

FAREHAM

BOROUGH COUNCIL

Report to Portchester Crematorium Joint Committee

Date: **9 December 2013**

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

Subject: **REVENUE BUDGET 2014/15**

SUMMARY

This report sets out the revenue budget and repairs and renewals programme for 2013/14 and 2014/15, together with a review of fees and charges. The revised capital works programme for 2013/14 and future years has also been included for consideration.

RECOMMENDATIONS

- (a) That expenditure of £71,500 in 2014/15 to be financed from the repairs and renewals fund as detailed in Appendix D is approved;
- (b) That the capital works programme as detailed in Appendix E be approved;
- (c) That the proposed charges as set out in Appendices B and C are approved from 1 April 2014;
- (d) 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 & c) above.
- (e) That the Joint Committee considers writing to the Leader of each constituent authority to advise them of the long term risk that the annual payment received from the Portchester Crematorium Joint Committee is likely to be reduced in 2015/16 and beyond.

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 2014/15.
3. Detailed information is set out in the various appendices to this report which cover the following:
 - Appendix A - Revised revenue budget for 2013/14 and the revenue budget for 2014/15;
 - Appendix B - Optional charges 2014/15;
 - Appendix C - Cremation fees 2014/15;
 - Appendix D - Repairs and renewals programme and funding;
 - Appendix E - Capital works programme and funding;

BASE REVENUE BUDGET 2013/14

4. The original revenue budget for 2013/14 was prepared on a projected outturn basis with an allowance for price increases included within the various budget heads as appropriate. The estimated surplus for the year was £8,600 based on 3,900 cremations during the year.

BUDGET ISSUES

5. During 2013/14 the operating environment of Portchester Crematorium will change significantly with the opening of a private crematorium facility in the district of East Hampshire, very close to the border with the Borough of Havant. The risk that this facility poses to the operation at Portchester has been fully evaluated and a report detailing measures to develop and enhance services provided was presented to the Joint Committee in September 2013 when all of the recommendations were approved.
6. It is not possible to accurately estimate the impact on revenue income to the Crematorium, but it is recognised that this is highly likely to be significant. Considered reductions in revenue have been allowed for in the revised budget for 2013/14 and the base budget for 2014/15 based on a 30% annual reduction in the numbers of cremations at Portchester once the new crematorium opens. For

setting a revised budget for 2013/14 the reduction is accounted for over the final four months of the financial year.

7. A more complete and informed picture will emerge over the coming year, but in view of this a decision has been made to maintain the 2014/15 payment to each authority at the same level as for 2013/14 at £150,000. Once the actual impact of the new crematorium is experienced in financial and operational terms reductions to the payment to each authority will be put forward for 2015/16.
8. The impact of the repairs and renewals and capital programmes, together with other budget variations are fully explained in the following paragraphs.

REVISED BUDGET 2013/14

9. The revised budget shows a surplus of £1,600, a reduction of £7,000 compared with the original estimated surplus. The budget variations are shown in the following table, and explained further below.

	Actuals 2012/13	Base Estimate 2013/14	Revised Estimate 2013/14	Variance
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	228,694	233,200	235,500	2,300
PREMISES RELATED EXPENDITURE	491,420	562,400	559,500	-2,900
SUPPLIES AND SERVICES	269,171	276,900	268,900	-8,000
CAPITAL CHARGES	247,000	250,000	250,000	0
SPECIAL EXPENDITURE	1,345,000	1,265,000	1,155,000	-110,000
GROSS EXPENDITURE	2,581,285	2,587,500	2,468,900	-118,600
GROSS INCOME	2,590,168	2,596,100	2,470,500	-125,600
SURPLUS / (DEFICIT)	8,883	8,600	1,600	-7,000

10. Premises related expenditure has decreased overall by £2,900; from £562,400 to £559,500. A budget of £81,500 has been set against repairs and renewals expenditure to reflect the programme set out in paragraph 23 and 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.
11. A budget decrease of £11,100 has been set against energy costs based on the preceding year's annual usage and current energy costs. Budgeted expenditure against National Non-Domestic Rates has decreased by £11,800 following a successful valuation rating appeal. Other minor adjustments have been made to reflect coding changes and adjustments to budgeted expenditure have been made in line with the outturn for 2012/13.
12. Supplies and services related expenditure has decreased overall by £8,000; from £276,900 to £268,900. The budget for the amount of VAT that we are not able to reclaim has been decreased by £15,000 from £55,000 to £40,000 and the recharge from Fareham Borough Council has reduced to £10,000. A budget increase of £10,000 has been set against furniture and equipment purchases.

13. Special Expenditure has been reduced by £110,000. The Capital Works Fund as at 1 April 2013 was £701,637, with a budgeted annual contribution of £475,000 for 2013/14. In order to preserve the payment to each authority at £150,000 for 2013/14 the contribution to the Capital Works Fund will be reduced by £110,000. It is acknowledged that it will be necessary to replenish the Capital Works Fund to levels required by the updated Capital programme. However, the Capital programme will also be reviewed during the coming year in response to the actual reduced level of cremations experienced.
14. Gross income has decreased overall by £125,600 from £2,596,100 to £2,470,500. Reduced income budget levels of £10,000 and £5,000 have been set against income from Book of Remembrance entries and Organists Fees respectively. The income from cremation fees has been decreased by £118,600 based on a reduction in the numbers of cremations during the last four months of 2013/14.

BASE BUDGET 2014/15

15. The base budget for 2014/15 has been prepared on an outturn basis and shows a surplus of £1,000. The budget variations are shown in the following table, and explained further below.

	Actuals 2012/13	Base Estimate 2013/14	Base Estimate 2014/15	Variance
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	228,694	233,200	239,300	6,100
PREMISES RELATED EXPENDITURE	491,420	562,400	508,900	-53,500
SUPPLIES AND SERVICES	269,171	276,900	226,100	-50,800
CAPITAL CHARGES	247,000	250,000	250,000	0
SPECIAL EXPENDITURE	1,345,000	1,265,000	790,000	-475,000
GROSS EXPENDITURE	2,581,285	2,587,500	2,014,300	-573,200
GROSS INCOME	2,590,168	2,596,100	2,015,300	-580,800
SURPLUS / (DEFICIT)	8,883	8,600	1,000	-7,600

16. Premises related expenditure has decreased overall by £53,500; from £562,400 to £508,900. No adjustment to budgeted repairs and renewals expenditure has been required as the programme of works for 2014/15 totals £71,500. The budget for plant and cremators has been reduced by £15,000 and the budget for buildings has been increased by £5,000.
17. A budget decrease of £36,100 has been set against energy costs based on anticipated reduced annual usage and a 15% increase on current energy costs. Budgeted expenditure against National Non-Domestic Rates has decreased by £7,400 following a successful valuation rating appeal. Other minor adjustments have been made to reflect coding changes and adjustments to budgeted expenditure have been made in line with the outturn for 2012/13.

18. Supplies and services related expenditure has decreased overall by £50,800; from £276,900 to £226,100. The budget for the amount of VAT that we are not able to reclaim has been decreased by £15,000 from £55,000 to £40,000. Other reductions have been made based on anticipated reduced cremation numbers in the coming year against the budgets for Book of Remembrance Inscriptions, Medical Referees and Organist Fees.
19. Special expenditure has reduced to £790,000. The annual contribution to each of the four constituent authorities for 2014/15 remains at £150,000, but there is no budgeted contribution to the Capital Works Fund for 2014/15. It is acknowledged that it will be necessary to replenish the Capital Works Fund to levels required by the updated Capital Programme. However, the Capital Programme will be reviewed during the coming year in response to a reduced level of cremations.
20. Gross income has decreased overall by £580,800; from £2,596,100 to £2,015,300. Reduced income budget levels of £18,000 have been set against income from Book of Remembrance entries and Organists Fees. The income from cremation fees has been reduced by £542,800.

REVIEW OF FEES & CHARGES

21. The optional charges are set out in Appendix B to this report, with increases proposed against most existing charges. The charges for Book of Remembrance, Memorial Cards and the Scattering of Ashes show increases that range from 2.04% to 3.15%. Charges are rounded to the nearest pound for ease of cash handling and it is proposed that these charges are increased from 1 April 2014.
22. The cremation fees are set out in Appendix C to this report, with no increase proposed for 2014/15. The fee level of £520 is still below the 2013 average cremation fee for the UK of £612.03, and the 2013/14 average cremation fee for Hampshire of £648.20. The table below shows a comparison of the 2013 fees with the nearest crematoria:

Chichester	£786
Southampton	£625
Eastleigh	£650
Portchester	£520

REPAIRS AND RENEWALS FUND

23. Appendix D sets out the revised repairs and renewals programme for 2013/14 which totals £81,500 and includes any slippage from the 2012/13 programme. The programme of repairs and renewals projects for 2014/15 is presented for approval.
24. 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

25. Appendix E sets out the future programme for capital works schemes which total approximately £3,114,840. A longer term view of potential schemes has been taken to cover the next 7 years and only includes provision for replacement cremators at this time. Works on the Mercury Abatement Scheme and Cremator Furnace Relining have now been completed.
26. 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 RESERVE

27. This reserve is an accumulation of budget surpluses from previous years and as at 1 April 2013 stands at £133,407. This is estimated to increase to approximately £135,000 by March 2014, as shown in Appendix A. In accordance with the Finance Strategy for 2014/15 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.

FINANCIAL RISK ASSESSMENT

28. 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.
29. During 2013/14 the operating environment of Portchester Crematorium will significantly change with the opening of a private crematorium facility in the district of East Hampshire, very close to the border with the borough of Havant. The risk that this facility poses to the operation at Portchester has been fully evaluated and a report detailing measures to develop and enhance our service was presented to the Joint Committee in September 2013 when all of the recommendations were approved.
30. It is not possible to accurately estimate the impact on revenue income to the crematorium, but it is recognised that this is highly likely to be significant. Considered reductions in revenue have been allowed for in the revised budget for 2013/14 and the base budget for 2014/15 based on a 30% annual reduction in the number of cremations at Portchester once the new crematorium opens. For setting a revised budget for 2013/14 the reduction is accounted for over the final four months of the financial year.
31. A more complete and informed picture will emerge over the coming year, but in view of this a decision has been made to maintain the 2014/15 payment to each authority at the same level as for 2013/14 at £150,000. Once the actual impact of the new crematorium is experienced in financial and operational terms reductions to the payment to each authority will be put forward for 2015/16.
32. 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.

33. The repairs and renewals programme is fully funded from an earmarked fund, and it is estimated that there will be a retained balance of £81,874 as at 31st March 2014. A programme of repairs and renewals projects will be prepared within the available balance carried forward and the budgeted contribution to the earmarked fund of £80,000 for 2014/15.
34. The 7 year capital programme, from 2013/14 – 2019/20, totals £3,114,840. The programme is set out as being fully funded from the existing Capital Works Fund balance of £576,637 plus annual contributions over the life of the programme totalling £2,540,000. 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. It has already been highlighted within this report that in order to preserve the annual payment to the constituent authorities in 2014/15 there will be no budget set for a contribution to the Capital Works Fund, however wherever possible, steps will be taken to strengthen the Capital Works Fund balance, for example, where underspends occur in the year. The Capital programme will also be reviewed in full during the coming year in response to the actual reduced level of cremations experienced.

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 2014

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 2013/14' - 10 December 2012.
- (b) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Actual Income and Expenditure Account 2012/13' - 17 June 2013.

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For further information on this report, contact Kate Busby, 01329 824685

APPENDIX A

REVENUE ACCOUNT FOR THE YEAR ENDING 31 MARCH 2014

	Actual 2012/13 £	Base Estimate 2013/14 £	Revised Estimate 2013/14 £	Base Estimate 2014/15 £
EMPLOYEES				
Salaries-Full Time Officers	180,744.25	173,700	175,500	178,500
Salaries-Part Time Officers		9,900	8,300	8,300
Salaries-Overtime	4,693.56	5,400	5,000	5,000
National Insurance	11,239.30	12,100	11,900	12,100
Superannuation	31,157.77	31,700	34,400	35,000
First Aid Allowances	384.00	400	400	400
Training Expenses	475.00	0	0	0
Staff Advertising	0.00	0	0	0
TOTAL EMPLOYEES	228,693.88	233,200	235,500	239,300
PREMISES				
- Buildings	24,828.33	15,000	25,000	20,000
- Plant and Cremators	37,619.04	75,000	75,000	60,000
RR/CWF repairs financed from revenue	77,142.33	71,500	81,500	71,500
- Repairs & Maintenance - Grounds	68,349.68	70,000	70,000	70,000
- Garden Improvement Scheme - PCC	1,497.00	1,500	1,500	1,500
Electricity	28,201.55	26,100	30,000	30,000
Gas	108,550.37	135,000	120,000	95,000
Rent payable-Premises	10,395.00	11,000	11,000	11,000
NNDR	118,297.66	140,400	128,600	133,000
Water Charges - Portsmouth Water Co	3,592.42	2,000	2,000	2,000
Sewerage & Env Services (SWS)	1,296.19	500	500	500
Cleaning Materials	503.68	400	400	400
Toilet Requisites	4,805.76	4,000	4,000	4,000
Removals of Wreaths	6,341.21	10,000	10,000	10,000
TOTAL PREMISES	491,420.22	562,400	559,500	508,900
SUPPLIES AND SERVICES				
Furniture and Equipment - Purchase	7,409.70	3,000	13,000	3,000
Materials (Operational)	100.99	100	100	100
Furniture and Equipment - Maintenance	4,799.96	6,000	6,000	6,000
Protective Clothing and Uniforms	1,010.61	1,600	1,600	1,600
Laundry	39.67	500	500	500
Books and Publications	1,235.50	1,200	1,200	1,200
External Printing	2,099.60	4,000	4,000	4,000
Stationery	2,351.68	2,500	2,500	2,500
Inscriptions - Book of Remembrance	18,777.39	25,000	25,000	20,000
Inscriptions - Memorial Cards	5,925.93	5,000	5,000	5,000
Legal fees	0.00	0	0	0
Consultants fees HCC/other	25,673.35	1,500	1,500	1,500
Administrative Expenses - Fareham	9,604.09	13,000	10,000	10,000
Consultants fee - Gosport	8,307.00	15,000	15,000	15,000
Administrative Expenses - Portsmouth	9,450.00	9,500	9,500	9,500
Medical Referees Fees	73,836.00	71,200	71,200	51,400
Organists Fees	23,130.06	25,000	25,000	17,000
Audit Fees	-1,000.00	4,000	4,000	4,000
Other Services	50.00			
Postages	1,313.96	1,200	1,200	1,200

Telephones	1,829.04	1,700	1,700	1,700
Computer Software	2,765.00	3,000	3,000	3,000
Travel/Subsistence Expenses - Officers	675.60	700	700	700
Conference Expenses - Officers	0.00	500	500	500
Subscriptions	2,524.00	3,500	3,500	3,500
Miscellaneous Insurances	20,740.87	21,000	21,000	21,000
Advertising	1,143.32	1,000	1,000	1,000
Non Reclaimable VAT	43,757.16	55,000	40,000	40,000
Bank Charges	1,120.29	1,200	1,200	1,200
Special Expenditure	500.00	0	0	0
TOTAL SUPPLIES AND SERVICES	269,170.77	276,900	268,900	226,100

CAPITAL FINANCING COSTS

Depreciation	247,000.00	250,000	250,000	250,000
TOTAL CAPITAL FINANCING COSTS	247,000.00	250,000	250,000	250,000

SPECIAL EXPENDITURE

Contributions to Capital Works Fund	575,000.00	475,000	365,000	0
Pension interest cost and return assets	90,000.00	110,000	110,000	110,000
Contributions to R & R Fund	80,000.00	80,000	80,000	80,000
Contribution to Constituent Authorities	600,000.00	600,000	600,000	600,000
TOTAL SPECIAL EXPENDITURE	1,345,000.00	1,265,000	1,155,000	790,000

GROSS EXPENDITURE

2,581,284.87	2,587,500.00	2,468,900	2,014,300
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INCOME

Contribution from Garden Imp.Fund	1,497.00	1,500	1,500	1,500
Memorial Cards	9,345.89	10,000	8,000	8,000
Cremation Fees No's	2,040,000.00	2,028,000	1,909,400	1,485,200
Book of Remembrance	57,053.41	60,000	50,000	42,000
Organists Fees	60,711.37	60,000	55,000	42,000
Costs recovered	2,208.00	0	0	0
Other	5,123.00	5,000	5,000	5,000
Bank Investment Account	87.17	100	100	100
Asset Rental Recharge	247,000.00	250,000	250,000	250,000
Contribution from reserves to fin.RR/CWF	77,142.33	71,500	81,500	71,500
Return on pension fund asset	70,000.00	50,000	50,000	50,000
Movement on Pension reserve	20,000.00	60,000	60,000	60,000
Appropriation from Revenue Surplus	0.00	0	0	0
GROSS INCOME	2,590,168.17	2,596,100	2,470,500	2,015,300

NET EXPENDITURE

-8,883.30	-8,600	-1,600	-1,000
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After taking into account the revised estimates for this year, and the proposed charges for 2014/15, the balance of the General Fund is estimated to be £136,007 by 31 March 2014 as set out below:-

General Fund balance as at 1 April 2013	£ 133,407
<u>Add</u> Estimated revenue surplus 2013/14	<u>1,600</u>
General Fund balance as at 31 March 2014	135,007
<u>Add</u> Estimated revenue surplus 2014/15	<u>1,000</u>
General Fund balance as at 31 March 2015	<u>136,007</u>

APPENDIX B

PORTCHESTER CREMATORIUM JOINT COMMITTEE

OPTIONAL CHARGES

	Charge 2013/14	Proposed Charge 2014/15	% Increase
	£	£	£
<u>BOOK OF REMEMBRANCE (INC. VAT)</u>			
Single entry (2 lines)	47.00	48.00	2.13
Double entry (5 lines)	76.00	78.00	2.63
Double entry with badge or crest	126.00	129.00	2.38
Treble entry (8 lines)	105.00	108.00	2.86
Treble entry with badge or crest	147.00	150.00	2.04
Quadruple entry (11 lines)	127.00	131.00	3.15
Quadruple entry with badge or crest	161.00	165.00	2.48
<u>MEMORIAL CARDS (INC. VAT)</u>			
Single entry (2 lines)	33.00	34.00	3.03
Double entry (5 lines)	40.00	41.00	2.50
Double entry with badge or crest	76.00	78.00	2.63
Treble entry (8 lines)	46.00	47.00	2.17
Treble entry with badge or crest	80.00	82.00	2.50
Quadruple entry (11 lines)	53.00	54.00	1.89
Quadruple entry with badge or crest	87.00	89.00	2.30
<u>USE OF ORGAN (INC. VAT)</u>			
Use of Organ	31.35	32.00	2.07
Services of Organist	<u>19.65</u>	<u>20.00</u>	<u>1.78</u>
	<u>51.00</u>	<u>52.00</u>	<u>1.96</u>
<u>OTHER</u>			
Scattering of ashes from other Crematoria	48.00	49.00	2.08
Temporary retention of cremated remains	11.00	11.00	0.00

APPENDIX C

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CREMATION FEES

	Number of Cremations 2012/13	Existing Charge 2013/14	Proposed Charge 2014/15	% Increase
		£	£	
A young person whose age at the time of death did not exceed 16 years	22	No Charge	No Charge	-
A person whose age at the time of death exceeded 16 years	4,080	520	520	NIL

PORTCHESTER CREMATORIUM JOINT COMMITTEE

STATEMENT OF REPAIRS AND RENEWALS FUND

	£	£
Balance 1.4.2013		83,374
Contribution from Revenue Account 2013/14		<u>80,000</u>
		163,374
Proposed applications 2013/14		
* Balance of works from prior years programmes		
* Fire Precautions Installation Work	10,000	
- CCTV Camera Replacement	6,000	
- Internal Redecorations	5,000	
- Steam Cleaning Paving	3,000	
- Replacement Door Locks	5,000	
- Memorial Storage Room/Workshop Refurbishment	5,500	
- Reception/Office Area Refurbishment	13,000	
- External Lighting Improvements	4,500	
- South Chapel Redecoration	25,000	
- Garden of Contemplation Seating Improvements	<u>4,500</u>	<u>81,500</u>
Estimated Balance 31.3.2014		81,874
Contribution from Revenue Account 2013/14		<u>80,000</u>
		161,874
Proposed applications 2013/14		
- CCTV Camera Replacement	14,000	
- Internal Redecorations	5,000	
- Steam Cleaning Paving	3,000	
- Hardwiring of Alarm System	12,500	
- Car park fence / gate	8,100	
- Waiting Room and WC (South)	8,800	
- Water Feature	3,000	
- Book of Remembrance Room stonework	5,500	
- Mess Room improvements	2,600	
- Crematory Room improvements	<u>9,000</u>	<u>71,500</u>
Estimated Balance 31.3.2015		<u>90,374</u>

