

**CABINET
9 MARCH 2021**

DARLINGTON CREMATORIUM REFURBISHMENT – COST UPDATE

**Responsible Cabinet Member -
Councillor Andy Keir, Local Services Portfolio**

**Responsible Director -
Ian Williams, Director of Economic Growth and Neighbourhood Services**

SUMMARY REPORT

Purpose of the Report

1. To bring to Cabinet's attention to the increase in costs to deliver the Crematorium Refurbishment and new Chapel project.

Summary

2. Work to replace the cremators, redeveloping the existing chapel into a bereavement service office and building a new chapel within West Cemetery was due to commence in April 2020. The project was then delayed for a year due to the pandemic to ensure there was adequate capacity for cremations. As a result of the delay and the impact of Brexit and COVID-19, the costs for the project have increased significantly on the original estimate.

Recommendation

3. It is recommended that Members:-
 - (a) Approve continuing with the project as the additional costs can be met within the existing financial envelope.
 - (b) Release additional capital funding of £1.512m as detailed in this report.

Reasons

4. The recommendation is supported by the following reasons :-
 - (a) To enable the replacement and updating of the current cremators ensuring they meet the requirements of current legislation.
 - (b) To provide a chapel that provides the facilities that are expected from a modern crematorium.

**Ian Williams
Director of Economic Growth and Neighbourhood Services**

Background Papers

(i) Cabinet report, Darlington Crematorium Refurbishment, 8 October 2019

Ian Thompson : Extension 6628
CD

S17 Crime and Disorder	There is no impact on crime and disorder as a result of this report.
Health and Well Being	No direct impacts.
Carbon Impact	Provision of new cremators and associated equipment to abate mercury emissions as well as ensuring any installation provides the opportunity to future-proof subsequent legislation as well as minimise carbon impacts. Provision to be able to abate NOx (a collective term for various oxides of Nitrogen which is a pollutant by-product of the combustion process having similar adverse effects to that of mercury).
Diversity	No direct impacts.
Wards Affected	The existing crematorium is located within West Cemetery in Hummersknott Ward, however residents will use the facility from all Wards.
Groups Affected	Different faith groups and non-faith groups require different services and iconography. Any new development will take account of the individual requirements where possible.
Budget and Policy Framework	This decision does not represent a change to the budget and policy framework. Costs with associated building works and lost income will be met from existing resources.
Key Decision	Yes
Urgent Decision	Yes. To ensure the project is delivered within one financial year to avoid further cost associated with VAT. To delay the project further will see a significant additional increase in the cost.
One Darlington: Perfectly Placed	No direct impacts.
Efficiency	By upgrading the existing equipment will improve the overall efficiency of the cremators and associated equipment.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers.

MAIN REPORT

Information and Analysis

5. Cabinet received a report in October 2019, attached at **Appendix 1**, with regard to options for the replacement of the cremators and options to meet the expectation of today's requirement from a cremations service. The options considered were:
 - (a) Option 1 – New build/new site;
 - (b) Option 2 – To replace the existing cremators alongside limited improvements to the chapel;
 - (c) Option 3 – Replace the existing cremators as well as redeveloping the existing chapel into a bereavement service office and new chapel within West Cemetery on part of the land identified for future burials.
6. Cabinet approved proceeding with Option 3.
7. The project needs to be completed within one financial year to minimise VAT repayable to HMRC related to the Council's exempt activities. The intention was to complete the project in financial year 2020/21. However, due to the pandemic and potential impact on the cremation service, a decision was taken to delay for a year to minimise the risk of reducing capacity for cremation.
8. At the time of Cabinet making the decision in October 2019, the costs for the project were based on the estimate from the feasibility study carried out in 2018. The resources approved were:
 - (a) £4,500,000 for the crematorium and new chapel
 - (b) £400,000 previously approved for the cemetery extensionTotal: £4,900,000
9. Following the recent tendering exercise, the project costs have come in significantly higher than originally anticipated. Following a value engineering exercise, the project remains at £1,511,795 over the original budget. This figure includes a contingency amount of £336,000 for any unforeseen issues arising during construction, which is normal on all capital projects. The reasons for the increase in costs are associated with:
 - (a) the additional mitigation and requirements arising from the planning and consultation process - £310,000.
 - (b) the inflation costs associated with the decision to delay commencing the project at the start of the pandemic given the uncertainty during that period – 5% £230,000.
 - (c) significant increases in costs and the volatility in supply of materials across the construction industry arising from both the pandemic and supply chains from

the UK and abroad – 16% to 20% £677,000 to £847,000.

10. The design has been developed since the original budget estimates were produced in 2018 and this has been tendered to obtain the costs. This will have increased some costs, but value engineering exercises are continuing on the project. Our estimates on inflation increases are based on our intelligence of the local market. However, there is anecdotal evidence of much higher inflation percentages in the construction sector, which may mean some materials and costs in the tender are higher than the figures quoted above and may account for the increased costs. It has not been possible to directly attribute the cost increases across the numerous reasons identified above.

Financial Implications

11. The project is being funded through the use of prudential borrowing and when originally costed the interest repayments on the borrowing were £0.197m per annum financed by the environmental surcharge and additional fees which were introduced in 2016/17. After taking this cost and all other relevant revenue costs into consideration the business plan provided a small annual surplus of £0.014m per annum.
12. The additional costs to deliver the project are £1,511,795, however due to the significant reduction in interest rates over the last year the borrowing costs only increase to £0.208m per annum, an increase of £0.011m which can be accommodated within the overall financial envelope given the original £0.014m surplus.