

Report subject	<b>Poole Crematorium - Cremator(s) Reinvestment Business Case</b>
Meeting date	6 September 2023
Status	Public
Executive summary	<p>In March 2023, Cabinet requested a further report detailing a business case for <i>Option 3: Investing in two electric cremator(s) at Poole Crematorium</i> be brought back to Cabinet. This report provides the data and evidence for this business case.</p> <p>The crematoria market in Poole is highly competitive since the opening of a private facility at Lytchett Minster, Poole, now further compounded by competition to the wider BCP Bereavement Care Services offer at Bournemouth Crematorium following the opening of New Milton Crematorium and the wider Direct Cremation market offer. The market analysis set out in this business case and previous background reports indicates that BCP Council would not be able to reinvest and run a crematoria facility at Poole at no cost to the Council.</p> <p>Due to the current BCP Council financial context within which Cabinet are considering this business case this Officer report recommends Cabinet pause investment in new electric cremators at Poole and reviews the operating model for BCP Bereavement Care Services. In doing so it is suggested Cabinet asks Officers to present options for future investment and operational delivery at a future Cabinet meeting. Cabinet is asked to consider the Officer recommendation.</p>
Recommendations	<p><b>It is RECOMMENDED</b> by Officers that:</p> <ul style="list-style-type: none"> <li>a) Cabinet agrees Option 1; to pause a reinvestment decision in new electric cremators at Poole Crematorium and review the future operating model for BCP Bereavement Care Services.</li> <li>b) Cabinet asks Officers to present options for investment and operational delivery models to a future Cabinet.</li> </ul>
Reason for recommendations	<p>The recommendations of this report, based on the data and evidence set out in this business case and background reports for electric cremators at Poole Crematoria seeks to provide a financially sustainable approach to the provision of cremators and ceremonial space to meet the needs of the whole BCP Community.</p>

Portfolio Holder(s):	Councillor Millie Earl
Corporate Director	Jess Gibbons
Report Authors	Andy McDonald: Head of Parks & Bereavement Services Liz Hall: Bereavement, Coroners & Mortuary Manager Mike Morris: Senior Property Manager Kate Langdown: Director of Environment Lorraine Hayward – Management Accountant Paul Whittles – Finance Manager
Wards	Council-wide
Classification	For information & decision

## Background

1. In March 2023 a report was taken to Cabinet setting out detailed options for the replacement of cremators at Poole Crematorium. At this meeting Cabinet agreed:
  - to invest in two electric cremators
  - to bring a detailed business case on the agreed option back to Cabinet
  - build this investment into the Capital programme once ordered.
2. This report brings back the detailed business case on the agreed option for Cabinet to further consider.

## Summary of capacity and service demand at Poole Crematorium/Ceremonial Hall

3. The Poole facility has been undertaking an average of 1190 services per annum since it ceased undertaking cremations in April 2020. The deceased being conveyed to Bournemouth Crematorium for cremation.
4. This means capacity for growth at this venue is capped at 273 cremation services based on cremator capacity.
5. Re-opening cremations at Poole will directly reduce the number of cremations at Bournemouth Crematorium. All 1,190 service bookings at Poole requiring a cremation are currently conveyed to Bournemouth.
6. The opening of Lytchett Minster Crematorium has reduced the market share of cremations to Poole, whilst the opening of New Milton crematorium has reduced the market share of cremations to Bournemouth, with both facilities impacted by the growing Direct Cremation market offer by marketplace providers.

## Options Appraisal

	<b>Option 1 Pause investment</b>	<b>Option 2 Install 2 electric cremators</b>
<b>Capital cost</b>	£0	£2,383,300
<b>Revenue cost</b>	Would require £50k to decommission existing cremators and pollution control systems this would be met within existing budget.	£365k if PWL (£597k if potential increased income is not achieved) £27k if CIL (£259k if potential increased income is not achieved)
<b>Advantages</b>	Poole residents are able to continue to commemorate the lives of their loved ones through services at Poole.	Poole residents can be cremated at Poole.
<b>Disadvantages</b>	Services at Poole would continue to be conveyed to Bournemouth for cremation.	The numbers cremated at Bournemouth reduce reducing the cost efficiency of the service.  Revenue costs of running the bereavement and crematoria service increase.

### Option 1:

7. Pause investment in new electric cremators at Poole and review the operating model for BCP Bereavement Care Services. In doing so it is suggested Cabinet asks Officers to present options for future investment and operational delivery at a future Cabinet meeting
8. The facility would continue as a ceremonial venue. This is the current position following the completion of the current investment programme the site provides an enhanced ceremonial facility for bereaved families with conveyancing of the deceased to Bournemouth Crematorium for a cremation offered by BCP Bereavement Care
9. The Poole facility has been undertaking an average of 1190 services per annum requiring onward conveyancing since it ceased undertaking cremations in April 2020.
10. Bereavement Care will continue to offer the same range of services within existing revenue budgets.

### Impacts

11. The delay in reinstating the cremation facility at the location will result in a level of local community and Funeral Director disappointment and dissatisfaction in the loss of a valued asset as evidenced through the public petition and local press articles.

12. The old cremators and supporting pollution control systems will require decommissioning and would require an additional revenue spend of £50k this would be met within existing budgets.
13. A decision to formally adopt this option would require BCP Council to:
  - a. Cease using the name 'Poole Crematorium' and rename the facility to comply with the 2008 Regulations.
  - b. Decommission the old cremator equipment to comply with health and safety, remove hazardous materials and comply with environmental legislation and the 2008 Regulations and enable the space to be alternatively utilised.
  - c. Formally serve notice of closure of the site as a Crematorium pursuant to the 2008 Regulations

## **Option 2**

14. Investment in two electric cremators with an operational delivery timeline of January 2025.

### **Site Feasibility**

15. To determine the site feasibility to accommodate electric cremators. Officers have:
  - Procured specialist industry services from CDS Group Ltd in undertaking a full feasibility report into the potential replacement of cremators at Poole crematorium.
  - Facilitated a site visit by DFW Europe (cremator manufacturer) to assess the impact and installation restrictions of using the cremators on the building infrastructure at Poole crematorium.
  - Commissioned an ecological bat survey by KP Ecology Ltd to identify the restrictions imposed by the colony of bats and how this will affect potential project timelines and working methodology. Determined restrictions imposed by the presence of the bat colony do not materially affect the works but there would be a series of mitigation measures required throughout the building process, to include but not limited to: - bat relocation, temporary habitats, supervised access in restricted locations and limitations on the when the works can be undertaken.
  - In addition to these physical restrictions there would need to be some diversity improvements in the grounds most notably the installation of a wildlife pond in the lower woodland grove.
  - Sourced planning guidance from BCP Council Planning Services on required building alterations to inform a planning application for external building alterations.
  - Met with Scottish & Southern Electricity Networks (SSEN) to determine electrical capacity and new cabling requirements/costings. Determined a substation upgrade would not be required however new cabling to the facility would and is factored into the financial modelling.

### **Project Delivery Summary Timeline**

16. Based on the findings from the above investigations the below timeline for implementation of Option 2 has been produced.

<b>Activity</b>	<b>Timeline</b>
Cabinet decision	6/09/2023
Full Council decision	12/09/2023
Planning application decision	October 2023
Procurement process	October 2023
Phase 1 building alternations & ground works	October – December 2023
Phase 2 building alterations	March – April 2024
Delivery & installation of cremators (Facility can continue to operate as a ceremonial hall throughout installation process)	November 2024 – January 2025
Phased opening of cremation services to the public	January 2025
Fully operational	June 2025

#### Investment Impact

17. Any investment decision at this time would result in an increase in unsupported revenue spend and impact of the Council's Medium-Term Financial Plan.
18. The potential to increase income through achieving an ongoing increased marketplace share of customer base is not guaranteed and will be subject to open competition and impacts of changing bereavement industry trends including unknowns of scale of growth of direct cremation market offering.
19. Planning permission to carry out external building alterations to allow access for cremator units may not be granted.
20. Unknown delays by SSEN to install the cable even with 250 days' notice may delay the proposed operational opening date.
21. Changing exchange rate Euro to pounds could impact on purchase price of cremators.

#### Anticipated Outcomes

22. That new cremators would be installed and be operational by January 2025, assuming a recommendation to reinvest now are accepted by Full Council in September 2023.
23. That Poole Crematorium would be fully operational by June 2025, once all equipment has been run in and brought up to its potential operational capacity of 1463 cremations per annum.
24. That the level of conveyancing to Bournemouth Crematorium would reduce monthly as the run in/bedding in process of new cremators progressed ceasing by end of June 2025.
25. A marketing programme for the new unique local market offering by BCP Bereavement Care of electric cremators would be developed to support increasing future market share.

## Summary of financial implications

26. Bereavement Care Services, Crematorium & Cemeteries in previous years generated a surplus of £1.6m to BCP Council excluding any contribution towards Directorate and Corporate costs/overheads.
27. Since the opening of New Milton Crematorium and the growing marketplace offering of Direct Cremations by national providers BCP Bereavement Care has seen a corresponding loss of 638 cremations per annum reducing the net surplus in 2022/23 to £1.178m.

### Option 1 Financial Implications

28. Maintains the existing income level at £1.178m subject to marketplace competition.

### Option 2 Financial Implications

29. The CDS Group Ltd report advised that there was scope to increase overall cremations by BCP Bereavement Care by 273 through new cremators in Poole, (totalling 1463 cremations per annum). This has the potential to increase income by £232k per annum.
30. An additional revenue pressure, due to necessary increased staffing, long term maintenance liabilities and increased utility costs of £259k per annum would be incurred.
31. Borrowing repayment costs on £2.383m capital investment create an annual additional revenue cost associated with the annual repayment of principal and interest of £338k per annum.
32. Therefore, assuming the full market share income growth of £232k can be achieved and sustained the net position would be an additional revenue pressure of £365k per annum.
33. The use of strategic Community Infrastructure Levy Funding (CIL) was discussed at the Capital Investment Board on the 14 August 2023. Any funds allocated via CIL could reduce the level of prudential borrowing required to support reinvestment, reducing the revenue pressures on the service and thus the Councils Medium Term Financial Plan. If fully funded through CIL an uplift in annual revenue would be reduced to £27k per annum, assuming full market income growth of £232k is achieved.
34. The Capital Board of 14 August 2023, noted that it was possible to use strategic CIL for the purpose of cremator replacement, however noted there are competing demands for this fund from all forms of infrastructure need across the BCP Council area including flood defences, schools, transport schemes, open space, leisure and cultural projects. CIL is provided from new development but since the pandemic build rates have slowed reducing CIL income. The amount of CIL available and competing infrastructure projects already approved mean that at this time there are insufficient funds available to support an investment of this scale.
35. Cremation services are exempt from VAT which means that a replacement of a cremator will directly impact the Council's partial exemption position. Based on the current projection it is certain that the 5% limit would be breached if the project is delivered within one financial year. This would result in an additional cost of nearly £2.2m representing irrecoverable VAT that the Council would need to repay back to HMRC because of going over the statutory threshold. To mitigate this risk construction will be phased over two accounting periods.
36. It is likely that a reduction in public spending and organisational changes would, in the long term, push the Council closer to the 5% threshold. As a result, the replacement of the cremators would either need to be spread over 3 financial years or the Council would need to adopt a 7-year average approach to avoid the resultant cost of irrecoverable VAT.

<b>Table of Estimated Costings Option 2 Installation of Two Electric Cremators</b>			
<b>Description</b>	<b>Install Two Electric Cremators: Capital Investment Via Prudential Borrowing</b>	<b>Install Two Electric Cremators: Capital Investment Via Community Infrastructure Levy</b>	<b>Install Two Electric Cremators: Capital Investment Via 50% Prudential Borrowing &amp; 50% Community Infrastructure Levy</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Investment (CDS report)</b>			
Demolishment of existing cremators	50.0	50.0	50.0
Site Preparations & Foundations	25.0	25.0	25.0
Rear Entrance Works	40.0	40.0	40.0
Alterations to Cremator Room	85.0	85.0	85.0
New Electrical Cable	45.0	45.0	45.0
Ecology Works	25.0	25.0	25.0
Cremators X 2	1,507.0	1,507.0	1,507.0
Professional Fees	50.0	50.0	50.0
<b>Sub-Total</b>	<b>1,827.0</b>	<b>1,827.0</b>	<b>1,827.0</b>
<b>Capital Investment (refurbishment &amp; crematorium equipment)</b>			
UPS Generator	45.0	45.0	45.0
Additional upgrades to subsidiary crematorium equipment	140.0	140.0	140.0
Redecoration & refurbishments	60.0	60.0	60.0
<b>Sub-total</b>	<b>245.0</b>	<b>245.0</b>	<b>245.0</b>
<b>Total Capital Investment</b>	<b>2,072.0</b>	<b>2,072.0</b>	<b>2,072.0</b>
15% Contingency	310.8	310.8	310.8
<b>Total capital costs</b>	<b>2,382.8</b>	<b>2,382.8</b>	<b>2,382.8</b>
<b>Cil Contribution</b>	<b>0.0</b>	<b>2,382.8</b>	<b>1,191.4</b>
<b>Total Capitalisation required via Prudential Borrowing</b>	<b>2,382.8</b>	<b>0.0</b>	<b>1,191.4</b>
<b>Revenue Implications</b>			
Employee costs	120.0	120.0	120.0
Utility costs	85.0	85.0	85.0
Maintenance/servicing	54.0	54.0	54.0
Prudential Borrowing Repayments*	337.6	0.0	168.8
<b>Uplift in Revenue spend</b>	<b>596.6</b>	<b>259.0</b>	<b>427.8</b>
<b>Potential Income lift (CDS report maximum uplift)</b>	<b>-232.0</b>	<b>-232.0</b>	<b>-232.0</b>
<b>Total annual revenue costs (year 2 onwards)</b>	<b>364.6</b>	<b>27.0</b>	<b>195.8</b>
<b>Total year 1 revenue costs (excl Prudential capital borrowing repayments, only interest charged)</b>	<b>205.7</b>	<b>27.0</b>	<b>116.4</b>
*cost of borrowing at 'medium' invest to save risk rate (7.5%) over a 15 year term on a maturity basis.			

## **Summary of Legal Implications**

37. There is no statutory duty on a local authority to provide burial or cremation facilities, but if they do so, the management is governed by the Local Authorities' Cemeteries Order 1977 and the 2008 Regulations. Local authorities are defined as burial authorities and/or cremation authorities and given the power to provide services by virtue of the Local Government Act 1972.
38. The Cremation (England and Wales) Regulations 2008, state that the cremation authority must ensure that a crematorium is:
  - a. maintained in good working order.
  - b. provided with a sufficient number of attendants.
  - c. kept in a clean and orderly condition.
39. If the site does not remain a crematorium in order to comply with the 2008 Regulations, the Council must serve notice that it no longer remains a crematorium. It can continue to market the location for services and committals only, with the crematorium being Bournemouth.
40. The Council if a decision to pause any investment is taken needs to undertake the necessary steps to formally change the operating status of the site pursuant to the Regulations (Cremation (England and Wales) Regulations 2008 to include the publication of required notices and notification to the secretary of state.
41. The Council can at a future date apply to reintroduce the cremation facility through the same Regulations.

## **Summary of Human Resources Implications**

42. An individual crematorium must be certified and licenced as a stand-alone facility for the cremation and disposal of human remains in compliance with the Cremation (England and Wales) Regulations 2008.
43. As such the site must be provided with sufficient, trained, and competent staff who must be present when active cremations are being undertaken. The two crematorium sites managed by BCP Council can therefore not be operated under a single licence, but can share human resources, IT systems and ancillary services where possible, with an uplift in staffing resources to facilitate the management of two separate facilities.
44. It is anticipated this would require an additional:
  - a. 1 x Site Responsible Officer
  - b. 2 x Crematorium Technicians
  - c. 2 x Ceremonial Attendant
45. It is anticipated that if all conveyancing from Poole Crematorium would cease, with members of staff currently undertaking this role, being redeployed to 2 of the roles highlighted above. This has been reflected in the financial modelling.

## **Summary of Sustainability Impact**

46. A full Decision Impact Assessment has been undertaken in March 2023, ID 412 resulting in the identification of two major negative impacts.
47. Every cremation produces NO<sub>x</sub> due to the coffin materials used by manufacturers – both nitrogen monoxide and nitrogen dioxide – the same air polluting chemicals



released by every cremation produces NO<sub>x</sub> due to the coffin materials used by manufacturers – both nitrogen monoxide and nitrogen dioxide – the same air polluting chemicals released by diesel cars. The latest figures published in Pharos, the cremation industry's house magazine, show that just one cremation emits approximately 500g of NO<sub>x</sub> gas.

48. An electric cremator produces 50-80% less CO<sub>2</sub> emissions than the gas cremator, the range is dependent on the number of cremations processed per day and energy tariff used and produces 33% less NO<sub>x</sub> emissions. Alternative fuels, such as hydrogen blend and biogas may be feasible in reducing emissions in certain cases, however, they are not viable solutions for the UK industry at this time.
49. An investment decision to install electric cremators would enable a reduction in carbon emissions, this is particularly important given BCP Council's declaration to be carbon neutral by 2030.
50. The Poole site has recently had a new Salix grant funded heating system installed which replaced all gas powered heating and hot water plant with electrical heating and hot water plant, therefore if BCP Council was to return to purchase REGO'S even just for this site. BCP Bereavement Care could legitimately claim to have a carbon neutral crematorium, one of only a few in the UK.

### **Summary of public health implications**

51. This report continues to support the work that Bereavement Care Services undertakes within the community in delivering a range of services, which provides the appropriate closure at a time of heightened emotional distress and supports a healthier grief recovery process.

### **Summary of equality implications**

52. An Equality Impact Conversational Tool has been completed and reviewed by the Equality Panel. The options presented in this report either seek to maintain service levels as they are or increase provision. There are no significant negative equality impacts on protected characteristics that have been identified with service users retaining access to both local authority and private sector marketplace providers delivering local and national facilities.

### **Summary of Risk Assessment**

53. Any investment decision at this time would result in an increase in unsupported revenue spend and impact of the Council's Medium-Term Financial Plan.
54. It is likely that a reduction in public spending and organisational changes would, in the long term, push the Council closer to the 5% VAT threshold. As a result, the replacement of the cremators would either need to be spread over 3 financial years or the Council would need to adopt a 7-year average approach to avoid the resultant cost of irrecoverable VAT.
55. The potential to increase income through achieving an ongoing increased marketplace share of customer base is not guaranteed and will be subject to open competition and impacts of changing bereavement industry trends including unknowns of scale of growth of direct cremation market offering.
56. Planning permission to carry out external building alterations to allow access for cremator units may not be granted.

57. Unknown delays by SSEN to install the cable even with 250 days' notice may delay the proposed operational opening date.
58. Changing exchange rate Euro to pounds could impact on purchase price of cremators.
59. The public petition shows that a proportion (3,3536 as at 12/07/2023) of BCP residents and the wider population have expressed a keen interest in reinvestment in the facility, a decision to pause and review BCP Care Bereavement Services delivery model may result in a level of public and Funeral Directors disappointment and dissatisfaction.

### **Background Papers**

[Poole Crematorium Cabinet Report March 2023](#)

### **Appendices:**

Appendix 1 Decision Impact Assessment Final Report DIA412

Appendix 2 EIA Conversation Screening Tool