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Date: 9<sup>th</sup> January 2023

Dear Sir/Madam,

**Cabinet – 11<sup>th</sup> January, 2023**

I refer to Agenda Item 9: Bedworth Physical Activity Hub - Update and attach the report that was marked to follow.

Yours faithfully,

BRENT DAVIS

Chief Executive

To: Members of the Cabinet

Councillor K. Wilson (Leader of the Council and Business and Regeneration)  
Councillor C. Golby (Deputy Leader and Housing and Communities)  
Councillor S. Croft (Finance and Corporate)  
Councillor S. Markham (Public Services)  
Councillor R. Smith (Planning and Regulation)  
Councillor J. Gutteridge (Health and Environment)

Observer

Councillor C. Watkins (Leader of the Main Opposition Party)

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## **Report Summary Sheet**

**Date:** 11<sup>th</sup> January 2023

**Subject:** Leisure Development – Bedworth Physical Activity Hub (BPAH) Update

**Portfolio:** Public Services (Councillor S. Markham)

**From:** Director – Public Services

### **Summary:**

This report provides Cabinet with a Leisure Development update in relation to Bedworth Physical Activity Hub (BPAH) following notification from the selected contractor that the revised cost to deliver the project are now £34M. Due to the increased costs and subsequent financial strain this will place the Council under in extending prudential borrowing by a further £6/7M, it is therefore recommended that the Borough Council delay any further work on the BPAH project at this time.

### **Recommendations:**

1. That the Borough Council delay any further work on the BPAH project at this time, whilst additional funding streams are sought.
2. That Officers are instructed to formally consult with DLUHC as to options available for the £14.95M grant and changes to the agreement with them that would allow a staged approach to constructing the BPAH.
3. That Officers liaise with Sport England as to the confirmed capital funding approved and changes to the project delivery that would allow a staged approach to constructing the BPAH.
4. That Officers identify any other sources of external funding that could support in delivering the BPAH.
5. That delegated authority be given to the Director - Public Services, in conjunction with the Cabinet Member for Public Services and the Cabinet Member - Finance and Corporate, to apply for any other appropriate sources of funding as soon as practicable.

6. That Officers bring back a further update report to advise of outcomes of discussions with current and other potential external funding partners and if applicable any applications that may have been made for any other appropriate sources of funding.

**Options:**

- a) Approve the recommendations in full.
- b) Do not approve the recommendations

**Reasons:**

The Council at this time cannot afford any additional prudential borrowing to the value of £6/7M, to meet the shortfall in the project costs. Further borrowing will expose the Council to a significant risk given the current financial strain the authority is under to provide a balance budget and its Medium-Term Financial Planning strategy (MTFP).

**Consultation undertaken with Members/Officers/Stakeholders**

Chief Executive, Director Finance and Enterprise, Leader of the Council and Portfolio Holder - Public Services.

**Subject to call-in: Yes**

**Ward relevance: All**

**Forward plan: Yes**

**Building A Better Borough Aim 1: Live**

**Priority 1: Promote residents' health and wellbeing**

**Relevant statutes or policy:**

N/A

**Equalities Implications:**

No direct equal opportunities implications

**Human resources implications:** None at this time

**Financial implications:**

The total project costs initially identified at £27.5M in March 2022, have now risen to £34m due to many changes worldwide and the impact this has had on utilities, inflation, and construction and supply chains etc.

The Council have secured £2M funding from Sport England not yet drawn down, that is required to be utilised in the 23/24 financial year. Any changes to this timescale will require further consultation and formal agreement.

The £14.95M secured from LUF, has commenced drawn down of funds to undertake work required from 1<sup>st</sup> October 2021 in delivering RIBA Stage 4a and 4b and some additional ground investigation works prior in readiness for Stage 5. Discussion with DLUHC will be required as to delaying the project at this time and any changes to the agreed project delivery.

**Health Inequalities Implications:**

The adopted Leisure Facilities Needs Assessment Strategy supports the Council's Building A Better Borough in improving health and wellbeing by providing opportunities and facilities for residents to access and take part in physical activity at all levels across the Borough.

The existing Bedworth Leisure Centre has a limited shelf life, without significant capital investment.

**Section 17 Crime & Disorder Implications:**

The increase or provision of new facilities or different leisure pursuits will give opportunities for more residents to take part in physical activities.

**Risk management implications:**

The success of the LUF and Sport England applications help reduced the financial risk implications for the Council by reducing the required prudential borrowing element when submitting in June 2021. Due to the increase costs of the project this secured funding now only supports 50% of the project costs.

Any additional borrowing by NBBC will place the authority under such significant financial risk at this time that the Director for Finance & Enterprise could not support it in her capacity as Section 151 Officer, given the current financial situation for 22/23 and the MTFP and delivery of other capital projects the Council is committed too.

The recommendation to therefore delay the project at this time, shows good Council Governance in managing overall financial risks.

**Environmental implications:** None at this time.

**Legal implications:**

Clarification with the DLUCH will be required to understand any legal implications on the funds already drawn down from this funder and implications for the Council.

Future procurement in accordance with this procurement process and the Council's Contract procedures Rules (CPR's) will be followed.

**Contact details:**

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## **AGENDA ITEM NO:9**

### **NUNEATON AND BEDWORTH BOROUGH COUNCIL**

**Report to:** 11<sup>th</sup> January 2023

**From:** Director – Public Services

**Subject:** Leisure Development – Bedworth Physical Activity Hub (BPAH)  
Update

**Portfolio:** Public Services (Councillor S. Markham)

#### **Building A Better Borough**

#### **Aim 1: Live**

#### **Priority 1: Promote residents' health and wellbeing**

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#### 1. Purpose of Report

- 1.1 This report provides Cabinet with a Leisure Development update in relation to Bedworth Physical Activity Hub (BPAH) following notification from the selected construction company, that the revised project cost to deliver the project is now £34M. This cost does not include the works to the Green Corridor yet to be agreed, as opportunities to phase these works in the Bedworth visioning may well be a better way forward to deliver this element.
- 1.2 Since the last update to Cabinet in June 2022, the project team has developed RIBA Stage 4A design information for the replacement of the existing Bedworth Leisure Centre, with RIBA Stage 4B work being progressed. This work was initially due for completion in September 2022. However, following the issue of the draft Contract Sum Analysis (CSA) by the contractor, it had become apparent that this work would need to be delayed to undertake a thorough Value Engineering (VE) exercise to determine where efficiencies in the scheme could be made.
- 1.3 Since November 2020, the Construction industry has seen high levels of inflation. This has been due to several factors, ranging from Covid 19 to Brexit. Early Q1 of 2022 saw an easing of inflation challenges within the construction market, with many manufacturers and suppliers reverting to a more predictable quarterly price reviews. However, in late February 2022 when Russia invaded Ukraine, this caused further severe disruptions to global markets, exposing vulnerabilities to the security of the supply of raw materials critical for industrial production. This has meant that initial package returns for the BPAH scheme have identified inflationary pressures and cost increases over and above expected amounts.

- 1.4 This report outlines the challenges faced by the Council and Contractor in providing a scheme that aligns with the project budget and proposes that the Borough Council delay any further work on the BPAH project while additional funding is sought.

## 2. Recommendations

- 2.1 That the Borough Council delay any further work on the BPAH project at this time while additional funding is sought.
- 2.2 That Officers are instructed to formally consult with DLUHC as to options available for the £14.95M grant and changes to the agreement with them that would allow a staged approach to constructing the BPAH.
- 2.3 That Officers liaise with Sport England as to the confirmed capital funding approved and changes to the project delivery that would allow a staged approach to constructing the BPAH.
- 2.4 That Officers identify out any other sources of external funding that could support in delivering the BPAH.
- 2.5 That delegated authority be given to the Director - Public Services, in conjunction with the Cabinet Member for Public Services and the Cabinet Member - Finance and Corporate, to apply for any other appropriate sources of funding as soon as practicable.
- 2.6 That Officers bring back a further update report to advise of outcomes of discussions with current and other potential external funding partners and if applicable any applications that may have been made for any other appropriate sources of funding.

## 3. Project Background and Current Status

- 3.1 The Bedworth Physical Activity Hub (BPAH) was identified as the priority project, due to the current age and limited future life span for the existing facility.
- 3.2 The total project costs initially identified at £27.25M in March 2022, have now risen to £34M due to many changes worldwide and the impact this has had on utilities, inflation, and construction and supply chains etc.
- 3.3 The project increase means that the Council would need to undertake additional Prudential Borrowing of £6/7M to meet the funding gap.
- 3.4 Due to the significant project cost increase, Value Engineering (VE) workshops took place to review the project and try to bring project costs back into scope.

- 3.5 As part of the VE exercise the facility mix was not changed for the building with more focus placed on final finishes and specification of areas within the building as well as the façade finish.
- 3.6 The proposed external scheme was scaled back, with consideration on the specification of finishes in particular focus. Activity spaces including the Fun Fit Bank, Green Gym and Climbing Boulders were removed from this phase of works. It should also be noted that the Green Corridor works have been requested to be de-scoped as part of the VE exercise and moved under Transforming Bedworth works, this revised scheme will still look to provide a crossing point to the Town Centre.
- 3.7 Following completion of the VE exercise and Ground Investigations the contractor has now completed their Contract Sum Analysis (CSA) and advised of their total construction cost and overall project cost of circa £34M.
- 3.8 The secured funding for the BPAH project remains as follows:

<b>Sport England</b>	£2M (requires all to be drawn down 23/24)
<b>LUF</b>	£14.95M (includes funding for Green Corridor works)
<b>NBBC S.106</b>	£5M (Anticipated based upon current Local Plan developments and build out. Trigger points need to be hit to receive first and second stage payments from developers in the 'south'.
<b>NBBC Prudential Borrowing</b>	£5.55M
<b>Total original model</b>	<b>£27.5M</b>

- 3.9 The Football Foundation are considering our financial request and if successful this would not be applied for until 24/25, as the planned construction of the new all-weather pitch is the very last area to be completed for the site.
- 3.10 The funding identified above from Sport England is required to be drawn down in the financial year 23/24. The delivery of the project for LUF is required by March 2025 subject to their formal agreement.
- 3.11 The overall project costs of £34M means any additional borrowing by NBBC will place the authority under such significant financial risk at this time and that the Director for Finance & Enterprise could not support it in her capacity as Section 151 Officer, given the current financial situation for 22/23 and the Medium Term Financial Planning (MTFP) and delivery of other capital projects the Council is committed too.

#### 4. Financial Implications

- 4.1 The implications of the increased BPAH capital cost have been modelled. Based on a capital cost of £34M, with £17M of external funding (LUF and



Sport England), and £5M S.106, the Council would need to borrow £12M. The borrowing rate is expected to raise again in January 2023 to 4.76%.

- 4.2 On the basis that S.106 is not anticipated to be received in full prior to the project conclusion, the Council may also be required to borrow this additional £5M in the short to medium term. This will result in borrowing of around £17M when the original budget only assumed borrowing of £5.5M. With interest rates at an all-time high, the financial risk of the project continuing without further external funding or cost reduction is unfeasible.

5. Key considerations / Risks

- 5.1 The £34M project budget sum, is not a fixed price cost and additional negotiations with the contractor and also agreement with shared risks as part of a formal JCT contract will be required. This could well increase beyond the £34M budget cost until a contract price is formally signed off.
- 5.2 The Council have undertaken due diligence and identified a contingency sum for the project. However, there are associated risks with any project of this size and nature. The site of the Miners' Welfare Park also poses complications due to the previous use of the site/land from mining works. Ground investigations works have taken place, but this still poses a risk until works are completed above ground level.
- 5.3 Following the Value Engineering / de-scoping works to reduce costs there is a requirement to undertake a Section 73 application for Planning. This will require approval from the Planning Committee to allow the design changes to take place and be approved as part of the planning process for the project.

Kevin Hollis  
Director – Public Services