



<u>Committee and date</u>
Environment & Services Scrutiny Committee
26 th September 2016

<u>Item No</u>
Public

Emstrey Crematorium

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1. Summary

This report provides background information and recent activity relating to Emstrey Crematorium and the concession agreement to run the wider Bereavement Services.

Since September 2011 aspects of Shropshire Council's Bereavement Service have been provided via a concession agreement awarded to Funeral Services Limited (Co Op). Following a competitive tendering process, the agreement was awarded for a 30 year term expiring in September 2041. Early in 2016, for commercial reasons, Co Op notified the council of its desire to sell the entirety of its cremation operation business to another provider, Dignity PLC (Dignity). Due to conditions within the existing concession agreement, Co Op required the council's consent to novate the concession agreement. Shropshire Council agreed the necessary consent for the novation to Dignity Funerals No 3 Limited (a subsidiary of Dignity plc) following a decision taken by Cabinet at a meeting held on 13th July 2016.

Shropshire Council has been working with Dignity since this time and have recently met with senior officers from the company. A verbal update on the working relationship so far will be provided at the committee meeting.

2. Recommendation

- A. That scrutiny committee scrutinise and comment on the contents of the report and highlight any areas they would like further updates on in the future.

REPORT

3 Financial Implications

The transfer of provider has been effected via novation with Dignity Funerals No 3 Limited acquiring the same suite of financial and payment mechanisms that

previously existed, therefore no change is foreseen to the financial position of the council. Further, the legal costs of the council to effect the change have been met by Co Op as it was the Co Op that wished to transfer the service.

4. Background

Bereavement Services transferred from Shrewsbury & Atcham Borough Council to Shropshire Council in April 2009. This transfer included ownership of the bereavement estate assets and authority status for provision of bereavement services. The bereavement estate comprised the crematorium and cemetery at Emstrey, chapel and cemetery at Longden Road, Shrewsbury and rural cemeteries located at Alberbury, Church Pulverbatch, Great Ness, Minsterley and Westbury. The service that transferred included operation of the crematorium, funeral booking administration, grave preparation and maintenance and retention of associated records. Since 2011, provision of most day to day aspects of the bereavement service have been carried out by Co Op who lease and occupy the crematorium and Longden Road Chapel.

The council remain as owner occupier of Longden Road cemetery and the 5 rural cemeteries and whilst most service administration functions are undertaken by the provider, decisions on some service aspects, such as disputes, complaint resolution and similar are deferred to the Bereavement Service Manager at Shropshire Council for ultimate decision. Grounds maintenance of the bereavement estate and most grave preparations are undertaken by Shrewsbury Town Council and the works undertaken are funded and directed by the respective occupier of each site accordingly.

5. Overview of Co Op, Dignity and the Novation of the Concession Agreement

The suite of provision of bereavement services Co Op initially tendered for comprised; upgrade of cremators and related facilities at Emstrey Crematorium in order to comply with planned new stricter limits relating to emissions to atmosphere. Administration and provision of cremation, burial and funeral services across Shropshire Council's bereavement estate that is comprised of: Emstrey crematorium and cemetery, London Road, Shrewsbury, Longden Road cemetery and cemeteries at Alberbury, Church Pulverbatch, Great Ness, Minsterley, and Westbury.

Co Op leased and occupied the whole of the Emstrey site and areas of the chapel at Longden Road cemetery. At Emstrey, Co Op direct and fund grounds maintenance work, at all other cemeteries grounds maintenance is carried out as a component of a wider service level agreement funded and directed by Shropshire Council, the budget for such work having reduced in recent years in line with reduced funding available to Shropshire Council.

The crematorium serves a wide catchment area in Shropshire and beyond into parts of mid wales and carries out in the region of 1,700 cremations per year. Burials into the various council owned cemeteries total in the region 100 to 150 per year, with around half of these being a second or third interment into an existing grave and half being into a new grave.

Co Op successfully provided the services and the significant investment it was obliged to deliver and has replaced cremators, installed necessary abatement equipment, and general works to the buildings including asbestos removal and improvements to staff and visitor welfare and waiting facilities during their tenure.

In addition to the agreement won in Shropshire, Co Op also leased and operated one other local authority crematorium and also owned the freehold of a small number of other crematoria. However, following a review of its business Co Op decided it had too small a cremation market share and wished to focus business activity in the Funeral Home sector and subsequently looked to sell its crematorium portfolio as a package. Following market testing it found a buyer in rival company Dignity PLC, the largest private sector provider of cremation services in the UK.

The terms of the Concession Agreement required Co Op to obtain the Council's consent to a Novation, but such consent could not be unreasonably withheld. Under the direction of the Director of Place and Enterprise, officers have evaluated the risks associated with the novation to Dignity including assessment of a tender type submission, scoring this against the criteria matrix used for evaluation of bids during the original tender exercise. The submission scored sufficiently well to remain as a pass to the next stage. Other officers have carried out due diligence type checks, financial audit, Companies House, pensions admissions, legal, HR and insurance provision, all checks have been satisfied. The novation was agreed on 13th July and following call in period the transfer took place at 18:00 on 22nd July 2016.

As a large and experienced provider of cremation services there are no concerns with Dignity's ability to deliver the services. As Dignity also operate the crematorium at Telford this is likely to offer opportunities for flexibility and staff cover. Also, as a midlands based and larger operator, greater opportunities are presented to the transferring staff for career progression.

The public client base that access the services at Emstrey will have so far seen little if any difference in service provision. In time, signage, branding, staff uniforms etc. will change but for most people that utilise the services it will have been business as usual. Inevitably the relationship that had been established with Co Op senior staff has been lost in this context and it will take some time before similar relationships are established with Dignity staff over time. Throughout the stages leading to the novation, senior staff from both parties have been working closely together and a first operational, meet and greet type meeting was held on 9th September. Dignity will also need some time to fully understand the obligations they have acquired, site specific issues and the fine details that prevail in the concession agreement. There have been no staff changes at present within the local compliment of staff and none are currently planned.

6. UK Cremation Market

Local authorities are by far the largest provider of cremation services in the UK, between them owning 70% of the UK's crematoria. Traditionally seen as a local authority service, most, if not all crematoria operate profitably with surpluses used to support other front line council services. Dignity is the largest private sector operator of crematoria in the UK holding a 15% market share, prior to the acquisition of the Co Op Funeralcare business. With less than 2% of the UK crematoria market, Co

Op's opportunity for growth in this sector was limited to growth through costly acquisition or new build. Having undertaken its own soft market testing, Co Op had confidence in Dignity to take over Co Op's responsibilities where Co Op leased and operated local authority owned crematoria in Shropshire and Stockport.

7. Dignity PLC

Dignity is the UK's largest private sector provider of crematoria and cemetery services operating 39 crematoria, and 24 cemeteries. Dignity Funerals Limited is the main trading entity for the group owning the majority of group assets and businesses. Dignity Funerals Limited, as the parent company of Dignity Funerals No 3 Limited, entered into a Deed of Indemnity at the same time as the Novation was completed. This indemnity obliges the parent company to be responsible for any losses suffered by the Council as a result of the contractor's default.

Dignity advises that their employees form a key part of the high levels of service standards and are critical to the continued success of Dignity. Dignity's customer service centre was voted number one in both the 2012 and 2013 contact centre awards.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p> <p>Transfer of Emstrey Crematorium Contract –13th July 2016.</p>
<p>Cabinet Member (Portfolio Holder)</p> <p>Cllr Karen Calder, Portfolio Holder for Health & Wellbeing</p>
<p>Local Member</p> <p>All</p>
<p>Appendices</p> <p>None</p>