

Executive  
11<sup>th</sup> February 2021

**Title: Warwick District Leisure Development Programme - Kenilworth Facilities**

**Lead Officer: Paddy Herlihy**

**Portfolio Holder: Councillor Rhead**

**Public report / Confidential report: Public Report**

**Wards of the District directly affected:** All wards of the District but likely to specifically affect:

Kenilworth Abbey and Arden

Kenilworth Park Hill

Kenilworth St Johns

**Contrary to the policy framework:** No

**Contrary to the budgetary framework:** No

**Key Decision:** Yes

**Included within the Forward Plan:** No

**Equality Impact Assessment Undertaken:** Yes Equality Impact Assessments have been undertaken for the two facilities in this project, and have been submitted as part of the Planning Application documentation

**Consultation & Community Engagement:** Yes. The first stakeholder and public consultation for Phase Two of the Warwick District Leisure Development Programme took place in October 2018. The report to Executive in January 2019 reported back on the results of that consultation. The second consultation was undertaken in November and December 2019. The results of that consultation were reported back to the Project Board and Members' Working Group; summary results were published and full results form part of the planning applications. The two planning applications offer a further opportunity for public consultation and community engagement.

**Final Decision:** Yes

**Accessibility checked:** Yes

**Officer/Councillor Approval**

| <b>Officer Approval</b>                | <b>Date</b> | <b>Name</b>                                     |
|--|-------------|---|
| Chief Executive/Deputy Chief Executive | 19/1/21     | Chris Elliot/Andrew Jones                       |
| Head of Service                        | 19/1/21     | Rose Winship                                    |
| CMT                                    | 19/1/21     | Chris Elliot/Andrew Jones/Bill Hunt/Dave Barber |
| Section 151 Officer                    | 19/1/21     | Mike Snow                                       |
| Monitoring Officer                     | 19/1/21     | Andrew Jones                                    |
| Finance                                | 19/1/21     | Mike Snow/Dilip Dabasia                         |
| Portfolio Holder(s)                    | 21/1/21     | Councillor Rhead                                |

### **1. Summary**

- 1.1 The current focus of the Warwick District Leisure Development Programme is the two leisure facilities that the Council owns in Kenilworth, being Castle Farm Recreation Centre and Abbey Fields Swimming Pool.
- 1.2 In July 2020 the Executive gave permission to officers to instruct the Design Team (provided and led by Mace Group) to proceed to the end of RIBA Stage 4 (design only) for both the Castle Farm Recreation Centre and the Abbey Fields Swimming Pool.
- 1.3 The design process for both buildings has now been completed to the end of RIBA Stage 4 (design only) and these designs have been signed off by the Project Board. Members will be invited to view these completed designs in advance of the Planning Application being presented to the Planning Committee. This report therefore focuses on the financial aspects of the work.
- 1.4 This report lays out the predicted financial costs of the project to reconstruct the Abbey Fields Swimming Pool and the Castle Farm Recreation Centre and asks that the impact of these costs is allowed for within the budget for the Council. It seeks permission to begin the procurement processes for the demolition and construction contracts for these facilities.
- 1.5 If approval is given the procurement processes will then continue so that a preferred contractor for the construction and the demolition can be identified and the costs agreed with the contractors. This report then seeks permission to let a demolition contract and a construction contract for each of these facilities with the preferred contractors, provided that the agreed costs are within the limits set in this report.

### **2. Recommendations**

- 2.1 That Executive notes that the RIBA Stage 4 (design only) has been completed for the reconstruction of Abbey Fields Swimming Pool and Castle Farm Recreation Centre and that Planning Applications have been submitted for each of the two buildings and further notes that the current estimated cost for the reconstruction of the Abbey Fields Swimming Pool is between £9,381,000 and £9,850,000 and the current estimated cost for the reconstruction of the Castle Farm Recreation Centre is between £11,834,000 and £12,426,000.
- 2.2 That Executive notes that the next stage of the process is to begin the procurement exercise for the demolition and construction contracts in order to establish cost certainty and agrees the following three recommendations in this regard.
- 2.3 That, subject to agreeing recommendation 2.2 of this report, Executive agrees that contracts for the demolition and reconstruction of the Abbey Fields Swimming Pool should be entered into by the Council if the costs for this element of the project do not exceed the cost cap of £9,850,000.

- 2.4 That, subject to agreeing recommendation 2.2 of this report, Executive agrees that contracts for the demolition and reconstruction of the Castle Farm Recreation Centre should be entered into by the Council if the costs for this element of the project do not exceed the cost cap of £12,426,000.
- 2.5 That, subject to agreeing recommendation 2.2 of this report, Executive agrees that, should the procurement exercise and the consequent “cost certainty” establish that either or both of these project elements exceeds the cost cap then a further report will be submitted to Executive in respect of the project or projects that has breached the cap, to determine next steps.
- 2.6 That, subject to agreeing recommendations 2.2 to 2.5 inclusive, Executive notes that circa £2.5m of developer Section 106 indoor sports contributions is anticipated to be available to help finance the demolition and reconstruction of the Abbey Fields Swimming Pool (full breakdown in Appendix C to this report) but notes that this sum is not guaranteed and comes with a number of risks (see section 6).
- 2.7 That, subject to agreeing recommendations 2.2 to 2.6 inclusive, Executive agrees the following:
- To recommend to Council that £7,800,000 from *Any Use Capital Receipts* is used to partly fund the demolition and reconstruction of the Abbey Fields Swimming Pool and the Castle Farm Recreation Centre.
  - To confirm in advance of receiving a full report at its March meeting on the allocation of the Community Infrastructure Levy (CIL) for 2021/2022 and beyond, it agrees that £6m of that levy is used to partly fund the demolition and reconstruction of the Castle Farm Recreation Centre but notes that the sum is not guaranteed and comes with a number of risks (see Section 6) and
  - That the balance of funding for the projects, anticipated to be between £5m and £6m (including cash flow costs), is determined by the Head of Finance and financed primarily via a Public Works Loan Board (PWLB) loan.
- 2.8 That, subject to agreeing recommendations 2.2 to 2.7 inclusive, Executive agrees that the Abbey Fields Swimming Pool and the Castle Farm Recreation Centre will not be re-opened after the current Covid pandemic closure, unless the works to either building described elsewhere in this report are not progressed or they are significantly delayed.

### 3. **Reasons for the Recommendations**

#### Recommendation 2.1

- 3.1.1 In July 2020 the Executive gave permission to officers to instruct the Design Team to proceed to the end of RIBA Stage 4 (design only) for both the Castle Farm Recreation Centre and the Abbey Fields Swimming Pool. This process was completed in December 2020 and the two resulting designs were approved by the Project Board. Both facilities include a high level of sustainability in their designs, in order to assist the Council in its intention to

become a net zero carbon organisation by 2025. A separate Planning Application has subsequently been submitted for each facility.

- 3.1.2 The predicted costs of the project to reconstruct Abbey Fields Swimming Pool and Castle Farm Recreation Centre are between £21,200,000 and £22,200,000 for the two projects combined. Of these, the cost of the Abbey Fields Swimming Pool element of the project is predicted to be between £9,381,000 and £9,850,000. The cost of the Castle Farm element of the project is predicted to be between £11,834,000 and £12,426,000.
- 3.1.3 As the procurement process has not yet been undertaken, these costs have not yet been tested with the market. The market is particularly volatile at the present time due to a number of issues but primarily the two unprecedented situations of the Covid 19 pandemic and uncertainties following the end of the Brexit transition period. However, these predicted costs have been calculated in considerable detail, based on the current designs, which have been completed to the end of RIBA Stage 4 (design only), which gives a high level of detail on the design. In order to fund this project as effectively as possible, a number of sources will need to be used.

### Recommendation 2.2

- 3.2.1 If recommendations 2.3 to 2.5 inclusive of this report are agreed, then it will be appropriate to proceed with a procurement exercise for the demolition contractor and a separate exercise for the construction contractor for each site. It is proposed to carry out separate procurement exercises for these two functions as demolition is a specialist task. If the main construction contractor was asked to complete the demolition as well as the construction they would simply employ a sub-contracted demolition contractor and add their own fees on top of the cost of the demolition contractor.
- 3.2.2 It has not been possible to undertake these exercises to date, as procurement regulations make it clear that the Council should not advertise a procurement opportunity until it is relatively clear that an authority has sufficient resources to enter into the contract.
- 3.2.3 It is proposed to let separate contracts for the demolition of each of the two buildings, and also separate contracts for the construction of each of the two buildings, making four contracts for demolition and construction in all. This will improve the accuracy of contract management. However, following Procurement Team advice, it is proposed that only one demolition contractor and one construction contractor will be used as this will provide economies of scale on the contract cost. Tenderers will be invited to submit separate costs for each building, on the basis that both buildings will be included within the work. Tenderers will also be asked to submit costs for each building if the other building was not included. Tender costs will be assessed on the basis that both buildings are to be included.
- 3.2.4 The disconnection and installation of services to the two buildings will not be part of the contracts, as such works have to be undertaken by the Council directly. The Council will enter into contracts with the various service providers directly to deliver this work. Unlike with Phase One of the Leisure

Development Programme, both of these project elements involve the complete demolition of the existing building and the disconnection of all services before the construction contractor begins work, and so there will be no repeat of a situation where the construction contractor is on site but waiting for services to be disconnected or redirected.

- 3.2.5 As part of the procurement and contractual process, the Council will require both contractors to minimise carbon emissions arising out of the demolition and construction processes.
- 3.2.6 The proposed timetable for the works is shown in Appendix B to this report. Appendix B also shows the programme advantages of utilising a procurement framework with mini-competition. The revised programme is summarised as follows –

Commence procurement process - February 2021

Finalise documents – March 2021

Select preferred demolition and construction contractors – June 2021

Approval of contractors and costs by Project Board – August 2021

Start on site (demolition) – September 2021

Castle Farm Leisure Centre opens – October 2022

Abbey Fields Swimming Pool opens – December 2022

### Recommendation 2.3

- 3.3.1 Once the procurement process has been completed the Council will have identified a preferred contractor for the demolition of the two buildings and a separate preferred contractor for the construction of the two buildings. A price will also have been agreed with each contractor for each building, in the event that it is decided to only proceed with one of the two buildings.
- 3.3.2 It is proposed that the Executive gives approval as recommendation 2.3 of this report to the Council entering into a contract with the preferred demolition contractor and a separate contract with the construction contractor to proceed with the works on the Abbey Fields Swimming Pool site if the combined price for the two contracts is less than the cost cap of £9,850,000. This cost cap represents the predicted cost of the works plus a maximum of 5% to allow for the current volatility in the market and also for the time delay between the cost prediction and the signing of the contract. The cost cap also includes the consultant fees for the remainder of the project, contingency and other sums. For the avoidance of doubt, the sum that the contractors submit for the work will therefore have to be such that all remaining costs are contained within the cost cap.
- 3.3.3 The advantage of this recommendation is that if the prices received are less than the cost cap there will not be a need for a further report to the Executive, which will save time on the project timetable. As shown in paragraph 3.2.6 above, this will help to enable completion of both buildings by December 2022.

### Recommendation 2.4

- 3.4.1 It is proposed that the Executive gives approval as recommendation 2.4 of this report to the Council entering into a contract with the preferred demolition contractor and a separate contract with the construction contractor to proceed with the works on the Castle Farm Recreation Centre if the combined price for the two contracts is less than the cost cap of £12,426,000. This cost cap represents the predicted cost of the works plus a maximum of 5% to allow for the current volatility in the market and also for the time delay between the cost prediction and the signing of the contract. The cost cap also includes the consultant fees for the remainder of the project, contingency and other sums. For the avoidance of doubt, the sum that the contractors submit for the work will therefore have to be such that all remaining costs are contained within the cost cap.

### Recommendation 2.5

- 3.5.1 If the Executive agrees recommendation 2.2 of this report, a procurement process will be undertaken. Once a preferred demolition contractor and a preferred construction contractor has been identified, the contractors and the Design Team will undertake a process known as 'value engineering' which seeks to establish if there are any elements of the design or the demolition and then construction method that could be altered in order to reduce costs without affecting the efficacy, appearance and sustainability of the completed buildings.
- 3.5.2 It is possible that the procurement exercise will identify that the agreed costs for either the works at Abbey Fields Swimming Pool or the works at Castle Farm Recreation Centre will be higher than the cost cap for that building.
- 3.5.3 If this situation occurs, the first action would be to revisit the agreed costs with the demolition contractor and the construction contractor to see if it is possible to agree a cost that is less than the respective cost cap or caps. This would be done through a process of repeating the 'value engineering' exercise to see if it is possible to drive more savings into the process.
- 3.5.4 However, if it proves impossible to reduce the costs of either one or both of the facilities below the cost cap then a further report will be submitted to Executive to determine next steps.

### Recommendation 2.6

- 3.6.1 One potential source of funding for the Abbey Fields Swimming Pool element of this project is receipts under the Section 106 (s106) process. Based on the sums that have already been agreed in s106 agreements for indoor sport with developers and other sums that have been calculated as due from developments that are at the Planning Application stage, as shown in Appendix C to this report, it is estimated that £2,500,000 will be available to partly fund the works at Abbey Fields Swimming Pool from this source.
- 3.6.2 It is not permitted to mix receipts from s106 agreements with receipts under the Community Infrastructure Levy (CIL) process for the same element of a

project. It is therefore proposed that all s106 receipts to be used on the Leisure Development Programme at this stage should be allocated to the Abbey Fields Swimming Pool.

- 3.6.3 However, it should be noted that this sum is dependent on developers proceeding with their developments and reaching the trigger points that require them to make the s106 payments. This sum is not therefore guaranteed and so it comes with risk, as shown in paragraph 6.2 below.
- 3.6.4 At the present time £2,767,266 has been agreed with developers as contributions towards the provision of indoor sport that could be used to partly fund the reconstruction of Abbey Fields Swimming Pool. In addition, a further £91,991 has been identified as s106 contributions from developments that are currently at the Planning Application stage. This second sum still needs to be agreed with the developers concerned but is calculated in accordance with a nationally-recognised and approved formula. This means a total of £2,859,257 may be available from this source. The list of projects and amounts is shown as Appendix C to this report. In view of the fact that not all Planning Applications may receive Planning Permission, or progress to full delivery, it is considered prudent to identify £2.5m as being potentially available from this resource.

### Recommendation 2.7

- 3.7.1 If Executive approves recommendations 2.2 to 2.5 inclusive of this report it will be necessary to provide sufficient funding to complete this project. A number of sources have been identified, in addition to the s106 funding mentioned in section 3.6 above. The first of these is funding from *Any Use Capital Receipts*.
- 3.7.2 It is recommended that £7,800,000 is made available from this source, as shown in section 5 of this report. The unallocated balance of these receipts as at 31 March 2020 was £7.257m. This balance is projected to increase by £1m in 2020/21 to give an anticipated balance as at 31 March 2021 of £8.3m.
- 3.7.3 The second additional source of funding is receipts from the Community Infrastructure Levy process. As shown in paragraph 3.6.2 above, it is not possible to mix s106 receipts with CIL receipts. It is therefore proposed that £6,000,000 of the Council's CIL receipts should be allocated to partly fund the works for the reconstruction of the Castle Farm Recreation Centre. It should be noted that Executive is due to receive a report at its March meeting on the allocation of the Community Infrastructure Levy for financial year 2021/22 and beyond, and that this recommendation allocates £6 million of this funding at this point.
- 3.7.4 It is unlikely that sufficient CIL funding will be received by the Council in any one financial year to make the full £6,000,000 available to the Castle Farm project in one year. It is therefore proposed that the funds should be allocated as £3,000,000 in each of two financial years – 2021/22 and 2022/23. It is more usual to agree the allocation of CIL money on a year-by-

year basis, but given the scale and importance of this project, it is proposed to make this allocation over a period of two financial years.

- 3.7.5 CIL is received from developers when certain trigger points of development are reached. Receipts from this source cannot therefore be accurately predicted, as income rates may accelerate or slow, depending on the speed of development. This can also be affected by insolvency and substantial external events, such as the current pandemic. It is therefore possible that insufficient funds may be received in the two relevant financial years to make the sums proposed in this recommendation available to the project in the relevant year. In this instance it is proposed that CIL funding is made available to the Castle Farm element of the Programme in subsequent years, until the £6,000,000 total is reached. In this case the Council may need to forward fund an element of the funding from one financial year to the next. The cost of financing any such forward funding is shown in paragraph 5.6 of this report
- 3.7.6 The third and final additional source of funding is recommended to be a loan from the Public Works Loan Board.
- 3.7.7 Income from Capital Receipts is forecast to generate £16,300,000 for this project if recommendations 2.6 and 2.7 of this report are approved. Costs are currently predicted to be between £21,200,000 and £22,200,000. As stated in paragraph 3.1.3 above, these sums have been calculated in considerable detail, but they are subject to testing in a volatile market. These predictions indicate an initial shortfall in project funding of between £4,900,000 and £5,900,000.
- 3.7.8 In order to meet this shortfall it is proposed that a loan is taken out with the Public Works Loan Board for a sum not exceeding £6,000,000. The on-going costs of servicing a loan of £6,000,000 and of servicing a loan of £5,000,000 are shown in paragraph 5.3 of this report. The amount of loan to be taken out will be the difference between the income from receipts of £16,300,000 and the final costs of the project.

### Recommendation 2.8

- 3.8.1 If Executive approves recommendations 2.2 to 2.6 inclusive it is likely that Abbey Fields Swimming Pool and Castle Farm Recreation Centre will close for demolition in the second half of 2021. Both centres are currently closed due to the Government restrictions related to the Covid 19 pandemic and it is currently not clear when leisure centres in Warwickshire will be permitted to re-open. After the first lockdown in 2020 ended, attendance at the two leisure centres in Kenilworth took longer to recover and figures fell short of the pre lockdown levels by a significant margin. At the present time the uncertainties of the pandemic mean that both centres are operating at a loss and the Council is supporting Everyone Active to remain open whenever restrictions allow, in order to continue to make a fitness offer to local residents.
- 3.8.2 When it is clear what date leisure centres will be permitted to reopen and it is also clear what date the two Kenilworth facilities are likely to close for



demolition, it is likely that it will not be cost effective to open the facilities between the two dates. It is likely that the costs of re-opening and attempting to encourage customers to return will not be a cost effective use of the Council's resources, given the short amount of time before the facilities are due to close again.

- 3.8.3 Given the uncertainties around Government restrictions and the imminent closure of the facilities for demolition, it is proposed that the Abbey Fields Swimming Pool and the Castle Farm Recreation Centre do not reopen after the current lockdown ends and they remain closed until the start of demolition. If for any reason the works to either or both facilities are not progressed, or if the demolition of either building is significantly delayed, then this decision will be revisited.

#### 4. **Policy Framework**

##### 4.1 **Fit for the Future (FFF)**

- 4.1.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several key projects. This report shows the way forward for implementing a significant part of one of the Council's key projects.

- 4.1.2 The FFF Strategy has 3 strands – People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The table below illustrates the impact of this proposal in relation to the Council's FFF Strategy.

##### 4.2 **FFF Strands**

###### 4.2.1 **External impacts of proposal(s)**

**People - Health, Homes, Communities** – The proposal seeks to provide impressive cultural and sports facilities for Kenilworth and the wider District. It seeks to assist in the provision of cohesive and active communities and it seeks to encourage increased physical activity for the whole community through the stimulus of better quality public facilities.

**Services - Green, Clean, Safe** – The proposal seeks to ensure that the new buildings have a high standard of sustainable design in order to be as close to net-zero carbon as possible so as to contribute to the Council's intention to become a net-zero carbon organisation by 2025. It seeks to contribute to the provision of well looked-after public spaces by being appropriate for the spaces in which they are located and to ensure that all communities have access to decent open space and leisure facilities. It seeks to increase sustainability by developing Travel Plans to achieve a modal shift towards greener transport.

**Money- Infrastructure, Enterprise, Employment** – The proposal seeks to stimulate a dynamic and diverse local economy through the letting of construction contracts and to encourage a vibrant town centre in Kenilworth

by improving two key public facilities that are both within walking and cycling distance of the town centre. It seeks to increase employment and income levels by providing larger facilities that will generate more jobs in the sector.

### 4.2.2 **Internal impacts of the proposal(s)**

**People - Effective Staff** – The proposal will further enhance the experience of the Warwick District Council Leisure Development Programme team and other colleagues in managing large scale capital schemes.

**Services - Maintain or Improve Services** – The proposal seeks to focus on our customer needs by providing facilities that meet the needs identified by the Indoor Sport and Leisure Strategy for the current and future population of the District. The designs and process include learning points from Phase One of the Leisure Development Programme and recent innovations in the industry.

### 4.3 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies and the relevant ones for this proposal are explained here:

#### 4.3.1 Local Plan

The Warwick District Local Plan 2011-2029 was adopted in September 2017 allocating land south of Coventry and in Kenilworth for development. Around 2,000 dwellings are allocated within Kenilworth and around 4,400 south of Coventry, with a significant proportion of the latter to come forward beyond the current plan period. The Local Plan is a key document in defining the future of Kenilworth, as well as the rest of the District. It has been necessary to get the Local Plan in place before deciding on the future of leisure provision in Kenilworth, as the changes introduced by the Local Plan will affect demand for sports and leisure facilities.

#### 4.3.2 Development Brief for land east of Kenilworth

Warwick District Council has also led on the preparation of a Development Brief for land east of Kenilworth covering the strategic housing, employment and education sites. The Development Brief has now been agreed by the Council.

#### 4.3.3 Neighbourhood Plan

Kenilworth Town Council has led on the preparation of a Neighbourhood Plan covering the whole town. The Plan has now been through its referendum process and has been made. It was approved by local residents with a 94 per cent 'yes' vote from a 29 per cent turn out. The Neighbourhood Plan will now form one of the material considerations for planning decisions in the Kenilworth area.

#### 4.3.4 Indoor Sport and Leisure Strategy and Playing Pitch Strategy

These strategies were initially established in 2015, having carried out comprehensive audits of local provision and needs. The Council formally adopted the Strategies which now form part of the base for development of the District's sporting provision. They were updated and re-adopted by the

Council in 2019. They have been key evidence documents for the Local Plan, in securing s106 contributions from developers to date and in establishing robust relationships with Sport England and national governing bodies of sport.

**4.4 Changes to Existing Policies**

None

**4.5 Impact Assessments**

4.5.1 Equality Impact Assessments are a vital part of the design process for any facilities constructed through the Warwick District Leisure Development Programme. Initial considerations of accessibility and other impacts are part of the ongoing process of good design. It has been agreed that enhanced changing facilities for customers with profound needs will be included in the new designs at Abbey Fields Swimming Pool. The 'Changing Places' style initiative will be used as an inspiration to ensure that those with profound needs will be able to use the new swimming facilities. Equality Impact Assessments have now been carried out for both proposed facilities, and the documents are included within the Planning Applications.

**5. Budgetary Framework**

5.1 The financial implications of the proposals form the main focus of the body of this report. The wider budgetary framework for the construction of these two facilities was laid out in detail in the report to Executive made on 21<sup>st</sup> August 2019. Most of the figures given in that report, and the rationale behind them, remain largely unchanged at this time and so this material will not be repeated in this report.

5.2 However, it is clear that what has changed in the intervening time is the financial pressures on the Council created by the Covid 19 pandemic. These pressures are subject to a rapidly changing situation at the present time, when the overall financial impact of the pandemic on the funding for the Council is hard to assess with any accuracy. For example, any slowing in the construction of new houses may or may not lead to a reduction in the amounts of Community Infrastructure Levy and s106 payments received by the Council. Similarly, the impact of the pandemic on the construction industry and on the prices that contractors charge for construction are also subject to uncertainty at present.

5.3 The summary of the financial proposals in this report is as follows –

| <b>Financial Summary</b> |                     |                    |               |
|--------------------------|---------------------|--------------------|---------------|
| Income and expenditure   |                     |                    |               |
| <b>Item</b>              | <b>Abbey Fields</b> | <b>Castle Farm</b> | <b>Total</b>  |
|                          | <b>£000's</b>       | <b>£000's</b>      | <b>£000's</b> |
| Predicted cost (lower)   | 9,400               | 11,800             | 21,200        |

## Agenda Item 11

|                                       |         |               |                |
|---------------------------------------|---------|---------------|----------------|
| Any Use Capital Receipts              | (3,900) | (3,900)       | (7,800)        |
| S106                                  | (2,500) | 0             | (2,500)        |
| CIL                                   | 0       | (6,000)       | (6,000)        |
| PWLB Loan                             | (3,000) | (1,900)       | <b>(4,900)</b> |
|                                       |         |               |                |
| <b>OR</b>                             |         |               |                |
| Predicted cost (upper)                | 9,800   | 12,400        | 22,200         |
| Any Use Capital Receipts              | (3,900) | (3,900)       | (7,800)        |
| S106                                  | (2,600) | 0             | (2,500)        |
| CIL                                   | 0       | (6,000)       | (6,000)        |
| PWLB Loan                             | (3,400) | (2,500)       | <b>(5,900)</b> |
|                                       |         |               |                |
| PWLB Annuity loan over 25 years at 2% |         |               |                |
|                                       |         |               |                |
|                                       |         | <b>£000's</b> | <b>£000's</b>  |
|                                       |         |               |                |
| Principal                             |         | 5,000         | 6,000          |
| Annual payments                       |         | 255           | 306            |
| Total interest                        |         | 1,378         | 1,654          |
|                                       |         |               |                |

- 5.4 The following points should be noted in connection to the table shown as paragraph 5.3 of this report. The costs for the reconstruction of each of the buildings has been calculated with considerable care. However, a range is shown as these figures have not yet been tested in the volatile market. The lower and upper range of the predicted costs make it appropriate to estimate that £4.9 million to £5.9 million will be required from the Public Works Loan Board loan. The cost of borrowing £5 million and borrowing £6 million are therefore shown as illustrative examples. The current rates for PWLB loans for these sums is slightly higher than 1.5%. The example shown here uses 2% in order to be prudent. Even allowing for such prudence, rates are subject to change in the future.
- 5.5 These costs will need to come from the Council's resources. The Council's Medium Term Financial Strategy (MTFS) is considered within the Budget report on this Executive agenda. The projections within the MTFS allow for £500k per annum to cover the revenue costs of the borrowing. This has been factored in from October 2022. Subject to the precise amount needing to be borrowed and the borrowing rates, it should be possible to reduce this figure which will contribute towards the savings needed to be found by the Council.
- 5.6 Paragraph 3.7.5 of this report makes clear that CIL funding is only received from developers when certain conditions are met and the same is true of the s106 funding that is referred to in section 3.6 of this report. If receipts from either CIL or s106 are not received at a fast enough rate to fund the costs illustrated in this report, it will be necessary to forward fund these sums from the Council's own resources. It is not possible at this stage to predict whether or not this situation will occur and if it does, how much forward funding will be required. However, the cost of forward funding to the Council at this time is approximately 1%. Therefore, for every £1 million that would

need to be forward funded for a period of one year the cost to the Council would be in the region of £10,000. This would need to be found from existing resources.

- 5.7 In previous reports on this subject, indicative figures were provided for the financial changes that would be expected within the contract with leisure centre operators Everyone Active when the new centres were opened. At the present time, the changing situation with regard to the Covid pandemic and the impact on the operation of leisure centres is creating an extremely difficult situation for Everyone Active. The Council and the company are both monitoring the situation extremely closely and the financial aspects of the contract are subject to very considerable uncertainty. In these circumstances, it is not possible to predict the financial changes that would be created by the opening of the new centres. However, discussions with Everyone Active have established that the facilities available in the two new buildings are such that at the very least the new facilities will not have a detrimental effect on the financial arrangements between the Council and the company, in comparison to the retention of the existing buildings. Officers will keep this under constant review and report back when the situation is clearer.

### 6. **Risks**

- 6.1 The greatest risk to this project at present is the Covid 19 pandemic. This is having unprecedented impacts on the Council's finances, leisure operators, the construction industry and on the national economy. The importance of the impact of the pandemic is already clear, but the actual magnitude of the changes it will produce is not yet known. Officers will monitor the impact of the pandemic on the project very closely and respond quickly to any new problems or opportunities created.
- 6.2 Income from Section 106 developer contributions and from Community Infrastructure Levy contributions is not guaranteed. If developers do not proceed with their developments, or if the rate of progress is slowed, contributions are either not received at all or they are not received in a timely manner. Funding from s106 agreements for future projects are subject to negotiation with developers, and so amounts are not guaranteed. Although the amount of CIL to be paid is known with certainty, the speed of payment can be affected by such things as insolvency or significant external events. There is also the possibility that the process of CIL may be terminated by national Government. However, it is not anticipated that this will take place before the CIL identified in this report has been received from developers.
- 6.3 If the project does not go ahead then there is a risk that the required amount of indoor water space for swimming will not be available for the increased population in the Kenilworth area of the District. This will mean that local residents will have less access to indoor water space for swimming than is recommended by Sport England.
- 6.4 A Project Risk Register has been established for the current stages of the project. The Risk Register will be kept up to date throughout the project, and

its content monitored regularly in order to manage risk within the project.

Risks at this stage of the project include:

- Insufficient funds are available to continue with these proposals. This will be addressed if the recommendations of this report are agreed
- Work does not proceed and so the existing facilities in Kenilworth are not the equal of Newbold Comyn Leisure Centre and St Nicholas Park Leisure Centre
- Ongoing maintenance issues of existing buildings
- Heritage, car parking and other constraints limit development choices
- Uncertainties over the Kenilworth Wardens relocation project impact on the Castle Farm proposals and particularly the planning application

6.5 A full Risk Workshop was undertaken with professional services advisers and the Design Team at the beginning of the RIBA Stage 4 design process, before technical design commenced. The Risk Register was completely updated after this Risk Workshop and is attached as Appendix A to this report.

### 7. **Alternative Option(s) considered**

7.1 It would be possible to not undertake any improvements to the facilities at Castle Farm and Abbey Fields. If this decision was to be made then these two buildings would not have the same sort of aspirational, successful and modern facilities as the Council has provided at Newbold Comyn and St Nicholas Park. These two facilities would not be contributing to encouraging the District's residents to adopt an increasingly healthy lifestyle in the same way as the two refurbished facilities. Income from the contract with Everyone Active would not be maximised because attendance and income would not be enhanced by newer facilities. The opportunity would be lost to bring the buildings up to modern design standards, particularly with regard to sustainability. The buildings would not be prepared for use for another 30 years.

7.2 It would be possible to freeze the current design process for the two facilities until the financial impact of the Covid 19 pandemic on the Council is known in more detail. However, to delay the project in this way would lead to increased costs for prolongation and for inflation. If the freeze was for more than a few weeks, the current Design Team would probably be re-deployed onto other projects, leading to a lack of continuity and additional re-start costs.

### 8. **Background**

8.1 The Leisure Development Programme was commenced in 2015 after a strategic review of the existing sports and leisure centres owned by Warwick District Council. Phase One of the District-wide Programme was to thoroughly re-build the Newbold Comyn and St Nicholas Park Leisure Centres. This Phase was completed in 2018. Phase Two is intended to completely demolish and re-build the Castle Farm Recreation Centre and Abbey Fields Swimming Pool, both in Kenilworth.

## Agenda Item 11

- 8.2 The design process for the new Abbey Fields Swimming Pool and Castle Farm Recreation Centre have both now reached the end of RIBA Stage 4 (Design only) and Planning Applications for each facility have been submitted.

### **APPENDICES:**

- A: Project Risk Register
- B: Proposed Programme
- C: Section 106 contributions to the project