

AGENDA ITEM: 10 Pages 73 – 79

Meeting	Cabinet Resources Committee
Date	27 September 2011
Subject	Replacement of cremators, building works, renovations and compliance with mercury abatement legislation at Hendon Cemetery & Crematorium
Report of	Cabinet Member for Housing
Summary	To approve the inclusion of necessary works at Hendon Cemetery & Crematorium in the Capital Programme for 2011/12

Officer Contributors	Rick Mason, Acting Assistant Director (Environmental Health)
Status (public or exempt)	Public
Wards affected	Mill Hill
Enclosures	Appendix 1 - Hendon Cemetery Budget Cost Summary
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

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1. RECOMMENDATION

- 1.1 That the amount of £1,743,734 funded by capital receipts is approved as part of the Capital Programme for Phase 1 of the scheme.
- 1.2 That the Director for Environment Planning & Regeneration takes the necessary actions to implement Phase 1 of the scheme.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 On 23rd April 2009, the Cabinet Resources Committee resolved:
 - (1) That a procurement review be undertaken for engagement with service providers to: clarify the expenditure model (10-20 years); confirm the investment necessary; determine the ongoing maintenance costs; and to ensure best value
 - (2) Subject to the outcome of the procurement review showing that tendering the service will provide the best value for the Council:
 - (a) That Option 3 as set out in the Cabinet Resources Committee report of 23rd April 2009, of entering into a partnership contract for external investment in, and operation of, the cemetery and crematorium be approved.
 - (b) That officers be authorised to undertake a procurement process in order to identify a partner for the purposes referred to in (a) above.
 - (c) The market testing be undertaken for the future of the contract for the maintenance of redundant cemeteries and other memorials including the feasibility of including the contract for maintenance of the redundant cemeteries into the future management partnership for Hendon Cemetery and Crematorium (HCC)

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 *Better Services with Less Money:* The installation of new efficient cremators will reduce operating costs including use of fuel, this will help to provide improved more efficient services to Barnet's residents at less cost to the Council.

Depending on timing, the installation of the new mercury abated cremators will either eliminate, or reduce any levy fees payable per cremation to meet statutory obligations and improve value for money.

Sustaining levels of income for the crematorium will contribute to maintaining the Council's financial position so that it can continue to provide the services that it needs to.

- 3.2 *A Successful London Suburb:* HCC contributes towards the Corporate Priority of 'A Successful London Suburb'. It is much valued by Barnet residents and provides a local facility and service for the bereaved in a peaceful and picturesque setting. This project will further improve the customer experience and attractiveness at the site.

By providing new mercury abated, more efficient cremators, the council could help to improve the environmental impact of the service and sustainability in the area, as the service will release fewer harmful emissions when using mercury abatement. The newer cremators will also require less fuel to operate and using current technology, be more efficient than the existing cremators

4. RISK MANAGEMENT ISSUES

- 4.1 The 2 cremators have now reached the end of their expected operational life and are increasingly subject to breakdowns, causing potential reputational damage and loss of income, as well as expense in carrying out repair. Failure to commence on replacement risks total breakdown of the existing cremators which could irreparably damage the business.
- 4.2 The Pollution Prevention and Control Act 1999 introduced measures to reduce mercury emissions from crematoria nationally by 50% by 31 December 2012. Individual crematoria have the option to comply with the Act by either fitting mercury abatement equipment or participate in a burden sharing scheme with other crematoria that have already done so, paying a levy per cremation to offset the non-compliance. Failure to meet legislative deadlines for installation of mercury abatement without subscription to a burden sharing scheme may lead to financial penalties and reputational damage to the council.
- 4.3 An alternative to upgrading, known as 'burden sharing', which is explained in more detail in paragraph 6.4, will incur costs to the council which cannot be recovered and invested in the upgrading of the facility.
- 4.4 Without investment in modernisation and upgrading of buildings and facilities at HCC, there is a risk of loss of business to competitors that are continuing to invest in improvement of infrastructure. The investment will support the facility's ability to maintain its position in the market.
- 4.5 The operations at Hendon Cemetery & Crematorium are currently included in the One Barnet Development and Regulatory Services (DRS) project and could potentially be run by another operator from early 2013. It is unlikely that the existing cremators will last long enough for any new organisation to carry out the replacement once any new organisation is appointed.
- 4.6 Section 9 of this report describes the need for a large amount of investment at the site beyond installation of new cremators. This may be covered by any new organisation appointed through the DRS project. Depending on the outcome of the DRS project there is a risk that the Council may be required to carry out these investments through capital investment also.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Pursuant to the Equalities Act 2010, the council is under an obligation to have due regard to eliminating unlawful discrimination, advancing equality and fostering good relations in the contexts of age, disability, gender reassignment, pregnancy, and maternity, religion or belief and sexual orientation.
- 5.2 Hendon Cemetery & Crematorium is a facility available to and meets the needs of all members of the community. Weekend services and unique services are provided for the Hindu and Muslim communities, which also addresses and provides a direct positive correlation between business and equality objectives of the Council. The options have been evaluated against the principles in the Equalities Policy and Equalities Scheme and there are no equalities and diversity issues relevant to this decision.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 In 2010/11 the Crematorium generated income of £679,320, making a net profit of £461,565 after running costs. This represented a saving of £121,015 against 2010/11 net budget.
- 6.2 The 2 cremators have now reached the end of their expected operational life and are increasingly subject to breakdowns, causing potential reputational damage and loss of income, as well as expense in carrying out repairs. Investment is required to allow for the business to continue operating.
- 6.3 Members have approved an environmental recharge (currently £56.50) to be added to the cost of each cremation, to go towards the costs of upgrading. This charge was implemented in January 2010 and brings in approximately an additional £50,000 pa. The fee currently goes into the general fund.
- 6.4 A 'Burden Sharing' scheme exists whereby crematoriums that have mercury abatement systems, can receive rebate for each cremation carried out using the system. At the current rate of cremations, it is estimated that this could generate an additional £25,000 pa. The installation of new cremators with a mercury abatement system would allow the Council to realise the benefit of this scheme. However, the amount of rebate will reduce as the proportion of crematoriums with mercury abatement systems increases against those without. The scheme also allows crematoriums without mercury abatement systems to 'burden share'.
- 6.5 To comply with legislation, the Council could choose to keep the existing cremators and buy in to the 'burden sharing scheme. However, this is not a viable option as the existing cremators are at the end of their operational life and any income generated from cremations would cease, causing the business to fail.
- 6.6 The total cost of essential works at the site has been calculated at approximately **£1,743,734**. A detailed breakdown is provided in Appendix 1.
- 6.7 The works will be funded from capital receipts.

7. LEGAL ISSUES

- 7.1 These are addressed within the body of the report.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3, Responsibility for Functions – Section 3, Responsibilities of the Executive mandates the Cabinet Resources Committee to discharge functions in all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.
- 8.2 Section 5 of the Contract Procedure Rules mandates this decision to be taken by CRC.

9. BACKGROUND INFORMATION

- 9.1 HCC is one of five such facilities in the borough, but the only one run by L B Barnet. There is strong competition from the other sites, which are run either by other local authorities or the private sector. HCC does however have a good market share and is

greatly valued by Barnet residents, with a reputation for good customer service and well maintained grounds, as well as providing weekend services.

- 9.2 Opened as a cemetery in 1899, the crematorium was added in 1922. It handles approximately 400 burials and 1000 -1200 cremations per annum. The grounds comprise some 40 acres of well tended gardens. The Cemetery is multi-denominational, and part of the site is leased to the Greek Orthodox Church for burials through St Sophia's Orthodox Cathedral in Moscow Road, W2. There are 2 leases, the more recent of which is for 999 years with effect from 14th August 2001.

Condition of the Facilities

- 9.3 There has not been a structured programme of re-investment into the service, grounds or buildings at HCC and this has resulted in significant dilapidation and a lack of modern facilities in-keeping with competitors and industry developments.
- 9.4 The gatehouse was badly damaged by fire a number of years ago and has remained in an unused and derelict state.
- 9.5 The staff facilities are in poor condition, requiring replacement or significant renovation and the office and reception area are outdated and do not provide for the type of customer care and privacy befitting of a modern bereavement service. Facilities in and around the chapel buildings are also in need of updating and improvement.
- 9.6 The 2 cremators have now reached the end of their expected operational life and are increasingly subject to breakdowns, causing potential reputational damage and loss of income, as well as expense in carrying out repair. There are also potential health & safety risks from operating old, inefficient equipment. Between the period March to October 2010 there were 7 breakdown callouts to the manufacturers/service engineers for the cremators. These have not incurred additional costs as an arrangement exists whereby breakdowns are included in servicing costs of £23 per cremation (approx £23,000 - £27,600 pa). However the cremators are effectively operating on borrowed time and may not practically be repairable as time goes on, without complete replacement. It has also been identified that the combustion process has become very inefficient, which results in more polluting emissions and higher fuel costs.

Legislative Requirements

- 9.7 The requirement, under the Pollution and Control Act 199, with respect to reduction of mercury emissions is set out in paragraph 4.2 (above). Members have previously indicated that they would wish to carry out abatement works rather than make payments to other crematoria under a burden sharing scheme and continue to pollute through emissions of mercury. In any event, by 2020 all crematoria must have mercury abatement to all furnaces, so burden sharing would only be a temporary solution
- 9.8 Evidence from other LAs and the industry in general suggests a period of 2 years may be required from commencing a cremator replacement project to commissioning the new equipment.

Options Appraisal

- 9.9 HCC has, as a result of the decision by Cabinet Resources Committee on 23rd April 2009, mentioned in paragraph 2.1, undergone an options appraisal and soft market testing with the major providers within the industry, which found that when considered as

a standalone business, an in house delivery with the required investment would be most attractive from a financial perspective. The project to progress the replacement of the cremators and mercury abatement was not commenced earlier due to the decision to carry out this options appraisal.

Expected Benefits

- 9.10 Approval of Capital will enable a procurement project to commence without further delay and ensure that the new cremators are installed as soon as possible, reducing the financial and reputational risks of frequent or catastrophic breakdowns.
- 9.11 It will also give an opportunity to meet the compliance deadline of December 2012 for mercury abatement, without having to join a burden sharing scheme, which would cost approximately £32,500 pa. Abating the mercury emissions would give the opportunity to earn additional income by trading abated cremations through such a scheme.
- 9.12 The dilapidations, disrepair and lack of modern, fit for purpose facilities act as a deterrent to using Hendon as a venue of choice. Upgrading and bringing back into use buildings within the gatehouse will provide a new modern public facing reception and office facility.
- 9.13 Renovation and improvement to the buildings and site generally will provide an enhanced and more appealing customer experience for the bereaved.

10. LIST OF BACKGROUND PAPERS

- 10.1 2010 Soft Market Testing Report.

Legal – SS

Finance – JH/MC

PROPERTY: HENDON CEMETERY & CREMATORIUM
 BUDGET COST PLAN
 September 2011

				Phase 1
Element	Quantity	Unit	Rate	Priority 1
NORTH & SOUTH CHAPEL				6,315
REPLACEMENT CREMATORS				1,133,200
MAINTENANCE HUTS				-
GATEHOUSE Incl externals for Residential Flat				11,625
RESIDENTIAL FLAT				-
GROUNDS				98,700
M&E				6,500
IT				-

TOTAL				£1,256,340
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				Priority 1
Building Works Sub Total:				£1,256,340
Contractors Preliminaries:	@		15%	£188,451
Total (less contingencies)				£1,444,791
Contingencies:	@		5%	£72,240

CURRENT TOTAL:				£1,517,031
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Addition for Contract Administrator Fee's including CDM Coordinator Fee's:	@		10%	£151,703
Project Manager		1 yr	£ 65,000.00	65000
Engineering and additional investigation costs.		1	£ 10,000.00	£10,000

Sub Total (including fees & excluding VAT)				£1,743,734
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EXCLUSIONS
 Dealing with contaminated land/abnormal ground conditions.
 Asbestos related issues.
 VAT.
 Deleterious materials.
 Grounds drainage.
 Works to benches, gravestones or burial areas not included.

NOTES
 It was not raining at the time of our inspection - water test to ascertain performance of rain water goods is therefore
 Extent of fire damage, water damage and rot to residential flat can only be truly ascertain once a full strip out of the unit has
 Before any boundary works are undertaken we would recommend that ownership/responsibility is checked.
 Extension/additional cremator installation subject to Planning Consent.
 Costs associated with cremator plant installations based on advise obtained from JG Shelton & Co Ltd.
 Costs for building extension draft only at this stage.
 M&E recommendations provided by MLM.
 No access to bell tower or Chapel roof voids.