

30 January 2018

**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 utilising 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 were completed and during the planning process, the Coal Authority identified possible mine workings underground. Additional surveys were undertaken and Direct Services carried out additional works for ground stabilisation (void grouting) as this was required by the Coal Authority before planning permission was granted.

- 3.2 The procurement process for the supply of the cremators and mercury abatement plant was undertaken via an Official Journal of the European Union (OJEU) Tendering process, which was completed in April 2016.
- 3.3 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.
- 3.4 The successful company was ATI Environment UK Ltd (ATI) and contracts were signed on 3 January 2017.
- 3.5 The Design Team completed the extension plans in conjunction with ATI and Direct Services.
- 3.6 Construction work commenced on the 3 April 2017 and Direct Services left site as scheduled on 8 October 2017. ATI commenced with the delivery of the new cremators on 9 October 2017.
- 3.7 Installation of the new cremators began on 10 October 2017, however it was not until 18 December 2017 that one of the cremators was fully operational. We are still currently awaiting the second cremator to be fully commissioned.
- 3.8 The 2 mercury abatement plants along with the heat exchangers were delivered in November 2017. This had been held up due to problems with the factory in France.
- 3.9 One of the old existing cremators has been removed and we are currently awaiting ATI to return to site to complete the pipework connections before Direct Services can return to site to finish off the Phase 2 works.
- 3.10 It was envisaged that ATI would complete their works within 8 weeks. However this has not happened, therefore as part of the tender process we are imposing liquidated damages as per our tender document.

- 3.11 Our Project manager and senior managers met with ATI on 22 December 2017 in order to try and get them to complete the outstanding works and complete the installation by the middle of January 2018.

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 17) £	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	843,351	185,805
Direct Payments	110,400	16,916	(93,484)
Design Fees, Project / Site Mgmt	262,577	165,522	(97,055)
Allowance for cost increase to Q1 2017	159,182	0	(159,182)
Contingencies	0	100,000	100,000
Total Feasibility (projected to Q1 2017)	2,388,630	1,815,476	(573,154)
BCIS Inflation Allowance to Q1 2018	119,127	0	(119,127)
Total	2,507,757	1,815,476	(692,281)
Funded By:			
Contribution from Reserves	1,223,422	1,598,665	375,243
Loan Finance	1,284,335	216,811	(1,067,524)
Total	2,507,757	1,815,476	(692,281)

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, variations and additional works. These include ground stabilisation and void grouting below the new extension, air conditioning in the Chapel, renewal of floor coverings, additional out of hours working and work in connection with gas supply pipes to the new cremators.
- Direct payments include site investigation fees, electrical service supply upgrades and signage. The budget included £75,000 for potential large scale electrical service supply upgrades, but these works were not required.
- The contingency sum includes a risk for the internal adaptation works which will commence shortly. These include floor works once the old cremators have been removed, stoppages of work due to noise disruption and heating to the extension, as incidental heat loss from the new cremators is much lower than anticipated.

- 4.2 The revised estimate for the scheme is £692,281 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 £1,598,665 at 31 March 2018, compared to the original forecast of £1,223,422 in September 2015, which is £375,243 higher and which can be utilised to reduce the loan required.
- 4.4 The loan required from Durham County Council has subsequently reduced to £216,811, compared to the original forecast of £1,284,335 due to the above factors. The repayment of this revised loan amount can now be achieved over only 1 year instead of the initial 10 years forecast.

5 Next Steps

- 5.1 The current project plan / key milestones are set out below.
- January 2018 – Second cremator to be commissioned, along with final installation of pipework and commissioning of abatement plants.
 - January to March 2018 – Second Phase of works to be undertaken by Direct Services.

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.