

SUBJECT:	MEDIUM TERM FINANCIAL STRATEGY
REPORT OF:	Treasurer of Crematoria Joint Committee – Jim Burness
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WARD/S AFFECTED	All

1. Purpose of Report

- 1.1 This reports set out the forecast medium term financial position of the Joint Committee's activities.

RECOMMENDATION

The Joint Committee note the Medium Term Financial Strategy forecast.

2. Overview

- 2.1 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 CJC opening the new crematorium at Berton.
- 2.2 The combined net operating surplus from the two crematoria once Berton has been fully operational for a full year (2020/21) is estimated to be as a minimum in the order of £1m pa.

3. The Chilterns Crematorium

- 3.1 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 2019/20 budget forming the baseline for future years forecasts.
 - Interest income effectively ceasing from 2019/20 once accumulated reserves have been applied to the new crematorium construction.

- Income figures have been calculated assuming 3,000 cremations, despite the new rival Crematorium opening at Watermead. This is less than current numbers.

3.2 The following tables summarise the forecast position for the next three years following 2019/20 for the Amersham Crematorium.

Chilterns Crematorium	2020/21 Forecast £	2021/22 Forecast £	2022/23 Forecast £
Revenue Expenditure	1,106,650	1,087,390	1,096,020
Revenue Income	(2,058,740)	(2,121,650)	(2,184,840)
Revenue (Surplus) / Deficit	(952,090)	(1,034,260)	(1,088,820)

3.3 The table shows that Chilterns will continue to operate at a surplus until 2022/23 even allowing for the slight impact of experiencing a drop in cremations on recent years once a new crematorium is opened.

3.4 The underlying revenue surplus of the Chilterns operation is estimated to be in the order of £950k – £1,090k per annum.

4. Bierton Crematorium

4.1 The projected income and expenditure for Bierton is based upon the same assumptions as Amersham with the 2019/20 budget forming the baseline for future year's forecasts.

- Income figures have been calculated assuming 650 cremations.

4.2 The forecast indicates that the Bierton operation should ultimately produce an operating surplus of at least £83k 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. The assumed number of 650 is less than what the business case assumed the new facility would build up to after two years of operation, therefore if overall demand builds to that level the surplus will increase.

Bierton Crematorium	2020/21 Forecast £	2021/22 Forecast £	2022/23 Forecast £
Revenue Expenditure *	347,410	352,920	359,450
Revenue Income	(430,660)	(443,820)	(457,020)
Revenue (Surplus) / Deficit	(83,250)	(90,900)	(97,570)

5. Accumulated Reserves

5.1 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 £	Chilterns Revenue (Surplus) /Deficit £	Distribution of surplus	Bierton Revenue (Surplus) /Deficit £	Capital Expenditure £	Balance Carried Forward £
2019/20	(2,028,293)	(828,870)	750,000	(55,500)	133,880	(2,028,783)
2020/21	(2,028,783)	(952,090)		(83,250)	476,190	(2,587,933)
2021/22	(2,587,933)	(1,034,260)		(90,900)	1,553,100	(2,159,993)
2022/23	(2,159,993)	(1,088,820)		(97,570)	56,810	(3,289,573)

5.2 The capital expenditure factored into the forecasts is that currently shown in the proposed Capital Programme (separate report).

5.3 The Committee will need to maintain a prudent level of reserves, which for 2019/20 is estimated to be £790k, 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.

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

5.5 Allowing for a minimum level of reserves, £750,000 will be released in April 2019 ensuring there is sufficient held back for capital programme requirements. Based on the Medium Term Financial Plan there should be scope in future years to distribute surpluses.

6. Risks and Other Issues

6.1 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.

6.2 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 future capital expenditure of the Joint Committee, whether in respect of Chilterns or Bierton.
- Change in the market and demand for cremations.

- 6.3 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.

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

Background Papers:	None
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