

# Report



## Greater Gwent Crematorium Joint Committee

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### Part 1

Date: 16 December 2022

**Subject** Review of Budget Performance 2022/23

**Purpose** To provide supporting information relating to the budget performance in 2022/23

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**Ward** General

**Summary** To provide the Committee with up to date budget monitoring data, and summary analysis

**Proposal** The Committee is asked to consider the budget position, and the potential impact on reserves

**Action by** Head of Finance

**Timetable** 1. Draft budget proposals, fees and charges and distribution level to be agreed for 2023/24 at the next Committee meeting in January

This report was prepared after consultation with:

- Head of Finance
- Service Manager for Environment and Leisure
- Team Manager-Bereavement
- Head of Law and Regulation
- Head of People and Business Change

**Signed**

## Background

It is necessary for the Joint Committee to review the financial position of Gwent Crematorium for the current financial year, prior to setting the budget for 2023/24, which the Committee will be asked to do in January.

## Financial Summary

*Forecasts based on actual cremations Apr-Nov (1058) and 85% capacity Dec-Mar (500)*

Total 1558 cremations + 15k per month other income eg memorials/inscriptions/rent etc

	<b>FY Budget 22/23</b>	<b>Actual to 30 Nov</b>	<b>Forecast 22/23</b>	<b>Variance to Budget</b>
<b>Total INCOME</b>	<b>(1,254,360)</b>	<b>(955,971)</b>	<b>(1,432,514)</b>	<b>(178,154)</b>
<b>Employees</b>	317,821	215,115	298,179	(19,642)
<b>Premises</b>	350,000	57,151	304,914	(45,086)
<b>Repairs + Renewals Reserve</b>	100,000	44,262	145,086	45,086
<b>Transport</b>	1,010	301	301	(709)
<b>Supplies &amp; Services</b>	181,782	85,859	151,862	(29,920)
<b>Capital Financing</b>	67,722	0	53,161	(14,561)
<b>Total EXPENDITURE</b>	<b>1,018,335</b>	<b>402,688</b>	<b>953,503</b>	<b>(64,832)</b>
<b>(SURPLUS) / DEFICIT</b>	<b>(236,025)</b>	<b>(553,284)</b>	<b>(479,011)</b>	<b>(242,986)</b>
<b>Less Budgeted Distribution</b>	<b>450,000</b>		<b>450,000</b>	
<b>(Increase)/Decrease to Balances</b>	<b>213,975</b>		<b>(29,011)</b>	

### Potential impact on Reserves at 31<sup>st</sup> March 2023

Reserves b/f £1,046,681	<b>832,706</b>		<b>1,075,692</b>	
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When the estimates were approved by Committee, due to the decreasing cremation numbers/income levels, it was agreed to reduce the level of distribution for this financial year, to £450k, and to draw from reserves, if required, however in light of the most recent data, the out-turn position shows that the reduced distribution can be managed within the revenue balances and therefore Committee reserves balances would remain stable.

### Explanation of projected variances

**Employees** - there has been a vacant post due to long term sickness

**Premises** – in the last 4 years, premises related costs have been increasing consistently, due to the age and nature of the equipment at the Crematorium, so the repairs and renewals reserve was introduced to manage cremator maintenance costs. This financial year the costs incurred within this fund include £20k for replacing filter bags and filter base, and £85k for the reline of the cremators, which has just been completed. Other costs are for parts, servicing cremators and analytical panels. The budget split between the Repairs and Renewals fund will need to be reviewed, when setting the budget, however, overall the Premises budget is sufficient to fund this year’s expenditure.

**Supplies & Services** – 30k underspend is due to there being surplus budget held for the bulk purchase of burial memorials. Due to the fact that they are ordered in bulk, there has been no requirement for purchases in this financial year. This budget will be reviewed when the Committee sets the budget for 2022/23 in January.

**Income** – the position as at the end of November, is showing an out-turn forecast of £178k more income than budgeted. The budgeted position was based on 85% of available service times being booked, and the table below highlights that there has been an increase in cremation numbers compared to the same period last year. Gwent Crematorium have improved their offering, as agreed by Committee, by having a full audio upgrade, including external speaker replacement, and the ability to show visual tributes during the service. Longer service times have also been introduced, and this, along with lower fees than our private competitors, has contributed to the increase in cremation numbers. Income will be monitored closely for the remaining months, but we hope to report the same favourable position at the next meeting, when we set the budget for 23/24.

*Dec to Jan projected on 85% of available service times booked. 9.30 am slot is often available*

Cremation numbers:	21/22	22/23	Variance
Apr	111	141	30
May	93	143	50
Jun	83	129	46
Jul	100	122	22
Aug	121	131	10
Sep	141	119	-22
Oct	123	132	9
Nov	146	141	-5
Dec	139	119	-20
Jan	134	125	-9
Feb	129	119	-10
Mar	134	137	3
	<b>1,454</b>	<b>1,558</b>	<b>104</b>

## Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Reduced cremation numbers	H	H	Continue to monitor income levels and review distribution to Constituent Authorities, to ensure reserve balances are maintained	Head of Finance
Increase in building maintenance costs	H	H	Continue to monitor the increasing costs associated with running 2 cremators, and helping to reduce maintenance costs	Head of Finance

## Budgeted Position 2022/23

The reduced budgeted income levels for 2022/23 of £1.25m reflect a fee of £828 per adult cremation and 1517 services (85% capacity). Revising the service durations from 20 minutes to 45 minutes, consistent with private enterprises, has had a positive impact on cremation numbers, and along with the lower fee at Gwent Crematorium, compared with those of our private competitors, these factors have had a positive effect on the previous declines we were experiencing.

The budget agreed presumed £236k surplus, and was insufficient to provide the reduced dividend of £450k for Gwent partners, without also utilising part of reserve balance. However, having revised the forecasts, the position is more favourable, and reserve balances should remain stable.

We are facing continuing financial challenges, with increasing contract prices and it is therefore important for the Committee to consider options, when setting the budget in January, for ensuring service/financial sustainability in the increasingly competitive market, to achieve future requirements.

Newport City Council is the only Gwent partner that actively budgets to receive an annual dividend payment of their share of £950k, and the impact of the reduced distribution has been reflected as an MTFP pressure.

For risk mitigation and to maintain a reserve of circa £1m, the level of annual dividend affecting each Gwent authority has been revised, as shown below:

	Population 1996	% share	Traditional Dividend 950,000	Revised Dividend 450,000	Reduction
Blaenau Gwent Caerphilly (Islwyn only)	77,400	17.59	167,114	79,159	-87,955
Monmouthshire	66,800	15.18	144,227	68,318	-75,909
Newport	81,200	18.45	175,318	83,045	-92,273
Torfaen	120,900	27.48	261,034	123,648	-137,386
<b>TOTAL</b>	<b>440,000</b>	<b>100.00</b>	<b>950,000</b>	<b>450,000</b>	<b>-500,000</b>

## Links to Council Policies and Priorities

The overall aim of the budget monitoring is to ensure the on-going delivery of the Cremation service whilst also providing an income source to Gwent Councils.

### **Options Available and considered**

The Committee is asked to note the financial position for 2022/23, and consider the position when setting the budget, fees and distribution levels, at the next Committee meeting in January.

### **Preferred Option and Why**

It is recommended that the Committee notes the distribution of £450,000 for 2022/23, and agrees to use reserves balances to fund any shortfall.

Then starting in 2023/24 that future dividends revert to levels consistent with the annual surplus generation, rather than necessitating any annual distribution of the reserve balance, which ought to remain sufficient as a risk mitigation against unanticipated cost volatility.

### **Comments of Chief Financial Officer**

As indicated to the Committee previously, the budget and distribution levels of the service requires careful planning from now on, as cremation numbers have reduced, and Gwent Crematorium is no longer generating the income levels they were historically. However, numbers have now stabilised, following the opening of Sirhowy Valley Crematorium, and are showing an increase since last year.

### **Comments of Monitoring Officer**

There are no specific legal issues arising from the Report.

### **Comments of Service Manager for Environment and Leisure**

Comments will be provided at the meeting.

### **Comments of Head of People and Business Change**

There are no HR or People and Business Change related matters arising from this report.

### **Comments of Cabinet Member**

Comments will be provided at the meeting.

### **Scrutiny Committees**

n/a

### **Equalities Impact Assessment and the Equalities Act 2010**

n/a

### **Children and Families (Wales) Measure**

n/a

### **Wellbeing of Future Generations (Wales) Act 2015**

In preparing this report, the Wellbeing of Future Generations (Wales) Act 2015 has been considered by balancing short-term needs with the need to safeguard the ability to also meet long term needs. We are considering options to provide a service which will allow us to withstand the competitive market, and meet our future wellbeing goals and objectives, and in doing so, understand the importance of involving those with an interest in achieving them, and ensuring that those people reflect the diversity of those to whom we provide a service.

## **Crime and Disorder Act 1998**

n/a

**Dated: 12 December 2022**