

Chilterns Crematorium Joint Committee

Wednesday, 15th February, 2017

At

4.00 pm

Cabinet Room, King George V House, King George V Road, Amersham

LATE REPORT:

Medium Term Financial Strategy

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| SUBJECT: | MEDIUM TERM FINANCIAL STRATEGY |
| REPORT OF: | Treasurer of Chilterns Crematorium Joint Committee – Jim Burness |
| RESPONSIBLE OFFICER | Jim Burness |
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| WARD/S AFFECTED | All |

Purpose of Report

1. This reports set out the forecast medium term financial position of the Joint Committee's activities to deliver its overall aims and objectives.

RECOMMENDATION

The Joint Committee note the Medium Term Financial Strategy forecast.

2. The Medium Term Financial Strategy for the Joint Committee attempts to take into account the impact on the Committee's operations of the following:
 - The maintenance and operation of the existing facility at Amersham
 - The effect of the CCJC operating a new crematorium in the Aylesbury area.

The Amersham Crematorium

3. The projected income and expenditure for Amersham is based upon The following assumptions:
 - An inflation factor of between 0% and 3% has been applied each year to both expenditure and income items, with the 2017/18 budget forming the baseline for future years forecasts.
 - Significant gas and electricity costs increase in 2018 (end of fixed contracts), of 20%+.
 - Interest income effectively ceasing from 2018/19 once accumulated reserves have been applied to the new crematorium construction.
 - The capital expenditure factored into the forecasts is that currently shown in the proposed Capital Programme (separate report) and this includes provision

for the construction of the new crematorium and that is completed by June 2018.

- Income figures have been adjusted to assume a new rival Crematorium opens, and this reduces volumes at Amersham by up to 1,100 a year by March 2020.

4. The following tables summarise the forecast position for the next three years following 2017/18 for the Amersham Crematorium

| Amersham Crematorium | 2018/19 Forecast £ | 2019/20 Forecast £ | 2020/21 Forecast £ |
|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Revenue Expenditure | 964,808 | 983,890 | 1,022,336 |
| Revenue Income | (1,605,202) | (1,426,965) | (1,467,865) |
| Revenue (Surplus) / Deficit | (640,394) | (443,075) | (445,529) |
| Capital Expenditure | 2,038,072 | 52,500 | 9,500 |
| (Surplus)/Deficit for year | 1,397,678 (deficit) | (390,575) Surplus | (436,029) Surplus |

5. The table shows that Amersham will continue to operate at a surplus even allowing for the impact of:
- Funding essential capital maintenance at Amersham
 - Contributing funding to the construction of a new crematorium
 - Experiencing a drop in income once the a new crematorium is opened.
6. The underlying revenue surplus of the Amersham operation is estimated to be in the order of £445k per annum.

New Aylesbury Crematorium

7. The Committee in the past has received reports on the business case for building a new crematorium in Aylesbury. This is forecast to make a surplus in 20/21. The size of the surplus will be influenced by a number of factors and would be assessed in detail during the first year of operation.
8. As the development of the new site progresses the cash flow situation will need to be carefully monitored. If build costs increase or are bought forward cash flow may become an issue that will need to be managed as part of the overall project.

| Aylesbury Crematorium | 2018/19 Forecast £ | 2019/20 Forecast £ | 2020/21 Forecast £ | 2021/22 Forecast £ | 2022/23 Forecast £ |
|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Revenue Expenditure | 131,585 | 261,427 | 272,016 | 281,170 | 290,670 |
| Revenue Income | (94,000) | (257,920) | (298,771) | (341,360) | (386,408) |
| Revenue (Surplus) / Deficit | 37,585 (Deficit) | 3,507 (Deficit) | (26,755) (Surplus) | (60,190) (Surplus) | (95,738) (Surplus) |
| Capital Expenditure | - | - | - | - | - |
| (Surplus)/Deficit for year | 37,585 (Deficit) | 3,507 (Deficit) | (26,755) (Surplus) | (60,190) (Surplus) | (95,738) (Surplus) |

Accumulated Reserves

9. The continuing accumulating surplus means that the Joint Committee's financial reserves are in a healthy position, as the table below illustrates.

| | Balance Brought Forward £ | Amersham Revenue (Surplus) /Deficit £ | Capital Expenditure £ | Aylesbury Revenue Surplus /(Deficit) £ | Balance Carried Forward £ |
|---------|--|--|--------------------------------------|---|--|
| 2018/19 | (3,106,617) | (640,394) | 2,038,072 | 37,585 | (1,671,354) |
| 2019/20 | (1,671,354) | (443,075) | 52,500 | 3,507 | (2,058,422) |
| 2020/21 | (2,058,422) | (445,529) | 9,500 | (26,755) | (2,521,206) |

10. The Committee will need to maintain a prudent level of reserves, which for 2017/18 is estimated to be £540k, in order to:
- Provide a working balance for its operations
 - Provide for financial risk of loss of income for whatever reasons
 - Contingency for any emergency works to the building or plant.
11. This level of reserves will be reviewed annually as part of the budget process.
12. Until any major construction project has been tendered and the works largely completed there will be the need to maintain contingencies within the project budget. As these are funded from the accumulated surpluses it would be premature to consider any release of surpluses until the construction is effectively completed.
13. Allowing for a minimum level of reserves it would be anticipated that once the construction of a new facility in Aylesbury is completed in 2018 then the Committee will be in the position from 2019/20 to be distributing surpluses.

Risks and Other Issues

14. The Medium Term Financial Forecast sets out to demonstrate that the Joint Committee's plans and objectives are financially deliverable and the operations are financially sustainable.
15. In the medium term there are a number of risks that need to be considered regarding the impact on the forecast appended to the report. The main ones are:
- The impact on income for both crematoria operated by the Joint Committee, of private sector competition.
 - The impact of any material variances to the capital expenditure of the Joint Committee, whether in respect of Amersham or the new facility.
 - Change in the market and demand for cremations.
16. The assumptions regarding the impact on income are considered to be prudent and in particular no assumption is made regarding growth in the overall demand for cremations in the Buckinghamshire area, hence any growth would have a beneficial effect for the projections.
17. The robustness of the estimating of the construction costs of the new facility should substantially mitigate the risk around capital expenditure.

18. The Medium Term Financial Forecast will be updated and reported to members annually

Background Papers: None

