



Joint Report of

**Alan Patrickson, Corporate Director of Neighbourhoods and
Climate Change**

**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 medium-term financial planning for the Central Durham Crematorium. The report sets out proposals to increase the surplus distribution to both partner authorities from 2021/22 together with details of the budget planning assumptions over the coming three years. The views of the committee on these issues are sought in advance of the 2021/22 budget setting process.

Executive summary

- 2 The current level of surplus distribution to partner authorities was implemented on 1 April 2020 following Members consideration of the Budget Strategy report in September 2019 and the 2020/21 budget in January 2020.
- 3 There has been significant capital investment of over £3.8m at Central Durham Crematorium since Local Government Reorganisation in 2009, with further investments of nearly £800k planned for the coming years in line with the Service Asset Management Plan.
- 4 The next cremator replacement works are not scheduled until 2032 and would cost in the region of £1.6 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 forecasts.

- 6 Fees and charges, which are harmonised with Mountsett Crematorium are currently £720 and a proposed increase of £20 in 2021/22 to £740 would still mean that they remain the lowest in comparison with all neighbouring facilities and well below the average of £823.
- 7 A new private crematorium at Castle Eden has been granted planning permission and is expected to be completed in the next couple of years. This is likely to have an impact upon business at the Durham Crematorium.
- 8 The current surplus distributed is £637,500 per year (£510,000 to Durham County Council and £127,500 to Spennymoor Town Council). The budget strategy report considered in September 2019 envisaged a further increase in the surplus redistribution in 2021/22, with an increase of £218,750 (£175,000 DCC and £43,750 STC). The updated forecasts contained in this report confirm that this is still achievable.
- 9 An updated robust medium-term budget forecast has been produced for the Joint Committee and this demonstrates that the reserve balances of the Joint Committee are still projected to be healthy and sufficient to meet the liabilities and commitments of the Joint Committee 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 increase in the surplus redistribution, as identified in the report; and
 - iii. agree to review the budget strategy and surplus redistribution in two 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 2020 following Members consideration of the Budget Strategy report in September 2019 and the Budget Setting report in January 2020.
- 12 The earmarked reserves of the Joint Committee have built up significantly in recent years, in advance of the next planned 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 and significantly below the regional average.
- 13 A new private crematorium at Castle Eden is expected to open in the next couple of years and this is likely to have an impact upon business at the Durham Crematorium.

Capital Investment at the Crematorium

- 14 Since Local Government Reorganisation (LGR) in 2009 there has been significant investment in the Central Durham Crematorium totalling £3,823,491 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 rooms	131,819
Replacement of copper roofing canopies	277,184

- 15 The estimated costs of current and future improvements, as identified in the Service 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 £
2020/21	194,170	32,870	161,300
2021/22	277,057	25,500	251,557
2022/23	5,000	5,000	0
2023/24	24,000	24,000	0

Year	Estimated SAMP Investments £	Proposed Funding Arrangements	
		Premises Budget £	Earmarked Reserves £
2024 onwards	484,000	114,000	370,000
Total	984,227	201,370	782,857

Cremator Replacement

- 16 The three cremators at the crematorium were installed 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.
- 17 Based upon the cremator replacement works currently underway at Mountsett Crematorium it is estimated that the next cremator replacement programme at Durham would cost in the region of £1.6 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

- 18 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.
- 19 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 is no longer be required. The removal of the £213,737 budget from 2021/22 has been factored into the medium-term budget forecasts.

Earmarked Reserves

- 20 The projected reserves and balances of the Central Durham Crematorium Joint Committee at 31 March 2021 are as follows:

	Balance @	Balance @
	1 April 20	31 Mar 21
Earmarked Reserve	£	£
General Reserve	(497,670)	(517,770)

Earmarked Reserve	Balance @	Balance @
	1 April 20	31 Mar 21
	£	£
Masterplan Memorial Garden	(66,250)	(71,250)
Major Capital Works	(1,147,423)	(1,393,636)
Cremator Reline Reserve	(107,755)	(132,755)
Small Plant	(7,405)	(9,405)
Total	(1,826,503)	(2,124,816)

Fees and Charges

- 21 The fees and charges at Central Durham Crematorium are harmonised with those at the Mountsett Crematorium. A £20 (2.9%) increase was applied in 2020/21 and the current budgeted cremation fee (inclusive of medical referee's fees) is £720.
- 22 Due to the Covid 19 pandemic the cremation fees were frozen at £700 but are proposed to increase to the budgeted £720 charge from 1 November 2020, as referred to earlier in the Bereavement Services Manager's report.
- 23 The current cremation fees for crematoria across the region, shown in the table below, indicates an average cremation fee of £823 (inclusive of medical referees fees and environmental surcharge where appropriate) across the region:

Crematorium	Cremation Fee
Gateshead	£739
North Tyneside	£765
Stockton	£765
Middlesbrough	£790
South Tyneside	£816
Northumberland	£820
Newcastle	£842
Sunderland	£865
Hartlepool	£872
Coundon	£884
Darlington	£900
Average	£823

- 24 The projected number of cremations at the Central Durham Crematorium in 2020/21 is 2,787, which will be 587 more than the budgeted position of 2,200, however this year has seen increased cremations as a result of Covid-19. The number of cremations at Durham in the previous five years is shown below:

Year	Cremations
2015/16	2,247
2016/17	2,324
2017/18	2,294
2018/19	2,392
2019/20	2,350

- 25 The table below indicates how much additional income could be generated annually with fee increases ranging from £10 (1.4%) to £50 (7.0%) 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	£58,500	£81,000	£103,500	£126,000	£148,500
2,300	£95,000	£118,000	£141,000	£164,000	£187,000
2,350	£131,500	£155,000	£178,500	£202,000	£225,500
2,400	£168,000	£192,000	£216,000	£240,000	£264,000
2,450	£204,500	£229,000	£253,500	£278,000	£302,500
2,500	£241,000	£266,000	£291,000	£316,000	£341,000

- 26 Members will be aware that a new private sector facility is being constructed in Castle Eden. This will undoubtedly impact the Crematorium and it may be prudent to stick to the current forecast of cremation numbers rather than increase the budget estimates at this stage.
- 27 Mountsett Crematorium is scheduled to replace their two cremators in the coming months and their Joint Committee is proposing a £20 increase in the fees to help finance the prudential borrowing costs related to the replacement works. Members may recall that Mountsett Crematorium Joint Committee did not increase their fees and charges in 2015/16 when the major redevelopment works were being carried out at Central Durham Crematorium and applied the increase put forward to this committee in 2016/17. In lieu of the proposal by the Mountsett Crematorium, and taking into account the desire to maintain harmonised charges across County Durham, it is proposed to reciprocate this joint arrangement and increase the charges at the Central Durham Crematorium by £20 in 2021/22.

- 28 Should the 2021/22 cremation fees be increased by £20 (2.8%) 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.
- 29 The proposed 2021/22 cremation fee of £740 would still remain the lowest in comparison with all other neighbouring facilities in the region and £144 below the current charge at the nearest facility at Coundon.

Surplus Redistribution

- 30 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.
- 31 The current surplus distributed is £637,500 per year (£510,000 to DCC and £127,500 to STC).
- 32 Members may recall that the last budget strategy report in September 2019 recommended that the surplus distribution be reviewed and increased again in 2021/22, taking into account the ending of the prudential borrowing loan to part fund the crematorium redevelopment works.
- 33 Whilst maintaining a strong financial position for the Joint Committee it is recommended that Members approve an increase in the distribution of surpluses of £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	2020/21 Distributable Surplus £	2021/22 Distributable Surplus £	Increase from 2020/21 £
Durham County Council	510,000	685,000	175,000
Spennymoor Town Council	127,500	171,250	43,750
Total	637,500	856,250	218,750

Medium Term Budget Forecast

- 34 In terms of financial modelling for the Central Durham Crematorium, the following working assumptions have been applied:
- Premises budgets have been adjusted for priority repair costs (in line with the SAMP requirements);

- The capital charges 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 2021/22;
- An increase of £218,750 in 2021/22 for surplus redistribution to the constituent authorities has been built into the budget forecast;
- Expenditure includes a 2.5% increase to reflect pay and price inflation in 2022/23 and 2023/24,
- Income includes a modest £10 annual increase in cremation fees in 2022/23 and 2023/24,
- The estimated / budgeted level of cremations remains at 2,200 per annum;

35 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:

Revenue Budget	Base Budget 2020/21 £	Forecast Budget 2020/21 £	Base Budget 2021/22 £	Base Budget 2022/23 £	Base Budget 2023/24 £
Expenditure	964,768	1,052,189	743,661	741,240	779,246
Income	(1,725,900)	(2,088,534)	(1,769,900)	(1,791,900)	(1,813,900)
Net Income	(761,132)	(1,036,345)	(1,026,239)	(1,050,660)	(1,034,654)
Transfer to / (from) Reserves					
Masterplan Memorial Garden	5,000	5,000	5,000	5,000	5,000
Major Capital Works	91,632	366,845	137,989	162,410	146,404
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	(637,500)	(637,500)	(856,250)	(856,250)	(856,250)
80% Durham CC	510,000	510,000	685,000	685,000	685,000
20% Spennymoor Council	127,500	127,500	171,250	171,250	171,250

Capital Budget	Budget 2020/21 £	Forecast 2020/21 £	Budget 2021/22 £	Budget 2022/23 £	Budget 2023/24 £
Energy improvement works		4,119			
Office improvements		11,413			
Enlarging of one cremator	70,000	65,000			
Replacement of chapel dome	20,000	20,000			
Relining of 2 cremators	71,300		71,300		
Replace ride on grass cutter			25,000		
New gates & widen entrance			57,257		
Lighting to the crematorium			10,000		
Replace cooler cassettes			88,000		
Total Spend	161,300	100,532	251,557	0	0
Transfer to / (from) Reserves					
Major Capital Works	(90,000)	(100,532)	(180,257)		
Cremator Reline Reserve	(71,300)		(71,300)		
Small Plant Reserve					

Earmarked Reserve	Balance @ 1 April 2020 £	Balance @ 31 March 2021 £	Balance @ 31 March 2022 £	Balance @ 31 March 2023 £	Balance @ 31 March 2024 £
General Reserve	(497,670)	(517,770)	(530,970)	(537,570)	(544,170)
Masterplan Memorial Garden	(66,250)	(71,250)	(76,250)	(81,250)	(86,250)
Major Capital Works	(1,147,423)	(1,393,636)	(1,338,168)	(1,493,978)	(1,633,782)
Cremator Reline Reserve	(107,755)	(132,755)	(86,455)	(111,455)	(136,455)
Small Plant	(7,405)	(9,405)	(11,405)	(13,405)	(15,405)
Total	(1,826,503)	(2,124,816)	(2,043,248)	(2,237,658)	(2,416,062)

Conclusion

36 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.

Climate Change

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.