



Report to Portchester Crematorium Joint Committee

Date: **10 December 2018**

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

Subject: **REVENUE BUDGET 2019/20**

SUMMARY

This report sets out the revenue budget for 2018/19 and 2019/20, together with the repairs and renewals and capital fund contributions for 2018/19 and 2019/20 and a review of fees and charges for 2019/20. The current capital works programme for future years has also been included for information.

RECOMMENDATIONS

- (a) That the capital works programme as detailed in Appendix D be noted;
- (b) That the Joint Committee approve the proposed cremation fees and other charges as set out in Appendices B and C from 1 April 2019;
- (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 2018/19 and 2019/20.

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 2019/20.
3. Detailed information is set out in the various appendices to this report which cover the following:
 - Appendix A - Revised revenue budget for 2018/19 and the revenue budget for 2019/20;
 - Appendix B - Optional charges 2019/20;
 - Appendix C - Cremation fees 2019/20;
 - Appendix D - Capital works programme and funding;

BASE REVENUE BUDGET 2018/19

4. The original revenue budget for 2018/19 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. Cremation numbers have fallen, but have remained stable over the past three years with only minor fluctuations that are to be expected.

	Cremations				
	2013/14	2014/15	2015/16	2016/17	2017/18
Cremations at nil charge (under 16)	27	22	26	20	26
Walk through cremations				80	152
Total cremations	<u>3,933</u>	<u>3,389</u>	<u>3,214</u>	<u>3,324</u>	<u>3,206</u>
	<u>3,960</u>	<u>3,411</u>	<u>3,240</u>	<u>3,424</u>	<u>3,384</u>

REVISED BUDGET 2018/19

6. 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 2017/18	Base Estimate 2018/19	Revised Estimate 2018/19	Variation
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	266,705	270,200	277,700	7,500
PREMISES RELATED EXPENDITURE	529,960	631,500	630,000	-1,500
SUPPLIES AND SERVICES	221,358	240,800	236,900	-3,900
CAPITAL CHARGES	323,725	323,600	305,800	-17,800
SPECIAL EXPENDITURE	1,125,050	1,125,000	1,115,000	-10,000
GROSS EXPENDITURE	2,466,798	2,591,100	2,565,400	-25,700
GROSS INCOME	-2,472,196	2,591,100	2,565,400	-25,700

7. Premises related expenditure has decreased overall by £1,500; from £631,500 to £630,000. The budgets for cleaning have decreased by £2,500 and the budget for gas and electricity has been increased by £8,000. The budget of £115,000 set against repairs and renewals expenditure has not been adjusted for financial year as 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.
8. Supplies and services related expenditure has decreased overall by £3,900; from £240,800 to £236,900. The budget for recharges from Portsmouth City Council in respect of horticultural consultancy has increased by £1,000 and Medical Referees fees have been revised in line with estimated cremation numbers. The budget for Book of Remembrance costs has been decreased to match recent expenditure in this area.
9. 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 2018 the opening balance of this fund was £2,020,000. In order to replenish the Capital Works Fund to levels that will meet future demands of the crematorium a budget of £340,000 is included for 2018/19.
10. 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 2018 was £340,000. The programme of works for 2018/19 includes the completion of updating works to the North Chapel which will be a significant draw upon the fund. Therefore the budgeted contribution to the Repairs and Renewals Fund for 2018/19 will be maintained at £100,000.
11. Gross income has decreased overall by £25,700; from £2,591,100 to £2,565,400. This is largely due to accounting entries required around depreciation charges. The income from organist fees has been reduced reflecting the continued fall in demand for this service.

BASE BUDGET 2019/20

12. The base budget for 2019/20 has been set to a breakeven level. The budget variations are shown in the following table, and explained further below.

	Actuals 2017/18	Base Estimate 2018/19	Base Estimate 2018/19	Variation
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	266,705	270,200	283,700	13,500
PREMISES RELATED EXPENDITURE	529,960	631,500	636,500	5,000
SUPPLIES AND SERVICES	221,358	240,800	236,900	
CAPITAL CHARGES	323,725	323,600	305,800	
SPECIAL EXPENDITURE	1,125,050	1,125,000	1,150,000	
GROSS EXPENDITURE	2,466,798	2,591,100	2,612,900	
GROSS INCOME	-2,472,196	2,591,100	2,612,900	

13. Premises related expenditure has increased overall by £5,000; from £631,500 to £636,500. The budgets for cleaning have decreased by £2,500. The budget for gas and electricity has been increased by £8,000 and the budget for NDR has been increased by £4,400. The budget of £115,000 set against repairs and renewals expenditure has not been adjusted for this financial year as 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.
14. Supplies and services related expenditure has decreased overall by £3,900; from £240,800 to £236,900. The budget for Book of Remembrance entries has been reduced in line with demand being experienced for this service. Medical Referees fees are set in line with estimated cremation numbers.
15. Within Special Expenditure the budget for payment to the constituent authorities 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 2018 the opening balance of this fund was £2,020,000. In order to replenish the Capital Works Fund to levels that will meet future demands of the crematorium a budget of £335,000 is included for 2019/20.
16. 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 2018 was £340,000. The programme of works for 2018/19 includes the completion of updating works to the North Chapel which will be a significant draw upon the fund. Therefore the budgeted contribution to the Repairs and Renewals Fund for 2019/20 will be maintained at £100,000.
17. Gross income has increased overall by £21,800; from £2,591,100 to £2,612,900. This increase takes account of the proposed cremation fee for 2019/20, with projected figures of 3100 cremations and 150 walk-through cremations for 2019/20.

REVIEW OF FEES & CHARGES

18. 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 2019.
19. The cremation fees are set out in Appendix C to this report, with a £15 increase proposed for 2018/19, equating to 2.44%. The fee level of £630 is still below the 2018 average cremation fee for the UK of £772.93, and the 2018 average cremation fee for Hampshire of £829. The table below shows a comparison of the 2018 fees with the nearest crematoria:

Chichester	£1,070
Southampton	£795
Eastleigh	£895
Portchester	£615
Havant	£785

20. The walk through cremation service is now well established with 152 services in 2017/18. It is proposed to maintain the current fee of £400 in order to retain the current level of demand.

FINANCIAL RISK ASSESSMENT

21. 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.
22. The Revenue Reserve is an accumulation of budget surpluses from previous years and was £149,988 as at 1 April 2018. In accordance with the Finance Strategy for 2019/20 it is prudent to maintain the level of this reserve at over £100,000 in order to provide a small retained resource to meet unforeseen fluctuations in revenue income and expenditure that are outside of the Joint Committee's control. 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. After taking into account the revised estimates for this year, and the proposed charges for 2019/20, the balance of the General Fund Revenue Reserve will not be increased.
23. The repairs and renewals programme is fully funded from an earmarked fund and as at 1 April 2018 the opening balance was £340,000. The programme of works for 2018/19 includes the completion of updating works to the North Chapel which will be a significant draw on this fund. Therefore the budgeted contribution to the Repairs and Renewals Fund for 2019/20 will remain at £100,000.
24. The 5 year capital programme, from 2018/19 to 2022/23, totals £3,140,000. The programme is set out as being fully funded from the existing Capital Works Fund balance of £2,020,000 plus annual contributions over the life of the programme totalling £1,575,000. 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

25. 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 2019 and 2020

APPENDIX B – Optional charges

APPENDIX C – Cremation fees

APPENDIX D – Capital works programme

Reference Papers

- (a) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Revenue Budget 2017-18' - 11 December 2017.
- (b) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Annual Return For The Financial Year Ended 31 March 2018' – 25 June 2018

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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 2020

	Actual 2017/18 £	Base Estimate 2018/19 £	Revised Estimate 2018/19 £	Base Estimate 2019/20 £
EMPLOYEES				
SALARIES	204,136.71	205,500	208,500	212,500
SALARIES OVERTIME	2,707.17	3,500	3,500	3,500
NATIONAL INSURANCE	17,340.16	17,500	18,000	19,000
SUPERANNUATION	42,329.03	42,500	46,500	47,500
FIRST AID ALLOWANCE	192.00	200	200	200
STAFF TRAINING	0.00	1,000	1,000	1,000
STAFF ADVERTISING	0.00	0	0	0
TOTAL EMPLOYEES	266,705.07	270,200	277,700	283,700
PREMISES				
R & M OF BUILDINGS	7,548.17	25,000	16,000	17,500
REPAIRS AND RENEWALS	49,930.50	115,000	115,000	115,000
FIRE RISK ASSESSMENT	161.50	0	0	0
R & M OF FIXED PLANT	85,801.36	85,000	85,000	85,000
R&M OF GROUNDS	61,994.91	70,000	70,000	70,000
R&M OF GARDEN IMP.SHEME	5,191.32	1,500	1,500	1,500
ELECTRICITY	38,227.31	36,000	42,000	42,000
GAS	61,413.78	73,000	75,000	75,600
RENTS - GENERAL PAYABLE	12,157.92	14,500	12,500	12,500
NATIONAL NON-DOMESTIC RATES	187,768.00	193,200	193,200	197,600
WATER CHARGES - SUPPLY (PWC)	995.93	1,000	1,000	1,000
SEWERAGE & ENV. CHARGES (SWS)	1,861.02	500	4,500	4,500
FIRE PRECAUTION APPLIANCES	364.02	400	400	400
CONTRACT CLEANING	4,430.50	3,000	4,500	4,500
CLEANING MATERIALS	373.63	400	400	400
TOILET REQUISITES	3,762.92	5,000	1,000	1,000
REMOVAL OF WREATHS	7,976.86	8,000	8,000	8,000
TOTAL PREMISES	529,959.65	631,500	630,000	636,500
SUPPLIES AND SERVICES				
FURNITURE & EQUIPMENT PURCHASE	6,648.27	3,000	3,000	3,000
MATERIALS (OPERATIONAL)	33.00	100	100	100
FURNITURE & EQUIPMENT MAINTENA	4,537.90	6,000	6,000	6,000
FURNITURE & EQUIPMENT SA	620.00	1,300	1,300	1,300
PROTECTIVE CLOTHING & UNIFORMS	1,086.36	1,600	1,600	1,600
LAUNDRY	30.78	100	100	100
BOOKS AND PUBLICATIONS	333.20	400	400	400
EXTERNAL PRINTING	3,740.40	3,000	3,000	3,000
STATIONERY	1,248.39	1,500	1,500	1,500
BOOK OF REMEMBRANCE	9,798.99	23,000	15,000	15,000
MEMORIALS CARDS	10,884.32	5,000	5,000	5,000
CONSULTANTS FEES	6,570.00	1,500	1,500	1,500
ADMIN.EXPENSES - FAREHAM	15,736.05	24,000	24,000	24,000
ADMIN.EXPENSES - PORTSMOUTH	12,217.14	12,000	13,000	13,000
MEDICAL REFEREES FEES	60,912.00	56,900	61,000	61,000
ORGANISTS FEES	11,851.14	16,000	14,000	14,000

ENVIRONMENTAL LICENSE	772.00	0	0	0
PEST CONTROL	509.83	500	500	500
GRAPHIC DESIGN	0.00	500	500	500
POSTAGES	1,248.07	1,200	1,200	1,200
TELEPHONES	2,602.80	4,000	4,000	4,000
COMPUTER SOFTWARE	4,774.79	5,000	5,000	5,000
WEB CAST SERVICES	1,740.00	1,000	1,500	1,500
SUBSISTANCE EXP - EMPLOYEES	703.90	700	700	700
COURSES/CONFRENCES (EMPLOYEES)	438.00	500	1,000	1,000
GRANTS AND SUBSCRIPTIONS	1,516.32	2,500	2,500	2,500
MISC INSURANCES - PREMIUM	15,571.32	17,000	17,000	17,000
ADVERTISING	0.00	500	500	500
NON RECLAIMABLE VAT	42,683.63	50,000	50,000	50,000
BANK CHARGES	1,530.07	2,000	2,000	2,000
SPECIAL EXPENDITURE	1,019.00	0	0	0
TOTAL SUPPLIES AND SERVICES	221,357.67	240,800	236,900	236,900
CAPITAL FINANCING COSTS				
DEPRECIATION	323,725.00	323,600	305,800	305,800
TOTAL CAPITAL FINANCING COSTS	323,725.00	323,600	305,800	305,800
SPECIAL EXPENDITURE				
CONTRIBUTION TO CAPITAL FUND	350,641.88	350,000	340,000	335,000
PENSION INTEREST COSTS	57,000.00	75,000	75,000	75,000
CONTRIBUTION TO R & R FUND	137,408.68	100,000	100,000	100,000
PAY TO CONSTITUENT AUTHORITIES	580,000.00	600,000	600,000	640,000
TOTAL SPECIAL EXPENDITURE	1,125,050.56	1,125,000	1,115,000	1,150,000
GROSS EXPENDITURE	2,466,797.95	2,591,100.00	2,565,400	2,612,900
INCOME				
CONTRIB.FROM GARDEN IMP.FUND	-5,191.32	-1,500	-1,500	-1,500
CAMEO TMAC INCOME	-16,517.00	0	0	0
SALE OF MEMORIAL CARDS	-5,253.31	-7,000	-7,000	-7,000
CREMATION FEES	-1,968,210.00	-1,968,000	-1,966,500	-2,013,000
BOOK OF REMEMBRANCE	-55,240.92	-52,200	-52,200	-52,200
ORGANISTS FEES	-29,744.17	-36,700	-29,700	-30,700
WEB BROADCASTING	-2,125.00	-2,000	-2,000	-2,000
MISCELLANEOUS FEES & CHARGES	-9,178.00	-7,000	-7,000	-7,000
INTEREST ON INVESTMENTS	450.81	-3,500	-3,500	-3,500
BANK INVESTMENT ACCOUNT	-461.76	-200	-200	-200
RETURN ON PENSION FUND ASS	-39,000.00	-50,000	-50,000	-50,000
CAPITAL CHARGE - ASSET RENTS	-323,725.00	-323,000	-305,800	-305,800
MOVEMENT ON PENSIONS RESERVE	-18,000.00	-25,000	-25,000	-25,000
EXP.FINANCED FROM RESERVES	0.00	-115,000	-115,000	-115,000
GROSS INCOME	-2,472,195.67	-2,591,100	-2,565,400	-2,612,900
NET EXPENDITURE	-5,397.72	0	0	0

PORTCHESTER CREMATORIUM JOINT COMMITTEE

OPTIONAL CHARGES

	Charges <u>2018/19</u> £	Proposed Charges <u>2019/20</u> £	% <u>Increase</u>
<u>BOOK OF REMEMBRANCE (INC. VAT)</u>			
Single entry (2 lines)	52.00	53.00	1.92
Double entry (5 lines)	86.00	88.00	2.33
Double entry with badge or crest	136.00	138.00	1.47
Treble entry (8 lines)	117.00	120.00	2.56
Treble entry with badge or crest	167.00	170.00	1.80
<u>MEMORIAL CARDS (INC. VAT)</u>			
Single entry (2 lines)	38.00	39.00	2.63
Double entry (5 lines)	45.00	46.00	2.22
Double entry with badge or crest	95.00	96.00	1.05
Treble entry (8 lines)	51.00	52.00	1.96
Treble entry with badge or crest	101.00	101.00	0.99
<u>USE OF ORGAN (INC. VAT)</u>			
Use of Organ	33.00	34.00	3.03
Services of Organist	33.00	34.00	3.03
Services of Organist	23.00	24.00	4.35
<u>OTHER</u>			
Scattering of ashes from other Crematoria	55.00	56.00	1.82
Temporary retention of cremated remains	14.00	15.00	7.14

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CREMATION FEES

	Number of Cremations 2017/18	Existing Charge 2018/19 £	Proposed Charge 2019/20 £	% 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	3,206	615	630	2.44
Walk through cremation	152	400	400	0.00

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CAPITAL WORKS PROGRAMME

	Revised Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
	£	£	£	£	£
Balance of Fund as at 1.4.2018	2,020,000	2,220,000	2,555,000	2,855,000	3,155,000
Advance during year	340,000	335,000	300,000	300,000	300,000
	<u>2,360,000</u>	<u>2,555,000</u>	<u>2,855,000</u>	<u>3,155,000</u>	<u>3,455,000</u>
Less Applications					
Cremator Furnace Relining	90,000				
Hearth Replacement	50,000				
Replacement cremator programme					3,000,000
	<u>140,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,000,000</u>
Balance of Fund	<u>2,220,000</u>	<u>2,555,000</u>	<u>2,855,000</u>	<u>3,155,000</u>	<u>455,000</u>