



To: EXECUTIVE COUNCILLOR FOR CITY CENTRE AND PUBLIC PLACES
Report by: HEAD OF SPECIALIST SERVICES
Relevant scrutiny committee: COMMUNITY SERVICES 16 OCTOBER 2014
Wards affected: ALL WARDS
EqIA Undertaken: Yes

BEREAVEMENT SERVICES SUSTAINABLE BUSINESS MODEL AND PRICING STRATEGY

Key Decision

It is recommended that the committee resolves to exclude the press and public during any discussion on Part 2 of Appendix 1 and Appendices 2 and 3 of the report by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. These sections of the report are exempt from publication because they contain information relating to the financial or business affairs of a particular person (including the authority holding that information)

1. Executive summary

In July 2014 the Executive Councillor approved recommendations to:

- a) Introduce a pricing strategy that is consistent with the Council's financial and policy objectives
- b) Prepare a sustainable business model and investment plan to support the development of the service
- c) Move Cambridge's Bereavement service onto a trading account in which surpluses over and above the required return to the General Fund can be ring-fenced for reinvestment in the service infrastructure, subject to a detailed business case

This report presents detailed proposals for a sustainable business model for Cambridge's Bereavement Services. It shows how the service plans to meet current savings targets and deliver an improved return to the Council, whilst ensuring both that essential capital investment is properly funded and also recognising the need to safeguard families and individuals who are struggling economically, and the most vulnerable.

2. Recommendations

The Executive Councillor is recommended:

- 2.1 To approve the pricing proposals and investment programme for the service contained within the report
- 2.2 To approve in principle the proposal to further restructure the service to accommodate required changes to raise the public profile of the service.
- 2.3 Move Cambridge's Bereavement service onto a trading account basis from April 2015, in which surpluses over and above the required return to the General Fund can be ring-fenced for reinvestment in the service infrastructure.

3. Background

3.1 Cambridge's Bereavement Service is required to deliver a sustainable business model that can:

- Secure the Council's revenue streams
- Meet agreed budget targets
- Ensure that further capital spending is properly funded
- Recognise the need to safeguard families and individuals who are struggling economically, and the most vulnerable

3.2 With an overall income of £2.2m, the 2014 Budget Setting Report for the City Council includes an on-going budget saving proposal of £105k from 2015/16 for the bereavement services.

3.3 Investment in recent years in the commemorations service, has established a new memorial garden for cremated remains at Newmarket Road Cemetery, a children's garden at Huntingdon Road Crematorium, marketing materials including a display garden, and the development of dedicated training for staff to advise about commemorations.

3.4 Key investment in the past four years has also improved the infrastructure of Bereavement Services at Newmarket Road Cemetery and at the Crematorium on Huntingdon Road through:

- New cremation facilities, following the mercury abatement project,
- The repair and refurbishment of the chapels, waiting rooms and public facilities to the main sites

- Technical infrastructure improvements works, including the upgrading of ICT networks and electricity supply to the Crematorium

3.5 The Bereavement Services Business Plan (2011) identified that improvements in the overall financial position of Cambridge's Bereavement Services are likely to depend on the success of initiatives to reduce operating costs and to generate income. Investment in recent years in cremations and commemorations infrastructure, and a recent staffing restructure has improved turnover and reduced energy and employee costs. The service still needs to make substantial investments in its buildings and facilities in the coming years to safeguard and develop those revenue streams, and there is a need to make suitable financial provision for these works. Prudent investment in more commercially-based initiatives in the future, such as a flower shop and a café for customers and visitors to the crematorium, and in the commemorations service in particular was recommended as offering the best potential for raising awareness of available services and sustaining additional income growth in the coming years, providing the foundation to secure, sustain and maintain a successful and valued community service.

3.6 An examination of the current market was carried out in the report to the June 2014 Community Services Scrutiny Committee. In summary, the report illustrated how Cambridge has sustained its cremation numbers and its market share, despite fee increases over the last five years, and concluded that Cambridge's position in the local market is strong and that demand for bereavement services does not appear to be particularly price-sensitive.

3.7 Demand forecasts indicate that there is potential for additional revenue to be generated in the coming years, from demographically-driven growth in cremations and burials for which there is now operational capacity following investment in the infrastructure at the Crematorium and at Newmarket Road cemetery.

3.8 The market analysis also indicated that additional income can be delivered within the current service arrangements through modest price increases, without affecting market share. By increasing its fees in the short-term, Cambridge could reasonably expect to improve its turnover.

3.9 Using the Office of National Statistics (ONS) population and death rate projections for the area, activity levels for burials, cremations and commemorations are expected to rise for the next 5 years, following relatively static rates over the past five years.

3.10 The July 2014 committee agreed to approve in principle a proposal for moving the bereavement onto a trading account, in which surpluses over and above the required return to the General Fund can be ring-fenced for reinvestment in the service infrastructure, on the basis of the outline business case.

4. Pricing Proposals- Cremation fees

4.1 A pricing strategy that sustains income growth for the Council can both accommodate the Council's General Fund priorities and support the Bereavement Service's investment needs. The current standard weekday charges for cremations are £645 (Band 2), and £520 for cremations before 10am and after 4pm (Band 1). The 11 July 2014 report supported the development of a detailed pricing strategy for future consideration. Three specific proposals are recommended below to amend future cremation fees.

4.1.1 Identifying the Environmental surcharge.

4.1.1.1 The cremation charges currently published for Cambridge include a proportion of the costs committed to manage mercury abatement processes and provide for the investment in replacement plant and equipment. For example, the current standard weekday charge for a Band 2 cremation is advertised at £645. This consists of a fee for the cremation of £600 plus an environmental surcharge of £45.

4.1.1.2 It is proposed to separate out those elements of the current charges that relate to environmental improvements and costs to the service. In future these costs will therefore be identified and listed as an Environmental Surcharge additional to all cremation fees in Cambridge's published charges, with effect from 1 April 2015. Presenting the charges in this way will:

- a) Provide better transparency of future prices and
- b) Make it easier to directly compare the costs of services in Cambridge against other providers that publish their charges in this way.

4.1.2 Proposed pricing strategy from April 2015 –Standard charges

It is recommended that a new pricing strategy is introduced from April 2015 as set out in Appendix 1. Part 2 of Appendix 1 is exempt from publication because it contains information relating to the financial and business affairs of the Council and others.

4.1.3 Anti-poverty considerations. Maintaining Band 1 Charges in line with inflation

In order to accommodate a charging option that is consistent with the need to safeguard families and individuals who are struggling economically, and the most vulnerable, it is recommended to apply inflation-only increases to the Environmental surcharge element for the lower banded rate for the foreseeable future.

4.2 The proposed pricing schedule and the budgetary effects of these pricing proposals for 2015/16 are set out at Appendix 2. The model is based on the above assumptions for predicted activity levels in relation to cremations and burials. Appendix 2 is exempt from publication because it contains information relating to the financial and business affairs of the Council

5. Investment Proposals

5.1 While there are opportunities for the service to grow and capacity to accommodate increasing demand, there is also a need to invest in its future. The July 2014 report indicated that substantial investment is required in the coming years to maintain and repair the infrastructure and facilities of the crematorium at Huntingdon Road and of Newmarket Road cemetery. Significant work is needed to improve the drainage to the Crematorium site, and a recent condition survey has identified specific structural repairs to buildings, paths and roadways at both locations.

5.2 A programme of investment is set out in Appendix 3 that illustrates what is required to support the Bereavement Service's infrastructure and facilities, to accommodate service development and to enhance the value of the business in future years. Appendix 3 is exempt from publication because it contains information relating to the financial and business affairs of the Council.

5.3 Besides the building related repairs and improvements, opportunities also exist to develop a more transactional website, to deliver additional services such as Green burials, and ethical funeral planning and to provide other services such as a flower shop and a café for customers and visitors to the crematorium that will also require investment in the service infrastructure.

5.4 We will bring forward a programme of essential works to deliver this investment through the usual budget process, and in keeping with the Council's financial regulations.

6. Organisational Change proposals

6.1 Further restructuring of the Bereavement Service

6.1.1 The gardens and grounds at the Crematorium and at NMRC are in many respects the 'shop window' for the service. The quality and care of the memorial gardens and burial areas are required to be kept in excellent condition to meet the expectations of visitors and future customers. To benefit from raising the public profile of the services, the standards of these facilities have to match or exceed its main competitors.

6.1.2 To this extent it is critical that the management of the public areas are closely associated with raising the profile of the bereavement service as a whole. The service is working closely with the Council's Streets and Open Spaces service to explore how the grounds can be more effectively managed and a detailed business case will be prepared in the coming months to consider and consult on the merits in organisational and financial terms of changing the current arrangements.

7 Forming a trading account

7.1 The previous report to members approved the establishment of a trading account for the Bereavement service operations, subject to the production of a business case. Under these arrangements any surpluses over and above the required contribution to the General Fund will be retained by the service. Surpluses can be built up over a period to pay for capital investments in the facilities, and there is a proviso that required changes to annual savings targets and contributions to the Council's central funds may need to be accommodated as part of this arrangement.

7.2 The budget forecast in Appendix 2 demonstrates that the pricing strategy and assumptions underlying the forecast performance and activity levels of the service will sustain an arrangement for delivering a required return to the General Fund, whilst funding the required investment in bereavement services for the foreseeable future.

7.3 Moving to a trading account basis will allow the service to raise the profile of the service, developing the council's business experience and potential. A trading account can provide the basis to improve the council's income return, provide financial headroom to market the service and manage the risks from increasing exposure to the competitive environment. It can also provide for reinvestment, preparing the way to consider establishing a fully commercial entity in the medium term, once the service's brand and the Council's commercial experience have both matured.

8. Conclusions and Recommendations

8.1 The bereavement service in Cambridge has continued to improve its income levels despite only moderate fee increases and growing concerns about infrastructure works required. Nevertheless the service is required to increase its contribution to central revenues and at the same time continues to fund essential works. By moving the service onto a trading account basis, adopting a sustainable pricing policy and ring-fencing any surpluses over and above the required return to the General Fund, this reports demonstrates how it is possible to fund the required investment within existing budget provision.

8.2 The pricing proposals set out in Appendix 1 and delivered through a trading account are recommended as a sustainable business model. This model can establish a sound business basis for the bereavement service to mature and grow, with a medium-term objective of developing a fully commercial company.

8.3 The first five years of a long-term investment plan is set out in Appendix 3 to illustrate how the key infrastructure can be safeguarded and funded into the future.

8.4 Further restructure of the service will also need to be considered to ensure effective management, develop appropriate skills and knowledge and ensure the capacity needed to deliver a more flexible and customer – focussed service.

9. Implications

(a) Financial Implications

The proposed business model could deliver sustainable income streams that meet current savings targets and support the funding of required investment in the service,

(b) Staffing Implications

These proposals are based on the current approved staffing structure. Further development of the service in the medium-term will require a review of the management arrangements, in line with the Council's Organisational Change policy.

(c) Equal Opportunities Implications

The proposals in this report make provision for a pricing strategy that can take account of the needs of families that are struggling economically.

(d) Environmental Implications

The proposals in this report indicate a +L climate change impact from the potential to improve opportunities for green burials.

(e) **Procurement**

None

(f) **Consultation and communication**

Not available for consultation at this stage.

(g) **Community Safety**

None

10. Background papers

These background papers were used in the preparation of this report:

- a) List of charges 2014/15
- b) Bereavement Services Business Plan (2011)

11. Appendices

Appendix 1. Pricing strategy (Part 2 is exempt from publication)

Appendix 2. Pricing schedule and budget forecast(Exempt from publication)

Appendix 3. Detailed investment programme and Repairs & Renewals plan to 2019/20. (Exempt from publication)

Appendix 4. Equalities Impact Assessment

12. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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APPENDIX 1 – Proposed Pricing Strategy

1. Identifying the Environmental surcharge.

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