

**REPORT TO: PORTCHESTER CREMATORIUM JOINT COMMITTEE –  
29 SEPTEMBER 2008**

**REPORT BY: THE ENGINEER AND SURVEYOR, TREASURER, AND THE  
CLERK TO THE JOINT COMMITTEE**

**PORTCHESTER CREMATORIUM –  
INSTALLATION OF MERCURY ABATEMENT EQUIPMENT**

**Purpose**

To advise and make recommendations to the Joint Committee on the project for the installation of mercury abatement equipment on all cremators at Portchester Crematorium, that satisfies the provisions of Air Quality note AQ1 (05) prior to the Government deadline of 31<sup>st</sup> December 2012.

**Recommendations**

- (1) that the project brief, set out in Appendix A, for the installation of mercury abatement equipment on all cremators be approved;**
- (2) that approval be given for the project to proceed at an indicative cost of upto £2million in accordance with the project brief, including separate tenders and contracts for work to the premises and equipment required;**
- (3) that the funding arrangements set out in paragraphs 17 to 29 of the report be approved, and that should there be any shortfall in resources for the project the Joint Committee agrees to borrow and, at the Treasurer's discretion a loan is taken through Fareham Borough Council or the Public Works Loan Board and repaid over an appropriate period to be decided by the Treasurer;**
- (4) that a Project Review Board be established in accordance with the details and terms of reference set out in Appendix B, in order to control the project with regular reports being made to the Joint Committee on progress;**
- (5) that the content of the detailed risk register, set out in Appendix C, be approved and that this be reviewed regularly by the Project Review Board;**
- (6) that the Joint Committee appoints a member to serve on the Project Board;**
- (7) that the Engineer and Surveyor, Treasurer and the Clerk to the Joint Committee be authorised to take such action as may be necessary within their particular areas of responsibility to give effect to the recommendations set out above, including entering into any agreements, contracts and other legal documentation that may be required to enable the project to proceed.**

## Background

1. The Government, through the Department for Environment, Food and Rural Affairs (DEFRA) has introduced legislation that requires a 50% reduction in mercury emissions from crematoria nationally by 2012. The Environmental Protection Act Phase 2 Mercury Abatement scheme was introduced into the Joint Committee's capital programme a number of years ago pending more detail of requirements and investigations. As time has progressed, it has become clear that the larger crematoria in the country will need to install equipment to reduce mercury emissions and members have therefore recognised that as Portchester is one of the largest crematoria nationally, the Mercury Abatement capital project will need to proceed.
2. A number of reports by the Engineer to the Joint Committee and briefings have been presented to Members on the mercury abatement capital project on how the scheme can be progressed. Initial indications were that works will commence in 2008/09 and be completed in 2010, one year ahead of the original capital programme. The works will consist of two contracts, which are buildings and plant. While the availability of contractors for building works is not thought to be a problem, the supply of plant is more of a specialist nature and consequently the number of contractors available nationally will be limited which is the reason for the scheme being brought forward.
3. The Joint Committee has also agreed in principle to support the concept of CAMEO (Crematoria Abatement of Mercury Emissions Organisation). This is a scheme devised by the Federation of British Cremation Authorities, in association with the Cremation Society, designed to enable crematorium operators to achieve burden sharing of costs. This scheme is voluntary but if successful should result in other crematoria contributing to the cost of the Portchester scheme.
4. There is the option for the scheme to be deferred until sufficient funds have been accumulated. This is the normal approach to capital scheme funding, and in isolation is the most preferable option. However, it carries a number of risks. For example, by deferring the scheme, the deadline set by the Government will not be achieved. It is unlikely that this will result in penalties, although this is not known. There are also a limited number of equipment suppliers in the market and by deferring the scheme; it may prove more problematic to programme the work at a time to suit the Crematorium. For these reasons, it is suggested that the work should proceed as currently time-tabled.
5. The scheme is currently included in the capital works programme at an estimated cost of just over £1.5 million; however the Engineer has indicated that it would be prudent to budget at a cost of £2 million. This would enable sufficient funding to be available to cover contract variations and contingencies.

6. Because of the potential increased cost of the project, the Treasurer needs to be able to advise Members that sufficient funding is available for this project, and that financial safeguards are in place before any contracts are signed. As the scheme has been brought forward by one year, there are currently insufficient resources available to enable this project to commence. This report therefore sets out a number of options which with Member approval will enable the scheme to commence in 2008/09.

## The Project

7. In order to achieve sufficient space within the crematorium it is necessary to construct an extension. This extension has been designed after consultation with those specialist contractors who have expressed an interest in tendering the installation of the abatement plant. At the meeting on 23<sup>rd</sup> June 2008, the Joint Committee approved the design and a planning application was subsequently made. The Engineer and Surveyor anticipates being able to orally update the Committee on the progress of this application.
8. The timetable for the works is dependent on a number of factors but as a broad indication the Engineer and Surveyor anticipates the following programme -

Design of building works including necessary approvals	Completed	by end January 09
Completion of building works tendering process	End	May 2009
Completion of specialist contractors tendering process (assumes OJEU process required)		End May 2009
Completion of first phase building works		End December 2009
Commencement of abatement works		January 2010
Completion of building works		End March 2010
Completion of abatement works		End September 2010

9. The design of the building extension to accommodate the specialist plant has been prepared in consultation with manufacturers. In addition, fact finding visits have been made to other crematoria where similar works have been undertaken, and these visits are ongoing.

10. When similar works requiring both building and specialist plant contractors have been undertaken at the Crematorium separate contracts have been let. This system has worked well and will be adopted for this project. It will be a requirement of the tenders that works are principally undertaken out of normal operating times in order not to cause unnecessary inconvenience whilst services are in progress. It is inevitable that some cremation capacity will be lost during the work and it is important that any cremation downtime is minimised and this will be one of the aspects used to evaluate the tenders received.
11. Because of the scale and complexity of the project, the Fareham Project Management Framework will be used by the Project Board in order to control the project. A project brief has been drafted (Appendix A) that sets out the purpose, objectives and scope of the project. The brief also describes the key milestones in completing the project.
12. A detailed risk register, specifically for the project, has also been prepared, (Appendix C). This document will be reviewed by the Project Board at each meeting and appropriate steps taken to mitigate the risks where possible.

## **Project Management**

13. The project will be overseen by a project review board, the details of which are set out in Appendix B. This Board will report regularly to the Joint Committee.
14. The Joint Committee's retained consultants will oversee the implementation of the project. They are retained to deal with reactive (including emergency) and planned maintenance issues in connection with the buildings, the major plant and the hard landscaping, for example -
  - additional car parks
  - the garden of contemplation area
  - the new waiting rooms
  - the installation of new cremators and associated building works.
15. The present arrangements are due to expire at the end of March 2009. Given the overall scale of the works associated with the mercury abatement project it is possible that the level of consultancy works falls within the European Union requirements for advertising. Therefore it was considered prudent to place an advertisement in the Official Journal of the European Union (OJEU) and eighteen requests were received for further information. These were all sent a pre-qualification questionnaire and the Engineer and Surveyor should be able to update the Joint Committee orally on the responses received.
16. It is envisaged that a contract for the consultancy works will be entered into early in the new year. This will be the subject of a separate report to the Joint Committee in December. The timetable envisaged for the project may be subject to revision following the appointment of the successful consultancy company.

## Financial Implications

17. There are a limited number of options available to provide additional funds for this project and the main areas are listed below with further comments on each heading.

- Accumulated revenue surpluses
- Repairs and renewals fund expenditure
- Contributions to constituent Authorities
- Increase in cremation fees
- Availability of long term borrowing through Fareham Borough Council, or the Public Works Loans Board.

18. A combination of all five of the above bullet points need to be included as a way of ensuring sufficient funding is available for the project. As at 1 April 2008 the resources available are as follows:

Funding Sources	£000
Accumulated Revenue surpluses	80
Capital works fund	964
Repairs and renewals fund	59
Total funds	1,103

19. It can be seen that there is a potential shortfall of approximately £900,000 for the mercury project and while further funds will become available during the contract duration, they will not be in place at the start of the contract.

20. **Accumulated revenue surpluses.** Members approved the report in March 2008 'Finance Strategy and Budget 2008/09' which stated that it would be prudent to maintain surpluses in the region of £100,000 to ensure that sufficient funds are available for unforeseen budget variations. The budgeted surplus for 2008/09 is in excess of this figure and a preliminary forecast for 2009/10 indicates the same position. If the surplus is limited to £100,000 for the next two years, then a further £80,000 will be available as a contribution to the capital works fund.

21. **Repairs and Renewals fund expenditure.** Each year the programme of works totals approximately £80,000, however if the programme was reduced to the most important repairs and improvements and other schemes were deferred, this would free up additional funds. If the programme was reduced to £50,000 per annum for the next two years then this would allow a further £60,000 to be available as a contribution to the capital works fund.

22. **Contributions to Constituent Authorities.** The Joint Committee achieved debt free status in the late 1990's and it then became possible for a contribution to be made to each constituent authority in recognition of the financial support given to the Joint Committee in previous years. The first contributions amounted to £200,000 (£50,000 each authority) and the budget for 2008/09 is £460,000 (£115,000 each authority).

23. It is proposed that each authority's contribution is reduced by £7,000 to £108,000 annually for 2008/09 and 2009/10 and this will enable a further £56,000 to be contributed to the capital works fund. Recognising that this will have an impact on each authority particularly due to the current financial climate; it is envisaged that each authority could be reimbursed the £14,000 reduction in 2010/11.

24. **Increase in cremation fees.** The Joint Committee can be proud of the fact that the cremation fees at Portchester are one of the lowest in the South of England and this is due in no small measure to forward planning on potential capital projects in future years and maintaining a high quality asset. The fees have been increased sufficiently to enable funds to be accumulated for major schemes, however due to the potential funding shortfall it is anticipated that the cremation fee will need a larger increase. For example, an increase of 10% would generate an additional £80,000 for the capital works fund (this has been used in the summary table below).

25. **Capital works fund.** As part of the normal budget process, a contribution to the fund was estimated at £350,000 in the current year and the same amount for 2009/10. However, taking the actions detailed in paragraphs 20-24 and also preparing a preliminary revised budget for 2008/09 and base budget for 2009/10, the contributions can be increased to £471,000 and £565,000 for both years respectively.

26. The following table summarises the above paragraphs.

	£000
Funds available as at 1 April 2008 (capital works fund only) **	964
Capital works fund contributions (refer paragraph 25)	1,036
Total	2,000

\*\*\* The funds available at 1 April 2008 excludes the repairs and renewals fund as some of these funds are to cover slip page in the 2007/08 programme and works already commenced on the 2008/09 programme. Also the accumulated revenue surplus is excluded as this should still be retained for unforeseen revenue budget variations.

27. **Long Term Borrowing.** From the previous paragraphs Members can see that if approval is given for the various options and budget amendments, there will be sufficient resources to cover all the expenditure required for the Mercury Abatement project. However many of the additional funds will not be realised until the end of years 2008/09 and 2009/10, therefore it is essential that a strategy is in place to ensure that all funding is in place prior to contracts being signed.

28. With this in mind it is recommended that, as a safeguard, Members approve the ability for the Joint Committee to borrow up to £1million repayable over a long term (for example, 25 years). The borrowing arrangements are covered in the 'Memorandum of Agreement' between the Constituent Authorities. If agreed, it would be necessary to approach one of the constituent authorities, or the Public Works Loans Board, to secure in principle the ability to lend the sum to the Joint Committee. In the first instance, Fareham Borough Council would be approached

on the basis that it already offers temporary investment facilities to the Joint Committee.

29. It should be stressed that the likelihood of requiring these funds or part of these funds is unlikely as it is anticipated that cash flow over the next two years will allow the scheme to proceed and be completed during 2010. It is also likely that should the loan facility be required it will be for a reduced sum and on a short term basis and likely to be repaid within a year. It is not the intention to end the debt free status that the Joint Committee enjoys; however the Treasurer recommends that this safeguard should be put in place to guard against any problems that may jeopardise the flow of funds to the Joint Committee.

### **Procedural Issues**

30. Members should be aware that it is within the Joint Committee's remit to take the decisions recommended in this project. The nature of this project is that it is a key decision.

*Terry Garvey*

*Andy Wannell*

*John Haskell*

Engineer and Surveyor  
to the Joint Committee

Treasurer  
to the Joint Committee

Clerk to the Joint Committee

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### ***List of Background Papers – Section 100D of the Local Government Act 1972***

None

JH/me

19 September 2008

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