

Options to refurbish Yeovil Crematorium

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Purpose of the Report

1. To update members on the refurbishment of Yeovil Crematorium and request an increase of £800,000 to the project budget.

Public Interest

2. This report contains an update on the previously agreed proposal to refurbish and update Yeovil Crematorium to continue and improve upon the quality of the service offered to grieving families and mourners.

Recommendations

3. That Full Council:-
 - a. agree to increase the Capital Budget by £800k, as part of the Capital Programme to give the overall project a maximum budget of £5.721m.
 - b. note that approval has been given for the originally approved construction project to proceed provided that the contract sum is within the revised budget.

Note: our joint venture partner, Yeovil Without Parish Council, met on 16 February and agreed to support recommendation A.

Background

4. South Somerset District Council (SSDC) owns an 89% interest in Yeovil Crematorium and Yeovil Without Parish Council (YWPC) owns an 11% interest. Yeovil Crematorium is the only crematorium facility in the immediate area and averages 1700 cremations a year. It supports a large geographic area. The crematorium is managed by SSDC on behalf of the Yeovil Crematorium and Cemetery Committee. The existing crematorium was built in 1970 and is now rather dated and lacking in capacity (for example, the existing chapel accommodates less than 100 mourners).
5. In June 2017 the decision was taken to refurbish and update Yeovil Crematorium by constructing a new chapel, a new waiting room (created from the existing chapel), a smaller secondary chapel and improved parking and other associated facilities, including replacement cremators. This decision followed a detailed review by Rose Project Management consultants of the existing facilities and an assessment of future demand



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for crematory services in the Yeovil area for the next 25-50 years. In August 2019 it was agreed to increase the budget from £4m to £4.921m to reflect the actual tenders received.

6. The two main elements of the approved project were the construction works and the cremator replacements. Pre-covid, the cremator replacement work had started and cremator number one (C1) of a planned two was installed. The main contractor for the construction project had been competitively selected but in the event not contracted as the construction project was deferred due to cost risk and operational pressures linked to the pandemic. Throughout the remainder of 2020 and the first half of 2021, the operational focus for the crematorium was meeting continuing needs for funerals in the area during the pandemic. This was often challenging for families and mourners coping with loss, and also for the staff at the crematorium.

The Current Position

7. The approved construction scheme is ready to start, but there is an overall project budget shortfall of around £800k due to (i) cremator issues outside the Councils' control which had to be addressed and (ii) an increase in construction costs since the project was originally tendered.
8. **Cremator issues** - as set out in paragraph 7 above, C1 was installed as part of the project. A second containerised cremator (C2) was purchased during the pandemic via the Covid budget to secure operational resilience. This left the project with two working cremators and additional monies in the project budget. Unfortunately, the supplier of C1 went into liquidation, leaving behind a new machine that had mercury abatement issues, which needed to be addressed on environmental grounds. Without proper mercury abatement measures in place, there are damaging emissions into the general environment and the crematorium is subject to an obligation to pay CAMEO fees of c. £45,000 per annum on typical levels of activity. Only one proposal to investigate and carry out reinstatement works on C1 was received and that was without any warranty being offered and at a significant cost.
9. The cremator market is small and providers will only abate and guarantee their own systems, so a new bariatric cremator (C3) has been purchased from FT (the manufacturer/supplier of C2) to replace C1 and ensure the mercury abatement issues are properly addressed. The purchase of C3 increased spend on the original cremator element of the overall approved project budget by around £365k, but this will result in the installation of C2 and C3 within the Crematorium and deal with the abatement issues.
10. **Construction costs** - the main contractor selected pre-pandemic is available to carry out the works as originally planned but construction costs have increased since 2019. The combination of Brexit and COVID has caused serious supply issues in the construction sector. There has been significant cost increase for some categories of material as well as general cost inflation. Based on a review with the contractor and building in a prudent element of allowance, the estimate is that the cost of the construction work will have increased by about £390,000. Allowance has been made for additional professional fees due to the project disruption of £37,500. Design work is complete and, subject to the additional funds being available, work could start almost immediately.

Construction Project Options



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11. In the light of the potential impact of local government reorganisation, officers have identified the following options:
- A Proceed with the scheme as originally designed with the preferred contractor.** For the reasons set out above, this will require an additional budget of £800,000. It should be possible to start the main contract on site in May 2022 (90 weeks build programme).
 - B Defer the construction element for a future decision by the new Somerset Council.** This would reduce capital commitment by around £2.5m but effectively write off £262k of design spend already paid for the current scheme. Note: Somerset Council will also become responsible for Taunton crematorium.
 - C Prepare a reduced scheme within the existing (remaining) budget.** This would not be a simple deletion of elements of the approved scheme and it is unlikely that a revised project could start on site before April 2023, although this would depend on the brief and the planning and procurement processes. Most if not all of the design spend (£262k) could be written off. There is unlikely to be sufficient officer capacity to devote to the production of a revised scheme when the anticipated demands of the current capital programme and the LGR programme are taken into account. In practice, option 3 is very similar to option 2.
12. The original objectives of the project are only met by option A. The need for these improvements is probably greater than before due to the further depreciation of the buildings since the original report. In addition, more efficient and flexible facilities will add to the quality of the service provided and allow the Crematorium to maintain and build its position as the preferred choice in the local and wider catchment area.
13. This report and the options set out in paragraph 12 will be considered by YWPC at their meeting on 16 February and will be reported to the meeting.

Financial Implications

Financing the Capital Budget Increase

14. This report seeks approval to increase the capital budget for this project by £800k, from £4.921m to £5.721m.
15. The operation of the Crematorium results in an annual financial surplus (£365,624 for 2020/21 and £427,887 for 2019/20) which is shared between SSDC (89%) and YWPC (11%). YWPC's share of the surplus is transferred to a reserve held by SSDC on behalf of YWPC. This reserve is then available to finance the parish council's share of any capital expenditure required at the Crematorium.
16. This arrangement is of long standing and it has been agreed that if YWPC do not have enough in the reserve to fund any capital works required, SSDC will lend to YWPC with this being repaid back to SSDC through future surpluses generated. The exact terms of this are agreed as the need arises.

17. YPC's reserve currently stands at £193k as at 31 March 2021 and this is sufficient to fund YWPC's share of the proposed increase in capital budget, of £800k, as follows: -

Funder		Source of Funding	£'000
SSDC	89%	Capital Borrowing	712
YWPC	11%	Crematorium Reserves held by SSDC on behalf of YWPC	88
Total Funding			800

18. This would mean that the overall budget of £5,721m would be financed as follows:-

Funder		Source of Funding	£'000
SSDC	89%	Earmarked Cremator Replacement Reserve	549
		Capital Borrowing	4,543
		SSDC Funding	5,092
YWPC	11%	Crematorium Reserves held by SSDC on behalf of YWPC	523
		Capital Contribution	106
		YWPC Funding	629
Total Funding			5,721

19. YWPC will in addition to using their reserve also borrow £106k from SSDC to fund their contribution to the total value of the project (note: the 2017 and 2019 decisions refer).

Impact on SSDC's Revenue Budget

20. The proposed increase in capital budget will require further borrowing for the project which will increase the financing costs borne by the revenue budget by circa £15,640 per annum. The finance charges for the overall project are shown in the table below. These financing costs have already been included the 2022/23 budget report totals (this report is on this council's agenda).

Table: past, current and future predictions of operational financial surpluses at the Crematorium and the impact on SSDC's revenue budget

	Actual 2019/20	Actual 2020/21	Forecast 2021/22	Refurbish ment 2022/23	Refurbish ment 2023/24	Forecast 2024/25
Income	(1,301,435)	(1,263,958)	(1,432,000)	(1,305,479)	(1,356,534)	(1,650,660)
Expenditure	870,018	895,418	865,766	823,133	841,741	860,190
Surplus	(431,417)	(368,539)	(566,234)	(482,346)	(514,793)	(790,471)
SSDC Share @89%	(383,961)	(327,999)	(503,948)	(429,287)	(458,165)	(703,519)
SSDC Base Budget	N/A	N/A	N/A	(376,995)	(376,995)	(376,995)
Financing Charges	0	0	0	35,620	76,720	84,160
Surplus after meeting base budget and financing charges	N/A	N/A	N/A	(16,672)	(4,450)	(242,364)

21. The operational financial surplus for previous, current and future years is shown in the table above: The business performance of the Crematorium has continued to progress in line with expectations set out in the two previous reports to District Executive which approved this project. The numbers of cremations provided have been sustained a little above 1,700 per annum.
22. Income was reduced in 2020/21 as the decision was made to cut the number of cremations for an extended period during the harshest period of the pandemic which reduced turnover by more than £150k that year. It is assumed that the number of cremations that can be delivered will also reduce during the building works by about 15% which will reduce the surplus generated for those two years. Once the work is complete, the business case forecasts that the surplus will be at a higher level than previously because of the increased capacity and fee increases (see original business case).
23. SSDC uses its share of the surplus generated from the crematorium to fund the overall revenue budget.
24. The table above shows that the forecast estimated increases in future surplus that will be received by SSDC, will be able to meet both the income target already included in the budget and the increase in financing costs.

Council Plan Implications

25. This project contributes positively across most Council Plan themes – Protecting Core Services, Economy, Environment, Healthy, Self-reliant communities.

Carbon Emissions and Climate Change Implications

26. Replacement cremators will significantly improve environmental performance from this facility, most notably by including mercury abatement but also confidently achieving specialised environment performance standards. The refurbishment works will reduce the carbon consumption of the facility.

Equality and Diversity Implications

27. A full equality assessment report has been undertaken on this project and there are no adverse implications.

Privacy Impact Assessment

28. There are no adverse personal data implications to this report.

Background Papers

June 2017 – District Executive	Refurbishment and Development of Yeovil Crematorium (Confidential)
June 2017 – Full Council	Refurbishment and Development of Yeovil Crematorium (Confidential)
December 2017 – Scrutiny Committee	Update Report on Progress with the Scheme to Develop and Refurbish Yeovil Crematorium
August 2019 – Full Council	Update on the Refurbishment and Development of Yeovil Crematorium (Confidential)