

Report of the Strategic Director of Place to the meeting of Executive to be held on 3rd October 2023

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Subject:

Squire Lane Leisure, Community, Health, and Wellbeing Centre

Summary statement:

This report updates Executive on the progress of the Squire Lane Leisure, Community, Health and Well Being Centre and presents a revised proposal to ensure that the scheme can be delivered within existing financial constraints.

EQUALITY & DIVERSITY:

A full Equalities and Social Inclusion Impact Assessment (ESIIA) will be completed as part of the project plan to ensure that the impact of any change is understood and mitigated where appropriate.

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Portfolio:

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Overview & Scrutiny Area:

Regeneration & Environment

1. SUMMARY

This report updates Executive as to the revised scope of the Squire Lane project and the consequential financial implications. The revised scope has been assessed as being the most affordable option that would remain compliant with LUF grant conditions (subject to DLUHC approval) and that would provide an efficient and fit for purpose facility.

2. BACKGROUND

- 2.1 Executive approved the principle of developing a Leisure, Wellbeing and Enterprise facility at Squire Lane, with an available budget of £48.9m on 6th July 2021. This was subject to the award of £20m of Levelling Up Fund (LUF) grant which the Council subsequently secured.
- 2.2 A further report was considered by Executive on 21st February 2023 which updated on progress and sought approval for the project to move through the remaining Design stages and to proceed with appointing a contractor to ensure that the deadline for defraying the £20m LUF grant (March 2025) could be achieved.
- 2.3 Due to the extended timeline for confirmation of health funding via the Department for Health's 'Capital Departmental Expenditure Limit (CDEL) process, Bradford District Care Trust has been unable to commit at this stage to contributing towards the financial requirements of the scheme. The council is committed to continuing to engage with the Trust on the need for health facilities and the availability of resources to deliver improvements moving forward. However, the scope of the Squire Lane project needs to be reviewed given the withdrawal of the key partner in the project.
- 2.4 A decision is required on the re-scoping of the project to ensure that the scheme remains affordable whilst also continuing to meet LUF grant criteria.
- 2.5 If the revised proposal is approved, the council will submit a change request to the Department of Levelling Up and Communities to obtain their approval to the re-scoping of the project and the revised cash flow.
- 2.6 The Squire Lane project is part of the Sports Facilities Investment Strategy approved in January 2015 which sought to replace old facilities reaching the end of their design life with new, more energy efficient and cheaper to run facilities that will play a significant part in improving the health and wellbeing of Bradford's communities well into the future.
- 2.7 As part of the strategy, older, less efficient, and poorer quality pool / gym facilities have been closed at Queensbury, the Richard Dunn Centre and Bingley. A new, modern, and efficient leisure centre has been developed in Sedbergh and the creation of the long-planned Squire Lane facility would be the second new build facility developed in accordance with that strategy.
- 2.8 The process to appoint a contractor is underway and if the revised project scope is approved, is due to conclude during January 2024.

3. OTHER CONSIDERATIONS

3.1 Originally, the scheme was approved with an estimated capital cost of £48m.

Aside from the capital estimates, the other major assumptions were that: -

- 1) The operating cost (i.e., noncapital financing costs such as staffing, energy, cleaning etc), of the Leisure Centre would be largely self-financing from user income.
 - 2) The capital costs of the Council element of the scheme would be largely covered by LUF Grant, and existing capital approvals.
 - 3) The capital costs and building operating costs of the parts of the building occupied by non-council (mostly NHS) tenants would be self-financing by recovering capital financing costs through long term leases, and operating costs through service charges.
- 3.2 As health partners have now withdrawn from the scheme, there will be no income generated to cover the prudential borrowing cost of the capital required to construct the health space. As a result, the re-scoping has focussed on reducing floorspace, continuing to provide community space, meeting rooms and a hall where health services could be delivered, but which reduces the overall revenue implications of development.
- 3.3 Construction inflation and energy costs have been high and remain volatile. Both have impacted on overall costs and these too have been revised. Projections on user income have also been revisited, acknowledging the reduction in usage that has been observed because of the cost-of-living crisis and the squeeze on household budgets.
- 3.4 The re-scoped development will provide a high quality, modern leisure facility which will contribute significantly towards delivery of the council's priorities in relation to health. It will also provide high quality community facilities that will enhance existing community provision within Toller Ward and provide the opportunity for a broader range of community related services to be delivered locally. The council's policies in relation to affordable access to leisure facilities for disadvantaged households remains in place however and thus people on low incomes will still be able to access the facilities provided within the new development.
- 3.5 The new facility will replace other, older, and less efficient facilities and provide significant opportunities to improve the overall health and wellbeing of the communities of the area and thus remains a key objective of the councils Sports Facilities Investment Strategy approved in January 2015.
- 3.6 The site is located in Toller Ward in the Bradford West Area. The catchment of the centre incorporates an estimated 70,000 residents. Current health data indicates that the area suffers from multiple health disadvantage. The level of childhood obesity / excess weight at year 6 is higher than the Bradford average at 41.5%. Deaths because of Cardiovascular disease are 117 per 100,000 compared with the Bradford average of 100. Deaths due to respiratory illness are 50 per 100,000 compared to a Bradford average of 41. The provision of high-quality health facilities

will assist to encourage residents to be more active and thus impact positively on the health of the local population.

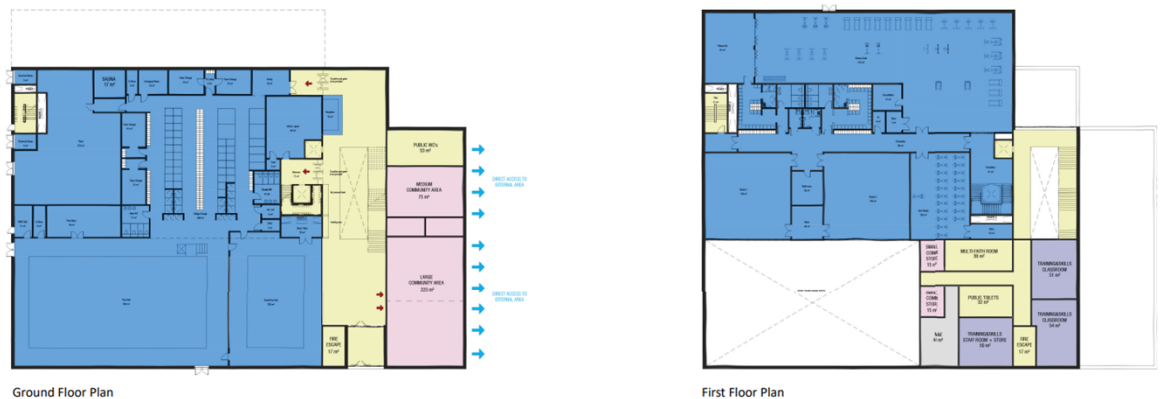
Financial Summary

- 3.7 In summary, the factors set out above have changed the scheme's scope and financial projections. However, the council remains committed to deliver the new facility and to fully utilise the £20m LUF grant awarded by DLUHC to the project, subject to confirmation of a viable and sustainable financial delivery model.
- 3.8 All councils are subject to increasingly difficult financial constraints due to the issues set out in section 3.3 above. As a result, many councils are seeking to amend the scope of LUF projects to remain able to deliver financially sustainable developments within the budget envelope available.

Proposed Scheme Changes

- 3.9 The project team has worked with the design team to reduce the scale of the building whilst also meeting LUF grant criteria.
- 3.10 An option has been produced which retains delivery of the leisure element as well as the community and enterprise spaces. Health outcomes will now be delivered flexibly from within the community and enterprise areas of the development. This new option reduced the floor space from 10,781m² at bid stage to 4,291m².

Revised layout to the Squire Lane facility as approved by the SRO and Project Board.



- 3.11 The revised option reduces the building size and thus has reduced the overall capital cost of the project to £34.9m, inclusive of £3.2m of contingency.
- 3.12 The impact on revenue costs has been assessed as being an additional c£1.19m per annum, to include the impact of increased construction costs, reduced income, and the revenue costs of servicing capital borrowing. £0.45m of this requirement has been factored into the capital financing revenue budget, leaving a further c£0.7m revenue funding gap to be added to the council's Medium Term Financial Plan (MTFS) as a budget pressure from 2026/7 onwards.

- 3.13 The revised option will require agreement from DLUHC about changes to planned grant outcomes on the basis that the overall changes exceed DLUHC 30% change threshold, To that effect a change request has been submitted to DLUHC for approval.

Options for closing the remaining Revenue Gap

- 3.14 The council is committed to attempting to mitigate the full revenue pressure of £0.75m. This will be achieved by exploring further efficiencies, identifying additional sources of funding and by exploring options to commercially let the enterprise and community space in the building, thus generating additional income.
- 3.15 Energy consumption estimates will also be revised as the design progresses. The new building is planned to have Solar Panels, Air Source Heat Pumps, and other energy efficiency measures. Estimates of building energy consumption will be modelled as the design progresses and this should reduce the current revenue budget gap. Additional funding sources may be available to deliver new, innovative low carbon energy methodologies and these will be explored in full.

4. FINANCIAL & RESOURCE APPRAISAL

- 4.1 The revised scope has been assessed as being the most affordable option that would remain compliant with LUF grant conditions (subject to DLUHC approval), and hence attract £20m of grant towards the c£34m capital costs.
- 4.2 As outlined, the project has had to be rescoped because of changes in requirements for the building following the withdrawal of key partners, and taking account of significant construction inflation, and energy cost increases amongst others.
- 4.3 The consequence of the above is that currently the most viable scheme option will result in ongoing revenue costs of circa £1.19m. This is inclusive of c£0.44m of net operating costs, and c£0.75m of annual financing costs associated with a £14m borrowing requirement (£34m capital cost - £20m LUF grant).
- 4.4 As the Council's capital financing budget already includes c£450k that is set aside for the Sports Investment plan, this would leave a c£0.7m budget gap that will need to be factored into the Medium-Term Financial Strategy, and future budgets (2026-27) unless otherwise mitigated.
- 4.5 As outlined previously the project team will continue to seek to identify ways to reduce the budget gap through efficiency measures/ additional income, and the scheme cost is very sensitive to interest rate changes. Indicatively for each 1% change in interest rates the financing cost increases/ decreases by c£120k per year.
- 4.6 It should also be noted that the Council is currently spending less on sports facilities than planned due to the timing difference between sites closing and new planned ones opening.

- 4.7 Indicatively, the net operating costs of the sites that have closed since the Sports Investment Strategy was approved (Richard Dunn, Bingley Pool, and Queensbury) was c£1.1m at 2022-23 prices. This compares to c£0.7m of net operating costs in 2023-23 at the recently opened Sedbergh site, which was also inclusive of c£250k of extraordinary additional electric and gas costs following the war in Ukraine.
- 4.8 Total spend on the project to date is c£2.4m, comprised of consulting and design fees. This includes design and consulting expenditure related to the original project design. All costs to date have been grant funded. Any abortive costs will have no budget impact.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1 Governance arrangements on the project are well established with a project board chaired by the Strategic Director of Place. There are regular reporting arrangements in place to DLUHC.
- 5.2 Discussions have been held with the council's Procurement Team to ensure that the forms of contracts used will mitigate commercial and contractual risks to the council as far as is possible and embrace modern procurement methodologies. Regular risk workshops are undertaken with the Design Team so that the council can identify and manage all key risks.
- 5.3 Financial risks remain, and the project will require final approval when the council's budget settlement for 2024/25 is confirmed during December 2023 and when the procurement process crystallises construction costs. As a result, a further report will be brought to Executive during January 2024 to confirm the detailed and final budget implications of the project.

6. LEGAL APPRAISAL

There are no specific legal issues.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

The proposed development will be constructed to meet at a minimum Building Regulation Part L requirement, which specifies the minimum benchmarks to be met on energy efficiency.

Discussions are ongoing with the Council's Energy Team to ensure that the most suitable alternative technologies are considered within the current budget envelope.

7.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

The plans for the proposed development include modern energy and cost-saving measures in the design and build. Working as close to the net zero carbon policy as is achievable.

7.3 COMMUNITY SAFETY IMPLICATIONS

The building will be designed to meet the most modern standards in safety and will provide the users with a daytime and evening facility that can provide proactive services to encourage greater community pride and activity in positive activities related to health, education and employment and physical activity.

7.4 HUMAN RIGHTS ACT

There are no implications for the Human Rights Act.

7.5 TRADE UNION

There are no direct Trade Union implications arising from this report at present.

7.6 WARD IMPLICATIONS

The development will take place in the Toller Ward. However, the facility is also likely to draw users from other adjacent wards. The development is accessible to residents living in the Manningham, Heaton, Bingley Rural and Bingley, Thornton, and Allerton Wards. Therefore, the completed scheme will provide access to vitally important services to a considerable proportion of communities in the central and southern areas of the District, beyond the boundaries of Toller Ward.

7.7 AREA COMMITTEE LOCALITY PLAN IMPLICATIONS

Not applicable.

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

Not applicable.

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

Not applicable.

8. NOT FOR PUBLICATION DOCUMENTS

Not applicable

9. OPTIONS

- (A) Approve the revised option for proceeding with the Squire Lane project.
- (B) Closing the project, terminating the current design appointments, and withdraw from the £20m LUF funding.

10. RECOMMENDATIONS

- 10.1 That the revised project scope which results in a capital budget requirement of £34.9m to be funded by £20m of LUF Grant, and £14.9m of Council capital financing be approved.
- 10.2 That the associated future year revenue budget implications for proceeding with the Squire Lane project (subject to DLUHC approval of its continued funding) as outlined in section 4.3 be noted.
- 10.3 That officers continue to seek to identify measures to reduce the revenue budget gap.
- 10.4 That a further report be presented to Executive for approval following confirmation of the council's 2024/25 financial settlement and when final scheme costs are determined.

11. APPENDICES

None.

12. BACKGROUND DOCUMENTS

Executive Report 21st February 2023