

SUBJECT:	MEDIUM TERM FINANCIAL STRATEGY
REPORT OF:	Treasurer of Chilterns Crematorium Joint Committee – Jim Burness
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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:

That 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 at Berton.

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 2018/19 budget forming the baseline for future years forecasts.
 - Staffing costs only are included for the Berton Crematorium, non staff costs and income will be incorporated nearer the time of the facility opening when they can be better estimated.
 - Significant gas and electricity costs increase in 2018 (end of fixed contracts in 2018), of 14%+.
 - Interest income effectively ceasing from 2018/19 once accumulated reserves have been applied to the new crematorium construction.
 - Income figures have been adjusted to assume a new rival Crematorium opens

reducing volumes at Amersham by 1,100 from 2019/20

4. The following tables summarise the forecast position for the next three years following 2018/19 for the Amersham Crematorium.

Amersham Crematorium	2019/20 Forecast £	2020/21 Forecast £	2021/22 Forecast £
Revenue Expenditure	1,116,613	1,155,558	1,143,557
Revenue Income	(1,476,712)	(1,510,693)	(1,556,106)
Revenue (Surplus) / Deficit	(360,099)	(355,135)	(412,549)

The table shows that Amersham will continue to operate at a surplus until 2020/21 even allowing for the impact of experiencing a drop in income once a new crematorium is opened.

5. The underlying revenue surplus of the Amersham operation is estimated to be in the order of £350k – 400k per annum.

Bierton Crematorium

6. The Committee in the past has received reports on the business case for building a new crematorium in Aylesbury. The forecast shows each year as a surplus however the following should be noted.

- The staffing costs* are included in Amersham Crematorium's budgets, once the new facility is operational staff costs will be attributed to the Bierton site.
- 150 cremations are forecast for 18/19 increasing to 550 by 2022/23.

7. The forecast indicates that the Bierton operation should ultimately produce an operating surplus of at least £220k pa. The size of the surplus will be influenced by a number of factors, such as demand and operating costs, which will be clearer after the first year of operation.

Bierton Crematorium	2018/19 Forecast £	2019/20 Forecast £	2020/21 Forecast £	2021/22 Forecast £	2022/23 Forecast £
Revenue Expenditure *	78,647	152,185	160,589	167,514	174,741
Revenue Income	(94,000)	(257,920)	(298,771)	(341,360)	(386,408)
Revenue (Surplus) / Deficit	(15,353) (Surplus)	(105,735) (Surplus)	(138,182) (Surplus)	(173,846) (Surplus)	(211,667) (Surplus)

* The Bierton employees salary costs are included within Amersham Crematorium. Later in the year, once Bierton is opened the budgets will be amended.

8. The combined surplus from the two crematoria once fully operation is estimated to be as a minimum in the order of £570k pa.

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 £	Bierton Revenue Surplus /(Deficit) £	Balance Carried Forward £
2018/19	(5,910,457)	(1,022,200)	4,127,330	(15,353)	(2,820,680)
2019/20	(2,820,680)	(360,099)	163,060	(105,735)	(3,123,454)
2020/21	(3,123,454)	(355,135)	378,170	(138,182)	(3,238,601)
2021/22	(3,238,601)	(412,549)	1,398,940	(173,846)	(2,426,056)

10. 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 December 2018.

11. The Committee will need to maintain a prudent level of reserves, which for 2018/19 is estimated to be £620k, 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.

12. This level of reserves will be reviewed annually as part of the budget process.

13. Until the construction project has been 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 in 2018.

14. Allowing for a minimum level of reserves it would be anticipated that once the construction of the Bierton Crematorium is completed in 2018 then the Committee will be in the position from 2019/20 to consider distributing surpluses ensuring there is sufficient held back for capital programme requirements.

Risks and Other Issues

15. 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.

16. 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 Bierton.
- Change in the market and demand for cremations.

17. 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 financial position.

18. The robustness of the estimating of the construction costs of the new facility should substantially mitigate the risk around capital expenditure.

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

Background Papers: None