

READING BOROUGH COUNCIL
REPORT OF DEPUTY CHIEF EXECUTIVE

TO:	Policy Committee		
DATE:	7 March 2022		
TITLE:	Cremator Procurement Project - Delegated Authority		
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to seek delegated authority to enter a contract for the demolition and removal of two defunct cremators and the supply, installation, and maintenance of two new Cremators for Reading Crematorium. This will ensure the result of the procurement can be enacted efficiently and implementation commence following contract award currently estimated to be 15 March 2022. This proposal is in accordance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015.
- 1.2 The report also provides an update of the broader Cremator replacement project to date and the options reviewed. The implementation of two fully abated cremators will result in an overall improvement to the carbon and environmental impacts of the Council, as the new cremators are significantly more energy efficient and will fully abate emissions of mercury and NOx to the air. In addition to the proposal recommended, a range of other options, including electric cremators, were carefully considered. Whilst electric cremators are a not viable option for the existing crematorium, they should be kept under review as the technology develops and considered as part of the Council's longer-term plans to meet Reading's future demand for burial and cremation.

2. RECOMMENDED ACTION

- 2.1 That Policy Committee notes the update on the Cremator Replacement Project and options considered.
- 2.2 That Policy Committee gives spend approval for the Cremator Replacement Project.

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| <p>2.3 That the Deputy Chief Executive be granted delegated authority to enter a contract following completion of the procurement process, in consultation with the Lead Member for Corporate and Consumer Services, the Assistant Director of Legal and Democratic Services, the Assistant Director for Procurement and the Director of Finance.</p> |
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3. POLICY CONTEXT

- 3.1 Reading Borough Council operates a cremation service to a broad range of customers from the Borough and local region.
- 3.2 The service performs around 2000 cremations per year and offers a variety of services including direct cremations (those without a ceremony), traditional funeral service cremations, and public health cremations.
- 3.4 The provision of a cremation service is a discretionary service for Local Authorities. The Council's crematorium, which was the 23rd such facility to be built in the UK (there now being 313), opened in 1932 and generates a surplus income to the Council in the region of £1 million per year. This income offsets most of the Council's costs for the running of the cemeteries and broader registration and customer services.

4. THE PROPOSAL

4.1 Current Position:

- 4.2 Between 2012 and March 2020 the Cremator supply and maintenance service had been provided by ATI. The contract should have been effective for 10 years. However, the ATI cremator equipment began to fail repeatedly in late 2019. In early 2020 ATI went into liquidation. One of the cremators failed completely at this time and the maintenance contract provided by ATI ceased, so independent maintenance contractors were brought in.
- 4.3 Many other local authorities and private sector crematoria similarly experienced significant failure of their ATI equipment at the same time. Concurrently the impacts of the Pandemic on mortality rates were becoming evident. The issue was escalated via the Local Resilience Forum to the then Ministry of Housing, Communities and Local Government. Several meetings were held with ATI Industries France prior to the company going into Liquidation. However, as advised by our legal team, there was no recourse to compensation because of the failure of the Company.
- 4.4 In May 2020, the Council approved the purchase of a temporary cremator to ensure continuity of service and resilience. The temporary in operation by late August 2020. In October 2020, the second ATI cremator failed completely. Since this time, the Council has continued to provide a full cremation service using only the temporary cremator. This has been achieved by extending working days (early and late shifts) and operating at weekends. Statutory guidance requires that the existing temporary cremator may only be replaced by one that is 'permanent' and fully abated.
- 4.5 In February 2021, a series of discussions with the market took place to inform the future procurement strategy and specification of the new cremators. The

cremator market is small with only four main suppliers operating in the UK. Through conversations with these suppliers, it became apparent the replacement of the ATI cremators would require significant work beyond simply decommissioning and replacing the original cremators. This is mainly because there is uncertainty about the quality and strength of the flooring beneath the cremators following the failure of the ATI equipment and new cremator designs are much larger than those supplied previously (due to improvements in efficiency and environmental impacts).

4.6 A Subject Matter Expert and Project Manager was therefore appointed to act on behalf of RBC in July 2021. A feasibility study has been completed and a specification produced for tender.

4.7 The tender went live on the Council's tender portal on 29 November 2021. The timeline for completion of the Tendering process is as follows.

PROCUREMENT EVENT	TIME AND DATE
Dispatch of Contract Notice	Tuesday 30 November 2021
Site visits	Wednesday 8 December 2021
Deadline for Clarification Questions	Monday 14 January 2022 14.00hrs
Deadline for receipt of Tenders	Monday 31 January 2022 14.00hrs
Evaluation of Tenders, completed by	Monday 21 February 2022
Internal Award authorisation by	Friday 25 February 2022
Intention to Award Letters to all Suppliers - Winning Bidder announced and commencement of standstill period.	Wednesday 2 March 2022
Standstill period ends (10 days)	Monday 14 March 2022 (midnight)
Award Letter sent	Tuesday 15 March 2022
Contract Signing	Tuesday 15 March 2022
Anticipated Contract commencement	Tuesday 25 March 2022
Project Target Completion date	E/O December 2022

4.8 The Invitation to Tender (ITT) set out the Council's requirements under this contract. In summary they are:

- The removal and disposal of the current ATI cremators and all ancillary equipment
- The supply and fit of two cremators and ancillary equipment including 100% emissions abatement, ashes management, heat recovery etc
- Up to 15 year fully inclusive maintenance contract (The contract can be terminated with 6 months notice).

4.9 This procurement exercise is for the decommissioning, supply, fit and maintenance of two new cremators and ancillary equipment. All enabling works such as: replacing the crematory floor if required; requirements to move internal walls; improvements for accessibility; ventilation and energy efficiency measures and works required to allow the Council to provide additional services, such as Sikh and Hindu cremations, will be undertaken under a different

contract. The Council will contract separately for the Design Team that will include the Principal Designer, Quantity surveyor, Mechanical Engineer etc. The building works will be contracted through the Council's existing approved suppliers or via the Hampshire Partnership arrangement.

4.10 The overall project is being managed by the Subject Matter Expert and Project Manager and a comprehensive risk log is reviewed at two weekly project board meetings. For risks relating to cost a 20% contingency has been allowed. For risks associated with buildings works, particularly unknown issues that may arise such as the quality of the crematory floor, time has been built into the project programme for surveys and remediation if required.

4.11 Risk associated with the impact to service delivery during construction are minor due to operating a containerised cremator that is situated outside of the crematory. Therefore, all internal works can proceed unhindered while the service remains fully operational.

4.9 The Proposal

4.10 Option Proposed

To seek delegated authority to enter a contract for the demolition, supply, installation, and maintenance of two new fully abated gas cremators for Reading Crematorium. This will ensure the result of the procurement can be enacted quickly following the completion of the tender evaluation process. This proposal is in accordance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015.

4.11 Summary of other Options considered:

A. Maintain status quo (operating with temporary cremator).

This option would not tackle the absence of any resilience in cremating capacity.

B. Purchase a second temporary unabated cremator

The acquisition of another temporary cremator would not be any quicker or more cost effective than installing a permanent fully abated cremator.

C. Single fully abated electric cremator and retain temporary gas cremator

Subject to structural changes, a single electric cremator, fully abated, could potentially be installed. The design of the electric cremator necessitates 24/7 working and additional staff would be needed to cover three working shifts and requests to witness cremations (where family members can be present in the crematory at the time of cremation) would be extremely difficult to meet. The procurement process would need to start again and further delay the replacement of the temporary cremator. Perhaps, most significantly, the single supplier of the installation of electric cremators in existing crematoria did not submit a tender for the replacement of the ATI cremators as the preference is for installation in new, purpose-built facilities.

D. Two fully abated electric cremators

Due to their space requirements, the existing crematorium, or an extension thereof (using the limited surrounding space available), could not physically accommodate two fully abated electric cremators.

- E. Single fully abated gas cremator and retain the temporary cremator
The temporary cremator would not provide adequate cremation capacity or resilience to the service. The limited capacity would not enable the option of witness cremations to be extended and the current early and late working would need to continue. The saving on having one instead of two cremators would be less than £150,000 because two gas cremators can be served by a single abatement plant (which accounts for the main cost).
- F. Two fully abated electric cremators at an off-site facility
This would be a new and untested operating model requiring the bereaved and other service stakeholders to be consulted in the first instance. Substantial investment would be needed to acquire the land, bespoke building, cremators, and ancillary equipment required. This is an interesting and potentially viable model worth considering in the medium to long-term.
- G. New crematorium with two fully abated electric cremators
If the Council pursues land for a new cemetery (or an extension to the existing cemetery), the building of a new crematorium (incorporating 'burial' chapels) could be an option. However, at this stage, due to the development time and costs that such an option would entail, and the uncertainties around current electric cremators, this option would not address the urgent need to increase cremating capacity nor comply with environmental legislation.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The Council's new Corporate Plan (2021) has established three themes for the year 2021/22. These themes are:
- Healthy Environment
 - Thriving Communities
 - Inclusive Economy
- 5.2 These themes are underpinned by "Our Foundations" explaining the ways we work at the Council:
- People first
 - Digital transformation
 - Building self-reliance
 - Getting best value
 - Collaborating with others
- 5.3 Full details of the Council's Corporate Plan and the projects which will deliver these priorities are published on the Council's website. These priorities and the Corporate Plan demonstrate how the Council meets its legal obligation to be efficient, effective, and economical.

5.2 Healthy environment

- 5.2.1 The implementation of the new cremators will enable emissions to be fully abated, leading to a reduction in both Mercury and Nitrogen Oxide. The new cremators will also provide an overall improvement in energy use.

5.3 Thriving Communities

- 5.3.1 The Bereavement Service is highly valued by Reading communities. During summer 2021 the service underwent a fundamental service review, looking at all aspects of service delivery and policy. The proposed changes were extensively consulted upon, and new Rules and Regulations were adopted in September 2021. The service review has identified opportunities to provide a more inclusive service offer for both cremations and burials. The procurement and minor refitting of the Crematorium building will help address both accessibility issues on site and provide a new Sikh and Hindu cremation service.
- 5.3.2 Utilising the Council's Social Value Policy the procurement is additionally seeking community outcomes in relation to three of the five National TOMs (Themes, Outcomes, Measures) themes: Jobs, Social and Environment. Within the tender evaluation 4% of the quality scoring has been attributed to Social Value measures. Bidders may also include their own environmental business commitments.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers). A climate impact assessment has been carried out and the overall rating for this project is that there is a medium positive impact to the council's carbon footprint.

The procurement of two new cremators, ancillary equipment and improvements to the site will result in an improved environmental position for the Council. There are generally three areas of opportunity to improve environmental impacts of operating a crematorium. These are:

- The energy consumption of the cremator (electric and gas)
- The emissions because of the cremation process
- The operation and running of the crematorium building and ancillary equipment.

6.2 Electric Cremators

- 6.3 The crematorium is currently the Council's biggest user for gas and represents around 3% of the Council's overall carbon footprint. Consequently, a feasibility study was undertaken to determine whether there was an opportunity to move to fully electric cremators (rather than gas cremators) to reduce CO2 emissions. At this stage the exact savings in CO2 emissions that could be realised by converting to electric are unclear but there is a growing confidence that they will, ultimately, replace gas cremators.
- 6.4 However, electric cremators are relatively new and, in terms of operational and environmental performance, have yet to be proven as a viable alternative to the well-established gas cremators. There is only one supplier operating in the UK which has installed three operational electric cremators here over the last two years.

- 6.5 Officers met with the electric cremator supplier during 2020, who advised that due to the size of their product it was unlikely to fit into our existing crematory space without significant remodelling and extension to the building. Indeed, our own architectural modelling has shown that it is not possible to install the two electric cremators that would be needed to complete the number of cremations currently undertaken.
- 6.6 In any event, although invited, the electric cremator supplier opted not to tender for the contract to replace the Council's two ATI cremators. Looking forward, if they are eventually proven to be a means of reducing the Council's carbon footprint, any new electric cremators and the associated abatement equipment will need a new purpose-built facility (assuming their space requirements cannot be significantly reduced).
- 6.7 The possibility of replacing the gas cremators with two electric cremators off-site within an existing building in the industrial zone has been considered. This would entail a new operating model, separately providing the funeral service and then the cremation process. Due to the substantial costs, the urgent need for fully abated cremators and uncertainty over the electric cremator technology, this is not considered to be a pragmatic or viable option in the short to medium term. Such an innovative approach would warrant carefully managed consultation with the public and other key stakeholders to determine whether it would be socially acceptable in Reading.
- 6.8 The ITT makes specific reference to cremator equipment being able to be adapted should environmental legislation change (e.g., change to hydrogen). The feasibility study has identified further opportunities to decrease the Council's carbon footprint through the wider operation of the site, and while not specific to this procurement exercise the overall programme will be considering: the optimisation of heat capture/exchange, the installation of on-site renewables in the form of Solar PV, and EV charging posts for visitor use.

6.9 Emissions

- 6.10 The Department for Environment, Food and Rural affairs (DEFRA) introduced a requirement for the cremation industry to remove mercury from 50% of cremations by 2012. During the period that the ATI cremators began to fail the Council had to amend its operating permit to reflect that abatement of emissions had not been achieved consistently to meet the requirements of the Permit.
- 6.11 Over the past couple of years DEFRA have indicated that crematoria will need to abate emissions for NO_x (Nitrogen Oxide). This is not a current requirement of the Environmental Protection Permit, however there is strong indication that this is likely to be required in the next couple of years. Therefore, as part of this procurement exercise we have asked suppliers to tender based on providing a fully compatible NO_x abatement system. This will avoid the need to retrospectively install the system which would be significantly more costly and disruptive to do at a later stage. Under the new contract we will see a reduction in NO_x emissions by 70% (from 850kg to 250kg).

6.12 Operations at the Crematorium

- 6.13 Other works required to the building and surrounds will not be carried out by the cremator supplier, however all works are being managed as part of the single project under the Design Team and Principal Designer. Proposals to improve energy efficiency being taken forward include the design and installation of Solar PV systems on buildings and on canopy frames over designated areas. These will provide a source of renewable energy to help mitigate the emissions on site.
- 6.14 In September 2021 Policy committee approved a land search to explore opportunities to provide cemetery land beyond the four years estimated longevity at Henley Road Cemetery. This provides a further opportunity to explore the feasibility of building a new crematorium that would be able to accommodate electric cremators. The maintenance contract for the new gas cremators could be for an initial 5-year period leaving the option to discontinue or ‘moth ball’ them and consider a new crematorium entirely, perhaps when more is known about the overall efficiency and energy use of electric cremators and / or as part of a long-term plan to meet Reading’s future burial and cremation needs.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 At this stage community consultation is not required. The service has recently consulted with communities on the provision of bereavement services more widely and feedback has indicated the service is well regarded and used within the Borough with 60% of respondents stating they wanted to use Reading Crematorium or Henley Road Cemetery for their own or family's funerals.
- 7.2 Further consultation may occur depending on requirements through the planning process.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to—
- eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 8.2 As part of the recent overall service design an equality impact assessment (EIA) was undertaken. The EIA specifically considers faith and cultural burial or cremation traditions.
- 8.3 The EIA has identified there is an opportunity to improve the cremation service provision in order to meet the faith needs of the Sikh and Hindu communities. These communities only choose cremations and as part of the process, they require to view the coffin entering the cremator and, for the head of the family to press the ‘charging’ button. Due to the current layout and accessibility, we are not currently able to provide this service. The EIA also identified further building works were needed to ensure all areas of the Crematorium were

accessible for wheelchairs and other disabilities. Both issues will be addressed and resolved as part of the broader build scheme within the project.

9. LEGAL IMPLICATIONS

- 9.1 The procurement exercise has been subject to the Public Contract Regulations 2015, and as such the principles of non-discrimination, equal treatment, transparency, mutual recognition, and proportionality will be applied.
- 9.2 In accordance with the Public Contract Regulations 2015 and the Council Contract Procedure Rules, the cremators will be procured under the Open procedure pursuant to Regulation 27 (Open) of the Regulations and advertised through RBC's electronic procurement portal, Intend, and circulated nationally on the Government site via "Find a Tender".
- 9.3 The contract will be negotiated on the principles of value for money and in accordance with the criteria stated in the Specification. This is Phase one of the procurement strategy.
- 9.4 Phase 2 of the procurement process will begin following the appointment of the Cremator Supplier. We are contracting with a Design Team (described in 4.9) who will oversee the design and build project, with the Principal Designer acting as our CDM. All works will be contracted under a standard construction contract known as a JCT (Joint Contracts Tribunal) once we know what our requirements and costs are. This piece of work comes after the procurement exercise for the cremator supplier, as every cremator design and requirements are different, and the cremator supplier will form part of the Design Team.

10. FINANCIAL IMPLICATIONS

- 10.1 The overall capital scheme is estimated to be around £1.73 million and is broken down in the table below. The cost profile is based on soft market testing interviews held this year. The original Capital scheme was approved in 2020, however based on these conversations a revised bid has been submitted this year to reflect increases in materials and inflation.

Item	Capital Cost £
Procurement of Cremators, equipment and Install	825,000
Specialist Project Management and Consultancy	100,000
Building works (inc energy efficiency measures) and associated subject matter experts (e.g QS, Mechanical Engineers etc) Dependent on final designs	500,000
Removal of Temporary Cremator	20,000
Contingency @ circa 20%	290,000
Total Capital Expenditure	1,735,000
Item	Revenue Cost £
Annual Maintenance Contract (5+ year contract)	68,000
Cease trading Emissions Scheme	(40,000)
Net Revenue Expenditure	28,000

- 10.2 These capital and revenue costs are still estimates based on current market conditions for building works and a formal tender for the cremators (including associated equipment and a fully inclusive maintenance agreement) and will be updated when the procurement exercises are complete.
- 10.3 The net revenue expenditure of £28,000 pa will be accommodated within existing service budgets.
- 10.4 The project will attract Minimum Revenue Provision costs of £90,000 pa based on a 20-year asset life. The funding of this additional revenue budget will be addressed as part of 2023/24 budget planning.
- 10.5 The Council's crematorium generates a surplus income to the Council in the region of £1 million per year.
- 10.6 The Capital Programme, attached as Appendix 7 to the Budget report approved by Council on 23 March, identifies schemes where the commitment to proceed has already been made. All other schemes remain in the Programme but approval to proceed will only be given when the Director of Finance confirms the availability of funds including that sufficient revenue budget is available to meet the ongoing capital financing costs of schemes.
- 10.7 The Cremator Replacement Project is not one of the projects where commitment to proceed has already been made and the revenue budget to meet the ongoing capital financing cost of the scheme has not been identified. However, the service generates a surplus in the region of £1 million pa and that surplus is at risk if project approval is delayed. It is therefore recommended that approval to proceed is given for this project.

11. BACKGROUND PAPERS

- 11.1 None