

Council

23 July 2024

Transforming Nuneaton Vicarage Street Development

Recommendations

That Council approves

- 1) The allocation of £5.14m from the Capital Inflation Contingency Fund for the delivery of a new Library and Business Centre in Nuneaton; and
- 2) A £6.70m increase to the capital programme, for the new Library and Business Centre in Nuneaton allowing for the inflationary uplift referred to at Recommendation 1, the land purchase price and a contribution of up to £1.5m from the West Midlands Combined Authority (WMCA), giving a total scheme budget of £26.12m.

1. Executive Summary

- 1.1 Vicarage Street Development site is a key part of the Transforming Nuneaton programme, a strategic partnership programme with Nuneaton and Bedworth Borough Council (NBBC), which together will support the local economy and provide a strong hub for Nuneaton's community. The scheme at Vicarage Street is identified in the Council Delivery Plan 2024-2026, using County Council owned land and buildings to deliver a regeneration project which will add value to the town, improve the delivery of services, support the local economy, and provide new housing.
- 1.2 The scheme for the site consists of a new Library and Business Centre, up to 65 new housing units, and landscaping and associated works.
- 1.3 In December 2019 the Council approved £19.42m be added to the capital programme for the delivery of the new Library and Business Centre. Due to delays in delivery a cost review exercise was undertaken which, with cost of significant inflation in the sector factored in, established a new cost of delivering the scheme at £29.39m. Since then, extensive value engineering and optioneering work has taken place to consider what could be delivered within the original budget and alternatively within the original budget plus a provisional inflation fund allocation. A revised scheme is now proposed, with acceptable change in scope/scale, at a cost of £24.49m. Additional funding is being sought externally of circa £1.5m to support the site preparation works, including demolition which will need to be allowed for within the increase in

the capital programme, taking the total capital programme value to £26.05m (including land acquisition costs).

- 1.4 To deliver the Library and Business Centre, Capital Inflation Fund monies are also required to meet inflationary costs which have arisen due to recent, turbulent economic times and a delay in delivery due to gaining vacant possession.
- 1.5 It is intended that the delivery of the residential element of the site will be carried out by Warwickshire Property & Development Group Limited (WPDG), the Council's wholly owned property company, which is considered to be best placed to provide the expertise and resource to carry out this role given their regeneration and place making objectives. Should this approach be pursued a site-specific business case will be brought to Cabinet for consideration in the usual way.
- 1.6 In order to deliver the residential element of the scheme some land owned by Nuneaton and Bedworth Borough Council (NBBC) is required. Completion of the acquisition will be approved by the Executive Director for Resources under his delegated authority with funding for the acquisition coming from the Capital Investment Fund. Members are referred to the exempt Cabinet paper of 16 July 2024 for further detail on this element.

2. Financial Implications

2.1 Library and Business Centre – Capital

- 2.2 Extensive value engineering work has taken place and the scheme has been modified to reduce costs overall to £24.49m. Members are referred to the exempt Cabinet paper of 16 July 2024 for further detail.
- 2.3 This has been achieved by removing a floor from the building reducing it from a four storey to a three storey building, redesigning the front entrances to a single entrance, removing the proposed café, and a general tightening of costs through smaller sundry reductions in specification, creating a building of 3,318sqm in size (original 4,124sqm).
- 2.4 The new cost plan (Appendix 1 of the exempt cabinet paper of 16 July 2024) shows the cost per square metre of gross internal floor area (GIFA) space for the revised 2024 scheme and compares it to the original 2019 cost per square metre (GIFA).
- 2.5 Applying the 2019 construction rates to the value engineered 2024 scheme equates to a cost of £11.97m compared to £16.71m at current rates and therefore a cost increase of £4.73m. This reflects the increase in build costs due to inflation up to first quarter 2024. In addition, the inflation to the midpoint of construction, currently costed at £1.12m, equates to an overall impact due to inflation of £5.85m.

- 2.6 There remains an element of the revised cost that cannot be covered through value engineering and or a re-scope. A small proportion of the inflation cost identified in 2.5 above can be absorbed but the majority cannot, this is the amount required from the capital inflation impact fund.
- 2.7 Should the application for additional funding of £1.5m referred to at paragraph 1.3 be successful it will be used for site preparation and ground works to ensure the site has serviceable plots for development, particularly the residential plots. The budget released as a result will be put towards improving the sustainability of the buildings and site, the details of which will be worked up in the next stage of design work. In the absence of the additional funding, there will be no scope to increase the sustainability credentials of the development beyond that which can be done within the budget of £24,491,028 as all site preparation and groundworks will need to be covered within it.
- 2.8 As a result of the above, there is a requirement to increase the Capital Programme for the Library and Business Centre project from £19.42m to £26.12m to cover the full cost potential of the scheme.

2.9 **Library and Business Centre – Revenue**

- 2.10 The business centre will be run by the Council. Discussions are underway with the Council's Economy and Skills service to see how the new business centre at Nuneaton aligns to the current approach delivering the Warwickshire Business Centre portfolio. This will be subject to clear oversight and assurance of the commercial viability of the model to minimise future financial pressures for the Council.
- 2.11 The revenue costs of running the library will be covered by the existing Library revenue budget for Nuneaton Library. Detailed revenue costs of the new library are, as yet, unknown due to the current stage of scheme design. However, it is anticipated that a new, energy efficient building with much reduced maintenance requirements can be covered within the existing library resources.

2.12 **Residential Capital and Revenue**

- 2.13 The Council is currently in discussions with WPDG regarding the model for delivering the residential scheme, which will underpin a site-specific business case to Cabinet in due course. The risk of the houses remaining unsold or being sold at a later date is accounted for by means of the Council's commercial risk reserve and additional interest earned on the development loan the longer it remains unpaid. After all costs, land charges and fees have been discharged, any profit from sales would be shared with NBBC according to the terms of the land transaction.

2.14 Land Acquisition – Capital

- 2.15 As noted above, in order to facilitate the delivery of the Vicarage Street development it is necessary to purchase a parcel of land currently in NBBC's ownership.
- 2.16 Having the land in single ownership limits the legal and governance issues that arise from having development land in multiple ownerships. There will be no requirement for establishing a joint venture with the other landowner to enable development and it streamlines decision making.
- 2.17 Profit following completion of the housing scheme will be calculated after all costs of development including any HMRC taxation requirements, and finance costs on the scheme have been deducted and shared on a 50/50 basis.
- 2.18 The purchase price will be funded from the Capital Investment Fund and completion of the acquisition will be approved by the Executive Director for Resources under his delegated authority.

3. Environmental Implications

- 3.1 The current design for the new Library and Business Centre is to Building Research Establishment Environmental Assessment Method (BREEAM) rating of Very Good, in accordance with planning policy. BREEAM is a well-established industry wide standard used to specify and measure the sustainability performance of buildings, ensuring that projects meet sustainability goals and continue to perform optimally over time.
- 3.2 A BREEAM assessment uses recognised measures of performance, which are set against established benchmarks, to evaluate a building's specification, design, construction and use. The measures used represent a broad range of categories and criteria from energy to ecology. Each category focuses on the most influential factors, including reduced carbon emissions, low impact design, adaptation to climate change, ecological value and biodiversity protection.
- 3.3 Through its Sustainable Futures Strategy the Council has made a commitment to achieve net zero as an organisation by 2030. Discussions are ongoing with the design team to explore further measures to be taken within the available budget, to go beyond the BREEAM Very Good standard. The outline designs and costs are based on achieving already high standards of sustainability to meet building regulations and planning policy. The next stage of design will continue to develop this further in support of the Council's net zero by 2030 ambitions.
- 3.4 Detailed design of the residential scheme has not yet been started so detail on the housing unit's environmental performance is not yet known beyond meeting current building regulations and planning requirements. The scheme overall will include EV charging, cycling facilities, and suitable flood risk

management appropriate for the site. Town centre residential schemes enable lower carbon lifestyles, particularly in terms of travel and access to services.

4. Timescales associated with the decision and next steps

4.1 Key milestones

All timescales are subject to change at this early stage due to fulfilling planning requirements and procurement. The following are indicative timescales only

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| Full vacant possession of site | July 2024 |
| Demolition of existing buildings Phase 1 | Summer 2024 |
| Demolition of existing buildings Phase 2 | Autumn – Winter 2024 |
| Demolition of existing buildings Phase 3 | Summer 2026 |
| Detailed design, reserved matters (planning) & procurement | Summer 2024 – Summer 2025 |
| Construction of Library and Business Centre | Summer 2025 – Winter 2026 |
| Closure of current library | Winter 2026 |
| Construction of residential units | Summer 2026 onwards |

Appendices

None

Background Papers

Exempt Cabinet Report 16 July 2024 Item 14 members only

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The report was circulated to the following members prior to publication:

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Other members:

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Councillor Martin Watson, Portfolio Holder for Economy

Councillor Yousef Dahmash, Portfolio Holder for Customer and Transformation

Chair and Party Spokes of the Communities Overview and Scrutiny Committee

Councillors Jeff Clarke (Chair),

Councillor Jonathan Chilvers (Vice-Chair)

Councillor Sarah Feeney

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