

NORTH EAST SURREY CREMATORIUM BOARD**8 DECEMBER 2020****REPORT BY THE TREASURER****Management Agreement Revised Annual Budget for 2020/21 and Original Annual Budget for 2021/22****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 2019/20 operational performance and an analysis of the year to date position (which includes transactions up until the end of October 2020) the revised budget for 2020/21 and the original budget for 2021/22 has been considered and is recommended for approval. **Appendix Bi** to this report shows the original budget for 2020/21 and the expenditure to date, the proposed revised budget for 2020/21 and the proposed budget for 2021/22.
4. It should be noted that the overall budget has been set based upon an assumption that 2,300 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 but has been significantly increased due to the impact of COVID-19 which has had a consequential increase in costs incurred under the Management Agreement, but it will be noted that has also generated an increase in cremation and memorial income that has been included in the wider Board annual budget position presented elsewhere for approval.

Revised Budget 2020/21

5. The revised Gross Expenditure budget for 2020/21 is £553,200 compared to the original budget of £476,400. This represents an increase of £76,800 or 16.1%.
6. As referenced above the main reason for the increase is due to the increased operational costs incurred responding to the COVID-19 pandemic.
7. Staffing budgets have increased (+£34,400) which was necessary to provide the extra support required in extending the operating hours in response to the increased demand throughout the pandemic. This was a short-term arrangement with staffing levels having now returned to normal establishment level.
8. Under Cost of Sales the cost of the Wesley System services have increased considerably (+£30,000) partly due to the ending of the initial 3-year agreement which now requires annual renewal (first 3 years were included in the original purchase price) and through the providing of a webcast option for all cremation services in response to the restrictions on numbers of mourners that can attend services under the current restrictions. Additionally there are increases within Cost of Sales for

Ashes Interment Plots (+£5,000) and for Urns/Boxes (+£3,800) again largely in response to increased demand.

9. Elsewhere within Administrative Costs the budget for Metered Watered Charges has been increased (+£10,900) which reflects the full year estimate based on charges incurred to date which is largely due to a back dated bill where previous invoices had been based on estimates rather than actual usage readings. A revised cost sharing arrangement has been agreed with Enable to reflect the split of water usage across the crematorium / cemetery grounds which will apply from April 2021. Gas budgets have been reduced (£10,000) despite the increased demand for services which reflects the drop in wholesale gas prices during the worldwide economic slowdown caused by the pandemic. Gas is forward purchased as part of a wider agreement Wandsworth Borough Council has with LASER. The decrease in demand is expected to only have a temporary impact on prices.
10. Other minor adjustments are due to the cancelation of the Annual Memorial Service (-£2,800) and an increase in Medical Reference Fees (+£3,400) again as a direct consequence of the increased number of cremations in response to the pandemic.
11. Other budgets remain broadly in line with the original estimates with minor revisions made to reflect current expenditure trends or for presentational purposes.

Original Budget 2021/22

12. The original Gross Expenditure budget for 2021/22 is £508,300 compared to the revised budget of £553,200. This represents a decrease of £44,900 or 8.1% from the revised position for 2020/21 but an increase of £31,900 or 6.7% compared to the 2020/21 original budget.
13. In preparing these estimates inflation has been allowed at 2.5% on salary related costs, 2% on general running costs, 20% on gas (compared to the expected 2020/21 charges) and 5% 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 £16,300 in inflation to projected costs for 2021/22.
14. Again, other budgets are broadly in line with the revised estimates once the 'one-off' costs of COVID-19 are adjusted for, with minor revisions and small presentational changes made to reflect current expenditure trends where necessary.
15. Finally, the management fee charged by Wandsworth Borough Council's sub-contractor, Enable will be increased by inflation at the anniversary of the contract renewal in line with the provisions of the contract.

Recommendations

16. For the Management Agreement Annual Budget, the Board is recommended to:-
 - a) approve the revised Annual Budget for 2020/21; and,
 - b) approve the original Annual Budget for 2021/22

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November 2020

M R Davies
Treasurer to the Board