

# **Cheltenham Borough Council**

**Cabinet – 7<sup>th</sup> March, 2017**

**Council – 27<sup>th</sup> March, 2017**

## **Progress update regarding the new crematorium project including business case decisions regarding access road and second chapel option**

<b>Accountable member</b>	<b>Cllr Chris Coleman, Cabinet Member for Clean and Green Environment</b>
<b>Accountable officer</b>	<b>Mike Redman, Director of Environment</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>This report provides an update on the development of Cheltenham's new crematorium as it moves through its design stage.</p> <p>It is proposed that a permanent exit route from the new facility is built immediately to the south of the cemetery emerging onto Bouncers Lane and that this is included within the planning application, which is timetabled for submission in April/May.</p> <p>It is also proposed that a second new chapel is built as an integral part of the development of the facility.</p> <p>A further round of public consultation is taking place, including a staffed event at the Municipal Offices to which all members have been invited. An update on the results of this consultation will be available to help inform decision-making on 7<sup>th</sup> March, with a particular focus on the second chapel option, proposed road and construction access issues.</p>
<b>Recommendations</b>	<p>Cabinet is recommended to:</p> <ol style="list-style-type: none"><li>1. Approve the approach to providing public access to and from the new crematorium, including the development, subject to planning consent, of a new permanent road linking the new facility to Bouncer's Lane (See option 'Route B' at Appendix 2);</li><li>2. Approve the appropriation of land on prior's farm playing field from use as open space to cemetery use and delegate authority to the Head of Property and Asset Management to carry out the appropriation should planning permission for the development of the crematorium and access road be granted;</li><li>3. Note that a temporary route for construction traffic leading to the new crematorium will be required, with the preferred route to be informed by professional advice and the results of public</li></ol>

consultation, provided in a supplementary update;

4. Approve, subject to Council agreeing the additional project budget, the construction of a second chapel in conjunction with the new crematorium.
5. Agrees to programme further work to review the options for repurposing the existing chapels and how the associated costs can be further mitigated to improve scheme viability.

Cabinet recommends that Council:

6. Allocates the budget for the construction of a second new chapel, including the use of the capital receipt of £275,000 from the sale of the cemetery lodge and £373,000 from the revenue budget reserve arising from the introduction of new crematorium fees in 2017-18, with the balance of £352,000 being supported by prudential borrowing.

#### Financial implications

A range of financial models have been drawn up to compare the financial return, the total cost and the impact on the medium term financial strategy for the options surrounding the use of the existing chapels and the proposed 2<sup>nd</sup> new chapel.

The financial implications are detailed throughout this report. In summary, the proposed option for the construction of a second chapel, whilst temporarily mothballing the existing chapel, pending consideration of its future use, will incur capital costs of £1million.

The proposed funding will be from the use of £275k capital receipts, £373k use of reserves and Public Works Loan Board borrowing of £352k. Members will need to take account of how these funding arrangements represent a loss of opportunity to fund other schemes going forward.

The business case has been prepared over 25 years, generating an internal rate of return of 4.5% and total additional revenue income of £2.6m over this period. However, this assumes an increase in the volume of activity from 2027 onwards, as per the expected growth in the local population and age profile. The risk of this growth not being achieved is detailed in Section 7 and the Risk Appendix 1 to this report.

When taking into account the additional costs and savings from this proposal, although there is a positive impact on the Medium Term Financial Strategy over a 25 year period, there is a deficit impact over the first 9 years, totalling £283k, prior to the expected increase in demand in year 10 of the business case. However, a small increase in fees from 2018-19 onwards will offset this shortfall, as shown in Appendix 4.

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<p><b>Legal implications</b></p>	<p>The Authority owns the land upon which it is proposed to build the new crematorium and associated car parking. The land on which the crematorium will be constructed lies within the administrative area of Tewkesbury Borough Council.</p> <p>By virtue of Sections 214(1) and (3) of the Local Government Act 1972 and Section 4 of the Crematorium Act 1902, the Authority has the power to build and operate a crematorium outside of its own administrative area. The Authority is complying with its obligations under the Public Contract Regulations 2015 by accessing a framework to engage with project managers, Pick Everard and build contractors Willmott Dixon to work up designs for the new crematorium prior to a build contract being entered into.</p> <p>The framework being accessed (the SCAPE framework) expires on 7 May 2017 and the Authority is able to enter into a build contract with Willmott Dixon up to that date. If this deadline is not achieved, whilst the Authority may join the new framework issued by SCAPE, there is no guarantee that Willmott Dixon will be on the new SCAPE framework or that the prices fixed by the current framework will remain the same. Therefore, many of the costs incurred to date could be abortive costs if the authority has to contract with a different contractor either through the new SCAPE framework or another procurement route.</p> <p>The land on which the Authority wishes to construct a permanent access to the new crematorium is open space used for the purposes of public recreation. The Authority is therefore required to appropriate the land under Section 122(1) Local Government Act 1972 to change the use of the land from open space to cemetery use. This section requires that the land is no longer needed for recreational purposes. Case law has held that this does not mean that the land has to have fallen into disuse; the Authority is entitled to strike the balance between comparative local interests; between the need for one land use over another, taking account of wider community interests. Therefore, when deciding whether or not to appropriate the land, Cabinet will need to first consider the interests of the users of Priors Farm Playing Field and the current and future users of the Crematorium, together with the need for the access to be provided on land currently used for public recreation.</p> <p>S122(2) Local Government Act 1972 required the Authority to cause notice of its intention to appropriate the land to be advertised in two consecutive weeks in a local newspaper and to consider any objections to the proposed appropriation. Notices were placed in the Gloucestershire Echo on 12th and 19th January 2017, with a 3 week period within which to make objections. No responses were received to these notices. However, representations have been received in relation to the outline planning application for potential access roads. Whilst these objections are not directly related to the issue of appropriation of the public open space, Cabinet should take these into account when making its decision about the appropriation. The representations are set out in Appendix 5.</p>
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	<p>Part of the land at the cemetery, including the North chapel is consecrated ground. Advice has been given to officers that should the intention be to use this land for secular use, it needs to be either deconsecrated or consent obtained for the proposed use. Further enquiries regarding this issue will need to be made with the Bishop of Gloucester.</p> <p>When considering potential uses for the existing chapels, the Authority will need to comply with and have regard to the provisions of the Local Authorities Cemeteries Order 1977. Advice has been given to officers about the provisions of the Order.</p> <p><b>Contact officer: Donna Ruck, donna.ruck@teWKesbury.gov.uk, 01684 272696</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>There are no immediate HR implications arising from the content of this report however, should the decision to construct a second chapel proceed then a review of operational staffing levels will be required once the building is completed.</p> <p><b>Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355</b></p>
<b>Key risks</b>	<p>Business case assumptions are set out at section 7 and key risks are set out at Appendix 1.</p> <p>The project to deliver a new crematorium is primarily driven by the need to replace the existing two cremators, which have a limited lifespan and are currently giving rise to significant maintenance and business continuity concerns.</p> <p>The development project has a detailed risk register which currently contains 34 risks and mitigating actions, which are subject to regular review. There is a further risk register relating to the safety and business continuity of the existing crematorium, which also helps evidence the need for a new facility.</p> <p>The new build crematorium is viewed as the primary means by which the Council will stabilise and improve upon its current bereavement services offer, providing a more financially sustainable commercial operation which better aligns to the needs of our customers.</p> <p>A second new chapel would provide customers with the same advantages as those for the new main chapel, but it would add cost that is unlikely to significantly increase income. There is also a risk that the existing chapels could remain vacant for some time, whilst proposals for repurposing them are refined. The effect of this risks putting additional financial pressure on the medium term financial strategy (MTFS).</p>

<b>Corporate and community plan Implications</b>	<p>The new crematorium will help to underpin the continuation of the Council's bereavement service and contribute to the following high level objectives:-</p> <ul style="list-style-type: none"> <li>• Cheltenham's environmental quality and heritage is protected, maintained and enhanced.</li> <li>• Transform our Council so it can continue to enable delivery of our outcomes for Cheltenham and its residents.</li> </ul> <p>Whilst the provision of a cremation service is discretionary, there is insufficient capacity within the catchment area of our current facility to cater for demand were it to close.</p> <p>The Council has run this service successfully for very many years and our experience and level of customer satisfaction is such that there is considerable community support for the authority continuing to do so.</p>
<b>Environmental and climate change implications</b>	<p>The Council currently pays around £53k per annum into a national scheme called CAMEO which helps to offset the impact of mercury emissions from our current cremation plant. The proposed new facility will have mercury abatement plant which will minimise our emissions and remove the need for the authority to pay into the CAMEO scheme. Indeed, this may even generate a cash return from CAMEO based on our mercury abatements in respect of the proposed new plant.</p> <p>It is also anticipated that the new gas cremators will be significantly more efficient than those we currently use, reducing our carbon emissions.</p>
<b>Property/Asset Implications</b>	<p>If the delivery of a second new chapel is to be considered, it should be predicated on the financial viability and income generation forecasts for a new use of the existing facility, or there is a risk that the existing chapel buildings which are Grade II listed will remain vacant for an extended period.</p> <p>This issue is addressed under recommendation 5.</p> <p><b>Contact officer: David.Roberts@cheltenham.gov.uk, 01242 264151</b></p>

## 1. Background

- 1.1 In September 2015, Cabinet approved the principle of building a new crematorium on Council-owned land to the east of the current cemetery and in October 2015, Council approved a total budget of £7,443,100 for the proposed development. £6,523,000 of this budget is allocated to the 'design and build' phases of the project.
- 1.2 Subsequently, a programme team was formed to lead the work and determined that the SCAPE Procurement Framework was the best approach for securing contractors. SCAPE is a public sector owned organisation which specialises in providing compliant frameworks to public bodies in the UK.
- 1.3 Using the SCAPE framework, Pick Everard was appointed in April 2016 to provide project management and quantity surveying support and in June 2016, Willmottt Dixon was appointed as principal contractor.
- 1.4 As anticipated in the report brought to Cabinet in November 2016, further decisions are now required on important issues. It is imperative that decisions are made in order to maintain the programme's momentum and minimise the period where the service is dependent on the existing cremators, which continue to give rise to concerns about their reliability and life expectancy.
- 1.5 This report builds on the Cabinet decisions already taken in relation to the project and seeks approval for a preferred new access (exit) road for the new facility, a decision about whether to build a second new chapel now as part of the development and if so, what use should be made of the existing chapel buildings.
- 1.6 Consultant advice which informs the rationale for the conclusions and recommendations within the report are appended and referenced where appropriate.

## 2. Crematorium development options

- 2.1 In broad terms, three principal options were considered for taking the project forward, with the advantages and disadvantages of each set out on pages 6-7 of the Pick Everard report at Appendix 3.
- 2.2 The options are as follows:-

<b>Option A</b>	Build one new chapel with two cremators at the new site and use one existing chapel
<b>Option B</b>	Build one new chapel with two cremators at the new site and use one existing chapel in the short term, but build a second chapel later
<b>Option C</b>	Build two new chapels now at the new site, identify funding to support this and release the existing chapels to enable their deployment for a new commercial venture

- 2.3 Option A is the one which already has Cabinet and Council support in terms of funding and Option B was discounted at an early stage, as there would be significant additional costs and service impacts in seeking to deliver a second chapel at a later date. In addition to increased preliminaries in relation to site set up costs, there would be lost income arising from disruption and downtime of the service. Our contractors advised that in practice, services in the new main chapel would need to stop for several months.

- 2.4** In the absence of further information, this analysis makes a good argument for Option C, i.e. the building of two new chapels now.
- 2.5** The report goes on to examine a number of commercial options, including the repurposing of the existing chapel buildings and identifies that a number of them would be revenue positive over a 25 year period. The most favourable options from a financial viewpoint include the provision of offices, boutique-style holiday accommodation, or a mix of wake facilities with catering and business units.
- 2.6** None of the options account for the costs associated with building out the second chapel building. If these costs are included, none of the options presents a viable financial case.
- 2.7** In appraising options, both financial and non-financial criteria should be considered in assessing the investment decision. . The assessment of non-financial criteria has indicated a preference for a conversion of the existing chapels to a wake facility with catering and some associated business units on the site.
- 2.8** This does not of course resolve the financial challenges regarding the funding of such an option, which would require up-front investment of £1.0M, representing a major project in its own right, with considerable resource implications and risks attaching to it.
- 2.9** In view of the Council's challenging financial situation, including a lack of capital for reinvestment, a number of options have been modelled for funding the new second chapel, including some which would not involve immediately reinvesting in an option for the reuse of the existing chapel buildings. This analysis has identified how the second chapel might be funded, utilising a capital receipt from the sale of the cemetery lodge building and income from an early uplift in cremation fees to help offset the total borrowing that would otherwise be required. Using this approach to funding and the assumptions set out in section 7 below, the project is cash positive over 25 years, but has some negative impact on the MTFS in years one to nine. This impact is modest and it would only take a small fee increase to cover the extra costs profiled in the early years.
- 2.10** However, Cabinet should note that it does not allow for the foregone opportunity cost of using internal capital and revenue resources to part fund the option. This is because the suggestion is that £275,000 is funded from the receipt from the sale of the cemetery lodge (an asset which was previously aligned to the service) and that £373,000 is funded from income from increased cremation fees which will be received before the Council draws down the PWLB loan for the main scheme.
- 2.11** Based on the Pick Everard option analysis and the accountancy analysis at Appendix 4, Cabinet is recommended to pursue the delivery of a second chapel now and to undertake further work to examine how the costs associated with the development of the existing chapels might be managed down to improve scheme viability. Members need to be mindful of the assumptions and risks relating to this recommendations as set out in this report.

### **3. Budgeted increase in cremation fees**

- 3.1** The Council's proposed budget for 2017-18 includes the following in relation to fee increases relating to the service:-

Current cremation fee = £620

- + £12.40 2% inflation ( $£620 + 2\% = £632.40$ )
- + £168.71 to support the new crematorium development ( $£632.40 + £168.71 = £801$ )
- + £26.50 Environmental fee (CAMEO mercury abatement) ( $£801 + £26.50 = £827.50$ )
- + £25 Medical Fees ( $£827.50 + £25 = £852.50$ )

New cremation fee = £852.50

**3.2 Memorial and Burial fees will increase by:-**

- 5% on burial fees – i.e. interment and exclusive rights
- 2% increase on all other fees.

**3.3 The following benefits will be delivered through the provision of the new facility:-**

- A more reliable and efficient service;
- More space for larger services;
- Modern up-to-date flexible facility;
- Better parking, including disabled provision;
- Future proofing with equipment to meet modern funeral requirements, including audio-visual technology;
- Pricing comparable to other neighbouring crematoria.

## **4. Access Roads**

- 4.1** In the work carried out in 2015, the building of an additional permanent egress road through the cemetery was proposed to serve the new facility. However, it was identified early on that further work would be needed to confirm its feasibility. Also, it was recognised that providing a route for construction vehicles through the cemetery would be extremely disruptive and hence a temporary haul route to the south of the cemetery was also proposed.
- 4.2** Subsequently, following a recommendation by Pick Everard, an investigation of the potential access options was commissioned through Willmott Dixon as part of the feasibility work.
- 4.3** The conclusions of the resulting studies are set out at Appendix 2 and have been considered by the programme team, resulting in a preferred access route and identified costs which are within the original programme estimate, together with a fall-back approach in the event of any show-stopping risks arising.
- 4.4** The preferred egress 'Route B' takes the line of a farm track which runs east to west, to the immediate south of the existing cemetery site and emerges onto Bouncers Lane at its western extremity.
- 4.5** Whilst there are risks associated with this option, including potential ecology, archaeology, tree, playing field/public open space and ground condition impacts, specialist reports and input from planning officers have informed the view that these should be manageable.
- 4.6** The proposed 'inward access' to the new crematorium would follow existing road routes within the site, which may need some upgrading, but represents a relatively low cost and low risk option.
- 4.7** An outline planning application (ref: 17/00011/OUT) was submitted to provide public transparency about the Council's likely intentions regarding an egress route across Priors Farm land, which is in Council ownership.
- 4.8** A range of representations have been received in relation to this undetermined application and these are set out at Appendix 5. Cabinet is requested to have regard to these representations in considering the recommended option for providing public access to and from the new crematorium, including the development and subject to planning consent, a new permanent road linking the new facility to Bouncer's Lane. A plan of the recommended route is also included within Appendix 2a page 49.



- 4.9** If the access route through Priors Farm is agreed in conjunction with the planning application for the new crematorium, it will be necessary to appropriate some existing Public Open Space for this purpose; the necessary advertisement for this has already taken place and no objections were received. However, the relevance of representations to the outline planning application set out in para 4.8 above should be taken into account in considering recommendation 2 of this report.
- 4.10** Cabinet needs to consider the balance of interests between the current users of the land, the impact of the proposed development on them and the necessity (or otherwise) to interfere with those uses because of the needs of the cemetery and its users.

#### **4.11 Access route options summary**

<b>Option</b>	<b>Advantages</b>	<b>Disadvantages</b>	<b>Programme Board / Exec Board view</b>
<b>Route A – through the existing memorial gardens</b>	Relatively cheap option, primarily utilising existing roads	Unsatisfactory as permanent route due to service conflicts H&S concerns Damaging to tranquillity of memorial gardens. Risk of damage to memorials. Not suitable for construction traffic haul route, which would still need to be provided across Priors Farm.	This is a fall-back option which could be used temporarily.  Requires certainty that a more permanent route would be provided within a reasonable timescale (i.e. two years).  Not the most attractive option for the project, but may be appropriate if wider development of Priors Farm area considered viable.
<b>Route B – to the immediate south of the cemetery site</b>	Provides a potential permanent egress route  Relatively discreet route adjoining boundary of existing site  Services can follow road route  No direct long term impact on Imjin Road  Preference of ward members	More expensive option than following existing roads  Some risk, particularly around ecology  Impacts on properties backing on to the farm lane	<b>Recommended egress route</b>
<b>Route C – via Imjin Road</b>	Provides a potential permanent egress route	Severance of playing area and changing facilities  High risk in relation	Not recommended

	Would support wider potential development of Priors Farm land	to site archaeology Landscape impact Likely to attract most resident opposition	
<b>Route D - to the south of the cemetery site, then linking with Imjin Rd</b>	Provides a potential permanent egress route Would avoid traffic exiting the site through Imjin Road	Similar risks to C, but with additional costs as longer route Impacts on residential properties backing onto Priors Farm	Not recommended
<b>Route E – via Prestbury playing field off Roberts Road</b>	Provides a potential permanent egress route Shortest route	Unsuitable road access via bridge which would need replacing Unsatisfactory narrow approach through residential area Would require landowner consent Developer has advised this option is unworkable	Not recommended

**4.12** There will need to be a haul route provided to service construction traffic accessing the new crematorium site. This is likely to follow the line of the proposed permanent access (Route B) for much of its length, but there are options about where the route links to the existing road system. One option is for this to be temporarily accessed via the lower end of Priors road playing field site via Imjin Road, or the route could emerge either adjacent to, or at the existing entrance to the cemetery site.

**4.13** There are a range of considerations in this respect, including the impact on local residents, highway issues and potential conflicts with funerals and other service users of the Bouncers Lane cemetery site. This issue forms part of the public consultation regarding the project and will be subject to a supplementary update report to Cabinet on 7<sup>th</sup> March.

## **5. Second chapel business case**

**5.1** The construction of a second new chapel was outside the scope of the original crematorium build programme, but there were enduring concerns that if the construction of a second chapel were to take place once the new facility had begun operating, it would be extremely disruptive to the service. It was also identified that this approach would have significant service delivery, quality and financial implications. In particular, there were considerable operational concerns that splitting the operation between the existing and new chapels could have a negative impact on the business. Funeral directors have advised that they believe there will be customer concerns about moving coffins between buildings which could impact on cremation numbers.

**5.2** The suggestion therefore, was that the scope of the programme should be extended to include the creation of a business case to identify whether there were any viable options to help meet the

costs of a second new chapel (for example, from a commercial use for the existing chapel buildings).

- 5.3** In November 2016, Cabinet thus approved the increase in the scope of the programme, to include the development of a business case for a second new chapel, in order to identify whether it was a financially viable proposition.
- 5.4** Cabinet also agreed that a second (optional) new chapel consistent with the main programme's scope would be included in the planning application for the new facility. This maintained the option of either partially or fully building out a second new chapel, subject to the viability of the business case.
- 5.5** When Cabinet originally gave approval for the building of a new crematorium, including a single chapel, one of the existing chapels (North) was expected to be retained for small ceremonies. It was intended that the scheme would allow scope for future expansion in the medium to long term. At that time, initial estimates had shown that the construction of a second new chapel was unaffordable at an additional cost of £1.7M.
- 5.6** Following Cabinet approval in November 2016, subsequent feasibility and design work has incorporated the potential for a second new chapel (with the intention of seeking full planning approval for a two chapel design) whilst recognising that the approved scheme allows for only a single chapel to be funded and built initially.
- 5.7** The continuing feasibility and design work has allowed our contractors to re-estimate the cost of the second chapel, on the basis that it is constructed at the same time as the first. Even with due allowance for contingency and internal costs, the revised build estimate is £1.0M, considerably less (-41%) than the earlier estimate in 2015.
- 5.8** The study of the potential business options has been undertaken by Pick Everard and is included in this report as Appendix 3.
- 5.9** In their study, Pick Everard set out the advantages and disadvantages of using two new chapels as opposed to using a single new chapel. They also looked at the option of continuing to operate one existing chapel, with the possibility of constructing a second new chapel later. Pick Everard also looked at the opportunities for re-purposing the existing chapel buildings and the potential for generating a commercial return which might support a second new chapel. Financial modelling and an analysis of non-financial benefits were undertaken for the three most viable options:
1. A wake / café facility with office / retail accommodation for bereavement related services;
  2. Serviced offices;
  3. Boutique style visitor accommodation.
- 5.10** GOSS Finance has used the analysis from Pick Everard to assess the overall financial impact of options, taking account of how the additional investment costs might be funded. The return on investment, payback period and impact on the Medium Term Financial Strategy (MTFS) have been assessed. The results of this analysis are detailed in Appendix 4.
- 5.11** The main advantages of constructing a second new chapel along with the first chapel are:
- Construction will not disrupt the ongoing service. Later construction of an additional chapel will likely lead to the first new chapel being out of action for months with a consequent impact on mourners and on the Council's income. As a result, later construction is not thought to be a likely scenario in practice.

- Construction now will be less costly. Later construction will entail additional start-up costs.
- Focussing services on one site will simplify the experience of mourners. There will be a single set of access routes to and from the crematorium, a single car park and chapels will be located close to each other. The likelihood of confusion, for example mourners going to the wrong chapel, will be much reduced.
- Focussing services on one site will lead to operational savings. Bereavement services will not need to staff both locations, nor will a vehicle be required to move coffins from the existing chapels to the new crematorium (a consequent saving has been estimated in the financial modelling). Maintenance costs for two buildings might not need to be met by Bereavement Services (assuming a new use is found for the existing buildings)
- The risk that the transfer of coffins from the existing chapels to the new crematorium leads to negative comments and services being moved to other crematoria would be eliminated.
- Increasing the quality of the construction helps to protect against loss of business to competitors and may help to deter new competitors, thus protecting the Council's revenue from the overall service.
- Delaying construction risks reputational damage, as it is perceived as missing an obvious opportunity to improve the service.
- Both existing chapels will be available for alternative uses from the outset, unfettered by the constraint of an operational chapel in the same building.
- Informal contact with funeral directors suggests that they are in favour of a two chapel scheme.

**5.12** The main disadvantages of constructing a second new chapel along with the first chapel are:

- There is no guarantee that two new chapels will generate any more custom and income than one new chapel and one existing chapel;
- There is a risk that the lack of a traditional chapel option may lead to some services being moved to other crematoria;
- Undertaking the construction of an additional chapel will put additional pressure on the Council's finances and resources.

**5.13** The non-financial advantages of re-purposing the existing chapels depend on the uses to which chapels are put. The potential advantages are:

- Some provision of support for economic growth through the encouragement of small businesses;
- Improving the experience of mourners at the crematorium and cemetery, possibly thereby increasing the attraction of the crematorium for holding funeral services (e.g. due to the availability of an on-site wake facility);
- Ensuring the listed buildings have a function and are not left to deteriorate.

The programme team's analysis against a number of non-financial criteria suggests that the option of a wake / café facility with adjacent office / retail accommodation for bereavement related services, is the most favourable. Inevitably, there are a number of risks and uncertainties associated with re-purposing, which are detailed in the Pick Everard report.

**5.14** The conclusions of the financial analysis of constructing a second new chapel and potential re-purposing of the existing chapels are:

- The additional capital costs of constructing a second new chapel are approximately £1.0M (Willmottt Dixon estimate adjusted to include internal CBC costs) – this cost would add to the current budget of £7.4M for the approved project based on a single chapel.
- The estimated capital costs of re-purposing the existing chapels are £0.94M (Pick Everard estimate adjusted to include internal CBC costs). Pick Everard have commented that reduction of these costs may be possible if a 'light touch' refurbishment is used, but does not have confidence in such an approach without more detailed work. This can be revisited at a later date and a more detailed assessment of possible uses / disposal options will be considered. Given the options work that has been carried out, there is a high degree of confidence that a scheme can be achieved which will provide a better than cost neutral future for the existing chapels.
- CBC financial modelling has taken place on 11 options with a variety of assumptions, with the preferred option recommended in this report attached at Appendix 4 and subsequent funding analysis based on the assumptions set out in Section 7.
- None of the options for re-purposing the existing chapels has demonstrated a significant financial business case for the construction and operation of a second new chapel.
- The most favourable financial option considered is the construction of a second new chapel, whilst not immediately re-purposing the existing chapels; with capital costs funded by the early fee increase, use of Cemetery Lodge capital receipt and borrowing; and factoring in reasonably projected extra deaths over 25 years. It has a payback period of 12 years, an internal rate of return (IRR) of 4.5% and a total return of £2.6M over 25 years. However, it has a cumulative negative impact on the MTFS of £283K over the first nine years (from 2019-20), Prior to the expected volume increase in accordance with population projections. This impact on the MTFS could be offset by the increase in fee charges of £26.50 per cremation, representing a permanent environmental fee. This funding is in addition to the funding from the capital receipt, PWLB loan and reserves, as detailed above.
- The main financial risks are uncertainty over the precise borrowing rate; some limited uncertainty as to whether the projected increased mortality will materialise (assumptions are based on an assessment using national statistical data from OPCS); the risk of competition from other operators reducing our income; uncertainty over utility costs and business rates treatment for the new facilities.

**5.15** None of the models constitute a favourable return if the options are considered in purely financial terms. However, the financial implications of the options need to be weighed against the non-financial considerations set out above.

## **6. Alternative options considered**

- 6.1** The range of option considered for utilising the existing chapel buildings with a view to assisting the funding for the second chapel, is set out in the report by Pick Everard at Appendix 3, with further detailed financial assessment undertaken by our accountancy team, as set out at Appendix 4.
- 6.2** Alternative access road options are set out in the report and subsequent update from our consultants WSP, which form Appendix 2 to this report.

## 7. Assumptions in relation to recommended option

- 7.1 There are a number of key assumptions which generate associated risks in relation to the recommendation to build out a second chapel now.
- 7.2 The table below sets out the key assumptions, together with the risks which are further assessed within Appendix 1 against the Council's corporate risk score card. Cabinet is advised to have regard to the reasonableness of these assumptions in determining whether or not to accept the report recommendations.

Key assumptions	Sensitivity considerations	Key risks
<p>That the base demand for cremations is assumed to be 1,900 per annum, but this figure is itself subject to annual fluctuations.</p> <p>In most recent years, cremations have exceeded 2,000, providing some resilience within the business case, despite the unreliability of the current cremators.</p>	<p>In the 2016 calendar year, there were 2,043 cremations (+7.5% on baseline assumption)</p> <p>Additional cremations have been assessed to generate an 80% margin.</p>	<p>Business continuity</p> <p>Competition from new or improved service offers</p> <p>Technological alternatives to cremation</p>
<p>That there will be a 28% increase in cremation activity in the next 20 years, linked to population growth within the Cheltenham catchment, based on OPCS death rate data and JCS growth projections for the catchment.</p>	<p>If the JCS growth attracts a greater proportion of younger people to the area, this may moderate the expected additional demand for cremations.</p>	<p>Financial - cremation demand does not grow at the anticipated rate.</p>
<p>Capital borrowing costs have been assessed at the PWLB loan rate, currently fixed at 2.4% from date of drawdown. This has not been applied to the other sources of funding to be applied to the project – i.e. there is no internal rate of return on capital receipts or revenue funding from fee income.</p>	<p>The PWLB loan rate could rise before the project is completed.</p>	<p>Financial – an increase in the PWLB rate prior to completion of the new facility.</p>
<p>Demand will not be affected by the transition from traditional to new modern chapels.</p>	<p>Options within the Cheltenham catchment are currently limited, but we are aware of one new facility being proposed by a private operator. This could potentially reduce demand within our catchment by up to 150 cremations per annum (7.9%).</p>	<p>Financial – potential for reduction in service demand and associated fee income.</p>
<p>The costs of the new two chapel crematorium will be managed within the estimated budget.</p>	<p>The project is being managed with a reasonable level of contingency.</p>	<p>Financial - as with any major building project, costs will need to be actively managed, but may be subject to pressures outside of the</p>

		control of the programme e.g. materials inflation.
No allowance has been made for an increase in custom as a result of the new facilities offering a higher standard to customers.	Improvements to parking and chapel capacity may result in a marginal demand increase.	This may help to mitigate other financial risks.

## 8. Consultation and feedback

- 8.1** A discussion report was taken to Overview and Scrutiny on 16<sup>th</sup> January 2017, which focussed upon programme progress and timeline, major risks (including access roads and the second new chapel business case) and contingency plans in the event that the current cremators fail.
- 8.2** A joint consultation event was held on 23<sup>rd</sup> January 2017, for the cross-party Cemetery and Crematorium Cabinet Member Working Group and local Funeral Directors. At that meeting, the Council's architects and lead contractors presented the developing design and an update was given on both access roads and the second chapel. Useful feedback was given on the routing of vehicles in the immediate vicinity of the new buildings and this has led to adjustments in the designs. There was quite general support for the building of a second new chapel although it was noted that some members of the public do have an attachment to the Victorian chapels.
- 8.3** Local ward members continue to be kept in touch with the programme, particularly on those aspects such as access roads which most affect people in the locality, with dedicated briefings in October 2016 and February 2017. Members generally are informed of progress and issues through the Member Briefing.
- 8.4** A public consultation will take place in the week commencing 27<sup>th</sup> February. The main event will be a drop-in session at the Municipal Offices from 2.30pm to 7.30pm on 1<sup>st</sup> March at which members of the public and key stakeholders will be able to view the designs and discuss them with the architects and lead contractors. Designs may also be viewed on [www.cheltenham.gov.uk/Cem-and-Crem](http://www.cheltenham.gov.uk/Cem-and-Crem) until 10a.m. on 2<sup>nd</sup> March and in the foyer of the Municipal Offices on 27<sup>th</sup> and 28<sup>th</sup> February All those viewing the designs will be encouraged to feedback on a questionnaire which will also ask for views on access roads and on the construction of a second new chapel.
- 8.5** It is intended that the results of the consultation will be reported to Cabinet on 7<sup>th</sup> March.

## 9. Performance management – monitoring and review

- 9.1** The programme is managed by a Programme Board led by the Director of Environment and which includes the Cabinet Member for Clean and Green Environment.
- 9.2** The programme uses the 'Managing Successful Programmes' methodology.
- 9.3** The programme reports every four weeks to the Council's Senior Leadership Team and as required, to the Council's Executive Board.

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<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. WSP reports on access routes <ol style="list-style-type: none"> <li>a. original study</li> <li>b. update covering routes B and C</li> <li>c. Gardens of Remembrance route</li> </ol> </li> <li>3. Two Chapels Options Study – Pick Everard</li> <li>4. Financial Model for second chapel</li> <li>5. Outline planning application for possible access roads – public representations received</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1.</li> </ol>



The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If Cabinet/Council fail to make timely decisions in relation to the project, there is an increased risk that the programme will not be delivered on time or within budget.	Director Environment	04/11/2016	4	4	16	Reduce	Approve report recommendations.	March 2017	Director Environment	
2	If sufficient maintenance funds are not made available for the upkeep of the existing chapels whilst they are not being used, there is a risk to the future of the Grade II listed buildings, for which the Council has a statutory responsibility.	Director Environment	04/11/2016	3	4	12	Reduce	Consider the implications for the existing Grade II listed chapel building in the context of temporary mothballing.  Ensure that the need for maintenance of the existing chapels is considered in relation to the business case.	March 2017  On-going	Programme Manager  Head of Property Services	
3	If the Cabinet agrees to support the construction of 2 <sup>nd</sup> new chapel at the same time as delivering the	Director Environment	04/11/2016	3	4	12	Reduce	The timeline for the project has been re-evaluated to show the implications of constructing a 2 <sup>nd</sup>	Mar 2017	Programme Manager	

	<p>original new crematorium programme there is a risk that the delivery timeline could increase with a consequent delay to the opening of the new facility. This in turn could impact on;</p> <ol style="list-style-type: none"> <li>1. service delivery because of the unreliability of the current facility,</li> <li>2. the reputation of the Council to manage to an agreed plan, and</li> <li>3. fee income and programme costs.</li> </ol>							<p>chapel and this can be achieved with minimal impact on the overall programme.</p> <p>As with any building programme, there are financial and project timeline risks that will need to be managed and these will be proportionately greater in relation to a larger project.</p>			
4	If Cabinet does not support the construction of a second chapel at the same time as the first, there	Director Environment	04/11/2016	3	3	9	Reduce	Approve report recommendations.	Mar 2017	Director Environment	

	may be reputational damage to the authority arising from any future forward planning (linked to population growth etc.) for maintaining a sustainable service. Operational limitations may be significant and a later construction would have a detrimental impact on customer service and income.										
5	If the Council does not include the design of a 2 <sup>nd</sup> Chapel within the Planning Application, it will lose the opportunity to provide a closely linked facility that is capable of expanding to meet future service needs and expectations.	Director Environment	04/11/2016	3	2	6	Reduce	Include scope for the provision of a second chapel within the Planning Application for the new facility.	Apr 2017	Director Environment	
7	If the Council	Director	04/11/2016	4	3	12	Reduce	Follow the agreed	Apr	Programme	

	does not agree a Delivery (Construction) Agreement with Willmottt Dixon before 7 <sup>th</sup> May 2017 it will need to re-procure construction services with a consequent impact on costs, timescales and customer service	Environment						pre-construction plan with adequate contingency for reaching agreement	2017	Manager	
8	If projected future population growth and the resulting increase in demand for cremations does not arise, or competitor facilities are built, there is a risk that the income from the crematorium may fall, exposing the authority to increased financial risk.	Director Environment	01/02/2017	3	3	9	Accept	Careful consideration has been given to the likelihood of increased demand for the service over time and estimates are considered reasonable.  The future-proofing of our crematorium facility is one of the best means of countering the risk of competitor facilities, which is a risk borne by the current service.	N/A	Bereavement Services Manager	
9	If the new chapels do not provide a quality experience	Director Environment	01/02/2017	3	3	9	Reduce	It is important that adequate investment is put	Mar 2017	Director Environment	

	for mourners, there is a risk that some bereaved families may choose to have funeral services elsewhere							into the new facility, such that the design and materials used in the new facility, including space standards and technological improvements can be funded.			
10	If the 2nd chapel project is approved utilising the sources of funding identified, this will have a negative impact on the Council's MTFS position and increase the Council's exposure to external borrowing	Director Environment	01/02/2017	3	3	9	Accept	<p>The Cabinet will need to identify additional savings or income to bridge the increased MTFS funding gap.</p> <p>The income levels for the facility will need to be closely monitored to ensure delivery of increase targets which support the scheme and part finance borrowing.</p>	N/A	<p>Section 151 officer</p> <p>Bereavement Services Manager</p>	
<b>Explanatory notes</b> <b>Impact</b> – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) <b>Likelihood</b> – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) <b>Control</b> - Either: Reduce / Accept / Transfer to 3rd party / Close											