

Mountsett Crematorium Joint Committee

27 September 2018

Budget Strategy Report

Joint Report of Ian Thompson – Corporate Director: Regeneration and Local Services; John Hewitt – Corporate Director: Resources and Treasurer to the Joint Committee

Purpose of the Report

1. This report outlines a range of issues that will need to be considered as part of the medium term budget strategy and sets out proposals to increase the surplus distribution to both partner authorities from 2019/20. The views of the committee on these issues are sought in advance of the 2019/20 budget setting process.

Background

2. The current level of surplus distribution to partner authorities has not been reviewed since Local Government Reorganisation (LGR) throughout County Durham in 2009. Following the completion of the cremator replacement and extension works and in light of continuing budget pressures facing both partner authorities it is now considered an opportune time to review the budget strategy of the Joint Committee.
3. The earmarked reserves of the Joint Committee have been used in the last year to fund the cremator replacement and extension works and will need to be built back up, in advance of the next cremator replacement programme which is estimated for 2038. Increases to the fees and charges at the crematorium, which are harmonised with Central Durham Crematorium, have also been kept to a minimum over recent years, resulting in the current charges being the lowest of all neighbouring facilities.

Capital Investment at the Crematorium

4. Since Local Government Reorganisation in 2009 there has been significant investment in the Mountsett Crematorium totalling £1,951,297, with the major improvement works including:

Project	Cost £
Installation of Memorial Towers	21,530
Road Widening	24,973
Tarmac Access Roads to Car Park	62,200
Car Park Extension	88,398
Cremator Replacement and Extension	1,564,515

5. The estimated costs of current and future improvements, as identified in the Strategic Asset Management Plan in an earlier report are relatively modest going forward due

to the above major investments at the Crematorium and are summarised in the table below:

Year	Premises Budget £	Supplies Budget £	Total Cost £
2018/19	36,000	4,000	40,000
2019/20	54,000	3,000	57,000
2020/21	70,000	0	70,000
2021 onwards	94,500	0	94,500

6. Members can see from the table that budgets will need to be increased slightly year on year to fund the proposed investments. This will need to be factored into the medium term budget forecast.

Cremator Replacement

7. The two cremators at the crematorium have just recently been replaced, with full mercury abatement equipment being installed and they have a life expectancy of 20 years, so the next cremator replacement programme is not scheduled until approximately 2038.
8. Based upon the recent cremator replacement works it is estimated that the next cremator replacement programme at Mountsett would cost in the region of £1 million, based upon today's market prices. However, these requirements could be subject to change in the event of future changes in legislation affecting the provision of crematorium services.
9. It is considered prudent for the Joint Committee to build up the Cremator Reserve to the £1 million over the next ten years and therefore a minimum annual transfer to the Cremator Reserve of £100,000 will need to be factored into the medium term budget forecast.

Loan Repayment

10. As part of the financing arrangements to fund the cremator replacement and extension works, the Joint Committee agreed to a £217,000 loan from Durham County Council, repayable in full in 2018/19. The loan repayment of £222,712 was built into the 2018/19 budget but will not now be required. Instead, the projected remaining costs of £173,325 will be paid directly from the Premises account in 2018/19 and this has been factored into the Financial Monitoring Report.
11. The loan repayment budget of £222,712 can be removed after 2018/19 and this will be factored into the medium term budget forecast.

Earmarked Reserves

12. The projected reserves and balances of the Mountsett Crematorium Joint Committee at 31 March 2019 are as follows:

Earmarked Reserve	Balance @ 1 April 18 £	Balance @ 31 March 19 £
Repairs Reserve	(39,370)	(54,370)
Cremator Reserve	(61,781)	(299,439)
General Reserve	(264,300)	(278,055)
Total	(365,451)	(631,864)

Fees and Charges

13. The fees and charges at Mountsett Crematorium are harmonised with those at the Central Durham Crematorium. A £30 (4.6%) increase was applied in 2018/19 and the current cremation fee (inclusive of medical referee's fees) is £680.
14. The current cremation fees for crematoria across the region, shown in the table below, indicates an average cremation fee of £777 (inclusive of medical referees fees and environmental surcharge where appropriate) across the region:

Crematorium	Cremation Fee
Hartlepool	£735
Middlesbrough	£735
Gateshead	£739
North Tyneside	£755
Northumberland	£760
Sunderland	£780
South Tyneside	£782
Newcastle	£788
Darlington	£848
Coundon	£850
Average	£777

15. The projected number of cremations at the Mountsett Crematorium in 2018/19 is 1,404, which will be 104 more than the budgeted position of 1,300. Should the 2019/20 cremation fees be increased by £10 (1.5%) and assuming a prudent forecast of 1,300 cremations next year an additional £13,000 income would be generated by the Joint Committee next year and this increase has been built into the medium term budget forecasts at this stage.
16. The proposed 2019/20 cremation fee of £690 would still remain the lowest in comparison with all other neighbouring facilities in the region.

Surplus Redistribution

17. Members will recall that the Constitution sets out the constituent authority title deeds and subsequent surplus distribution arrangements to Durham County Council (DCC) / Gateshead Council (GC) on an 65 / 35 basis.
18. The current surplus distributed is £164,890 per year (£107,178 DCC and £57,712 GC) and has not been reviewed or increased since Local Government Reorganisation in 2009.
19. It is now considered an appropriate time to consider an increase in the surplus distribution to both constituent authorities, bearing in mind all of the factors discussed previously in the report.
20. Whilst maintaining a strong financial position for the Joint Committee it is recommended that Members approve an increase of £185,110 from the 2019/20 financial year as detailed in the table below and the increase has subsequently been factored into the Medium Term Budget Forecast:

Constituent Authority	2018/19 Distributable Surplus £	2019/20 Distributable Surplus £	Increase £
Durham County Council	107,178	227,500	120,322
Gateshead Council	57,712	122,500	64,788
Total	164,890	350,000	185,110

21. It is recommended that Members review the budget strategy and surplus redistribution again in 2021 in preparation for the 2022/23 budget setting year.

Medium Term Budget Forecast

22. In terms of financial modelling for the Central Durham Crematorium, the following working assumptions have been applied:
 - Premises budgets have been adjusted for the increase in priority repair costs (in line with the SAMP)
 - A £10 increase per cremation has been factored into the income budget from 2019/20
 - An increase of £185,110 surplus redistribution to the constituent authorities has been built into the budget forecast from 2019/20
 - All other budgets have remained at the 2018/19 levels – with the estimated / budgeted level of cremations being 1,300 per annum.
23. The table below provides a financial summary of the revenue budget and forecast earmarked reserves of the Joint Committee projected for the next three financial years:

	Base Budget 2018/19 £	Forecast Budget 2018/19 £	Base Budget 2019/20 £	Base Budget 2020/21 £	Base Budget 2021/22 £
Revenue Budget					
Expenditure	622,536	568,796	416,824	429,824	454,324
Income	(926,850)	(1,000,099)	(939,850)	(939,850)	(939,850)
Net Income	(304,314)	(431,303)	(523,026)	(510,026)	(485,526)
Transfer to / (from) Reserves					
Repairs Reserve	15,000	15,000	15,000	15,000	15,000
Cremator Reserve	124,424	251,413	154,126	145,026	120,526
General Reserve	0	0	3,900	0	0
Distribute Surplus	(164,890)	(164,890)	(350,000)	(350,000)	(350,000)
65% Durham County Council	107,178	107,178	227,500	227,500	227,500
35% Gateshead Council	57,712	57,712	122,500	122,500	122,500

	Balance @ 1 April 2018 £	Balance @ 31 March 2019 £	Balance @ 31 March 2020 £	Balance @ 31 March 2021 £	Balance @ 31 March 2022 £
Earmarked Reserve					
Repairs Reserve	(39,370)	(54,370)	(69,370)	(84,370)	(99,370)
Cremator Reserve	(61,781)	(299,439)	(453,565)	(598,591)	(719,117)
General Reserve	(264,300)	(278,055)	(281,955)	(281,955)	(281,955)
Total	(365,451)	(631,864)	(804,890)	(964,916)	(1,100,442)

24. The budget forecast shows that having incorporated all of the proposed changes, including the increased surplus redistribution, the reserves balances of the Joint Committee are still projected to increase year on year, demonstrating a sound financial position for the coming years.

Recommendations

25. It is recommended that:-

- Members of the Joint Committee note and consider the contents of the report
- Members of the Joint Committee approve the proposed increase in the fees and charges and the surplus redistribution, as identified in the report
- Members of the Joint Committee agree to review the budget strategy and surplus redistribution in three years' time in preparation for the 2022/23 budget setting year

Contact(s): Paul Darby 03000 261930
Ed Thompson 03000 263481

Appendix 1: Implications

Finance

The financial implications associated with this report are disclosed in the body of the report

Staffing

There are no staffing implications associated with this report.

Risk

The figures contained within this report have been scrutinised and supplemented with information supplied by the Bereavement Services Manager. The medium term financial budget forecast has been produced taking into consideration current year forecasts, future improvement costs obtained from the SAMP and pricing structures from neighbouring facilities. This, together with the information supplied by the Bereavement Services Manager, should mitigate any risks with regards to challenge and review of the financial forecast of the Joint Committee.

Equality and Diversity / Public Sector Equality Duty

There are no Equality and Diversity implications associated with this report.

Accommodation

There are no Accommodation implications associated with this report.

Crime and Disorder

There are no Crime and Disorder implications associated with this report.

Human Rights

There are no Human Rights implications associated with this report

Consultation

None. However, Officers of Gateshead Council were provided with a copy of the report and given opportunity to comments / raise any detailed queries on the contents of this report in advance of circulation to members of the Joint Committee.

Procurement

None

Disability Discrimination Act

None

Legal Implications

The outturn proposals contained within this report have been prepared in accordance with standard accounting policies and procedures.