

# **Mountsett Crematorium Joint Committee**

**27 September 2023**

## **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 the medium-term financial planning for the Mountsett Crematorium. The views of the committee on these issues are sought in advance of the 2024/25 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 £1.6 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 £795 and a proposed increase of £30 in 2023/24 to £825 would still mean that they remain among the lowest in comparison with neighbouring facilities and well below the current regional average of £892.
- 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 2024 in preparation for the 2025/26 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 among 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 £4,094,164 with the major improvement works including:

<b>Project</b>	<b>Cost £</b>
Installation of Memorial Towers	31,370
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
Installation of Vehicle Charging Points	16,680

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

<b>Year</b>	<b>Estimated SAMP Investments £</b>
2023/24	134,336
2024/25	93,345
2025/26	9,900
2026/27	215,600
2027 onwards	1,160,800
<b>Total</b>	<b>1,613,981</b>

- 12 In addition to the works above identified in the SAMP, an indicative amount of £22,882 has been allowed for the replacement of the current

Burial and Cremation Administration software system in 2024/25. It has been assumed that this will be funded from the revenue budget.

## Earmarked Reserves

- 13 The projected reserves and balances of the Mountsett Crematorium Joint Committee at 31 March 2024 are as follows:

<b>Earmarked Reserve</b>	<b>Balance @ 1 April 23 £</b>	<b>Balance @ 31 Mar 24 £</b>
Repairs Reserve	(114,370)	(129,370)
Cremator Reserve	(328,303)	(224,232)
General Reserve	(318,975)	(335,880)
<b>Total</b>	<b>(761,648)</b>	<b>(689,482)</b>

## Fees and Charges

- 14 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.
- 15 A £20 (2.8%) increase was applied in 2021/22, a £25 (3.4%) increase in 2022/23 and a £30 (3.92%) increase in 2023/24 resulting in the current budgeted cremation fee (inclusive of medical referee's fees) being £795.
- 16 The current cremation fees for crematoria across the region, shown in the table over the page, indicates a current average cremation fee of £892 (inclusive of medical referee's fees and environmental surcharge where appropriate) across the region:

<b>Crematorium</b>	<b>Cremation Fee</b>
Gateshead	£794
Stockton	£865
North Tyneside	£854
South Tyneside	£816
Middlesbrough	£902
Northumberland	£850
Sunderland	£894
Newcastle	£939
Coundon	£1,030
Hartlepool	£890
Darlington	£982
<b>Average</b>	<b>£892</b>

- 17 The projected number of cremations at the Mountsett Crematorium in 2023/24 is 1,426, which will be 126 more than the budgeted position of 1,300. The number of cremations at Mountsett in the previous five years is shown below.

<b>Year</b>	<b>Cremations</b>
2018/19	1,331
2019/20	1,399
2020/21	1,758
2021/22	1,463
2022/23	1,445

- 18 The table below indicates how much additional income could be generated annually with fee increases ranging from £20 (2.5%) to £65 (8.2%) 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.

<b>Cremation Numbers</b>	<b>Increase in Fees</b>						
	<b>£20</b>	<b>£25</b>	<b>£30</b>	<b>£35</b>	<b>£45</b>	<b>£55</b>	<b>£65</b>
	<b>2.52%</b>	<b>3.14%</b>	<b>3.77%</b>	<b>4.40%</b>	<b>5.66%</b>	<b>6.92%</b>	<b>8.18%</b>
<b>1,300</b>	£26,000	£32,500	£39,000	£45,500	£58,500	£71,500	£84,500
<b>1,350</b>	£66,750	£73,500	<b>£80,250</b>	£87,000	£100,500	£114,000	£127,500
<b>1,400</b>	£107,500	£114,500	£121,500	£128,500	£142,500	£156,500	£170,500
<b>1,450</b>	£148,250	£155,500	£162,750	£170,000	£184,500	£199,000	£213,500
<b>1,500</b>	£189,000	£196,500	£204,000	£211,500	£226,500	£241,500	£256,500
<b>1,550</b>	£229,750	£237,500	£245,250	£253,000	£268,500	£284,000	£299,500
<b>1,600</b>	£270,500	£278,500	£286,500	£294,500	£310,500	£326,500	£342,500

- 19 Should the 2024/25 cremation fees be increased by **£30 (3.77%)** and assuming a prudent forecast of 1,350 cremations next year an additional £80,250 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.
- 20 Members may wish to consider keeping the fees for direct cremations and early discounted slots the same as current levels to reduce the cost of living impact on service users.
- 21 Once other crematoria apply their fee increases for next year, the proposed 2024/25 cremation fee of £825 will remain among the lowest of other neighbouring facilities in the region. The benchmarking figures above are before other local authorities increase their cremation fees, so the gap between Mountsett and neighbouring facilities is likely to continue to grow.

### Surplus Redistribution

- 22 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.
- 23 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 £				
	2019/20	2020/21	2021/22	2022/23	2023/24
Durham County Council	227,500	227,500	227,500	227,500	227,500
Gateshead Council	122,500	122,500	122,500	122,500	122,500
<b>Total</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>

- 24 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

- 25 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 (3.77%) increase per cremation has been factored into the income budget from 2024/25 and then £30 (3.64%) in 2025/26 and £30 (3.51%) in 2026/27,
- 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 2024/25, 1.75% in 2025/26 and 1.5% in 2026/27,
- Expenditure budgets, have been increased to reflect price inflation (non-pay) in line with Durham County Council's MTFP model at 2% in 2024/25, 1.5% in 2025/26 and 1.5% in 2026/27,
- The estimated / budgeted level of cremations has been increased to 1,350 per annum across the next three years. This is considered prudent based on cremation numbers over the last 5 years.

26 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:

27 The budget forecast demonstrates that having incorporated all the proposed changes, the reserve balances of the Joint Committee are demonstrating a sound financial position for the coming years.

	<b>Base Budget 2023/24</b> £	<b>Forecast Budget 2023/24</b> £	<b>Base Budget 2024/25</b> £	<b>Base Budget 2025/26</b> £	<b>Base Budget 2026/27</b> £
<b>Revenue Budget</b>					
Expenditure	894,126	971,625	926,827	831,003	1,050,420
Income	(1,119,600)	(1,249,460)	(1,201,186)	(1,242,701)	(1,284,238)
<b>Net Income</b>	<b>(225,474)</b>	<b>(277,834)</b>	<b>(274,359)</b>	<b>(411,698)</b>	<b>(233,818)</b>
<b>Transfer to / (from) Reserves</b>					
Repairs Reserve	15,000	15,000	15,000	15,000	15,000
Cremator Reserve	(139,526)	(87,166)	(90,641)	46,698	(131,182)
General Reserve	0	0	0	0	0
<b>Distributed Surplus</b>	<b>(350,000)</b>	<b>(350,000)</b>	<b>(350,000)</b>	<b>(350,000)</b>	<b>(350,000)</b>
<b>65% Durham County Council</b>	<b>227,500</b>	<b>227,500</b>	<b>227,500</b>	<b>227,500</b>	<b>227,500</b>
<b>35% Gateshead Council</b>	<b>122,500</b>	<b>122,500</b>	<b>122,500</b>	<b>122,500</b>	<b>122,500</b>

<b>Earmarked Reserve</b>	<b>Balance @ 1 April 2023 £</b>	<b>Balance @ 31 March 2024 £</b>	<b>Balance @ 31 March 2025 £</b>	<b>Balance @ 31 March 2026 £</b>	<b>Balance @ 31 March 2027 £</b>
Repairs Reserve	(114,370)	(129,370)	(144,370)	(159,370)	(124,370)
Cremator Reserve	(328,303)	(224,232)	(109,115)	(143,359)	(47,716)
General Reserve	(318,975)	(335,880)	(360,356)	(372,810)	(385,271)
<b>Total</b>	<b>(761,648)</b>	<b>(689,482)</b>	<b>(613,841)</b>	<b>(675,540)</b>	<b>(559,358)</b>

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## **Appendix 1: Implications**

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### **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.