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| Mausoleum establishment and construction guidelines |
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# Introduction

Under s. 22 of the *Cemeteries and Crematoria Act 2003* (the Act) a cemetery trust must apply to the Secretary of the department for approval to establish a mausoleum in a public cemetery for which it is responsible. The trust must submit a detailed business case to the manager of the Cemetery Sector Governance Support Unit.

These guidelines provide detailed advice about the information that the trust must provide in its application.

Please note that if approval is provided by the Secretary but the scope changes (for example, cost of construction increases to provide for extra crypts) above 5 per cent the trust will need to advise the department and additional approvals may be required.

Please note that documents submitted to the department for approval will be treated as final unless the department is advised in writing of revisions prior to approval being granted. A revised application may delay the approval process.

# Market analysis (demand)

The trust must provide clear evidence that there is strong demand for the new mausoleum. When demonstrating this demand, the trust should provide the following at a minimum:

* Outline any consultation process it has undertaken with the community to determine demand.
* Provide the results of relevant surveys or meetings.
* Support its analysis with the most recent data available from the Australian Bureau of Statistics. This data should include detail of the relevant catchment area (postcode area) and provide information about first- and second-generation Italian descendants (country of origin and primary spoken language in the home) within the catchment area.
* Information should contain information on death data of the particular catchment.
* Information should also be provided on recent sales data for the prior stages, expressions of interest and sales forecasted (including marketing strategy) to demonstrate demand. If there have not been recent sales, please provide a descriptive background of how sales have been forecasted.
* If there is a waiting list (expressions of interest) information should be provided on the assumption that this will convert to sales post construction (it may be useful to provide examples of the conversion rate (waiting list to sales) of previous waiting lists of prior mausoleum projects).
* Provide a statement of any potential adverse effects of constructing a new mausoleum in the immediate. catchment area (for example, will it affect the sales of other suppliers of mausoleum products/similar services?).
* Outline the number of years sales are anticipated to take place over.

A copy of the market analysis must be included in the application.

# Perpetual maintenance

Under s. 39 of the Act the trust in fixing its fees and charges for services must give consideration to the need to provide for the maintenance of the public cemetery in perpetuity (this includes the maintenance of the proposed mausoleum). Please provide clear evidence that the revenue from the mausoleum once constructed offsets the construction costs and ongoing operation costs and can provide sufficient perpetual maintenance funding to maintain the mausoleum for 100 years. It must be demonstrated that adequate funds and compound interest are being set aside as an investment for perpetual maintenance. Advice on the funds being set aside should be provided.

The information provided and the actuarial analysis discussed below should validate that there will be sufficient funds set aside and invested to provide sufficient perpetual maintenance, based on adequate sales pricing of the proposed crypts. The actuarial analysis should include scenarios to test the assumptions.

# Profitability analysis, architects report and quantity surveyor report (data)

The trust is required to undertake a profitability analysis of the proposed mausoleum construction (separate to actuarial analysis discussed below). This is to assist the trust to confirm that the project is financially sound before proceeding. Please specify the pricing to be used for the mausoleum products. If the project will be conducted in stages, provide the profitability of the stage that approval is being sought for. Please note that approval can only be sought for one construction stage at a time.

## Class B trusts

A Class B trust should use the department’s Mausoleum construction finance model (finance model) to determine if the project is profitable. This is available on the cemetery website along with a user guide. If a Class B trust wants to use a different finance model this should first be discussed/endorsed by the department’s corporate finance area before an application for approval is submitted to the department. Deviations from assumptions in the department’s finance model must be explained.

The architects report and quote that includes the details of cost of construction (quantity surveyor data) should be provided (separate to the business case, not as an attachment). Please note that the business case is referred to the department’s corporate finance area for review of its adequacy.

## Class A trusts

A Class A trust may use the Mausoleum construction finance model or may decide to use a different finance model provided that it does not contain less information than the departmental model. Any deviations from assumptions in the departmental finance model must be explained (for example, under key inputs, construction costs, other costs, perpetual maintenance). It would also be expected that a Net Present Value of the project would be determined as well as the break-even point (sales and year achieved). A minimum of 15 per cent contingency factor for construction should be used. The perpetual maintenance factor should also remain at 0.5 per cent or higher over 100 years. The yield should be the 15-year Australian Government bond yield.

The architects report and quote that includes the details of cost of construction (quantity surveyor data) should be provided (separate to the business case, not as an attachment). Please note that the business case is referred to the department’s corporate finance area for review of its adequacy.

# Actuarial analysis

Please provide an actuarial report with your business case. The actuarial report must be undertaken by a registered actuary. The actuary will be expected to provide a report which confirms the trusts marketing and financial assumptions and the expected return on investment on the proposed mausoleum project. The actuarial report should comment on whether the trust has adequate working capital to fund the construction.

The actuarial report should provide the trust with reassurance that the proposed project is financially viable in order for it to proceed. The report should include a discussion on demand, perpetual maintenance, sales forecast, pricing and return on investment (specifying net present value for proposed construction stage if there will be future stages). In addition, the report should include scenario analysis that includes a discussion and analysis of risk. The report needs to demonstrate that the project would remain profitable even under sub-optimal conditions (for example increased costs, delayed sales, reduced interest rates etc.).

# Risk analysis

Please discuss any risk mitigation strategies that the trust intends to use (for example, only commencing construction once a certain level of sales have been achieved that achieves a certain percentage of construction costs).

# Purchasing process

All purchases made by a cemetery trust must comply with the Victorian Government’s procurement policy including the Ministerial Directions for Public Construction Procurement in Victoria which came into effect on 1 July 2018. The application must include details of the procurement process that the trust will undertake that is consistent with the Ministerial Directions.

Class B trusts please refer to further information on the [health.vic website](https://www2.health.vic.gov.au/public-health/cemeteries-and-crematoria/governance-and-finance/governance/class-b-public-construction-procurement) <https://www2.health.vic.gov.au/public-health/cemeteries-and-crematoria/governance-and-finance/governance/class-b-public-construction-procurement>.

For Class A trusts please refer to the public construction policy and resource page of the [Department of Treasury and Finance website](https://www.dtf.vic.gov.au/infrastructure-investment/public-construction-policy-and-resources) <https://www.dtf.vic.gov.au/infrastructure-investment/public-construction-policy-and-resources>.

# Building and construction information

In its application to the Secretary, the trust will need to give an undertaking that it intends to:

* obtain working drawings and written certification – signed by an architect registered in an Australian state or territory, or by a civil engineer registered as a building practitioner in the State of Victoria – to the effect that the design, construction and completion of the mausoleum will be undertaken according to the current Cemeteries and Crematoria Regulations 2015 and Australian Standard: Above-ground burial structures (AS 4425-1996), and all subsequent amendments thereof
* obtain advice from the local council’s planning department about any specific requirements in relation to planning approvals (note that it may not be necessary to obtain a building permit)
* prepare a maintenance budget for the upkeep of the mausoleum
* develop an asset maintenance manual, including an annual maintenance logbook.

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