

NORTH EAST SURREY CREMATORIUM BOARD**3 DECEMBER 2019****REPORT BY THE TREASURER****Management Agreement Revised Annual Budget for 2019/20 and Original Annual Budget for 2020/21****Introduction**

1. In accordance with Clause 7 of the Management Agreement with Wandsworth Borough Council, the Board is required to approve the Annual Budget and set the financial parameters within which Wandsworth Borough Council are expected to operate with a view to achieving continuous improvements in the economy, efficiency and the effectiveness of the services offered.
2. Where Wandsworth Borough Council has sub-contracted these services out the Management Agreement Annual Budget equally applies to any sub-contractor.

Considerations

3. Following a review of the 2018/19 operational performance and an analysis of the year to date position (which includes transactions up until the end of October 2019) the revised budget for 2019/20 and the original budget for 2020/21 has been considered. **Appendix Bi** to this report shows the original budget for 2019/20 and the expenditure to date, the proposed revised budget for 2019/20 and the proposed budget for 2020/21.
4. It should be noted that the overall budget has been set based upon an assumption that 1,900 cremations will be undertaken in the current financial year and 1,950 in the next financial year. The original estimate for the current year was for 1,950 cremations. The reduced level for the current year is based on activity to date as reported elsewhere by the Surveyor and a forward projection for the remainder of the year. Whilst this has marginally reduced the estimate of costs to be incurred under the Management Agreement the consequential reduction in cremation and memorial income has been included in the wider budget presented elsewhere for approval.
5. Based on an assumed maximum of 12 services per day (Monday to Friday) a total of 3,024 services (252 working days x 12) would be the maximum capacity throughout the year excluding weekends. Assuming one service equates to one cremation an estimate of 1,950 cremations for the financial year 2020/21 represents 64% of the maximum capacity. Considering this is essentially a demand led service this represents an average of 8 services and therefore cremations per day and demonstrates a high level of activity.

Revised Budget 2019/20

6. The revised Gross Expenditure budget for 2019/20 is £466,200 compared to the original budget of £503,900. This represents a decrease of £37,700 or 7.5%.
7. The main reason for the decrease is due to the estimated cost of gas (-£27,800). The budget for gas has been reduced based upon a review of the costs that have been charged over recent years. Previously, cost estimates were held higher as it was considered that there could be backdated charges to be passed through by Enable but it has now been confirmed that these are in fact actual costs billed by the energy provider rather than charges based on estimates. It is therefore considered that the charges incurred are both up to date and accurate.

8. The reduction in costs and therefore budget is considered to be as a direct consequence of the new cremators that were installed in 2016 which operate at a much more efficient level in terms of gas consumption than the previous cremators.
9. Salary estimates have been reviewed based on the current establishment and budgets have been reduced overall (-£18,900) to reflect the latest estimate of staffing costs including national insurance and pension costs.
10. The budget for metered watered charges has been increased (+£5,000) which reflects the full year estimate based on charges incurred to date. This budget had been reduced last year based on costs incurred to date but had been reduced too significantly as there had been a delay in the billing.
11. Additionally, the budget for electricity has been set allowing for an increase to cover the anticipated additional cost of the main drive lighting (+£2,500) which should be operational imminently. The budget for Equipment, Furniture and Materials have been increased to cover the cost of the fire resistant safe for storage of the Books of Remembrance (+£3,000) as requested by the Board's insurance providers and an additional allowance has been made in the Window Cleaning budget (+£1,000) to cover the cyclical costs of cleaning the chapel entrance canopy
12. Other budgets remain broadly in line with the original estimates with minor revisions made to reflect current expenditure trends.

Original Budget 2020/21

13. The original Gross Expenditure budget for 2020/21 is £476,400 compared to the revised budget of £466,200. This represents an increase of £10,200 or 2.2%.
14. In preparing these estimates inflation has been allowed at 2% on salary related costs, 1.7% on general running costs, 6% on gas and 20% on electricity. These increases are in line with the latest estimates and in line with anticipated increases in energy prices although budgets have been adjusted further for fluctuations in usage. Overall this adds £11,500 in inflation to projected costs.
15. Again, other budgets are broadly in line with the revised estimates with minor revisions and small technical changes made to reflect current expenditure trends.
16. Finally, the management fee charged by Wandsworth Borough Council's sub-contractor, Enable, is being held at the current level of £1,000 per quarter. This may need to be reviewed depending on the outcome of the procurement exercise currently being undertaken by Wandsworth Borough Council.

Recommendations

17. For the Management Agreement Annual Budget, the Board is recommended to:-
 - a) approve the revised Annual Budget for 2019/20; and,
 - b) approve the original Annual Budget for 2020/21

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November 2019

M R Davies
Treasurer to the Board