

Mountsett Crematorium Joint Committee

29 September 2022

Budget Strategy Report



Joint Report of

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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 financial planning for the Mountsett Crematorium. The views of the committee on these issues are sought in advance of the 2023/24 budget setting process.

Executive summary

- 2 There has been significant capital investment of over £4.0 million at Mountsett Crematorium since Local Government Reorganisation in 2009, with further investments of over £1.5 million planned for the coming years in line with the Service Asset Management Plan.
- 3 Fees and charges, which are harmonised with Central Durham Crematorium are currently £765 and a proposed increase of £30 in 2023/24 to £795 would still mean that they remain the lowest in comparison with all neighbouring facilities and well below the current regional average of £859.
- 4 The current level of surplus distribution to partner authorities was implemented on 1 April 2019 following Members approval of the Budget Strategy report in September 2018 and is forecast to remain at this level for the coming years.
- 5 A robust medium-term budget forecast has been produced for the Joint Committee and this demonstrates that subject to agreement of the fee

increase next year the reserve balances of the Joint Committee are still projected to be sufficient to meet the liabilities and commitments of the Joint Committee for the coming years.

Recommendation(s)

- 6 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, as identified in the report;
 - iii. agree to review the budget strategy in September 2023 in preparation for the 2024/25 budget setting year.

Background

- 7 The two cremators at the crematorium were replaced in 2017 and due to key areas of concern with the equipment and the supplier going into liquidation they were replaced again in 2021.
- 8 The current level of surplus distribution to partner authorities was implemented on 1 April 2019 following Members consideration of the Budget Strategy report in September 2018 and the Budget Setting report in January 2019.
- 9 Increases to the fees and charges at the crematorium, which are harmonised with Durham Crematorium, have also been kept as low as prudently possible over recent years, resulting in the current charges continuing to be the lowest of all neighbouring facilities.

Capital Investment at the Crematorium

- 10 Since Local Government Reorganisation (LGR) in 2009 there has been significant investment in the Mountsett Crematorium totalling £4,042,516 with the major improvement works including:

| Project | Cost £ |
|------------------------------------|---------------|
| Installation of Memorial Towers | 21,530 |
| Road Widening | 24,973 |
| Tarmac Access to Car Park | 62,200 |
| Car Park Extension | 88,398 |
| Cremator Replacement and Extension | 1,564,515 |
| Installation of temporary cremator | 334,929 |
| Energy Improvement works | 111,824 |
| Cremator Replacement | 1,593,884 |

- 11 The estimated costs of current and future improvements, as identified in the Service Asset Management Plan are summarised in the table below:

| Year | Estimated SAMP Investments £ |
|--------------|-------------------------------------|
| 2022/23 | 94,000 |
| 2023/24 | 134,336 |
| 2024/25 | 40,700 |
| 2025/26 | 4,400 |
| 2026 onwards | 1,260,400 |
| Total | 1,533,836 |

Earmarked Reserves

- 12 The projected reserves and balances of the Mountsett Crematorium Joint Committee at 31 March 2023 are as follows:

| Earmarked Reserve | Balance @ 1 April 22 £ | Balance @ 31 Mar 23 £ |
|--------------------------|---------------------------------------|--------------------------------------|
| Repairs Reserve | (99,370) | (114,370) |
| Cremator Reserve | (519,840) | (297,003) |
| General Reserve | (308,686) | (318,975) |
| Total | (927,896) | (730,348) |

Fees and Charges

- 13 The fees and charges at Mountsett Crematorium are harmonised with those at the Durham Crematorium. The previous Budget Strategy report, approved by Members in October 2020 considered cremation fee increases of £10 in both 2022/23 and 2023/24. However, due to increasing levels of pay and price inflation the budgeted cremation fee increases for both years were set at a higher level.
- 14 A £20 (2.8%) increase was applied in 2021/22 and a £25 (3.4%) increase was applied in 2022/23 resulting in the current budgeted cremation fee (inclusive of medical referee's fees) being £765.
- 15 The current cremation fees for crematoria across the region, shown in the table below, indicates a current average cremation fee of £859 (inclusive of medical referee's fees and environmental surcharge where appropriate) across the region:

| Crematorium | Cremation Fee |
|--------------------|----------------------|
| Gateshead | £783 |
| Stockton | £805 |
| North Tyneside | £813 |
| South Tyneside | £816 |
| Middlesbrough | £820 |
| Northumberland | £850 |
| Sunderland | £882 |
| Newcastle | £894 |
| Coundon | £911 |
| Hartlepool | £917 |
| Darlington | £955 |
| Average | £859 |

- 16 The projected number of cremations at the Mountsett Crematorium in 2022/23 is 1,496, which will be 196 more than the budgeted position of 1,300. The number of cremations at Mountsett in the previous five years is shown below.

| Year | Cremations |
|---------|------------|
| 2017/18 | 1,396 |
| 2018/19 | 1,331 |
| 2019/20 | 1,399 |
| 2020/21 | 1,758 |
| 2021/22 | 1,463 |

- 17 The table below indicates how much additional income could be generated annually with fee increases ranging from £10 (1.3%) to £70 (9.2%) and with incremental increases in the budgeted cremation numbers, compared to the current budgeted position of 1,300. Therefore if the budgeted number of cremations remain at 1,300 the crematorium would receive an extra £13,000 for every £10 increase in the cremation fee.

| Cremation Numbers | Increase in Fees | | | | | | |
|-------------------|------------------|----------|----------------|----------|----------|----------|----------|
| | £10 | £20 | £30 | £40 | £50 | £60 | £70 |
| | 1.3% | 2.6% | 3.9% | 5.2% | 6.5% | 7.8% | 9.2% |
| 1,300 | £13,000 | £26,000 | £39,000 | £52,000 | £65,000 | £78,000 | £91,000 |
| 1,350 | £51,750 | £65,250 | £78,750 | £92,250 | £105,750 | £119,250 | £132,750 |
| 1,400 | £90,500 | £104,500 | £118,500 | £132,500 | £146,500 | £160,500 | £174,500 |
| 1,450 | £129,250 | £143,750 | £158,250 | £172,750 | £187,250 | £201,750 | £216,250 |
| 1,500 | £168,000 | £183,000 | £198,000 | £213,000 | £228,000 | £243,000 | £258,000 |
| 1,550 | £206,750 | £222,250 | £237,750 | £253,250 | £268,750 | £284,250 | £299,750 |
| 1,600 | £245,500 | £261,500 | £277,500 | £293,500 | £309,500 | £325,500 | £341,500 |

- 18 Should the 2023/24 cremation fees be increased by **£30 (3.9%)** and assuming a prudent forecast of 1,300 cremations again next year an additional £39,000 income would be generated by the Joint Committee next year and this potential increase has been built into the medium term budget forecasts at this stage. The £30 increase has been proposed as it is in line with the estimated increase in pay and price inflation, mentioned later in the report.
- 19 Once other crematoria apply their fee increases for next year, the proposed 2023/24 cremation fee of £795 will probably remain the lowest in comparison with all other neighbouring facilities in the region.

Energy Inflationary Pressures

- 20 The national increases in gas and electric prices are having a significant impact upon the Crematorium budgets.
- 21 The table below shows that energy budgets overspent in 2021/22 by £13,492. Although the 2022/23 budget was increased by 52% to £76,080 the costs to date and forecasts for the remainder of the year indicate an overspend of £52,291 in the current year, which has been reflected in the financial monitoring report.
- 22 In line with Durham County Council's MTFP model, energy prices are expected to rise further in 2023/24 by 40%, but then reduce by 30% in 2024/25 and 40% in 2025/26 and this has been built into the medium term budget forecasts at this stage.
- 23 Following the Prime Minister's announcement to tackle the energy crisis on 8 September 2022 the North East Procurement Organisation (NEPO), whose framework the Joint Committee is linked into, stated they are working closely with suppliers, the Government and the UK energy regulator (Ofgem) to understand what the announcement means in practice. Updates to Members and revised forecasts will therefore be brought to future meetings of the Joint Committee.

| Energy Type | 2021/22 | | 2022/23 | | | 2023/24 | 2024/25 | 2025/26 |
|--------------|---------------|---------------|---------------|-------------------|----------------|----------------|----------------|---------------|
| | Budget | Actual | Budget | Actual to 31 July | Forecast | Budget | Budget | Budget |
| Gas | 32,000 | 47,670 | 50,880 | 23,297 | 97,730 | 136,822 | 95,775 | 57,465 |
| Electric | 18,000 | 15,822 | 25,200 | 7,798 | 30,627 | 42,878 | 30,015 | 18,009 |
| TOTAL | 50,000 | 63,492 | 76,080 | 31,095 | 128,357 | 179,700 | 125,790 | 75,474 |

Surplus Redistribution

- 24 Members will recall that the Constitution sets out the constituent authority title deeds and subsequent surplus distribution arrangements to Durham County Council (DCC) / Gateshead Council (GC) on a 65 / 35 basis.
- 25 The current surplus distributed is £350,000 per year (£227,500 to Durham County Council and £122,500 to Gateshead Council). The table below shows the levels of surplus redistribution over the last five years.

| Constituent Authority | Distributable Surplus £ | | | | |
|-----------------------|-------------------------|----------------|----------------|----------------|----------------|
| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Durham County Council | 107,178 | 227,500 | 227,500 | 227,500 | 227,500 |
| Gateshead Council | 57,712 | 122,500 | 122,500 | 122,500 | 122,500 |
| Total | 164,890 | 350,000 | 350,000 | 350,000 | 350,000 |

26 Due to the requirement for the Joint Committee to replace the cremators, with increased costs for the associated borrowing requirements and also high inflationary pressures it is recommended that the surplus distribution to the constituent authorities remain at the current levels and this has been factored into the medium-term budget forecasts.

Medium Term Budget Forecast

27 In terms of financial modelling for the Mountsett Crematorium, the following working assumptions have been applied:

- Premises budgets have been adjusted for priority repair costs (in line with the SAMP requirements),
- Contributions from earmarked reserves to part fund the planned SAMP works have been built into the budget forecast,
- A £30 (3.92%) increase per cremation has been factored into the income budget from 2023/24 and then £25 (3.15%) in 2024/25 and £15 (1.83%) in 2025/26,
- No changes in the surplus redistribution to the constituent authorities has been assumed in the budget forecast,
- Expenditure budgets have been increased to reflect pay inflation in line with Durham County Council's MTFP model at 4% in 2023/24, 3% in 2024/25 and 2% in 2025/26,
- Expenditure budgets, other than energy, have been increased to reflect price inflation (non-pay) in line with Durham County Council's MTFP model at 4% in 2023/24, 1.5% in 2024/25 and 1.5% in 2025/26,
- Energy budgets have been increased to reflect the significant increases in gas and electric prices. In addition to the extra 69% increase that we are experiencing in 2022/23, which has been reflected in the financial monitoring report, a further increase of 40% has been forecast in 2023/24, then reductions of 30% in 2024/25 and 40% in 2025/26.
- The estimated / budgeted level of cremations remains at 1,300 per annum across the next three years.

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

29 The budget forecast demonstrates that having incorporated all the proposed changes, the reserve balances of the Joint Committee are projected to start increasing again from 2024/25, demonstrating a sound financial position for the coming years and in advance of future investment at the crematorium.

| | Base Budget 2022/23 £ | Forecast Budget 2022/23 £ | Base Budget 2023/24 £ | Base Budget 2024/25 £ | Base Budget 2025/26 £ |
|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Revenue Budget | | | | | |
| Expenditure | 731,508 | 1,044,825 | 904,895 | 767,195 | 688,418 |
| Income | (1,063,250) | (1,197,277) | (1,104,464) | (1,137,889) | (1,158,280) |
| Net Income | (331,742) | (152,452) | (199,569) | (370,694) | (469,863) |
| Transfer to / (from) Reserves | | | | | |
| Repairs Reserve | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Cremator Reserve | (33,258) | (212,548) | (165,431) | 5,694 | 104,863 |
| General Reserve | 0 | 0 | 0 | 0 | 0 |
| Distributed Surplus | (350,000) | (350,000) | (350,000) | (350,000) | (350,000) |
| 65% Durham County Council | 227,500 | 227,500 | 227,500 | 227,500 | 227,500 |
| 35% Gateshead Council | 122,500 | 122,500 | 122,500 | 122,500 | 122,500 |

| | Balance @ 1 April 2022 £ | Balance @ 31 March 2023 £ | Balance @ 31 March 2024 £ | Balance @ 31 March 2025 £ | Balance @ 31 March 2026 £ |
|--------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Earmarked Reserve | | | | | |
| Repairs Reserve | (99,370) | (114,370) | (129,370) | (144,370) | (159,370) |
| Cremator Reserve | (519,840) | (297,003) | (119,208) | (114,874) | (213,620) |
| General Reserve | (308,686) | (318,975) | (331,339) | (341,367) | (347,484) |
| Total | (927,896) | (730,348) | (579,917) | (600,611) | (720,474) |

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Appendix 1: Implications

Legal Implications

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

Finance

The financial implications associated with this report are disclosed in the body of the report.

Consultation

None. However, Officers of Gateshead 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 Joint Committee.

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 scrutinised and supplemented with information supplied by the Bereavement Services Manager. The medium-term financial budget forecast has been produced taking into consideration current year forecasts, future improvement costs

obtained from the SAMP and pricing structures from neighbouring facilities. This, together with the information supplied by the Bereavement Services Manager, should mitigate any risks with regards to challenge and review of the financial forecast of the Joint Committee.

Procurement

None.