

# LLWYDCOED CREMATORIUM JOINT COMMITTEE

13<sup>th</sup> December 2022

## REPORT OF THE TREASURER

### REVIEW OF THE REDISTRIBUTION OF ANNUAL SURPLUSES

**Author – Barrie Davies, Director of Finance and Digital Services**

#### **1. PURPOSE OF REPORT**

- 1.1 To review the arrangement in place for the redistribution of annual surpluses held by the Llwydcoed Crematorium Joint Committee, in line with its decision on 10<sup>th</sup> December 2019 for the approach to be reviewed on a three-yearly basis.

#### **2. RECOMMENDATIONS**

It is recommended that the Joint Committee:

- 2.1 Approve the continuation of the redistribution of annual surpluses generated by the Llwydcoed Crematorium Joint Committee, as set out in Sections 4 and 5 of this report; and
- 2.2 Subject to 2.1, authorise the Director of Finance and Digital Services to continue to make the necessary financial arrangements for the redistribution.

#### **3. BACKGROUND**

- 3.1 The 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 31<sup>st</sup> May 1969. Although these organisations have been superseded by Rhondda Cynon Taf County Borough Council (RCTCBC) and Merthyr Tydfil County Borough Council (MTCBC), the constitution of the Committee has remained largely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 At the 10<sup>th</sup> December 2019 Joint Committee meeting, Members agreed to a one-off distribution of General Reserves of £1.5M and the redistribution of surpluses of £350k per year to RCTCBC and MTCBC, using an apportionment basis of 52%/48% respectively. This arrangement supported 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. At the 10<sup>th</sup> December 2019 meeting, Members also agreed for the arrangement to be reviewed on a three-yearly basis.

- 3.4 The Joint Committee holds a reserve of £1.489M at 31<sup>st</sup> March 2022, this steadily increasing since 31<sup>st</sup> March 2020 where the balance stood at £1.087M. The projected outturn position for the 2022/23 financial year (as at November 2022) is forecasting a projected revenue contribution to reserves in 2022/23 of £326k and following the redistribution payment to MTCBC and RCTCBC of £350k, results in a small contribution from General Reserves of £24k.
- 3.5 Members will note that the 14<sup>th</sup> October 2022 Joint Committee agreed one-off investment costs to be incurred in the current year and funded from General Reserves, with the estimated costs as at December 2022 totalling £189k. Taking the one-off investments costs into account, the projected year-end General Reserve balance at 31<sup>st</sup> March 2023 is £1.276M.
- 3.6 A review of the financial performance of the Crematorium between 2019/20 through to the projected position for the current financial year (2022/23) shows an average contribution to General Reserves of £450k per annum (before the £350k redistribution payment to MTCBC and RCTCBC). Although this period covers unprecedented operating conditions as a result of the Covid-19 pandemic, a clear trend of strong financial results have been delivered and, taken alongside the additional investment in facilities, provides a sound basis for the future. Furthermore, given the recent and planned (2022/23) one-off investment, it is not anticipated that the Joint Committee will need to draw significantly on General Reserves in the foreseeable future.

#### **4. REVIEW OF THE ARRANGEMENT FOR THE REDISTRIBUTION OF ANNUAL SURPLUSES**

- 4.1 There continues to be 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 Based on the average contribution to General Reserves of approximately £100k per annum (after taking account of the current annual distribution of surpluses), the estimated General Reserve balance at the point where the cremators will require replacement, on or after 2031, will be in excess of £2.1M.
- 4.6 Taking into account the financial challenges facing both local authorities over the medium to long term and the estimated General Reserve balance that will be available at the point the cremators are forecasted to require replacement, it is recommended that the current arrangement for the redistribution for annual surpluses should continue and, in doing so, support the provision of each local authorities bereavement services, as set out in paragraph 3.3.
- 4.7 Following on, this arrangement would also retain the overall governance of the Joint Committee under the memorandum of agreement between both Councils and, as noted above, enable a balance of reserve to continue to build up over time in order to meet future cremator replacement.

## **5. FINANCIAL IMPLICATIONS**

- 5.1 The projected General Reserve Balance of the Joint Committee as at 31<sup>st</sup> March 2023 is £1.276M and it is forecast that the annual revenue contribution to reserves will be £450k before any proposed redistribution of annual surpluses.
- 5.2 On the basis of continuing the current redistribution of surpluses of £350k per year, the estimated net revenue contribution to reserves would be £100k per year and will mean the forecasted level of general reserves by 2031 would be £2.1M.
- 5.3 Subject to the Joint Committee's consideration of the continuation of the redistribution of annual surpluses, it is also proposed that:
  - The allocation basis remains unchanged i.e. 52% RCTCBC and 48% MTCBC and would equate to annual redistributed amounts of £182k and £168k respectively; and
  - The arrangement covers a three-year period, from 2023/24 to 2025/26, with annual reviews built in and reported to the Joint Committee to ensure any proposed changes in redistribution levels are smoothed over the

medium to longer term thereby providing stability and enabling authorities to plan effectively for any changes necessary.

## 6. **EQUALITY AND DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY**

- 6.1 There are no equality and diversity or socio-economic duty implications as a result of the recommendations set out in the report.

## 7. **CONSULTATION / INVOLVEMENT**

- 7.1 The recommendations set out in the report have been proposed by the respective Section 151 Officers of RCTCBC and MTCBC.

## 8. **WELSH LANGUAGE IMPLICATIONS**

- 8.1 There are no Welsh language implications as a result of the recommendations set out in the report.

## 9. **LEGAL IMPLICATIONS**

- 9.1 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 31<sup>st</sup> May 1969. Although these organisations have been superseded by RCTCBC AND MTCBC, the constitution of the Committee has remained largely unchanged; the two Councils taking on the responsibilities of their predecessors.
- 9.2 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 Management Committee.
- 9.3 There is no impediment within the Memorandum of Agreement to the Joint Committee approving the recommendations proposed by this report.

## 10. **LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

- 10.1 The recommendations support the Council’s Corporate Plan priorities of ‘People’ and ‘Places’ and in doing so contribute to the goals as set out in the Well-Being of Future Generations Act.

## 11. **CONCLUSION**

- 11.1 The projected General Reserve Balance of the Joint Committee as at 31<sup>st</sup> March 2023 is £1.276M and it is forecast to increase over the coming years without the necessity for significant capital expenditure.
- 11.2 There is therefore the opportunity for the Joint Committee to continue the arrangement to redistribute surpluses on an annual basis to RCTCBC and MTCBC to support wider capital investment priorities including, for example, improvements to cemeteries and securing additional burial capacity when required. At the same time, the continuation of the arrangement will ensure an appropriate level of reserves is retained by the Llwydcoed Crematorium to meet its future capital requirements.

**LOCAL GOVERNMENT ACT 1972**

**As amended by**

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**LLWYDCOED CREMATORIUM JOINT COMMITTEE**

**13th December 2022**

**Report of the Treasurer to Llwydcoed Crematorium**

**LIST OF BACKGROUND PAPERS**

**PROPOSAL FOR THE REDISTRIBUTION OF GENERAL RESERVES** – reported to the Llwydcoed Crematorium Joint Committee 10<sup>th</sup> December 2019 (<https://rctcbc.moderngov.co.uk/documents/s18700/Agenda%20Item%205%20-%20Joint%20Report%20of%20the%20Director%20of%20Public%20Health%20Protection%20Community%20Services%20and%20t.pdf?LLL=0>)