



Report to Portchester Crematorium Joint Committee

Date: **9 December 2019**

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

Subject: **REVENUE BUDGET 2020/21**

SUMMARY

This report sets out the revenue budget for 2019/20 and 2020/21, together with the repairs and renewals and capital fund contributions for 2019/20 and 2020/21 and a review of fees and charges for 2020/21. 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 2020;
- (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 2019/20 and 2020/21.

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 2020/21.
3. Detailed information is set out in the various appendices to this report which cover the following:
 - Appendix A - Revised revenue budget for 2019/20 and the revenue budget for 2020/21;
 - Appendix B - Optional charges 2020/21;
 - Appendix C - Cremation fees 2020/21;
 - Appendix D - Capital works programme and funding;

BASE REVENUE BUDGET 2019/20

4. The original revenue budget for 2019/20 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. The main budget issue remains fluctuations in cremation numbers as shown in the following table. Revised budget setting will take account of this in order to accurately reflect the level of income that we hope to achieve.

	Cremations				
	2014/15	2015/16	2016/17	2017/18	2018/19
Cremations at nil charge (under 16)	22	26	20	26	19
Walk through cremations			80	152	168
Total cremations	3,389	3,214	3,324	3,206	2,962
	<u>3,411</u>	<u>3,240</u>	<u>3,424</u>	<u>3,384</u>	<u>3,149</u>

The table below shows a comparison of the 2017 and 2018 cremation numbers with the nearest crematoria. Our numbers were constant in the January to December comparison period. The subsequent drop in our numbers over the final quarter of the financial year 2018/19 has previously been reported to the Joint Committee and partially attributed to there being no serious flu outbreak in the region. It is also possible that a portion of the decline may be cremations taken to a different location but it would be unlikely that different operators would disclose any other information than the published annual statistics.

Location	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2018
Chichester	1,838	1,860
Southampton	2,296	1,710
Eastleigh	1,832	1,723
Portchester	3,334	3,329
Havant	1,662	1,790

REVISED BUDGET 2019/20

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 2018/19	Base Estimate 2019/20	Revised Estimate 2019/20	Variation
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	270,911	283,700	285,900	2,200
PREMISES RELATED EXPENDITURE	708,199	636,500	639,500	3,000
SUPPLIES AND SERVICES	221,133	236,900	234,500	-2,400
CAPITAL CHARGES	325,316	305,800	305,800	0
SPECIAL EXPENDITURE	1,087,215	1,150,000	1,080,300	-69,700
GROSS EXPENDITURE	2,612,774	2,612,900	2,546,000	-66,900
GROSS INCOME	2,612,774	2,612,900	2,546,000	-66,900

7. Premises related expenditure has increased overall by £3,000; from £636,500 to £639,500. A budget of £2,600 has been added for the repair and maintenance of paved areas, and the budget for water, supply and waste charges, has also been increased. 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 £2,400; from £236,900 to £234,500. This is a reflection of the reduced cremation numbers affecting the level of Medical Referee and Organist expenditure. Small budget increases are provided for Insurance and Environmental Licences.
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 2019 the opening balance of this fund was

£2,325,000. In order to replenish the Capital Works Fund to levels that will meet future demands of the crematorium a budget of £315,300 is included for 2019/20.

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 2019 was £150,000. In order to replenish the Repairs and Renewals Fund to levels that will meet future demands of the crematorium a budget of £50,000 is included for 2019/20.
11. Gross income has decreased overall by £66,900; from £2,612,900 to £2,546,000. This is mainly due to projected income being reduced to reflect the estimated number of cremations reduced to 3,150 for the financial year to 31 March 2020.

BASE BUDGET 2020/21

12. The base budget for 2020/21 has been set to a breakeven level. The budget variations are shown in the following table, and explained further below.

	Actuals 2018/19	Base Estimate 2019/20	Base Estimate 2020/21	Variation
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	270,911	283,700	290,200	6,500
PREMISES RELATED EXPENDITURE	708,199	636,500	672,500	36,300
SUPPLIES AND SERVICES	221,133	236,900	246,600	-9,700
CAPITAL CHARGES	325,316	305,800	305,800	0
SPECIAL EXPENDITURE	1,087,215	1,150,000	1,070,000	-80,000
GROSS EXPENDITURE	2,612,774	2,612,900	2,585,100	-27,700
GROSS INCOME	2,612,774	2,612,900	2,585,100	-27,700

13. Premises related expenditure has increased overall by £36,300; from £636,200 to £672,500. The budget for gas and electricity has been increased by £36,000 and the budget for NDR has been increased by £3,400. 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 increased overall by £9,700; from £236,900 to £246,600. This is a reflection of the reduced cremation numbers affecting the level of Medical Referee and Organist expenditure. Small budget increases are provided for Insurance and Environmental Licences. An additional £12,400 has been added to the budget for equipment maintenance to allow for customer focused service improvements.
15. Within Special Expenditure the budget for payment to the constituent authorities has been increased by £20,000. 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 2019 the opening

balance of this fund was £2,325,000. In order to replenish the Capital Works Fund to levels that will meet future demands of the crematorium a budget of £235,000 is included for 2020/21.

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 2019 was £150,000. In order to replenish the Repairs and Renewals Fund to levels that will meet future demands of the crematorium a budget of £100,000 is included for 2019/20.
17. Gross income has decreased overall by £27,700; from £2,612,900 to £2,585,200. This increase takes account of the proposed cremation fee for 2020/21, with projected figures of 3050 cremations and 140 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 2020.
19. The cremation fees are set out in Appendix C to this report, with a £20 increase proposed for 2020/21, equating to 3.17%. This is set having due regard to cost increases for employees, utilities and other premises cost increases along with service enhancements for our customers. The fee level of £650 is still below the 2019 average cremation fee for the UK of £797.64, and the 2019 average cremation fee for Hampshire of £856. The table below shows a comparison of the January 2019 fees with the nearest crematoria:

Chichester	£1,070
Southampton	£795
Eastleigh	£915
Portchester	£615
Havant	£850

20. The walk through cremation service is now well established with 168 services in 2018/19. 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 £152,969 as at 1 April 2019. In accordance with the Finance Strategy for 2020/21 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 2020/21, 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 2019 the opening balance was £150,000. In order to replenish the Repairs and Renewals Fund to levels that will meet future demands of the crematorium a budget of £50,000 is included for 2019/20.
24. The 5 year capital programme, from 2019/20 to 2023/24, totals £3,280,000. The programme is set out as being fully funded from the existing Capital Works Fund balance of £2,325,000 plus annual contributions over the life of the programme totalling £1,450,300. 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 2020 and 2021

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 2019-20' - 10 December 2018.
- (b) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Annual Return For The Financial Year Ended 31 March 2019' – 24 June 2019

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

REVENUE ACCOUNT FOR THE YEAR ENDING 31 MARCH 2021

	Actual 2018/19 £	Base Estimate 2019/20 £	Revised Estimate 2019/20 £	Base Estimate 2020/21 £
EMPLOYEES				
SALARIES	203,646.89	212,500	212,500	217,000
SALARIES OVERTIME	3,512.14	3,500	3,500	3,500
NATIONAL INSURANCE	17,562.37	19,000	18,200	19,000
SUPERANNUATION	45,759.62	47,500	50,500	49,500
FIRST AID ALLOWANCE	192.00	200	200	200
STAFF TRAINING	0.00	1,000	1,000	1,000
STAFF ADVERTISING	237.60	0	0	0
TOTAL EMPLOYEES	270,910.62	283,700	285,900	290,200
PREMISES				
R & M OF BUILDINGS	8,244.24	17,500	17,500	13,700
REPAIRS AND RENEWALS	208,796.24	115,000	115,000	115,000
FIRE RISK ASSESSMENT	535.00	0	0	0
R & M OF FIXED PLANT	69,353.11	85,000	85,000	85,000
R&M OF GROUNDS	71,110.13	70,000	70,000	70,000
R&M OF GARDEN IMP.SCHEME	3,341.00	1,500	1,500	1,500
R&M OF PAVED AREAS	0.00	0	2,600	0
ELECTRICITY	41,716.37	42,000	42,000	48,000
GAS	75,396.38	75,600	75,600	105,600
RENTS - GENERAL PAYABLE	12,157.90	12,500	12,500	12,500
NATIONAL NON-DOMESTIC RATES	193,256.00	197,600	197,600	201,000
WATER CHARGES - SUPPLY (PWC)	2,724.36	1,000	2,000	2,000
SEWERAGE & ENV. CHARGES (SWS)	7,356.29	4,500	4,500	4,500
FIRE PRECAUTION APPLIANCES	439.05	400	700	700
CONTRACT CLEANING	4,799.50	4,500	4,500	4,500
CLEANING MATERIALS	405.67	400	400	400
TOILET REQUISITES	23.83	1,000	100	100
REMOVAL OF WREATHS	8,543.55	8,000	8,000	8,000
TOTAL PREMISES	708,198.62	636,500	639,500	672,500
SUPPLIES AND SERVICES				
FURNITURE & EQUIPMENT PURCHASE	7,499.01	3,000	8,000	5,000
MATERIALS (OPERATIONAL)	0.00	100	100	100
FURNITURE & EQUIPMENT MAINT	7,236.45	6,000	6,000	18,400
FURNITURE & EQUIPMENT AGREE'T	620.00	1,300	1,300	1,300
PROTECTIVE CLOTHING & UNIFORMS	998.40	1,600	1,600	1,600
LAUNDRY	9.16	100	100	100
BOOKS AND PUBLICATIONS	333.20	400	400	400
EXTERNAL PRINTING	1,696.40	3,000	3,000	3,000
STATIONERY	1,421.84	1,500	1,500	1,500
BOOK OF REMEMBRANCE	20,563.32	15,000	15,000	15,000
MEMORIALS CARDS	4,566.34	5,000	5,000	5,000
CONSULTANTS FEES	4,065.00	1,500	1,500	1,500
ADMIN.EXPENSES – FAREHAM	14,602.45	24,000	24,000	24,000
ADMIN.EXPENSES – PORTSMOUTH	12,580.00	13,000	13,000	13,000
MEDICAL REFEREES FEES	56,682.00	61,000	55,200	57,000
ORGANISTS FEES	10,379.44	14,000	10,000	10,500

ENVIRONMENTAL LICENSE	772.00	0	800	800
PEST CONTROL	535.32	500	500	500
GRAPHIC DESIGN	0.00	500	500	500
POSTAGES	1,018.47	1,200	1,000	1,200
TELEPHONES	2,421.67	4,000	4,000	4,000
COMPUTER SOFTWARE	5,156.31	5,000	5,000	5,000
WEB CAST SERVICES	2,280.00	1,500	1,500	1,500
SUBSISTENCE EXP – EMPLOYEES	315.45	700	500	700
COURSES/CONFRENCES	249.00	1,000	1,000	1,000
GRANTS AND SUBSCRIPTIONS	1,472.79	2,500	2,500	2,500
INSURANCES	15,740.79	17,000	18,500	18,500
ADVERTISING	0.00	500	500	500
NON RECLAIMABLE VAT	46,396.52	50,000	50,000	50,000
BANK CHARGES	1,522.17	2,000	2,000	2,000
OTHER EXPENDITURE	0.00	0	500	500
TOTAL SUPPLIES AND SERVICES	221,133.50	236,900	234,500	246,600
CAPITAL FINANCING COSTS				
DEPRECIATION	325,316.00	305,800	305,800	305,800
TOTAL CAPITAL FINANCING COSTS	325,316.00	305,800	305,800	305,800
SPECIAL EXPENDITURE				
CONTRIBUTION TO CAPITAL FUND	302,437.60	335,000	315,300	235,000
PENSION INTEREST COSTS	63,000.00	75,000	75,000	75,000
CONTRIBUTION TO R & R FUND	118,796.24	100,000	50,000	100,000
PAY TO CONSTITUENT AUTHORITIES	600,000.00	640,000	640,000	660,000
TRANSFER TO REVENUE RESERVE	2981.32			
TOTAL SPECIAL EXPENDITURE	1,087,215.16	1,150,000	1,080,300	1,070,000
GROSS EXPENDITURE	2,612,773.90	2,612,900	2,546,000	2,585,100
INCOME				
CONTRIB.FROM GARDEN IMP.FUND	0.00	-1,500	-1,500	-1,500
CAMEO TMAC INCOME	-13,198.92	0	0	0
SALES	-175.00	0	0	0
SALE OF MEMORIAL CARDS	-7,980.02	-7,000	-7,000	-7,000
CREMATION FEES	-1,888,830.00	-2,013,000	-1,950,000	-1,982,500
BOOK OF REMEMBRANCE	-57,639.15	-52,200	-55,000	-55,000
ORGANISTS FEES	-24,262.52	-30,700	-22,000	-30,600
WEB BROADCASTING	-2,775.00	-2,000	-2,000	-2,000
MISCELLANEOUS FEES & CHARGES	-9,570.00	-7,000	-9,000	-7,000
INTEREST ON INVESTMENTS	-10,602.75	-3,500	-3,500	-3,500
BANK INVESTMENT ACCOUNT	-628.30	-200	-200	-200
RETURN ON PENSION FUND ASS	-42,000.00	-50,000	-50,000	-50,000
CAPITAL CHARGE - ASSET RENTS	-325,316.00	-305,800	-305,800	-305,800
MOVEMENT ON PENSIONS RESERVE	-21,000.00	-25,000	-25,000	-25,000
EXP.FINANCED FROM RESERVES	-208,796.24	-115,000	-115,000	-115,000
GROSS INCOME	-2,612,773.90	-2,612,900	-2,546,000	-2,585,100

PORTCHESTER CREMATORIUM JOINT COMMITTEE

OPTIONAL CHARGES

	Charges <u>2019/20</u> £	Proposed Charges <u>2020/21</u> £	% <u>Increase</u>
<u>BOOK OF REMEMBRANCE (INC. VAT)</u>			
Single entry (2 lines)	53.00	55.00	3.77
Double entry (5 lines)	88.00	90.00	2.27
Double entry with badge or crest	138.00	140.00	1.45
Treble entry (8 lines)	120.00	125.00	4.17
Treble entry with badge or crest	170.00	175.00	2.94
<u>MEMORIAL CARDS (INC. VAT)</u>			
Single entry (2 lines)	39.00	39.00	2.56
Double entry (5 lines)	46.00	48.00	4.35
Double entry with badge or crest	96.00	98.00	2.08
Treble entry (8 lines)	52.00	55.00	5.77
Treble entry with badge or crest	101.00	105.00	2.94
<u>USE OF ORGAN (INC. VAT)</u>			
Use of Organ	34.00	35.00	2.94
Services of Organist 45 minutes	34.00	35.00	2.94
Services of Organist 30 minutes	24.00	25.00	4.17
<u>OTHER</u>			
Scattering of ashes from other Crematoria	56.00	58.00	3.57
Temporary retention of cremated remains	15.00	15.00	0

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CREMATION FEES

	Number of Cremations 2018/19	Existing Charge 2019/20 £	Proposed Charge 2020/21 £	% Increase
A young person whose age at the time of death did not exceed 16 years	19	No charge	No charge	
A person whose age at the time of death exceeded 16 years	2,962	630	650	3.17
Walk through cremation	168	400	400	0.00

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CAPITAL WORKS PROGRAMME

	Revised Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24
	£	£	£	£	£
Balance of Fund as at 1.4.2019	2,325,000	2,500,300	2,595,300	2,895,300	3,195,300
Advance during year	315,300	235,000	300,000	300,000	300,000
		2,735,300	2,895,300	3,195,300	3,495,300
Less Applications					
Cremator Furnace Relining	90,000	90,000			
Hearth Replacement	50,000	50,000			
Replacement cremator programme					3,000,000
	140,000	140,000	0	0	3,000,000
Balance of Fund	2,500,300	2,595,300	2,895,300	3,195,300	495,300