



Cabinet

Tuesday, 9 February 2021

Crematorium Update

Report of the Executive Manager – Transformation

Cabinet Portfolio Holder for Business and Transformation – Councillor A Edyvean

1. Purpose of report

- 1.1. The Council's Corporate Strategy Action Plan (2019-2023) identifies the development of a crematorium in the Borough by 2022 as a priority: to deliver this important community infrastructure in order to offer additional capacity for cremations in Rushcliffe.
- 1.2. In July 2020, Cabinet authorised the Chief Executive to appoint a multi-disciplinary design team to develop detailed designs for the crematorium and provide a pre-tender build estimate. The Council appointed Ridge and Partners who have been working with a team of specialists and the Council to design a high quality, efficient and fit for purpose facility. The estimated cost plan is greater than the budget previously agreed by Cabinet and this report provides further details outlining the reasons why; the impact on the business case; and requests approval for a further allocation in the Council's capital programme.
- 1.3. Cabinet also requested the Chief Executive to continue investigations into new technologies to enable the delivery of a greener crematorium for the Borough. Further information about the outcome of these investigations is included in this report.

2. Recommendation

It is RECOMMENDED that Cabinet supports the allocation of an additional £2m in the 2021/22 capital programme for the delivery of a new crematorium, to be included in the Council's Medium Term Financial Strategy.

3. Reasons for Recommendation

- 3.1. There is demand within the Borough for a modern and efficient crematorium, the development of the proposed crematorium will meet this demand and investment in the facility makes sound economic sense for the Council.
- 3.2. The crematorium will provide a modern, accessible, community facility 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.

- 3.3. The project costs have increased for three specific reasons, as outlined in section 4 below. Costs have been scrutinised and challenged and a benchmark exercise has been undertaken which demonstrates the pre-tender estimate is within an acceptable range.
- 3.4. Based on a project cost of £8.5m (including land), it is expected that the crematorium will provide the council with an estimated revenue cash return of £68m over the next 40 years with the in-house operating model. This represents an internal rate of return of 9%.

4. Supporting Information

4.1. Background

- 4.1.1. In 2018, Cabinet approved the principle of providing a new crematorium in Stragglethorpe to provide much needed additional community infrastructure to serve Rushcliffe residents. £6.5m was included in the Council's capital programme to purchase the site and develop a crematorium.
- 4.1.2. In July 2020, Cabinet authorised the Chief Executive to undertake a procurement exercise to appoint a multi-disciplinary design team to develop detailed designs for the crematorium and perform contract administration and management duties for the construction contract. Following a procurement exercise, in September 2020, Ridge and Partners was appointed having demonstrated a clear understanding of the unique design requirements of a crematorium and an innovative approach and commitment to environmental credentials.
- 4.1.3. Officers have been working with Ridge to develop designs for the crematorium and ensure that the facility will provide the best possible experience for our residents and contribute to our carbon neutral ambitions.
- 4.1.4. After a substantial amount of collaborative work with a keen focus on value engineering, Ridge has prepared a pre-tender estimate for the project, which exceeds the allocated budget.
- 4.1.5. There are three main factors impacting the pre-tender estimate: the VAT position of the project; the cost of landscaping the site; and the cost of an electric cremator.
- 4.1.6. External advice has been sought on the VAT position of this project. Building the crematorium will result in the Council breaching its de minimus limit in 2021-22, incurring unrecoverable exempt VAT in each of these years. This position requires an additional 20% allocation onto the cost of the project, excluding land purchase.

- 4.1.7. The original capital allocation was based on cost estimates provided to the Council by an external party in 2018. As work commenced with Ridge, and an early cost appraisal was carried out, it became apparent that the cost of landscaping the site had been substantially underestimated. The Council has worked closely with Ridge on the landscaping scheme to ensure it remains a high quality scheme while achieving cost savings where possible. This has been a successful process and costs have been substantially reduced over the course of this exercise. However, the pre-tender estimate remains in excess of the original allocation. Further options will continue to be explored to achieve additional savings on the landscaping scheme where possible.
- 4.1.8. At the inception of this project, it was the intention for the crematorium to have a gas cremator as is standard in the UK. In line with the Council’s environmental and carbon management ambitions, considerable research was undertaken into more carbon friendly means of cremation. Electric cremators are being manufactured in Holland and Germany and have been installed across Europe. They are designed to be highly efficient, reaching and maintaining a temperature, which minimises energy consumption. Electric cremators release around 90% less carbon than a conventional gas cremator and release an estimated half the NOx emissions of a gas cremator. For these reasons, it is proposed to install an electric cremator in this facility. Whilst electric cremators are more efficient, cheaper to run in the long term with lower maintenance costs, there is a greater upfront cost.
- 4.1.9. Officers have carried out a benchmarking exercise to establish the capital costs of comparable schemes, which have been built in the past 18 months or are forthcoming. The capital costs of four schemes are outlined below. The Council’s proposed capital expenditure of £8.5m including land purchase, benchmarks reasonably against the estimated costs of forthcoming schemes by Hinckley and Bosworth Borough Council, East Riding of Yorkshire Council.

Local Authority	Capital Cost
West Lindsey (opened in January 2020)	£6m (including land purchase) Landscaping was reduced quite significantly during value engineering of the initial project to bring down overall costs. In January 2021, Members approved an additional undisclosed capital investment budget and subsequent expenditure in order to deliver a new landscape scheme for the site.
Hinckley and Bosworth Borough Council (expected)	£6.9m (excluding land purchase)

to be operational by August 2021)	
East Riding of Yorkshire Council (expected to be operational by Autumn 2022)	£8.5m (excluding land purchase)
Bradford Metropolitan District Council (expected to be operational by end of 2022)	£9.1m (including land purchase)

4.1.10. The business case for the crematorium has been revised to assess the potential impact of an additional £2m project cost, as shown in the table below.

	Internal Borrowing	PWLB Loan @ 3.03%	Total Project Cost	IRR	NPV	Payback Period (years)	Year 1 Cost per cremation
Original Budget	£3.5m	£3m	£6.5	10.86%	£21,733,362	13.8	£820
Plus £2m	£3.5m	£5m	£8.5	9.19%	£19,688,500	15.9	£874

4.1.11. In 2020, the average cost of cremation locally was £843. The table illustrates how the cost of additional borrowing could be absorbed by a small increase in the cremation fee to £874 in the opening year. It would ordinarily be expected to see a 3% increase in charges year on year, which would increase the local average to £894 when the facility opens in 2022, making the fee for the Rushcliffe crematorium fall below the average locally.

4.1.12. The business case includes an amount for interest on the PWLB loan, these are subject to change and the Council has taken a prudent approach in assuming a higher rate of interest (as was the case when the business case was first modelled) than is currently available. The business model will change based on the interest rate at the time of borrowing.

4.2. Environmental Considerations

4.2.1. 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.

4.2.2. The design team has focused on a 'fabric first' approach: ensuring airtightness, correct orientation of the building and high levels of

insulation as being the most effective methods to having an efficient building and low carbon building. In addition, other equipment is being considered, such as electrically powered air source heat pumps for heating and hot water as an environmentally friendly alternative to a traditional gas boiler. Solar panels (PV) are also being considered, to allow some of the electricity demand in the building to be met with renewable on-site generation, providing further contributions to the sustainability of the building.

4.2.3. The electric cremator, as detailed above, will also provide considerable reductions in emissions and be significantly more efficient to operate.

4.2.4. The landscaping offers the opportunity to maximise the biodiversity on site to encourage a range of species to find a habitat here. Existing trees and hedges will be preserved and complemented with additional extensive tree, hedge and shrub planting, along with an open wet attenuation pond, grassed and wildflower areas.

4.3. In-house Operating Model

4.3.1. In July 2020, Cabinet agreed that an in-house operating model provides the best solution for the Council and should be developed by working alongside the wider bereavement sector.

4.3.2. Details of this in-house operating model are being developed, with an emphasis on providing the highest quality service to our residents, whilst working with the wider bereavement sector and local Funeral Directors to develop the service.

5. Alternative options considered and reasons for rejection

Rather than proceeding with the development, the Council could sell the site with the benefit of planning permission 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 allow the Council to influence the design and operation of the facility or provide a revenue return, which could be used to contribute to other community infrastructure projects. Therefore, this option is not recommended.

6. Risks and Uncertainties

6.1. If the Council decides not to invest in a new crematorium and chooses 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.

6.2. The financial case is predicated on certain assumptions including number of cremations undertaken, running costs, staffing and borrowing costs. Whilst these estimates are based on well-reasoned assumptions, they are estimates and not certain.

- 6.3. Interest rates are subject to change and the Council has taken a prudent approach in assuming a higher rate of interest (as was the case when the business case was first modelled) than is currently available. The business model will change based on the interest rates at the time of borrowing. Borrowing will be on the basis of a fixed interest rate.

7. Implications

7.1. Financial Implications

- 7.1.1. Within the Council's capital programme, £6.5m was allocated to the design and build of a crematorium, inclusive of land purchase.
- 7.1.2. An additional £2m is now requested due to build and landscaping estimates being higher than originally anticipated, bringing the total estimated cost of the project to £8.5m.
- 7.1.3. To offset and mitigate the potential additional borrowing, which may be required, the cost per cremation to customers has been increased within the business model (see paragraph 4.1.10).
- 7.1.4. The revenue returns are outlined in paragraph 3.4 and the Medium Term Financial Strategy will be updated accordingly, with the Transformation Programme being revised as necessary. This will be reinvested back into both the facility and other areas in line with the Council's corporate objectives.

7.2. Legal Implications

- 7.2.1. The procurement of the construction contract will be completed in accordance with Procurement Law.
- 7.2.2. The terms of the contract(s) 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

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 for 13,150 new homes during the life of the Local Plan will lead to population growth and the crematorium is an example of the community infrastructure that is needed to support it.
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.

9. Recommendations

It is RECOMMENDED that Cabinet supports the allocation of an additional £2m in the 2021/22 capital programme for the delivery of a new crematorium, to be included in the council's Medium Term Financial Strategy.

For more information contact:	Leanne Ashmore lashmore@rushcliffe.gov.uk 0115 9148578
Background papers available for Inspection:	Report to Cabinet 13 November 2019 'Strategic Land Acquisition for Potential Crematorium' Report to Cabinet 9 December 2019 'Crematorium' Report to Cabinet 14 July 2020 'Crematorium Update'
List of appendices:	