



Cabinet

Tuesday, 14 July 2020

Crematorium Update

Report of the Chief Executive

Cabinet Portfolio Holder for Business and Transformation – Councillor Andy Edyvean

1. Purpose of report

- 1.1. In December 2019, Cabinet authorised the acquisition of the Stragglethorpe site as shown in **Appendix A** for the development of a crematorium (as agreed at Cabinet - November 2018) and subject to appropriate due diligence. The site, with full planning permission, has now been purchased by the Council.
- 1.2. The same report authorised the Chief Executive to undertake a procurement exercise for the delivery of a crematorium in line with the planning permission and the provision within the capital programme. The process for appointing a design team is now underway. However, in light of the financial impact of Covid-19 on the Council's Medium Term Financial Strategy and projected budget gap, it is prudent that cabinet consider the project in the present climate. Officers are therefore seeking an affirmation Cabinet, before awarding the contract for a design team.
- 1.3. Additionally, in December 2019, Cabinet requested a further report on the proposed operating model for the crematorium be presented to Cabinet in spring 2020. This report contains further detailed about the preferred operating model, upon which a decision is required.
- 1.4. This report provides Cabinet with an update on the project and outlines the consideration of new technologies in the industry which align with the corporate priority of The Environment.

2. Recommendation

It is RECOMMENDED that Cabinet:

- a) Authorises the Chief Executive to appoint the successful multi-disciplinary design team to develop detailed designs for the crematorium and perform contract administration and management duties for the construction contract;
- b) Agrees that the in-house operating model provides the best return for the Council and this should be developed working alongside the wider bereavement sector;

- c) Asks the Chief Executive to continue investigations into new technologies to enable the delivery of a greener crematorium for the Borough within the project budget;
- d) Confirms the commitment to delivering the build of the crematorium within the capital programme and projected revenue impact. Should pre-tender build estimates be over budget, a further report will be brought to Cabinet; and
- e) Asks the Corporate Overview group to allocate the appropriate scrutiny group to review and make comment on detailed designs prior to build tenders being advertised for the construction.

3. Reasons for Recommendation

- 3.1. There is demand within the Borough for a modern and efficient crematorium facility, development of the proposed crematorium will meet said demand, and investment in the facility makes sound economic sense for the Council.
- 3.2. The Crematorium will provide a modern, accessible community infrastructure for the residents of Rushcliffe, a borough which has been tasked by government with delivering a large increase in housing (an additional 13,150 homes with the adoption of the Local Plan), and will therefore see a corresponding growth in population and services required. In order for the Crematorium to be delivered in accordance with the project timescales, a design team must be appointed to commence work on the detailed designs as soon as possible.
- 3.3. It is expected that the Crematorium will provide a revenue return for the council estimated at £50m over the next 40 years using the in-house model, this represents a financial return of 9%. Based on current assumptions, an in-house operating model will deliver the greatest revenue return for the Council.

4. Supporting Information

4.1. Background

- 4.1.1. The Council commissioned Peter Mitchell Associates (independent experts in the bereavement sector) to undertake a study into the need and feasibility of developing an additional crematorium in Rushcliffe. The study indicated that a new crematorium in Rushcliffe could expect to undertake in excess of 1000 cremations annually, without accounting for population increases. With the threshold of viability currently at 750 cremations annually, a new crematorium is considered both a necessary piece of community infrastructure and a financially viable proposition.
- 4.1.2. The site at Stragglethorpe was selected as best meeting a wide range of requirements and was purchased with full planning permission by the Council in January 2020.

- 4.1.3. In order to progress the delivery of the crematorium on this site, the Council must now appoint a project management led multi-disciplinary design team to move forward.
- 4.1.4. A procurement exercise to appoint this design team is due to begin this month, using the Crown Commercial Services framework. Submissions will be evaluated and a shortlisted bidders will be invited to interview. Subject to authorisation from Cabinet, financial checks and due diligence, officers would seek to award the contract for this work by September 2020.
- 4.1.5. With an estimated nine month period to work up full designs and procure a construction partner, and then a 12 month build period to allow for some establishment of the landscaping, it is envisaged that the new facility could open in spring 2022.

4.2. Environmental Considerations

- 4.2.1. A new form of technology known as resomation is expected to soon be available in the UK. This is a more environmentally friendly option where the cremation is undertaken using water. The technology is currently used in the United States and Canada but is not yet licensed in the UK. Officers are keeping a close watch on the development of this technology to ascertain whether it could be utilised in the development of the Rushcliffe Crematorium. This would enable the Council to offer more environmentally friendly cremations.
- 4.2.2. Officers are also looking into electric cremators rather than gas. Electric cremators are new to the market, but potentially a more environmentally friendly option.
- 4.2.3. Rushcliffe's Carbon Neutral target will be embedded in all aspects of the project, not just in respect of the cremator equipment but also in terms of building design and materials.

4.3. In-house Operating Model

- 4.3.1. The most favourable operating model to the Council would be for the Council to run the Crematorium in-house. Not only would the in-house model be most financially beneficial for the Council (significant Corporation Tax saving) but would enable the Council to maintain control of quality and is thought to be the preferred option for other stakeholders such as local funeral directors and residents in part due to the strong reputation the Council has.
- 4.3.2. Alternative operating models considered include:
 - a) The Council setting up a trading company to run the crematorium at arm's length which would attract corporation tax on any surplus made (currently 19%). The comparison of annual surplus, NPV and IRR between this option and an in-house model, are detailed in **Appendix B**.

- b) Leasing the finished crematorium to a third party to run and operate – the Council would not see the rewards of ownership and, therefore, this option is not considered viable.

Option	Net Present Value (NPV)	Internal Rate of Return (IRR)	Projected Cumulative Surplus Inclusive of VAT & Corporation Tax			
			10 Years	20 Years	30 Years	40 Years
In-house	£11,243,231.78	8.89%	5,096,990	15,271,710	29,860,810	50,470,590
Trading Company	£8,015,664.12	8.06%	4,990,690	13,232,210	25,049,510	41,743,590
Benefit of in-house operation over Trading Company	£3,227,567.65	0.83%	106,300	2,039,500	4,811,300	8,727,000

5. Alternative options considered and reasons for rejection

- 5.1. Rather than proceeding with the development, the Council could sell the site and leave the delivery of a new crematorium in the Borough to the wider market. The planning status of the site would likely generate private development interest resulting in the delivery of this much needed community infrastructure. This option would not provide a revenue return to the Council which could be used to contribute to other community infrastructure projects and would reduce Council influence on the design and operation of the facility. Therefore, this option is not currently recommended.
- 5.2. The Council could choose to appoint a private operator for the crematorium. However, feedback from local residents and businesses following the granting of planning permission has been that they would prefer this to be a Council-run facility. Appointing a private operator would also result in a diminished revenue return for the Council. Therefore, this option is not currently recommended.

6. Risks and Uncertainties

- 6.1. If the Council decides not to invest in a new crematorium and chose to leave provision to the wider market there is no guarantee that this much needed community infrastructure would be delivered in a timely manner or even at all. This is a lower risk, however, than that the market will deliver the site anyway with reduced input from the Council.
- 6.2. The financial case is predicated on certain assumptions including number of cremations undertaken, running costs, staffing and borrowing costs. Balanced against these assumptions is also the opportunity to expand the facility in the future. There may be additional costs if the Council is able to implement the new resomation technology (these have yet to be determined). If this is deemed an appropriate way forward, further reports to Cabinet would be provided.

- 6.3. There is a risk that Covid-19 may impact on the build cost of this project resulting in the pre-tender build estimated being over budget. In this case, a further report will be submitted to Cabinet. Conversely, the crisis may result in more competitive tendering.

7. Implications

7.1. Financial Implications

- 7.1.1. The Council has made a capital provision of £6.5m for the purchase of land and the construction of a crematorium. The land was acquired in 2020 at a cost of £1.33m including associated legal costs, leaving £5.17m for the construction of buildings, fitting out (including cremation equipment) and landscaping.
- 7.1.2. The Council could make a VAT saving of approximately £850k on the build and fit-out costs by setting up a trading company to manage and run the crematorium. However, taking into account the ongoing corporation tax that would then be payable on any surpluses, the in-house model generates a better return over the life of the asset (see paragraph 4.2.3) and, therefore, the in-house model is recommended.
- 7.1.3. The Council expects a return of £50m over a 40 year period (£45m net of borrowing costs) (see paragraph 3.2) and the Medium Term Financial Strategy will be updated accordingly, with the Transformation Programme being revised as necessary.

7.2. Legal Implications

- 7.2.1. The procurement will be completed in accordance with the relevant regulations
- 7.2.2. The terms of the contract will be subject to legal review.

7.3. Equalities Implications

- 7.3.1. The crematorium will be a secular facility although services may be religious in content. Some religions do not undertake cremations and residents from these religions, as well as other residents whose preference is burial, will continue to be buried after death rather than cremated. However, at present cremations account for 79% of funerals in England and Wales and this project seeks to meet this particular need. There are also several burial grounds, both religious and secular, in the Borough.
- 7.3.2. An Equality Impact Assessment will be undertaken as part of the next phase of the design work on the project.

7.4. Section 17 of the Crime and Disorder Act 1998 Implications

7.4.1. Any new build that the Council is involved in will look to design out crime and ensure security and safety of the site.

8. Link to Corporate Priorities

Quality of Life	Sensitive after-life care and bereavement services are an essential part of the quality of life for residents, their friends and family members. This scheme will provide timely services in a peaceful location with modern and flexibly sized accommodation.
Efficient Services	This is an opportunity for the Council to invest its capital in new services for its residents which will be run in an efficient manner with high levels of care and customer service for the bereaved as the priority.
Sustainable Growth	The level of housing growth in the Borough is 13,150 during the life of the Local Plan. This will lead to an additional population growth and the crematorium is an example of the community infrastructure that is needed to support population growth.
The Environment	The designs for the crematorium will include carbon offsetting and energy efficiency measures as far as is practicable in line with the Council's commitment to become carbon neutral. As set out in paragraph 5, the Council will investigate the new, more environmentally friendly resomation technology with a view to becoming a market leader in this field.

9. Recommendations

It is RECOMMENDED that Cabinet:

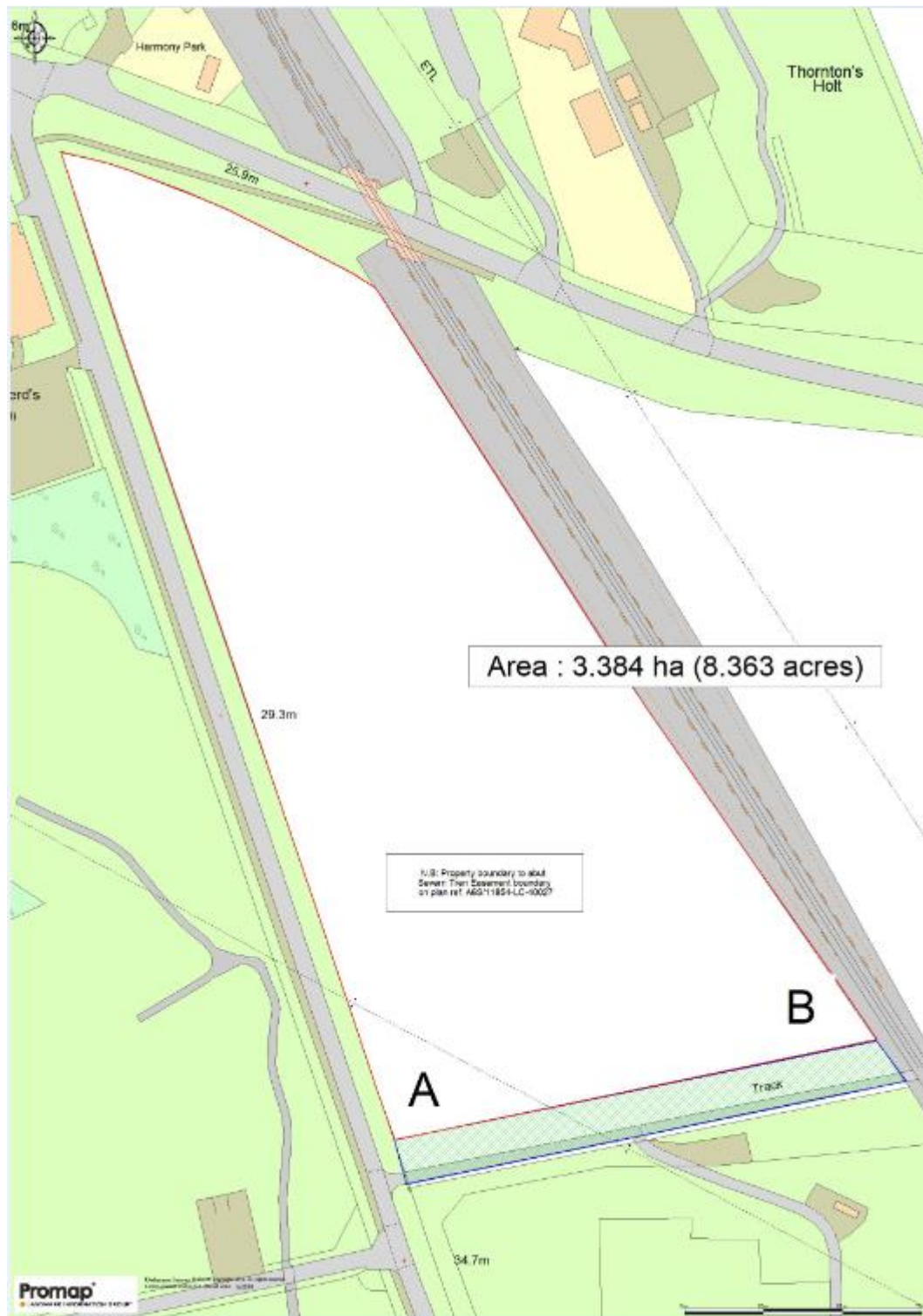
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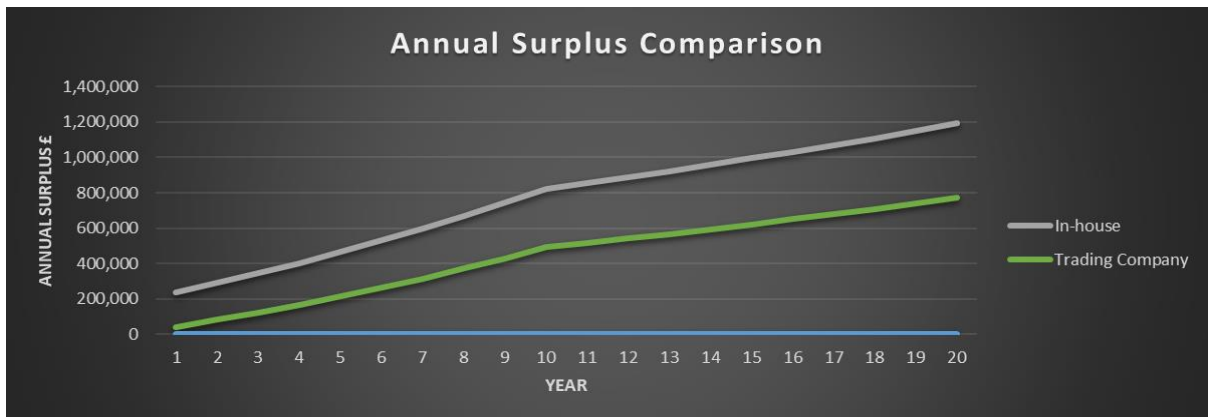
- e) Asks the Communities Scrutiny Group to review and make comment on detailed designs prior to build tenders being advertised for the construction.

<p>For more information contact:</p>	<p>Cara Prendergast cprendergast@rushcliffe.gov.uk 0115 914 8224</p> <p>Ginette Taylor gtaylor@rushcliffe.gov.uk 0115 914 8334</p>
<p>Background papers available for Inspection:</p>	<p>Report to Cabinet 13 November 2019 'Strategic Land Acquisition for Potential Crematorium'</p> <p>Report to Cabinet 9 December 2019 'Crematorium'</p>
<p>List of appendices:</p>	<p>Appendix A – Identified site, Main Road Stragglethorpe</p> <p>Appendix B - Comparison of annual surplus, NPV and IRR between two main operating models considered.</p>

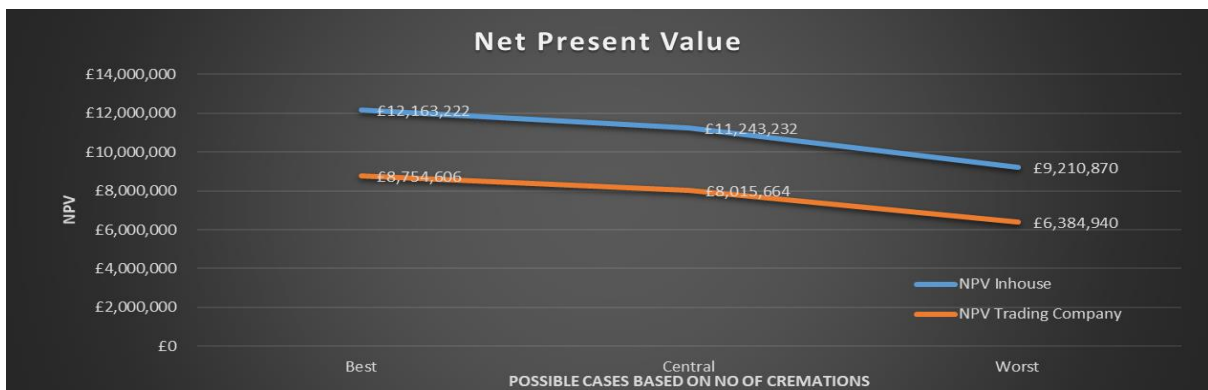
Appendix A: Identified site, Main Road, Stragglethorpe



Appendix B: Comparison of annual surplus, NPV and IRR between two main operating models considered.



Comparison in annual surplus between the two main operating models.



Comparison of Net Present Value after 40 years between the two main operating models.



Comparison of Internal Rate of Return between the two main operating models.