

## Report of the Strategic Director, Place to the meeting of the Executive to be held on 5<sup>th</sup> October 2021

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### **Subject:**

Bereavement Services Strategy – Heaton Crematorium Update.

### **Summary statement:**

A progress update on delivery of the adopted Bereavement Strategy relating to the procurement of a principal contractor for the new Heaton Crematorium.

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Place

Healthy People and Places

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**Overview & Scrutiny Area:**

Regeneration and Environment

## **1 SUMMARY**

A progress update on delivery of the adopted Bereavement Strategy relating to the procurement of a principal contractor for the new Heaton Crematorium.

## **2 BACKGROUND**

The Bereavement Services Strategy was adopted in November 2016 covering future development of the Council's cemeteries and crematoria, including the refurbishment of Oakworth crematorium and new provision in Heaton and Bierley.

## **3 PROGRESS UPDATE**

In May 2021 a tender was published for Heaton Crematorium. The cost plan and tender had an advertised construction price of £6.9 million.

Previous procurement exercises for the Bereavement Investment Programme, had suggested that pre-pandemic cost planning was reliable leading to schemes such as Scholemoor Burial Ground Extension and Oakworth Crematorium refurbishment being delivered within estimated budget.

However, due to volatility in the current construction market it was anticipated that these tender returns would come in significantly higher than the original estimate.

There were 4 tender returns, the lowest of these was £8.8 million.

Following validation and full evaluation of the returns, the value of the construction contract is anticipated to be £1.9 million (27%) over the original cost estimate.

## **4. FINANCIAL & RESOURCE APPRAISAL**

Over the past 2 years a number of issues are reported to have contributed to a significant rise in costs throughout the construction sector including accelerated construction activity and the effect of Brexit and the pandemic on the supply chain.

According to the latest data provided by the Department for Business, Energy and Industrial Strategy (BEIS), the price of imported sawn or planed wood jumped by more than a fifth between June and July. The material is now more than 64 per cent more expensive than it was in July 2020. BEIS data also demonstrated that the price of fabricated structural steel increased by 13.5 per cent in the first quarter of 2021. This is reported as the biggest jump in cost since the government asked the Construction Leadership Council to keep tabs on material shortages and costs earlier this year. The price of structural steel is now 31.8 per cent higher than it was in April 2020. Overall material prices were up 20.1 per cent higher in July compared to 12 months ago and have jumped 4.5 per cent since June.

There was, therefore, a reasonable expectation that the returned tender bids for the construction of Heaton Crematorium would exceed the historically estimated figure.

The approved overall cost estimate for the crematoria investment programme stands at £23m to deliver the refurbishment at Oakworth and two new crematoria using external specialist resources and including an allowance for future inflation.

Project estimates originally reported to Executive prior to January 2020:-

- Oakworth £2.75 million
- Heaton £9.1 million
- Bierley £10.5 million
- Professional services £0.65 million
- Total £23.00 million

Each individual project estimate is made up from a number of elements, the construction cost being the most significant. However, there are a number of other costs including major ones such as the acquisition of land and procurement of cremators within each project estimate.

Taking into account the increased tender returns now received and higher than anticipated land acquisition costs for Heaton the revised cost creates significant pressure on the overall project finance package.

With the increase in both tender returns and land costs, current projections predict that the original estimate for Heaton will be exceeded by 25-30% requiring Executive approval to proceed with construction.

At present, Bierley Crematorium has not been tendered as negotiations for the purchase of the land have not been concluded.

## **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 5.1 This report has not been included on the published forward plan as an issue for consideration however given current market factors in the construction industry it is impractical to defer the decision until it has been included in the published Forward Plan the report is submitted in accordance with paragraph 10.1.1 of the Executive General Exception to the Forward Plan.
- 5.2 Further delays, through publishing the report on the forward plan, may lead to further increases in the returned tenders due to the volatility of the market. In the worst case scenario, contractors may not stand by their returned costs leading to the works being retendered.
- 5.3 Any significant and lengthy failure in the provision of a cremation service would cause both reputational and financial damage to the Council.
- 5.4 This issue has already been reported to the Council's Project Appraisal Group (PAG) for consideration. It is their opinion that the construction cost rises are prevalent across the industry and that as this project falls within the overall envelope of the programme costs then the contract can be awarded and progress made to deliver the scheme.

## **6. LEGAL APPRAISAL**

- 6.1 All procurement activity must be undertaken in accordance with Council's Contract Standing Orders and in line with internal governance requirements.

## **7. OTHER IMPLICATIONS**

There are no other implications specific to this report.

## **8. NOT FOR PUBLICATION DOCUMENTS**

None

## **9. OPTIONS**

**Option A** - Officers are instructed to progress with delivery of the scheme at Heaton and to award the construction contract to the successful tenderer following the tender evaluation.

**Option B** - Delivery of the scheme at Heaton is halted until market conditions stabilise and the project can be re-tendered. There is no indication that this will result in cheaper tenders being returned.

## **10. RECOMMENDATIONS**

That the Executive approves the following recommendations -

- 10.1 Approval for the Strategic Director, Place in consultation with the Director of Finance & IT to award the contract to the successful tenderer for the construction of Heaton Crematorium as detailed in this report within the overall programme budget of £23 million.
- 10.2 A further report to be presented to the Executive on the costs for Bierley Crematorium in due course.
- 10.3 That in accordance with paragraph 8.7.4 of Part 3E of the constitution, that the recommendations above are not subject to call-in as the matter is urgent for the reasons set out in paragraphs 5.1 to 5.3 of the report.

## **11. APPENDICES**

There are no appendices specific to this report.

## **12. BACKGROUND DOCUMENTS**

There are no background documents specific to this report.