



Oversight and Governance

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Performance, Finance and Customer Focus Overview and Scrutiny Committee – To Follow

Wednesday 29 June 2022

2.00 pm

Warspite Room, Council House

Members:

Councillor Penberthy, Chair

Councillor Finn, Vice Chair

Councillors Collins, Haydon, Lowry, Salmon, Stevens, Tofan, Vincent, Ms Watkin, Wheeler and two Conservative vacancies.

Please find enclosed information for your consideration under agenda item numbers 9 and 10.

Tracey Lee

Chief Executive

Performance, Finance and Customer Focus Overview and Scrutiny Committee

- 9. Leisure Services Contract: (Pages 1 - 12)**
- 10. Bereavement Update: (Pages 13 - 22)**

Performance, Finance and Customer Focus Overview and Scrutiny Committee



Date of meeting:	29 June 2022
Title of Report:	Plymouth Active Leisure- Month Two Progress Report
Lead Member:	Councillor Pat Patel
Lead Strategic Director:	Craig McArdle (Strategic Director for People)
Author:	Liz Slater & Louise Kelley
Contact Email:	Liz.slater@plymouth.gov.uk and Louise.kelley@plymouth.gov.uk
Your Reference:	PALOSCJUNE22
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Following Plymouth Active Leisure taking over the running of the Leisure Contract on the 1st April 2022 from Everyone Active, this report is intended to provide the Committee with:

- An overview of the implementation process
- An overview of progress, risks and future priorities at Month Two.

Recommendations and Reasons

The Committee is asked to note the report.

Alternative options considered and rejected

N/A

Relevance to the Corporate Plan and/or the Plymouth Plan

We need to realign the way we run our leisure facilities to our new strategic priorities, defined in the Plymouth Plan 2014 to 2034 and Active Devon's 'Towards an Active Plymouth' vision to make Plymouth the most active coastal city in England by 2034. The Plymouth Plan includes policies to enhance Plymouth's sporting facilities and to optimise the health benefits of the natural environment. This report supports the Corporate Plan's aim to unlock the city's potential by making the most of the city's built and natural assets, with strong community leadership, working with residents, communities and businesses to deliver our common ambition.

Implications for the Medium Term Financial Plan and Resource Implications:

The costs of Plymouth Active Leisure have already been built into the Medium Financial Plan.

Financial Risks

Risks have been highlighted in the report around the rising cost of utilities and inflation that will put pressure on Plymouth Active Leisure operating model. A number of mitigations and close monitoring actions have been put in place.

Carbon Footprint (Environmental) Implications:

Plymouth Active Leisure and Plymouth City Council are working to reduce the carbon footprint of the facilities. To date Plymouth Life Centre has seen a number of measures applied, including solar panels, biomass boiler and LED lighting. The new Building Management System that is scheduled to be installed later this year will ensure the building runs in a more energy efficient way.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

Plymouth is generally an active city, but it has an underlying challenge: inactivity levels are higher than the Devon and national averages with more than one in four adults not active at all (i.e. sedentary). While this is a stark challenge, the city has good foundations from which to 'level the playing field'. It has an established commitment to tackling inequality, some of the best green, blue and built assets in the UK, and the intent to 'unlock' them. One of the main drivers for changing to a LATC model has been the requirement to realign the operation of the leisure centres to the new strategic priorities of the Council; including addressing health inequalities and targeting the most vulnerable members of the community.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Plymouth Active Leisure-Month Two Progress Report							

Background papers:

**Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>

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Sign off:

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Originating Senior Leadership Team member: Ruth Harrell.											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 17/06/2022											
Cabinet Member approval: <i>[electronic signature (or typed name and statement of 'approved by email/verbally')]</i> Cllr P Patel, approved by email Date approved: 22/06/2022											

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Plymouth Active Leisure Month Two Progress Report

Section One Background and Context

In August 2021, Plymouth City Council's Cabinet approved the establishment of a Local Authority Trading Company for the delivery of the Leisure Management Contract after being delivered for the previous ten years by Everyone Active.

This followed a detailed review of the options available and the development of Active Devon's 'Towards an Active Plymouth' report, which includes an aim for Plymouth to be the most active coastal city in England by 2034.

Within this context the establishment of the Local Authority Trading Company (Plymouth Active Leisure: PAL) was brought about to ensure a greater focus on:

- Making Plymouth the most active coastal city in England by 2034
- Tackling health inequalities and supporting our most vulnerable residents.
- Making the most of our natural environment with Tinside and Mount Wise Pools part of the National Marine Park vision for the waterfront.

Section Two Implementation

Following the Cabinet decision a Programme Team was established with a dedicated Programme Manager and representation from finance, human resources, procurement, legal, communications and DELT. Additional Support was brought in from Fathom Consultancy who had worked on the establishment of Leisure LATCs elsewhere and from TA6 who have extensive experience on Leisure website development and marketing.

The Programme Team oversaw a significant work programme that included:

- Human Resources- A work stream around the transfer of staff from Everyone Active to PAL in line with TUPE legislation. A large amount of due diligence was undertaken and extensive staff engagement, which included group and individual meetings, regular letters and FAQs. As part of this process an Admissions Agreement had to be developed for admitted body status of the Local Government Pension Scheme. In addition new contracts had to be drawn up for self-employed workers.
- Financial Systems- Ensuring financial processes were in place including VAT registration, Bank Accounts, Chip and Pin and Direct Debit Facilities etc.

- ICT- Extensive programme of works that included new ticketing/membership/ booking systems which involved procuring Gladstone MRM for the companies Leisure Management and Point of Sales System. Development of a new website www.plymouthactive.co.uk was also undertaken. Ensuring network hardware, Wi-Fi was in place and issuing and configuring devices such as laptops and mobile phones.
- Health & Safety- Development of new operating policies and procedures covering areas such as Emergency Action Plans, Fire Strategy, Risk Assessments and COSHH.
- Sales & Marketing- Development of the PAL name and brand. New website and the engagement of TA6 to develop a three stage marketing strategy; existing members, ex-members and new member acquisition.
- Procurement- Over 150 supplies and services needed to be procured covering such items as merchandise, pool and cleaning chemicals, catering and vending, servicing of lifts and equipment, and the purchasing of staff uniforms.
- Plympton Pop Up Gym- Transferred to PAL on the 17th March 2022 with submission of planning permission to support a two year lease.

As part of the transfer, Scrutiny undertook a review on the 2nd March 2022 and noted the progress but highlighted risks in the amount of activity still to be completed by the 31st March 2022. In response, the Programme team developed weekly sitrep reporting to both Plymouth City Council Corporate Management Team and PAL Board of Directors.

As planned the transfer of the Leisure Centres to PAL went live 1st April 2022. In total 225 staff transferred over from Everyone Active. All staff who were expected to transfer in line with the TUPE process did so. All centres opened in line with the agreed and existing opening times. New internal and external signage went up across the sites and reception at PLC had a revamp. On the weekend of the opening Plymouth Life Centre also hosted a Plymouth Leander gala. The website went live as planned a few days before, however on the day there were some initial issues with the configuration of members email addresses. This was resolved on the early afternoon of the 1st, but did initially lead to an increase in telephone calls and visits to the centres. The App did not go live on the day but followed a few days later.

Section Three Two Month Review- Assurance and Governance

Prior to the transfer Plymouth Active Leisure was registered with Companies House and the Article of Associations were agreed. The Plymouth Active Leisure Board has now been established and initially has been meeting on a fortnightly basis. Ruth Harrell, has been appointed Chair with the other Directors being David Northey, Kim Brown and Holly Golden. Two non-executive directors who are industry experts are in the process of being appointed. In addition Louise Kelley has been appointed as Interim Chief Operating Officer and Julian Egan as Assistant Interim Chief Operating Officer.

It is recognised that PAL is a new company and so in addition to regular Board meetings both Plymouth City Council and PAL have ensured additional assurance measures are put in place. Several audits and inspections have taken place or are currently taking place.

Health and Safety Audit

A six-day external audit was carried out during early June at all sites, including the outdoor pools, by Right Directions (a nationally recognised sport and leisure body). PAL are still waiting for the final report but early feedback suggests all sites performed strongly and no business critical issues were raised. Areas of strength included safeguarding, staff training/ inductions and written procedures/ system of work. Some areas for improvement included; general housekeeping, contractors' access and control of ladders. Once the report is received an action plan will be developed with future reviews already commissioned.

Food Hygiene

The café at the Life Centre has received a food hygiene rating of 4 following a recent inspection. Recommendations have since been addressed and refresher training for the relevant staff has been scheduled.

Devon Audit Partnership review

In addition the Board has commissioned the Devon Audit Partnership to carry out an independent review of PAL. This review is being carried out in a phased manner and has already commenced with a desktop review of documentation in relation to governance and operational risks. This will be extended into an extensive review of on-site processes and checking that appropriate controls are in place and embedded across the organisation. Later in the year, a further review will focus on how PAL is delivering against strategic outcomes.

Section Four
Two Month Review- Operational Activity

Since the 1 April, PAL has achieved the following membership sales:

- 236 annual memberships
- 1,863 memberships of which 932 were new members

This brings the numbers of current members to:

Plymouth Life Centre	5,132 (of which 2,191 swim and dive lessons)
Brickfields Sports Centre	449
Plympton Pool and Gym	1,424 (of which 867 swim lessons)

A core aim of PAL's management of the City's leisure centres is for the service to be more agile and aligned to the City's priorities, which includes improving access for under-represented groups and targeting the most vulnerable members of the community. Initiatives have included the promotion of care leavers access to leisure, which is a first for the City's leisure facilities and is aligned to the Council's Statutory Corporate Parenting role. The programme is being launched as part of the Sky's The Limit week and will be operational from 1st of July 2022. In addition PAL has supported people from Ukraine with discounted access and have also supported a local FANS (Free Access for National Sportspeople) scheme helping the city's top athletes with their training requirements.

Of the 5 PAL operated leisure facilities, Brickfields has been the slowest to recover to pre-Covid attendance levels, and community engagement prior to the transfer of the service indicated that some aspects of the activity offer did not align to the community needs. Listening and understanding the community is at the forefront of a 6 month discovery phase, which will also include gathering insight data, and undertaking a facility mapping exercise. Using the data, there is a commitment to re-position a community leisure offer for Brickfields in the autumn, which supports the health and well-being outcomes of the community.

Section Five Two Month Review- HR & OD

As over 225 staff joined the new organisation all staff have had to attend an extensive induction programme. PAL has also reviewed and implemented a new DBS policy and process. A new staff handbook has been put in place and several staff have attended additional training in safeguarding and food hygiene.

Although all eligible staff transferred over there was number of vacancies and PAL have been actively recruiting to those. These include Swim Teachers, Lifeguards, Cleaners and Reception staff. New hourly rates for swimming and diving teachers have been introduced to assist with recruitment as the rate had not been uplifted by Everyone Active and was below the market rates. In addition an apprenticeship programme is currently being developed with a view to initially supporting six level 2 NVQ apprentices in a number of different roles.

The PAL Board has now agreed a draft Trade Union Agreement and this is subject to further discussion with the Trade Unions at a scheduled meeting before the end of June. The Board has also been asked to consider a pay award which will be discussed at the same meeting.

Section Six Finance

During the transfer PALs Bank Application was delayed and was not in place until February 2022, which had a number of consequences. Principally this was around PALs ability to complete Direct Debit runs. As such Everyone Active were asked to complete the run in April on behalf of PAL.

At month two the service is forecasting a break even position. However a number of risks have already been identified that will need to be monitored and mitigated as the year progresses. For example the electricity cost per kilowatt hour has more than doubled and, although this does not make up all of the electricity costs, it is a significant proportion of it. This could result in an over spend on utilities in the region of £0.400m.

Inflation has also increased significantly, with estimates expecting it to reach 11% in the near future, and already there has been an increase in the cost of pool chemicals that will have an adverse impact on the budget that was originally set. This inflationary increase will also affect all other areas of expenditure for the Leisure facilities.

Section Seven
Two Month Review Marketing and Communications

Website

PAL has received numerous comments regards how customer friendly and easy to navigate the website and online timetables are. However it has also received a number of comments from customers which have resulted in some early improvements including some additional pages and FAQs. Going forward there are plans to further develop the website and its content.

April – 100,652 individual views	75% of which were new views
May – 164,315 individual views	73% of which were new views

Marketing

PAL has delivered a successful launch and brand awareness campaign on-site and via social media. Paid and search adverts were targeted at three different audiences – Fitness Focussed, Non Exercisers and Active Seniors. The industry average CTR (link click through rate) for Google Search is around 5% and PAL achieved around 50%. The CPC (cost per link click) for a campaign like this, where the objective is to get people to the website, should be below £0.50 and PAL achieved around £0.04. The Industry average CTR for Facebook is around 1% and PAL achieved well above this for the Active Seniors and general audience they were targeting. The CPC was again well below the £0.50 industry average. In total the initial launch campaign reached 26,569 people.

PAL has also produced a promotional video, using local people, to showcase the facilities and activities on offer.

[We are here for you! - YouTube](#)

Social media

There are currently 1,668 followers to PAL's Facebook page. The average views per post are 98, with the highest being 391 views to date.

PAL has also set up an Instagram account (@plymouthactiveleisure), a Twitter account (@activeplymouth) and a You Tube channel.

The Plymouth Life Centre and Lido have been at the forefront of promoting Plymouth as a destination for hosting national and international sport and mass community engagement events. During the months of April and May Plymouth Active Leisure hosted; GB underwater hockey training camp; SW Regional Youth Swimming Championships and the International Futures Diving Cup with teams competing from 8 nations, whilst the Life Centre sports hall was hired for the Local Elections and Comic Con Festival. In particular the weekend of the 14th of May saw several thousand visitors to the Centre. More recently there was a mass community gathering at the Lido for a World Record attempt for the largest number of 'merfolk' in one place.

**Section Eight
National Marine Parks and Outdoor Pools**

The outdoor pools opened as scheduled for the early May Bank Holiday Monday. Although the weather was reasonable during May the water temperature at this time of year is still cold, which does affect attendances.

Tinside Lido – total attendances for May 2022	1,218 (average 40 per day)
Mount Wise Outdoor Pools – total attendances for May 2022	2,944 (average 98 per day)

As comparison May 2021 was the first time that the Pools had opened at the first May Bank Holiday in the 10 year contract. Lido attendances for May 2021 were 4805, and Mount Wise Pools 2537. So attendances for 2022 at Mount Wise is up whereas the Lido is down, however free swimming was offered during May 2021 as Plymouth Life Centre was closed.

During the 2022 season the Lido and Mount Wise Pools will play a pivotal role in the promotion of the National Marine Park, working with partners to attract new events and audiences. Tinside Lido and Cove offer great potential to better connect the city’s residents to the Ocean as exciting positive places for enjoyment and physical activity.

Since the beginning of May a significant focus has been the promotion and collaborative working to attract new events and audiences to the Lido. This summer over 24 events are planned at the Lido, ranging from come and try it activities such as snorkelling, SUP and scuba diving, and cultural events including open air cinema and live music. The Big Blue Splash and GB Sail Grand Prix are headline weekends packed full of activity, and for the first time ever, the Lido is set to become a music venue. Branded as ‘Live at the Lido’ the facility will welcome global artists and performers, spanning four weekend dates in July and August. They will be pioneering the use of the Tinside Lido Sun Terrace as never seen before.

**Section Nine
Risks and Issues**

Risk Description	Mitigations	Likelihood	Impact	Risk Rating
Rising Costs of Energy and Inflation Pressures , put financial pressures on PAL trading position.	Increase financial scrutiny through the appointment of additional financial support and quarter one and two budget reviews.	5	4	20

	Support sector in Lobbying Central Government for additional funding. Examine ways to increase income levels at all centres.			
Repairs and Maintenance- Difficulties in completing repairs and maintenance in a timely manner due to supply chain issues impact on the customer experience.	Ensure routine repairs and maintenance are completed in a timely manner. Weekly meetings to review outstanding repairs. Where possible put in temporary measures. Clear communications and messaging to customers.	4	4	16
Information Technology- Lack of timely IT support impacts on customer experience.	Regular meetings with DELT to ensure items are completed in a timely manner.	4	4	16

Section Ten
Priorities for the Next Six Months

It is acknowledged that Plymouth Active Leisure is still within the first quarter of its operation. Whilst progress has undoubtedly been made with some noticeable achievements there is still much to be done to develop the centres. Key priorities for the next 6 months of operation include:

- 1) Review of Memberships and prices to ensure that the strategic objectives for physical activity and sport for the City are met over the medium term and that the financial viability of PAL is maintained.
- 2) Implementation of Health and Safety Recommendations from the recent review
- 3) Commence review of organisational design review. This will cover such areas as structures, pay arrangements, culture, employee engagement, policies, career progression and development.
- 4) Development of PAL Business plan.
- 5) Progress the development of the Brickfields Centre to increase utilisation levels and promote greater inclusion and wellbeing opportunities.

- 6) Strengthen governance including establishing a stakeholder group which will be representative of the community, and appointing Non-Executive Directors.
- 7) Develop and grow good employee/industrial relationships.

Performance, Finance and Customer Focus Overview and Scrutiny Committee



Date of meeting:	29 June 2022
Title of Report:	Plymouth Crematorium
Lead Member:	Councillor Pat Patel (Cabinet Member for Customer Services, Culture, Leisure & Sport)
Lead Strategic Director:	Ruth Harrell (Director of Public Health)
Author:	Ruth Harrell
Contact Email:	Ruth.harrell@plymouth.gov.uk
Your Reference:	Click here to enter text.
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

The Plymouth Crematorium at The Park will provide the citizens of Plymouth with a new, purpose built crematorium with associated facilities off Haye Road, Plympton. This is needed in order to continue to be the main crematoria for the city. Investment will deliver quality facilities that meet 21st century customer expectations and capacity to meet future demands.

The purpose of the report is to update the Committee on progress of the new Crematorium for Plymouth, including final costs.

Recommendations and Reasons

The Committee is asked to note the report.

Alternative options considered and rejected

NA

Relevance to the Corporate Plan and/or the Plymouth Plan

The Council is committed to delivering quality public services and as part of that commitment the Bereavement Service seeks to ensure it provides high quality remembrance and cremation service fit for the future.

The Bereavement Service delivers on the Corporate Plan values and priorities in the following ways:

- It is **Democratic** by engaging with the funeral industry and increasing community engagement opportunities through open days and events as well as strengthening work with local schools and charities.
- It is **Responsible** by caring about its impact on the customers and the funeral industry retaining the choice of funeral service locations.
- It is **Fair** by creating a variety of opportunities for remembrance across a range of locations and costs

- It demonstrates Plymouth City Council's is committed to being **Collaborative** by working with our partners in the funeral industry and developing stronger ties with local bereavement charities
- It is **Caring for people and communities** by providing a modern facility that is fit for purpose meeting the needs of the whole city with sensitivity to differing faith requirements
- The project supports economic growth as part of **Unlocking the City's potential** that benefits as many people as possible by investing in facilities that we can be proud to offer and become a destination of choice for remembrance

The Plymouth Plan sets out a single vision for the city to 2034 with a clearly stated ambition to grow Plymouth's population to 300,000 as well as new developments on our urban fringes such as Sherford Community, crematoria and burial capacity are recognised as a key infrastructure requirement for a growing city.

The current and future cemetery and crematoria provision can contribute to Policy 25 Reducing Carbon Emissions by replacing old cremators with modern technology. Furthermore the cemeteries maintained by the Bereavement Service total 40 hectares of green space and are integral to the achievement of Policy 24 Delivering Plymouth's Natural Network providing for the needs of people, wildlife and businesses from funeral directors, florists and masons and their associated supply chains.

Implications for the Medium Term Financial Plan and Resource Implications:

In addition to the previously agreed service borrowing and corporate borrowing, additional corporate borrowing is required to meet the costs of the project which are now £29.4 million.

Financial Risks

The risk of any further increases have been mitigated through the imminent award of the 'Design and Build' contract which includes all costs.

Carbon Footprint (Environmental) Implications:

The new facility will reduce the current carbon emissions by replacing old cremators with modern technology. Also, the cemeteries maintained by the bereavement service total 40 hectares of green space and are integral to providing for the needs of people and wildlife.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

[Click here to enter text.](#)

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Crematorium Scrutiny paper							
B	Equalities Impact Assessment (if applicable)							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
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	1	2	3	4	5	6	7

Sign off:

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Originating Senior Leadership Team member: Ruth Harrell											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 20/06/2022											
Cabinet Member approval: Cllr Pat Patel – approved by e-mail											
Date approved: 21/06/2022											

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BEREAVEMENT INFRASTRUCTURE PROJECT: SCRUTINY UPDATE

July 2022



INTRODUCTION

The Plymouth Crematorium at The Park will provide the citizens of Plymouth with a new, purpose built crematorium with associated facilities off Haye Road, Plympton. This is needed in order to continue to be the main crematoria for the city. Investment will deliver quality facilities that meet 21st century customer expectations and capacity to meet future demands.

The new facilities will include three ceremony spaces, designed to meet the varying needs to suit the number of mourners and the desired style of the ceremony; along with high quality audio-visual equipment for the ceremony and to allow those who cannot be present to take part.

The waiting areas, along with the flow of people throughout the building and outside spaces, have been designed to ensure that each funeral party receives the highest quality of experience when saying goodbye to their loved ones.

Behind the scenes, the crematory will have new cremators with the latest abatement equipment, and the required space and facilities to improve all elements of care for the bereaved as well as health and safety improvements for our staff.

Outside of the buildings, the grounds have been designed to sit sympathetically in the environment, in the full awareness of the wellbeing benefits of green spaces. As well as landscaping including memorial gardens, there is appropriate car parking, road access, pathways and other appropriate external spaces.

In addition – and in excess of the initial designs – there is a café and wake facility. Our market research tells us that people value somewhere to meet in the warm and dry either before ceremonies or when visiting the memorials of loved ones; as well as giving us the opportunity to join in initiatives such as Compassionate Friends. The space is flexible, and would allow for either larger wakes, or smaller, more intimate, gatherings.

Significant work has taken place over the last 5 years which has brought us to the stage where Kier, the main contractor, are onsite and have delivered enabling works including bringing services on to site, and we are at the point now of seeking to award a design and build contract for the full construction.

However, the costs for the development have risen, since the initial forecast and more rapidly over the last few years due to unprecedented events outside of our control.

THE ISSUES

There have been a number of costs which have significantly increased due to matters outside of our control.

Unfortunately the pandemic hit shortly after the appointment of Kier as the approved provider and the subsequent tendering processes have highlighted the issues being faced by the construction industry – and the implication of these on the project.

Brexit also had an impact on labour and supplies.

Then the Ukraine war has also impacted on supplies particularly in terms of the availability and cost of critical materials such as steel, iron, nickel, chemical products and timber. Energy price increases are another issue, particularly given the high European dependency on Russian gas and

oil. Prices are likely to remain high, meaning that the cost of materials used in projects that require intensive energy input, such as steel, bricks, plastics and ceramics, are going to continue to rise. Transportation costs also look set to increase further.

In effect, the war has exacerbated an already turbulent market, hit by Brexit, Covid-19, shipping disruption, rising energy and fuel costs and spiralling inflationary pressures.

Therefore the construction price is being affected by interlinked factors;

- Materials supply
- Labour costs
- Energy (and transport) costs
- Reduced appetite for risk given the uncertainty in the above factors

These concerns are impacting on the confidence within the industry, the market has become more risk averse and we are currently in a challenging period in terms of exceptional market volatility and procuring “competitive” tenders has been challenging with often 1 or 2 suppliers responding to tenders, meaning costs have increased. The Building Cost Information Service (BCIS) is currently forecasting an increase in tender prices of 21% over the next 5 years.

COST INCREASES OVER TIME

The initial business case was presented in 2017; costs were very provisional and there was no formal sign off at this stage, since it was clear that design input and detailed costings would be required.

In June 2018, a cost of just under £12 million was approved. This budget was prior to design team appointment and based on a simple scheme with limited support facilities, basic repeatable and standardised design, and limited landscaping. Furthermore, it did not include full design, cremator procurements, café and wake facility, services reinforcement and estimate of land purchase amount.

In July 2020, a further estimate of costs was put forward as a business case and approved. This was for £16 million; it included a scheme design that had progressed and was more in line with the brief of a contemporary state of the art facility, costs included for PCC estimated direct costs, unforeseen site diversions and requirement for full an Environmental Impact Assessment as subsequently requested by the planning department. Updated costs based on planning, partial design and procurement status.

Unfortunately, it became very clear after this point that Covid19 was not going to be over in one wave, and that the construction industry were, and continued to be, heavily impacted in terms of the ability to procure pre-construction design and planning services and also maintain the supply of construction goods and materials.

In October 2021, the scheme costs were reviewed against the developing design in line with the brief and estimated at £22.98 million. Scheme delay in large due to Covid impact (e.g. design team furloughed), identity of utility diversions required to enable works and direct impact of Brexit lowering and disrupting availability of the supply of materials and also increased prices. Market uncertainty and loss of sub-contractors meant the price increased on the project over the delay period. The project costs increased over the period in line with inflation and the industry as a whole. A value engineering exercise played a big part in offsetting a significantly bigger rise in the project cost.

In February 2022, the planning authority rejected a number of the proposed value engineering items and the decision was made to procure the works under a Design and Build basis to de-risk exposure to additional cost during the construction phase.

The cost that we have now arrived at, £29.4 million, reflects the final costs having gone to tender for all components and updated those orders placed earlier in the project. This is on a full contract Design and Build 'Fixed Price' basis capturing the forecast cost and exposure to market inflationary increases and also volatile price uncertainty with goods and services.

It also includes significant risk in large value Mechanical & Electrical installations and limitations in the appropriate supply of specialist sub-contractors and high prices received from the market where the main increases apply. Fixed prices from the Main Contractors supply chain are no longer available (market as a whole is limiting risk exposure, to avoid taking price fluctuation risk – i.e. to avoid the same fate as Midas and similar) meaning the Main Contractor has increased their risk allowances to accept market price rises rather than resting with PCC with no certainty until completion.

All construction projects are currently under heavy price increases and as shown by the SCS frameworks comments noted later.

Table I summarises the cost movement for the Bereavement Project against the timeline showing how the cost has evolved over time with rationale for the changes.

Date	£m	Approval Status	Rationale
2016-2017	12.000	Approval not sought	Early estimate before design or land purchase or new cremator procurement
June 2018	11.985	Business Case Approved	Estimate based on scheme with early stage design, limited facilities, basic layout, no cremator procurement, café and wake facility, site constraints and estimate of land purchase
July 2020	16.029	Updated Business Case approved (Appendix 2)	Updated costs following planning EIA requirement, cremator procurement, partial developed design, site constraints
Oct 2021	22.980	Not Approved as awaiting final cost, but <i>additional Corporate Borrowing included 2022/23 Budget / MTFP to £20 million</i>	Increased costs from contractor arising from design development, but significant impact from Covid risk and Brexit. The shifting of the programme has impacted on work package price increases due to supply of goods and services
Feb 2022	23.100	Not Approved as awaiting final cost Appendix 3	Increased costs due to planning impact on VE changes and switch to D&B procurement
June 2022	29.400	Main Contract Award (currently in progress) Appendix 3	Updated prices received from the main contractor for all the various work packages including design and build risk, inflation and cost increases arising from the conditions in the market until contract completion. Note low responses from local sub-contractors at high prices. The contractor has also included risk elements to ensure risk avoidance on their behalf related to the fact that PCC have

			requested a complete cost for all works over the 2 year period and at a fixed price without adjustment to market inflation.
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WHAT WE HAVE DONE

Value engineering

Extensive value engineering has been carried out throughout; this has saved the order of £1 million. Changes were only considered where they would not create significant changes to the overall look and feel of the site (in line with Portfolio holder requirements), or where substantial changes requiring planning approvals would be needed. Changes included;

- External Wall construction – change from pre-cast concrete to traditional blockwork created a considerable saving linked to the cost of materials and a larger subcontractor base
- External Wall plinth (foundation) - change from pre-cast concrete to traditional blockwork – as above
- Mechanical & Electrical Installations – no planning risk, no resilience loss, wider network of suppliers and manufacturers
- External Works and Landscaping – replacement of bridges with culverts and bridge ‘type’ crossings; review of levels across the site to mitigate cart away; review highway and parking specification materials based on site investigation results, etc.
- General amendments to finishes, buildability and material interfaces – no perceptible aesthetic change.

Internal reviews

Review 1 Jan/Feb 2021

When it became clear that a significant overspend was likely, this was discussed with the Portfolio Holder and the Leader at the time. A number of options were considered, as set out in Appendix I, including;

- **Option A – Delay the scheme for 12 months.**
- **Option B – Significantly redesign the scheme to fit the budget.**
- **Option C – PCC increases the budget to meet the shortfall.**
- **Option D – Remove the Café from the scheme to be delivered at a later date.**
- **Option E – Fundamental Value Engineering of the entire scheme**

Option C was chosen.

This was because;

- delaying the scheme carried significant risk, both of costs continuing to increase, and of the time delay impacting on the service’s ability to meet the requirements of the population due to failing equipment

- a redesign, and/or significant value engineering, to take large amounts of cost out, would leave the end result far inferior to the plans; not compatible with being '**one of the most impressive crematoriums in the country**', as referred to by the Leader of the Council when the initial funding was agreed.
- Delaying the delivery of the café and wake facility would not be cost effective, it would take away an important resource for the public (along with significant income which would balance the costs) and if carried out later, could cause disruption to the tranquillity that we expect the facility to deliver.

Review 2 Jan 2022

An internal peer review was commissioned from a senior PCC person experienced in large scale construction. This summarised;

The current programme is forecast to be significantly over budget. This has been interrogated as part of this review and a significant contributing factor is that the project has been exposed to unprecedented cost risk due to Covid global pandemic. By slowing down the project further to explore and undertake cost cutting it has actually exacerbated this problem and the cost savings targeting have been outweighed by additional project costs and further cost risk exposure. If further cost savings were sought, again there would be additional construction cost risk exposure and this could be exacerbated further by fuel and energy cost increases in 2022.

There is no obvious way to further save money without compromising commercial elements that could be income generating- such as the café. By excluding this element it is likely to cost more in the future and impact on both the customer experience and income the service is likely to generate.

External advice

SCF Construct support the South West in the delivery of the construction framework and therefore have considerable experience in the construction procurement process. We received the following feedback from them;

Since early 2020 SCF have supported the project team in the contractor selection for the Plymouth Crematorium Scheme. SCF has over the past 15 years delivered a total of c£7bn of projects with contract sums being agreed to on average within 1% of the initial budget and then gone on to be delivered within 2% of contract sum.

The recent events of Brexit, CoVID, unprecedented market volatility and most recently the war in Ukraine have however led to many project budgets being under intense pressure and clients needing to agree contract sums in excess of their original aspirations. Whilst it is difficult to put exact figures to this due to how unique every project is we have seen inflation to some packages in excess of 50% year on year. Further information on market forces can be found in our quarterly updates [Market Intelligence - SCF \(scfconstruct.org.uk\)](https://www.scfconstruct.org.uk)

In supporting the team in delivering the Plymouth Crematorium, SCF can provide reassurance that the project team has done everything reasonably practicable to reduce exposure to increasing market costs. Whilst the final proposed contract sum is clearly above the original aspirations in the current market it does represent a realistic project cost to the client.

Kingsley Clarke, SCF Operations Lead, Southern Construction Framework

Summary of feedback

The feedback has been clear in that the cost pressures that we are experiencing have been outside of our control and that, albeit with some suggested improvements which were enacted ASAP, there are no additional actions that can be taken to mitigate these, other than move to the award of the design and build contract as rapidly as possible.

FINANCE

We have now moved to a design and build contract to reduce the risk associated with increased inflation and other issues. A new cost estimate has now been calculated in the sum of **£29.4 m.**

The funding arrangements, are likely to reflect;

- Service borrowing of around £16m. This was to be paid from the service as per the original approved business case.
- A further capital provision of around £4m approved by Full Council 28 February 2022.
- Further Capital provision which has yet to be identified.