

POLICY AND RESOURCES COMMITTEE - 7 SEPTEMBER 2020

PART I – NOT DELEGATED

16. WEST HERTS CREMATORIUM JOINT COMMITTEE – LOAN AGREEMENT (DoF)

Summary

- 1.1 To seek Council approval for Three Rivers as one of the partner authorities of the West Herts Crematorium Joint Committee, to enter into a loan facility agreement with Dacorum Borough Council for a loan facility of £6 million as part funding towards a c.£8 million development of a new crematorium in Hemel Hempstead.
- 1.2 Also to seek Council approval to sign a Deed of Contribution and Indemnity with all five partner authorities of the West Herts Crematorium Joint Committee and thereby underwriting one fifth of the loan should the joint committee default on repayment of the loan.

2 Details

- 2.1 The West Herts Crematorium Joint Committee (WHCJC) is a partnership of five local authorities: Dacorum Borough Council, Hertsmere Borough Council, St Alban's City and District Council, Three Rivers District Council and Watford Borough Council.
- 2.2 The Joint Committee is currently responsible for the operation of one Crematorium, West Herts Crematorium in Watford that has been serving the local community since 1959.
- 2.3 The Joint Committee has been operating the West Herts Crematorium successfully for many years and whilst the Joint Committee is a not for profit organisation it does make an annual contribution to the five partner local authorities in total of £250k per annum, whilst also setting aside surplus funds for reinvesting in the business.
- 2.4 This is however a competitive market and in light of competition by private operators in the local area the West Herts Crematorium Joint Committee (WHCJC) commissioned a feasibility study to examine possibility of building a new Crematorium in Hemel Hempstead. The following is an extract from the resulting business case:
- 2.5 *The demand for cremations has risen considerably in recent years with this trend set to continue as the UK's ageing population grows in size, with the proportion of those aged 65 and above predicted to significantly increase in future years. In 2017 cremations accounted for 77 % of all funerals in the UK.*
- 2.6 *The increasing demand for cremations has been identified by the private sector as a lucrative business opportunity and has resulted in the majority of new crematoria being built and run by private sector businesses in recent years.*
- 2.7 *WHC is still at risk of losing its catchment through increased competition because it has no further expansion space, therefore limiting its ability to meet growing demand for more flexible, creative services, and it would also lose the opportunity to serve a wider area.*
- 2.8 WHCJC therefore agreed that a Business Case should be produced examining:

- The financial projections and implications of building a new crematorium in Hemel Hempstead
 - The pricing models and their commercial viability
 - The likely demand at both sites and the impact this would ultimately have on WHC
 - The strategic options for financial consideration
- 2.9 An options appraisal was carried out as part of the Business Case examining the benefits and dis-benefits of the following three delivery models, assessing each option against a list of criteria reflecting the objectives of WHCJC:
- Do nothing
 - Build a new crematorium in Hemel Hempstead
 - Look for an alternative site
- 2.10 The Business Case concluded that building a new crematorium at the Hemel Hempstead site by WHCJC would be commercially viable, would allow WHC to improve and enhance the services provided to residents at both sites whilst increasing their resilience and capacity to meet future service demands.
- 2.11 Having considered the business case the joint committee agreed to pursue option 2 and have since been progressing this option.

3 Options and Reasons for Recommendations

- 3.1 The West Herts Crematorium Joint Committee have considered the business case for and subsequently approved the development of a new Crematorium in Hemel Hempstead. The cost of the development is close to £8 million and is to be funded partly by the Joint Committee from accumulated surpluses and by way of a £6 million loan facility from Dacorum Borough Council who own the land in Hemel Hempstead where the Crematorium is to be built.
- 3.2 The Joint Committee is a partnership of five local authorities including Dacorum Borough Council, Hertsmere Borough Council, St Albans City and District Council, Three Rivers District Council and Watford Borough Council.
- 3.3 The Joint Committee requires approval from all partner authorities prior to committing to such a significant debt as the partner authorities would be jointly liable should the joint committee default on the loan.
- 3.4 The Committee could decide not to recommend that the Council agree the loan, which must be supported by all five partner authorities otherwise the project could not proceed.
- 3.5 As this is a competitive market and Hemel Hempstead is not currently well served with a local Crematorium this could severely impact on the market share of the West Herts Crematorium should a competitor open a new facility in the local area.

4 Policy/Budget Reference and Implications

- 4.1 The business case presented to the WHCJC showed various financial modelling for a range of scenarios, the preferred option having an estimated build cost of close to £8 million. This is to be funded in part by use of the Joint Committee's accumulated surpluses, £2 million, and by way of a £6 million loan facility from Dacorum Borough

Council, the land owner of the site in Hemel Hempstead where the new Crematorium is to be built.

- 4.2 This option enabled a new crematorium to be built whilst ensuring the strongest financial position for WHCJC and WHC.
- 4.3 The Business Case concluded that building a new crematorium at the Hemel Hempstead site by WHCJC would be commercially viable.
- 4.4 Since approval by the Joint Committee a loan agreement between Dacorum Borough Council and the partners of the WHCJC has been drawn up. The loan facility agreement now requires formal approval by the partner authorities thereby underwriting the loan should the Joint Committee default on repayment.
- 4.5 Whilst party to the loan agreement, Dacorum Borough Council, as the lending authority, cannot underwrite a loan they are providing so to ensure that the loan liability is underwritten equally by all five partner authorities a Deed of Contribution and Indemnity will also be required to be entered into by all five partner authorities.
- 4.6 By agreeing to the Loan Agreement and the Deed of Contribution and Indemnity, Three Rivers are underwriting a one fifth share of the £6 million loan and would be liable for up to £1.2 million should the WHCJC default on the loan. As a partner Three Rivers are already liable for a one fifth share of all the liabilities of the Joint Committee.
- 4.7 Policy and Resources Committee are requested to recommend that the Council approve that the Council sign the Loan Agreement and the Deed of Contribution and Indemnity.

5 Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website Implications

- 5.1 None specific.

6 Financial Implications

- 6.1 The financial implications are set out in section 4 above.

7 Legal Implications

- 7.1 The Council will take its proportionate one fifth share of liability for the £6M loan facility provided by Dacorum.

8 Equal Opportunities Implications

- 8.1 A full equalities impact assessment is being compiled by the project manager of the lead authority, Watford Borough Council. The EIA will cover all five local authority areas party to the West Herts Crematorium Joint Committee.

9 Risk Management and Health & Safety Implications

- 9.1 Key risks were identified and discussed in the business case which was considered and approved by the WHCJC.

- 9.2 The business case also included various financial modelling and appraisals, the project budget also includes contingency funding to mitigate the risk of increased costs.
- 9.3 Subject to funding approval, a full competitive tender process will be undertaken to appoint a suitably experienced development partner.
- 9.4 The project is being managed by Watford Borough Council as lead authority for the WHCJC.

10 Recommendation

- 10.1 That Policy and Resources recommends to the full Council that Three Rivers, as one of the partner authorities to the West Herts Crematorium Joint Committee, signs the loan facility agreement between Hertsmere Borough Council, St Albans City and District Council, Three Rivers District Council and Watford Borough Council as borrowers with Dacorum Borough Council as lender for £6 million to part fund a new Crematorium in Hemel Hempstead, subject to all the other 4 borrowing authorities passing similar resolutions;
- 10.2 That Policy and Resources recommends that Three Rivers also signs a Deed of Contribution and Indemnity with all five partner authorities of the West Herts Crematorium Joint Committee, namely Dacorum Borough Council, Hertsmere Borough Council, St Albans City and District Council, Three Rivers District Council and Watford Borough, subject to all the other member authorities passing similar resolutions; and
- 10.3 That Policy and Resources recommends that the full Council notes that in agreeing to 1.1 and 1.2 above that Three Rivers are underwriting one fifth of the £6 million loan facility should the West Herts Crematorium Joint Committee default on repayment of the loan.
- 10.4 That delegated approval is given to the Director of Finance to approve the final terms of both agreements.

Report prepared by: Alison Scott, Shared Director of Finance

Data Quality

Data sources:

New Crematorium in Hemel Hempstead Business Case, Watford Borough Council, lead authority for the West Herts Crematorium Joint Committee

Data checked by:

Alison Scott

Data rating: Tick

1	Poor	
2	Sufficient	
3	High	√

Background Papers

New Crematorium in Hemel Hempstead Business Case, Watford Borough Council, lead authority for the West Herts Crematorium Joint Committee

APPENDICES / ATTACHMENTS

None