

# Report

## Greater Gwent Crematorium Joint Committee

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### Part 1

Date: Wednesday 12<sup>th</sup> June 2019

Item No: TBA

### **Subject** Gwent Crematorium Draft Accounts 2018/19

**Purpose** This report confirms and explains the Committee's financial position for the year ending 31 March 2019

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**Ward** General

**Summary** The revenue budget has been managed well, and the outturn shows a surplus of £123,786, after the budgeted distribution, which has increased the reserves.

**Proposal** That Committee:

1. Note the out-turn position, which is subject to audit, and the variances for the year;
2. Note the level of the Committee's accumulated reserves and the HoF recommendation that these are retained for the reasons shown in the report;
3. Note the areas of budget pressures, and the actions currently in place to manage these.
4. Recommend payment of the budgeted income distribution in two tranches from 2019/20 with a small balance retained for payment at or after year-end closure to confirm availability of surpluses to pay the budgeted amount.

**Action by** Head of Finance

**Timetable** Immediate, to meet publication deadline for 2018/19 accounts

This report was prepared after consultation with:

Head of Finance  
Accountancy Staff  
Budget Holder

**Signed**

## Overview

The financial summary of the outturn against budget and forecast is shown below:

	<b>FY Budget</b>	<b>Forecasted Outturn</b>	<b>Actual Outturn</b>	<b>Variance to Forecast</b>
<b>Total INCOME</b>	<b>(1,675,639)</b>	<b>(1,639,679)</b>	<b>(1,777,034)</b>	<b>(137,355)</b>
<b>Employees</b>	283,705	312,116	309,549	(2,567)
<b>Premises</b>	297,582	332,013	409,186	<b>77,173</b>
<b>Transport</b>	2,000	598	308	(290)
<b>Supplies &amp; Services</b>	201,931	145,287	131,044	(14,243)
<b>Capital Financing</b>	110,000	53,161	53,161	0
<b>Total EXPENDITURE</b>	<b>895,218</b>	<b>843,175</b>	<b>903,248</b>	<b>60,073</b>
<b>(SURPLUS) / DEFICIT</b>	<b>(780,421)</b>	<b>(796,504)</b>	<b>(873,786)</b>	<b>(77,282)</b>
<b>Less Budgeted Distribution</b>		<b>750,000</b>	<b>750,000</b>	
<b>Additional Surplus to increase balances</b>		<b>(46,504)</b>	<b>(123,786)</b>	

The outturn position for expenditure, follows the same pattern of over and under spending, in areas established early on in the financial year.

The overspend in premises has increased since the January forecast, as has the expenditure overall for the year. Looking at the analysis of the top 5 supplier increases, the issues are within repairs/maintenance, both for cremators and buildings, which is consistent with the nature of the business.

<b>Supplier</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Increase</b>	
FACULTATIEVE TECHNOLOGIES	49,240.92	123,591.54	<b>74,350.62</b>	Cremator Maintenance/Repairs
NEWPORT NORSE LIMITED	29,286.29	66,151.65	<b>36,865.36</b>	Building Maintenance/Repairs
TORFAEN CBC	101,796.00	104,856.00	<b>3,060.00</b>	Rates
EXOVA (UK) LTD		3,145.00	<b>3,145.00</b>	Emissions Monitoring
EDF ENERGY LTD	27,232.03	30,004.98	<b>2,772.95</b>	Electricity

Income levels increased unexpectedly in the final quarter of the year, and the outturn was only a 9% loss of income in that quarter, compared to an average of 19% in the previous quarters.

	2017/18	2018/19	Variance	% loss of income
APRIL	183,428	151,095	32,333	
MAY	168,257	186,664	(18,407)	
JUNE	221,837	157,670	64,167	
<b>QUARTER 1</b>	<b>573,522</b>	<b>495,429</b>	<b>78,093</b>	<b>14%</b>
JULY	157,542	120,225	37,317	
AUGUST	153,206	159,886	(6,680)	
SEPTEMBER	170,349	114,567	55,782	
<b>QUARTER 2</b>	<b>481,097</b>	<b>394,678</b>	<b>86,419</b>	<b>18%</b>
OCTOBER	161,290	124,573	36,717	
NOVEMBER	197,814	146,294	51,520	
DECEMBER	201,259	144,694	56,565	
<b>QUARTER 3</b>	<b>560,363</b>	<b>415,561</b>	<b>144,802</b>	<b>26%</b>
JANUARY	124,649	125,895	(1,246)	
FEBRUARY	165,363	182,248	(16,885)	
MARCH	230,344	163,299	67,045	
<b>QUARTER 4</b>	<b>520,356</b>	<b>471,442</b>	<b>48,914</b>	<b>9%</b>
	<b>2,135,338</b>	<b>1,777,110</b>	<b>358,228</b>	<b>17%</b>

**19% average loss of income**

## 2019/20 impact

Whilst the outturn is positive for the Committee's finances overall for the year-end 2018/19, it is important to reflect on this, and assess what this might mean for the current year 2019/20 and beyond. Key observations and issues include:

### General budget

Budget provision has funded the main demand areas, at current activity levels, and if costs do not increase further, the budgeted surplus and subsequent distribution should be achieved in future years, though the position is tight. That said, this is predicted on demand stabilising from this point, and gaining a greater understanding of repairs/maintenance costs, to ensure spending remains within existing budget provision.

### Use of reserves

During the financial year 2018/19, the Committee approved an additional distribution, to reduce balances, Balances carried forward into 2019/20 are £1.2 million. Key considerations now include:

- Budgeted distribution is currently very close to the annual surplus generated, and therefore to maintain this position, there is little flexibility in income/expenditure levels.

- The Council's on-going reliance on receiving the budgeted distribution, and having confidence in continuing to receive this, consistently
- As always, funds required to deal with any unforeseen, significant maintenance issues

As financial austerity continues, it becomes even more important that the Committee considers and uses financial reserves to both protect its financial health and enabling its ambitions and priorities. Distributions have always been agreed and paid prior to year-end, based on the forecasted outturn position. Considering the issues highlighted above, it is recommended that the Committee retain the current reserve level, to provide some mitigation for unforeseen costs, or any further reduction in income, and therefore protect Council's income distribution in going forward in the short term. Whilst this should enable Council's to have confidence in receiving their income distribution in the short term, given the worsening financial position compared to previous year's, it is also recommended that the Committee retains a small percentage of the budgeted distribution until close to, or after the year end, to confirm availability of funds to pay the full distribution.

### **Comments of Chief Financial Officer**

The 2018/19 financial year was a departure from previous year, as the service has always exceeded its budgeted targets comfortably, with reserves growing. The surplus in 2018/19 was close to that required to pay out the expected surpluses to the Gwent Councils. It seems that the trading environment for this service is still subject to some uncertainty.

Therefore, it is recommended that the current reserves are held to protect future payments in the short term, and whilst the service stabilises.

### **Comments of Monitoring Officer**

There are no legal issues arising from this Report, which sets out the budget outturn figures for 18/19 and the accumulated reserves. The final figures show an additional surplus of £123k for the year, after the agreed distribution, which has increased the available reserves.

### **Wellbeing of Future Generations (Wales) Act 2015**

Wellbeing of Future Generations (Wales) Act 2015 forms an integral part of the financial management of the Council. Analysis and review of reserves are an important aspect on the future generations, and the Head of Finance reviews and assesses the robustness and adequacy of these reserves, as part of this outturn report.

**Dated:**

The annual return for 2018/19 has been completed, in line with the statutory deadline of 30 June 2019, so is now subject to audit, and approval by Committee. The return shows the balances being carried forward into 2019/20 are £1,236,346. The audited version of the return will be presented to the Committee on the 11 September 2019.

	Year ending		Notes and guidance for compilers
	31 March 2018 (£)	31 March 2019 (£)	Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the underlying financial records for the relevant year.
<b>Statement of income and expenditure/receipts and payments</b>			
1. Balances brought forward	1,914,828	2,512,485	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	0	0	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	2,135,336	1,777,108	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	297,852	309,549	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg. termination costs.
5. (-) Loan interest/capital repayments	5,000	5,000	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	1,234,827	2,738,698	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	2,512,485	1,236,346	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).
<b>Statement of balances</b>			
8. (+) Debtors and stock balances	168	1,419	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to the body and stock balances held at the year-end.
9. (+) Total cash and investments	2,538,179	1,675,672	<b>All accounts:</b> The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	25,862	440,746	<b>Income and expenditure accounts only:</b> Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	2,512,485	1,236,346	<b>Total balances should equal line 7 above:</b> Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	2,307,326	2,307,326	The asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.
13. Total borrowing	531,605	478,445	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).