

Central Durham 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 medium-term financial planning for the Central Durham Crematorium. The report sets out proposals to increase the fees and charges from 2024/25 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 2024/25 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 £4.5 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 £795 and a proposed increase of £30 in 2024/25 to £825 would still mean that they remain among the lowest in comparison with neighbouring facilities and well below the average of £892.
- 6 The current surplus distributed is £856,250 per year (£685,000 to Durham County Council and £171,250 to Spennymoor Town Council). From 2024/25 onwards it is proposed that this will be increased to £931,250 per year (£745,000 to Durham County Council and £186,250 to Spennymoor Town Council).
- 7 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)

- 8 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. approve the proposed increase in the surplus redistribution to Durham County Council and Spennymoor Town Council; and
 - iv. agree to review the budget strategy in September 2024 in preparation for the 2025/26 budget setting year.

Background

- 9 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.
- 10 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 continuing to be amongst the lowest of all neighbouring facilities and significantly below the regional average.

Capital Investment at the Crematorium

- 11 Since Local Government Reorganisation (LGR) in 2009 there has been significant investment in the Central Durham Crematorium totalling £4,514,406 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
Install new gates and adjust roadway	68,165
Replacement of cooler cassettes	157,331
Enlargement of cremator 2	82,680

- 12 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 £
2023/24	176,923	22,319	154,604
2024/25	1,648,130	129,400	1,518,730
2025/26	123,000	10,400	112,600
2026/27	123,000	35,400	87,600
2027 onwards	401,400	138,600	262,800
Total	2,472,453	336,119	2,136,334

- 13 In addition to the works above identified in the SAMP, an indicative amount of £33,556 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 earmarked reserves.

Cremator Replacement

- 14 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.
- 15 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

- 16 The projected reserves and balances of the Central Durham Crematorium Joint Committee at 31 March 2024 are as follows:

Earmarked Reserve	Balance @	Balance @
	1 April 23	31 Mar 24
	£	£
General Reserve	(548,175)	(581,400)
Masterplan Memorial Garden	(81,250)	0
Major Capital Works	(1,652,475)	(1,791,396)
Cremator Reline Reserve	(109,943)	(134,943)
Small Plant	(13,405)	(15,405)
Total	(2,405,248)	(2,523,144)

Fees and Charges

- 17 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.
- 18 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.
- 19 The current cremation fees for crematoria across the region, shown in the table below, indicates an average cremation fee of £892 (inclusive of medical referees fees and environmental surcharge where appropriate) across the region:

Crematorium	Cremation Fee
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
Average	£892

- 20 The projected number of cremations at the Central Durham Crematorium in 2023/24 is 2,505, which will be 305 more than the budgeted position of 2,200. The number of cremations at Durham in the previous five years is shown below:

Year	Cremations
2018/19	2,392
2019/20	2,350
2020/21	2,738
2021/22	2,306
2022/23	2,513

- 21 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 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 £						
	£20 2.52%	£25 3.14%	£30 3.77%	£35 4.40%	£45 5.66%	£55 6.92%	£65 8.18%
2,200	£44,000	£55,000	£66,000	£77,000	£99,000	£121,000	£143,000
2,250	£84,750	£96,000	£107,250	£118,500	£141,000	£163,500	£186,000
2,300	£125,500	£137,000	£148,500	£160,000	£183,000	£206,000	£229,000
2,350	£166,250	£178,000	£189,750	£201,500	£225,000	£248,500	£272,000
2,400	£207,000	£219,000	£231,000	£243,000	£267,000	£291,000	£315,000
2,450	£247,750	£260,000	£272,250	£284,500	£309,000	£333,500	£358,000
2,500	£288,500	£301,000	£313,500	£326,000	£351,000	£376,000	£401,000

- 22 Should the 2024/25 cremation fees be increased by £30 (3.77%), 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.
- 23 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.
- 24 Once other crematoria apply their fee increases for next year, the proposed 2024/25 cremation fee of £825 will remain among the lowest of all other neighbouring facilities in the region and £205

below the current charge at the nearest facility at Coundon. The benchmarking figures above are before other local authorities increase their cremation fees, so the gap between Durham and neighbouring facilities is likely to continue to grow.

Surplus Redistribution

- 25 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.
- 26 The current surplus distributed is £856,250 per year (£685,000 to DCC and £171,250 to STC).
- 27 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	445,000	510,000	685,000	685,000	685,000
Spennymoor Town Council	111,250	127,500	171,250	171,250	171,250
Total	556,250	637,500	856,250	856,250	856,250

- 28 From 2024/25 onwards it is proposed that this will be increased to £931,250 per year (£745,000 to Durham County Council and £186,250 to Spennymoor Town Council) and this has been factored into the medium-term budget forecasts.

Medium Term Budget Forecast

- 29 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 (3.77%) 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,

- An increase to the surplus redistribution to the constituent authorities of £60,000 for Durham County Council and £15,000 for Spennymoor Town Council 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 remains at 2,200 per annum;

30 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 2023/24 £	Forecast Budget 2023/24 £	Base Budget 2024/25 £	Base Budget 2025/26 £	Base Budget 2026/27 £
Expenditure	919,938	1,079,127	1,106,361	1,002,960	1,042,849
Income	(1,938,000)	(2,232,876)	(2,007,127)	(2,075,508)	(2,143,935)
Net Income	(1,018,062)	(1,153,749)	(900,767)	(1,072,547)	(1,101,086)
Transfer to / (from) Reserves					
Masterplan Memorial Garden	5,000	5,000	5,000	5,000	5,000
Major Capital Works	129,812	265,499	(62,483)	109,297	137,836
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
Distributed Surplus	(856,250)	(856,250)	(931,250)	(931,250)	(931,250)
80% Durham CC	685,000	685,000	745,000	745,000	745,000
20% Spennymoor Council	171,250	171,250	186,250	186,250	186,250

Capital Budget	Budget 2023/24 £	Forecast 2023/24 £	Budget 2024/25 £	Budget 2025/26 £	Budget 2026/27 £
Improvements to fountain	40,000	60,000			
Creation of Memorial Garden	12,000	12,000			
Excess heat works	83,874	83,874			
Resin pathway around garden	18,730	18,730	18,730		
Resomation system/extension	0	5,000	1,500,000		
Software purchase			33,556		
Re-lining of cremator				87,600	
Resin pathway - turning circle				25,000	
Re-lining of cremator					87,600
Total Spend	154,604	179,604	1,552,286	112,600	87,600
Transfer to / (from) Reserves					
Masterplan Memorial Garden	(86,250)	(86,250)			
Major Capital Works	(68,354)	(93,354)	(1,552,286)	(25,000)	
Cremator Reline Reserve				(87,600)	(87,600)
Small Plant Reserve					

Earmarked Reserve	Balance @ 1 April 2023 £	Balance @ 31 March 2024 £	Balance @ 31 March 2025 £	Balance @ 31 March 2026 £	Balance @ 31 March 2027 £
General Reserve	(548,175)	(581,400)	(602,138)	(622,652)	(643,180)
Masterplan Memorial Garden	(81,250)	0	(5,000)	(10,000)	(15,000)
Major Capital Works	(1,652,475)	(1,791,396)	(155,889)	(219,672)	(336,980)
Cremator Reline Reserve	(109,943)	(134,943)	(159,943)	(97,343)	(34,743)
Small Plant	(13,405)	(15,405)	(17,405)	(19,405)	(21,405)
Total	(2,405,248)	(2,523,144)	(940,375)	(969,072)	(1,051,308)

Conclusion

- 31 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.

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.