



Report to Portchester Crematorium Joint Committee

Date: 11 December 2023

Report of: Treasurer to the Joint Committee

Subject: **FINANCE STRATEGY AND BUDGET FOR 2024/25**

SUMMARY

At its meeting on 12 December 2022, the Joint Committee approved the Finance Strategy and the revenue budget for 2023/24.

The Finance Strategy for 2024/25 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 2024/25, attached as Appendix A to this report, be approved;
- (b) That the Finance Strategy 2024/25 be sent to the constituent authorities to note.

PORTCHESTER CREMATORIUM JOINT COMMITTEE

FINANCE STRATEGY AND BUDGET FOR 2024/25

INTRODUCTION

1. The Portchester Crematorium was opened on 27 September 1958 and is the seventh 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 20 March 2023 and covers the period from 2023 to 2028.

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 dealing with both short and long-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. Global economic factors have increasingly impacted on the cost of service delivery and capital projects at a time when UK inflation has been over 10% and CPI was at 6.7% in September 2023. Energy costs remain close to 200% higher over a two year period, with peak costs being 596% higher without the benefit of any energy cap.
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 the prevailing market rates of interest. The Treasurer will determine the appropriate term for investments, according to the cashflow requirements of the Joint Committee at the time.

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.
22. The main budget issue remains fluctuations in cremation numbers along with the rising costs for different resources required in support of these cremation numbers, in particular utility and capital costs, and inflationary pressures with CPI being at 6.7% in September 2023. Energy costs remain close to 200% higher over a two year period, with peak costs being 596% higher without the benefit of any energy cap in the first half of the current financial year. Costs have also risen significantly for the delivery of the replacement cremator programme and associated building works to accommodate the new machinery.
23. A new crematorium has been given planning permission within the Borough of Fareham, and will be bought into use by a private crematorium operator over the course of the coming years. It is reasonable to assume a drop in cremation numbers of between 800 – 1000 on realisation of the scheme, which will have an associated drop in income.

CREMATIONS	2018/19	2019/20	2020/21	2021/22	2022/23
Cremations at nil charge (under 16)	19	28	25	20	22
Walk through cremations	168	195	374	253	189
	2,962	3,076	3,209	2,760	2,966
Total cremations	<u>3,149</u>	<u>3,299</u>	<u>3,608</u>	<u>3,033</u>	<u>3,177</u>

24. The table below shows a comparison of the 2021 and 2022 cremation numbers with the nearest crematoria.

Location	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2022
Chichester	2,248	2,191
Southampton	1,606	1,403
Eastleigh	2,130	2,229
Romsey	1,813	1,794
Portchester	3,264	3,118
Havant	2,236	2,253

25. The budget setting report for 2024/25 will take account of cremation numbers being experienced, the resources required to deliver the capital programme and the impact on the level of payment to the constituent authorities.
26. Since 1999-2000 the Joint Committee has achieved sufficient surpluses to allow an amount to be distributed to each of the constituent authorities. As a direct result of increased capital costs for essential cremator replacement works the amount proposed to pay the authorities in 2023/24 will be reduced to £100,000, and a contribution of £100,000 is proposed for 2024/25. The approval of the new private crematorium in Fareham is not anticipated to impact further on this fundamental principle for the current and next financial year. On completion however it is likely to have such an impact on cremation numbers that will mean no amount will be available to be distributed to the local authorities beyond 2024/25.

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 2023 was £3,207,600. In order to increase the Capital Works Fund to levels that will meet the level required for the cremator replacement and associated building works programme a revised budget of £500,000 is included for 2023/24 and £600,000 is included for 2024/25.
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. In order to replenish the Repairs and Renewals Fund to levels that will meet the future demands of the crematorium a budgeted contribution to this fund of £70,000 will be included in the budget for 2024/25.

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 £157,707 as at 1 April 2023. It is prudent to maintain the level of this reserve at over £100,000.

FINANCIAL RISK ASSESSMENT

33. 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.
34. 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

35. 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.
36. 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.
37. 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.