



Report for:	Cabinet
Date of meeting:	29 <sup>th</sup> January 2019
Part:	1
If Part II, reason:	

Title of report:	<b>Cemetery Services Planning and Development update.</b>
Contact:	Cllr Graeme Elliot, Portfolio Holder Finance & Resources. <b>Author:</b> Nigel Howcutt, Assistant Director Finance and Resources. <b>Responsible Officer:</b> James Deane, Corporate Director (Finance & Operations)
Purpose of report:	To provide an update on the ongoing cemetery services development plans.
Recommendations	1. To note the Bunkers Park Phase 1 cemetery development plans.  2. To recommend that DBC proceeds with further due diligence in partnership with West Herts Consortium to develop plans for a crematorium at Bunkers Park.
Corporate Objectives:	Building Strong and Vibrant Communities. Delivering an Efficient and Modern Council.
Implications:	<u>Financial</u>  The bunkers park cemetery is out to procure and is expected to be delivered within the existing approved capital budget.
'Value For Money Implications'	<u>Value for Money</u>  The procurement of a contractor to deliver the new cemetery at the Bunkers park site will follow the standard DBC procurement and standing orders regulations.  During this process, the bids will be assessed the key criteria for evaluation is value for money.
Community Impact	Not Applicable

Assessment	
Health And Safety Implications	None arising from this report.
Monitoring Officer/S.151 Officer Comments	<p><b>Deputy Monitoring Officer:</b></p> <p>No comments to add to report</p> <p><b>Deputy S.151 Officer</b></p> <p>A deputy 151 report with comments included within the body of the report.</p>
Consultees:	<p>Corporate Management Team (CMT)</p> <p>Portfolio Holder Chief Officer Group (PH COG)</p> <p>Budget Review Group (BRG)</p>
Background papers:	Budget Report, Feb 2017 – Capital Programme.
Glossary of acronyms and any other abbreviations used in this report:	<p>Homes and community Agency – (HCA)</p> <p>West Hertfordshire Crematorium (WHC)</p> <p>Dacorum Borough Council (DBC)</p>

### **Executive summary**

1. DBC purchased a 30-acre site from the Homes Community Agency (HCA) to support the future demand for cemetery provision in Hemel Hempstead. One third of this site is currently allocated to replace the Woodwells cemetery, hence planning permission was approved in 2018, procurement for this phase of the development is under way, and construction will be completed in 2019.
2. DBC is one of five councils that comprise the West Herts Crematorium Joint Committee (WHC), along with Hertsmere, St Albans, Three Rivers and Watford Councils.
3. DBC has been approached by the Secretary of WHC with a proposal to develop an additional crematorium on DBC land at Bunkers Park, which, based on current modelling, could generate a return for DBC of c£150k per annum.
4. It is feasible to develop the proposed crematorium on the remaining 20 acres as part of a Phase 2 development without affecting the cemetery development timeline. WHC aims for the crematorium to open as soon as possible but further design, planning and procurement due diligence is required.
5. Although DBC could potentially secure a greater financial return in the long-term by developing a crematorium on the site independently of WHC, it would require the Council to take on significant financial risk (with no guarantee of success) in addition to the reputational risk of going into competition with current local authority partners.

6. The recommendation is that DBC proceeds with further due diligence in partnership with West Herts Consortium to develop plans for a crematorium at Bunkers Park with a view to developing the site within the existing partnership.

## **Background**

7. Dacorum Borough Council has an ongoing commitment to the residents of the borough to provide good quality local cemetery and funeral services. As part of this commitment, the council operates and maintains four cemeteries and is one of five councils that comprise the West Herts Crematorium Joint Committee (WHC), along with Hertsmere, St Albans, Three Rivers and Watford Councils.
8. At present across Dacorum there is adequate provision for burial grounds for a minimum of 25 years, with the exception of the Hemel Hempstead geographical area, as the present Woodwells cemetery is expected to reach capacity in 2020/21.
9. In 2016, the council bought the bunkers park site from the Homes and Community Agency (HCA), at a valuation based on the site being specifically developed for cemetery and crematorium facilities. If the land were to be used for other developments, the HCA would be entitled to claw back 100% of any uplift in the land value, created by a change of use. The land is also within the existing greenbelt zone, which limits future development options.
10. The existing Hemel Hempstead cemetery, Woodwells cemetery, is expected to reach capacity in the summer of 2020. The replacement cemetery site will utilise 10 acres of the 30 acres Bunkers Park site and will provide burial land for the next 45 to 50 years.
11. After assessing the options for the use of the remaining 20 acres at Bunkers park, and taking into consideration the HCA clawback agreement and the planning restrictions on green belt land, the most lucrative use of the land for DBC, is to develop a crematorium with several options discussed in Para 8 onwards.

## **Bunkers Park Cemetery Development Update.**

12. The Planning permission for phase one, ten acres development of Bunkers Park into a cemetery was approved in April 2018. Since planning permission has been awarded, the development of the remaining 20 acres of the site has been under consideration, to ensure the short-term development did not hinder future development options. This process has ascertained that the development of phase 1 will not impede on future development opportunities on this site and hence the procurement of a construction partner to deliver the approved plans commenced in November.
13. The Procurement process will take 3 months with a final award expected in early March. The construction works are expected to last for up to 6 months with the development expected to be completed in the Autumn/Winter of 2019, to be operational by the summer of 2020. This timeline is in line with the requirements of the cemetery services and will ensure continued burial supply for the Hemel area.

## **Bunkers Park Crematorium Development Options.**

14. The options scrutinised and assessed for the future development of a crematorium at Bunkers park are;
  - a) Development and ongoing operating of a future crematorium by WHC.
  - b) DBC develop and operate a crematorium on the site independently.
  - c) DBC as part of a joint venture develop and operate a crematorium.

### **Option A – WHC Proposed Crematorium.**

15. WHC approached DBC with a proposal to build a crematorium at Bunkers Park. Their early stage business case, produced by a specialist consultant, indicates that a crematorium on this site could be viable in the medium- to long-term.
16. In summary, the business case appears robust and indicates that the capital cost of a new crematorium is likely to be around £8m, with annual running costs of c£850k (including costs associated with borrowing). The business case assumes that the crematorium would be loss making for the first two years, as it grew its reputation and increased its customer base, moving into a profit-making position after three years.
17. Although the WHC business case shows that the early years of the new crematorium at Bunkers Park would be high risk, the fact that WHC already runs a successful operation at Garston means it would be well placed to mitigate the risk. It currently deals with around 3,200 cremations per year, generating a turnover of £2.25m, and has growing reserves that currently stand at £3.3m.
18. The WHC business case acknowledges that the new crematorium would take customers from the existing operation at Garston. However, they argue that Hemel Hempstead is an ideal location for a crematorium (due to the size of population within a half hour drive, the forecast growth in population, and the relative spacing of other crematoria) and that they need to act quickly to protect their market share from new entrants.
19. Strategically, WHC would accept the declining profitability of Garston in order to prevent a private sector competitor entering the market, which would pose a more significant long-term threat to the existing business. Their business case indicates that Garston could absorb the lost income within the annual surplus that it currently contributes to reserves.
20. Following officer negotiations with WHC, the payment offered to DBC for hosting the crematorium would be c£150k per annum, comprising ground rent, guaranteed income protection and borrowing provision.

### **Option B – Dacorum developed Crematorium**

21. The due diligence undertaken to assess the ability for DBC to develop the site independently has raised a few areas of significant risk for DBC for the following reasons:

- a) The three-year wait for the crematorium to come into profit, identified in the WHC business case, would be difficult for DBC to shoulder with the continued climate of financial uncertainty. This compares to the much earlier, guaranteed returns the Council could secure through the WHC proposal, i.e. from the moment it first borrowed from DBC.
- b) The customer base for a new crematorium tends to build over a number of years as reputation grows with local funeral directors. DBC would not have the same opportunity as WHC to mitigate demand risk by building on existing, long-standing relationships, and it would face the additional complication of aggressive competition from the Garston site.
- c) A capital project of this magnitude in an unfamiliar sector would risk diverting scarce Council resource from existing higher priority projects e.g. the Development Company, Housing New Build, and leisure investment.
- d) DBC has no experience of running a crematorium, and going alone would put it in direct competition with erstwhile partners. This would almost certainly increase the risk for the necessary early-years growth, as well as damaging relationships with neighbouring authorities. The WHC has advised that it would be untenable for DBC to remain part of the current consortium at Garston if it developed its own crematorium.

22. At present, the risks highlighted in this report are based on the WHC business case and the likely implications of breaking away from the current consortium. If Members are minded to explore the potential financial rewards of developing an independent Dacorum-run crematorium on the site, it is recommended that the Council invest in a detailed business case from specialist consultants. Primarily, this would need to include the likely impact on future demand from the additional competition from the Garston site.

### **Option C – A Joint Venture development.**

- 23. To develop the site with a Joint Venture partner would share risks b, c and d from the above list para 15, damaging relationships with neighbouring authorities and partners. It is also likely that there would be additional reputational and political risks for DBC associated with balancing the community service focus of the Council with the profit motive of a private sector partner.
- 24. In addition to the risks highlighted above the joint venture is unlikely to provide a return to DBC for several years, in comparison to an immediate return from the WHC.
- 25. As with the independent option, if Members are minded to explore this option further it is recommended that the Council invest in a detailed business case undertaken by a specialist contractor.

### **Conclusion**

- 26. In Summary at this stage the options facing members is whether to either progress the partnership working with the WHC to develop plans for a

crematorium at Bunkers Park and potentially ensure the guaranteed immediate financial returns within the land agreement, or to investigate the higher risk and long term reward options of delivering the crematorium either independently or as part of a joint venture with a private sector partner.

27. Based on the guaranteed income stream; the specialist expertise and market knowledge; the fact that the direct risks to the council are mitigated through the arm's length partnership; and the shared public-service ethos of the WHC consortium, it is recommended that the council progress to the design phase with WHC.