

# Central Durham Crematorium Joint Committee



29 September 2022

## Budget Strategy Report



### Joint Report of

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

**Paul Darby, 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 fees and charges from 2023/24 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 2023/24 budget setting process.

### Executive summary

- 2 The current level of surplus distribution to partner authorities was implemented on 1 April 2021 following Members consideration of the Budget Strategy report in September 2020 and the 2021/22 budget in January 2021.
- 3 There has been significant capital investment of over £4.1 million at Central Durham Crematorium since Local Government Reorganisation in 2009, with further investments of nearly £2.5 million 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 £2.4 million in addition to the investment costs mentioned in the previous paragraph.

- 5 Fees and charges, which are harmonised with Mountsett 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 average of £859.
- 6 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.
- 7 The current surplus distributed is £856,250 per year (£685,000 to Durham County Council and £171,250 to Spennymoor Town Council) and it is not proposed to increase this.
- 8 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)**

- 9 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; and
  - iii. agree to review the budget strategy in September 2023 in preparation for the 2024/25 budget setting year.

## Background

- 10 The current level of surplus distribution to partner authorities was implemented on 1 April 2021 following Members consideration of the Budget Strategy report in September 2020 and the Budget Setting report in January 2021.
- 11 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 as low as prudently possible over recent years, resulting in the current charges being the lowest of all neighbouring facilities and significantly below the regional average.
- 12 A new private crematorium at Castle Eden is expected to open in the next couple of years and there is potential that this will have a negative impact upon business at the Durham Crematorium.

## Capital Investment at the Crematorium

- 13 Since Local Government Reorganisation (LGR) in 2009 there has been significant investment in the Central Durham Crematorium totalling £4,156,578 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
Creation of staff car parking area	56,466
Carry out energy improvement works	59,048
Improvements to office accommodation	183,950
Carry out enlarging of cremator 1	61,500

- 14 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 £
2022/23	164,647	22,997	141,650
2023/24	93,049	22,319	70,730
2024/25	1,614,730	31,000	1,583,730
2025/26	96,000	6,000	90,000
2026 onwards	544,000	154,000	390,000
<b>Total</b>	<b>2,512,426</b>	<b>236,316</b>	<b>2,276,110</b>

## Cremator Replacement

- 15 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.
- 16 Based upon the cremator replacement works recently undertaken at Mountsett Crematorium it is estimated that the next cremator replacement programme at Durham would cost in the region of £2.4 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.

## Earmarked Reserves

- 17 The projected reserves and balances of the Central Durham Crematorium Joint Committee at 31 March 2023 are as follows:

Earmarked Reserve	Balance @	Balance @
	1 April 22	31 Mar 23
	£	£
General Reserve	(531,675)	(548,175)
Masterplan Memorial Garden	(76,250)	(81,250)
Major Capital Works	(1,480,881)	(1,324,180)
Cremator Reline Reserve	(157,755)	(182,755)
Small Plant	(11,405)	(13,405)
<b>Total</b>	<b>(2,257,966)</b>	<b>(2,149,765)</b>

## Fees and Charges

- 18 The fees and charges at Central Durham Crematorium are harmonised with those at the Mountsett 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 was set at a higher level.
- 19 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.
- 20 The current cremation fees for crematoria across the region, shown in the table below, indicates an average cremation fee of £859 (inclusive of medical referees fees and environmental surcharge where appropriate) across the region:

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

- 21 The projected number of cremations at the Central Durham Crematorium in 2022/23 is 2,477, which will be 277 more than the budgeted position of 2,200. The number of cremations at Durham in the previous five years is shown below:

<b>Year</b>	<b>Cremations</b>
2017/18	2,294
2018/19	2,392
2019/20	2,350
2020/21	2,738
2021/22	2,306

- 22 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 2,200. Therefore if the budgeted number of cremations remain at 2,200 the crematorium would receive an extra £22,000 for every £10 increase in the cremation fee.

No of Cremations	Increase in fees £						
	£10	£20	£30	£40	£50	£60	£70
	1.3%	2.6%	3.9%	5.2%	6.5%	7.8%	9.2%
<b>2,200</b>	£22,000	£44,000	<b>£66,000</b>	£88,000	£110,000	£132,000	£154,000
<b>2,250</b>	£60,750	£83,250	£105,750	£128,250	£150,750	£173,250	£195,750
<b>2,300</b>	£99,500	£122,500	£145,500	£168,500	£191,500	£214,500	£237,500
<b>2,350</b>	£138,250	£161,750	£185,250	£208,750	£232,250	£255,750	£279,250
<b>2,400</b>	£177,000	£201,000	£225,000	£249,000	£273,000	£297,000	£321,000
<b>2,450</b>	£215,750	£240,250	£264,750	£289,250	£313,750	£338,250	£362,750
<b>2,500</b>	£254,500	£279,500	£304,500	£329,500	£354,500	£379,500	£404,500

- 23 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.
- 24 Should the 2023/24 cremation fees be increased by £30 (3.9%) and assuming a prudent forecast of 2,200 cremations again next year an additional £66,000 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.
- 25 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 and £116 below the current charge at the nearest facility at Coundon.

### Energy Inflationary Pressures

- 26 The national increases in gas and electric prices are having a significant impact upon the Crematorium budgets.
- 27 The table below shows that energy budgets overspent in 2021/22 by £18,371. Although the 2022/23 budget was increased by 51% to £74,110 the costs to date and forecasts for the remainder of the year

indicate an overspend of £52,887 in the current year, which has been reflected in the financial monitoring report.

- 28 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.
- 29 Following the Prime Minister’s announcement to tackle the energy crisis on 8 September 2022 the North East Procurement Organisation (NEPO), whose framework we are 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	29,000	38,848	46,110	19,530	79,479	111,271	77,889	46,734
Electric	20,000	28,523	28,000	13,197	47,518	66,525	46,568	27,941
<b>TOTAL</b>	<b>49,000</b>	<b>67,371</b>	<b>74,110</b>	<b>32,727</b>	<b>126,997</b>	<b>177,796</b>	<b>124,457</b>	<b>74,674</b>

### 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 £856,250 per year (£685,000 to DCC and £171,250 to STC).
- 32 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	445,000	445,000	510,000	685,000	685,000
Spennymoor Town Council	111,250	111,250	127,500	171,250	171,250
<b>Total</b>	<b>556,250</b>	<b>556,250</b>	<b>637,500</b>	<b>856,250</b>	<b>856,250</b>

- 33 Due to the SAMP commitments mentioned earlier in the report, especially with regard to the planned introduction of resomation 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**

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);
- Contributions from earmarked reserves to fund the planned capital works (in line with the SAMP) 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 71% 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 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:



<b>Revenue Budget</b>	<b>Base Budget 2022/23 £</b>	<b>Forecast Budget 2022/23 £</b>	<b>Base Budget 2023/24 £</b>	<b>Base Budget 2024/25 £</b>	<b>Base Budget 2025/26 £</b>
Expenditure	830,825	968,549	983,980	956,353	895,366
Income	(1,827,250)	(2,010,248)	(1,898,114)	(1,955,113)	(1,990,063)
<b>Net Income</b>	<b>(996,425)</b>	<b>(1,041,699)</b>	<b>(914,133)</b>	<b>(998,760)</b>	<b>(1,094,698)</b>
<b>Transfer to / (from) Reserves</b>					
Masterplan Memorial Garden	5,000	5,000	5,000	5,000	5,000
Major Capital Works	108,175	153,449	25,883	110,510	206,448
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
<b>Distributed Surplus</b>	<b>(856,250)</b>	<b>(856,250)</b>	<b>(856,250)</b>	<b>(856,250)</b>	<b>(856,250)</b>
<b>80% Durham CC</b>	<b>685,000</b>	<b>510,000</b>	<b>685,000</b>	<b>685,000</b>	<b>685,000</b>
<b>20% Spennymoor Council</b>	<b>171,250</b>	<b>127,500</b>	<b>171,250</b>	<b>171,250</b>	<b>171,250</b>

<b>Capital Budget</b>	<b>Budget 2022/23 £</b>	<b>Forecast 2022/23 £</b>	<b>Budget 2023/24 £</b>	<b>Budget 2024/25 £</b>	<b>Budget 2025/26 £</b>
Replacement of chapel dome		20,000			
Installation of charging points	24,000	24,000			
Heat regeneration feasibility	50,000	50,000			
Enlarging of one cremator	67,650	67,650			
Replace cooler cassettes		132,000			
Resin pathway around garden			18,730		
Improvements to fountain			40,000		
New memorial garden			12,000		
Re-lining of cremator				65,000	
Resomation system/extension				500,000	1,000,000
Resin pathway around garden				18,730	
Resin pathway - turning circle					25,000
Re-lining of cremator					65,000
<b>Total Spend</b>	<b>141,650</b>	<b>293,650</b>	<b>70,730</b>	<b>583,730</b>	<b>1,090,000</b>
<b>Transfer to / (from) Reserves</b>					
Masterplan Memorial Garden			(70,730)		
Major Capital Works	(141,650)	(293,650)		(518,730)	(1,025,000)
Cremator Reline Reserve				(65,000)	(65,000)
Small Plant Reserve					

<b>Earmarked Reserve</b>	<b>Balance @ 1 April 2022 £</b>	<b>Balance @ 31 March 2023 £</b>	<b>Balance @ 31 March 2024 £</b>	<b>Balance @ 31 March 2025 £</b>	<b>Balance @ 31 March 2026 £</b>
General Reserve	(531,675)	(548,175)	(569,434)	(586,534)	(597,019)
Masterplan Memorial Garden	(76,250)	(81,250)	(15,520)	(20,520)	(25,520)
Major Capital Works	(1,480,881)	(1,324,180)	(1,328,804)	(903,484)	(74,447)
Cremator Reline Reserve	(157,755)	(182,755)	(207,755)	(167,755)	(127,755)
Small Plant	(11,405)	(13,405)	(15,405)	(17,405)	(19,405)
<b>Total</b>	<b>(2,257,966)</b>	<b>(2,149,765)</b>	<b>(2,136,918)</b>	<b>(1,695,698)</b>	<b>(844,146)</b>

## Conclusion

- 36 The budget forecast demonstrates that having incorporated all of the proposed changes, including the planned introduction of resomation at the crematorium, the reserve balances of the Joint Committee are demonstrating a sound financial position for the coming years.

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## **Appendix 1: Implications**

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### **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.