

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

Purpose of Report

1. This reports set out the forecast medium term financial position of the Chilterns Crematorium.

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 on the Amersham operation of a new crematorium opening in the Aylesbury area
 - The effect of the Committee 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:
 - a) An inflation factor of between 0% and 2% has been applied each year to both expenditure and income items, with the 2016/17 budget forming the baseline for future years forecasts.
 - b) Interest rates remain at 1% or less over the period.
 - c) 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 in 2017.

- d) Income figures have been adjusted to assume a new Crematorium opens in October 2017, and this reduces volumes at Amersham by up to 25% by 2019/20.

3. The following tables summarise the forecast position for the next three years:

	2017/18 Forecast £	2018/19 Forecast £	2019/20 Forecast £
Revenue Expenditure*	872,151	832,166	831,603
Income*	(1,840,078)	(1,607,367)	(1,625,069)
Revenue (Surplus) / Deficit	(967,927)	(775,201)	(793,466)
Less Capital Expenditure	746,920	622,812	52,500
(Surplus)/Deficit for year	(221,007)	(152,389)	(740,966)
	Surplus	Surplus	Surplus

* This table only relates to the existing Crematorium, but factors in an impact on income of a new Crematorium in Aylesbury..

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 if a new crematorium is opened

The underlying surplus of the Amersham operation is seen to be in the order of £740k.

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

Projected Overall Financial Position				
	Balance B/Fwd £	Revenue Surplus £	Capital Expenditure £	Balance C/Fwd £
2017/18	(2,371,378)	(967,927)	746,920	(2,592,385)
2018/19	(2,592,385)	(775,201)	622,812	(2,744,774)
2019/20	(2,744,774)	(793,466)	52,500	(3,485,740)

7. The Committee will need to maintain a prudent level of reserves in the order of £500k 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.

8. Allowing for a minimum level of reserves it would be anticipated that once the construction of a new facility in Aylesbury is completed in 2017 then the Committee will be in the position from 2018/19 to be distributing surpluses.

New Crematorium

9. 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 after its initial year of operation. 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.
10. 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 this stage is reached.
11. 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.

Background Papers: None