



#### **4 Recommendations**

That members consider the options appraisal set out in the feasibility report and approve the following:

- 4.1 That subject to recommendation 4.2, the Enfield Crematorium, Tottenham Cemetery and Wood Green Cemetery is marketed for disposal as a going concern. Such disposal should be on the basis of leasehold arrangements with a specialist operator. The heads of terms of the leases are to be agreed by the Head of Corporate Property Services;
- 4.2 That, officers progress and secure a detailed Planning Permission for the new burial provisions at Enfield Crematorium Cemetery should the marketing exercise demonstrate that this will increase the site value of Enfield Crematorium;
- 4.3 That the result of the marketing exercise including responses, evaluation, disposal arrangements and recommendations are reported back to Cabinet for approval;
- 4.4 That subject to recommendation 4.1 and 4.3 the Council ceases to directly provide crematorium and cemetery services;
- 4.5 That approval is given to the disposal on the open market of 1 and 2 Grenville Cottages located at the north-east end of the Enfield Crematorium site, and the associated receipt ring-fenced to support the one off business disposal costs.

#### **5 Reason for recommendation(s)**

- 5.1 Enfield Crematorium requires a minimum capital investment of £6.6m to sustain its ability to provide cremation and burial services that return a revenue surplus to the Council. This investment is needed to upgrade cremation equipments to comply with new emissions standards, and provide new burial spaces.

#### **6 Other options considered**

- 6.1 Maintain Council operation and prioritise capital investment of up to £13.4m (excludes possible borrowing costs) to upgrade cremation equipment, provide further burial space and upgrade site infrastructure at Enfield Crematorium
- 6.2 Offer the Enfield Crematorium site only for sale to an external bereavement services operator, via a tender process, whilst retaining ownership and operation of Wood Green and Tottenham Cemeteries
- 6.3 Offer Enfield Crematorium site, with Wood Green and Tottenham Cemeteries for sale to an external bereavement services operator, via a tender process
- 6.4 Offer Enfield Crematorium site only for lease to an external bereavement services operator, via a tender procedure, whilst continuing to directly manage Wood Green and Tottenham Cemeteries
- 6.5 Do nothing. This option will result in the service operating at a net loss within a few years

## 7 Summary

### 7.1 Executive Summary

- 7.1.1 Bereavement Services is a discretionary commercial service with a budgeted net income to the authority, and operating in an increasingly competitive market.
- 7.1.2 The Service is largely administered from Enfield Crematorium, managing burial, cremation and memorial activity on this site, together with Tottenham and Wood Green Cemeteries.
- 7.1.3 The Council has a predominantly 'operator' responsibility, whilst the London Borough of Enfield is the 'regulatory' authority in relation to the crematorium.
- 7.1.4 The recent trend in both burials and cremations is down, whilst memorials income is relatively stable. The 'efficiency savings' led price increases in the last 3 years has partly masked the downturn in business volumes.
- 7.1.5 The key reasons for this downturn are:
- Increased life expectancy and reduced death rate;
  - Reduced supply and choice of burial provision;
  - Crematorium 'fitness for purpose' and ability to meet today's customer expectations.

In addition, there is the imminent challenge and requirement to meet new environmental standards to tackle mercury emissions from crematoria.

- 7.1.6 To better understand these challenges and explore possible solutions, the Council has commissioned and undertaken 5 pieces of work, the conclusions of which are reflected in the feasibility report, which include:
- Assessment of mercury emissions plant/ equipment upgrade;
  - Feasibility of developing new longer term burial provision at Enfield Crematorium;
  - Crematorium redevelopment and upgrade;
  - Valuation of Enfield Crematorium and Cemetery;
  - Appraisal of future delivery options.
- 7.1.7 This work clearly identifies both the investment need and potential of between £6.6m - £13.4m, with a minimum requirement to meet the latest environmental standards, future burial supply and a net income target. To do nothing is not an option.
- 7.1.8 The options available to the Council are:
- Keep the services in house with reduced revenue budget surplus target;
  - Keep the services in house with Prudential Borrowing Investment of between £6.6m - £13.4m (actual cost of £9.6m - £19.4m);
  - Long Term Lease to a specialist operator;
  - Sale to a specialist operator.
- 7.1.9 Given the balance of provision, administrative requirements and economies of scale, it is recommended that the whole function and all sites are included in the

preferred option. The preferred option is for the Enfield Crematorium site and the Tottenham and Wood Green cemetery sites to be offered on a long-term lease to a specialist operator. The Enfield Crematorium valuation assumes development and delivery of the new burial provision by an external operator. However, the decision to fund the planning application process to enable this construction will be deferred until initial expressions of interest by private operators validate the assumption that planning permission for a cemetery extension will add value to the Enfield Crematorium site. At present it is unclear whether a prospective buyer will want to make the necessary investment in new burial spaces. If however it is shown that a disposal with the benefit of a detail planning permission would enhance the value and be attractive to any potential buyer then officers propose to obtain such planning permission prior to any marketing exercise for disposal. In recent years the majority of burial income has accrued from Wood Green cemetery, which, in effect, cross-subsidises the maintenance of Tottenham Cemetery. The income stream from the newly created capacity at Wood Green will be exhausted in two to four years leaving a net cost for the maintenance of Tottenham Cemetery. This cost would need to be funded from alternative sources if these two sites were excluded from disposal.

- 7.1.10 The marketing process will be constructed to require external operators to provide bids for each site and as one package, whilst also indicating their preferred length of lease(s). This will enable the Council to properly assess the overall financial benefit /impact, and whether or not to adopt different leasehold terms for each site.
- 7.1.11 A lease based agreement with an external operator will enable the Council to build in controls, to ensure the ongoing effective management and maintenance of the sites, in particular Tottenham and Wood Green Cemeteries. The terms would include provisions concerning:
- Opening hours and access to facilities;
  - Maintenance standards – horticultural and infrastructure;
  - Safety and security;
  - Informal /passive recreational use;
  - Future use of existing grave space.
- 7.1.12 There is an outline project programme, as follows:
- Cabinet approval – Nov 2010
  - Sale of Grenville Cottages – by Mar 2011
  - Draw up service leases and contract – by Mar 2011
  - Complete tendering process – by Aug 2011
  - Complete evaluation process – by Sept 2011
  - Award contract – by Nov 2011
  - Decommission/transfer service – by Jan 2012
- 7.1.13 The key questions to be considered in selecting the appropriate course of action include:
- Is this a key Council priority and activity?
  - Is this a statutory or discretionary activity?
  - What is the Council's position on demand, asset and financial risk?
  - Is the Council in a position to prioritise capital investment?
  - What are the implications for staff?

- The opinion and perception relating to the disposal of Tottenham and Wood Green cemeteries?
- How do we meet the 'mercury emissions' implementation deadline of December 2012?

## 8. Chief Financial Officer Comments

- 8.1 Bereavement Services produces a surplus of income over expenditure. However, in recent years this surplus has begun to decline due to the reasons set out in the report. The net income budget for 2010/11 is £605k. However, current projections show that this is not expected to be achieved and the service is anticipating an income shortfall of approximately £420k this year and is expected to continue to decline.
- 8.2 Whilst 132 additional spaces are to be made available at Wood Green Cemetery during 2010-11 the revenue surplus after borrowing costs will be £188k over the life of the new space, two to four years. Assuming a three year life, income shortfalls will be mitigated by £62k per annum.
- 8.3 This report recommends that the Council ceases to provide bereavement services and that the service as a whole is disposed of. The financial implications of this option follow.
- 8.3.1 Lease service to external Crematorium/Cemetery Operator  
This option allows for an external organisation to pay a rent to the Council on a long-lease basis, in return for operating the sites as a private cremation and burial business, outside of the control of Haringey. This option would reduce the risk of a further decline in income for bereavement services and give certainty long term. In addition, there may be the possibility of re-using the site in future years and the lease option would give Haringey the opportunity to benefit from this income.
- 8.3.2 Dispose of the service to external Crematorium/Cemetery Operator  
This option allows for an external organisation to purchase the site from the Council to operate as a private crematorium and burial business, outside of the control of Haringey. This would be a one-off capital receipt and would not address the net income budget. Haringey would lose any option to re-use this site in the future and forego any potential income associated with this in the long term.
- 8.3.3 For either of the options above it will be necessary to dispose of the 2 properties at the north-east end of the Enfield Crematorium site. This will give the Council a one-off capital receipt.
- 8.3.4 The option to only dispose of Enfield Crematorium as opposed to the entire Bereavement Service means that a revenue shortfall will result and currently no funding source for this has been identified.
- 8.4 Alternative options considered:
- 8.4.1 Do minimum – install mercury abatement equipment

The cost of these works is circa £1.2m, plus the cost of any civil engineering and building works which is currently unknown. In order to finance this cremation charges would need to be increased. It is possible that an increase in charges will cause clients to use other more competitively price crematoria. This option in itself would not increase income and may in fact give rise to a decline in cremations while work is completed. This option has been discounted.

#### 8.4.2 Remodelling the site

In addition to the mercury abatement equipment detailed above a further proposal is to improve the existing crematorium building, either by constructing a brand new cremation facility or by refurbishing existing facilities. The cost range for this is £2.6m to £6.8m. It would potentially increase the number of clients using services, but again would require prudential borrowing and the impact on prices could dissuade clients. It is likely that this would result in the inability to repay the capital investment.. This option has been discounted.

Neither of the above options would address the current lack of grave spaces and income targets associated with burials.

#### 8.4.3 Council investment

A further option would be for the Council to invest and retain operation of bereavement services. The minimum investment required for mercury abatement equipment and additional burial spaces would be £6.6m, £1.2m and £5.4m respectively. The maximum investment would include the full remodelling of cremation facilities at an additional cost of £6.8m. Total maximum investment required £13.4m. If funding this through prudential borrowing the full cost of repayment would be between £9.6m and £19.4m. This would have an impact on prices as described in 8.4.2 above. It is likely that this would result in the inability to repay the capital investment.

- 8.5 It should be noted that significant costs have been incurred/planned on this project to date: approximately £72k in 2009/10 and a minimum of £90k in 2010/11 in order to fund the disposal process. To date, costs have been met by prudential borrowing, however, it is recommended that these one-off costs are met by any future receipts secured as a direct result of the project.

### 9. Head of Corporate Property Services Comments

- 9.1 The package of sites can be disposed of to a private operator via a long leasehold arrangement with restrictive covenants in place to control the continued use of the land and buildings and incorporate obligations on the private operator to maintain and repair all sites to a Council acceptable level. These conditions will form part of the Heads of Terms.
- 9.2 1 and 2 Grenville Cottages can be sold at an open market value, separately from the disposal of the crematorium and cemetery sites, under s.123 Local Government Act 1972.

- 9.3 The sale of Grenville Cottages will result in revenue implications as the current rent receivable from the occupying tenant will no longer be received. An adjustment will therefore need to be made to the budget for this loss of income following disposal of these properties. The loss in revenue will be £1,814.88.

## **10. Head of Legal Services Comments**

- 10.1 The Council may dispose of the business of cremation and burial service carried out at the Enfield Crematorium, the Tottenham and Wood Green Cemeteries as a going concern. The business, equipments and stocks (if any) must be valued separately from the properties;
- 10.2 The Council may dispose of the Enfield Crematorium, the Tottenham and Wood Green Cemeteries and separately the two Grenville Cottages but must in all instances obtain the best consideration that can reasonably be obtained. A disposal includes a sale of the Council's freehold interest or the grant of a lease for a term exceeding 7 years.
- 10.3 Members should note that the disposal of the business and of these premises means the Council will cease to offer crematorium and cemetery services to its residents.
- 10.4 The proposed disposal of Enfield Crematorium and Wood Green and Tottenham Cemeteries as set out in this report consists of the sale of a business to which the supply of services is incidental. Therefore any such sale would not be subject to the European procurement regime or to the Council's Contracts Standing Orders.
- 10.5 **TUPE implications**  
The recommended course of action would appear to involve a relevant transfer for the purposes of the Transfer of Undertakings (Protection of Employment Regulations) 2006 (TUPE) by reason of a service provision change within the meaning of Regulation 3(1)(b)(i). In such circumstances the team of 22 posts identified in **Appendix F** of the report will constitute an "organised grouping of employees" whose principal purpose is that of carrying out the functions subject to the transfer. Thus the transfer of the functions to an external bereavement services operator will also involve the transfer of staff from that "organised grouping" in post immediately before the transfer to the employment of the service operator on the terms of their contract of employment in force at that point.
- 10.6 Regulation 13 of the 2006 Regulations places a duty on the Council to consult representatives of the employees affected by the proposed transfer or by measures taken in connection with it. Such consultation shall commence in sufficient time to allow for proper consultation with those representatives, including the consideration of representations made, before the date of transfer. Although not expressly required by Regulation 13, it would be advisable for the consultation exercise to extend to the members of staff affected as well as their representatives.
- 10.7 In the event that the outcome agreed by Members is one included in the list of options at paragraph 6 – Other options considered, advice should be sought from Legal Services on the employment implications of that course of action.

## **11. Equalities and Community Cohesion Comments**

- 11.1 Bereavement Services has always been able to reflect the diverse needs of its clients by working with funeral directors to ensure that cremation and burial facilities meet these requirements. This is particularly the case at Wood Green cemetery and the intention is to encourage the development of Enfield Crematorium site to equally cater to the needs of the local community.

## **12. Consultation**

- 12.1 Throughout the process of this review of bereavement services, staff have been briefed about the context and potential implications and outcomes. In addition, the views of various technical services have been sought to enable a complete picture of future provision to be formed. These have included cremation and burial specialists, civil and structural engineers, the local planning authority, the Environment Agency, landscape designers and other cremation and burial authorities in London.
- 12.2 It is expected that further consultation on site facilities will occur prior to any approach to the market to specify any Council requirements and those of stakeholders.
- 12.3 Clearly, subject to Cabinet consideration of the proposed option, the Council will establish and undertake full consultation with staff and trade union representatives in implementing the recommended option.

## **13. Service Financial Comments**

- 13.1 Bereavement Services in 2009-10 had a budget shortfall of £163k as burial space at Enfield Cemetery was completely depleted and cremations were down. It is anticipated that in 2010-11, the budget shortfall could increase to £420k as, in addition to Enfield Cemetery, Wood Green Cemetery also ran out of burial spaces. The extension to the burial provision underway at Wood Green Cemetery will help to partly offset this shortfall. Additionally, it is only a short term solution as the new provision will only provide spaces for approximately two to four years. The recommended option in this report will provide a much longer term solution for addressing the budget shortfall.

## **14. Use of Appendices**

- 14.1 More detailed information is contained in the Feasibility Report (**Appendix B**) and **Appendices C – I**).
- 14.2 List of Appendices  
**Appendix B** Feasibility Report  
**Appendix C** Enfield Crematorium site plan  
**Appendix D** Tottenham Cemetery site plan  
**Appendix E** Wood Green Cemetery site plan  
**Appendix F** Staff establishment and structure  
**Appendix G** Service Volumes  
**Appendix H** Crematoria provision in London  
**Appendix I** Grenville Cottages (Enfield Crematorium) site plan



## **15. Local Government (Access to Information) Act 1985**

15.1 Exempt information is contained in appendices A and J-M and background documents.

### **EXEMPT**

15.2 **Appendix A** Chief Financial Officer comments

15.3 (List of Feasibility Report appendices)

**Appendix J** Service Income

**Appendix K** Service Profit / Loss

**Appendix L** Enfield Crematorium Strategic Review

**Appendix M** Valuation Summary

15.4 Background Documents

- The installation of abatement equipment at Enfield Crematorium by The Institute of Cemetery and Crematorium Management: May 2009
- Feasibility Study at Enfield Crematorium New Burial Facility by NPS Group: April 2010
- A review of options for the future operation of Enfield Crematorium – NPS Property Consultants: May 2010
- Valuation: Enfield Crematorium and Cemetery, Wood Green Cemetery and Tottenham Cemetery. – DVS March 2010

**NOT FOR PUBLICATION:** The exempt information is under the following category (identified in the amended Schedule 12A of the Local Government Act 1972): Information relating to the financial or business affairs of any particular person (including the authority holding that information).