



Joint Report of

Ian Thompson, Corporate Director of Regeneration and Local Services

John Hewitt, Corporate Director of Resources and Treasurer to the Joint Committee

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 This report outlines a range of issues that will need to be considered as part of the medium-term budget setting strategy. The report sets out proposals to increase the surplus distribution to both partner authorities across 2020/21 and 2021/22. The views of the committee on these issues are sought in advance of the 2020/21 budget setting process.

Executive summary

- 2 The current level of surplus distribution to partner authorities was implemented on 1 April 2018 following Members approval of the Budget Strategy report in September 2017.
- 3 There has been significant capital investment of over £3.7m at Central Durham Crematorium since Local Government Reorganisation in 2009, with further investments of over £800k planned for the coming years.
- 4 The next cremator replacement works are not scheduled until 2032 and would cost in the region of £1 million.
- 5 Loan repayments from the redevelopment works in 2011 end in 2020/21 and the £213k loan budget has been removed and factored into the medium-term budget forecast.
- 6 Fees and charges, which are harmonised with Mountsett Crematorium are currently £700 and a proposed increase of £20 in 2020/21 to £720 would still mean that they remain the lowest in comparison with all neighbouring facilities and well below the average of £810.

- 7 A new private crematorium at Castle Eden is expected to open in 2020 and it should be noted that this will likely have an impact upon business at Durham Crematorium.
- 8 The current surplus distributed is £556,250 per year (£445,000 to DCC and £111,250 to STC). Due to the improved financial position of the Joint Committee it is considered that the next increase in the surplus redistribution can be spread over the next two financial years, with an increase of £81,250 (£65,000 DCC and £16,250 STC) in 2020/21 and £218,750 (£175,000 DCC and £43,750 STC) in 2021/22.
- 9 A robust medium-term budget forecast has been produced for the Joint Committee and demonstrates that the reserve balances of the Joint Committee are still projecting a sound financial position for the coming years.

Recommendation(s)

- 10 It is recommended that Members of the Joint Committee:
 - i. note and consider the contents of the report;
 - ii. approve the proposed increase in the fees and charges and the surplus redistribution, as identified in the report; and
 - iii. agree to review the budget strategy and surplus redistribution in three years' time in preparation for the 2023/24 budget setting year

Background

- 11 The current level of surplus distribution to partner authorities was implemented on 1 April 2018 following Members approval of the Budget Strategy report in September 2017. In light of continuing budget pressures facing both partner authorities it is now considered an opportune time to review the budget strategy of the Joint Committee.
- 12 The earmarked reserves of the Joint Committee have built up significantly in recent years, in advance of the next cremator replacement programme which is estimated for 2032. Increases to the fees and charges at the crematorium, which are harmonised with Mountsett Crematorium, have also been kept to a minimum over recent years, resulting in the current charges being the lowest of all neighbouring facilities.

Capital Investment at the Crematorium

- 13 Since Local Government Reorganisation (LGR) in 2009 there has been significant investment in the Central Durham Crematorium totalling £3,719,111 with the major improvement works including:

Project	Cost £
New additional car parking	182,899
Crematorium extension	953,983
New cremators and mercury abatement plant	1,292,918
Improvement to office facilities	145,000
Alterations to book of remembrance room	171,463
Refurbishment of chapel	122,698
Refurbishment of internal waiting room	131,819
Replacement of copper roofing canopies	277,184

- 14 The estimated costs of current and future improvements, as identified in the Strategic Asset Management Plan, together with proposed funding arrangements are summarised in the table below:

Year	Estimated SAMP Investments	Proposed Funding Arrangements	
		Premises Budget £	Earmarked Reserves £
2019/20	396,282	43,286	352,996
2020/21	233,170	32,870	200,300
2021/22	46,890	21,890	25,000
2022/23	3,450	3,450	0
2023 onwards	137,090	26,790	110,300
Total	816,882	128,286	688,596

Cremator Replacement

- 15 The three cremators at the crematorium were last replaced in 2012/13, with full mercury abatement equipment being installed at that time. They have a life expectancy of 20 years, so the next cremator replacement programme is not scheduled until approximately 2032.
- 16 Based upon the cremator replacement works at Mountsett Crematorium it is estimated that the next cremator replacement programme at Durham would cost in the region of £1 million, based upon today's market prices. However, these requirements could be subject to change in the event of future changes in legislation affecting the provision of crematorium services.

Loan Repayment

- 17 In 2011, as part of the financing arrangements to fund the redevelopment works, the Joint Committee agreed to a £1.8m loan from Durham County Council to fund the cremator replacements and extension, repayable over 10 years. The annual loan repayments are £213,737 with the last repayment due to be made in 2020/21.
- 18 It was originally planned to reinvest the £213,737 loan budget into the Major Capital Works Reserve from 2021/22 in preparation for the next cremator replacement programme in 2032. However, due to the projected level of reserves, this may no longer be required. The £213,737 budget has been removed from 2021/22 and this has been factored into the medium-term budget forecasts.

Earmarked Reserves

- 19 The projected reserves and balances of the Central Durham Crematorium Joint Committee at 31 March 2020 are as follows:

Earmarked Reserve	Balance @ 1 April 19 £	Balance @ 31 March 20 £
General Reserve	(485,175)	(497,670)
Masterplan Memorial Garden	(61,250)	(66,250)
Major Capital Works	(1,214,157)	(1,069,898)
Cremator Reline Reserve	(121,455)	(146,455)
Small Plant	(5,405)	(7,405)
Total	(1,887,442)	(1,787,678)

Fees and Charges

- 20 The fees and charges at Central Durham Crematorium are harmonised with those at the Mountsett Crematorium. A £20 (2.9%) increase was applied in 2019/20 and the current cremation fee (inclusive of medical referee's fees) is £700.
- 21 The current cremation fees for crematoria across the region, shown in the table below, indicates an average cremation fee of £810 (inclusive of medical referees fees and environmental surcharge where appropriate) across the region:

Crematorium	Cremation Fee
Gateshead	£739
Hartlepool	£761
North Tyneside	£765
Middlesbrough	£772
Northumberland	£800
South Tyneside	£816
Newcastle	£819
Sunderland	£865
Darlington	£875
Coundon	£884
Average	£810

- 22 The projected number of cremations at the Central Durham Crematorium in 2019/20 is 2,301, which will be 101 more than the budgeted position of 2,200.
- 23 The table below indicates how much additional income could be generated annually with fee increases ranging from £10 (1.4%) to £50 (7.1%) and with incremental increases in the budgeted cremation numbers, compared to the current budgeted position of 2,200.

No of Cremations	Increase in fees				
	£10	£20	£30	£40	£50
2,200	£22,000	£44,000	£66,000	£88,000	£110,000
2,250	£57,500	£80,000	£102,500	£125,000	£147,500
2,300	£93,000	£116,000	£139,000	£162,000	£185,000
2,350	£128,500	£152,000	£175,500	£199,000	£222,500
2,400	£164,000	£188,000	£212,000	£236,000	£260,000
2,450	£199,500	£224,000	£248,500	£273,000	£297,500
2,500	£235,000	£260,000	£285,000	£310,000	£335,000

- 24 Should the 2020/21 cremation fees be increased by £20 (2.9%) and assuming a prudent forecast of 2,200 cremations again next year an additional £44,000 income would be generated by the Joint Committee next year and this increase has been built into the medium term budget forecasts at this stage.
- 25 The proposed 2020/21 cremation fee of £720 would still remain the lowest in comparison with all other neighbouring facilities in the region and £164 below the current charge at the nearest facility at Coundon.

New Crematorium

- 26 A new build private crematorium at Castle Eden in County Durham is expected to open in 2020 and Members will need to bear in mind that this facility will most likely have an adverse impact upon business at Durham Crematorium.

Surplus Redistribution

- 27 Members will recall that the Constitution sets out the constituent authority title deeds and subsequent surplus distribution arrangements to Durham County Council (DCC) / Spennymoor Town Council (STC) on an 80 / 20 basis.
- 28 The current surplus distributed is £556,250 per year (£445,000 to DCC and £111,250 to STC). This was reviewed and increased in 2018/19 and prior to this the surplus distribution was £406,250 (£325,000 to DCC and £81,250 to STC).
- 29 Members may recall that the last budget strategy report in September 2017 recommended that the surplus distribution be reviewed again in line with the 2021/22 budget. However, due to the improved financial position of the Joint Committee it is considered that the next increase in the surplus redistribution can be spread over the next two financial years.
- 30 Whilst maintaining a strong financial position for the Joint Committee it is recommended that Members approve an increase of £81,250 from the 2020/21 financial year and £218,750 from 2021/22 as detailed in the table below and the increase has subsequently been factored into the Medium Term Budget Forecast:

Constituent Authority	2019/20 Distributable Surplus £	2020/21 Distributable Surplus £	2021/22 Distributable Surplus £	Increase from 2019/20 £
Durham County Council	445,000	510,000	685,000	240,000
Spennymoor Town Council	111,250	127,500	171,250	60,000
Total	556,250	637,500	856,250	300,000

Medium Term Budget Forecast

31 In terms of financial modelling for the Central Durham Crematorium, the following working assumptions have been applied:

- Premises budgets have been adjusted for reductions in priority repair costs (in line with the SAMP)
- The capital charge budget relating to the loan repayment has been removed in 2021/22
- Contributions from earmarked reserves to fund the planned capital works (in line with the SAMP) have been built into the budget forecast
- A £20 increase per cremation has been factored into the income budget from 2020/21
- An increase of £81,250 in 2020/21 and £218,750 in 2021/22 for surplus redistribution to the constituent authorities has been built into the budget forecast
- All other budgets have remained at the 2019/20 levels – with the estimated / budgeted level of cremations being 2,200 per annum

32 The table below provides a financial summary of the revenue budget, capital budget and forecast earmarked reserves of the Joint Committee projected for the next three financial years:

	Base Budget 2019/20 £	Forecast Budget 2019/20 £	Base Budget 2020/21 £	Base Budget 2021/22 £	Base Budget 2022/23 £
Revenue Budget					
Expenditure	905,131	923,976	894,715	669,998	651,558
Income	(1,658,900)	(1,733,458)	(1,702,900)	(1,702,900)	(1,702,900)
Net Income	(753,769)	(809,482)	(808,185)	(1,032,902)	(1,051,342)
Transfer to / (from) Reserves					
Masterplan Memorial Garden	5,000	5,000	5,000	5,000	5,000
Major Capital Works	165,519	221,232	138,685	144,652	163,092
Cremator Reline Reserve	25,000	25,000	25,000	25,000	25,000
Small Plant	2,000	2,000	2,000	2,000	2,000
Distribute Surplus	(556,250)	(556,250)	(637,500)	(856,250)	(856,250)
80% Durham County Council	445,000	445,000	510,000	685,000	685,000
20% Spennymoor Council	111,250	111,250	127,500	171,250	171,250

	Budget 2019/20 £	Forecast 2019/20 £	Budget 2020/21 £	Budget 2021/22 £	Budget 2022/23 £
Capital Budget					
Tarmac roads and car park bays					
Improvements to roadway		37,996			
Improvements to boundary wall		25,000			
Energy improvement works	125,000	125,000			
Office accommodation improvements		165,000			
Enlarging of one cremator			70,000		
Replacement of chapel dome			20,000		
Relining of cremators x 3			110,300		
Replacement ride on grass cutter				25,000	
Total Spend	125,000	352,996	200,300	25,000	0
Transfer to / (from) Reserves					
Major Capital Works	(125,000)	(352,996)	(90,000)	(13,595)	
Cremator Reline Reserve			(110,300)		
Small Plant Reserve				(11,405)	

	Balance @ 1 April 2019 £	Balance @ 31 March 2020 £	Balance @ 31 March 2021 £	Balance @ 31 March 2022 £	Balance @ 31 March 2023 £
Earmarked Reserve					
General Reserve	(485,175)	(497,670)	(510,870)	(510,870)	(510,870)
Masterplan Memorial Garden	(61,250)	(66,250)	(71,250)	(76,250)	(81,250)
Major Capital Works	(1,214,157)	(1,069,898)	(1,105,383)	(1,236,440)	(1,399,532)
Cremator Reline Reserve	(121,455)	(146,455)	(61,155)	(86,155)	(111,155)
Small Plant	(5,405)	(7,405)	(9,405)	0	(2,000)
Total	(1,887,442)	(1,787,678)	(1,758,063)	(1,909,715)	(2,104,807)

33 The budget forecast demonstrates that having incorporated all of the proposed changes, including the increased surplus redistribution, the reserve balances of the Joint Committee are still projected to increase, demonstrating a sound financial position for the coming years.

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Appendix 1: Implications

Legal Implications

The outturn proposals contained within this report have been prepared in accordance with standard accounting policies and procedures.

Finance

Full details of the year to date and projected outturn financial performance of the Central Durham Crematorium are included within the body of the report.

Consultation

None. However, Officers of Spennymoor Town Council were provided with a copy of the report and given opportunity to comments / raise any detailed queries on the contents of this report in advance of circulation to members of the CDCJC.

Equality and Diversity / Public Sector Equality Duty

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The figures contained within this report have been extracted from the General Ledger and have been scrutinised and supplemented with information supplied by the Bereavement Services Manager. The projected outturn has been produced taking into consideration the spend to date, trend data and market intelligence, and includes an element of prudence. This, together with the information supplied by the Bereavement Services Manager, should mitigate the risks associated with achievement of the forecast outturn position.

Procurement

None.