

LLWYDCOED CREMATORIUM JOINT COMMITTEE

10th December 2019

PROPOSAL FOR THE REDISTRIBUTION OF GENERAL RESERVES

JOINT REPORT OF THE DIRECTOR OF PUBLIC HEALTH, PROTECTION & COMMUNITY SERVICES AND THE DIRECTOR OF FINANCE AND DIGITAL SERVICES

**Author Paul Mee, Director of Public Health, Protection & Community Services
Barrie Davies, Director of Finance & Digital Services**

1. PURPOSE OF THE REPORT

- 1.1 To propose an arrangement for the annual redistribution of general reserves held by the Llwydcoed Crematorium Joint Committee.

2. RECOMMENDATIONS

It is recommended that the Joint Committee:

- 2.1 Approve the redistribution of general reserves held by the Llwydcoed Crematorium Joint Committee as set out in section 5 of this report; and
- 2.2 Subject to 2.1, authorise the Director of Finance & Digital Services to put in place the necessary financial arrangements for the redistribution.

3. BACKGROUND

- 3.1 Llwydcoed Crematorium operates under a Memorandum of Agreement between the former County Borough of Merthyr Tydfil and the former Urban District Council of Aberdare signed on 31st May 1969. Although these organisations have been superseded by Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council, the constitution of the committee has remained largely unchanged; the two Councils taking on the responsibilities of their predecessors.
- 3.2 The Memorandum of Agreement covers the constitution of a committee, the “Llwydcoed Crematorium Joint Committee”, which has the overall responsibility for the operation, management and finance of

the Crematorium. Both Councils have delegated their functions as Burial Authorities to the Joint Committee.

- 3.3 The Joint Committee holds a reserve of £2.206M at 31st March 2019 an increase of £0.537M from the 31st March 2018. The budget for the year 2019/20 projected an increase of £0.533M, which as at the second quarter's monitoring report had reduced to £0.364M predominately as a consequence of one off funding for capital developments at the crematorium.
- 3.4 Given the recent and planned (2019/20) capital investment, it is not anticipated that the Joint Committee will need to draw significantly on this reserve in the foreseeable future. There is therefore the opportunity to consider an arrangement for the general reserves to be redistributed to the local authorities to allow for wider investment in bereavement services within each authority's area.

4. PROPOSED REDISTRIBUTION

- 4.1 There is a need for the Joint Committee to maintain a reserve for large items of expenditure over and above the annual revenue budget. The main substantial item of periodic spend is the replacement of the cremators.
- 4.2 Typically a cremator can be expected to continue in effective operation for a period of at least 15 years. Subject to effective maintenance, the cremator will continue to operate efficiently but is likely to require replacement before it reaches 20 years of operation.
- 4.3 The two cremators at Llwydcoed Crematorium were replaced in 2016 along with the installation of abatement equipment and significant enhancements to the facility at a cost of £1.7M. The Joint Committee will therefore not need to consider replacement of the cremators until around 2031 at the earliest. There will be ongoing maintenance required to the cremators but this is covered by a maintenance contract with the cremator provider, the cost of which is built into the annual budget.
- 4.4 Each Council has wider duties as a burial authority with responsibilities for a number of cemeteries and in Rhondda Cynon Taf for Glyntaff Crematorium. Many of these cemeteries date from Victorian times and their infrastructure requires investment to maintain and improve the experience for bereaved families who regularly visit these important facilities.

- 4.5 At a time when Councils continue to experience financial pressures, it is essential that all available resources are considered as part of medium and longer term financial planning arrangements. Without reviewing the current arrangements, the level of General Reserves of the Committee are projected to rise to £8M by 2031.
- 4.6 It is therefore proposed that a one off redistribution of the General Reserves is made to each local authority and that an appropriate proportion of future year projected surpluses are also redistributed. This would support each authority to invest in wider bereavement services either through improvements to existing cemeteries, to meet the costs of additional burial capacity when required, or to contribute toward the overall costs and financial pressures faced within these services. This arrangement would retain the overall governance of the Joint Committee under the memorandum of agreement between both Councils. It would be important to retain a balance of reserve and to continue to build it up over time in order to meet future cremator replacement.

5. FINANCIAL IMPLICATIONS

- 5.1 The Joint Committee holds a reserve of £2.206M at 31st March 2019. This is anticipated to increase to £2.5M by the 31st March 2020 and by approximately £0.500M per annum thereafter. The reserve would be projected to rise to £8M by 2031.
- 5.2 The Joint Committee must retain a reserve to account for any unforeseen capital expenditure and ongoing investment in the facility. It is proposed that the Joint Committee retain £1M of the available existing reserve at 31st March 2020. This would release £1.5M of reserves that could be redistributed to each of the two Councils on a proportionate 52%/48% split (£780k to RCT and £720k to MTCBC).
- 5.3 In subsequent years it is proposed that at least £150k of the projected in-year surplus is retained to contribute to the level of the general reserve. This would mean that the level of general reserves would be estimated at £2.6M by 2031. This is more than sufficient to cover the cremator replacement costs.
- 5.4 This would further allow for an annual amount of up to approximately £350k per annum to be redistributed between the two Councils (£182k to RCT and £168k to MTCBC).
- 5.5 It is proposed that the one off redistribution of reserves be actioned immediately and during this (2019/20) financial year. The annual and recurring redistribution would be effective from financial year 2020/21. This will enable each authority to incorporate this resource into their respective financial plans. It is also proposed that this arrangement is

reviewed on a 3 yearly basis and that any changes in redistribution levels smoothed over the medium to longer term thereby providing stability and enabling authorities to plan effectively for any changes necessary.

6. LEGAL IMPLICATIONS

- 6.1 Llwydcoed Crematorium operates under a Memorandum of Agreement between the former County Borough of Merthyr Tydfil and the former Urban District Council of Aberdare signed on 31st May 1969. Although these organisations have been superseded by Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council, the constitution of the committee has remained largely unchanged; the two Councils taking on the responsibilities of their predecessors.
- 6.2 The Memorandum of Agreement covers the constitution of a committee, the “Llwydcoed Crematorium Joint Committee”, which has the overall responsibility for the operation, management and finance of the Crematorium. Both Councils have delegated their functions as Burial Authorities to the Joint Committee.
- 6.3 There is no impediment within the Memorandum of Agreement to the Joint Committee approving the recommendations proposed by this report.

7. CONCLUSION

- 7.1 The Joint Committee holds a general reserve of £2.2M. This is forecast to increase over coming years without the necessity for significant capital expenditure. There is an opportunity for the Joint Committee to introduce an arrangement whereby the Committee retain the appropriate level of reserves required to meet their future capital requirements at Llwydcoed Crematorium whilst allowing a redistribution of surplus reserves to each Council to support wider capital investment priorities including, for example, improvements to cemeteries and securing additional burial capacity when required.