

TITLE: Crematorium Full Business Case

Committee: Finance and Assets

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1.0 ISSUE

- 1.1. To consider the Full Business Case (FBC) for the proposed development of a crematorium with associated woodland burial and pet cemetery facilities at the Council owned Mepal site, Ireton's Way.

2.0 RECOMMENDATION(S)

- 2.1. Members are requested to recommend to Full Council to:
- i. Approve the full business case as detailed in appendices 1-3.
 - ii. Approve a Community Infrastructure Levy (CIL) allocation **up to** £9.06m for the capital build.
 - iii. Approve alternative funding through internal borrowing where CIL is not available as detailed in section 5.
 - iv. Secure provision of a partner to manage fishing rights on the site as set out in section 4.4.
 - v. Delegate authority to Director Operations to appoint a client-side Project Manager to oversee the project.
 - vi. Approve the future operating model of the Crematorium as set out in section 4.8.

3.0 BACKGROUND/OPTIONS

- 3.1. The crematorium project was initiated to investigate the best value for money option for meeting the future demand for cremations and other bereavement services in East Cambridgeshire and as a new substantial income stream to support the Council's Medium Term Financial Strategy (MTFS).
- 3.2. Alongside this, a Members Working Party was established to explore options to find a sustainable end use for the old Mepal Outdoor Centre site. Despite the best efforts of the Council, and initial expressions of interest from organisations, the council was not able to secure an operator. Therefore, the use of the site for this project became a reality.

3.3. An Outline Business Case (OBC) was approved by full Council on 31 July 2020. The OBC set out; Alignment to the Councils strategy; A needs analysis and competition appraisal; Planning appraisal of the preferred site (former outdoor pursuits centre at Mepal); Site surveys and investigations; Development of a financial model for the project; and detailed research of the projected operating costs.

3.4. **Components of the Project:** On 26 October 2022 planning approval was granted for the development of a crematorium and woodland burial facility on the Mepal site based on the following components.

- Porte-cochere drop-off area with a colonnade.
- An entrance lobby with an adjacent Welcome/Waiting Area (with toilets).
- Vestry and bearers' room.
- 100 to 125 seat chapel with views out to the landscape setting of the site.
- Small 6 to 12 seat side chapel for smaller ceremonies (including woodland burials) with views out to the landscape setting of the site.
- An electric cremator powered largely by Solar PV on site.
- Covered cloistered area with adjacent flower garden as the main point of egress for attendees.
- A crematory, mortuary, ashes store/cremulator and an external storage compound.
- Staffing and administration facilities with rooms for families and funeral directors.
- A room for the Book of Remembrance.
- Minimum of 80+ parking spaces for crematorium visitors, with separate staff parking.
- Woodland burial area, using the natural landscape of the site.
- Modular functions building to support the woodland burial area.
- Landscaping to protect and then enhance the biodiversity of the site as an important natural resource in the District in accordance with the Council's Climate Change Strategy.

3.5. A Full Business Case (FBC) (Appendix 1) has now been developed that has fundamentally reviewed the viability of the project to test and establish:

- i. The income assumptions and the core service elements that contribute to the financial model.
- ii. A reappraisal of construction costs since the development of the OBC
- iii. Further benchmarking of revenue costs of directly comparable projects

4.0 ARGUMENTS/CONCLUSION(S)

4.1. **Strategic Alignment:** The FBC evidences that the project will deliver against strategic objectives of the Council by:

- i. Providing better value and easier access to cremations and burial services for residents in East Cambridgeshire.
- ii. The provision of the crematorium, woodland burial facility, and pet cemetery on the Mepal site will significantly contribute to the Council's wider regeneration

and employment generation objective by incrementally creating 6.5 jobs and by ensuring a sustainable end use of an effectively 'brown field' site.

- iii. Secure and enhance the biodiversity on site, while still allowing for passive recreational use of the site, such as fishing and bird watching for the wider community.
- iv. The project through its design and inclusion of an electric cremator largely powered by renewable energy will fit with the Council's vision 2035 target to deliver net zero carbon emissions and protect a key biodiversity and environmental asset in the District.
- v. From year two of operation, it has been evidenced that the project could begin to make a significant contribution to bridging the funding gap identified in the Council's MTFS.

4.2. **Meeting the Basic Feasibility Test:** Based on the competition appraisal undertaken the projected optimum market (993 potential cremations) does further evidence that a crematorium on the Mepal site would meet the Federation of Burial and Cremation Authorities (FBCA) feasibility test for the development of a new crematorium, as set out below. The FBCA feasibility test assumes that all development costs have to be funded solely from the operation of the crematorium:

- i. Broadly speaking, crematoria (one chapel of rest facility) undertaking 1,000 or more cremations per annum are most likely to be financially viable.
- ii. Local authorities with populations of approximately 120,000 or more would be able to provide and manage a crematorium with a reasonable expectation of operating on a sound financial basis after the initial years of capital repayment and associated loan charges.

4.3. The proposal to fund the project from CIL (to negate borrowing costs) enables the crematorium to reach sustainability based on only 535 cremations per annum, far outperforming the FBCA feasibility test. The financial modelling assumes increasing numbers over the first 10 years up to 700 cremations.

4.4. **Competition Appraisal and Projected Local Need for the Project:** Within 30 minutes travel time of the Mepal site it has been quantified that there is a potential market of 993 cremations per annum based on a population of 195,390 people, 1,807 deaths per annum and 1,355 cremations per annum.

4.5. Following competition appraisal and an analysis of usage of the current and planned crematoria and the impact of the crematorium on the Mepal site it is projected that circa 800 cremations is a prudent and achievable market capture per year.

4.6. **Impact on Existing Crematoria:** The following key findings can be drawn regarding the impact of the existing and planned in scope crematoria:

- i. The ECDC crematorium undertaking 700 cremations per annum would represent around 70% of the factored annual capacity.
- ii. With the Crematorium, based in March, currently undertaking 1,100 cremations per annum the projected impact based on the needs analysis and competition

appraisal in Appendix 1 Section 4 is that this facility would be the most impacted following the opening and establishment of the crematorium on the Mepal site.

- iii. The projected impact will be far less for the Huntingdon Town Council (HTC) crematorium, and this can be mitigated by close working between the publicly owned crematoria to mitigate unnecessary competition and to better manage the peak operating months.
 - iv. There will be no significant impact on the Cambridge and West Suffolk crematoria and the planned crematorium on the Mepal site will help manage the peak demand periods by offering slots at desirable times when they are not currently available elsewhere.
- 4.7. **Survey of Funeral Directors:** The key finding from the qualitative survey was that 73% of responding Funeral Directors stated they would consider using alternative facilities if they became available.
- 4.8. **Conclusion of the Ecological Appraisal:** With targeted recommendations to enhance biodiversity, the sensitive development of the site will increase its' ecological value and provide net gains to biodiversity in accordance with Section 15 of National Planning Policy Framework (NPPF) (DfCLG 2018) and Policy ENV 7: Biodiversity & Geology of East Cambridgeshire Local Plan, along with the relevant wildlife legislation.
- 4.9. The ecologists who undertook the survey work and the Wildlife Trust confirmed that extended use of the site for outdoor recreational pursuit activities would no longer be appropriate and would be detrimental to the biodiversity of the site.
- 4.10. Through sensitive management of the site, passive recreational activities such as fishing and bird watching on the northern edge would be suitable, as well as 'on-lead' dog walking. This would enable the site to continue to be used recreationally without impacting on the ecological value of the site.
- 4.11. These recreational activities would need to be sensitively managed so that they did not negatively impact the biodiversity on the site. Several fishing clubs have already approached the Council to request fishing rights. However, selecting the party to manage fishing rights on the site should be done through an open expressions of interest process. And a key determinant in selecting a partner would be their proven ability/experience of managing fishing rights on other sites to protect the ecology of the site.
- 4.12. **Planning Policy:** The planning consent that the project has secured has evidenced that the proposed crematorium has been accepted as a community facility for the purposes of the local plan and national planning policy, in accordance with the current planning designation of the site. The principle of development of the crematorium is established via planning policies COM3, COM4 and EMP4 (to a lesser degree).
- 4.13. **Application of CIL:** As the Crematorium is community infrastructure, it is recommended that the Council use CIL to fund the entire capital costs of the crematorium build. This will de-risk the project for the Council and ensure that the future operation and income generation is not fettered by significant borrowing costs.

- 4.14. In October 2021 Council approved the % allocation of CIL. This determines how CIL income is attributed to projects or themes. The application of up to £9.06m from the CIL 'Other pot' will not impact on any already committed CIL projects and does not change the future apportionment of CIL collection to key thematic and strategic priorities such as: health facilities, district wide community facilities, and water and flood management.
- 4.15. **Future Operating Model:** There are 3 options for the Operating Model of the Crematorium: i) Council operated ii) contracted out and operated by a third party iii) operated by a Council owned company (e.g ECSS). All options carry variations of risk, control and flexibility, financial benefits, and operating complexity.
- 4.16. Following the review of the financial model and the impact of VAT on the facility, the proposed operating model is that the Council runs the crematorium 'in house' as:
- i. It provides for the best VAT recovery model and therefore increases surplus.
 - ii. It maintains maximum flexibility in terms of service offer and fee setting.
 - iii. It is a proven model for Local Authority's to own and operate Crematorium Services.
 - iv. It reduces governance complexity.
 - v. Directly offsets costs in other service areas.
 - vi. Reduces surplus profit being taken out of the Council.

5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT

- 5.1. Central to the FBC has been an investment appraisal for the project. As set out in appendix 1 section 5 the new financial model has been fundamentally reviewed to ensure the operation of the crematorium is financially sustainable and an on-going contributor to revenue generation for the Council. The financial model assumes:
- i. Fees and charges are set slightly below direct market competition, however, increase by RPI over the operating life in line with fees and charges in the marketplace. Only evidenced and quantifiable income lines are included in the baseline income assumptions.
 - ii. The maximum market capture after 4 years is 70%
 - iii. A construction cost contingency of 10% is included.
- 5.2. The proposed allocation of **up to** £9.06m CIL funds and other Council funds removes the requirement for the Council to borrow money. The application of CIL de-risks the project at the outset and therefore the financial model demonstrates that the project moves into surplus in year two of the operation.
- 5.3. Between years 2 - 10 of operating the crematorium the average net revenue return to the Council is circa £332k. Year one of operation will lead to a deficit of £117k. This is because the number of cremations has been reduced by around 35% while the business builds and establishes market position.

- 5.4. The current secured funds in the CIL 'other pot' stands at £4.75m and projected CIL income into the 'other pot' up to November 2024 is £8.83m
- 5.5. The likely build rate for the Crematorium is around 18 months. Therefore, the CIL 'other pot' will continue to replenish and can be applied to the project as appropriate.
- 5.6. If the CIL 'other pot' does not reach the required level of funding for the build, or where an item cannot be allocated to CIL, then the shortfall will be funded from internal borrowing, at standard commercial rates. Appendix 4 provides an example of the different levels of CIL applied to the project and the impact this has on the financial model and the net revenue return to the Council.
- 5.7. The detailed financial projections for the project including all the income streams are contained in Appendix 1 section 6. These detailed financial projections highlight the following:
 - iv. The financial projections are prudent, and the project is not predicated on achieving ambitious levels of income.
 - v. The importance of the income streams from woodland burials and memorialisation and other crematorium income to support the viability of the project.
 - vi. The operating costs have been rigorously researched to ensure robustness and comparable to other Crematorium operations.
- 5.8. Although not built into the financial model a small saving will be made by not having to provide additional security measures on site of £11,400 per annum.
- 5.9. **Equality Impact Assessment** - Central to the development of the project has been the principle that all communities and neighbourhoods within the District should have equal access to services and opportunities and potential disadvantage and social exclusion should be proactively addressed. The current "market share" of the dominant private sector provider for cremations in the north of Cambridgeshire is keeping charges for a standard cremation high against the public sector provider in the south of Cambridgeshire, consequently a new facility at Mepal will offer fundamentally better value for money in the marketplace for residents of East Cambridgeshire.
- 5.10. **Carbon Impact Assessment** – The carbon impact assessment has shown that overall, this proposal will have a negative impact on carbon emissions arising as a consequence of (a) the embodied carbon arising at the construction stage, (b) car travel to the site and (c) (at least in the short term) the on-going operation of the building. These impacts would occur with the majority of new build projects.
- 5.11. However, such emissions have been minimised through renewable energy generation, efficient building design, provision of EV charging, and where possible reuse of existing ground works from the previous building/parking.
- 5.12. In addition, as the cremator is being run on an all-electric (rather than gas) basis it means the building is capable of easy adaptation to net zero operation once the UK national grid is decarbonised, and any negative effects from travelling to the site will also be reduced once the majority of cars are electric based. Theoretically,

once operating, and under a decarbonised national grid scenario, the site could become a negative net emitter (i.e. it captures more carbon than it emits) as a consequence of careful management of the site, including tree planting and sensitive management of the natural environment.

- 5.13. Negative aspects could be minimised further by reviewing the building materials used on site and using lower embodied carbon content, where practical to do so. This will be considered as part of the detailed design phase of the project.

6.0 APPENDICES

Appendix 1 - Full Business Case including financial appraisal.

Appendix 2 - Design Concept Crematorium outline design.

Appendix 3 - Needs analysis and Competition.

Appendix 4 – Application of CIL modelling appraisal.

Background Documents:

Crematorium Outline Business Case 31 July 2020 (EXEMPT)

Planning Application and Permission Information August 2021