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## Report of the Director of City Development

### Executive Board

Date: 22 June 2011

Subject: Mercury Abatement Works – Rawdon Crematorium: Capital Scheme No 16194 RAW

<b>Electoral Wards Affected:</b> All
<input type="checkbox"/> Ward Members consulted (referred to in report)

<b>Specific Implications For:</b>
Equality and Diversity <input type="checkbox"/>
Community Cohesion <input type="checkbox"/>
Narrowing the Gap <input type="checkbox"/>

Eligible for Call In

Not Eligible for Call In  
(Details contained in the report)

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## EXECUTIVE SUMMARY

1. On the 25<sup>th</sup> August 2010, Executive Board approved the injection of £2.9m into the capital programme to fund Mercury Abatement works using the Council's prudential borrowing powers, to be funded by fees generated by the Environmental surcharge introduced for this purpose in 2008. Members also requested that a Design and Cost Report be brought back to Executive Board once a more detailed cost estimate for the Rawdon works had been developed.
2. Due to the specialist nature of this work it is proposed to deliver the scheme at Rawdon through a single design and build contract. This approach transfers risk to the successful contractor/supplier and also ensures better management of interfaces between new plant installation and building works.
3. Authority to Tender was approved by Capital Resources Group on 27<sup>th</sup> January 2011 and the tender was issued on 23<sup>rd</sup> March, bidders were requested to develop the designs and costs to RIBA stage D.
4. Tenders were returned on 27<sup>th</sup> April. A preferred contractor has now been identified for a tender sum of £1,445,050
5. The balance of the £2.9m not required for works at Rawdon and already injected into the capital programme will be available for further abatement works at Lawnswood and Cottingley crematoria.

## **1.0 Purpose Of This Report**

The purpose of the report is to:-

- 1.1 Advise Members of the current position with regard to facilitating the installation of cremators with mercury filtration equipment at Rawdon crematorium.
- 1.2 Request that members authorise the letting of the works contract and the incurring of expenditure of £1,645,050, including fees from existing budget provision.

## **2.0 Background Information**

- 2.1 Leeds is a statutory burial and cremation authority. The Parks and Countryside service is responsible for the management of three crematoria, twenty three cemeteries and twenty two closed churchyards. It is the fifth largest burial authority in the country, dealing with approximately 5,600 cremations and approximately 1,250 burials per annum.
- 2.2 In 2000, legislation was introduced to amend Regulation 37 of the Pollution Prevention (England and Wales) Regulations 2000, SI 1973. Specifically, PG5/2(04) requires that at least 50% of mercury emissions from crematoria should be abated before the 31<sup>st</sup> December 2012. This can be achieved by installing filtration plant to cremators to extract the mercury and thereby reduce emissions. Failure to comply with the legislation would constitute a breach in the operator's license issued by the Government, and could result in the forced closure of cremators.
- 2.3 In 2008, the Government asked authorities what their intentions were on installation of abatement equipment. Leeds advised that it would comply with the 50% mercury emissions abatement by December 2012.
- 2.4 On 25 August 2010 Executive Board approved the preferred approach to achieve the 50% target by replacing cremators and abating mercury at Rawdon by December 2012.

## **3.0 Main Issues**

- 3.1 Due to the specialist nature of this work it is proposed to deliver the plant and the ancillary building works via a single design and build contract. This approach transfers risk to the successful contractor/supplier and also ensures better management of interfaces between new plant installation and building works.
- 3.2 The works proposed at Rawdon Crematorium, which will be undertaken as phase one will consist of:-
  - construction works to the basement area, ground floor area and general works relating to asbestos removal, planning and building regulations;
  - removal of the existing cremators;
  - supply and installation of 3 new cremators with abatement filters;
  - re-use energy from the filtration plant heat exchange unit as a source of power for the existing buildings at Rawdon Crematorium;

- install refrigeration/cold room facility for the storage of coffins;
- upgrading of the electrical supply;
- upgrading of ICT and music systems;
- contingencies, contract administration etc.

3.3 Tenders have been invited and received for the works. Four contractors were invited to tender after undertaking a procurement exercise conducted under the restricted procedure of the European Union regulations (OJEU). The tenders were evaluated on the basis of price and quality and each of the contractors was interviewed. A preferred contractor has now been identified, the tender value is £1,445,050.

#### **4.0 Implications For Council Policy And Governance**

4.1 The key risks and mitigating factors associated with the works are:

There is no room for slippage if abatement equipment is to be installed by the 2012 deadline. The recommended design and build contract minimises the risk of complexities causing delays.

Potential disruption in service provision during the installation of works. To keep this as low as possible, the preferred contractor has stated that they will be able to keep the crematorium operational on two cremators throughout the contract period. However, there may be a maximum of 3 days where this may not be possible. In which case, bookings would be closed at Rawdon and the alternative of Lawnswood would be offered over this short period. In addition, the contractor may have to carry out this work over a weekend period in order to keep the level of disruption to a minimum.

For the avoidance of doubt, under these proposals all cremations will take place at the crematorium where the service is held, with no transportation between sites.

There is some exposure to achieving the 50% abatement target until abatement equipment is fitted at Lawnswood, a period of about six years. However, operating hours at Rawdon can be extended, and any remaining shortfall could be redressed from the emissions trading scheme and as it would be a low figure, the commercial risk is considered to be correspondingly low. The programming of procurement of equipment at Lawnswood could also be reviewed if necessary.

4.2 All procurements undertaken by the Council are required to follow the procurement legislation and rules as prescribed within the Public Contract Regulations 2006 and the Councils Contracts Procedure rules.

4.3 The procurement exercise to identify the most suitable contractor for this scheme was conducted under the restricted procedure as prescribed within the Public Contract Regulation 2006 with the formal notice being placed within the official journal of the European Union (OJEU) on 18<sup>th</sup> November 2010.

## 5.0 Legal And Resource Implications

5.1 In anticipation of the mercury abatement legislation requirements, the Council introduced an Environmental Surcharge in November 2008, which was set at £30, increased to £32 in January 2010, and £34 in April 2011, to build up funding for the introduction of abatement equipment. The fund value is £367k as at March 2011 and it is proposed to use the current fund arrangement to finance the Prudential Borrowing costs over a 20 year period for each crematoria. In 2009 the Federation of Burial and Cremation Authorities (FBCA) indicated that a levy charge of £40 per cremation would be appropriate to assist in delivering the abatement requirements. This will be taken into consideration when setting the charges for the cemetery and crematoria service at the beginning of each year and when final costs for the scheme are known. However based on a 20 year timeframe the Environmental surcharge, index-linked at 2% per annum will generate a fund of £2.9 million to finance the mercury abatement works required across the City.

5.2 The total estimated cost of the implementation of the works at RIBA stage D including fees is £1,645,050 broken down as follows:-

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2011 £000's	FORECAST				
			2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0	0.0	0.0				
OTHER COSTS (7)	0.0						
<b>TOTALS</b>		0.0	0.0	0.0	0.0	0.0	0.0

Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2011 £000's	FORECAST				
			2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	1445.1		1315.1	65.0	65.0		
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	200.0	92.9	57.1	50.0			
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	1645.1	92.9	1372.2	115.0	65.0	0.0	0.0

Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2011 £000's	FORECAST				
			2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015 on £000's
LCC Unsupported Borrowing	1645.1	92.9	1372.2	115.0	65.0		
Total Funding	1645.1	92.9	1372.2	115.0	65.0	0.0	0.0
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## 5.3 Revenue Effects

The detailed revenue effects remain to be determined, but significant savings are anticipated as below;

- overtime savings due to the operational advantages of the cold room;
- heating savings due to re-use of energy from the filtration plant.

## 5.4 Programme

Please note the current timetable below

Award Of Contract	-	11/07/2011
Start On Site	-	15/08/2011
Completion	-	01/06/2012

## 5.5 Equality and Diversity and Cohesion and Integration

No specific implications

## 5.6 Council policies and City priorities

The work described in this report will contribute to the following strategic outcomes

- Strategic outcome: Environment – Reduced ecological footprint through responding to environmental and climate change and influencing others.
- Strategic outcome: Environment – Cleaner, greener and more attractive city through effective environmental management and changed behaviours

## 6.0 Consultation

6.1 Informal discussions have taken place with local funeral directors regarding mercury abatement and how the Council achieves the 50% threshold at Rawdon Crematorium. Initial feedback received, indicates that due to the balanced location of crematoria across the city, funeral directors feel that any operational changes will not have any detrimental impact on service provision and income.

6.2 Legal and Finance officers have been consulted.

## 7.0 Conclusions

7.1 The Council is proposing to achieve the target of 2,800 cremations per annum through the installation of abatement equipment at Rawdon Crematorium through the generation of funds by Prudential Borrowing, utilising the environmental surcharge introduced in 2008 for this purpose. This will allow all of the city's statutory mercury abatement targets to be achieved on one site. If for any reason there is a shortfall, the City Council will have the option to trade via the proposed CAMEO scheme. Cremators will be replaced at Cottingley and Lawnswood when the existing cremators require replacement, by 2015/16 and 2017/18 respectively.

## 8.0 Recommendations

8.1 Executive Board is requested to:-

8.1.1 Note the works planned for Rawdon Crematorium

8.1.2 Authorise the award of the design and build contract in the sum of £1,445,050

8.1.3 Provide authority to spend up to £1,645,050 on the scheme including fees.

## **9.0 Background Papers**

9.1 Executive Board report 25<sup>th</sup> August 2010 – Crematoria Mercury Abatement

9.2 Pollution Prevention (England and Wales) Regulations 2000