

Mountsett Crematorium Joint Committee

29 January 2010

**Financial Monitoring Report – Position at
31 December, with Projected Outturn at
31/03/10**



Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Stuart Crowe – Corporate Director: Resources (Treasurer to the Joint Committee)

Purpose of the Report

1. The purpose of this report is to set out details of income and expenditure in the period 1 April to 31 December 2009, with a projection of the anticipated outturn to 31 March 2010, highlighting areas of over / underspend against the revenue budgets at a service expenditure analysis level.
2. The report also sets out details of the funds and reserves of the Joint Committee at 1 April 2009 and estimated position at 31 March 2010, taking into account the forecast financial outturn.

Background

3. As members will recall, the 2008-09 external audit "issues arising" letter recommended that, in order to improve financial governance, regular budgetary control reports were to be considered by Members of the Joint Committee, on at least a quarterly basis. Members will also recall that the Treasurer's forward plan (approved by the Joint Committee in October) incorporated quarterly financial monitoring reporting.

Financial Performance

4. Budgetary control reports, incorporating outturn projections, are considered by Neighbourhood Services' Management Team on a monthly basis. The County Councils Corporate Management Team also considers monthly budgetary control reports, with quarterly reports being considered by Cabinet / Scrutiny Committee. The year to date and outturn projections for the Mountsett Crematorium are included within these reports.
5. The projections contained within this report have been calculated using income and expenditure for the year to date, consideration of expenditure patterns in previous years and information supplied by the Superintendent Registrar. The following table highlights the year to date actual and projected outturn financial performance.

Subjective Analysis	Original Base Budget 2009/10 £	Year to Date Actual (Apr-Dec) £	Probable Outturn 2009/10 £	Variance Over/ (Under) £
Employees	112,730	79,016	110,329	(2,401)
Premises	89,300	77,072	88,625	(675)
Transport	100	140	300	200
Supplies & Services	58,850	30,599	47,182	(11,668)
Agency & Contracted	16,000	0	15,850	(150)
Transfer Payments	0	0	0	-
Capital Charges	0	0	0	-
Central Support Costs	8,330	0	8,330	-
Gross Expenditure	285,310	186,287	270,616	(14,694)
Income	(485,200)	(333,170)	(511,430)	(26,230)
Net Income	(199,890)	(146,343)	(240,814)	(40,924)
Transfer to Reserves				
- Repairs Reserve	15,000	0	15,000	-
- Cremator Reserve	20,000	0	60,924	
Distributable Surplus	(164,890)	0	(164,890)	-
35% to Gateshead	57,712	0	57,712	-
65% to Durham County	107,178	0	107,178	-
Mountsett Crematorium Earmarked Reserves	Balance @ 1 April 2009 £	Transfers to Reserve £	Transfers From Reserve £	Estimated Balance @ 31 March 2010 £
Cremator Replacement Reserve	(123,670)	(60,924)	0	(184,594)
Major Repairs Reserve	(17,428)	(15,000)	0	(32,428)
Total	(141,098)	(75,924)	0	(217,022)

Explanation of Significant Variances Between Original Budget and Forecast Outturn

6 The Crematorium is currently forecast to over-achieve its operating surplus by £40,924. The following section outlines the reasons for significant variances by subjective analysis area.

6.1 Employees

The probable outturn is projecting a £2,401 saving based on current staffing levels. The base budget assumed a 1.50% pay award, however, the outturn projections factor in the agreed 1% pay award.

6.2 *Premises*

This variance is mainly due to a predicted underspend on water rates and repairs.

6.3 *Supplies and Services*

This saving is mainly due to the budgeted payment in respect of the DEFRA Mercury Abatement scheme which has been deferred until 2013, partly offset by unbudgeted Trade Refuse charges of £1,790 which are factored into the outturn.

6.4 *Income*

The projected additional income of £26,230 is due to an increase in the number of cremations carried out during the year, which can be partially attributed to the closure of Saltwell Crematorium for a period of approximately 12 weeks.

6.5 *Earmarked Reserves*

There is not expected to be any expenditure funded from the cremator replacement reserve or the repairs reserve in 2009/10. The treatment of the repairs reserve differs from the previous report in which expenditure of £6,600 was reported as a transfer from Reserve within the Earmarked Reserves section. This expenditure has subsequently been included funded within the Premises element of the income and expenditure account, as set out above.

In terms of the forecast outturn, it is proposed that the additional surplus achieved in 2009/10 (over the level budgeted) is transferred to the earmarked cremator replacement reserve. Distributions of surpluses are therefore forecast to be in line with the budgeted levels.

The earmarked reserves and balances are forecast to be £217,022 at 31 March 2010, of which £184,594 is currently earmarked for the Cremator Replacement.

As noted in the report of the Superintendent Registrar, the existing cremators have an expected asset life of 15 years. This is based on a reline of one cremator in 2010/11, and further relines for both cremators every 6 years thereafter until replacement. Each reline costs in the region of £18,000. The estimated cost of replacing the cremators, with full abatement equipment is circa £968,000.

In terms of maintaining reasonable levels of reserves and balances, to cover risks and any emergency repairs / asset management issues that might arise, a prudent minimum level of retained balances would be between £75 – 100,000. Assuming that this is the case, and building in provision for the relines, then the contribution to the earmarked cremator reserve will need to increase from £20,000 to circa £65,000 in the period 2010/11 to 2024/25. This would produce a balance of £0.975M at 31 March 2024, after taking into account the costs of relining the existing cremators during this period, which would be available to finance the cremator replacement – incorporating abatement technology.

The fees and charges harmonisation and budget proposals for 2010/11, to be considered by members on 29 January, 2010, have been prepared in the context of securing the funding required to finance the cremator replacement.

Recommendations and reasons

7 It is recommended that:-

- Members note the April to December 2009 revenue spend financial monitoring report and associated forecasts in terms of the outturn position 2009/10;
- Members approve the transfers to earmarked reserves and balances outlined in the report; and
- Quarterly reports continue to be submitted to Members for consideration, in line with the Forward Plan.

Contact(s): Paul Darby, 0191 383 6594
Ian Hault, 01207 218 733
Ian Staplin, 01207 570255

Appendix 1: Implications

Finance

Full details of the year to date and projected outturn financial performance of the Mountseth Crematorium are included within the body of the report.

Staffing

There are no staffing implications associated with this report.

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Sustainability

None

Human rights

None

Localities and Rurality

None

Young people

None

Consultation

Officers of Gateshead Council were consulted on the contents of this report.

Health

None