

# **BEREAVEMENT INFRASTRUCTURE PROJECT: 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 21<sup>st</sup> 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 detailed costings would be required.

In June 2018, a cost of just under £12 million was approved. This did not include full design, cremator procurements, café and wake facility, and only estimates of the 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 updated costs following planning, partial design and procurement.

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.

Over the last two years, the Bereavement Services Project has seen prices increase heavily, as shown in the table below.

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.

Table 1 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	<b>Business Case Approved</b>	Estimate based on land purchase amount being identified and more detailed estimates but before design and cremator procurement
July 2020	16.029	<b>Updated Business Case approved (Appendix 2)</b>	Updated costs following planning, cremator procurement, partial design

Oct 2021	22.980	Not Approved as awaiting final cost, but <i>additional Service Borrowing included 2022/23 Budget / MTFP</i>	Increased costs from contractor citing inflation, Covid risk and Brexit. The shifting of the programme has impacted on work package price increases.
Feb 2022	23.100	Not Approved as awaiting final cost <b>Appendix 3</b>	Increased costs for work packages following sub-contractor engagement. Additional costs from the war in Ukraine for key items such as steel.
June 2022	29.400	Main Contract Award (currently in progress) <b>Appendix 3</b>	Updated prices received from the main contractor for all the various work packages including risk, inflation and cost increases arising from the conditions in the market. Note low responses from 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.

## ORIGINAL OPTIONS EXPLORED

In the original 2018 business case the options explored were:

- Option 1 -Do nothing- this is not possible as the condition of the ageing cremators has a life span of approximately 5 years and only limited land space for burials. This is still the case today.
- Option 2 - develop existing site. This is not recommended due to space constraints and the investment period for the new cremators will exceed the existing site capacity. This issue still exists
- Option 3 –create a new site elsewhere in the city. This is the option that was approved and is currently under construction.
- Option 4 –crematoria only - This was recommended as an alternative to Option 3 above. We have already purchased the land required for the new crematorium which will provide burial services.
- Option 5 – burials only – in order to support choice and meet the needs of local communities it was recommended that burial space was considered alongside the crematoria provision. This has also been included in option 3 therefore part of the current works.
- Option 6 – joint venture with other local authorities – this was considered in 2012 and thought likely to lead to a dis-benefit for PCC.

## 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 I 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.*

The review highlighted two issues, one of which was related to the cost which was that some elements of project management could be improved to be more robust, mainly through additional resource; this was acted upon rapidly. The appointment of further programme management support from Ward William Associates was made, with a proven reputation and track record with large construction projects, and the instruction to progress as rapidly as possible to the design and build contract award was made.

### **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://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.

## FINAL COSTINGS

We have now moved to a design and build contract to reduce the risk associated with increased inflation and other issues. A new worst case scenario cost has now been set at **£29.4 m**.

This will be comprised of;

- Service borrowing for £16.026m. This was to be paid from the service as per the original approved business case.
- Corporate borrowing of £4 million, included in the 2022/23 Budget, approved by Full Council 28 February 2022 included “additional Capital Financing cost for Crematorium additional investment £0.191m per annum.”
- Additional Corporate Borrowing of £9.4m modelled at current interest rates, of £0.523m p.a.

As a priority project for the Council, a financial solution has been proposed that will mitigate the costs increases for the Crematorium project and enable it to progress and remain within the overall capital budget envelope. This has been achieved by making a virement from the capital allocation within the Facilities Management capital budget. As part of the ongoing monitoring of the capital programme all schemes will be reviewed and rephrased as appropriate and the commitment to finance projects within the Facilities Management will be reintroduced to the Plan.

An Executive Decision paper has been prepared for the main contract award and will be submitted to coincide with the request for the budget increase being put before Cabinet on 7 July. The decision has been delegated to Director of Public Health in the original Executive Decision paper L10 18/19

On the successful approval of the additional budget the contract will be awarded and signed committing to a fixed price for delivery of the new crematorium.

## DRAFT CONTRACT IN SUMMARY

The council is proposing to enter into a Design and Build NEC contract for delivery of the Crematorium.

This means that the Contractor will be responsible for the design and construction of the whole of the works as described with the Scope, under a fixed price basis until contract completion set for April 2024. The Contractor will bear the cost of any changes in price and inflation experienced with labour and materials during this period.

As with any construction contract, there are always some matters that remain as a Client risk and sit outboard of the design and build fixed price arrangement, which in terms of this project, include the following:-

1. Change in the agreed Scope (Clients (PCC) Instruction)
2. Site access issues (low risk, but Drake Memorial Park need to be considered)
3. Client doesn't provide something by a Key Date shown in the Programme (to be monitored)
4. Performance of Client direct works packages and supply of goods (such as Facultatieve Technologies - cremators, Leec, Delt Services & subsidiaries and FF&E provider)

5. Encountering of unforeseen physical site conditions such as ground obstructions or archaeology (this item is now considered low risk due to the extensive groundworks that have taken place)
6. Adverse weather conditions (beyond metrics contained in the contract)
7. Performance of Statutory Utility Companies for incoming services and diversions
8. Securing Planning Consents, Permits and Licenses (s73 planning, land drainage consent, EA permit for discharge treated effluent water).The decision from Planning is anticipated w/b 4 July 2022
9. Land restrictions such as wayleaves and covenants
10. Changes in law / legislation
11. Any departure from the original tender submission clarifications provided by the contractor
12. Ratification of Provision Sums, which are likely to include:-
  - a. Catafalque Curtain £50k
  - b. Fencing £40k
  - c. Specialist Joinery £138k
  - d. Internal Fit out £63k
  - e. Book of Remembrance £100k