

**Report of Treasurer of Joint Crematorium Committee
To
Mansfield and District Joint Crematorium Committee
On
10 December 2018**

**FINANCIAL MANAGEMENT REVIEW
1 APRIL 2018 TO 31 OCTOBER 2018**

1. SUMMARY

- 1.1 This report shows the forecasted year end position for the 2018/2019 financial year for the Joint Crematorium as at 31 October 2018.

2. RECOMMENDATION

To be resolved:

- i). The financial information provided in appendix 1 and table 3 is for noting only.

3. BACKGROUND

- 3.1 Summary Forecast Financial Position - see appendix 1

Table 1 below summarises the income and expenditure incurred to 31 October 2018 and the variances expected at year end. Further explanations are provided below where there are significant variances between the forecasted outturn position and the budget.

Table 1

CREMATORIUM	FULL YEAR			1 April 2018 to 31 October 2018
	Budget	Forecast	Variance	Actuals
Description				
Employee Costs	379,896	376,707	-3,189	221,458
Premises Related Expenses	423,995	405,604	-18,391	205,629
Transport Related Expenditure	300	300	0	114
Supplies and Services	176,423	223,512	47,089	62,213
Support Services	61,435	61,435	0	8,815
Depreciation & Impairment	106,610	98,972	-7,638	98,972
Revenue Gross Expenditure	1,148,659	1,166,530	17,871	597,200
Rev Gross Income	-1,859,047	-1,818,822	40,225	-923,720
Revenue Gross Income	-1,859,047	-1,818,822	40,225	-923,720
Net Cost of Service	-710,388	-652,292	58,096	-326,520
Interest Income	-1,860	-4,000	-2,140	0
Depreciation to be Reversed	-106,610	-126,271	-19,661	-126,271
Impairment to be Reversed	0	27,299	27,299	27,299
CAMEO Non Abatement Fee from General Reserve	0	-55,000	-55,000	0
3% Cremation Fee Increase to Capital Fund	46,550	45,600	-950	0
2017/2018 Carryforward Budgets from General Reserve	-28,000	-28,000	0	0
Below Net Cost of Service	-89,920	-140,372	-50,452	-98,972
Net (-) Surplus	-800,308	-792,664	7,644	-425,493
CREMATORIUM CAPITAL	FULL YEAR			1 April 2018 to 31 October 2018
Description	Budget	Forecast	Variance	Actuals
Capital New Land Infrastructure	0	5,315	5,315	0
Capital Gross Expenditure	0	5,315	5,315	0

3.1.1 Employee Expenses total forecasted variance (£3,000)

There are currently two vacancies at the Crematorium, one technician post and one clerical assistant post. These vacant posts are expected to be filled by February 2019. Officers have been working overtime to cover vacancies and rotas which incur additional overtime, national insurance and superannuation costs.

In September 2018, the Director and Registrar took a report to the Head of Pad Service to change the establishment of the Crematorium. The changes approved were to increase a clerical administration post by 12 hours per week and to delete one of the technician posts and replace this with a gardener/relief technician post, this is an increase in employee costs of £6,915 per annum. Table 1 and Appendix 1 reflect the vacancy savings offset by the additional pro rata costs for the changes to the establishment.

3.1.2 Premises Related Expenses total forecasted variance (£18,000)

Insurance premiums and business rates annual invoice were lower than budget estimates (£4,000). Utility forecasts for electricity and gas have been reduced (£14,000); this is based on current usage and the total expenditure for the previous financial year. The utility forecasts will be monitored to reflect and changes in usage and/or prices from suppliers.

Budget realignments were processed in October 2018 to meet operational priorities. £10,000 of budget has been moved from Repairs and Maintenance Fixed Plant Cremators to Repairs and Maintenance Buildings for electrical works. £10,000 has been moved from Books/Publications to Grounds Maintenance for works to erect a boundary fence around the additional land purchased last year. £3,000 has been moved from Printing to Advertising for re-branding and promotional/advertising..

3.1.3 Supplies and Services Expenses total forecasted variance £47,000

Due to the problems with the abatement equipment, the 50% target for abated cremations is not expected to be met this financial year. The Mansfield & District Crematorium will have to purchase tradable mercury abated cremations (tmac's) from the CAMEO scheme to meet the 50% target. The current forecast for 2018/2019 is £55,000, in Sept 2018 the JCC approved for this spend to be financed from General Reserves.

Other forecast budget reductions totalling (£8,000) have been identified, the main savings being no additional external audit fees, no conference expenses this year, reduced bookings for the organist and reduction in medical fee costs based on forecasted lower number of cremations in year, offset by an adhoc fee to the District Valuation Service for a revaluation report.

As detailed in 3.1.2 above, budgets have been realigned between Books/Publications and Grounds Maintenance and between Printing and Advertising.

3.1.4 Depreciation and Impairment total forecasted variance (£8,000)

Due to the land purchases and car park works the crematorium was revalued by the District Valuation Service during October 2018. Please see Appendix 4 for a copy of the asset valuation report.

The new valuation shows the crematorium valued at £2,403,319 an increase of £452,519 from the 2016/2017 valuation of £1,950,800. The land has increased by the historic purchase cost for the additional 2 tranches of land acquired, one for the car park extension and the most recent for strewing land. The revaluation will change the annual depreciation charge from £106,610 to £126,271 per annum. Accounting adjustments have been made to reflect the revaluation increase in the crematorium accounts.

3.1.5 Income total forecasted variance £40,000

When comparing the number of cremations between April and October 2018 to previous years, there is currently a reduction in throughput of 100 cremations, as shown in table 2. The total number of cremations for 2017/2018 was 2,514 and the current years budgets are based on 2,450 cremations. Based on the current reduction of 100 the forecast for the number of cremations expected during 2018/2019 has been reduced by 50 from 2,450 to 2,400. This reduction impacts directly on the cremation fee income

reducing the forecasted income by £34,300. Medical fee income and expenditure will both reduce by £925 to reflect the throughput reduction.

The income from the organist is forecast to reduce by £5,000.

3.1.6 Below Net Cost of Service total forecasted variance (£50,000)

Interest income has been increased by (£2,000) due to the £750,000 capital spend being deferred to 2019/2020. (£55,000) will be moved from the general usable reserve to finance the forecasted non abatement fees from CAMEO.

Accounting adjustments for depreciation and impairment totalling £8,000 reverse the impact on the income and expenditure statement and move these transactions to the balance sheet.

At the December 2017 JCC meeting it was agreed to increase the cremation fees by 5% plus an additional 3% in 2018/2019, with the income from the additional 3% fee increase to be transferred to the Capital Fund Reserve at the financial year end. Due to the reduction in the forecasted number of cremations the 3% fee income transfer to the capital fund will reduce by (£1,000)

3.1.7 The number of cremations carried out between 1 April 2018 and 31 October 2018 1,274, a decrease of 100 (7.3%) compared to 1,374 over the same period in 2017/2018. Table 2 below compares the April to October number of cremations for the last 4 years.

Table 2

Period	Ashfield	Mansfield	Newark & Sherwood	Out of Area	Total
April 2018-Oct 2018	465	483	66	260	1274
April 2017-Oct 2017	480	548	95	251	1374
April 2016-Oct 2016	457	533	143	311	1444
April 2015-Oct 2015	471	460	120	336	1387

Appendix 2 shows the number of cremations and the percentage of the split between Ashfield District Council, Mansfield District Council, Newark and Sherwood District Council and Outside of the Joint Committee area. A graph showing these proportions is attached in appendix 3.

3.2 Balance Sheet Review – Table 3 below shows the balance sheet as at 31 October 2018.

Table 3

Mansfield & District Joint Crematorium		
Balance Sheet as at 31 October 2018		
31 March 2018		31 October 2018
£		£
1,993,480	Property, Plant & Equipment	2,277,048
1,993,480	Long Term Assets	2,277,048
243,519	Short Term Debtors	169,280
1,607,129	Cash and Cash Equivalents	1,293,190
1,850,648	Current Assets	1,462,470
-813,671	Short Term Creditors	0
-12,288	Provisions	-12,288
-825,959	Current Liabilities	-12,288
-1,223,000	Net Pension Liability	-1,223,000
-1,223,000	Long Term Liabilities	-1,223,000
1,795,169	Net Assets	2,504,230
	Financed by:	
764,707	Capital Fund	764,707
0	Surplus/(deficit) in year	425,493
299,901	General Reserve	299,901
1,064,608	Usable Reserves	1,490,101
97,413	Revaluation Reserve	248,177
1,896,067	Capital Adjustment Accounts	2,028,871
-1,262,919	Pension Reserve	-1,262,919
£730,561	Unusable Reserves	1,014,129
1,795,169	Total Reserves	2,504,230

3.2.1 Long Term Assets – The long term assets for 2018/2019 reflect the asset valuation report. This reflects the new valuation of £2,403,319 less the annual depreciation of £126,271.

3.2.2 Current Assets

Short Term Debtors - Total outstanding at 31 October 2018 was £169,280.

Ageing Summary:

Month invoice raised:	Amount Due £
○ October (Current month)	111,519
○ September (1 month overdue)	40,466
○ August (2 months overdue)	3,566
○ May and earlier (3 months plus)	13,729
○ TOTAL	169,280

These debtor invoices relate to monies due from funeral directors. Between the 1 November 2018 and 27 November 2018, £118,893 of the above short term debtors have been repaid.

Cash and Cash Equivalents – The main changes relate to the payment of the 2017/2018 allocated surplus to each authority, accrued creditor payments to suppliers and the revenue surplus calculated up to 31 October 2018 on the revenue accounts.

3.2.3 Current Liabilities

Short Term Creditors – There are no short term creditors at 31 October 2018. However, at the financial year end the outstanding creditors will be calculated based on the invoices relating to the 2018/2019 accounts that have not yet been paid and the net surplus due to the 3 authorities.

Provisions – At the financial year end the value required for this provision will be recalculated based on the age of outstanding debtor invoices.

3.2.4 Long Term Liabilities

Net Pension Liability – This will remain unchanged until the actuary report is received at the financial year end advising of the changes to the value of the JCC pension scheme.

3.2.5 Usable Reserves

Capital Fund – The capital budget for 2018/2019 was set at £750,000 for replacement cremator abatement equipment. It has been agreed by the constituent authorities to defer these works to 2019/2020. There is a final retention payment due this financial year for the works undertaken on the car

park infrastructure undertaken during 2017/2018 to be financed from the capital fund of £5,135.

The forecast capital fund usable reserve balance at 31 March 2019 is £805,172 as detailed in table 4 below.

Table 4

Capital Fund Balance Brought Forward 1 April 2018		£764,707
Add estimated income from 3% cremation fee increase based on 2,400 cremations		£45,600
Less estimated expenditure Sept 2018-March 2019 for the retention due on the car park infrastructure works		-£5,135
Capital Fund Forecasted Balance as at 31 March 2019		£805,172

General Reserve – At the end of 2017/2018 budget carry-forwards were approved totalling £28,000. The carry-forward budgets were included in the general reserve increasing the closing balance of this reserve to £299,901 at the end of the last financial year. These carry-forward budgets are now included in the 2018/2019 budgets.

As identified in 3.1.3, fees are expected to be incurred during 2018/2019 from CAMEO for the purchase of tmac's, the costs are forecast at £55,000 to be financed from the general reserve.

The forecasted balance of the general reserve at the end of this financial year is £216,901, as detailed in table 5 below.

Table 5

General Reserve Balance Brought Forward 1 April 2018		£299,901
<u>Less Estimated Expenditure Sept 2018 to March 2019</u>		
CAMEO Non Abatement Fees	-£55,000	
Equipment budget for video streaming	-£22,000	
Printing budget	-£6,000	-£83,000
General Reserve Forecasted Balance as at 31 March 2019		£216,901

3.2.6 Unusable Reserves

Revaluation reserve – This reserve contains the gains arising from increases in the valuation of the crematorium buildings and cremators less accounting adjustments for historic cost differences. The balance sheet changes in this reserve reflect the recent revaluation transactions.

Capital Adjustment Account – This reserve includes the depreciation and impairment charges for the crematorium. Following the revaluation accumulative depreciation is written out, impairment adjustments processed as required to reflect the new valuation and the new level of depreciation is charged to the reserve.

Pension Reserve - This will remain unchanged until the actuary report is received at the financial year end advising of the changes to the value of the JCC pension scheme.

3.3 The position at 31 October 2018 is a surplus of £425,493, see appendix 1.

The year-end forecast position to 31 March 2019 is a surplus of £792,664, compared to the budgeted surplus of £800,308, which is a reduction of £7,644. This is mainly due to the forecasted number of cremations reducing from 2,450 to 2,400 in the current financial year.

3.3.1 As approved at the December 2017 JCC meeting, the surplus distribution will not exceed the budgeted surplus of £800,308 and that any additional surplus will be transferred to the General Reserve for future planned preventative works.

3.3.2 Table 6 below shows the forecast surplus payments to each authority based on the current forecast surplus and the usage to date by area.

Table 6

District	April 2018- August 2018 No. of Cremations	April 2018 - August 2018 Usage Percentage	Forecast Surplus £792,664 split
Ashfield	465	45.86%	£ 363,500
Mansfield	483	47.63%	£ 377,571
Newark & Sherwood	66	6.51%	£ 51,594
TOTAL	1,014	100.00%	£ 792,664

3.4 VAT Implications

The section 151 officers from the constituent authorities have agreed that the expenditure incurred on the Capital Abatement works in 2019/2020 should be allocated across each authority on the annual throughput basis. This approach will require each authority to include this in their Partial Exemption assessment for the purposes of VAT. Mansfield District Council's tax consultants advised that written consent should be obtained from HM Revenue and Customs (HMRC) as this is a change to the current practice. A request has been submitted to HMRC on 8 November 2018.

4. RISK ASSESSMENT OF RECOMMENDATIONS AND OPTIONS

Risk	Risk Assessment	Risk Level	Risk Management
Financial forecasts are inaccurate	A number of the Joint Crematorium's budgets are dependent on external factors and influences which cannot be accurately forecast	Medium	The budgetary management system is in place whereby finance and budget officers meet to discuss issues surrounding the budgets.

5. ALIGNMENT TO COMMITTEES PRIORITIES

This report is directly aligned to ensuring effective management of the Crematorium.

6. IMPLICATIONS RELATING TO RELEVANT LEGISLATION

(a) Relevant Legislation: The accounts are produced in accordance with the requirements of the Accounts and Audit Regulations 2015. The format reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 and the Service Accounting Code of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standards (IFRS).

The audit is carried out in accordance with the Accounts and Audit Regulations 2015.

(b) Human Rights: No impact

(c) Equality and Diversity: No impact.

(d) Climate change and environmental sustainability: No impact.

(e) Crime and Disorder: No impact.

(f) Budget / Resources: This report is to note the out-turn position on the Joint Crematorium Account and the balances on the Reserve funds.

7. CONSULTATION

The proposals have been provided by the Director and Registrar of the Mansfield & District Crematorium.

8. BACKGROUND PAPERS

None.

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				Appendix 1
REVENUE CREMATORIUM	Full Year			1 April 2018 to 31 October 2018
Description	Budget	Forecast	Variance	Expenditure
	£	£	£	£
Salaries Basic Pay	275,549	257,900	-17,649	147,762
Salaries Overtime	18,000	23,000	5,000	12,245
Salaries National Insurance	20,859	22,100	1,241	12,582
Salaries Superannuation	46,017	49,100	3,083	28,302
Salaries Vacancy Savings	-5,136	0	5,136	0
Superann Additional Allowances	1,147	1,147	0	89
Pension Deficit Lump Sum	19,960	19,960	0	19,960
Occupational Health Services	500	500	0	0
Training Expenses Staff	3,000	3,000	0	518
Employee Related Expenditure	379,896	376,707	-3,189	221,458
Repair/Maintenance Buildings	32,667	32,667	0	11,017
Grounds Maintenance General	30,440	30,440	0	10,480
EPA Testing	1,500	1,200	-300	0
Repair/Maintenance Fixed Plant Cremators	127,600	127,600	0	30,610
Electricity	45,000	43,000	-2,000	16,329
Gas	55,000	43,000	-12,000	15,629
Rent of Premises	159	159	0	159
Business Rates	90,629	87,902	-2,727	87,902
Sewage/Water Rates	20,000	20,000	0	16,994
Insurance	16,000	14,636	-1,364	14,636
Cleaning Materials	5,000	5,000	0	1,872
Premises Related Expenditure	423,995	405,604	-18,391	205,629
Car Allowances	300	300	0	114
Transport Related Expenditure	300	300	0	114
Equipment Acquisitions	22,000	22,000	0	0
Furniture Acquisitions	4,000	4,000	0	883
Hire Vending Machines	600	600	0	308
Light Plant and Tools	5,000	5,000	0	1,678
Bio Boxes	4,000	4,000	0	2,682
Office Machinery Repair/Maintenance	0	64	64	64
Office Machinery Replacement	1,000	936	-64	0
Uniforms	3,500	3,500	0	360
Books & Publications	2,000	2,000	0	0
Printing	6,000	6,000	0	1,062
Stationery	6,000	6,000	0	2,337
Advertising Other	4,650	4,650	0	1,693
Fees and Allowances	0	500	500	0
Waste Collection Skips	1,500	1,500	0	0
Medical Referee Fees	45,325	44,400	-925	23,884
Payments to Local Authorities	4,000	4,000	0	417
External Audit Fees	2,000	-2,000	-4,000	-2,000
Software Licences	9,180	8,240	-940	8,240
Mobile Phones	100	0	-100	0
Postages	4,500	4,500	0	1,769
Telephones	6,800	6,500	-300	2,313
Conference Expenses	1,000	0	-1,000	0
Subscriptions	2,346	2,200	-146	1,170
Book of Remembrance Inscriptions	8,922	8,922	0	4,238
Other Expenses General	500	500	0	0
Memorial Plaques	11,500	11,500	0	2,542
Organist Fees	20,000	19,000	-1,000	8,574
CAMEO Non Abatement Fees	0	55,000	55,000	0
Supplies & Services Expenditure	176,423	223,512	47,089	62,213

				Appendix 1
REVENUE CREMATORIUM	Full Year			1 April 2018 to 31 October 2018
Description	Budget	Forecast	Variance	Expenditure
	£	£	£	£
Head of Service	6,636	6,636	0	0
Human Resources	7,737	7,737	0	0
Payroll	2,413	2,413	0	1,150
Accountancy	7,219	7,219	0	0
BSU Creditors	3,683	3,683	0	0
Customer Support Unit Telephony	688	688	0	0
Customer Support Unit Reception	30	30	0	0
Debtors	2,312	2,312	0	0
Internal Audit	3,016	3,016	0	0
Postal Services	4	4	0	0
IT GIS	1,610	1,610	0	0
IT Network	11,398	11,398	0	0
Design Services	5,422	5,422	0	293
Waste & Litter Collection	6,987	6,987	0	7,185
Environmental Health	450	450	0	0
Risk Management	780	780	0	0
Telephone Recharges	1,050	1,050	0	188
Support Services	61,435	61,435	0	8,815
Depreciation	106,610	126,271	19,661	126,271
Impairment	0	-27,299	-27,299	-27,299
Depreciation and Impairment	106,610	98,972	-7,638	98,972
Revenue Gross Expenditure	1,148,659	1,166,530	17,871	597,200
Book of Remembrance Inscriptions	-24,970	-24,970	0	-13,899
Crematorium Containers	-200	-200	0	-200
Crematorium Memorials	-45,631	-45,631	0	-25,209
Organist	-32,000	-27,000	5,000	-12,542
Cremation Fees	-1,680,700	-1,646,400	34,300	-848,542
Medical Fees	-45,325	-44,400	925	-23,328
Recharges to Cemeteries	-30,221	-30,221	0	0
Revenue Gross Income	-1,859,047	-1,818,822	40,225	-923,720
Net Cost of Service	-710,388	-652,292	58,096	-326,521
Interest Income	-1,860	-4,000	-2,140	0
Depreciation to be Reversed	-106,610	-126,271	-19,661	-126,271
Impairment to be Reversed	0	27,299	27,299	27,299
3% Cremation Fee Increase Income to Capital Fund	46,550	45,600	-950	0
CAMEO Non Abatement Fees from General Reserve	0	-55,000	-55,000	0
2017/2018 Carryforward Budget from General Reserve	-28,000	-28,000	0	0
Below Net Cost of Service Sub Total	-89,920	-140,372	-50,452	-98,972
Net Surplus	-800,308	-792,664	7,644	-425,493
CAPITAL CREMATORIUM	Full Year			1 April 2018 to 31 October 2018
Description	Budget	Forecast	Variance	Expenditure
	£			£
New Land Infrastructure	0	5,135	5,135	0
Grand Total	0	5,135	5,135	0

Appendix 2

Number of Cremations by Area - 2018/2019

Month	Ashfield	%	Mansfield	%	Newark	%	Out of Area	%	TOTAL
Apr-18	71	35%	79	39%	12	6%	40	20%	202
May-18	55	32%	79	45%	6	3%	34	20%	174
Jun-18	68	35%	76	39%	8	4%	44	22%	196
Jul-18	65	39%	55	33%	7	4%	38	23%	165
Aug-18	69	38%	67	37%	17	9%	30	16%	183
Sep-18	65	41%	56	35%	8	5%	31	19%	160
Oct-18	72	37%	71	37%	8	4%	43	22%	194
Nov-18									
Dec-18									
Jan-19									
Feb-19									
Mar-19									
	465	36%	483	38%	66	5%	260	20%	1274

Appendix 3

Mansfield & District Crematorium - Cremations 2018/2019



