

Report To:	CABINET
Date:	17 MARCH 2025
Heading:	JOINT CREMATORIUM-REFURBISHMENT
Executive Lead Member:	COUNCILLOR JASON ZADROZNY, LEADER OF THE COUNCIL
Ward/s:	ALL
Key Decision:	YES
Subject to Call-In:	NO

Purpose of Report

Following the Joint Crematorium Committee's (JCC) meeting held on 24 February 2025, the report seeks approval from Cabinet to endorse the JCC recommendation to undertake refurbishment of the crematorium; to approve the allocation of £2.0m of capital funding as Ashfield District Council's contribution to the refurbishment and associated costs and applied funding strategy and to approve expedient procurement of the refurbishment works.

Recommendation(s)

To approve the recommendation from the Joint Crematorium Committee to undertake crematorium-refurbishment (option 2 in Appendix A)

To approve capital funding of £2.0m as Ashfield District Council's contribution to the overall refurbishment and associated costs.

To approve the funding strategy to be applied for the capital funding of the refurbishment through use of borrowing, associated costs and reduction in income received whilst works taking place.

To approve expedient procurement and commissioning of external project management of the refurbishment works by Mansfield District Council who are the responsible host authority for procurement and project management.

Reasons for Recommendation(s)

To maintain and enhance the quality of cremation and bereavement services provided through Mansfield Crematorium.

To comply with legislative requirements for crematoria to meet abatement standards.

Alternative Options Considered

Appendix A details alternative options and reasons for discounting.

Detailed Information

Background

The Joint Crematorium Committee (JCC) was formed in 1955 with Mansfield Crematorium first opening in 1959. The Committee consists of 3 representatives from each of Ashfield District Council (ADC), Mansfield District Council (MDC) and Newark and Sherwood District Council (NSDC). The representatives are all Cabinet members of the respective authorities.

The Council's current three representatives are Cllr's Hollis, Smith and Huskinson.

MDC act as the host authority for the crematorium and are responsible for operational and financial management aligned to the provided direction of the Committee. ADC currently receives circa £390k annual operating surplus based on its proportion of throughput of cremations from Ashfield residency.

The Crematorium currently operates two chapels and runs three gas fuelled cremators, providing capacity of 5,088 cremations annually, when fully operational.

In recent years with the influx of new private crematoria locally, cremation numbers have consistently reduced, seeing an impact of circa 400 less cremations annually. Further reductions in numbers have been felt in the last two years and this is attributed to the Crematorium's essential need to reduce capacity and to minimise stress on the ageing cremators. While the Crematorium has had to operate at reduced capacity, numbers have increased at other more modern facilities that can offer additional bereavement services.

Shirebrook Crematorium is currently under construction and considered to be direct competition to Mansfield. The new site is located approximately 7 miles from Mansfield Crematorium and analysis predicts that the introduction of the new site would further lower the total number of cremations at Mansfield.

The rapidly deteriorating ageing fabric and infrastructure of the crematorium has and is resulting in significant costs being incurred in reactive repair and maintenance and loss of income through downtime in use of cremators (and thus reduced capacity and throughput).

Crematorium Refurbishment

The JCC held on 24 February 2025 agreed to recommend to their respective Councils the undertaking of a refurbishment programme to the crematorium. The purpose being to provide a modern, more aesthetically pleasing, improved functionality, a more efficient operation and an enhanced range of offers for bereavement services that meet changing demands. It is projected that through refurbishment, cremation throughput would increase which, coupled with a more efficient operation, would retain and then increasing annual operating surplus.

This follows the JCC undertaking detailed assessment of a range of options supported by external consultant, feasibility studies, return on investment projections, namely:

- Replacement new build crematorium with or without wake facility
- Refurbishment of existing crematorium-3 different levels.
- Closure and demolition of the existing crematorium
- Do nothing
- Sale and/or operating lease of the existing crematorium to a private operator.

Appendix A gives details of the different options .

JCC have determined that the recommended refurbishment option provides the most benefit in regard to aesthetics, functionality, decarbonisation, customer experience, expediency, managed downtime whilst works taking place, capital costs, retaining and enhancing throughput and annual surplus.

Procurement and Project Management

Project management for the refurbishment project will be externally procured to ensure that the appropriate skills, experience, lead, manage and monitor the works.

Procurement for commissioning external project management and the refurbishment works will be undertaken by MDC as the JCC-host authority. Status reports with the procurement process, project management and with delivery of the refurbishment works will be reported and monitored by JCC and ADC (Cabinet and Strategic Leadership Team).

Funding Strategy & VAT Implications

Capital Funding

The preferred option will require investment of £7.37m, which will be covered in part by a specific loan and Joint Crematorium reserves. The Joint Committee requested contributions from the councils, of which Ashfield's share would be £1.79m based on our share of throughput. This was considered preferable to borrowing the full amount jointly. It gave each Council the option of whether to fund the contribution from reserves or borrowing.

The recommendation in this paper is to borrow up to £2.0m to cover the contribution and allow for a contingency. After the investment, projected surpluses, even allowing for the potential impact of competition as set out above, rapidly rise above the historic level, due to reduced maintenance and services costs. In short, the Council is being asked to invest £2.0m in return for surpluses of circa £400k plus per annum afterwards.

The projected surpluses represent a healthy percentage return on the £2m investment. However, the following table shows that, in cash terms, if the Council funded this from its own resources, the £2m initial outlay would not be fully paid back until year 5.

Ashfield DC Capital Contribution and Projected Surpluses

	Year 0 £'k	Year 1 £'k	Year 2 £'k	Year 3 £'k	Year 4 £'k	Year 5 £'k
Capital Contribution	2,000	-	-	-	-	-
(Surplus)		(373)	(412)	(461)	(512)	(566)
Cumulative Surplus		(373)	(785)	(1,246)	(1,758)	(2,324)

If the Council funds the contribution from borrowing, the cost will be spread out over the life of the loan and the new facility. This costs more overall due to interest payments. However, it generates positive net cashflow much sooner, as illustrated below, whilst leaving the Council's reserves available for other investments. This illustration assumes:-

- Principal (assume repaying in equal instalments over 20 years) = £2.0m/20 = £100k.
- Interest (assume 5% for illustration) = £100k initially (£2.0m @ 5%) and reduces each year as the loan is repaid.

Illustrative Cashflows using borrowing

	Year 0 £'k	Year 1 £'k	Year 2 £'k	Year 3 £'k	Year 4 £'k	Year 5 £'k
Loan costs	200	195	190	185	180	175
Deficit (Surplus)	-	(373)	(412)	(461)	(512)	(566)
Cost (Income) after Loan Costs	200	(178)	(222)	(276)	(332)	(391)
Cumulative Cost (Income) after Loan Costs	200	22	(200)	(476)	(808)	(1,199)

Revenue Implications

There will be a revenue deficit of £730k whilst the refurbishment is taking place. However, this is largely irrelevant to the decision because similar costs will be incurred if the refurbishment does not go ahead. If the facility was sold as a going concern, this cost (as well as the capital costs) would be reflected in the valuation. Closure of the facility would incur significant decommissioning costs, followed by ongoing site maintenance costs.

VAT Implications

Crematoria are exempt from VAT. This means no VAT is charged on fees, but VAT is not normally recoverable on the related costs. This so called "exempt input tax" is therefore locked in. However, local authorities have a concession which enables them to recover exempt input tax, provided this is less than 5% of their total VAT recovery. The calculation can be taken over a 7-year average to smooth out peaks when one-off VAT exempt capital projects are undertaken.

The costings for the crematorium project already include provision for irrecoverable VAT, totalling £1.41m. HMRC have advised that the VAT should be allocated between the councils for partial exemption purposes. Ashfield's share is £691k.

- If the Council breached the 5% limit, this £691k would remain locked in and the Council would also need to repay "exempt input tax" on its other exempt activities.
- If the Council remains within the 5% limit, it could recover its share of the VAT that is currently factored into the costs. As things stand, the JCC proposes to fund this cost from JCC reserves, i.e. a revenue source. Recovery of these costs would enable the Council to substantially offset the revenue deficit during the works. The shortfall, estimated at circa £40k, can be funded from reserves and replenished once the facility resumes normal operations.

The Council's projections show that it can remain within the 5% limit. This is aided by the scale of our wider capital programme, which has the effect of dampening the 5% calculation. The flexibility to average over 7 years also allows us to adjust for slippage and variations in the programme. However, this will require careful management of our partial exemption position going forward.

The preferred strategy is therefore to borrow funds for the Council's capital contribution and manage our VAT position to ensure that the VAT can be fully recovered to offset the revenue shortfall during the works. Borrowing in these circumstances is consistent with the Capital Strategy that was approved by Full Council on 03 March 2025.

Implications

Corporate Plan:

Effective strategic partnerships and maximising use of strategic assets and maintaining/enhancing income thus directly supporting the medium-term financial strategy align to the corporate priority of Innovate and Improve.

Legal:

The Joint Committee is established pursuant to the Local Government Act 1972.

The appendix details the requirements for modern facilities and cremators to ensure compliance with legal requirements. [RLD 25/02/2025]

Finance: As set out in the report [PH 26/02/25]

Budget Area	Implication
General Fund – Revenue Budget	One off reduction in revenue (which is unavoidable), followed by a rapid return to surpluses once the refurbishment is complete.
General Fund – Capital Programme	Up front requirement of £2.0m which can be funded through prudential borrowing.
Housing Revenue Account – Revenue Budget	N/A

Housing Revenue Account – Capital Programme	N/A
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Risk:

Risk	Mitigation
Cost overruns	Appropriate project management to be procured as set out in the report.
VAT exceeds 5% threshold	Ongoing management of the Council’s partial exemption position.
Income fails to recover due to greater than expected impact of competition	Mitigation measures in place. In particular, the project includes a temporary facility during the works, to avoid having to re-enter the market from a zero base.

Human Resources:

There are no HR implications contained in the report. [KB25/02/2025]

Environmental/Sustainability:

The proposal to undertake refurbishment of the existing crematorium includes installation of electric cremators, solar panels, rainwater harvesting and heat recovery systems which directly support the Council’s commitments to decarbonisation.

Equalities:

No implications

Other Implications:

(if applicable)

Reason(s) for Urgency

As outlined in the details of the report there is an urgent need to undertake procurement and implementation of the refurbishment works. The fabric and infrastructure of the existing crematorium is rapidly and significantly failing including the cremators. Due to the significant age and technical

complexities of key infrastructure, lack of replacement parts and limited availability of competent contractors, the crematorium manager has advised that there is a significant risk of imminent total service failure

Reason(s) for Exemption

(if applicable)

Background Papers

(if applicable)

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