

Report of Head of Finance

Crematorium update- Costings post tender exercise

1 Purpose of report

This report provides a further update on progress with the Crematorium project

2 Executive summary

The report sets out the current position in relation to the Crematorium project and deals with the costs of the enabling works and final building phase of the project.

3 Appendices

Appendix 1: Breakdown of additional costs and rationale for variances (*to follow*).

4 Proposed action: Members are asked to RECOMMEND to:

4.1 Agree the revised budget requirement for the crematorium project based on the figures provided at Appendix 1

4.2 Note the risks in section 9 and delegate to the Chief Executive, in consultation with the Chair of Resources, to release further funding up to the value of £250k if any of the risks identified crystallise during the building phase of the project.

5 Background

5.1 The crematorium project was originally agreed in 2012 via a recommendation from the Crematorium Working Party to Resources Committee for inclusion in the capital programme.

5.2 Feasibility studies have been carried out to ascertain the financial viability of the project and formal sign off of the main building stage was agreed at Resources Committee in February 2015.

5.3 The project is managed on behalf of the council by Faithful and Gould, who have commissioned Wates Construction to design and build the crematorium.

5.4 Initial estimates on costings were made in 2012 for inclusion in the capital programme and refreshed via urgent action in 2014 once Wates has been contracted. This new estimate was based on Wates then current design and market prices. Contingencies were built into the prices, which is standard practice in a building contract of this size.

5.5 The costs were at that time subject to tender. The tender was launched once the plans had been agreed in January 2015.

6 Discussion

- 6.1 Faithful and Gould have been managing the tender process with Wates on behalf of the council. Wates have submitted the initial costs that have resulted from the tender process for review and Faithful and Gould have started the challenge back to Wates on the revised costs and the variance from the original submission.
- 6.2 The final submission of costs was received on 9th March 2015 and Faithful and Gould are currently preparing an in depth analysis of the variances which will be circulated to members as soon as it is completed (Appendix 1).
- 6.3 A high level summary of the costs is currently showing the need to increase the budget by approx. £300k. Faithful and Gould will work with Wates to look for areas where value engineering can be undertaken to reduce the potential increases in costs.
- 6.4 The council, in consultation with Faithful and Gould, will need to advise Wates on the acceptability of the changes proposed via the value engineering.
- 6.5 However, if the potential solutions to reduce the costs to within the currently agreed budget would impact on the quality of the finished building, or add revenue costs later in the buildings life, then consideration should be given to increasing the budget for the project to ensure it delivers what is required.
- 6.6 There may also be additional areas of cost where it would be more efficient to replace the original materials with those that produce a longer life or significantly enhanced service to the customer and undertakers for a relatively small amount of cost increase.
- 6.7 For this reason, a supplementary estimate for capital funding of £300k is requested. This may not be needed and if this is the case a budget underspend will be reported and funding released back into the capital reserves. This request is made now, before the value engineering has been fully completed, to avoid the need to potentially use the urgent action decision making process to keep the build project plan to timescale.
- 6.8 Resources Committee is asked to agree the additional £300k of capital funding to be released into the agreed capital programme for the crematorium project.

7 Legal

- 7.1 Section 111 of The Local Government Act 1972 gives the Council power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- 7.2 Section 2 of the Local Government Act 2000 gives the Council the power (subject to certain exceptions which do not apply here) to do anything which they consider is likely to achieve the promotion or improvement of the economic, social or environmental well-being of the Borough

8 Financial and value for money implications

- 8.1 The council has a capital budget already in place for the building of a

- crematorium. Now that the design has been fixed the retained design and build contractor has tendered for the work and revised the total cost accordingly.
- 8.2 The total budget currently allocated to this project is £5.586m. To date £1.622m has been spent and £4.214m remains for the design and build stage of the project. The new cost estimate following the tender process for the design and build stage is £4.521m. Thus approx an extra £300k is potentially needed to fund the project, before any value engineering has taken place.
- 8.3 The viability study has shown that there is potential to increase the £200,000 per annum current estimate of income substantially. The potential increase in costs would not have a significant impact on the payback period or viability of the scheme and it still remains a good investment for the council.

9 Risk analysis

As part of the contract with Wates, drawn from the Scape framework, the contractor (Wates) was to take on the majority of risks in the building of the crematorium. There are however, some risks which Wates do not consider to be part of that agreement. Taking into account items such as Highways, potential contamination of ground, archaeological finds and other items currently down as client risk items, it may be prudent to allow a figure of around £200k – £250k, in Wates experience.

Faithful and Gould are currently challenging these risks on behalf of the council to ensure that they should not be covered by the contract.

The Committee is asked to delegate to the Chief Executive and Chair of Resources the ability to release funding up to the maximum of 250k should any of the risks crystallise in the build phase of the project. The need to return to committee again may delay the project further and the use of urgent action should be avoided where possible. If all of this contingency were to be needed the total cost of the project would be £6.1m approx..

10 Implications for resources

The primary implication for resources is the officer time needed to make this project a success. Because of its high profile nature, senior management are heavily involved in ensuring progress and compliance.

11 Implications for stronger and safer communities and equalities

None directly for this report.

12 Author and contact officer

Liz Elliott, Head of Finance (S151 officer)

13 Consultees

Senior management team
Mina Patel – Faithful and Gould

14 Background papers

Minutes of project team meetings and member advisory groups
Correspondence with officers and relevant internal/external contacts.
Previous reports to Resources Committee

12 – Crematorium update

The appendix to this report is to follow.

