

Yeovil Crematorium Project

Request for Additional Funding from the Corporate Capital Contingency Budget

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Purpose of the Report

1. This report identifies revisions to scope supported by the Project Board to mitigate the impact of greater than anticipated inflation in construction costs and a request for additional funds from the corporate capital contingency to enable a robust basis for the Project Board to authorise officers to enter into the construction contract for this project. This follows a detailed process for the contractors tender to be updated to reflect the period of time since it was originally made, the pause having been triggered by the COVID-19 pandemic.

Forward Plan

2. This did not appear on the District Executive Forward Plan. The general situation was included in the report to District Executive in July titled Review of 2022/23 Capital Programme. The urgency is that the project is ready for contractual commitment and to proceed to site. Delay could lead to further inflationary cost increases and also to reduce the period for construction work before winter weather impacts with greater risk of project delays causing cost increases.

Public Interest

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

Recommendations

4. That the District Executive:
 - a. notes the updated position with this project and the support of the Project Board for the recommended approach.



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- b. notes that the total budget needs to be increased by £185,400, being shared 89/11% between SSDC and YWPC in accordance with the ownership shares.
- c. agrees to fund £165,000 from the Corporate Capital Contingency Fund towards the Yeovil Crematorium project as an addition to the budget approved by Full Council in February 2022.

Background

5. 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).
6. Project work has been progressed since 2017 to design and deliver refurbishment of the 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. The construction project was in the final stages before commencement on site when the COVID-19 pandemic and lockdown started. It 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.
7. South Somerset District Council (SSDC) owns an 89% interest in Yeovil Crematorium and Yeovil Without Parish Council (YWPC) owns an 11% interest.
8. A report to Full Council in February 2022 recommended that the total project budget was increased to £5.721m. This increase gave confidence to the contractor to commit the large amount of time to detailed repricing. The estimate of project cost inflation at that stage was made by council officers. The world and national inflation situation has worsened materially since that estimate was made and evidence prepared by independent construction industry analysts confirm the experience of rapidly accelerating costs.

The Current Position

9. Following the decision of Full Council to increase the budget to enable this project, as designed, to proceed, officers have liaised with the preferred contractor for them to carry out the large amount of detailed work to update their costings.
10. Current experience on all construction related projects is that this is a very difficult market for construction cost increases. The Building Cost Information Service of the Royal Institution of Chartered Surveyors has reported that materials costs have increased by 20% in the last 12 month period. The combined Brexit, COVID-19 and Ukraine situations leave extreme uncertainty around the continuing situation. The tender was costed in the latter part of 2019.



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11. The updated costing prepared by the contractor on the same project scope as previously produced and increase in cost of 27% - well above the approved increase in budget. Omissions from the scope have been identified by officers comprise omission of the works to Offices/Toilets [Phase 4B] and demolition of Chapel of Remembrance. The costed impact of these omissions reduces the impact considerably but leaves a budget pressure of about £160,000. There is also a need for additional external professional team services to conclude matters prior to entering into the contract and due to adjustment to the intended contractual approach during the works.

Contingency and Additional Budget

12. This project budget as previously approved had a larger contingency percentage than typical for construction projects. This was partly because of the wider project scope which also includes a separate major sub-project to replace the cremators, but also because refurbishment and extension works are more difficult to estimate than new build.
13. It is reasonable now not to carry contingency on the Cremator replacement element of the overall project, as matters such as the possible replacement of the base have been avoided. This gives some scope to reduce the contingency which can thus assist with the cost pressure. The Project Board has noted that in the current climate, and with the long period over which the construction will continue (22 months), the contractor will not commit on a basis of a fixed price contract so there will be exposure to evidenced cost increases during the contract period. For that reason, the Project Board consider that the must remain a minimum contingency at this stage equating to 12% of the construction cost. The recommendation also allows for additional professional fee budget.
14. The assessment to meet the expectations set by the Project Board is that the amount to be requested from the Corporate Capital Contingency Fund is £165,000 as an addition to total previously approved budget of £5.721m.

Commentary

15. The importance of the Crematorium to residents in the area, the significant need for the extension and refurbishment, and the continuing commitment to the scheme design were all generally supported by Members when the February 2022 report was considered by Full Council.
16. The costing has moved on from an estimate to actual contractor pricing. This is a considerable increase in certainty.
17. The addition of £165,000 to the overall budget equates to an increase of 2.9%. The business case. This will enable the contingency to be maintained at 12% of the construction cost. The business case is only marginally impacted and remains stronger than when the August 2019 budget was assessed.
18. YWPC will have considered at their 20 July 2022 meeting an addition to their contribution of £20,400. This recognises the 89/11% ownership shares of SSDC and YWPC. Support from YWPC will be on the basis that the funds continue to be met either from existing reserve or to be met from future profits with cashflow in the meantime met by SSDC.
19. The total increase in budget will be £185,400 to be shared 89/11% between SSDC and YWPC.

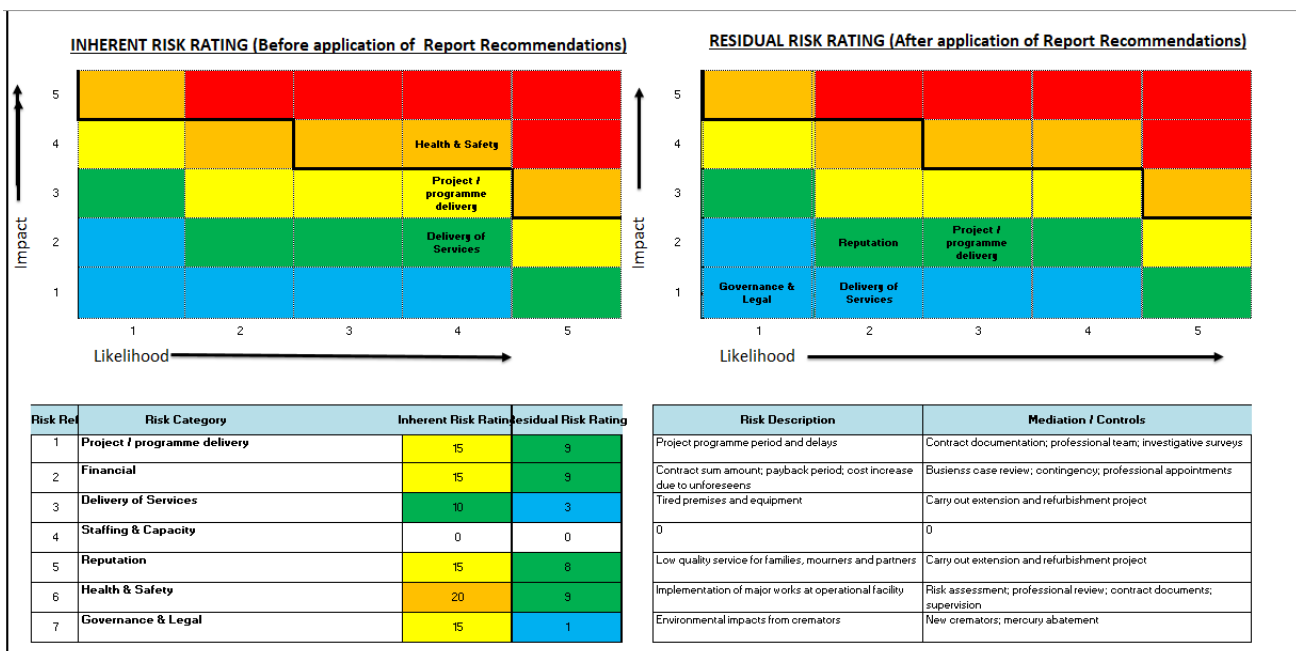
Financial Implications

20. The detail of tender updates remains commercially sensitive at this stage of the project. The maximum overall budget approved as part of the Capital Programme in February 2022 was £5.721m. The increase in construction costs has been greater than the estimated amount that was factored into that budget. The costings now are more certain being derived from actual contractor pricing and are expected to form the basis of the contract sum.
21. There will still be inflation risk exposure on this project as the contractor is unwilling to enter into a fully fixed price contract in the current environment of higher inflation. The costs will be certain as to current pricing levels but future price increases during the construction period will have impact on the cost.
22. The Board has identified a minimum contingency sum of 12% as being prudently required in the circumstances. The combination of identified omissions from scope and the additional budget recommended by this report achieve slightly better than that.

Legal implications (if any) and details of Statutory Powers

23. This project is identified as requiring sign-off by Somerset County Council within the Section 24 Directive and General Consents protocol, otherwise this report is a change of scope and budget which forms part of the standard budget management processes of the council.

Risk Matrix



Council Plan Implications

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

Carbon Emissions and Climate Change Implications

25. 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

26. An equality relevance check has been undertaken on this proposal and there are no adverse implications.

Privacy Impact Assessment

27. 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)
February 2022 – Full Council	Options to refurbish Yeovil Crematorium