

Report

Greater Gwent Crematorium Joint Committee

Part 1

Date: 18th October 2023

Subject **Review of Budget Performance 2023/24**

Purpose To provide information relating to the budget performance in 2023/24 and confirm the restated audited annual return for 2022/23 and the impact of that on the financial position of the joint crematorium service.

Author Finance Business Partner - Systems

Ward General

Summary The financial position of the crematorium service has been adversely affected by the current and on-going building works at the crematorium, as shown by the current forecasts for the 2023/24 financial year.

The Council's external auditors have finalised their audit of the 2022/23 financial year and corrections are required. The report set's out the impact of those and the audited 'annual return' for 2022/23 is attached to this report for the Committees information and approval.

Appendix:

Appendix 1: Audit Wales Independent Examination of the 2022-23 Annual Return Closing Letter

Appendix 2: Restated Annual Return for 2022/23

Proposal **Members are asked to:**

- **Note and consider the budget position, and the potential impact on reserves**
- **note/approve the restated annual return for 2022/23**

Action by Head of Finance

Timetable 1. Draft budget proposals, fees and charges and distribution level to be agreed for 2024/25 at the next Committee meeting in January

This report was prepared after consultation with:

- Head of Finance
- Service Manager for Environment and Leisure
- Head of Law and Standards
- Head of People, Policy and Transformation

Signed

Background

It is necessary for the Joint Committee to review the financial position of Gwent Crematorium for the current financial year.

As the table and commentary shows, the issues leading to the forecast overspend currently shown are temporary and should not feature too significantly in the 2024/25 budget.

The base budget agreed was already relying on use of reserves to maintain the historical 'distributions' to the former Gwent Council's but the forecast overspend will now require more use of reserves to maintain that position. The overall balance in reserves is still robust and any use of reserves to maintain the expected distribution will need to be reviewed and confirmed by this Committee at the outturn stage.

Financial Summary 2023/24

	FY Budget 2023/24	Actual to 30 Sep	Forecast 2023/24	Variance to Budget
Total INCOME	(1,537,500)	(519,079)	(1,365,500)	172,000
Employees	313,890	192,500	363,770	49,880
Premises	652,259	246,173	549,019	(103,240)
Transport	1,010	0	300	(710)
Supplies & Services	162,329	99,020	173,132	10,803
Capital Financing	67,722	0	53,161	(14,561)
Total EXPENDITURE	1,197,210	537,694	1,139,382	(57,828)
(SURPLUS) / DEFICIT	(340,290)	18,614	(226,118)	(114,172)
Less Budgeted Distribution	450,000		450,000	
(Increase)/Decrease to Balances	109,710		223,882	

Potential impact on Reserves at 31st March 2024

Reserves b/f £1,162,806	£1,053,096		£938,924	
----------------------------	-------------------	--	-----------------	--

Explanation of projected variances

Employees – since both the Manager and Deputy Manager left earlier in the year, there has been an arrangement with an agency for a temporary manager to be in post. This post has been projected to be in place until a permanent manager has been appointed, and there has been a suitable handover period.

Premises –in the last few years there has been increased costs in relation to the cremators, and ensuring the equipment is maintained to the required regulations, so within the budget there is now provision for an annual contribution into a Repairs and Renewals Reserve, which when set up, will build over time, and bridge the gap between the revenue budget and overspends in expenditure relating to the cremators.

The service manager will be presenting a separate report on the future requirements of the equipment, which could impact the budget setting for 2024/25.

Supplies & Services – historically there has been an underspend within Supplies and Services, but the budget was reduced for purchase of burial memorials, and this year there is an additional 24k expenditure relating to professional fees of the refurbishment works.

Income – the position as at the end of September, is showing an out-turn forecast of £172k less income than budgeted. The budgeted position was based on 85% of available service times being booked, and the table below highlights that there has been a decrease in cremation numbers for April to September, which is due to the reduced services operating as a result of the refurbishment works currently being carried out at the Crematorium. Most of the works have taken place out of hours, however there has been an impact on the morning services. The works continue and are due to complete within the next 4-6 weeks. The cremation numbers for April to September compared to budget, are reduced by 93, which based on the adult cremation fee is a loss of £79k income

*October projected less than average due to continued refurbishment works
November to March projected on 85% of available service times booked. 9.30 am slot is often available*

Cremation numbers:	23/24 Budgeted	23/24 Actuals/Projected	Variance
Apr	125	125	0
May	125	105	-20
Jun	125	121	-4
Jul	125	113	-12
Aug	131	115	-16
Sep	131	90	-41
Oct	125	110	
Nov	131	131	
Dec	119	119	
Jan	125	125	
Feb	119	119	
Mar	137	137	
	1,518	1,410	93

2022/23 Restated Annual Statement

Audit Wales have completed their independent examination of the Annual Return for 2022-23 (Appendix 1)

Whilst providing the supporting information for the audit of the year end statement, it was identified that there was an error in the brought forward balances for Debtors/Creditors, and the annual return had to be restated.

These amendments have now been made to the revised Annual Return (Appendix 2)

The resulting impact of this error is that the reported outturn made to this Committee was overstated by £120k and therefore also the reserves position at the end of the 2022/23 financial year. Committee balances carried forward into 2023/24 have been restated from 1,282,850 to 1,162,806 a difference of £120k. In conjunction with the overspend currently forecasted for the current 2023/24 financial year and the base budget which utilised reserves to fund the 'distribution', the current impact on the reserves forecasted for March 2024 is reasonably significant.

The Committee should now re-approve the Annual Return.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Reduced cremation numbers	H	H	Refurbishment works have already impacted the cremation numbers, so we will continue to monitor income levels and review distribution to Constituent Authorities, to ensure reserve balances are maintained	Head of Finance
Increase in building maintenance costs	H	H	Continue to monitor the increasing costs associated with the cremators, and refurbishment works.	Head of Finance

Links to Council Policies and Priorities

The overall aim of the budget monitoring is to ensure the on-going delivery of the Cremation service whilst also providing an income source to Gwent Councils.

Options Available and considered

The Committee is asked to note the financial position for 2023/24, and consider the position when setting the budget, fees and distribution levels, at the next Committee meeting in January.

The Committee is asked to approve the restated annual return for 2022/23, noting the restated (lower) reserves balance carried forward of 1,162,806; a reduction of £120k based on that reported.

Preferred Option and Why

Comments of Chief Financial Officer

The report deals with the current forecast outturn for the current 2023/24 financial year. It shows that two issues are contributing towards the current overspend forecast but given the nature of the issues; are temporary only. There is an impact on forecast reserves at end of the year coming from the overspend which is shown in the report.

The audit of the 2022/23 financial statements by the Council's auditors highlighted errors made in the accounts for that year, including that reported to this Committee in the 2022/23 outturn report. Staff are aware of the oversight that led to this, and it should not occur again. The impact was a reduction of £120k in that year's surplus and therefore this also impacts negatively on the crematorium reserves position.

Whilst both of the above issues affect the crematorium reserves negatively; they are still forecasted at over £900k for the end of the 2023/24 financial year which is adequate

Comments of Monitoring Officer

There are no legal issues arising from this report

Comments of Service Manager for Environment and Leisure

Comments of Head of People, Policy and Transformation

The report sets out an updated 2023/24 financial position for Gwent Crematorium and asks the committee to consider this position when setting the budget, fees and distribution levels, at the next Committee meeting in January 2024. The report also seeks approval of the restated annual return for 2022/23 following audit given that there was a previous error found in the brought forward balances for Debtors/Creditors.

An FEIA wasn't required for this report, but it has considered the Well-being of Future Generations (Wales) Act 2015 by balancing short-term needs with the need to safeguard the ability to meet long-term needs. There are no direct HR implications associated with this report.

Comments of Cabinet Member

Scrutiny Committees

n/a

Equalities Impact Assessment and the Equalities Act 2010

n/a

Children and Families (Wales) Measure

n/a

Wellbeing of Future Generations (Wales) Act 2015

In preparing this report, the Wellbeing of Future Generations (Wales) Act 2015 has been considered by balancing short-term needs with the need to safeguard the ability to also meet long term needs. We are considering options to provide a service which will allow us to withstand the competitive market, and meet our future wellbeing goals and objectives, and in doing so, understand the importance of involving those with an interest in achieving them, and ensuring that those people reflect the diversity of those to whom we provide a service.

Crime and Disorder Act 1998

n/a