

30 January 2017

**Update Report on Cremator
Replacement and Extension**

**Joint Report of Ian Thompson – Corporate Director: Regeneration
and Local Services; John Hewitt – Corporate Director: Resources
and Treasurer to the Joint Committee**

1. Purpose of the Report

- 1.1 This report provides Members with a progress update regarding the procurement of the replacement cremators and associated extension works to the crematorium.

2. Background Information

- 2.1 In September 2015 the Mountsett Crematorium Joint Committee considered an options appraisal report regarding the replacement of the cremators, which are at the end of the economic life, taking into account the Mercury Abatement Regulations, which come into effect from 1 January 2013. The report set out six possible development options:

- **Option 1a** - installation of 2 new cremators plus 2 sets of mercury abatement equipment (2+2) in a purpose built extension.
- **Option 1b** - installation of 2 new cremators in a purpose built extension with no abatement (2+0).
- **Option 1c** - installation of 2 new cremators with 1 set of abatement equipment in a purpose built extension in the new extension plus another set of abatement equipment in the existing building.
- **Option 2** to install 2 cremators with mercury abatement equipment to current location where existing cremators are in situ and a smaller extension.
- **Option 3** to install 1 cremator with mercury abatement equipment and have scope to transfer any excess cremations to be carried out to a collaborative crematorium.
- **Option 4** to install 1 cremator with mercury abatement within a smaller extension and have scope to transfer any excess cremations to be carried out to a collaborative crematorium. This option also had scope to place an additional cremator within the existing area but without abatement.

- 2.2 Following work carried out by the design team, it was proposed that the options most feasible were Options 1a, 1b & 1c, as this would allow for two cremations to take place at the same time.

- 2.3 Indicative cost projections, shown in the table below, were put forward for each of the three options, which were to be financed by a combination of Earmarked Reserves and loan finance (loan to be taken out by Durham County Council, who would be the lead authority in terms of procuring the works) “paid back” over a 10 year period, whilst protecting (so far as was possible) the income dividend to the partner authorities during the pay-back period.

	Option 1a (2+2)	Option 1b (2+0)	Option 1c (2+1+1)
New cremators based on Quotes	1,198,925	627,462	1,198,925
Building extension, external works, drainage, service yard, mechanical & electrical installation & essential alterations. Internal alterations	657,546	591,043	616,104
Provisional sums of Direct Payments	110,400	110,400	110,400
Design Fees, Project / Site Mgmt	262,577	177,409	257,045
Allowance for cost increase to Q1 2017	159,182	107,551	155,828
Total Feasibility (projected to Q1 2017)	2,388,630	1,613,865	2,338,302
<i>Rebased to Q1 2018 based on BCIS</i>	<i>2,507,757</i>	<i>1,694,353</i>	<i>2,454,919</i>
<i>Rebased to Q1 2020 based on BCIS</i>	<i>2,775,165</i>	<i>1,875,025</i>	<i>2,716,692</i>
<i>Rebased to Q1 2025 based on BCIS</i>	<i>3,705,499</i>	<i>2,503,601</i>	<i>3,627,425</i>

- 2.4 Members of the Joint Committee subsequently approved option 1a, with the cremator replacement planned for 2017/18 to mitigate interest rate rises whilst allowing sufficient time to procure the equipment, design and deliver the finished facility at the earliest opportunity. Members also agreed that a negotiated tender with Durham County Council’s Direct Services be undertaken with regards to the building works.
- 2.5 It was agreed to finance the preferred option from a combination of earmarked reserves and a ten year loan from Durham County Council as follows:

Description	Option 1a	Notes
Capital Expenditure	2,507,757	Rebased to Q1 2018 as above
Contribution from Reserves	(1,223,422)	Forecast as at Sept 2015
Loan Finance	(1,284,335)	10 years @ £154,003 p.a.
Balance	0	

3 Current Position – Progress Update

- 3.1 All surveys have been completed and during the planning process, the Coal Authority have identified possible mine workings underground. Additional surveys have been carried out and Direct Services have now included additional contingencies for the possibility that ground stabilisation (void grouting) could be required by the Coal Authority.
- 3.2 The procurement process for the supply of the cremators and mercury abatement plant was submitted via an Official Journal of the European Union (OJEU) Tendering process, which was completed in April 2016.
- 3.4 Four tenders were returned by the due date and evaluated in detail. The evaluation process involved the following checks:
- That they fully comply with the specification and all items are included;
 - Arithmetic checks of the tenders are carried out;
 - Financial checks of the companies to ensure that they are financially stable;
 - The ability of the equipment to meet the UK specification and standards.
 - Installation of the equipment and the ability to of the company to complete the work to the agreed timescale.
 - Resolution of issues and disputes during installation and ongoing maintenance.
 - Contract performance.
 - Performance of the machinery including comparison of gas and electric usage.
- 3.5 The successful company was ATI Environment UK Ltd (ATI) and contracts are expected to be signed shortly.
- 3.6 The Design Team have now completed the extension plans in conjunction with ATI and Direct Services.

4 Revised Financial Position

- 4.1 The revised costs compared to the original estimate in September 2015 are shown in the table below:

Description	Original Estimate (Sept 15) £	Revised Estimate (Dec 16) £	Variance £
New cremators	1,198,925	689,687	(509,238)
Construction works: Building extension, external works, drainage, service yard, mechanical & electrical installation & essential alterations. Internal alterations	657,546	760,090	102,544
Provisional sums for Direct Payments	110,400	42,000	(68,400)
Design Fees, Project / Site Mgmt	262,577	228,096	(34,481)
Allowance for cost increase to Q1 2017	159,182	0	(159,182)
Contingencies	0	268,222	268,222
Total Feasibility (projected to Q1 2017)	2,388,630	1,988,095	(400,535)
BCIS Inflation Allowance to Q1 2018	119,127	0	(119,127)
Total	2,507,757	1,988,095	(519,662)
Funded By:			
Contribution from Reserves	1,223,422	1,538,349	314,927
Loan Finance	1,284,335	424,746	(859,589)
Contribution from Revenue Budget	0	25,000	25,000
Total	2,507,757	1,988,095	(519,662)

Notes re revised estimate:

- New cremator costs reflect the final tender price from ATI
- Construction works reflect the revised tender price from Direct Services following discussions with ATI and incorporating the revised designs
- Direct payments include site investigation fees, electrical service supply upgrades and signage
- The contingency sum includes a risk cost for the possibility that ground stabilisation (void grouting) could be required by the Coal Authority

- 4.2 The revised estimate for the scheme is £519,662 lower than originally forecast, mainly due to more competitive prices being secured for the new cremators following the procurement exercise.
- 4.3 The 2017/18 budget report forecasts the Cremator Reserve balance to be £1,538,349 at 31 March 2018, compared to the original forecast of £1,223,422 in September 2015, which is £314,927 higher, which can be utilised to reduce the loan required.
- 4.4 The 2017/18 revenue budget includes £25,000 for the addition of air conditioning in the Chapel and renewal of floor coverings, which is now included in the capital development scheme and in the cost estimates above.
- 4.5 The loan required from Durham County Council has subsequently reduced to £424,746, compared to the original forecast of £1,284,335 due to the above factors. The repayment of this revised loan amount can now be spread over only 3 years instead of the initial 10 years for approximately the same level of annual loan charges.

5 Next Steps

5.1 The current project plan / key milestones are set out below.

- February 2017 – Site mobilisation for extension works
- February to March 2017 – Crematorium closed for 6 Mondays to allow for earthworks, concreting and steel erection on weekends
- March to August 2017 – Construction works for extension
- September to October 2017 – Installation of new cremators and decommission of old cremators
- November to December 2017 – Internal building adaptations following removal of old cremators

6 Recommendation

6.1 It is recommended that Members of the Mountsett Crematorium Joint Committee:

- Note the content of this report and the current position with regard to the cremator replacement and extension.

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Appendix 1: Implications

Finance

The financial implications associated with this report are disclosed in full within the body of the report.

Staffing

None.

Equality and Diversity

None.

Accommodation

There are no Accommodation implications associated with this report

Crime and disorder

None.

Sustainability

The Environmental Protection Act 1990 (as amended) regulates emissions from Crematoria, specifically, PG5 / 2 (05) requires operators of crematoria to install Mercury Abatement Equipment by 31 December 2012 – in line with the requirement to use Best Available Techniques Not Entailing Excessive Cost (BATNEEC).

The current cremators are coming to the end of their economic life and will need replacing or in the least relining within the next 2 - 3 years. The opportunity exists to reduce emissions and install a heat recovery system to provide a more sustainable heating solution for the Crematorium, with associated efficiency savings on current costs.

Human rights

None.

Localities and Rurality

None.

Young people

None.

Consultation

Officers of Gateshead Council were consulted on the contents of this report.

Health

None.