

# Report



## Greater Gwent Crematorium Joint Committee

### Part 1

Date: Wednesday 31st January 2024

**Subject** Budget Proposals and Review of Fees for 2024-25

**Purpose** To present the draft budget proposals for 2024-25 and associated fee setting.

**Author** Finance Business Partner - Systems

**Ward** General

**Summary** To review and consider the budget proposals for 2024-25, which have been affected by a number of factors, including the cremator replacement, which is to be considered in a separate report

Appendix:

- Appendix 1 Distribution summary 2023-24
- Appendix 2 Fees for consultation 2024-25
- Appendix 3 Draft budget proposals 2024-25

**Proposal** Members are asked to:

- **Agree a distribution of £250,000 in 2023-24**
- **Agree to use reserves to repay the outstanding loan on the Mercury Abatement equipment in 2023-24**
- **Agree a 10% fee increase in 2024-25**
- **Approve the resulting budget proposals for 2024-25**

**Action by** Head of Finance

**Timetable**

1. Any fee increases would be implemented from 1 April 2024
2. Draft budget proposals, and fees and charges to be agreed for 2024-25.

This report was prepared after consultation with:

- Head of Finance
- Service Manager for Environment and Leisure
- Head of Law and Regulation
- Head of People, Policy and Transformation

**Signed  
Background**

It is necessary for the Joint Committee to set the budget for the coming year. The fee options are detailed within this report (Appendix 2), along with the resulting draft budget proposals for 2024-25 (Appendix 3), which show a planned surplus of £431,585, with no fee increase, £486,461 surplus for a 4% increase, and £568,775 surplus, if the Committee approves a 10% fee increase. All of these figures are prior to any distribution.

## Financial Summary 2023-24

At the October meeting, we reported the detailed financial position as at 30 September, along with explanations for variances to budget. We have now revised the figures to 31 December, as shown in summary below

	<b>FY Budget 23/24</b>	<b>Actual to 31 Dec</b>	<b>Forecast 23/24</b>	<b>Variance to Budget</b>
<b>Total INCOME</b>	<b>(1,537,500)</b>	<b>(866,813)</b>	<b>(1,268,000)</b>	<b>269,500</b>
<b>Employees</b>	313,890	304,232	373,947	60,057
<b>Premises</b>	652,259	333,078	583,938	(68,321)
<b>Transport</b>	1,010	0	300	(710)
<b>Supplies &amp; Services</b>	162,329	122,186	191,786	29,457
<b>Capital Financing</b>	67,722	0	265,803	198,081
<b>Total EXPENDITURE</b>	<b>1,197,210</b>	<b>759,496</b>	<b>1,415,774</b>	<b>218,564</b>
<b>(SURPLUS) / DEFICIT</b>	<b>(340,290)</b>	<b>(107,317)</b>	<b>147,774</b>	<b>488,064</b>

### Potential impact on Reserves at 31<sup>st</sup> March 2024

Reserves b/f £1,162,806	<b>1,503,096</b>		<b>1,015,032</b>	
<b>Less Suggested Distribution</b>	<b>450,000</b>		<b>250,000</b>	
<b>Reserve balance c/f</b>	<b>1,053,096</b>		<b>765,032</b>	

**Income** - the position as at the end of December is showing an out-turn forecast of £270k less 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 a decrease in cremation numbers due to reduced operating hours as a result of the refurbishment works currently being carried out at the Crematorium.

Most of the works have taken place out of hours, however there has been an impact on the morning services. The works are currently still ongoing and are due to complete by the end of this financial year.

Cremation numbers:	22/23	23/24	Variance
Apr	141	116	-25
May	143	103	-40
Jun	129	121	-8
Jul	122	110	-12
Aug	131	120	-11
Sep	119	111	-8
Oct	132	104	-28
Nov	141	136	-5
Dec	132	115	-17
Jan	142	125	-17
Feb	137	119	-18
Mar	156	137	-19
	<b>1,625</b>	<b>1,417</b>	<b>-208</b>

**Employees** – the Crematorium has experienced many staffing changes during this financial year, and to maintain service provision, it was necessary to engage agency support, which has been in place since June. This has had a significant impact on the forecasted employee costs outturn, resulting in a projected overspend of £60k. Recruitment is now planned, and the service manager will update the Committee on staffing as part of their manager report.

**Premises** - the saving on premises is mainly attributable to utilities. As a result of a sharp spike in energy prices, budgets were increased by predicted contract inflationary rates; however expenditure has not met these levels, and budgets are to be adjusted for 2024-25

	Budget	Expenditure Forecast	Variance
Gas	201,594	146,152	55,442
Electricity	90,145	71,431	18,714
	<b>291,739</b>	<b>217,583</b>	<b>74,156</b>

**Capital Financing Costs** – the forecast for 23-24 assumes that the Committee will agree to repay the outstanding loan on the mercury abatement equipment of £265,803. There are currently 5 years remaining on the loan, and by making a one off repayment, reserve balances will be £1,015,032, prior to any distribution, and annual revenue costs will be reduced by £53,161. This will partly offset the cost of the additional capital financing costs, relating to the cremator replacement, which would start in 2025-26, if approved.

The budget agreed for 2023-24 presumed a £340k surplus and was insufficient to provide a planned dividend of £450k for Gwent partners, without also utilising some of the crematorium reserve balances. The current projections of £148k deficit, indicate that a £450k distribution would require a more significant draw from reserves, reducing levels to £565k. This position supports the advice that from a budget planning point of view, historic distribution levels are no longer sustainable going forward, without expiring the reserve balances; and therefore the recommendation is that the Committee approves a £250,000 distribution in 2023-24.

## **Review of fees 2024-25**

Appendix 2 shows that our current fee of £845, is lower than the average of our geographically nearest competitors, of £927. Cremation numbers have decreased in 2023-24 due to the refurbishment works, which have impacted service provision, however, are expected to increase again in 2024-25.

If the cremator replacement is approved, the installation is not expected to affect service provision, as cremators 3 and 4, will still be in operation.

A 10% fee on adult cremations would increase the fee by £85 to £930, and if cremation numbers are as projected, could generate additional revenue of £137k

## **2024-25 Budget**

An incremental budget setting approach has been adopted, reviewing the traditional budget levels for staff and running costs and factoring in income levels more akin with expectation. Appendix 3 shows the draft budget with three different fee levels. Assuming a fee increase of 10%, income levels are based on 1614 cremations which is 85% maximum cremations (1898) + £180k other income e.g. memorials/inscriptions/rent. These figures have been prepared in conjunction with service colleagues. As the appendix shows, the running costs are consistent under each fee option as they are unaffected by fee levels and the differences in the annual surpluses are purely down to fee levels only.

Even with no fee increase, the 2024-25 draft budget indicates a net surplus of £432k, an increase of £92k on 2023-24 levels. Whilst cost headings have increased due to price/inflation increases, there has been a significant decrease in energy costs estimate and this explains a small increased surplus even with no fee increases / increased costs elsewhere.

The following inflationary factors have been applied, when preparing the draft budget proposals:

Pay = 5%  
Refuse Collection = 8.2%  
Rates = 5%  
Electricity = (-20%)  
Gas = (-20%)  
Water = 3%  
Rent income = 4%

**Income** – income levels are expected to return to levels more akin with 22-23 cremation numbers, once the refurbishment works have been completed. If the Committee approves the cremator replacement, there is expected to be minimal disruption to service provision, as cremators 3 and 4 will still be operational throughout the installation process.

**Premises** - as a result of a downward trend in utilities market prices, supply costs are expected to reduce by around 20%, and therefore budgets have been adjusted accordingly.

The introduction of a contribution to the repairs and renewals reserve within the overall premises budget, will help smooth the fluctuating cremator repairs and maintenance costs, we have experienced in recent years. Further work continues to be required on this budget to ascertain a more accurate estimate for the value and the new proposed cremator will impact on this and therefore for now, continuation of the current £100k contribution to that reserve is recommended, starting from 2024-25. This will be reviewed in time for the following year taking into account the impact of the new cremator equipment.

If the Committee approves the recommendation for Cremator replacement, there could be additional savings in both gas usage and cremator repairs and maintenance costs, however, these will not be realised until the new cremator is up and running, which is estimated to be September/October 2024, so any resulting savings will be towards the latter end of 2024-25. The draft budget shown makes the assumption that a new cremator will be approved and the part year gas savings of £29k and servicing and repairs saving of £22k has been reflected in the budget shown.

## Capital Financing Costs

	Budgeted Capital Financing Costs	24-25	25-26	If mercury abatement loan not repaid
Mercury Abatement Equip	53,161			53,161
Refurbishment works	14,561	14,561	14,561	14,561
Cremator replacement		53,161	70,355	70,355
	<b>67,722</b>	<b>67,722</b>	<b>84,916</b>	<b>138,077</b>

If the mercury abatement loan is repaid in 2023-24, there will be a reduction of 53,161 to ongoing capital financing costs, against the revenue budget.

Once the cremator replacement financing starts in 2025-26 revenue costs will be £84,916, instead of £138,077, if not repaid.

The budget proposals for 2024-25 include £67,722 for capital financing costs.

## 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?
Budgeted income level is unachievable with the increased competition	H	H	Consider reducing the budgeted income level	Head of Finance
Projected cremation numbers continue to fall, resulting in deficit position	H	H	Further draw down on reserves or reduced distribution	Head of Finance
Refurbishment work costs increase substantially considering cost rises and market pressures over the last 12 months	H	H	Consider options for funding the refurbishment works to minimise the pressure on the annual revenue budget	Head of Finance

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

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

## **Options Available and considered**

There are options available for consideration, for fees, distribution to constituent authorities and resulting reserve levels

All the following assumptions are based on cremation numbers of 1,614 projected for 2024-25, estimated on 85% capacity.

### **Distribution**

Projections for 2023-24 are indicating a deficit of £148k prior to any distribution. Reserve balances are £1,162,806 (Appendix 1)

- a) If final out-turn is as projected, a distribution of £450k would require a draw of £598k from reserves, reducing the balance at year end to £565k
- b) A £250k distribution, would still require a draw from reserves, of £398k, however would retain reserve balances of £765k

### **Reserves**

Reserve balances are currently £1,162,806, and the Committee has options to draw from reserves to maintain a distribution to Constituent Authorities in 2023-24 (Appendix 1)

The Committee could also agree to use some of the reserve balances to fund the outstanding loan on the Mercury Abatement equipment, which is £265,803. This is being funded from the revenue budget, at a cost of £53k per year, with 5 years repayments remaining. Using reserves to repay the outstanding loan, would reduce revenue expenditure by £53k per year, which would partly offset the cost of funding the Cremator replacement, should the Committee approve the recommendation.

### **Fees**

- a) A 4% fee increase, in line with inflation, would increase the fee from £845 to £879, and could result in total additional income of £54,876. This fee level would still be lower than the average of our geographically nearest competitors.
- b) A 10% fee increase, would increase the fee from £845 to £930 and would match the average of our competitors whilst still being lower than private sector providers in the locality. This fee could result in total additional income of £137,190
- c) A 30% fee increase, would increase the fee from £845 to £1,099, and would be in line with the private crematoria in the area, at Langstone Vale and Sirhowy Valley. This option could result in total additional income of £409,956

## **Preferred Option and Why**

### **Distribution**

It is recommended that the Committee agree a distribution of £250,000 for 2023-24, with the shortfall to be taken from reserves. This would ensure the Committee retains reserves of £1,031k (Appendix 1)

Then starting in 2024-25 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.

### **Reserves**

It is recommended that the Committee agree to repay the outstanding loan on the Mercury Abatement equipment, of £265,803 resulting in a saving of £53k per year on the capital financing revenue budget from 2024-25 and mitigates in part increased capital financing costs resulting from the new cremator investment.

### **Fees**

It is recommended that there is an increase of 10% in 2024-25, to match fees to the current average of our nearest competitors. Having improved the service provided, by increasing service times in line with the competition, and offering visual tributes, it is felt that Gwent Crematorium is now well placed in the current market and is attracting increased business from funeral directors and families.

## **Comments of Chief Financial Officer**

The report shows the draft budget and some of the key assumptions behind it for Committee's review and approval. Three fee levels are shown, and a 10% increase is recommended. This is a reasonable and required increase as it improves the annual surplus to that level which can sustain a £450k annual distribution to Councils which has been the historical value in this regard. Committee are recommended to approve the 10% increase.

## **Comments of Monitoring Officer**

There are no legal issues arising from this report.

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

## **Comments of Head of People, Policy and Transformation**

The Council must undertake its business according to the sustainable development duty set out in the Wellbeing of Future Generations Act 2015. In relation to budgetary management and the charging of fees we are required to consider balancing increasing fees, to ensure sustainable public services, against the financial pressures faced by families at a time of steep rises in the cost of living. The report

sets out options for increasing income through a fee increase, which in line with competitors, and distributing dividends, whilst maintaining reserve balances at a prudent level.

The report notes that the Crematorium has experienced significant staffing changes during the financial year, and to maintain service provision, it was necessary to engage agency support. This has had an impact on the forecasted outturn however recruitment is now planned, and it is noted that the service manager will update the Committee on progress as part of their report.

## **Comments of Cabinet Member**

### **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



## APPENDIX 1 – DISTRIBUTION SUMMARY 2023-24

Based on the forecasted outturn position, the following table shows the impact of various distribution levels on the reserves

	Forecast 23/24	Forecast 23/24	Forecast 23/24
<b>(SURPLUS) / DEFICIT</b>	147,774	147,774	147,774
<b>Less Suggested Distribution</b>	450,000	250,000	100,000
<b>(Increase)/Decrease to Balances</b>	597,774	397,774	247,774

### Potential impact on Reserves at 31<sup>st</sup> March 2024

Reserves b/f £1,162,806	<b>565,032</b>	<b>765,032</b>	<b>915,032</b>
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	StatsWales Population		<b>450,000</b>	<b>250,000</b>	<b>100,000</b>
	<b>2021</b>	<b>%</b>			
Blaenau Gwent	66,993	13.89	62,489	34,716	13,886
Caerphilly (Islwyn only)	70,136	14.54	65,421	36,345	14,538
Monmouthshire	93,194	19.32	86,929	48,294	19,317
Newport	159,658	33.09	148,924	82,736	33,094
Torfaen	92,453	19.16	86,237	47,910	19,164
<b>TOTAL</b>	<b>482,434</b>	<b>100.00</b>	<b>450,000</b>	<b>250,000</b>	<b>100,000</b>

## APPENDIX 2 – FEE REVIEW

### 1. FEES in 2023-24

The table below shows the current cremation fee (as at Dec 23) in Gwent, in relation to our geographically nearest competitors.

	<b>Basic adult Cremation fee* 1 Dec 23</b>
<b>ABERDARE</b>	813.00
<b>PONTYPRIDD</b>	813.00
<b>CARDIFF</b>	820.00
<b>BRIDGEND</b>	824.00
<b>GWENT</b>	845.00
<b>HEREFORD</b>	908.00
<b>LANGSTONE VALE (PRIVATE)</b>	1010.00
<b>SIRHOWY VALLEY (PRIVATE)</b>	1010.00
<b>BARRY</b>	980.00-1030.00
<b>FOREST OF DEAN</b>	1025.00
<b>GLOUCESTER</b>	1095.00
<b>AVERAGE FEE</b>	<b>926.64</b>

\* Cremation fee, plus medical referee's fee and environmental surcharge

### STATISTICS

<b>Financial Year</b>	<b>Actual cremations</b>
April 2013 – March 2014	2781
April 2014 – March 2015	2886
April 2015 – March 2016	2872
April 2016 – March 2017	3013
April 2017 – March 2018	2850
April 2018 – March 2019	2352
April 2019 – March 2020	2257
April 2020 – March 2021	2097
April 2021 – March 2022	1454
April 2022 – March 2023	1614
April 2023 – March 2024 (projected)	1417
April 2024 – March 2025 (projected)	1614

## 2. CREMATION FEES for 2024-25

The following table shows the impact of various increases on the fees, based on the projected 24-25 cremation numbers of 1,614. Cremation numbers decreased in the current financial year, due to the ongoing refurbishment works, impacting normal operations.

<b>% increase / decrease</b>	<b>Revised Fee</b>	<b>Impact on adult cremation fee</b>	<b>Impact on income levels</b>
0%	£845	£0	£0
4%	£879	£34	£54,876
10%	£930	£85	£137,190
30%	£1099	£254	£409,956

### APPENDIX 3 - DRAFT BUDGET PROPOSALS 24-25

	23/24 ESTIMATE	24/25 DRAFT ESTIMATE based on no fee increase £845	24/25 DRAFT ESTIMATE based on 4% increase £879	24/25 DRAFT ESTIMATE based on 10% increase £930	25/26 DRAFT ESTIMATE £930
<b>INCOME</b>	-1,537,500	-1,537,640	-1,592,516	-1,674,830	-1,674,830
Employees	313,890	329,585	329,585	329,585	329,585
Premises	552,259	445,327	445,327	445,327	393,640
Repairs and Renewals Reserve	100,000	100,000	100,000	100,000	100,000
Transport	1,010	500	500	500	500
Supplies + Services	162,329	162,921	162,921	162,921	162,921
Capital Financing	67,722	67,722	67,722	67,722	84,916
<b>EXPENDITURE</b>	1,197,210	1,106,055	1,106,055	1,106,055	1,071,562
<b>(SURPLUS)/DEFICIT prior to distribution</b>	-340,290	-431,585	-486,461	-568,775	-603,268

### Projected Reserves

Forecast reserves as at 31 March 2024	765,032
Estimated surplus as at 31 March 2025	568,775
Projected reserves as at 31 March 2025	1,333,807