

Report for:	Cabinet
Date of meeting:	22nd September 2020
Part:	I
If Part II, reason:	

Title of report:	Loan Agreement with West Herts Crematorium Committee.
Author:	Nigel Howcutt, Assistant Director Finance and Resources.
Contacts:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources. James Deane, Corporate Director Finance and Operations.
Purpose of report:	To seek approval to award a long term loan to the partner authorities of West Herts Crematorium Joint Committee (WHCJC) to fund the development of a Crematorium in Dacorum. The loan will be available once the project has completed all planning process and has final planning approval.
Recommendations:	<ol style="list-style-type: none"> 1. That Cabinet recommend Council agree a £6m loan to the partner authorities of the West Herts Crematorium Joint Committee (WHCJC), and a supporting Deed of Contribution and Indemnity and delegate authority to the Corporate Director , Finance and Operations in consultation with the Portfolio Holder for Finance and Resources to finalise terms of the required legal documentation. 2. That Cabinet delegate authority to the Assistant Director of Finance and Operations in consultation with the Assistant Director, Corporate and Contracted services to agree a land management or lease agreement with one or all of the partner authorities of WHCJC for the proposed crematorium site on Bedmond Road.
Corporate Objectives:	Ensuring Economic Growth and Prosperity
Implications:	<p><u>Financial</u></p> <p>The loan facility provided to WHCJC will ensure all costs incurred to administer the loan are paid by the borrower.</p> <p>The loan is underwritten by all WHCJC Local Authority partners, who are all Local Authorities in Hertfordshire and hence the loan is considered a secure loan to provide.</p> <p>The loan agreement details a surplus 2% charge of interest on the cost of borrowing these funds externally so would provide an additional revenue income of at least £50k p.a.</p> <p>In addition to this additional revenue the council will receive an annual rental payment for the land of circa £50k p.a. and expected increases in</p>

<p>'Value For Money Implications'</p>	<p>the volume of burials of cremated remains at the adjacent Poppy Fields Cemetery.</p> <p><u>Value for Money</u></p> <p>The loan agreement details a surplus 2% charge of interest on the councils cost of borrowing these funds externally. This will ensure the council makes a return on this investment.</p>
<p>Risk Implications</p>	<p>The Local Authorities that are underwriting this loan facility are already approved third parties included in the DBC treasury Management strategy, and hence deemed financially sustainable.</p> <p>The Treasury Management strategy is produced annually utilising external professional guidance in regards to risk, investing in other Local Authority partners is considered a low risk strategy for the council.</p> <p>The Council itself as one of the partner organisations is also taking on a 20% share of the risk in this project. The business case for the pending crematorium and the fiscal position of WHCJC have been evaluated to ensure that the risk is considered small.</p> <p>The Medium Term Financial Strategy outlines the council's future needs for capital financing, and lending £6m externally would not impact on the council's ability to borrow to deliver this strategy. The council at present has significant borrowing headroom that could be utilised to fund other strategic ambitions.</p>
<p>Community Impact Assessment</p>	<p>N/A</p>
<p>Health And Safety Implications</p>	<p>N/A</p>
<p>Monitoring Officer</p> <p>Deputy S.151 Officer Comments</p>	<p>Monitoring Officer:</p> <p>The loan will be documented in a formal loan agreement made between Dacorum as the lender and the partner authorities of Watford, Hertsmere, St Albans and Three Rivers District Council as the borrowers. Dacorum's liability for its proportionate share of the loan in the event of default is documented in the supporting Deed of Contribution and Indemnity.</p> <p>Deputy S.151 Officer</p> <p>The comments of the Deputy S151 are included in the body of this report.</p>
<p>Consultees:</p>	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources.</p> <p>Nigel Howcutt, Assistant Director Finance and Resources.</p> <p>James Deane, Corporate Director Finance and Operations.</p> <p>Mark Brookes, Assistant Director Corporate and Contracted Services</p> <p>Fiona Jump, Financial Services Group Manager</p>
<p>Background papers:</p>	<p>DBC Treasury Management Strategy 2020/21.</p>
<p>Glossary of acronyms and abbreviations used in this report:</p>	<p>WHCJC - West Herts Crematorium Joint Committee.</p>

1. Background

- 1.1 Dacorum Borough Council is one of the five Local Authority partners that comprise the WHCJC, with the other partners being St Albans, Watford Borough Council, Three Rivers District Council and Hertsmere Borough Council.
- 1.2 The WHCJC oversee the management and operation of the West Herts Crematorium in Garston.
- 1.3 In May 2018 the chair of the WHCJC approached Dacorum Borough Council to discuss the proposal of developing a new Crematorium on Bedmond Lane in Dacorum. The land proposed for development is within the Dacorum geographical boundary and the land is owned by DBC.
- 1.4 The WHCJC have progressed with plans to develop the site into a crematorium and at this stage have submitted an application for Planning Permission which is being considered by Dacorum, in the council's role as the local planning authority.
- 1.5 Their developed business case, produced by a specialist consultant, indicates that a crematorium on this site could be viable in the medium- to long-term. 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.
- 1.6 The business case assumes that the proposed Bunkers 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. The WHCJC as a group would remain profitable throughout this period. There is always a risk with new developments but at present the WHCJC runs a successful operation at Garston and is 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 over £3m.
- 1.7 If planning consent is approved the consortium will require funding to deliver the new crematorium, and as the land is in and owned by Dacorum it was deemed preferable for DBC to provide a loan facility alongside a land management or lease agreement for use of the land.

2.0 Proposal

- 2.1 This report seeks approval for a loan facility granted on a long term loan basis (20 years) from DBC to the partner authorities of WHCJC. The loan facility would be underwritten by all 5 WHCJC Local Authority partners to ensure a legal and secure loan facility can be provided. The loan would be administered and overseen by the council as part of the standard treasury management processes.
- 2.2 Legal, finance and commercial assets officers with assistance from external legal advisers have liaised with our Local Authority partners to produce a Loan agreement and supporting Deed of Contribution and Indemnity. This document provides the legal framework for the loan and provides security to DBC that partner organisations are underwriting the loan agreement.
- 2.3 This loan agreement sets out the legal framework to provide a £6m loan to WHCJC for a period of up to 20 years. This agreement includes a surplus 2% charge of interest on the cost to the council of borrowing these funds externally, and hence provides an additional revenue income stream to the council to be managed as part of the wider council Treasury management strategy.
- 2.4 As part of this development a land management or lease agreement between Dacorum Borough Council and WHCJC will be finalised, and this report also seeks delegated approval to oversee this agreement.
- 2.5 This arrangement will include an annual rental income to the council of £50k per annum.

2.6 In addition to these arrangements it is expected that the new DBC Cemetery at Bunkers Park, Poppy Fields cemetery, will see an increase in burials of cremated remains from the adjacent crematorium.

3. Recommendations

3.1 To delegate approval to the Corporate Director of Finance and Operations in consultation with the Portfolio holder for Finance and Resources, to finalise the loan agreement with the partner authorities of WHCJC once the legal terms of the loan agreement are in place, including planning consent for the development.