

Presentation to the Cremation and Burial Conference and Exhibition

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CAMEO: What You Should Be Doing Now

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Background

In 2004 Defra introduced PG5/2 (04), which was swiftly followed in January 2005 by AQ1 (05) and words new to us such as abatement, burden sharing, trading and Crematoria Abatement of Mercury Emissions Organisation (CAMEO) entered our professional vocabulary. After several years of discussion and preparation the time has come to put words into practice. In this presentation Brendan Day, the CAMEO Manager details what cremation authorities across the UK should be doing now in order to ensure that they do not fall foul of current regulations. It also provides practical guidance on what cremation authorities should be doing so that the necessary procedures are in place for trading on the 1st January 2014.



I should like to commence by thanking my authority Sandwell Metropolitan Borough Council for providing me with the opportunity to speak here today. Also the Conference Organiser for once again allowing me to update delegates, and importantly outline our future journey to burden sharing.



I feel that my paper has become something of a regular fixture here at conference, and this must be at least the 3rd or 4th time I have spoken at Stratford upon Avon. Being the home of the great playwright William Shakespeare I feel a need to pay homage, as I believe if we look back his hand can be seen in our work. Consider, when we held our CAMEO Seminar here we were uncertain if mercury abatement would be 'The Tempest' that would wash some crematoria away, or if it was simply 'Much Ado About Nothing'. As time went by we could see that Defra meant business, this was not going to be 'A Midsummer Night's Dream'. The Federation and Cremation Society working closely together, like a modern day 'Anthony and Cleopatra', have ensured that it will not be a 'Comedy of Errors'! The two Secretaries, like 'Two Gentlemen of Verona', have gone about the business of developing this scheme in a timely manner, not leaving it until the 'Twelfth Night'! Now CAMEO is led by firstly Harvey Thomas, secondly myself and 'Richard III'. 'Measure for Measure' I think we are ready to go, so rather than this be some dark 'Winter's Tale' it will be 'As You Like It' a case of 'All's Well That Ends Well'.



What I am going to say

1. What is CAMEO
2. Pilot Trading Process 2012/13
3. Further developments
4. Trading 2013/14

So, moving swiftly on, today I want to address 4 areas, firstly a brief reminder of what CAMEO is, secondly the results of the 2012/13 Pilot Trading process, thirdly developments in the last 12 months and finally the 2014 trading process which is now less than 6 months away.

The CAMEO Scheme

CAMEO Ltd is a not for profit company which formed in 2011/12, previously sponsored by the FBCA and Cremation Society and still supported by these organisation.

It was set up to help crematoria to meet burden sharing requirements through providing a national burden sharing scheme.

Currently 181 crematoria are involved and the number is still rising.



What is CAMEO?

- CAMEO Ltd is a not for profit company formed in 2011/12 (still supported by the FBCA and Cremation Society)
- Set up to help crematoria to meet burden sharing requirements
- 181 crematoria involved and still rising

Burden Sharing Process

The CAMEO Burden Sharing Scheme is both simple and transparent. It is based on identifying the additional cost incurred by Operators which have abated. Having identified the cost on a per cremation basis, Operators which have not abated are charged for the number of

mercury abated cremations necessary to meet the requirements of their operating permit. The resulting income, less an administrative fee to fund the scheme, is shared amongst the Operators that have abated and are participating in the CAMEO Burden Sharing Scheme.

It is a relatively simple concept as the slide illustrates. Commencing in January it is the cremations of the previous 12 months which are the subject of the trading process.

The Burden Sharing process



Step 1

the Contributor Participants place their tradable mercury abated cremations, or Tmacs, with CAMEO.

Step 2

Burden Sharing Participants pay CAMEO for the number of Tmacs they require.

Step 3

CAMEO allocates the Burden Sharing Participants with the required number of Tmacs from the pool of Tmacs placed with the scheme by Contributor Participants.

Step 4

the final step, upon receipt of all payments from Burden Sharing Participants, the income, less an Administration Charge, is paid to Contributor Participants, pro rata in accordance with the number of Tmacs traded.

All Participants receive compliance certificates in accordance with the Ministerial Direction 2010. Finally, an annual account of the CAMEO Burden Sharing Scheme process is published, detailing all of the trading which has taken place.

2012/13 Pilot Trading Process

The Pilot process which was outlined at Conference last year was due to take place between October – April 2012/13.

The Pilot Process commenced in October 2012 with invitations to participate and was due for completion in

April 2013 with details of the trading being published and the Compliance Certificates being issued in accordance with the requirements of the Ministerial Direction.

Pilot Trading Process	
2012	
October	Pilot process commences: Crematoria invited to participate in CAMDO and participation fee involved Crematoria register their intention to trade through CAMDO Independent trading scheme register their intention to be audited through CAMDO
November	CAMDO announces Tmac value and issues trading packs with process details and declaration forms
December	Enquiries answered
2013	
January / February	Crematoria / Independent schemes submit declarations Statement of Cost sent to burden sharing participants, membership fees received and banked
March	Statement of Payment to those contributing Tmacs Compliance certificates sent to all those involved and fully paid
April	Details of all trading published

The process commenced and the invitations were sent and the price of the Tradable mercury abated cremation (Tmac) was set at £48.27p. We experienced a number of start up difficulties, particularly with IT and setting up a Bank Account. Once these were overcome we could focus on the steady stream returns being received to become Burden Sharing and Contributor participants in the process. I was pleased that the signed declaration included on the return, requiring participants to meet the cost of taking part - primarily aimed at next year - did not pose the problem I had anticipated. I am aware that a number of authorities ran it past their Legal Departments who approved it.

However, the initial surge slowed far short of the number of participants taking part in the 2011/12 survey. A reminder was sent out and this resulted in more respondents. Again, still short of the previous year's total, so further reminders have gone out, each time resulting in more respondents. We now have almost 190 participants, I say almost and now because even now, in July, we are processing applications which we should have received during January and February.

We have also Registered 3 Independent Burden Sharing Schemes, to pilot that part of the process.

So let's take a look at the results of the 2012 Pilot Process, as they are now, before moving on to the lessons learned and how they will apply to the 2014 trading process.

Results of the 2012/13 Pilot Process

Clearly the results have thrown up a number of anomalies:

The more observant amongst you will have noticed that the total participating is 181, yet the total of crematoria

Pilot Trading Process 2012/13 Statistics

Total number of returned participants	181
Total number of cremations completed	276,273
Target abatement (50%)	138,137
Total number of crematoria fitting abatement	73
Total cremations abated	108,189
Total number of burden sharing crematoria	101
Total number of unabated cremations	168,338
Total available to sell	51,546
Total number required to purchase	78,351
Difference	-26,805

fitting abatement plant is 73 and the total burden sharing is 101. Making a total of 174, 7 short of the total. This is because 4 who have responded and which have abated do not wish to burden share. So we are unable to include their figures. The remaining 3 whilst paying the membership fee have not yet submitted their statistical returns. So again we are unable to include their numbers in the total.

The most important statistic is of course that there are fewer abated cremations available than required to trade with Burden Sharing participants.

The surveys which we carried out during 2010 and 2011 confirmed that 2012 would be one of the busiest years for the installation of new abatement plant. We have seen this in the returns, and it is clear that additional sites will be abating 100% during this, the 2013 qualifying year. Information from manufacturers also confirms that abatement plant is currently being installed at further sites.

So I do not anticipate that there will be a shortfall in Tradable mercury abated cremations for the 2013/14 round of burden sharing.

However, if trading had been taking place, rather than it being the pilot process, the financial details would be as follows:

Pilot Trading Process 2012/13

Tmac value	
Cost of burden sharing	£48.27
Admin charge 3.3%	+ £01.69
Tradable mercury abated cremation value	£49.96
Tmac sales to Burden Sharing Participants (BSP)	
Tmacs required by BSP to purchase	78,351
Tmac value	£49.96
Total income to CAMDO	£3,806,580.86

Pilot Trading Process 2012/13

Administrative charge	
No of Tmac's traded	78,351
Administration charge 3.3%	£1.69
	<u>£124,578.09</u>
Income for Contributor Participants (CP)	
Tmac value	£48.27
Tmacs sold	78,351
Total income for CP	<u>£3,782,002.77</u>
Total income for CP	£3,782,002.77
Total Tmacs placed with scheme	78,351
Individual Tmac value	<u>£48.27</u>

Therefore for every Tmac placed with the scheme the Contributor Participant would have received £48.27p.

Now this figure will change for the 2013/14 round of burden sharing, the value of the Tmac will be reviewed in November in line with inflation and more importantly those authorities who for the pilot process have submitted burden sharing returns, but have installed abatement plant will become contributors. So there will be fewer Burden Sharing participants contributing income into the scheme, whilst the number of Contributor Participants placing Tmacs with the scheme will increase.

Pilot Trading process Key Lessons

In addition to the figures above, which on the whole were not entirely surprising, the pilot threw up 4 key lessons which will impact on the 2014 process:

Pilot Trading process – key lessons

- Returns took longer than anticipated
- Returns not always accurate
- Payments took longer than anticipated
- Complexity of financial administration

1. Returns took longer than expected:

I was surprised, that in view of the small amount of readily available information which was required, that many responses took so long to arrive. Several reminders having to be sent to the same email address before responses were forthcoming. Clearly people move, email addresses change and emails get stuck in spam filters but this was not the whole story.

It is important that during the coming trading process responses and payments are made in a timely fashion. Unless this happens the whole process is delayed, payments cannot be processed and Compliance Certificates issued.

2. Returns not always accurate:

In itself being short of the three statistical returns, which I have already mentioned, is not too great a problem this year. However, in itself it does raise a greater issue, that of the need for accurate returns for the scheme to be able to operate. A number of authorities have returned their invoice but not the statistics, a number of authorities have included baby cremations in their returns on the basis that their software cannot identify them, and checking some authorities' returns with their Federation returns there are inexplicable differences. For the pilot process these anomalies can be excused. However, next year when this process will result in tens of thousands of pounds being charged and paid it is essential that details are accurate. If babies are included in returns some authorities will either be charged the environmental surcharge wrongly, or will be seeking payments from the scheme which they are not entitled to, which in itself raises a number of difficult issues.

3. Payments took longer than anticipated:

Similarly the receipt of payments took far longer than I had anticipated. Clearly this was not a financial problem for CAMEO, however it generated additional work and most importantly winding forward to 2014 delays in receiving payments can only lead to payments to Contributor Participants being set back.

4. Complexity of financial administration:

Also the process turned out to be more complex than I had anticipated. As I have already mentioned it took us several months to set up the bank account. However, setting up individual authorities on the system to enable them to pay using BACS, the interbank payment scheme, was equally challenging. Almost every authority supplied different forms, populated and requiring different information. This generated a considerable amount of work.

Having carried out the survey for a number of years I am well aware that delays can creep in. But the pilot process clearly indicates the need to review the timeline for trading as it is unlikely that we will complete the process by April. I will return to the process again, but first I should like to mention some of the other development around the scheme.

Further Developments

Baseline

As you know the 50% level of abatement is not 50% of the cremations done during the qualifying year but 50%

Further Developments

Baseline

Trading – VAT implications

Automated reporting

of the cremations completed during 2003. As a result we have a baseline which does not reflect the sector which exists today, it excludes crematoria which have opened since 2006 and is incredibly difficult for us to administer. We discussed this at length with Defra, who indicated that they would be prepared to consider a new baseline as recommended by CAMEO and supported by the sector. One which is based on the most up to date cremation statistics provided by the Federation. Before giving this matter consideration Defra requested that CAMEO provides evidence that the Sector would achieve its existing target of 50% of cremations, as per the 2003 baseline, by the 1st January 2013.

Immediately following Conference in 2012 we carried out an additional survey of the sector. This identified that the 50% target would be met by the 31st December 2013 deadline. Based on this information Defra have consulted on changing the current baseline requirement to the one called for by CAMEO. The baseline being 50% of the latest statistics published by the Federation. The consultation having been completed I am advised that it is intended a new Ministerial Direction is to be issued before Parliament rises for its summer recess.

VAT implications of trading

The question has arisen as to whether trading Tmacs will attract VAT. As we have seen if we had been trading over £3m would have passed through the scheme, depending on rates, exemptions etc. it could be an additional £600,000 due for the Customs and Excise.

We have asked the opinion of our accountants who after consideration arrived at the conclusion that the scheme would not be liable. However, as I am sure you will appreciate there is little precedent for mercury abatement schemes. Therefore they sought the opinion of a team of accountants specializing in VAT. They have considered the matter and have reached the same conclusion, that scheme would not attract VAT. On this basis they have approached Her Majesty's Customs and Excise to confirm this view. Unfortunately HMRC have not responded, which I am advised is not at all unusual. Also as someone who has been involved with a VAT

appeal which is just drawing to close after 15 years I am aware that HMRC do tend to do everything at their own speed.

So on behalf of CAMEO Sandwell MBC Lead Officer on VAT will be taking a report to the next CIPFA/HMRC VAT Technical Committee seeking a decision on whether VAT will apply.

If a decision is not received we will have to seek advice on whether to charge VAT on all trading and hold this money separately to the revenue account, in order it is available to pay any charges imposed on the scheme by HMRC. If it is agreed that no charge is to be made the money would be refunded. This is how we dealt with our own VAT issue in Sandwell. Alternatively the company may have to enter in agreement with authorities that they will meet any additional charges arising from VAT. Certainly the CAMEO Company cannot be left having to find £600,000 for the VAT Man!

Automated reporting

We are currently discussing with manufacturers the possibility of harnessing the operating software to record and report CAMEO statistics automatically. The requirement by Defra for there to be a common reporting package is resulting in a review in some of the software.

As a result of discussions with Facultative Technology they have been able to develop software which will be able to automatically send CAMEO the information required. Utilizing the broadband connection which is normally used for diagnostic purposes the software can email direct to CAMEO the statistics required. On a predetermined date, probably the 1st January each year, it would send the number of abated and unabated cremations taking place in each chamber. It would also produce a message for the operator and a hard copy if necessary. The updated software which also contains this facility has now been installed on over 160 cremators. However, I must stress that whilst the function is there it can only be operated if the customer decides they wish to make use of it and have it switched on following discussions with the supplier.

Clearly this facility will be a great help to CAMEO in obtaining the necessary data, it also removes from the crematorium manager the need to collate and forward the statistics to us. It will be necessary for us to identify the sites which have the necessary broadband links and that are choosing to trade through CAMEO so we are aware of which facilities could use the option.

So with that thought of returning statistics to CAMEO I shall move on to the Trading Process for 2013/14.

Timeline of trading process 2013/14.

I will now outline a process which has been amended in the light of the Pilot, which I shall be discussing it with my fellow Directors so if you should have any thoughts or comments please do not hesitate to contact any one of us. The process will commence for real in October 2013 when crematoria will again be invited to participate in the trading process. In addition we will be carrying out administration relating to the automated banking process BACS to ensure paying in to CAMEO can take place. Importantly, and for the first time, we will need to ensure that the necessary processes are in place to make payments out of the scheme to those crematoria which have Tmacs to trade.



Those who wish to participate will need to register their intention to trade through CAMEO. In addition those who intend to operate an Independent Trading scheme need to register this with CAMEO. We will in the coming weeks determine the fees that will be charged to Independent participants, there are a number of possible options. It could be based on the number of sites receiving Compliance Certificates, number of cremations being subject to burden sharing or even a combination.



Once again, during November CAMEO will announce the value of the Tradable mercury abated cremations, Tmacs. It will be the current value plus inflation, with an

element included to meet administration costs. As CAMEO is a not for profit company we will seek to ensure that apart from a prudent reserve it operates on a break even basis. A mechanism will be introduced to ensure any surplus is passed to the Contributor Participants along with the income generated from Tmacs.

Those expressing an interest in trading will also receive a trading pack including details of the scheme, a legal agreement, similar to the one received during the Pilot Process which will commit the cremation authority to supplying or purchasing Tmacs through CAMEO.

December is a period for preparation and dealing with any enquiries before the trading process commences.

During January and February 2014 the participants will submit their declarations to CAMEO. Detailing how many abated and or unabated cremations they completed during 2013. A number of which should be based on automated returns which we hope will grow in coming years.

The numbers of unabated cremations carried out at each site along with the value of the Tmac will be used to determine how much each Burden Sharing Participant is required to pay into the scheme. Each participant will then be sent a Statement of Cost detailing how the cost has been calculated along with an invoice from CAMEO for that amount, which will require paying within 28 days.

In view of our experience during the Pilot Process we will be building in a resource for contacting participants and obtaining data and assisting with the completion and submission of declarations and payments.

In tandem with the trading, through March Certificates of Compliance will be sent to all those participants whose details we have received. Again we will be in touch, or should I say chasing, participants for their details in order to supply the certificates prior to the statutory deadline of the 1st April 2014.

In addition to trading participants CAMEO will also be issuing Compliance Certificates to those Cremation Authorities who have abated and chosen not to trade. As CAMEO is the only scheme providing Compliance Certificates crematoria, in accordance with the Ministerial Direction, are required to provide one to their regulator.

During April we will continue to collect payments and data from participants, deduct administration charges and prepare to make the payments, to Contributor Participants. The payments will be pro rata in accordance with the number of tradable mercury abated cremations traded.

Independent Trading schemes will also be submitting their returns, either seeking to place or purchase Tmacs with CAMEO.

During May the final declarations, income and returns from Independent Trading Schemes will be received and logged as part of the 2013/14 Trading Process.

The 2013/14 Trading process will close on the 31st May. In June payments will be made to Contributor Participants, after which no further payments will be made as trading will be closed. If the Pilot Process provides any indication we may well receive further applications after this time, both for burden sharing and contributor participants. Contributor participants will receive a Compliance Certificate, but as payments have closed they cannot receive any income from the scheme.

Late Burden Sharing participants will be required to purchase Tmacs from the scheme, in order to receive a Compliance Certificate detailing how they have shared the burden. Income from these late payments will be held, and along with any operating surplus produced by the scheme will be included with the income from the following years trading so the Contributor Participants will benefit.

During July details of the trading will be published, followed by the annual company accounts.

It is likely that Compliance Certificates will continue to be issued through the year as Cremation Authorities, for whatever reasons continue to submit late applications to the scheme.

That is a resume of the Pilot process and an outline of Burden Sharing Scheme which will be commencing in the autumn. Details of this paper can be downloaded from the webpage.

The Directors are anxious to ensure that the scheme will meet the needs of Cremation Authorities. If you should have any concerns or wish to comment please do not hesitate to contact us.

Thank you for providing me with the opportunity to outline the Burden Sharing Scheme.



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