPLIES AND SERVICES	261,152	251,900	233,200	233,200
CAPITAL CHARGES	334,253	335,000	335,000	335,000
SPECIAL EXPENDITURE	1,018,187	1,040,000	1,048,000	1,080,000
GROSS EXPENDITURE	2,549,561	2,458,800	2,498,400	2,530,400
GROSS INCOME	2,549,561	2,458,800	2,498,400	2,530,400

17. Premises related expenditure has increased overall by £40,200; from £580,300 to £620,500. The budget for repair and maintenance of buildings has been increased by £10,000, and the budget for gas has been decreased by £20,000. A budget of £115,000 has been set against repairs and renewals expenditure although the programme has yet to be compiled. 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.
18. Supplies and services related expenditure has decreased overall by £180,700; from £251,900 to £233,200. The budget for insurance has decreased by £13,000 in line with the insurance tender carried out for the 2016/17 renewal.
19. Special Expenditure includes contributions to the earmarked capital and repairs and renewals reserves along with payments to the constituent authorities. Two cremation fee increases are set out at Appendix C 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 on them.
20. The impact on revenue income to the crematorium has been closely monitored since 2014/15 through to the 2016/17 financial year to date and the number of cremations in 2016/17 to date is in line with the 2015/16 financial year. A projected figure of 3,200 has been used for both 2016/17 and 2017/18.

REVIEW OF FEES & CHARGES

21. 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 2017.
22. Two options for cremation fee increases are set out in Appendix C 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 any further negative budgetary impact on them. The current fee level of £560 is still below the 2016 average cremation fee for the UK of £709.70, and the 2016 average cremation fee for Hampshire of £757.17. The table below shows a comparison of the 2016 fees with the nearest crematoria:

Chichester	£956
Southampton	£715
Eastleigh	£785
Portchester	£560
Havant	£785

23. There has been some take up of the walk through cremation service with 21 services to November 2016, there is no proposed increase to the current fee of £400.

REPAIRS AND RENEWALS FUND

24. Appendix D sets out the repairs and renewals programme for 2016/17 which totals £115,000.
25. 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

26. Appendix E sets out the future programme for capital works schemes which total approximately £2,740,000.
27. 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

28. 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. In accordance with the Finance Strategy for 2016/17 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 2017/18, the balance of the General Fund Revenue Reserve will not be increased.

FINANCIAL RISK ASSESSMENT

29. 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.
30. 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.
31. The repairs and renewals programme is fully funded from an earmarked fund and as at 1 April 2016 the opening balance 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 for 2015/16 at £100,000.

32. The 6 year capital programme, from 2015/16 to 2021/22, totals £2,740,000. The programme is set out as being fully funded from the existing Capital Works Fund balance of £1,341,424 plus annual contributions over the life of the programme totalling £2,100,000. 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

33. 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 2017

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' - 14 December 2015.
- (b) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Annual Return For The Financial Year Ended 31 March 2016' – 13 June 2016

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APPENDIX A

	Actual 2015/16 £	Base Estimate 2016/17 £	Revised Estimate 2016/17 £	Base Estimate 2017/18 £	Base Estimate 2017/18 £
CREMATION FEE		560	560	570	595
EMPLOYEES					
SALARIES	196,789.92	197,000	199,000	201,000	201,000
SALARIES OVERTIME	3,148.90	5,000	3,500	3,500	3,500
NATIONAL INSURANCE	11,645.14	12,000	17,000	17,000	17,000
SUPERANNUATION	37,218.57	37,200	37,700	40,000	40,000
FIRST AID ALLOWANCE	192.00	400	200	200	200
STAFF ADVERTISING	0.00	0	800	0	0
TOTAL EMPLOYEES	248,994.53	251,600	258,200	261,700	261,700
PREMISES					
R & M OF BUILDINGS	23,211.78	25,000	25,000	25,000	25,000
REPAIRS AND RENEWALS	244,985.48	115,000	115,000	115,000	115,000
R & M OF FIXED PLANT	86,505.77	75,000	85,000	85,000	85,000
R&M OF GROUNDS	68,147.95	70,000	70,000	70,000	70,000
R&M OF GARDEN IMP.SHEME	0.00	1,500	1,500	1,500	1,500
ELECTRICITY	34,106.75	36,000	36,000	36,000	36,000
GAS	69,101.38	93,000	73,000	73,000	73,000
RENTS - GENERAL PAYABLE	11,554.04	11,500	11,500	11,500	11,500
NATIONAL NON-DOMESTIC RATES	134,589.00	137,000	135,700	188,200	188,200
WATER CHARGES - SUPPLY (PWC)	833.09	2,000	1,000	1,000	1,000
SEWERAGE & ENV. CHARGES (SWS)	400.26	500	500	500	500
FIRE PRECAUTION APPLIANCES	360.90	400	400	400	400
CONTRACT CLEANING	0.00	0	0	0	0
CLEANING MATERIALS	213.22	400	400	400	400
TOILET REQUISITES	5,080.27	5,000	5,000	5,000	5,000
REMOVAL OF WREATHS	7,884.00	8,000	8,000	8,000	8,000
TOTAL PREMISES	686,973.89	580,300	568,000	620,500	620,500
SUPPLIES AND SERVICES					
FURNITURE & EQUIPMENT PURCHASE	2,920.88	3,000	3,000	3,000	3,000
MATERIALS (OPERATIONAL)	99.62	100	100	100	100
FURNITURE & EQUIPMENT MAINTENA	8,018.84	6,000	6,000	6,000	6,000
FURNITURE & EQUIPMENT SA	0.00	0	1,300	1,300	1,300
PROTECTIVE CLOTHING & UNIFORMS	1,292.12	1,600	1,600	1,600	1,600
LAUNDRY	12.75	500	100	100	100
BOOKS AND PUBLICATIONS	333.20	1,000	500	400	400
EXTERNAL PRINTING	3,194.77	3,500	3,000	3,000	3,000
STATIONERY	1,307.81	2,500	1,500	1,500	1,500
BOOK OF REMEMBRANCE	21,954.11	25,000	23,000	23,000	23,000
MEMORIALS CARDS	7,322.46	5,000	6,200	5,000	5,000
CONSULTANTS FEES	8,722.00	1,500	1,500	1,500	1,500
ADMIN.EXPENSES - FAREHAM	20,251.63	20,000	20,000	20,000	20,000
ADMIN.EXPENSES - PORTSMOUTH	11,556.19	9,500	9,500	9,500	9,500
MEDICAL REFEREES FEES	58,320.00	58,600	55,800	55,800	55,800
ORGANISTS FEES	15,287.98	17,000	16,000	16,000	16,000
EXTERNAL AUDIT FEES	2,040.00	1,000	0	0	0
PEST CONTROL	462.43	500	500	500	500
GRAPHIC DESIGN	440.56	0	500	500	500
POSTAGES	1,209.49	1,200	1,200	1,200	1,200
TELEPHONES	3,677.55	3,000	3,000	4,000	4,000

COMPUTER SOFTWARE	4,189.17	5,000	5,000	5,000	5,000
WEB CAST SERVICES	980.00	0	1,000	1,000	1,000
SUBSISTANCE EXP - EMPLOYEES	773.26	700	700	700	700
COURSES/CONFRENCES (EMPLOYEES)	426.00	500	500	500	500
GRANTS AND SUBSCRIPTIONS	2,679.20	3,500	3,000	2,500	2,500
MISC INSURANCES - PREMIUM	33,518.99	30,000	16,000	17,000	17,000
ADVERTISING	135.10	500	500	500	500
NON RECLAIMABLE VAT	48,708.46	50,000	50,000	50,000	50,000
BANK CHARGES	1,317.52	1,200	1,200	2,000	2,000
SPECIAL EXPENDITURE	0.00	0	0	0	0
TOTAL SUPPLIES AND SERVICES	261,152.09	251,900	232,200	233,200	233,200

CAPITAL FINANCING COSTS

DEPRECIATION	334,253.00	335,000	335,000	335,000	335,000
TOTAL CAPITAL FINANCING COSTS	334,253.00	335,000	335,000	335,000	335,000

SPECIAL EXPENDITURE

CONTRIBUTION TO CAPITAL FUND	350,000.00	350,000	350,000	350,000	350,000
PENSION INTEREST COSTS	65,000.00	110,000	110,000	110,000	110,000
CONTRIBUTION TO R & R FUND	103,187.49	80,000	100,000	88,000	80,000
PAY TO CONSTITUENT AUTHORITIES	500,000.00	500,000	520,000	500,000	540,000
TOTAL SPECIAL EXPENDITURE	1,018,187.49	1,040,000	1,080,000	1,048,000	1,080,000

GROSS EXPENDITURE

2,549,561.00	2,458,800.00	2,473,400	2,498,400	2,530,400
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INCOME

CONTRIB.FROM GARDEN IMP.FUND	0.00	-1,500	-1,500	-1,500	-1,500
CAMEO TMAC INCOME	-26,136.54	0	0	0	0
SALE OF MEMORIAL CARDS	-7,889.23	-8,000	-8,000	-8,000	-8,000
CREMATION FEES	-1,767,700.00	-1,780,000	-1,792,000	-1,824,000	-1,856,000
BOOK OF REMEMBRANCE	-54,160.85	-55,100	-54,200	-54,200	-54,200
ORGANISTS FEES	-38,005.02	-45,000	-45,000	-38,000	-38,000
WEB BROADCASTING	-1,150.00	-2,000	-2,000	-2,000	-2,000
COSTS RECOVERED	0.00	0	0	0	0
MISCELLANEOUS FEES & CHARGES	-6,799.00	-7,000	-7,000	-7,000	-7,000
INTEREST ON INVESTMENTS	-3,194.84	0	-3,500	-3,500	-3,500
BANK INVESTMENT ACCOUNT	-287.04	-200	-200	-200	-200
RETURN ON PENSION FUND ASS	-41,000.00	-50,000	-50,000	-50,000	-50,000
CAPITAL CHARGE - ASSET RENTS	-334,253.00	-335,000	-335,000	-335,000	-335,000
MOVEMENT ON PENSIONS RESERVE	-24,000.00	-60,000	-60,000	-60,000	-60,000
EXP.FINANCED FROM RESERVES	-244,985.48	-115,000	-115,000	-115,000	-115,000

GROSS INCOME

-2,549,561.00	-2,458,800	-2,473,400	-2,498,400	-2,530,400
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PORTCHESTER CREMATORIUM JOINT COMMITTEE

OPTIONAL CHARGES

	Charges <u>2016/17</u> £	Proposed Charges <u>2017/18</u> £	% <u>Increase</u>
<u>BOOK OF REMEMBRANCE (INC. VAT)</u>			
Single entry (2 lines)	50.00	51.00	2.00
Double entry (5 lines)	82.00	84.00	2.44
Double entry with badge or crest	132.00	134.00	1.52
Treble entry (8 lines)	112.00	114.00	1.79
Treble entry with badge or crest	162.00	164.00	1.23
<u>MEMORIAL CARDS (INC. VAT)</u>			
Single entry (2 lines)	36.00	37.00	2.78
Double entry (5 lines)	43.00	44.00	2.33
Double entry with badge or crest	93.00	94.00	1.08
Treble entry (8 lines)	49.00	50.00	2.04
Treble entry with badge or crest	99.00	100.00	1.01
<u>USE OF ORGAN (INC. VAT)</u>			
Use of Organ	32.00	32.00	0.00
Services of Organist	31.00	32.00	3.23
Services of Organist	21.00	22.00	4.76
<u>OTHER</u>			
Scattering of ashes from other Crematoria	52.00	54.00	3.85
Temporary retention of cremated remains	12.00	13.00	8.33

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CREMATION FEES

	Number of Cremations 2015/16	Existing Charge 2016/17 £	Proposed Charge 2017/18 £	% Increase
A young person whose age at the time of death did not exceed 16 years	26	No charge	No charge	
A person whose age at the time of death exceeded 16 years				
Option 1	3,240	560	570	1.79
Option 2	3,240	560	595	6.25
Walk through cremation		400	400	None

PORTCHESTER CREMATORIUM JOINT COMMITTEE

STATEMENT OF REPAIRS AND RENEWALS FUND

	£	£
Balance 1.4.2016		58,202
Contribution from Revenue Account 2016/17		<u>100,000</u>
		158,202
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	<u>4,000</u>	
		<u>-115,000</u>
Estimated Balance 31.3.2017		43,202
Contribution from Revenue Account 2017/18		<u>80,000</u>
Balance of Repairs and Renewals Fund for schemes in 2017/18		<u><u>123,202</u></u>

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CAPITAL WORKS PROGRAMME

	Revised Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	£	£	£	£	£	£
Balance of Fund as at 1.4.2016	1,341,424	1,551,424	1,901,424	2,251,424	1,424	351,424
Advance during year	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
	1,691,424	1,901,424	2,251,424	2,601,424	351,424	701,424
Less Applications						
Cremator Furnace Relining	90,000					
Hearth Replacement						
Roofing Programme -						
Survey, clearance and initial repairs	50,000					
Replacement cremator programme				2,600,000		
	<u>140,000</u>	<u>0</u>	<u>0</u>	<u>2,600,000</u>	<u>0</u>	<u>0</u>
Balance of Fund	<u>1,551,424</u>	<u>1,901,424</u>	<u>2,251,424</u>	<u>1,424</u>	<u>351,424</u>	<u>701,424</u>