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Friday, 27 August 2021

Dear Sir/Madam

CABINET

A meeting of the Cabinet has been arranged to take place on **Tuesday, 7th September, 2021 at 6.00 pm. in the COUNCIL CHAMBER**, District Council House, Lichfield to consider the following business.

Access to the Council Chamber is via the Members' Entrance.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Christie Tims'.

Christie Tims
Head of Governance and Performance

To: Members of Cabinet

Councillors Pullen (Chairman), Eadie (Vice-Chair), Cox, Lax, E Little, Smith, Strachan and A Yeates



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AGENDA

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Money Matters : 2021/22 Review of Financial Performance against the Financial Strategy

Cabinet Member for Finance, Procurement and Revenues & Benefits

Date: 7 September 2021
Agenda Item: 3
Contact Officer: Anthony Thomas
Tel Number: 01543 308012
Email: Anthony.thomas@lichfielddc.gov.uk
Key Decision? YES
Local Ward Full Council
Members

Agenda Item 3

Lichfield
district council

Cabinet

1. Executive Summary

- 1.1 The report covers the financial performance from April to June (Quarter One) for 2021/22 including updated projections of the ongoing financial impact of COVID-19.
- 1.2 The Medium Term Financial Strategy projected general reserves at 31 March 2022 would be **£6,985,824**. At this stage, general reserves are forecast to be **£7,134,301**, an increase of **£148,477** related to:
 - A higher than budgeted contribution in 2020/21 of **£139,117**.
 - Updates in 2021/22 summarised in para 3.22 decreasing the contribution by **(£14,910)**.
 - A projected favourable increase contained in this report for 2021/22 of **£24,270**.
- 1.3 The Capital Programme is projected to be **(£116,000)** lower than the Approved budget due mainly to re-profiling of the S106 Affordable Housing budget.
- 1.4 Capital Receipts are projected to be **(£28,000)** which is **£18,000** higher than the Approved Budget.
- 1.5 In terms of Council Tax, Business Rates, Sundry Debtors and Supplier Performance:
 - **Council Tax collection** in year performance was **29.40%** (34.80% in 2020/21) and total arrears were **£3,087,289** and the Council's share is **£401,348** (£3,022,164 and £392,881 in 2020/21).
 - The **Council Tax Collection Fund** is projected to be in deficit, as budgeted, with the Council's c13% share being **£61,520** compared to the Approved Budget of **£126,720**. This additional income of **(£65,200)** will be included in the 2022/23 budget.
 - Sundry Debt for income to be collected in 2021/22 has reduced by **(£525,812)** or **(31%)** compared to 2020/21, although the value outstanding at 30 June 2021 has increased by **£68,275** or **4%** mainly due to CIL/Section 106.
 - **Retained Business Rate Income** is projected to be **(£3,022,000)** in line with the Approved Budget.
 - The **Business Rates Collection Fund** is projected to be in deficit, as budgeted, with the Council's 40% share being **£3,417,000** compared to the Approved Budget of **£908,000**. This reduction in income of **£2,509,000** is largely due to additional COVID-19 reliefs up to the end of June 2021. This sum will be included in the 2022/23 budget and be offset by Section 31 grant.
 - There will be a timing difference due to statutory arrangements between receipt of grant in 2021/22 and the period when the deficit is charged to the Revenue Budget. Therefore the Business Rates volatility earmarked reserve will be utilised to 'smooth' the financial impact.
 - **Business Rates collection** in year performance was **29.90%** (32.10% in 2020/21) and total arrears were **£405,368** and the Council's share is **£162,147** (£1,077,115 and £430,846 in 2020/21).
 - The payment of suppliers within 30 days was **84.26%** and remains below our **90%** target.
- 1.6 The Council's investments achieved a risk status of **A+** that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.

2. Recommendations

- 2.1. To note the report and issues raised within and that Leadership Team with Cabinet Members will continue to closely monitor and manage the Medium Term Financial Strategy.
- 2.2. That Cabinet recommends to Council to update the Medium Term Financial Strategy to repurpose the earmarked reserves identified at paragraphs 3.10 and 3.11 of **£775,923** to new earmarked reserves identified at paragraph 3.12.

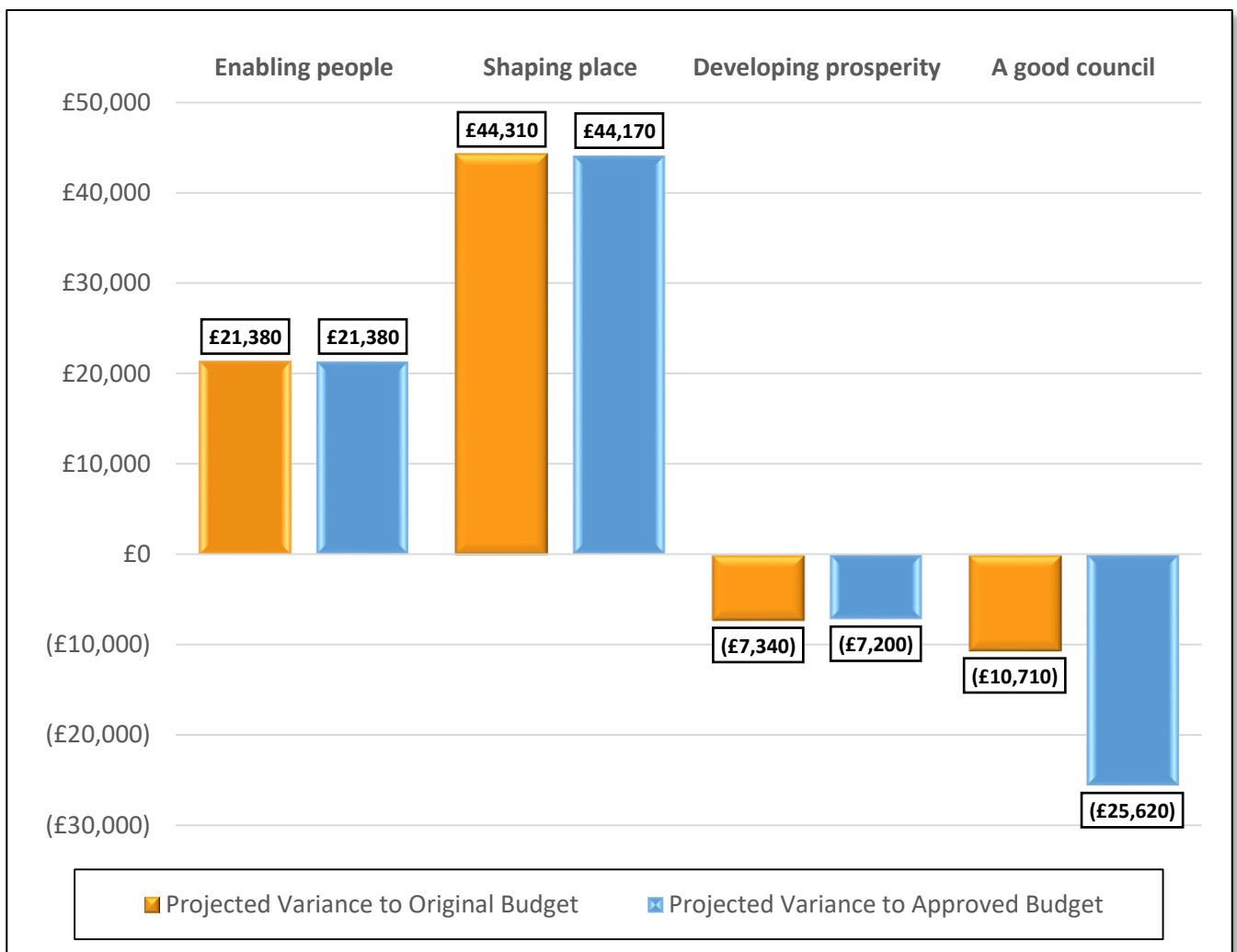
3. Background

Budget Management

- 3.1. The MTFS 2020-25 approved by Council on 16 February 2021 included the Original Budget for 2021/22 and set out the allocation of resources and the policies and parameters within which managers are required to operate.
- 3.2. Throughout the financial year, Money Matters reports are provided to both Cabinet and Overview and Scrutiny Committee at three, six and eight month intervals to monitor performance.
- 3.3. The Money Matters reports update the Approved Budget for latest projections and the eight month report will form the basis of the Revised Approved Budget for 2021/22 and will be approved by Council on 22 February 2022.

The Revenue Budget

- 3.4. Financial performance (excluding COVID-19) is shown in detail at **APPENDIX A** and in summary below:



Performance compared to the Approved Budget

- 3.5. In terms of the financial impact of COVID-19, the latest projection for 2021/22 only is **£656,000** and is shown in detail at **APPENDIX B**.
- 3.6. The projected impact will occur over several financial years with **£232,000** (compared to the budgeted impact of £289,000) impacting on general reserves in 2021/22. The element related to Council Tax and Business Rates collection fund performance will impact on the revenue budget in later years.
- 3.7. The overall projected variance is shown in summary below and in detail at **APPENDIX B** by Service Area:

	Projected Variance		
	Virement	COVID-19	Other Variances
Enabling People			
• Transfers	21,380		
Shaping place			
• Responding to and protecting against traveller trespass on Council owned land			36,100
• Transfers	8,070		
Developing prosperity			
• Transfers	(7,200)		
A good council			
• Increase in Insurance Premiums			3,010
• Minor Balance			(6,380)
• Transfers	(22,250)		
COVID-19		(57,000)	
Total - Net Cost of Services	0	(57,000)	32,730
		(24,270)	
Transfer (to)/from General Reserves			(£24,270)

Earmarked Reserves

- 3.8. There are no earmarked reserves scheduled to be returned to general reserves in 2021/22 under the three year time limit contained in the approved policy.
- 3.9. However, Cabinet and Leadership Team have been reviewing all unrestricted earmarked reserves with the aim of identifying those that could be repurposed to support strategic priorities.
- 3.10. The unrestricted earmarked reserves identified to date for repurposing are shown in the table below:

Reserve Name	Amount identified for Repurposing
Potential Employee Costs	30,000
HS2	35,413
Multi Storey Car Park Refurbishment	40,000
Growth Hub Advisor	7,000
Small Business Grant Scheme	4,196
Local Authority Parks Improvement Programme	340
Total	£116,949

3.11. In addition, a more detailed review is taking place in relation to the following unrestricted earmarked reserves to ascertain the potential for some or all of the balances to be repurposed:

Reserve Name	Amount 1 April 2021	Amount available for Repurposing	Amount requiring a policy decision
Discretionary Grant	125,905		
Local Restrictions Support Grant Open	99,435		
Local Restrictions Support Grant New Burdens Grant	58,500		
Test & Trace New Burdens Grant	22,362		
Test & Trace New Burdens Grant	24,910		
New Burdens Grant for Restart & ARG	166,800		
Housing/Hardship Risks	226,000	166,000	
Operational Services Contract Risks	492,974	492,974	
Property Company Loan	559,000		559,000
Business Rates Pilot Coach Park	605,959		605,959
	£2,381,845	£658,974	£1,164,959

3.12. It is recommended that the total of **£775,923** (£116,949 and £658,974) identified for repurposing is allocated to apprenticeships within the Council and an earmarked reserve to fund strategic priorities:

New Reserve	Amount
Apprenticeships	400,000
Strategic Priorities	375,923
Total	£775,923

Risk and Recovery Budget

3.13. The current financial position in relation to the risk and recovery budget is summarised below:

Name	Allocated	Committed	Balance
Supporting the Visitor Economy	246,000		246,000
Regional Marketing Strategy	45,000		45,000
Youth Unemployment Initiatives	105,000		105,000
Health and Wellbeing Initiatives	100,000	33,845	66,155
Apprenticeships within the Council	75,000		75,000
Total Committed	£571,000	£33,845	£537,155
Unallocated	570,380		570,380
Total	£1,141,380	£33,945	£1,107,535

Fees and Charges

3.14. The gross fees and charges budgets for 2021/22, together with actual income achieved over the last seven years, are shown in detail at **APPENDIX B**. The projected variances for those with the highest value are:



3.15. The reductions attributable to COVID-19 are included in the projections at para 3.7 although an element will be compensated through the income losses scheme. The reason for the significant variance is:

- **Car Parks** – the income continues to be severely impacted by COVID-19 although the element up to the 30 June 2021 will partly be offset by the income compensation scheme.

Closing the Funding Gap Progress

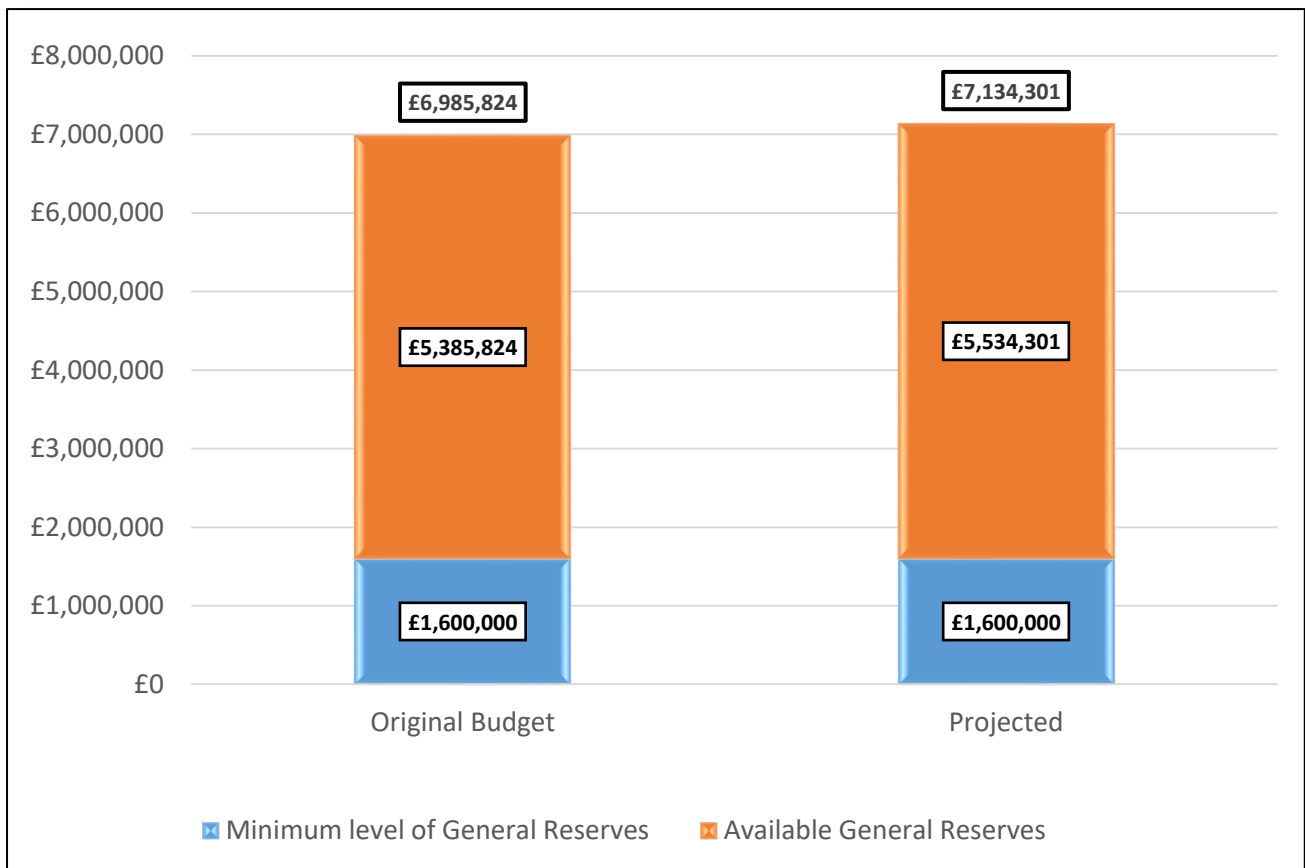
3.16. The progress (excluding any recommendations contained in this report) on closing the Funding Gap is:

	Cabinet Date	2021/22	2022/23	2023/24	2024/25	2025/26
Original Funding Gap		(£411,000)	£1,323,870	£2,004,530	£2,120,570	£2,309,400
Payroll Contract	09/02/2021	14,910	(2,990)	(13,190)	(13,190)	(13,190)
Garrick Theatre	13/04/2021	0	(40,000)	(100,000)	(150,000)	(175,000)
Approved Funding Gap / (contribution to General Reserves)		(£396,090)	£1,280,880	£1,891,340	£1,957,380	£2,121,210

3.17. The progress on closing the Funding Gap will continue to be monitored throughout the year.

Revenue General Reserves

3.18. The Original Budget estimated general reserves of **£6,985,824** at 31 March 2022. The current projected level is **£7,134,301**, an increase of **£148,477** (£124,207 related to last year and approved updates in 2021/22 and £24,270 contained in this report with further details at para 1.2) as shown below:



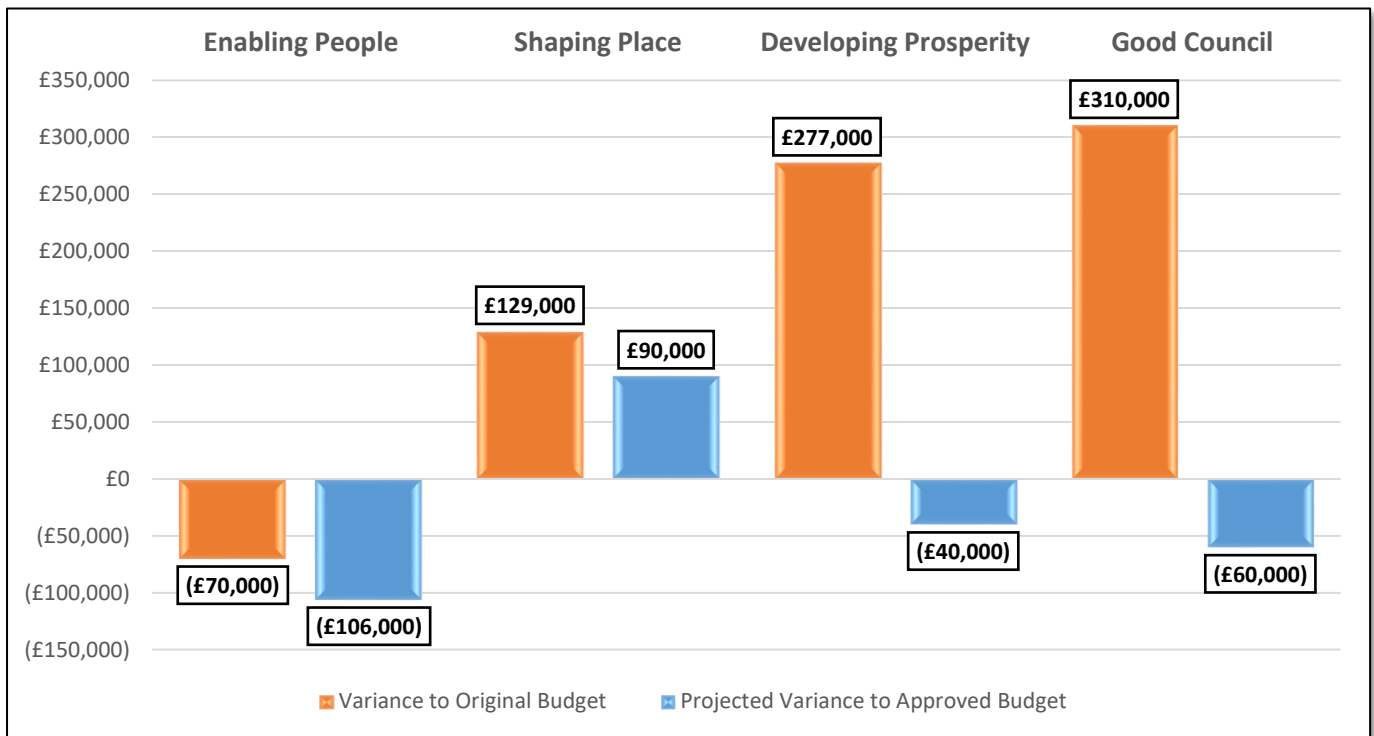
The Capital Programme

3.19. The Original Budget of **£6,530,000** was approved by Council on 16 February 2021. There has been one update to this budget during 2021/22:

- Slippage from 2020/21 of **£762,000** approved by Cabinet on 8 June 2021.

3.20. The Approved Budget is therefore **£7,292,000**.

3.21. The Capital Programme performance is projected to be below budget by **(£116,000)** or 2% compared to the Approved Budget. This below budget performance compared to both the Original and the Approved Budgets, is shown by Strategic Plan's Priority below and in detail at **APPENDIX C**:



Performance compared to the Approved Budget

3.22. There are projected variances compared to the Approved Budget related to:

	Projected Variances	
	Profiling	Other
<ul style="list-style-type: none"> • Home Repair Assistance – Increase budget to fund final grant awards • Affordable Housing Monies - £3k (See above) - £106k moved to 2022/23 as it is not expected to be spent this year. 	(£106,000)	£3,000 (£3,000)
Enabling People Total	(£106,000)	£0
<ul style="list-style-type: none"> • Bin Purchase – Budget increased due to property growth and funded by additional income from green waste and reserves. 		£90,000
Shaping Place Total		£90,000
<ul style="list-style-type: none"> • Multi Storey Car Park Project – Procurement outcome was lower than budget. 		(£40,000)
Developing Prosperity Total		(£40,000)
<ul style="list-style-type: none"> • IT Innovation – reduction in planned capital spend with earmarked reserve funding now being redirected to revenue related ICT spend • Property Planned Maintenance – Depot Sinking Fund transferred to this project. • Depot Sinking Fund – see above. 		(£60,000) £11,000 (£11,000)
A Good Council Total		(£60,000)
Total Projected Variance	(£106,000)	(£10,000)
	(£116,000)	

3.23. The Medium Term Financial Strategy included an Invest to Save proposal for the early repayment of capital investment funded by borrowing to generate annual savings in Minimum Revenue Provision.

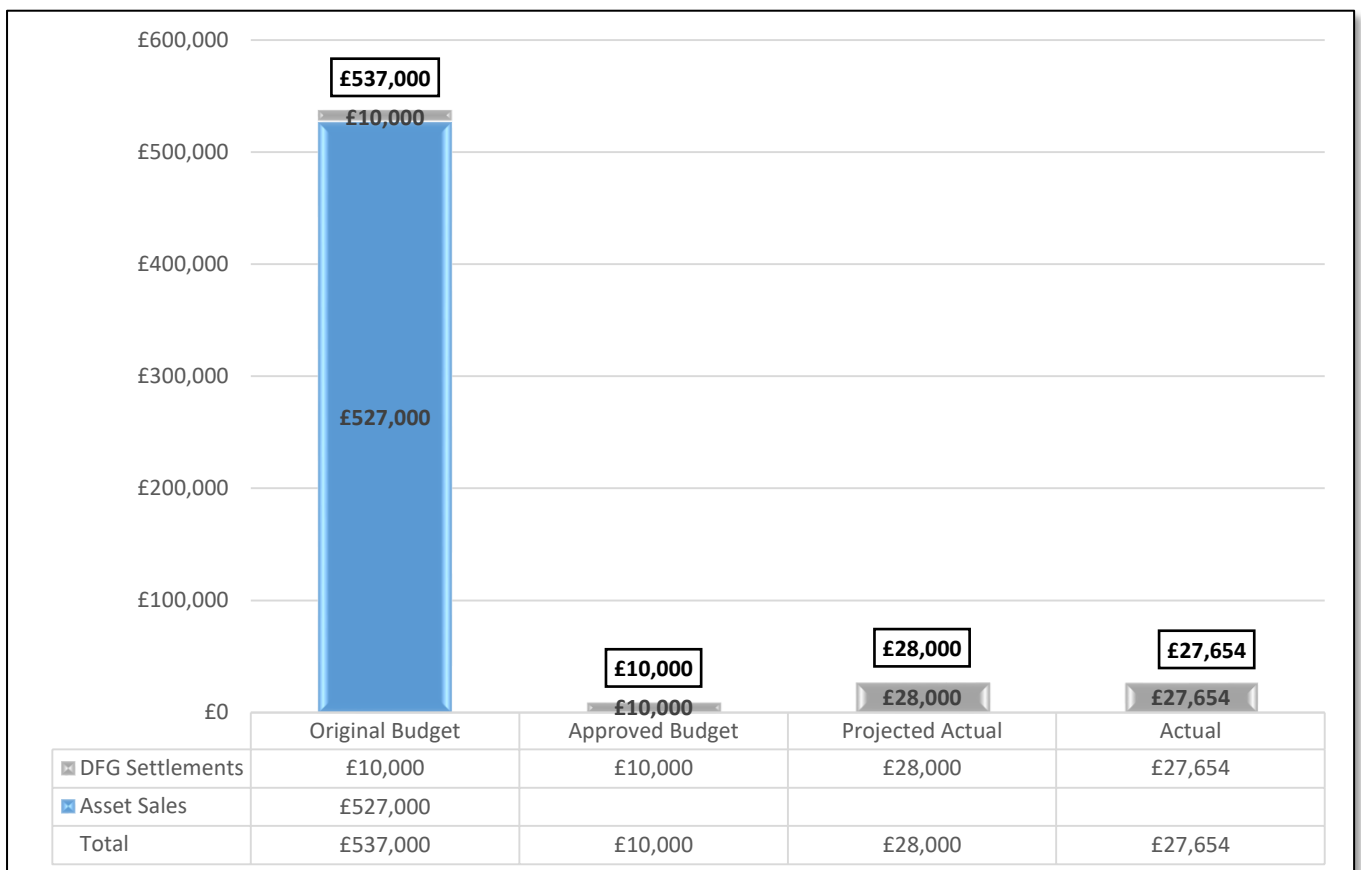
3.24. The proposal has been impacted by the budgeted capital receipt of **£527,000** from the disposal of open space at Netherstowe and Leyfields, no longer being receivable. The current progress on this proposal is summarised below:

	Budget	Actual	Variance
Balance to be identified	£979,000	£978,830	(£170)
Repayment funding:			
Capital receipts	(£509,000)	(£102,000)	£407,000
Earmarked reserves	(£470,000)	(£519,202)	(£49,202)
Balance still to be identified at 31 March 2021	£0	£357,628	£357,628
Identified to date in 2021/22:			
Capital receipts	£0	(£16,000)	(£16,000)
Balance to be identified	£0	£341,628	£341,628

Annual savings	(£140,000)	(£91,000)	£49,000
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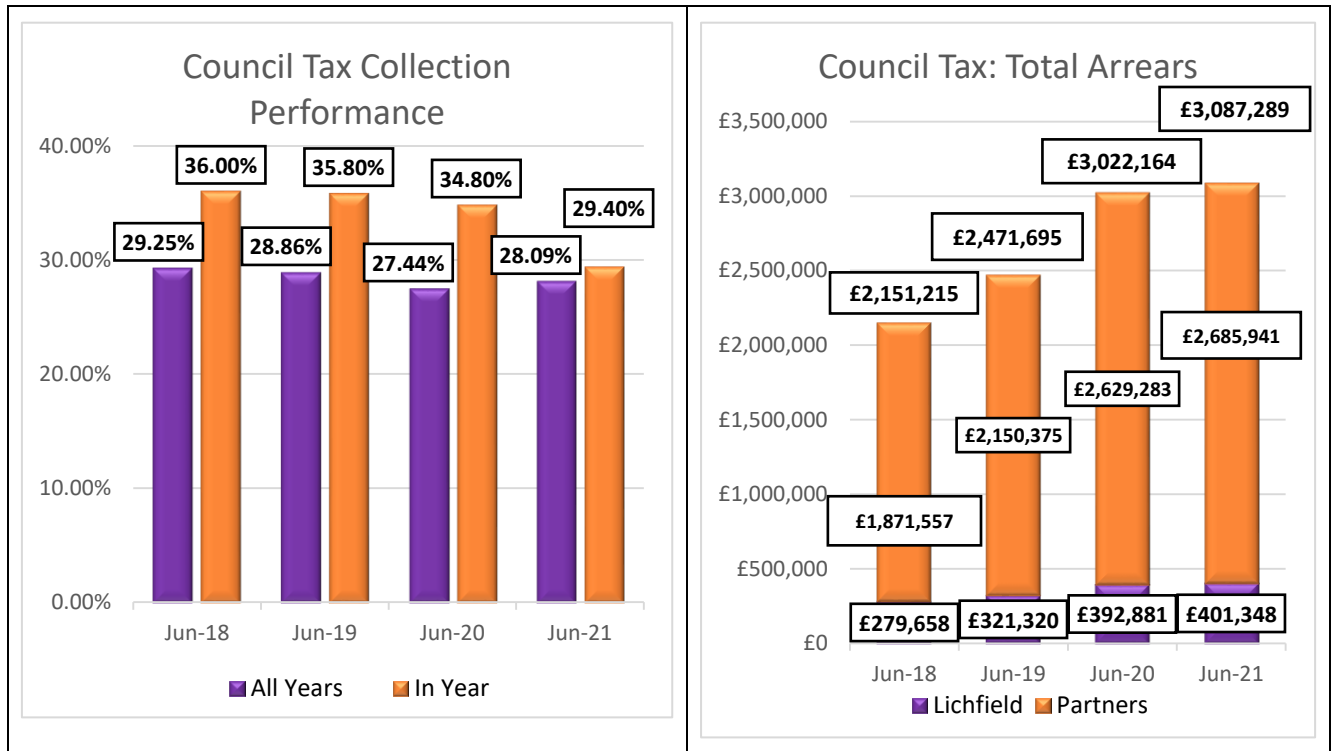
3.25. At present, alternative funding options for the balance to be identified are being considered. The use of any additional capital receipts, additional Treasury Management investment income, grants and contributions or the use of reserves will be considered as part of the development of the draft MTFs.

3.26. The Original and Approved Budgets, projected and actual capital receipts are shown below:

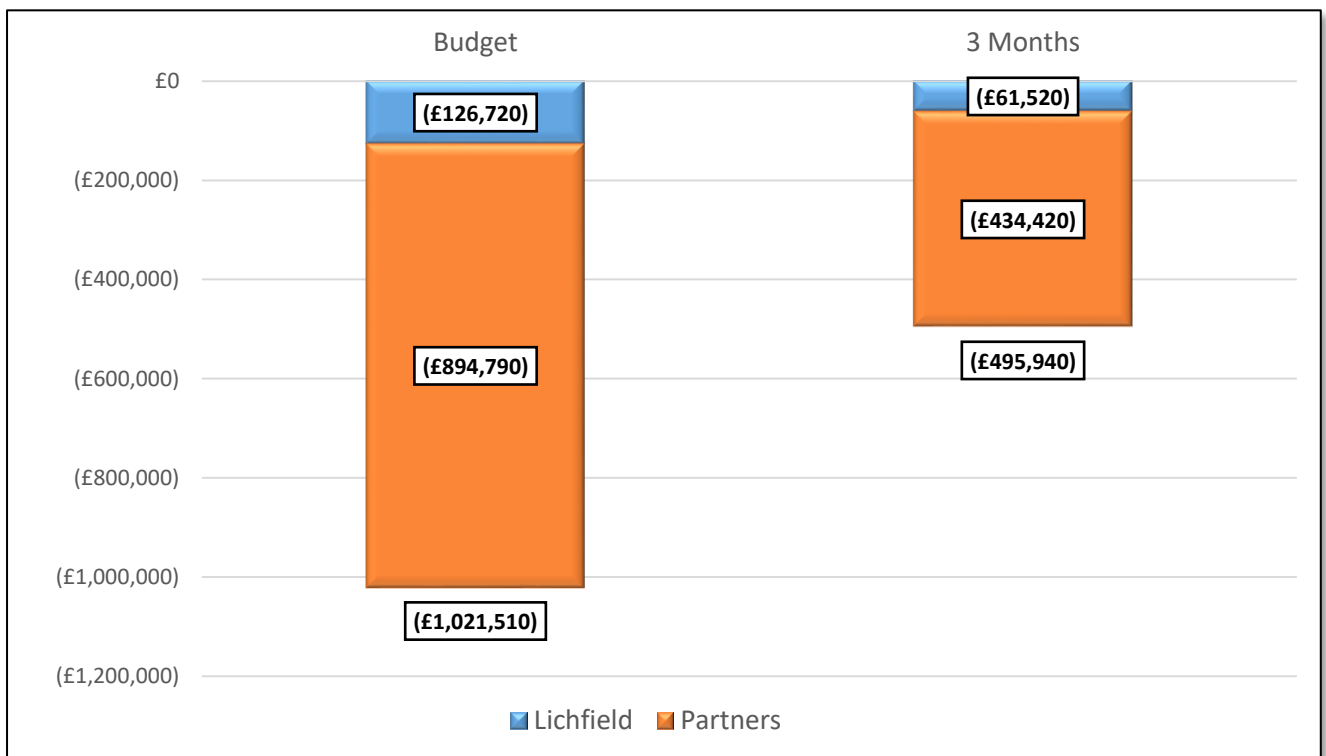


Council Tax

3.27. The collection performance for Council Tax debt is shown below:



3.28. The Council Tax Collection Fund is projected to be in deficit by **£495,940** and the Council's share is **£61,520** based on Lichfield's (including Parishes) current share of Council Tax of **13%**:

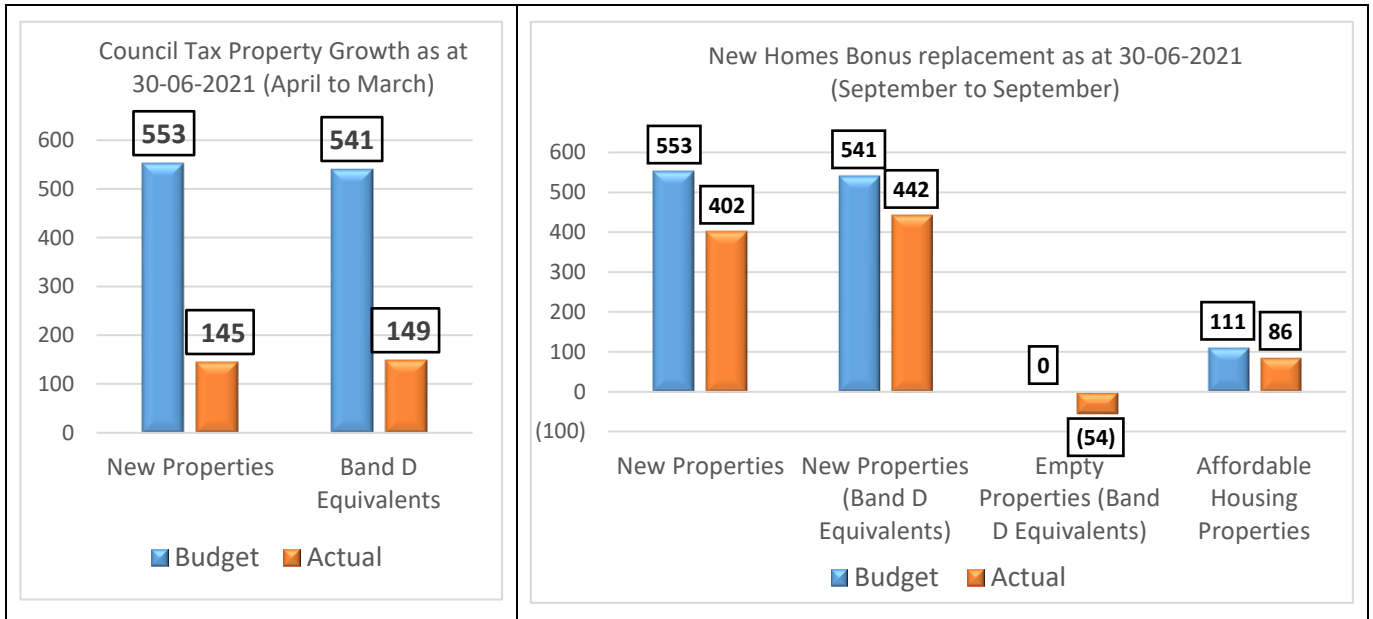


3.29. The main reasons for the projected lower deficit than budgeted of **£525,574** are:

- A lower deficit than budgeted in 2020/21 of **£537,779** (Council share £66,714).
- A higher provision for bad debts of **(£492,417)** (Council share (£61,087)).
- A higher Council Tax income of **£480,212** due to housing delivery rates beginning to increase and recover (Council share £59,572)

Housing Supply

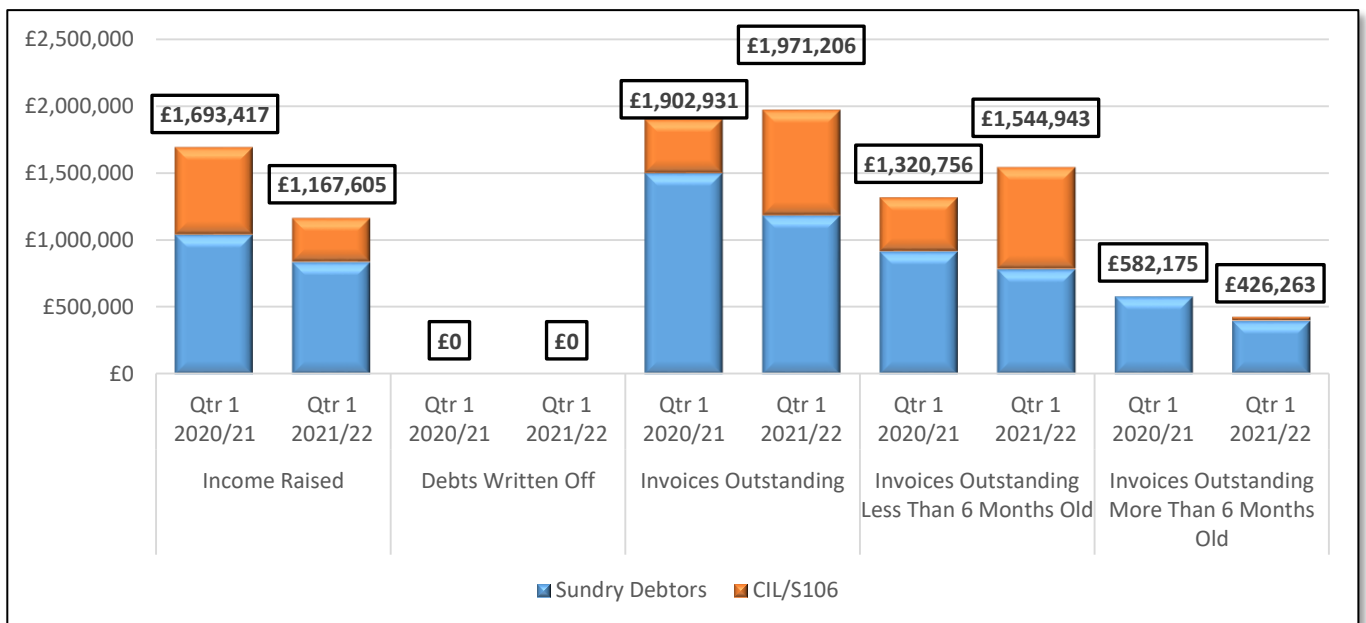
3.30. The completions for Council Tax (left hand chart) from April 2021 to June 2021 and any possible New Homes Bonus replacement (right hand chart) from September 2020 to June 2021 are shown below:



3.31. The current performance could still be impacted by COVID-19 either through delays in completions or updating records of completions. However, any delivery delays will impact on Council Tax and potentially New Homes Bonus income in the Medium Term Financial Strategy.

Sundry Debtors (including Community Infrastructure Levy (CIL) and Section 106 (S106))

3.32. The transaction levels and collection performance in 2021/22 compared to 2020/21 is shown below:

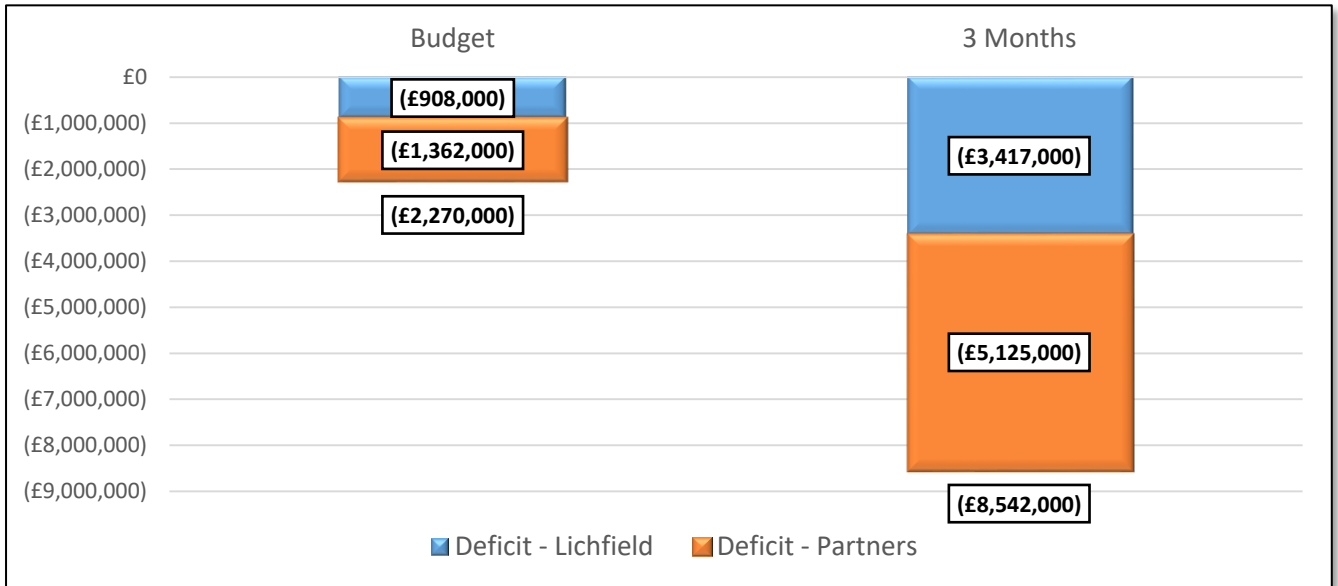


3.33. Total income raised in the first three months of 2021/22 is (£525,812) or 31% lower than for the same period in 2020/21 due mainly to lower levels of CIL/Section 106 that are based on housing delivery.

3.34. Invoices outstanding has increased by £68,275 or 4% mainly due to CIL/Section 106.

Business Rates

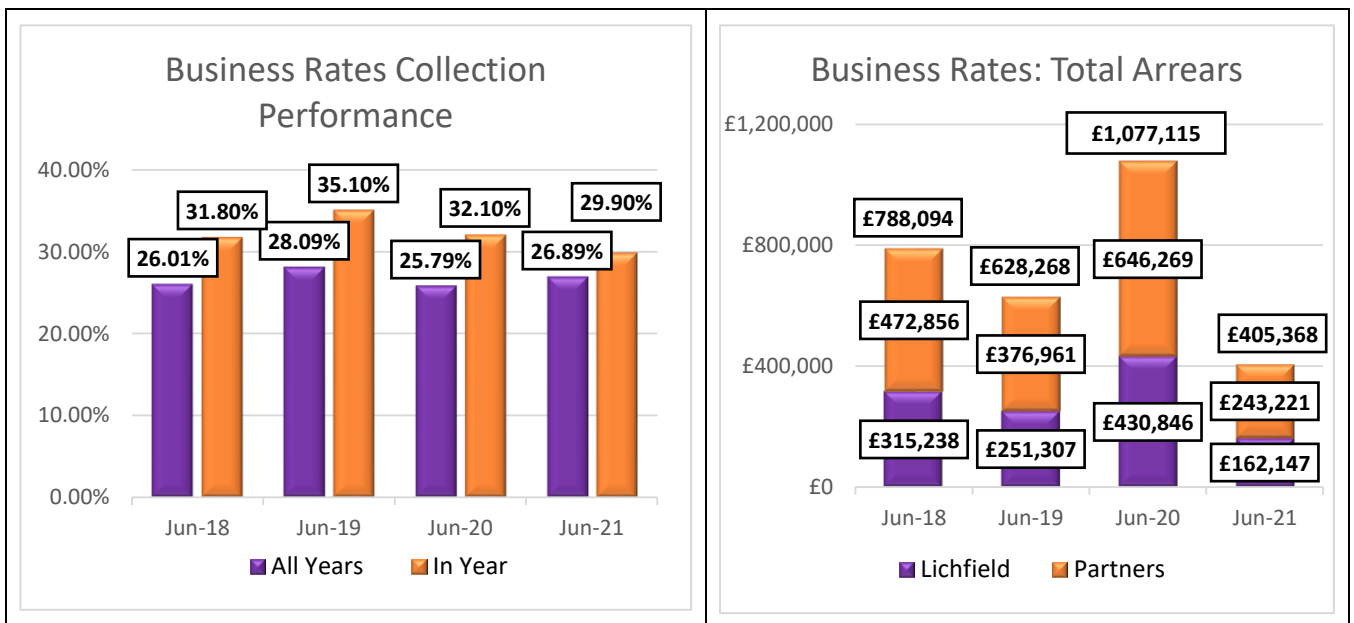
3.35. The Business Rates Collection Fund is projected to be in deficit by **(£8,542,000)**:



3.36. The main reasons for the projected higher deficit than budgeted of **(£6,272,000)** are:

- A higher deficit than budgeted in 2020/21 of **(£206,833)** (Council share (£82,800)).
- Higher allowances for appeals and bad debts of **(£597,167)** (Council share (£239,000)).
- Additional COVID-19 leisure, hospitality and retail reliefs up to the end of June 2021 and other changes in income due of **(£5,468,000)** (Council share (£2,187,000)).

3.37. The collection performance for Business Rates is shown below:



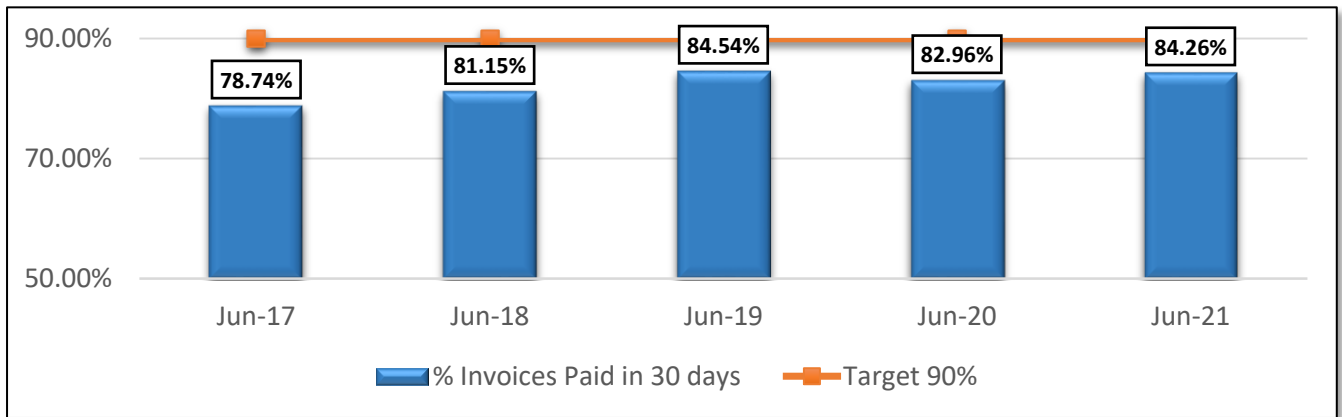
3.38. The Retained Business Rate income is projected to be the same as the Approved Budget of **(£3,122,000)**.

3.39. There are however a number of significant changes within the projection including the Section 31 grant to offset the additional COVID-19 reliefs in the Collection Fund. These are explained further below:

- Additional Section 31 grant in part to offset COVID-19 reliefs of **(£2,106,000)**.
- Other changes to levy payments of **(£96,000)**.
- Transfer of additional grant and other changes to the Business Rates volatility Earmarked Reserve to offset the deficit in later years of **£2,202,000**.

Supplier Payment Performance

3.40. The performance of invoice payments to suppliers within 30 days for the last six years is:



3.41. There are initiatives taking place, including the improvements to procurement (see the separate Procurement Matters Report elsewhere on the agenda), wider use of payment cards for low value transactions and analysis of the performance by Service Area, that are aimed at improving payment performance.

Investment Strategy

3.42. The Council undertakes investments for three broad purposes:

- It approves the support of public services by lending or buying shares in other organisations – **Service Investments.**
- To earn investment income – **Commercial Investments.**
- It has surplus cash, as a result of its day to day activities, when income is received in advance of expenditure or where it holds cash on behalf of another body ready for payment in the future – **Treasury Management Investments.**

3.43. The Government has recognised in recent Ministry of Housing, Community and Local Government (MHCLG) guidance, as a result of increased commercial activity, that the principles included in Statutory Guidance requiring that all investments should prioritise security and liquidity over yield must also be applied to service and commercial investments.

3.44. The MHCLG Guidance requires the approval by Council of an Investment Strategy Report to increase the transparency around service and commercial investment activity. The Council approved its Investment Strategy Report on **16 February 2021.**

Service Investments

3.45. There is one significant approved investment of a service nature and the investment and net return included in the Approved Budget is detailed below:

	Approved Budget				
	2021/22	2022/23	2023/24	2024/25	2025/26
Approved Loan to the Local Authority Company	£675,000	£675,000	£675,000	£675,000	£675,000
Net Income	£0	(£4,000)	(£18,000)	(£22,000)	(£22,000)
Net Return		(0.59%)	(2.67%)	(3.26%)	(3.26%)

3.46. To date, the loan to the Local Authority Company has not taken place and therefore the budgeted interest is not being generated.

Commercial Investments

3.47. No commercial investments are currently planned.

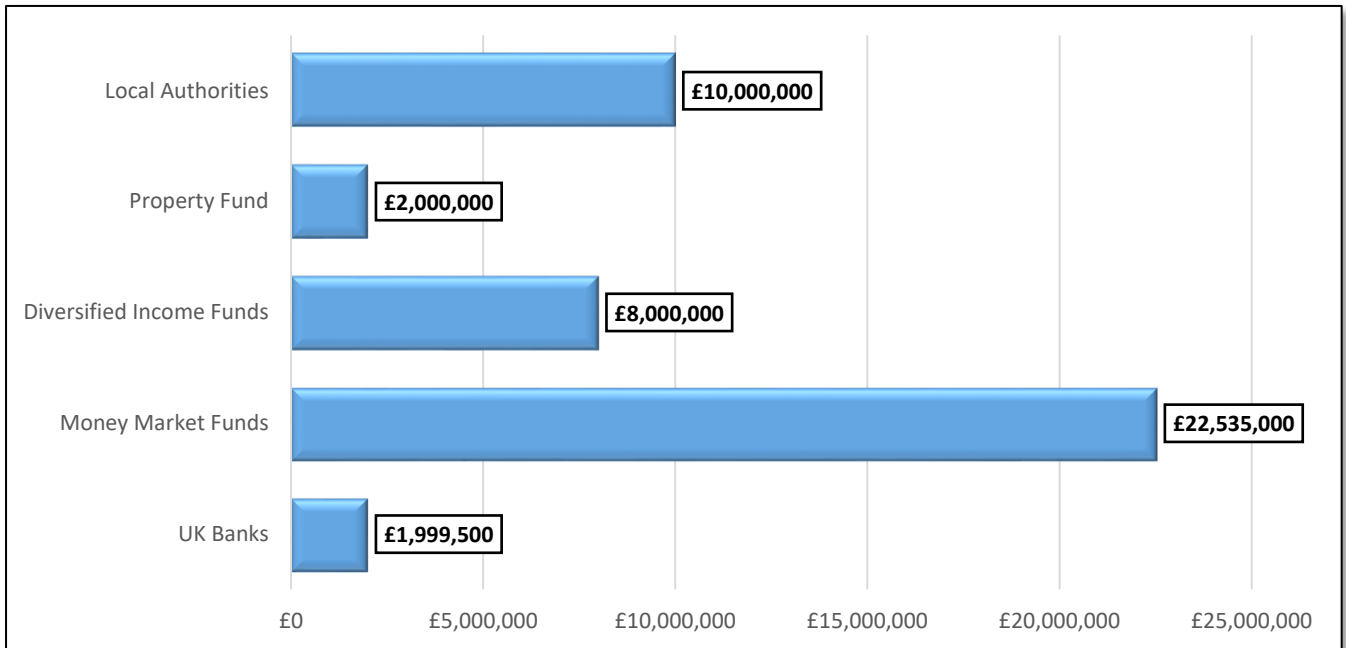
Treasury Management Investments

3.48. The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments).

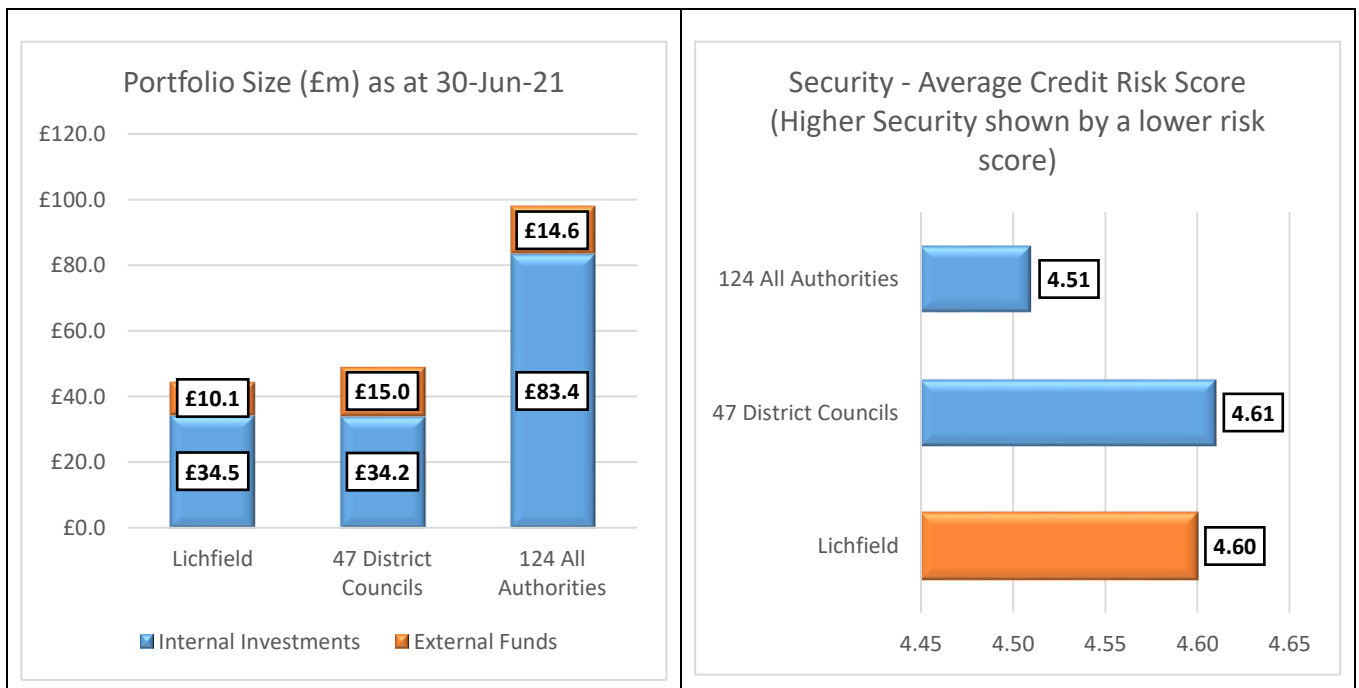
3.49. In addition, external borrowing is considered against the objectives of it being affordable (the impact on the budget and Council Tax), prudent and sustainable (over the whole life).

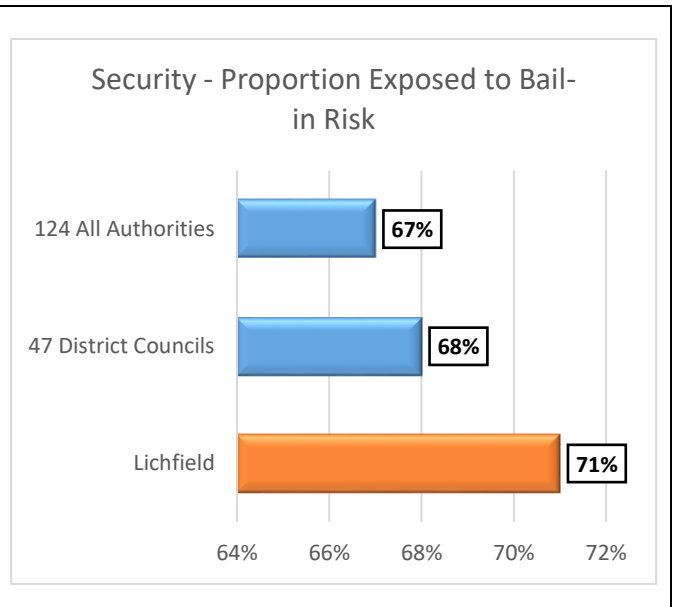
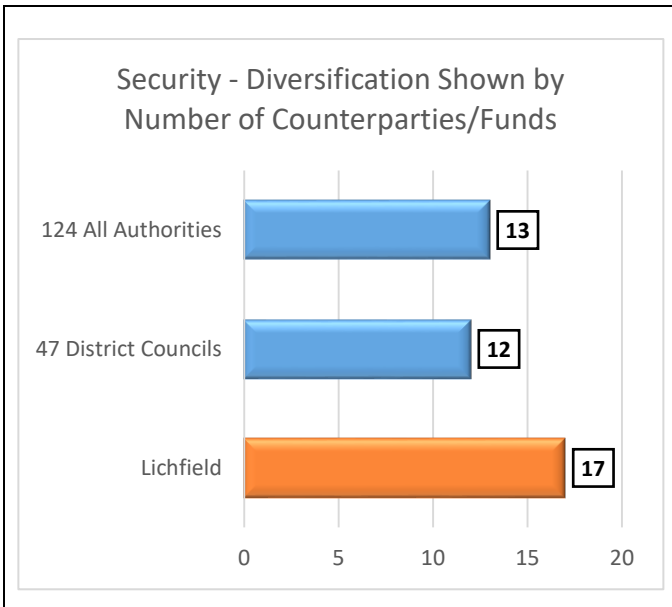
The Security of Our Investments

3.50. The investments the Council had at the 30 June 2021 of **£44,534,500** (with the Property and Diversified Income Funds valued at original investment for each of **£2m**) by type and Country are summarised below and in detail at **APPENDIX D**:

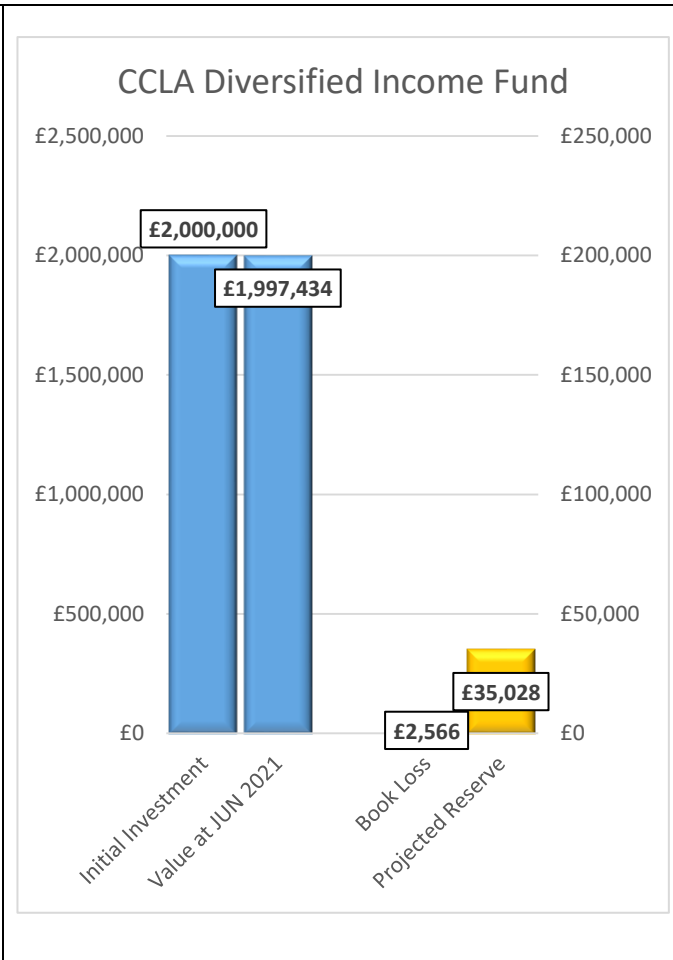
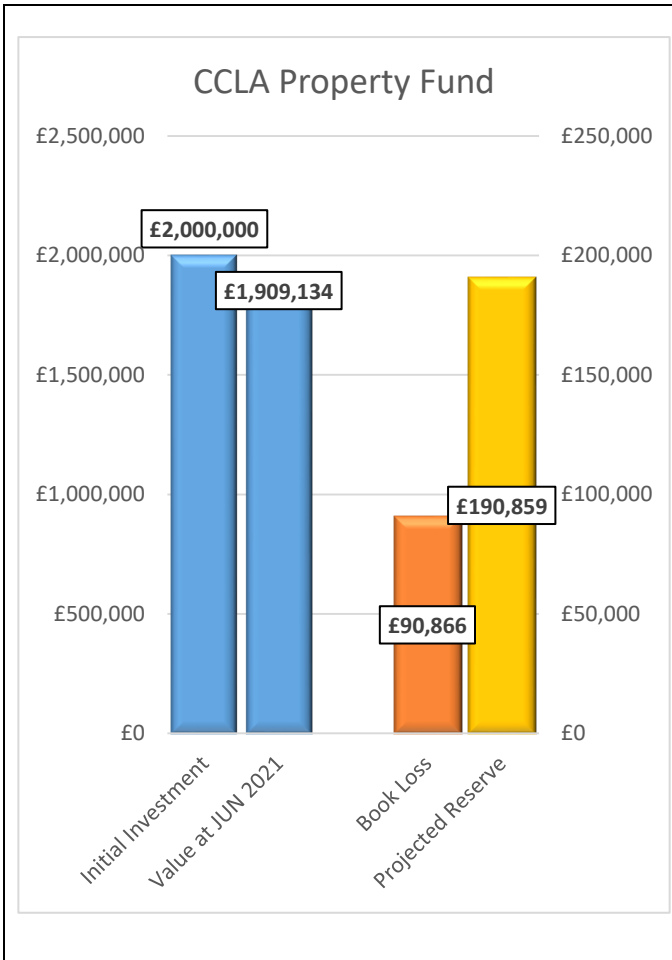


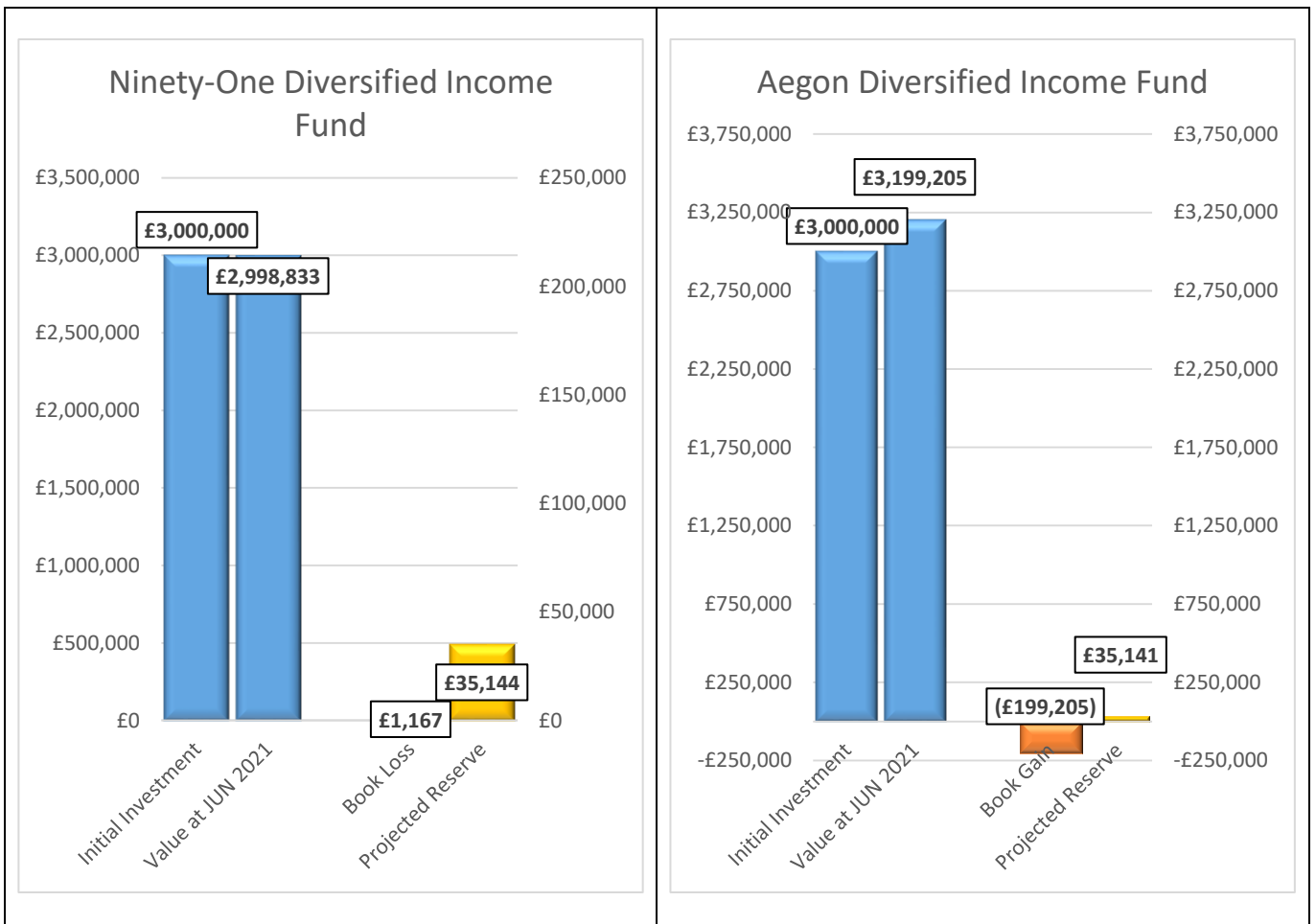
3.51. The Council's portfolio size (with the Property and Diversified Income Funds valued at its current value of **£10.1m**), average credit score, diversification and exposure to 'Bail in' risk compared to Arlingclose Clients is shown below:





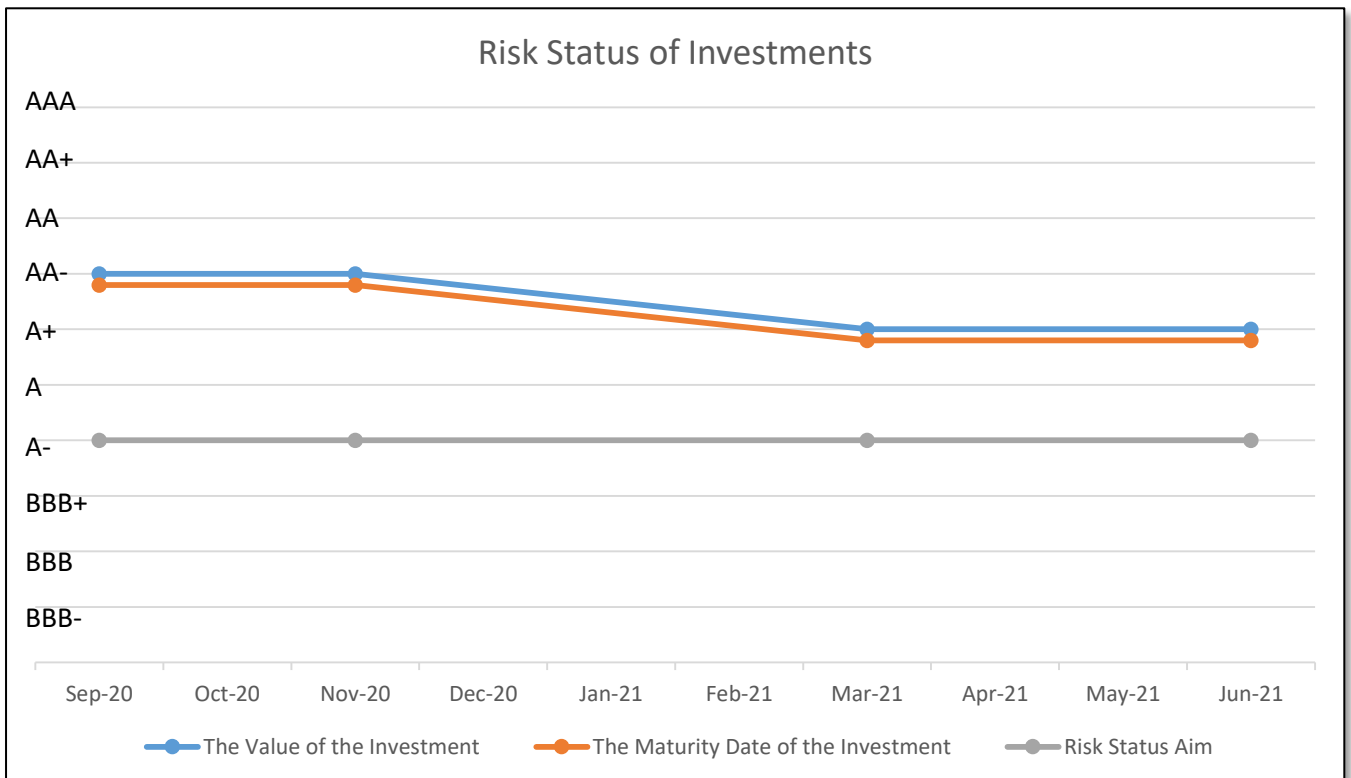
3.52. The current value of the Property Fund and the Diversified Income Funds, together with the projected value of the earmarked reserves in 2021/22 intended to offset reductions in value (these are a book loss or gain until the investment is sold and they become actual), are shown below:





3.53. Overall in terms of strategic investments there is a 'book gain' of **£104,606** and the earmarked reserve to manage volatility risk is projected to be **£296,172**.

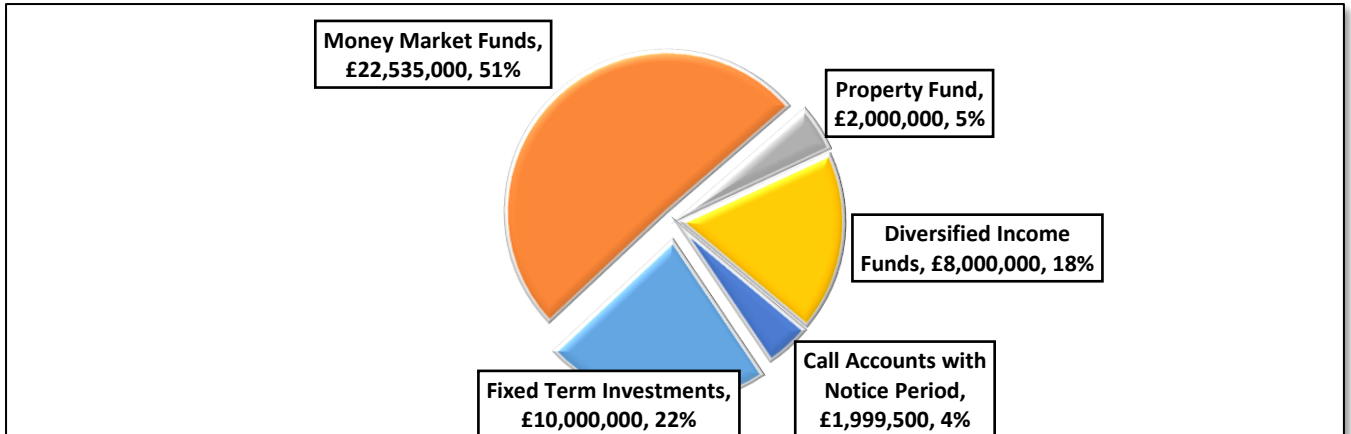
3.54. Our aim for the risk status of our investments was **A-** or higher. The risk status based on the length of the investment and the value for a 10 month period is summarised in the graph below:



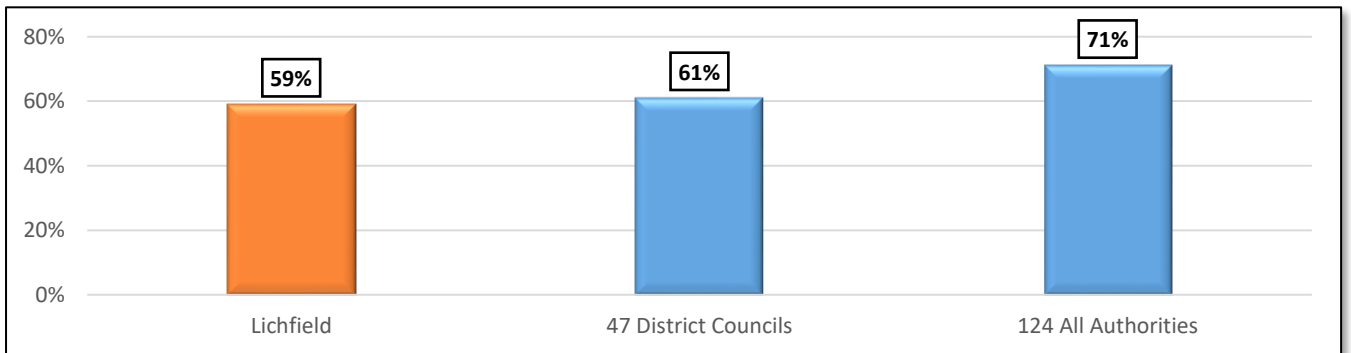
The Liquidity of our Investments

3.55. The Council has not had to temporarily borrow during 2021/22.

3.56. A significant proportion of investments are retained in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type are shown below:

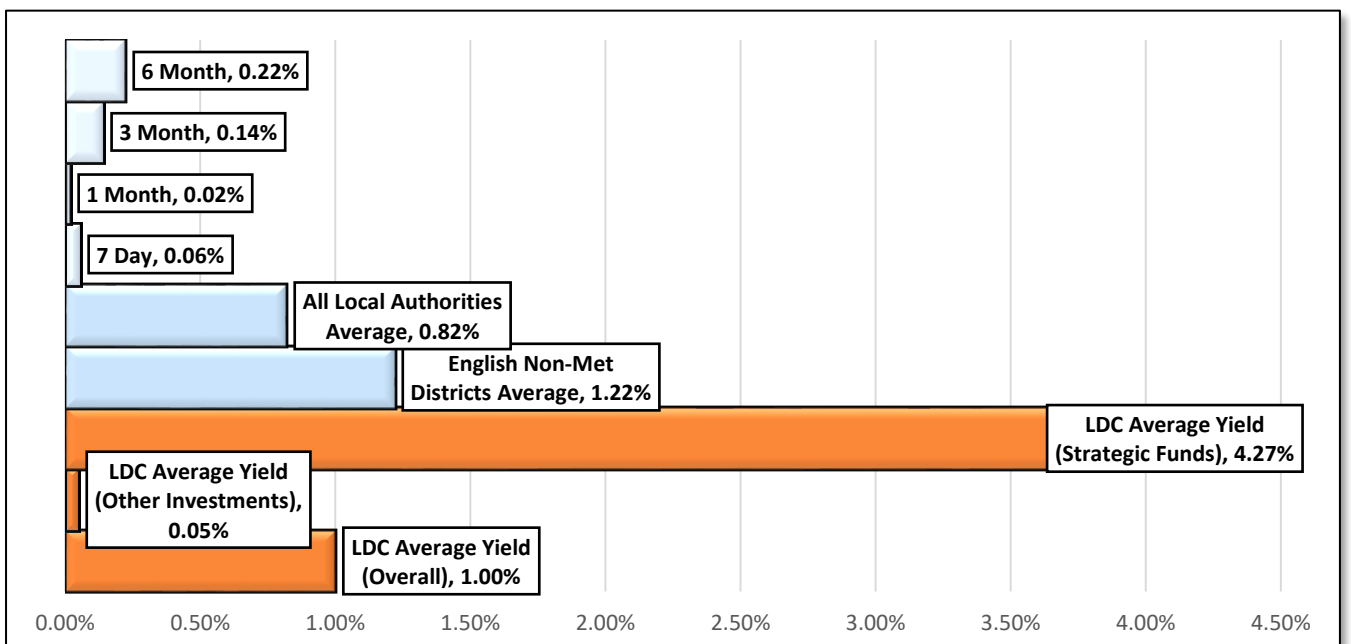


3.57. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown below:



The Return or Yield of our Investments

3.58. The yield the Council achieved compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) and all Arlingclose clients is shown below:



3.59. The investment activity during the financial year is projected to generate **(£350,000)** of gross investment income compared to a budget of **(£350,000)**.

3.60. In terms of investment income, the Debt Management Deposit Facility (DMADF) returns are now 0.01% per annum, the yield on Money Market Funds is also mostly at 0.01%.

The External Borrowing Portfolio

3.61. The Council's external borrowing portfolio including the premiums for early repayment is shown below:

	Principal	Average Rate	Years to Final Maturity	(Premium) /Discount
PWLB Fixed Equal Instalment of Principal (EIP)	£1,156,720	2.59%	18.8	(£204,365)
PWLB Fixed Annuity	£1,001,145	1.71%	6.9	(£59,986)
TOTAL PWLB	£2,157,865	2.18%	13.3	(£264,351)
Lender Option Borrower Option (LOBO) Loans	£0	-	-	£0
Other Loans	£0	-	-	£0
TOTAL BORROWING	£2,157,865	2.18%	13.3	(£264,351)

Alternative Options	These are considered as part of the ongoing development of the Strategic Plan and the Medium Term Financial Strategy.
Consultation	Consultation is undertaken as part of the Strategic Plan and with Leadership Team.
Financial Implications	<p>The MTFs projected general reserves at 31 March 2022 would be £6,985,824.</p> <p>At this three months stage, general reserves are forecast to be £7,134,301. This is an increase of £148,477 and is related to:</p> <ul style="list-style-type: none"> • A higher than budgeted contribution in 2020/21 of £139,117. • Updates in 2021/22 summarised in para 3.22 decreasing the contribution by (£14,910). • A projected increase contained in this report for 2021/22 of £24,270.
Approved by Section 151 Officer	Yes
Legal Implications	<p>No specific legal implications.</p> <p>The recommended changes to the Medium Term Financial Strategy not part of the approved Budget Framework will be required the approval of Full Council.</p>
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	The MTFs underpins the delivery of the Strategic Plan.
Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
Crime & Safety Issues	There are no additional Crime and Safety Issues.

Environmental Impact	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.
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GDPR/Privacy Impact Assessment	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance (Head of Finance and Procurement (Section 151)).				
A	Council Tax is not set by the Statutory Date of 11 March 2022	Likelihood : Green Impact : Red Severity of Risk : Yellow	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax Requirements.	Likelihood : Green Impact : Red Severity of Risk : Yellow
B	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	Likelihood : Yellow Impact : Red Severity of Risk : Red	To closely monitor the level of appeals. An allowance for appeals has been included in the Business Rate Estimates.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
C	The review of the New Homes Bonus regime	Likelihood : Red Impact : Red Severity of Risk : Red	The Council responded to the recent consultation. Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2022/23 £400,000 is included with the balance transferred to general reserves. At this stage, no income is assumed from 2023/24 onwards.	Likelihood : Red Impact : Yellow Severity of Risk : Yellow
D	The increased Localisation of Business Rates and the Review of Needs and Resources	Likelihood : Red Impact : Red Severity of Risk : Red	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Likelihood : Red Impact : Red Severity of Risk : Red
E	The affordability and risk associated with the Capital Strategy	Likelihood : Yellow Impact : Red Severity of Risk : Red	An estates management team has been recruited to provide professional expertise and advice in relation to property and to continue to take a prudent approach to budgeting.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
F	The public sector pay freeze in 2021/22 is not applicable to Local Government	Likelihood : Yellow Impact : Red Severity of Risk : Red	The current MTFS assumes that the pay freeze for those earning more than £24,000 per annum is applicable to Local Government. If this does not prove to be the case, an element of general reserves can be utilised to fund the increase in 2021/22 and projections for later years will be updated in the MTFS.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
G	Sustained higher levels of inflation in the economy	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow	To maintain a watching brief on economic forecasts, ensure estimates reflect latest economic projections and where possible ensure income increases are maximised to mitigate any additional cost.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape (Leadership Team).				
H	The financial impact of COVID-19 is not fully reimbursed by Government and exceeds the reserves available resulting in a Section 114 notice	Likelihood : Yellow Impact : Red Severity of Risk : Yellow	The use of general and earmarked reserves to fund any shortfall	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
I	The Council cannot	Likelihood : Yellow	There will need to be consideration of additional	Likelihood : Yellow

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
	achieve its approved Delivery Plan for 2022/23	Impact : Red Severity of Risk : Red	resourcing and/or reprioritisation to reflect the ongoing impact of the pandemic	Impact : Yellow Severity of Risk : Yellow
J	The resources available in the medium to longer term to deliver the Strategic Plan are diminished	Likelihood : Yellow Impact : Red Severity of Risk : Red	The MTFS will be updated through the normal review and approval process	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
K	Government and Regulatory Bodies introduce significant changes to the operating environment	Likelihood : Red Impact : Red Severity of Risk : Red	To review all proposed policy changes and respond to all consultations to influence outcomes in the Council's favour	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow

Background documents

Medium Term Financial Strategy (Revenue and Capital) 2020-2025 (MTFS) – Cabinet 9 February 2021

Money Matters: 2020/21 Review of Financial Performance against the Financial Strategy – Cabinet 8 June 2021

Medium Term Financial Strategy (MTFS) – Cabinet 6 July 2021

Relevant web link

Revenue Financial Performance – Variance to Budget 2021/22

Area	2021/22					
	Original Budget £	Approved Budget £	Projected Outturn £	Projected Variance £	Variance to Original Budget £	2021/22 Target Variance (+/-) £
Enabling people	1,482,790	1,482,790	1,504,170	21,380	21,380	
Shaping place	3,401,930	3,402,070	3,446,240	44,170	44,310	
Developing prosperity	(620,830)	(620,970)	(628,170)	(7,200)	(7,340)	
A good council	6,320,730	6,335,640	6,310,020	(25,620)	(10,710)	
COVID-19 - General Impact ¹	(4,000)	(4,000)	(61,000)	(57,000)	(57,000)	
COVID-19 – Risk and Recovery	1,141,380	1,141,380	1,141,380	-	-	
Net Cost of Services	11,722,000	11,736,910	11,712,640	(24,270)	(9,360)	0
Chief Executive	167,130	167,130	196,850	29,720	29,720	2,000
Corporate Services	2,414,920	2,433,860	2,427,490	(6,370)	12,570	39,000
Finance and Procurement	1,881,200	1,881,200	1,887,570	6,370	6,370	15,000
Governance & Performance	1,874,760	1,866,570	1,869,580	3,010	(5,180)	15,000
Regulatory Services, Housing & Wellbeing	1,352,010	1,352,010	1,352,010	-	-	16,000
Economic Growth & Development Services	(127,210)	(121,560)	(119,470)	2,090	7,740	67,000
Operational Services	3,021,810	3,020,320	3,018,230	(2,090)	(3,580)	96,000
COVID-19 - General Impact	(4,000)	(4,000)	(61,000)	(57,000)	(57,000)	-
COVID-19 – Risk and Recovery	1,141,380	1,141,380	1,141,380	-	-	
Net Cost of Services	11,722,000	11,736,910	11,712,640	(24,270)	(9,360)	250,000
Net Treasury Position	(182,000)	(182,000)	(182,000)	-		
Revenue Contributions to the Capital Programme	0	0	0	-		
Net Operating Cost	11,540,000	11,554,910	11,530,640	(24,270)		
Transfer (from) / to General Reserve	411,000	396,090	420,360	24,270		
Transfer (from) / to Earmarked Reserves	0	0	0	-		
Net Revenue Expenditure	11,951,000	11,951,000	11,951,000	0		
Financed by:						
Retained Business Rates	(3,122,000)	(3,122,000)	(3,122,000)	-		
Business Rates Cap	(110,000)	(110,000)	(110,000)	-		
Lower Tier Services Grant	(151,000)	(151,000)	(151,000)	-		
Local Council Tax Support Grant	(126,000)	(126,000)	(126,000)	-		
New Homes Bonus	(1,282,000)	(1,282,000)	(1,282,000)	-		
Council Tax Collection Fund (Surplus)/Deficit	38,000	38,000	38,000	-		
Council Tax	(7,198,000)	(7,198,000)	(7,198,000)	-		

¹ The COVID-19 – General Recovery budget has been allocated to the relevant service areas, £112,000 to Developing Prosperity and £181,000 to Net Treasury

Reasons for the Outturn Budget Performance by Service Area

Projected Variance £		Expenditure		Income		COVID-19	
		One Off £	Recurring £	One Off £	Recurring £	Expenditure £	Income £
29,720	Chief Executive	36,100	(6,380)	-	-	12,000	(69,000)
(6,370)	Corporate Services	-	(14,250)	-	7,880	-	-
6,370	Finance and Procurement	-	12,370	-	(6,000)	-	-
3,010	Governance & Performance	-	2,420	-	590	-	-
(2,090)	Operational Services	(12,000)	52,610	12,000	(54,700)	-	-
-	Regulatory Services, Housing & Wellbeing	260,160	(8,430)	(260,160)	8,430	-	-
2,090	Economic Growth & Development Services	(10,000)	2,090	10,000	-	-	-
-	Net Treasury Position	-	-	-	-	-	-
(57,000)	COVID-19	-	-	-	-	-	-
(£24,270)	Net Operating Cost	£274,260	£40,430	(£238,160)	(£43,800)	£12,000	(£69,000)
-	Earmarked Reserves	-	-	-	-	-	-
(£24,270)	Net Operating Cost	£276,350	£40,430	(£238,160)	(£43,800)	£12,000	(£69,000)
-	Funding	-	-	-	-	-	-
(£24,270)	Transfer (to)/from General Reserves	£276,350	£40,430	(£238,160)	(£43,800)	£12,000	(£69,000)

Chief Executive

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
36,100	Costs incurred to remove travellers from Council sites	36,100			
(6,380)	Balance on cost centre for Management Restructure		(6,380)		
£29,720	Total	£36,100	(£6,380)	-	-

Corporate Services

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(6,370)	Transfer to Other Service Area for New Finance System		(6,370)		
-	Transfer		(7,880)		7,880
(£6,370)	Total	-	(£14,250)	-	£7,880

Finance and Procurement

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
6,370	Transfer from Other Service Area for New Finance System		6,370		
-	Additional Spend on Consultants to be Recharged as per Internal Audit Shared Service		6,000		(6,000)
£6,370	Total	-	£12,370	-	(£6,000)

Governance & Performance

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
3,010	Increase Insurance Premiums		3,010		
-	Transfers		(590)		590
£3,010	Total	-	£2,420	-	£590

Operational Services

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(2,090)	Transfers	(12,000)	52,610	12,000	(54,700)
(£2,090)	Total	(£12,000)	£52,610	£12,000	(£54,700)

Regulatory Services, Housing & Wellbeing

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
-	Transfers		2,570		(2,570)
-	Reduction in Grant and Corresponding Expenditure		(11,000)		11,000
-	COVID Grant Received and Corresponding Expenditure	260,160		(260,160)	
-	Total	£260,160	(£8,430)	(£260,160)	£8,430

Economic Growth & Development Services

Projected Variance £	Reason	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
-	Reallocating ERDF Grant scheme contribution to offset loss of Developer meeting income transfer of budget	(10,000)		10,000	
2,090			2,090		
£2,090	Total	(£10,000)	£2,090	£10,000	-

COVID-19 Projected Impact

Details	Budget	Year to Date Actual	Projection	Projected Variance
Support for Operational Services Contracts	£0	£0	£0	£0
Housing and Homelessness Support	£0	£3,350	£12,000	£12,000
Additional Hardship / Discretionary Housing Payments	£0	£0	£0	£0
Additional costs of Waste Collection	£0	£0	£0	£0
ICT Support Costs for Remote Working	£0	£0	£0	£0
Additional Personal Protective Equipment (PPE), Building Cleaning and Other Costs	£0	£164	£0	£0
Bank Charges for Grant Processing	£0	£0	£0	£0
Transport for food deliveries	£0	£0	£0	£0
Project costs	£0	£0	£0	£0
Other costs	£0	£0	£0	£0
Total additional Costs	£0	£3,514	£12,000	£12,000
Government Support	(£441,000)	(£440,578)	(£441,000)	£0
Cost reimbursements	£0	£0	£0	£0
National Leisure Recovery Fund	£0	£0	£0	£0
Net Additional Costs	(£441,000)	(£437,064)	(£429,000)	£12,000
Reduced Sales, Fees and Charges, rents, investment income and other income	£854,000	£145,000	£790,000	(£64,000)
Income Guarantee Scheme	(£124,000)	(£129,000)	(£129,000)	(£5,000)
Reductions in Council Tax (LDC & Parishes 13%) (will impact in later years)	£152,000	£106,000	£197,000	£45,000
Reductions in Business Rates (LDC 40%) (will impact in later years) see note below	£837,000	£625,000	£227,000	(£610,000)
Total financial impact	£1,278,000	£309,936	£656,000	(£622,000)
Impact in 2021/22	£289,000	(£421,064)	£232,000	(£57,000)
Impact in later years	£989,000	£731,000	£424,000	(£565,000)

Note : The Business Rates additional retained growth of £1.342m included in the Business Rate estimates is after taking account of this COVID-19 reduction

Fees and Charges

Income Type	Annual Budget £000	Actual £000	Year End Variance £000	Annual Trend						
				2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
				Actual £000	Actual £000	Actual £000	Actual £000	Actual £000	Actual £000	Actual £000
Planning Applications	781	544	0	771	629	1,030	824	797	744	695
Car Parks	1,921	343	376	1,746	1,748	1,986	2,078	2,198	2,105	752
Garden Waste	1,480	1,317	0	0	0	0	231	1,495	1,478	1,618
Trade Waste	442	444	0	338	390	407	415	443	469	485
Land Charges	298	96	0	183	297	312	279	286	253	272
Building Control	917	361	0	454	507	557	547	553	896	1,032
Property Rental	657	299	0	644	681	687	729	839	744	680
Total of Highest Value Fees & Charges	6,497	3,406	376	4,134	4,251	4,980	5,102	6,611	6,689	5,535
Other Income										
Licensing				217	185	236	224	241	245	160
Leisure Centre				1,782	1,819	1,879	1,629	183	0	0
VAT Claim				0	0	0	0	1,103	0	0
Court Costs				252	233	218	198	214	222	154
Recycling				14	347	439	463	331	283	280
Grounds Maintenance				162	161	168	195	217	264	273
Other				1,839	1,139	1,319	1,124	1,057	1,063	908
Total Income				8,400	8,136	9,239	8,936	9,957	8,766	7,310

Capital Programme Performance in 2021/22

Project	Original Budget	Approved Budget	Actual to Date	Projected Actual	Variance
New Build Parish Office/Community Hub	92,000	92,000	0	92,000	0
Armitage with Handsacre Village Hall storage container	6,000	6,000	5,700	6,000	0
Armitage War Memorial and surrounding area	120,000	120,000	0	120,000	0
Canopy and artificial grass at Armitage	3,000	3,000	0	3,000	0
Burntwood LC CHP Unit	0	64,000	0	64,000	0
Friary Grange - Short Term Refurbishment	240,000	209,000	29,885	209,000	0
Replacement Leisure Centre	278,000	328,000	39,928	328,000	0
Beacon Park Pathway	0	30,000	0	30,000	0
Burntwood Leisure Centre - Decarbonisation Scheme	532,000	443,000	179,596	443,000	0
Accessible Homes (Disabled Facilities Grants)	1,272,000	1,100,000	(75,645)	1,100,000	0
Home Repair Assistance Grants	22,000	7,000	0	10,000	3,000
Decent Homes Standard	147,000	147,000	0	147,000	0
Energy Insulation Programme	22,000	0	0	0	0
DCLG Monies	212,000	212,000	0	212,000	0
S106 Affordable Housing Monies	429,000	650,000	90,000	541,000	(109,000)
Enabling People Total	3,375,000	3,411,000	269,464	3,305,000	(106,000)
Canal Towpath Improvements (Brereton & Ravenhill)	36,000	36,000	0	36,000	0
Loan to Council Dev Co.	675,000	675,000	0	675,000	0
Lichfield St Johns Community Link	35,000	35,000	0	35,000	0
Staffordshire Countryside Explorer	44,000	44,000	0	44,000	0
Dam Street Toilets	0	40,000	0	40,000	0
Bin Purchase	150,000	150,000	0	240,000	90,000
Vehicle Replacement Programme (Other)	108,000	107,000	0	107,000	0
Upper St John St & Birmingham Road	7,000	7,000	0	7,000	0
The Leomansley Area Improvement Project	3,000	3,000	0	3,000	0
Cannock Chase SAC	44,000	44,000	42,990	44,000	0
Shaping Place Total	1,102,000	1,141,000	42,990	1,231,000	90,000
Multi Storey Car Park Refurbishment Project	250,000	299,000	3,638	259,000	(40,000)
Vehicle Replacement Programme (Car Parks)	10,000	10,000	0	10,000	0
Birmingham Road Site - Coach Park	625,000	880,000	0	880,000	0
Birmingham Road Site - Short Term Redevelopment	0	13,000	323	13,000	0
Car Parks Variable Message Signing	32,000	32,000	0	32,000	0
Old Mining College - Refurbish access and signs	13,000	13,000	0	13,000	0
St. Chads Sculpture (Lichfield City Art Fund)	5,000	5,000	0	5,000	0
Developing Prosperity Total	935,000	1,252,000	3,961	1,212,000	(40,000)
Equipment Storage	0	100,000	0	100,000	0
Property Planned Maintenance	289,000	379,000	0	390,000	11,000
New Financial Information System	225,000	269,000	67,407	269,000	0
Depot Sinking Fund	11,000	11,000	0	0	(11,000)
IT Infrastructure	35,000	123,000	63,433	123,000	0
ICT Hardware	165,000	165,000	0	165,000	0
IT Innovation	205,000	203,000	(650)	143,000	(60,000)
District Council House Repair Programme	188,000	238,000	0	238,000	0
Good Council Total	1,118,000	1,488,000	130,189	1,428,000	(60,000)
Approved Budget	6,530,000	7,292,000	446,605	7,176,000	(116,000)

Funding Source	Original Budget	Approved Budget	Projected Actual	Variance
Capital Receipts	1,301,000	1,821,000	1,805,000	(16,000)
Corporate Revenue	0	0	0	0
Borrowing Need - Borrowing and Finance Leases	278,000	328,000	328,000	0
Capital Grants and Contributions	3,071,000	2,994,000	2,888,000	(106,000)
Reserves, Existing Revenue Budgets and Sinking Funds	1,880,000	2,149,000	2,155,000	6,000
Capital Programme Total	6,530,000	7,292,000	7,176,000	(116,000)

Investments in the 2021/22 Financial Year

The table below shows a breakdown of our investments at the 30 June 2021:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Non-UK Organisation
Money Market Funds						
Invesco Aim	£2,245,000	01-Jul-21	Instant Access	0.01%	0	N/A
Blackrock Institutional	£2,370,000	01-Jul-21	Instant Access	0.01%	0	N/A
Federated	£4,920,000	01-Jul-21	Instant Access	0.01%	0	N/A
Aberdeen	£4,000,000	01-Jul-21	Instant Access	0.01%	0	N/A
BNP Paribas MMF	£4,000,000	01-Jul-21	Instant Access	0.02%	0	N/A
CCLA MMF	£5,000,000	01-Jul-21	Instant Access	0.03%	0	N/A
Strategic Funds						
CCLA Property Fund	£2,000,000	N/A	N/A	4.54%	N/A	No
Ninety-One Diversified Income Fund	£3,000,000	N/A	N/A	3.35%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	3.25%	N/A	No
Aegon Diversified Income Fund	£3,000,000	N/A	N/A	3.71 %	N/A	No
Fixed Term Investments						
Staffordshire Moorlands District Council	£2,000,000	18-Nov-21	141	0.25%	LOCAL	
Ashford Borough Council	£2,000,000	19-Jul-21	19	0.10%	LOCAL	
Surrey Heath Borough Council	£2,000,000	15-Dec-21	168	0.06%	LOCAL	
Monmouthshire Council	£2,000,000	28-Apr-22	302	0.10%	LOCAL	
Cheltenham Borough Council	£2,000,000	12-Nov-21	135	0.05%	LOCAL	
Call Accounts with Notice Period						
Lloyds	£1,000,000	03-Oct-21	95	0.03%	A+	
HSBC	£999,500	31-Jul-21	31	0.20%	A+	
Total Investments	£44,534,500					

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New Lichfield Leisure Centre Facility Mix

Cabinet Member for Major Projects

Date: 7 September 2021

Agenda Item: 4

Contact Officer: Ben Percival

Tel Number: 07772 913265

Email: ben.percival@lichfielddc.gov.uk

Key Decision? YES

Local Ward All Wards

Members



Cabinet

1. Executive Summary

- 1.1 This report outlines the emerging configuration of the new Lichfield leisure centre. This is not a finalised building design, rather an expression of scale and facility priority. The configuration is a product of a comprehensive assessment of resident needs alongside an assessment of affordability and deliverability.
- 1.2 Agreeing the outline configuration at this stage is critical to allow further work on the feasibility, community engagement / consultation, pre-planning advice and funding of the new Lichfield Leisure Centre.

2. Recommendations

That Cabinet approve:

- 2.1 The proposed outline configuration of the new Lichfield Leisure Centre.
- 2.2 Further development of the project, including site feasibility exploration, undertaking broad community engagement and consultation, obtaining planning permission and developing further external funding applications where opportunity permits.
- 2.3 Delegation of authority to make further amendments to the configuration and layout of the centre design to the Cabinet Member for Major Projects and the Head of Operational Services if these are essential to ensure deliverability.

3. Background

Background

- 3.1 Cabinet confirmed at its meeting on 7 October 2019 the Council's aspiration to invest in future leisure provision to address the limited lifespan of Friary Grange Leisure Centre. Cabinet also approved a contribution of £5m from borrowing in the capital programme to support future leisure provision.
- 3.2 Feasibility work on a new leisure centre commenced shortly thereafter, assessing strategic and community need to inform the design development of the centre. In parallel work was undertaken on the assessment of the optimal site for the new leisure centre – focusing on sites in Council ownership, within or adjacent to Lichfield City Centre.
- 3.3 Cabinet approved at its meeting on 6 October 2020 the selection of Stychbrook Park as the preferred site for the new Lichfield Leisure Centre. Throughout the summer, site investigation works have

progressed to assess the viability of the site in terms of ground conditions, ecology, transport and planning.

Assessment of Need

- 3.4 The starting point was a robust assessment of the sport and leisure needs of district residents up to 2040, completed in accordance with Sport England's Strategic Outcomes Planning Model guidance. Primary research was commissioned including both on-line and face-to-face surveys and focus group sessions with target groups. Key findings included that the age and quality of current facilities presented a barrier to participation.
- 3.5 Alongside the Lichfield-specific research, national participation data was analysed and modelled alongside projected demographic change to understand how need will change over time. Changes to participation patterns during and post the Covid lockdowns is also being considered.
- 3.6 The research is being developed into a Built Facilities Strategy. The draft strategy identifies that, in the context of a new leisure centre, the following facilities should be considered to meet the district's needs to 2040:
- 25m x 6 lane main pool
 - Teaching pool 15m x 10m with moveable floor to assist with access and egress and programming
 - 2 studios
 - 2 squash courts
 - Possible 2 court badminton hall with other physical activities alongside for younger children
 - Fitness facility
 - Provision of a junior fitness facility for those under the age of 15 years.
- 3.7 An assessment of this facility mix indicated a capital costs in the range of £15m - £17m.

Affordability

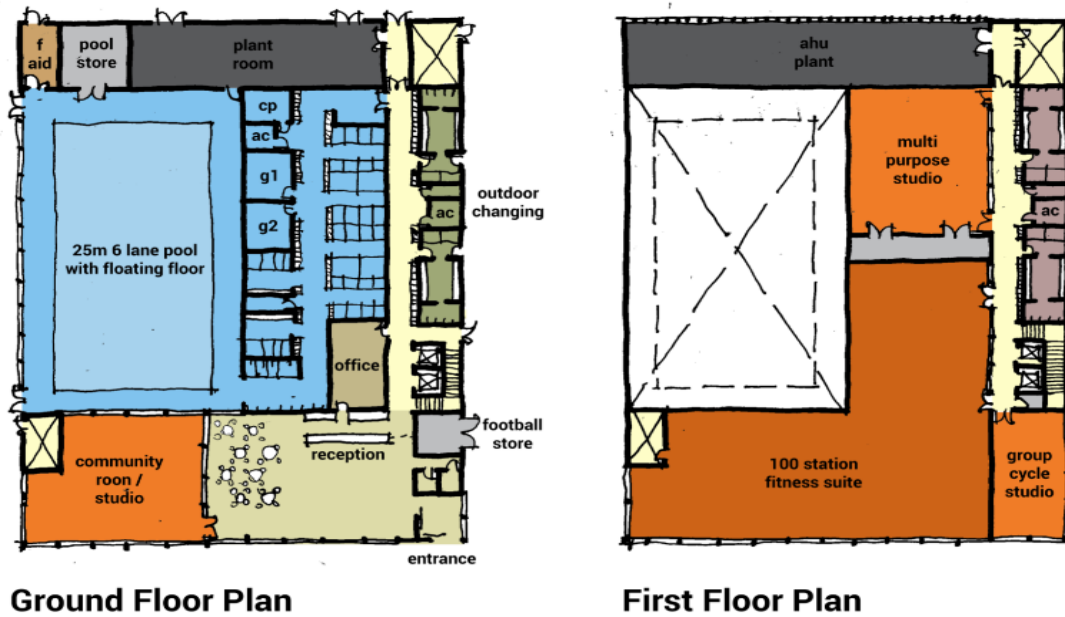
- 3.8 It has always been intended that external funding will contribute towards the capital costs of a new leisure centre. There are a range of external funding prospects being explored as outlined below. However, even assuming a positive approach from all funders, assembling external funding sufficient to close a funding gap of up to £12m is considered unrealistic. Furthermore, a key component of most external funding criteria is *deliverability* – proposing a project with such a large funding gap (70% gap) risks undermining the securing of any external funding.
- 3.9 It is therefore proposed to progress a more compact facility design as outlined in the section below at an estimated capital cost of £11.65m. On the basis that a 25m swimming pool is the anchor facility, this centre mix is considered the minimum viable option. The £6.65m capital funding gap remains a substantial challenge and presents the principal risk to the project.

Proposed Outline Configuration

- 3.10 The facilities proposed in the outline configuration currently comprise:
- 25m x 6 lane main pool
 - Fitness facility – 100-stations
 - 3 studios / multi-function rooms
 - 3G Football pitch (outdoor)

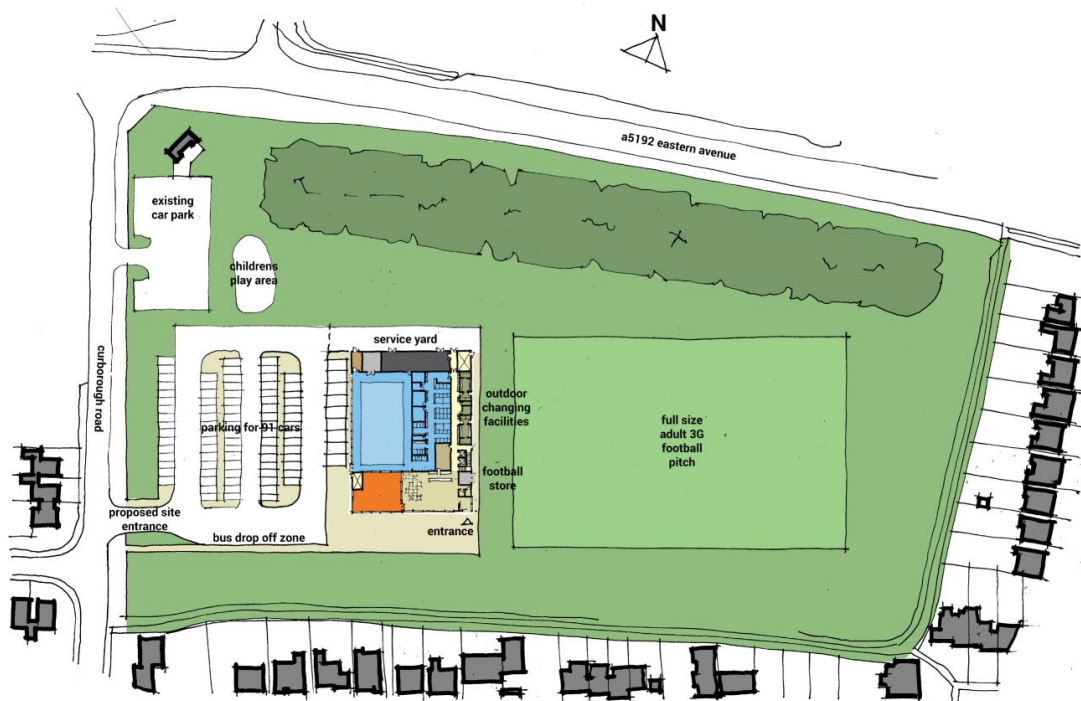
3.11 The proposed configuration for the new Lichfield Leisure Centre is presented in figure 1 below:

Figure 1: Indicative leisure centre layout



The centre is presented in the context of Stychbrook Park in Figure 2 below:

Figure 2: Indicative leisure centre in site context



3.12 This outline configuration reflects the optimal facility mix to encourage mass participation and to have the greatest impact on physical activity at a population level. By providing facilities at scale for swimming, fitness and football the centre will be able to deliver high levels of usage and deliver the activities that research indicates Lichfield residents are most likely to participate in.

3.13 A fundamental priority is the long-term revenue sustainability of the proposed facility. This configuration and facility mix will optimise the revenue performance of the centre, with the pool, fitness and football facilities presenting high throughput and high revenue potential.

3.14 The Medium Term Financial Strategy (MTFS) assumes a break-even operating position – requiring no subsidy from LDC (excluding funding the £5m borrowing). Current projections are that the centre with

this mix of facilities will achieve a revenue surplus, which is common in modern leisure centres (the current pre-COVID-19 contract for Burntwood Leisure Centre shows a material surplus from year 4 onwards). A forecast surplus could present an opportunity to support additional capital to contribute to the funding gap. However, it is acknowledged that the Covid-lockdowns may have altered the leisure market, which presents a risk to these surplus projections. Initial post-lockdown trading at both Burntwood and Friary Grange has been strong and the new centre operating at a deficit is considered unlikely.

- 3.15 It is important to stress this is not necessarily the final centre configuration, facility mix or site layout. It is however critical at this stage to start to identify the priority facilities and the scale at which we intend to build. By agreeing an outline facility mix, feasibility work can be further developed and meaningful discussions progressed with potential funding partners.
- 3.16 It is also important to highlight that this isn't the full and final resolution of Lichfield's facility needs to 2040. There are a number of facility needs identified in 3.6 that may not be delivered in this centre. Work will continue with partners to ensure a whole-system approach to meeting Lichfield's leisure facility needs, especially as participation patterns and demands evolve post-Covid.

External Funding

- 3.17 An application to the Levelling Up Fund (LUF) for £5m was submitted on 17 June 2021. LUF uses an index of need to target funding, categorising authorities as either 1,2 or 3; Lichfield has been allocated category 3 – the lowest priority. Although projects can apply to LUF for up to £20m (transport projects £50m) a judgement was made to bid for £5m, reflecting the low prioritisation of Lichfield and the compelling narrative of LDC matching the LUF funding “pound for pound”.
- 3.18 As Lichfield is in the lowest priority category, a successful funding outcome will be difficult. However the project does meet the key LUF criteria: it is a well evidenced project, it is “shovel ready” and able to complete within the LUF tight deadlines, it is low risk and has been well supported by Michael Fabricant as the local MP. Whilst the initial prospectus suggested funding decisions in the autumn of 2021, current indications are that decisions may not now be made until early 2022.
- 3.19 If the LUF application is successful, a procurement process would be undertaken to appoint a contractor and project manager through a framework to deliver a pre-existing design. This is considered the fastest, lowest risk, most cost effective option – critical factors in the LUF assessment. It could also see the new centre open significantly earlier than anticipated.
- 3.20 An application to the HS2 Community and Environment Fund (CEF) for £250k was submitted on 22 July 2021. The HS2 Community Engagement Team were supportive of the application and the impact of the phase one line is undeniable. CEF is a 2-stage application process with a final funding decision anticipated spring 2022.
- 3.21 An application will also be made to the Football Foundation (who administer grant funding on behalf of the FA) to support the development of the 3G football pitch. An application cannot be made yet as the pitch must start on site within 6 months of funding decision, but officers have been engaging positively with FA officers.
- 3.22 The project has been developed with support from Sport England and developed in accordance with Sport England facility planning guidance. It is hoped that an application can be made to Sport England's Strategic Facilities Fund, but the fund can only be accessed if Sport England actively solicit an application. Officers are engaging with Sport England regarding the new leisure centre project on an ongoing basis.
- 3.23 It is also anticipated that the project will be submitted as an infrastructure project for Community Infrastructure Levy funding during the current funding window.

Next Steps

3.24 Site investigations at Stychbrook Park began in the summer and will continue into autumn. Subject to favourable outcomes to the surveys, it is anticipated that outline planning consent will be applied for later this year. In parallel with this, work will continue to close the capital funding gap.

Alternative Options	<ul style="list-style-type: none"> Proposals for a more modest facility based solely on the allocated £5m funding could be developed. This may miss the opportunity to secure additional funding from partners to add value to the project. A more ambitious facility could be proposed, inclusive of all the facilities outlined in paragraph 3.6. The capital cost of such a facility is estimated in the region of £17m. Such a funding gap would represent an extremely high risk to the project. Developing multiple facility scenarios in parallel would be extremely resource intensive and risk undermining the deliverability of the project.
Consultation	<p>Sport England, Max Associates, Football Foundation Leisure Parks & Waste Management (Overview and Scrutiny) Committee agreed the building configuration 21.01.21</p> <p>Extensive resident consultation was undertaken as part of the needs analysis informing the project.</p> <p>Further consultation will be undertaken as part of the planning process.</p> <p>A microsite for the proposals has been launched</p>
Financial Implications	<p>The Approved Medium Term Financial Strategy currently assumes:</p> <ul style="list-style-type: none"> The new centre operates at breakeven and has no significant financial impact on Burntwood Leisure Centre usage i.e. income equals expenditure and therefore no income is received from or subsidy paid by the Council to its operation. The funding for a replacement leisure centre of £5,000,000 funded by borrowing. The cost of borrowing of £294,000 impacting from 2024/25 onwards for a budgeted period of 25 years. <p>Updated detailed financial modelling related to the outline facility configuration in a post COVID-19 environment will be developed in the next phase of work.</p>
Approved by Section 151 Officer	Yes
Legal Implications	<p>There are no legal implications at this stage.</p> <p>Legal implications will be covered in future reports as the project progresses.</p>
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	<p>Sustainable leisure centre provision in support of active lifestyles contributes to:</p> <ol style="list-style-type: none"> Enabling people – to live healthy and active lives. Developing prosperity – to enhance the district for visitors A good council that – is financially sound, transparent and accountable.

Equality, Diversity and Human Rights Implications	There are no equality, diversity and human right implications associated with the proposals at this stage. A full equality impact assessment will be conducted on the building design and an access statement will accompany the planning application.
Crime & Safety Issues	None at this time.
Environmental Impact	The proposed site is currently public open space. The environmental impact of any development will be explored in detail as part of subsequent site investigations and any planning application. Mitigation measures will be identified and agreed as appropriate.
GDPR/Privacy Impact Assessment	Not required.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Funding gap	Likelihood: Red Impact: Red Severity of Risk: Red	<ul style="list-style-type: none"> Applications to external funders Value engineering 	Likelihood: Yellow Impact: Red Severity of Risk: Red
B	Funding priorities – LDC ability to fund long-term borrowing	Likelihood: Green Impact: Red Severity of Risk: Yellow	<ul style="list-style-type: none"> Budget setting and management 	Likelihood: Green Impact: Red Severity of Risk: Yellow
C	Facility does not meet all Lichfield's facility needs	Likelihood: Red Impact: Green Severity of Risk: Yellow	<ul style="list-style-type: none"> Work with partners and local schools to ensure community access to facilities (esp sports halls & squash courts) 	Likelihood: Red Impact: Green Severity of Risk: Yellow
D	Revenue performance is less than projected	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	<ul style="list-style-type: none"> Continue to monitor post-Covid market performance Pre COVID-19 financial modelling projects an ongoing revenue surplus 	Likelihood: Green Impact: Yellow Severity of Risk: Yellow
E	The cost plan or the capital cost of the project increases due to surveys, planning/highway requirements, fit out, inflation, or changes in the legal, regulatory or operating environment or tenders exceed the budget.	Likelihood: Yellow Impact: Red Severity of Risk: Red	<ul style="list-style-type: none"> Watching brief on legal, regulatory or operating environment changes. Due diligence includes land surveys. The use of appropriate experts to inform cost estimates. The use of Sport England affordable sports centre approach. Full liaison in advance of the planning application with the Planning/Highways teams. Appropriate levels of contingency. Potential for value engineering. 	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
F	The Council breaches the VAT partial exemption limit because the VAT on construction costs are included in the calculation due to the receipt of VAT	Likelihood: Yellow Impact: Red Severity of Risk: Red	<ul style="list-style-type: none"> The Council utilises an external expert to provide specialist advice in this area. The use of a third party operator can assist in mitigating the risk. 	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow

	<p>exempt income. In the event of a breach, the Council would be unable to recover VAT on purchases related to all exempt activities in the Council. This would be an additional revenue cost of £120k to £150k per annum. The breach could occur due to:</p> <ul style="list-style-type: none"> • The Council operating the facility and receiving all of the facility income (that is exempt from VAT). • The Council not 'opting to tax' the facility and a Third party operator paying the Council a VAT exempt rental payment (higher than a peppercorn). • Conditions being attached to external funding meaning that in return for the funding, the funding body receives services or occupancy etc. The funding would therefore be deemed a 'rental payment' that is exempt from VAT. 		<ul style="list-style-type: none"> • The facility can be 'opted to tax' to assist in managing the risk. 	
G	<p>The preferred procurement framework is currently being reviewed and the new arrangement may require alternative approaches to be considered.</p>	<p>Likelihood: Yellow Impact: Red Severity of Risk: Red</p>	<ul style="list-style-type: none"> • To review the new framework and other frameworks during the time between now and appointment so that we can make sure we pick the right one to deliver the project in line with the project plan. 	<p>Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow</p>

Background documents

None

Relevant web links

None

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Introduction of Dual Stream Recycling in 2022 & Associated Financial Matters

Cllr Ashley Yeates , Cabinet Member for Climate Change and Recycling

Date: 7 September 2021
 Agenda Item: 5
 Contact Officer: Ben Percival & Nigel Harris
 Tel Number: 01543 308001
 Email: ben.percival@lichfielddc.gov.uk
nigel.harris@lichfielddc.gov.uk



CABINET

Key Decision? **YES**
 Local Ward **Full Council**
 Members

1. Executive Summary

- 1.1 Dual Stream recycling is the most cost-effective approach to disposal of this waste stream, given a) the significant increase in gate fees for the disposal of current commingled waste and b) is the best option to achieve a required increase in the amount of material recycled over time.
- 1.2 The purpose of this report is to update Cabinet on the negotiations between Lichfield District Council / Tamworth Borough Council (the Waste Collection Authorities) and Staffordshire County Council (the Waste Disposal Authority) in relation to the introduction of dual stream recycling from April 2022.
- 1.3 Those negotiations have resulted in an acceptable process for all parties concerned and with additional financial support being secured from Staffordshire County Council, but not at the level initially sought. Cabinet is asked to decide if this new proposal is acceptable.
- 1.4 Subject to the decision on the level of support to be provided from Staffordshire County Council, Cabinet is then asked to approve implementation of changes to the current dry recycling service in the district through the introduction of dual stream recycling from April 2022 so that all fibre products are collected separately by both households and the Joint Waste Service.

2. Recommendations

- 2.1 That Cabinet determine if the level of financial support from Staffordshire County Council as set out in Section 4, to support the introduction of dual stream recycling, is acceptable.
- 2.2 If Cabinet determine at 2.1 the financial support available is acceptable, it approves the Joint Waste Service implement Dual Stream Recycling in Lichfield from April 2022.
- 2.3 That Cabinet delegate responsibility to the Head of Operational Services in consultation with the Cabinet Member for Climate Change and Recycling, and Tamworth Borough Council, for the implementation of dual stream recycling across both authorities in by April 2022.
- 2.4 That Cabinet recommend to Council to update the Medium Term Financial Strategy based on the additional financial implications of the selected option:
 - Dual Stream Recycling:
 - To increase the revenue budget by an annual net cost of **£73,000** (Full Cost £252,000 offset by SCC of £126,000 and Tamworth BC of £53,000) in 2022/23 increasing to **£82,000** (Full Cost £267,000 offset by SCC of £126,000 and Tamworth BC of £59,000) in 2025/26 as detailed in the financial implications section.

- To increase the revenue budget for a one off cost for transition of **£68,000**. The full cost offset by SCC of £34,000 (capped at £94,000) and Tamworth BC of £34,000 in 2022/23.
- To include a project in the Capital Programme for Bins/Bags acquisition in 2021/22 of **£229,000**. This project will be funded by a contribution of **£95,000** from Tamworth BC and the Council's share of **£134,000** from the waste property growth earmarked reserve.
- Comingled Recycling:
 - To increase the revenue budget by an annual net cost of **£51,000** from 2022/23 onwards as detailed in the financial implications section.

3. Background

- 3.1 The Environmental Protection Act 1990 (EPA) makes District Councils responsible for the collection of household waste as the Waste Collection Authority (WCA). Upper tier County Councils are responsible for its disposal as the Waste Disposal Authority (WDA). A District can make its own arrangements for the disposal of recycling; where it decides to do so it has to pay the gate fees to the re-processor but in return it receives a payment from the WDA which is known as a Recycling Credit. The District also receives any income generated from the sale of the DMR post-sorting, depending on the nature of the contract it has with the re-processor. The Recycling Credit was introduced by the Government in order to incentivise Districts to invest in recycling services. A District can at any time hand back disposal responsibility to a WDA, but it is worth noting that the WDA has powers to direct a District to deliver waste to a designated place. In effect this gives the WDA power of direction to take back disposal responsibility without agreement even if there are financial consequences for the District.
- 3.2 Ever since recycling services were introduced in Tamworth and Lichfield nearly 20 years ago both Districts have procured contracts for the disposal of dry recyclable materials (DMR) and garden waste. Throughout this period the gate fees have been lower than the aggregate of the Recycling Credit and any income received from the sale of the material, with the surplus generated being used to offset the cost of providing these services
- 3.3 The current recycling service requires residents to present all their DMR in a single blue bin which is emptied fortnightly. This collection methodology is known as commingling and the material once collected is taken to Biffa Waste Services' transfer facility in Aldridge before it is bulked up and transported to a Material Recycling Facility (MRF) in the North East for processing.
- 3.4 Six Staffordshire Waste Collection Authorities (WCAs) – Lichfield and Tamworth along with Newcastle, East Staffs, South Staffs and Cannock have contracts for the processing of the DMR with Biffa Waste Services Ltd; all expire in March 2022. These authorities have worked together with support from the County Council's procurement and legal teams since last autumn to procure a replacement contract. Invitations to tender were sent out in early January and the evaluation of the results was completed in April.
- 3.5 The evaluation has shown that the market for the processing of DMR has shifted dramatically, primarily because of material quality issues, such that the current arrangements for delivering the service (collection methodology and disposal) may have to change. Contamination levels can regularly exceed 15% for materials when collected commingled which is unattractive to the re-processors. As a consequence gate fees for new contracts based on this methodology have nearly trebled compared to the existing rate plus the amount of income payable for the sale of materials has fallen. In contrast gate fees are much lower and income levels higher for materials collected by dual-streaming where the fibre is collected separately from the other materials. This is due to the higher quality of material collected by these methodologies compared to commingling

- 3.6 Dual-streaming requires residents to separate their recycling into an additional receptacle. The operational costs are substantially higher; collecting a bin and a bag takes longer and multi compartment vehicles fill more quickly requiring more frequent emptying. The cost of dual-streaming can be reduced if an additional bin is provided instead of a bag; one bin for glass, cans and plastic and another bin for paper and card. This would allow collection rounds to remain as they are, with the two recycling bins collected alternately on a 4-weekly basis. This option has however been discounted as many households in Lichfield and Tamworth will be unable to accommodate an additional bin. For operational reasons it will be necessary to provide a second bin to some rural households; these households would have separate bins for fibre and for glass cans & plastics, collected fortnightly on an alternating basis.
- 3.7 Six different service delivery options were evaluated by an Options Appraisal and Financial Assessment and they are as follows:
- Retain commingled collections and WCAs retain responsibility for disposal.
 - Retain commingled collections and transfer responsibility for disposal to the WDA.
 - Introduce dual stream collections using an additional bin for paper/card and WCAs retain responsibility for disposal.
 - Introduce dual stream collections using an additional bin for paper/card and transfer responsibility for disposal to the WDA.
 - Introduce dual stream collections using a bag for paper/card and WCAs retain responsibility for disposal.
 - Introduce dual stream collections using a bag and transfer responsibility for disposal to the WDA.
- 3.8 Cabinet received a report on 6th July 2021 on the advantages and disadvantages of the six options. The decision made was as follows:

1.1 *The following recommendations were approved by Cabinet (final approval being subject to parallel agreement by the Council's JWC partners Tamworth Borough Council):*

- *Subject to Staffordshire County Council's agreement to fund an equitable share of the additional costs, the Joint Waste Service move to a dual-stream collection methodology (Option 5); subject to recommendation 1.2. The key principles the Council would seek in an equitable cost share between itself and the County Council would be as follows:*
 - *There should be no capping of the level of support, the sharing should be on an open book reconciliation of actual costs,*
 - *The cost sharing to including all additional costs of a dual-stream service, including costs of transition and implementation,*
 - *That there should be no modification of the current mechanism of uplifting recycling credit in line with RPI.*

If unable to agree this equitable split the Council would hand back comingled disposal as detailed in the final bullet point of recommendation 1.1.

- *The dual-stream collections be based on a default of a bin for glass cans and plastics and a bag for paper and card (a second bin may be provided where this proves more suitable to residents and collection rounds).*

- *Delegation of the authority to enter into contracts for the disposal of dual-stream waste to the Cabinet Member for Climate Change and Recycling and the Head of Operational Services and subject to recommendation 1.2.*
- *If Staffordshire County Council do not agree to fund an equitable share of the additional costs of dual-stream collection; the existing commingled collection methodology (option 2) to be retained and the transfer of responsibility for the disposal of Dry Mixed Recycling be returned to Staffordshire County Council from 1st April 2022 (subject to recommendation 1.2).*

1.2 *The Cabinet recommended that Council update the Medium Term Financial Strategy based on the additional financial implications of the selected option:*

- *Option 5: to increase the revenue budget by a maximum of £146,909 (Full Cost £251,988 and Tamworth BC cost £105,079) per annum from 2022/2023. This budget pressure may reduce as a result of cost sharing negotiations with Staffordshire County Council. In addition, to include a new project in the Capital Programme in 2021/22 for £229,183 (Lichfield DC £133,614 and Tamworth BC £95,569) funded by contributions from Staffordshire CC, Tamworth BC and Lichfield DC (reserves) or;*
- *Option 2: to increase the revenue budget by £50,491 (Full Cost £86,605 and Tamworth BC cost £36,114) per annum from 2022/23*

4. Proposal for Consideration

- 4.1 Since the 6th July, negotiations have been undertaken with both members and officers of Staffordshire County Council in a constructive and collaborative manner. As with all negotiations, compromises on the part of all parties have had to be made in order to get to an overall agreement.
- 4.2 The final position reached is that Staffordshire County Council has committed to sharing 50% of the additional recurring costs of £251,000 per annum of implementing dual stream recycling in both Lichfield DC and Tamworth BC in 2022 (so £125,000 per annum additional); and has agreed to an open sharing of the transitional costs on a 50/50 basis up to a maximum level of £94,000 and available up to the end of June 2022; but has not agreed to uplift RPI on recycling credits.
- 4.3 Officers have completed further preparatory work and believe the transitional costs can be managed well within the maximum envelope identified by the County Council so the risk is low.
- 4.4 The position reached is that there is agreement between Lichfield DC, Tamworth BC and Staffordshire County Council to share on a 50/50 (LDC/TBC and SCC) basis the additional permanent costs of implementing dual stream recycling and to share the transitional costs moving to dual stream up to a maximum contribution of £94,000 from the County Council. Agreement could not be reached on maintaining the current level of inflation funding and so this represents a cost pressure for the Joint Waste Service.
- 4.5 After many months of negotiations on these matters, the draft agreement as set out in 4.4 is considered the best that can be reached so Cabinet has to decide if this is acceptable.
- 4.6 If this draft agreement is not considered acceptable there is no further room for negotiation and in these circumstances, Lichfield DC and Tamworth BC (subject to decisions yet to be taken) would need to confirm to Staffordshire County Council that we wish to hand back responsibility for disposal of dry mixed recycling from 1 April 2022.
- 4.7 Handing back disposal of dry mixed recycling needs to be considered with caution. If the intent was to retain comingled collection, this would be the most expensive option for the Staffordshire taxpayer, the least environmentally sustainable option and would do nothing to improve recycling rates. Moreover

there is a risk that the County Council could use their powers of direction to compel a switch to dual-stream recycling, which Lichfield and Tamworth would have limited ability to subsequently shape. It is understood that the other Staffordshire Waste Collection Authorities currently contracted to Biffa have agreed a switch to dual-stream collection with the County Council. Handing back comingled disposal would leave Lichfield and Tamworth as an outlier locally and moving contrary to the national trend towards improving recycling rates by improving the quality of what's collected.

- 4.8 If the financial agreement is considered acceptable, then delegated authority is requested for the Head of Operational Services in consultation with the Cabinet Member for Climate Change and Recycling to implement a new system of dual stream recycling in a phased manner from April 2022 for Lichfield DC and from May 2022 for Tamworth BC (subject to their separate decisions on this matter). Briefing of all elected Members on the new system will take place prior to implementation and a communications plan and public information campaign on the new system would occur prior to the transition from collecting the current commingled waste to dual stream recycling.
- 4.9 If the move to a new system of dual stream recycling is agreed, a scrutiny task group will be established to help inform and shape the operational detail of the new collections.

Alternative Options	1. Alternative options have been considered but they are a net additional cost to the Staffordshire taxpayer and have no beneficial environmental impact over existing arrangements.
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Consultation	1. Tamworth Borough Council as our partners in the Joint Waste Service. 2. Staffordshire Council as the WDA.
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Financial Implications	<p>The Financial Impact Assessment provided in the report to Cabinet on 6 July 2021 detailed the financial implications of the various options on the Joint Waste Service compared to the Approved Budget.</p> <p>The impact on Lichfield District Council of the dual recycling option together with a more pessimistic scenario (5% increase in tonnage and a 50% reduction in income) and more optimistic scenario (5% reduction in tonnage and a 50% increase in income) using the 2020/21 cost sharing ratio would be:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="6" style="text-align: center;">Dual Stream Bag and Bin (Disposal – District)</th> </tr> <tr> <th style="text-align: center;">2021/22 £</th> <th style="text-align: center;">2022/23 £</th> <th style="text-align: center;">2023/24 £</th> <th style="text-align: center;">2024/25 £</th> <th style="text-align: center;">2025/26 £</th> <th style="text-align: center;">Total £</th> </tr> </thead> <tbody> <tr> <td colspan="7" style="text-align: center;">Revenue Cost - 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		2021/22 £	2022/23 £	Total £			
	Capital and Transitional Costs						
	Transitional Costs (Mid May) Purchase of Bins and Bags Less : sharing by SCC (50% capped @ £94,000)	£229,000	£68,000 (£34,000)	£68,000 £229,000 (£34,000)			
	Additional cost to the Joint Waste Partnership	£229,000	£34,000	£263,000			
	Less : Tamworth BC share	(£95,000)	(£34,000)	(£129,000)			
	Additional cost to Lichfield DC	£134,000	£0	£134,000			
	Waste Property Growth Reserve	(£134,000)	£0	(£134,000)			
	Waste Property Growth Reserve	£					
	Opening Balance	(£214,372)					
	Capital and Transitional Costs	£134,000					
	Closing Balance	(£80,372)					
	In the event that the dual stream option is not selected, then the cost of the alternative option to the Joint Waste service is projected to be £87,000 per annum, Tamworth BC's share would be £36,000 per annum and Lichfield DC's share would be £51,000 per annum) from 2022/23.						
Approved by Section 151 Officer	Yes						
Legal Implications	There are no legal implications associated with this proposal.						
Approved by Monitoring Officer	Yes						
Contribution to the Delivery of the Strategic Plan	The provision of the Joint Waste Service a plays a key role in assuring we have a clean, green and welcoming place						
Equality, Diversity and Human Rights Implications	There are no equality, diversity and human right implications associated with implementing the recommendations on the Future of the Dry Recycling Service. An Equality Impact Assessment has been completed and confirms that that vulnerable residents can use this system safely – the existing system of assisted collections will continue and be expanded to encompass the revised collection system.						
Crime & Safety Issues	There are no crime and safety issues associated with implementing the recommendations.						
Environmental Impact	Of the available options, dual-stream collection and disposal is considered likely to deliver the best recycling rates						

GDPR/Privacy Impact Assessment	There are no GDPR or privacy impact issues associated with this report as it contains no personal data or reference to personal data.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Reputational risk if transition to dual stream is not smooth	Likelihood : Yellow Impact : Red Severity of Risk : Red	Brief Elected Members on the new system; Public information and Communications campaign on new system.	Likelihood : Green Impact : Red Severity of Risk : Yellow
B	The JWS does not manage to enter into an agreement for the continued disposal of recyclates.	Likelihood: Yellow Impact: Red Severity of Risk: Red	Ensure early dialogue with BIFFA and keep WDA updated.	Likelihood: Green Impact: Red Severity of Risk: Yellow
C	The service is not compatible with the proposals adopted in the National Waste Strategy	Likelihood: Green Impact: Red Severity of Risk: Yellow	Further review of the service	Likelihood: Green Impact: Red Severity of Risk: Yellow
D	Split bodied vehicles not available in time	Likelihood: Yellow Impact: Red Severity of Risk: Red	Continuing Dialogue with manufacturer and order against agreed deadlines	Likelihood: Green Impact: Red Severity of Risk: Yellow

<p>Background documents</p> <p>June Cabinet – Future of Dry Recycling Services https://democracy.lichfielddc.gov.uk/documents/s10915/Item%205%20-%20DMR%20Cabinet%2028.06.21.pdf</p>
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<p>Relevant web links</p>

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EXTENSION TO THE CONTRACT FOR THE TREATMENT OF GARDEN WASTE

Councillor Ashley Yeates Cabinet Member for Climate Change & Recycling

Date:	7 th September 2021
Agenda Item:	6
Contact Officer:	Nigel Harris
Tel Number:	01543 687549
Email:	nigel.harris@lichfielddc.gov.uk
Key Decision?	YES
Local Ward Members	All



CABINET

1. Executive Summary

- 1.1 Lichfield District Council hosts a contract on behalf of the Joint Waste Service for the treatment of garden waste collected from the kerbside.
- 1.2 The contract which is with Greener Composting Ltd is due to expire in October 2021 but there is provision to extend the arrangement for a further three years.
- 1.3 The site provided by the company is in Lichfield District and is ideally located to serve the districts of both Lichfield and Tamworth who are our partners in the Joint Waste Service. This helps to maintain a high level of operational efficiency and reduce collection costs. The contractor has performed well, providing a reliable, responsive and flexible service. Therefore, it is proposed that the contract be extended until October 2024.

2. Recommendations

- 2.1 It is recommended that Cabinet approve:
 - An extension to the existing contract for the treatment of garden waste with Greener Composting Ltd for a period of three years from 13th October 2021.

3. Background

- 3.1 The Joint Waste Service provides a chargeable garden waste service to the residents of both Lichfield and Tamworth. Approximately 55% of residents subscribe to the service which results in over 12,000 tonnes of garden waste being recycled each year.
- 3.2 Once collected, the garden waste is taken to a windrow composting facility in Wall where it is turned into a soil improver for use on farmland and in landscaping projects. The site is located halfway between the Burntwood Depot and Tamworth plus it is close to the A5 and the A38. This makes it the ideal location for serving both Districts, thus reducing the cost of travelling and the impact on the environment.
- 3.3 The site is owned by Greener Composting Ltd who are a company based in Lichfield District and they have had a contract with Lichfield District Council to treat garden waste on behalf of the Joint Waste Service since October 2014. The contract is due to expire on 12th October 2021 but there is provision to extend the arrangement for a further three years. The contractor has performed extremely well, able to take flexible amounts of waste and also accept loads on Saturdays when operational issues have required collections to be extended.
- 3.4 The Joint Waste Service has to pay a gate fee to Greener Composting for the service that they provide. The gate for 2021/22 is £22.01 per tonne and is adjusted in accordance with CPI each April. However the

company have agreed to forego the adjustment for the duration of the contract extension which should generate a saving for the Joint Waste Service.

- 3.5 With the guarantee of a fixed gate fee for three years plus an ideal location tipping it is very unlikely that retendering the contract would produce a more economically advantageous outcome. This is also the only garden waste disposal facility within either Lichfield District or Tamworth Borough.

Alternative Options	<ol style="list-style-type: none"> The re procurement of the contract is not advised given: <ul style="list-style-type: none"> The advantageous price already achieved. The willingness of the contractor to forego the CPI increase. That the contractor is local – within the District. The extent of the other service changes being undertaken by JWS; a degree of service stability is essential.
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Consultation	<ol style="list-style-type: none"> Tamworth Borough Council as our partners in the Joint Waste Service. Greener Composting Ltd.
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Financial Implications	<ol style="list-style-type: none"> The total spend on garden waste disposal is dependent on the tonnage collected from both districts. This can vary from one year to the next because of weather conditions. The approved Medium Term Financial Strategy budgets for garden waste disposal for the contract period are shown below together with a modelled scenario with higher tonnage and the new gate fee: <div style="text-align: center; margin: 10px 0;"> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #00AEEF; color: white;"> <th colspan="5">Approved Budget</th> </tr> <tr style="background-color: #D9E1F2;"> <th></th> <th>2021/22</th> <th>2022/23</th> <th>2023/24</th> <th>2024/25 (part year)</th> </tr> </thead> <tbody> <tr> <td>Budgeted Tonnage</td> <td>11,851</td> <td>11,913</td> <td>11,974</td> <td>10,464</td> </tr> <tr> <td>Budgeted Gate Fee</td> <td>£22.01</td> <td>£22.45</td> <td>£22.90</td> <td>£23.36</td> </tr> <tr style="background-color: #D9E1F2;"> <td>Joint Waste Service</td> <td>£260,840</td> <td>£267,440</td> <td>£274,200</td> <td>£244,410</td> </tr> <tr style="background-color: #F2D9D9;"> <td>Lichfield DC Share</td> <td>£152,070</td> <td>£155,920</td> <td>£159,860</td> <td>£142,490</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #00AEEF; color: white;"> <th colspan="5">Modelled Scenario</th> </tr> <tr style="background-color: #D9E1F2;"> <th colspan="5">Higher Tonnage and New Gate Fee</th> </tr> <tr style="background-color: #D9E1F2;"> <th></th> <th>2021/22</th> <th>2022/23</th> <th>2023/24</th> <th>2024/25 (part year)</th> </tr> </thead> <tbody> <tr> <td>Higher Tonnage</td> <td>12,800</td> <td>12,800</td> <td>12,800</td> <td>11,135</td> </tr> <tr> <td>New gate Fee</td> <td>£22.01</td> <td>£22.01</td> <td>£22.01</td> <td>£22.01</td> </tr> <tr style="background-color: #D9E1F2;"> <td>Joint Waste Service</td> <td>£281,730</td> <td>£281,730</td> <td>£281,730</td> <td>£245,080</td> </tr> <tr style="background-color: #F2D9D9;"> <td>Lichfield DC Share</td> <td>£164,250</td> <td>£164,250</td> <td>£164,250</td> <td>£142,880</td> </tr> <tr style="background-color: #F2D9D9;"> <td>Lichfield DC Share Variance to Budget</td> <td></td> <td>£8,330</td> <td>£4,390</td> <td>£390</td> </tr> </tbody> </table> </div> In the event the total tonnage collected exceeds the budget allowance, then the additional cost will be offset by the Recycling Credit which the Service receives from the County Council. The Recycling Credit is £32.08 per tonne in 2021/22 and £25.58 per tonne in 2022/23. The figures for 2023/24 and beyond haven't yet been agreed with the County Council but as long as the Recycling Credit stays higher than the gate fee then there will be no budgetary pressure should tonnages rise. 	Approved Budget						2021/22	2022/23	2023/24	2024/25 (part year)	Budgeted Tonnage	11,851	11,913	11,974	10,464	Budgeted Gate Fee	£22.01	£22.45	£22.90	£23.36	Joint Waste Service	£260,840	£267,440	£274,200	£244,410	Lichfield DC Share	£152,070	£155,920	£159,860	£142,490	Modelled Scenario					Higher Tonnage and New Gate Fee						2021/22	2022/23	2023/24	2024/25 (part year)	Higher Tonnage	12,800	12,800	12,800	11,135	New gate Fee	£22.01	£22.01	£22.01	£22.01	Joint Waste Service	£281,730	£281,730	£281,730	£245,080	Lichfield DC Share	£164,250	£164,250	£164,250	£142,880	Lichfield DC Share Variance to Budget		£8,330	£4,390	£390
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Approved by Section 151 Officer	Yes
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Legal Implications	<ol style="list-style-type: none"> The proposal complies with Public Procurement Policy and legislation.
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Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	1. The provision of the Joint Waste Service plays a key role in assuring we have a clean, green and welcoming place.
Equality, Diversity and Human Rights Implications	1. There are no equality, diversity and human right implications associated with the contract extension.
Crime & Safety Issues	1. There are no crime and safety issues associated with the contract extension.
Environmental Impact	1. The contract is essential for ensuring that the garden waste is recycled in a way that minimises the impact on the Environment.
GDPR / Privacy Impact Assessment	1. A Privacy Impact Assessment has not been undertaken because extending the contract does not involve the handling of any personal data.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Plant closure due to loss of permit, business failure or catastrophic event Owner: General Manager Joint Waste Service	Likelihood: Yellow Impact: Red Severity of Risk: Yellow	Regular site visits and contract monitoring.	Likelihood: Green Impact: Yellow Severity of Risk: Green
B	Decrease in the value of the Recycling Credit for 2023/24. Owner: General Manager Joint Waste Service	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	Discussions/negotiations with the County Council	Likelihood: Green Impact: Yellow Severity of Risk: Green

	Background documents 1. Contract for the Treatment of Garden Waste with Greener Composting Ltd – October 2014.
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	Relevant web links Any links for background information which may be useful to understand the context of the report
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Procurement Matters Update 2020/21

Cabinet member for Finance, Procurement & Revenues & Benefits

Date:	07 September 2021
Agenda Item:	7
Contact Officer:	Anthony Thomas / Clair Johnson
Tel Number:	01543 308012 / 308026
Email:	anthony.thomas@lichfielddc.gov.uk clair.johnson@lichfielddc.gov.uk
Key Decision?	NO
Local Ward Members	Full Council



Cabinet

1. Executive Summary

- 1.1 The Procurement Team was established in Oct/Nov 2020 and the Procurement Strategy was approved in December 2020. This Procurement Matters report provides an update on progress made against the Action Plan and Key Performance Indicators as well as reflecting on the wider work undertaken to date by the Procurement Team.

2. Recommendations

- 2.1 To approve the updated Action Plan at **APPENDIX A** and to note the contents of this report.

3. Background

- 3.1. Historically, procurement activity at the Council was decentralised and reactive in nature with procurement advice and support provided through shared service arrangements.
- 3.2. The termination of the most recent shared service arrangement meant an alternative approach was needed. Therefore an option appraisal was undertaken that included engagement with Managers and Leadership Team to understand:
- The procurement outcomes that are important to the Council;
 - The options that were available to achieve the outcomes and;
 - The preferred option.
- 3.3. The preferred option was the introduction of an in-house Procurement Team with recruitment taking place in October/November 2020.
- 3.4. An internal audit review of procurement pre-arrival of the Procurement Team was undertaken and an overall rating of Limited Assurance was given. This level of assurance indicated that there were some weaknesses in controls that needed to be addressed as part of the Procurement Strategy.
- 3.5. In December 2020 the Procurement Strategy was approved by Cabinet and the Procurement Team has been working to deliver the action plan and support the aspirations in the document.
- 3.6. The Procurement Strategy was developed following an assessment against the Local Government Association's toolkit with an initial focus on 'getting the basics right' and recognising the need to be realistic with aims and timescales with a relatively small team in place.
- 3.7. The Procurement Strategy has overall aims of improving the way in which we carry out procurement activities, moving from a reactive to a proactive model based on forward planning as well as seeking to develop the added value we can obtain via social value and environmental sustainability.
- 3.8. The Procurement Team has been working across the whole organisation to :

- understand the current procurement & contracting environment both internally and externally
- build relationships with colleagues to make the team known and accessible
- improve recording keeping including contracts register and forward procurement plan
- provide guidance and support in relation to procurement and contracting activity

3.9. The historic nature of procurement has meant there has had to balance both the strategic and day-to-day requirements including providing support, guidance, and project delivery across nearly all areas of the organisation on all aspects of the procurement cycle.

3.10. This includes greater capacity than envisaged being spent on regularising historic contracts and seeking information to inform future procurement activities.

The Progress on the Action Plan during 2020/21

3.11. The Procurement Strategy has an initial focus on ‘getting the basics right’ and recognises the need to be realistic with aims and timescales with a relatively small team in place.

3.12. Therefore the Action Plan will be delivered over a number of years and realistic timescales have been assigned by the Procurement Manager to each action.

3.13. The Action Plan update at **APPENDIX A** shows progress to date with those actions scheduled for 2020/21 summarised below:

What we plan to achieve	Status	Procurement Strategy Outcomes
A fully staffed and trained procurement team		
• Recruit to permanent roles	Completed	Specialist additional capacity to support service areas with the implementation of the Procurement Strategy has been provided.
• Support CIPS training and appropriate legal courses	Ongoing	The procurement team is being supported with professional training to ensure Procurement will be undertaken in line with current best practice.
High performing procurement function		
• Develop a series of KPIs	Completed	The KPIs will enable the success of the Procurement Strategy to be measured.
A fully populated electronic contract register		
• Continue to support the embedding of self-service	Pending	All contracts are published and will form the basis for developing a forward looking Procurement Plan. This approach will ensure better planning of procurement activity, achievement of value for money and implementation of social value objectives. This action is pending as we have taken the decision to centralise the use of the e-tendering system initially to ensure compliance.
To move towards Requests for Quotations and Invitations to Tender to be run via the e-tendering system		
• Procurement Team to use the system on behalf of officers as required	Completed	To ensure greater opportunity for suppliers and to demonstrate value for money/social value achievements.
Improve engagement with local suppliers		
• Attendance at the relevant meet the buyer events	Pending	To ensure greater opportunity for local suppliers and to demonstrate value for money/social value achievements.
• Regular monitoring process	Ongoing	Due to the CV19 restrictions on face to face events there have been no Meet the Buyer events to attend.
Ensure all opportunities for collaboration are explored		
• Completion of all relevant surveys from buying organisations	Ongoing	To ensure buying organisations are aware of the Council’s policy requirements.
Improve post contract award and commercial outcomes		
• Support key officers in commercial negotiations and continuous improvement activities	Ongoing	To ensure value for money/social value is achieved.
Internal Audit Assurance Rating		
• Improve from Limited Assurance to Adequate Assurance	Completed	To provide assurance to the Council and stakeholders that risks are being managed in procurement activity.

- 3.14. To measure the success of the Procurement Strategy a ‘balanced scorecard’ of Key Performance Indicators (KPIs) was developed based on strategic, financial, operational and compliance/risk themes.
- 3.15. The Procurement Strategy will be delivered over several years and therefore improvements in some KPIs will take time to manifest. In addition the ability to collect and monitor the data is dependent on enabling actions such as the implementation of the new finance system during late 2021.
- 3.16. The baseline for each KPI identified in the Procurement Strategy together with the 2020/21 performance where it has been possible to collect data is shown in detail below:

Key Performance Indicator	Baseline	2020/21	Trend	Procurement Strategy Outcomes
Strategic				
% of spend in Lichfield District	12%	9.05%	Negative	The level of Council spend in Lichfield District.
Number of tenders with social value criteria	NEW	2 [25%]	Positive	To assess the application of social value principles in procurement activity.
Financial				
Financial savings in total (cashable)	NEW	(£40,000)	Positive	The level of contract cashable savings.
Gross annual financial savings achieved (cashable)	NEW	(£10,000)	Positive	The level of annual cashable savings.
Net annual financial savings achieved (cashable)	£120,832*	£110,832	Positive	The net level of annual cashable savings after taking into account the direct cost of the Procurement Team.
Any other annual financial savings (non-cashable)	NEW	(£2,740)	Positive	The level of other annual efficiency non cashable savings.
Operational				
% suppliers paid within 30 days – target 90%	86.15%	86.06%	Neutral	How promptly suppliers are paid in line with social value objectives.
% of procurement opportunities published	NEW	0%	Neutral	The level of procurement opportunity provided to suppliers through open procurements.
Compliance / Risk				
Number of waivers to Contract Procedure Rules (CPRs)	10	21	Neutral	The number of times the application of Contract Procedure Rules are ‘waived’.
Number of legal challenges	NEW	0	Positive	The number of times the Council is legally challenged in Procurement activity.

* includes costs for the interim procurement support used in 2020/21 as well as the current Procurement Team

- 3.17. In addition, as the Forward Procurement Plan is developed we expect to see the number of procurement activities for like-for-like requirements increase and this together with regularising current arrangements to inform the plan will hopefully increase the amount of ‘cashable’ savings.

What is on the Horizon for Procurement?

- 3.18. The Action Plan update at **APPENDIX A** also shows that in addition to the ongoing and pending actions in 2020/21, there are a **15 actions** scheduled for 2021/22 and **8 actions** for later years.
- 3.19. **Procurement Green Paper** – a green paper was published on the Government’s proposed changes to public procurement as a result of Brexit and joining the WTO GPA¹ directly; we submitted our response in March. Headlines included are a reduction in the number of Above Threshold² procedures to 3 (Open, Flexible, Emergency), stronger support for social value, localism and environmental impact being included in evaluation criteria, longer terms for framework agreements, and a rationalisation of the legislation into one document (currently general, utilities, defence and concessions). Following a

¹ World Trade Organisation Government Procurement Agreement [WTO | Government procurement - The plurilateral Agreement on Government Procurement \(GPA\)](#)

² Currently the Public Contract Regulations 2015 apply in full to Services/Goods contracts Over £189,330 and Works contracts over £4,733,252 - these thresholds are linked back to the WTO GPA so will continue to be reviewed every 2 years but shouldn’t significantly change

recent webinar, we don't think this will be through the necessary parliamentary stages before mid-2023.

- 3.20. **PPN 05/21 National Procurement Policy Statement** – issued June this brings into force a new policy statement which focusses on social value to support creating new businesses, jobs and skills; tackling climate change & reducing waste; and improving supplier diversity, innovation & resilience. We are in the process of understanding the impact of this policy as well as how we are best suited to include it in the new CPRs and day to day activity, balancing the national picture with local priorities.
- 3.21. **Social Value, Think Local & Environmental Sustainability** – we are planning to work with a Member Task Group to explore the variety of formats social value, 'think local, and environmental sustainability can take, drafting Social Value, Think Local and Environmental Sustainability policies and an action plan to implement it. We have already started to make contract with local colleges in order to capitalise on those commitments already received from contractors in the intervening period as well as continuing to ask bidders for commitments in appropriate procurement projects.
- 3.22. **Local & Regional Spend** – in order to provide more in depth data on this in addition to the KPI for % of spend in Lichfield District above, we will monitor the number of local and regional suppliers that are invited to participate in procurement activities and the number of those that are then successful at contract award. This information will reflect procurement related activity in particular and the impact of the Think Local policy referred to above.

Alternative Options	The Council could decide that a new Procurement Strategy is needed and develop one that is different in the outcomes it would like to achieve.
Consultation	The Leadership Team have provided input into this report.
Financial Implications	There is an annual procurement savings target of c1% or c£84,000 assumed in the Medium Term Financial Strategy. This target will be reduced by £10,000 in relation to the annual cashable savings identified by the Procurement Team.
Approved by Section 151 Officer	Yes
Legal Implications	Potential forthcoming changes to procurement legislation as detailed in 3.19 above as a result of the recent Green Paper. The Procurement Manager will keep monitoring this area for any developments.
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	<ol style="list-style-type: none"> 1. The work of the Procurement Team contributes towards the strategic aim of “a council that is fit for the future” ensuring compliance to internal and external regulations as well as seeking value for money outcomes. 2. Effective procurement can contribute to the achievement of Strategic Plan outcomes primarily in relation to developing prosperity and being a good Council.
Equality, Diversity and Human Rights Implications	No specific implications.
Crime & Safety Issues	No specific implications.
Environmental Impact	<ol style="list-style-type: none"> 1. Social Value and Environmental Sustainability form part of the Procurement Strategy. 2. Environmental impact can be considered as part of procurement exercises, where applicable and proportionate, and included in evaluation criteria; improvement in

environmental measures possible through application of Procurement Strategy (for example reduction in CO2 emissions, increased use of sustainable materials, reduction in waste).

**GDPR / Privacy
Impact Assessment**

No specific implications.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	The Council's procurement ambitions have not been articulated and agreed Head of Finance and Procurement / Procurement Manager	Likelihood : Red Impact : Yellow Severity : Yellow	The Procurement Strategy will articulate where the Council wants to be and how it plans to get there	Likelihood : Green Impact : Green Severity : Green
B	Local suppliers are not provided with the opportunity to bid for Council procurements Head of Finance and Procurement / Procurement Manager	Likelihood : Red Impact : Yellow Severity : Yellow	Procurement opportunities will be part of a forward looking plan and will also be communicated more widely to provide greater opportunities	Likelihood : Yellow Impact : Yellow Severity : Yellow
C	Procurement performance is not monitored and transparent Head of Finance and Procurement / Procurement Manager	Likelihood : Yellow Impact : Yellow Severity : Yellow	There will be a suite of Key Performance Indicators that will be regularly monitored	Likelihood : Green Impact : Green Severity : Green
D	Non-compliance with legal, regulatory and constitutional requirements Head of Finance and Procurement / Procurement Manager	Likelihood : Yellow Impact : Yellow Severity : Yellow	The new Procurement Team will be able to ensure compliance and this will also will be monitored by Internal Audit	Likelihood : Green Impact : Yellow Severity : Yellow
E	Procurement savings/value for money are unrealised Head of Finance and Procurement / Procurement Manager	Likelihood : Red Impact : Yellow Severity : Yellow	The new Procurement Team will be able to establish greater rigour in the Procurement process	Likelihood : Green Impact : Yellow Severity : Yellow
F	Procurements are reactive rather than planned and therefore do not achieve value for money Head of Finance and Procurement / Procurement Manager	Likelihood : Red Impact : Yellow Severity : Yellow	The procurement team will engage with service areas to minimise reactive procurement	Likelihood : Yellow Impact : Yellow Severity : Yellow

Background documents

Cabinet Report December 2020 (Procurement Strategy)

Relevant web links

Appendix A – Action Plan Update

	What we plan to achieve	What we plan to do	Target Year	2020/21 Status	2021/22 Status to date	Comments
Professionalise Procurement	A fully staffed & trained procurement team	Recruit to permanent roles	2020/21	Completed	Completed	Procurement Manager & Procurement Specialist joined Oct/Nov; immediate engagement with the Procurement Team from across the organisation.
		Support CIPS training and appropriate legal courses	2020/21	Started	On-Going	Procurement Manager undertaking Graduate Diploma in Law and Procurement Specialist CIPS Level to develop knowledge and skills
	Enhance procurement knowledge in the council	Identify gaps in knowledge and develop additional training courses	Later Years	Pending	Pending	Will link in with new CPRs ³ and ways of working to upskill colleagues across the council
	A flexible and responsive procurement team	Undertake engagement with customers through a feedback survey	Later Years	Pending	Pending	Ad-hoc feedback sought & given – all very positive to date
	High performing procurement function	Develop a series of KPIs	2020/21	Completed	Completed	KPIs included in Procurement Strategy and being monitored.
Systems and Processes	A fully populated electronic contract register	Update with information received	2021/22	Started	On-Going	Updating Contract Register with historic information as it is verified; all new contracts being added as awarded; some delay due to access to offices being limited by CV19 restrictions
		Continue to support the embedding of self-service	2020/21	Pending	Pending	Currently directing all contracts to come via Procurement Team to assist with record validation and inclusion on Forward Plan
	To move towards LDC RFQs and ITTs to be run via e-tendering system	Training programme for staff	Later Years	Pending	Started	Procurement Team has completed 2 day training on use and admin of the system; next step will be to develop training for colleagues
		Procurement Team to use the system on behalf of officers as required	2020/21	Completed	Completed	Procurement Team using e-tendering system as needed to run RFQ/ITT/Further Competitions

³ Contract Procedure Rules – Part of the Council’s Constitution

	What we plan to achieve	What we plan to do	Target Year	2020/21 Status	2021/22 Status to date	Comments
Visibility and Data	A fully populated forward looking work plan	Update with information received and procurement initiation form content	2021/22	Started	On-Going	Using Contract Register and Project Update list to collate information; started spend analysis to further identify opportunities; initial draft produced and shared with LT for validation.
		Regular engagement with officers and managers	2021/22	Started	On-Going	Attending quarterly budget reviews; ad-hoc meetings when needed
		Regular procurement updates to officers	2021/22	Started	On-Going	Quarterly attendance at Leadership Team and engagement in Manager's Forum when needed
	Improve visibility of procurement opportunities	Future work plan to be published on website in form of anticipated procurement opportunities	2021/22	Pending	Pending	Pending validation of first draft for publication; this will link in with engagement with local suppliers to encourage participation
		All current procurement opportunities to be published	2021/22	Pending	Pending	New CPRs being drafted will include updated guidance on when to advertise opportunities
	Publish and monitor expenditure with suppliers, SMEs and VCSEs in Lichfield District	Monitoring spend through the new finance system	Later Years	Pending	Pending	Basic information already published; more detailed information pending implementation of new finance system
Suppliers and Social Value	Recognise and embed social value (potentially adopt National TOMs Framework for Social Value measurement)	Develop a social value policy and guide for officers	2021/22	Started	On-Going	Waiting for Member Task Groups to be started for work to commence in detail; some background work has been undertaken
		Consider the inclusion of social value criteria in each relevant procurement	2021/22	Started	On-Going	Basic Social Value criteria being included in RFQs/ITTs where appropriate; to be fine-tuned once Social Value Policy has been developed
	Environmental Sustainability	Develop criteria for environmental sustainability for inclusion in procurement	2021/22	Pending	Pending	Waiting for Member Task Groups to be started for work to commence in detail in conjunction with Social Value Policy; some background work has been undertaken
	Improve engagement with local suppliers	Develop a selling to the council guidance publish on LDC website	Later Years	Pending	Pending	Pending new CPRs being in place to ensure information provided is up-to-date
		Attendance at any relevant Meet the Buyer events	2020/21	Pending	Pending	Meet The Buyer events not happening currently due to CV19 restrictions

	What we plan to achieve	What we plan to do	Target Year	2020/21 Status	2021/22 Status to date	Comments
		Widen advertising of relevant contract opportunities to include social media	2021/22	Pending	Pending	New CPRs being drafted will include updated guidance on how to advertise opportunities
		Identify local suppliers and encourage them to register on e-tendering system	2021/22	Pending	Pending	Looking for local suppliers on a project by project basis where applicable currently; once Social Value Policy & New CPRs are in place will commence project to get registrations of local suppliers up.
		Identify demand for 'how to tender' workshop in advance of any significant procurements and or general workshop	Later Years	Pending	Pending	Will follow from above engagement project
Compliance	All relevant contracts are advertised on Contracts Finder	Regular monitoring process	2020/21	Started	On-Going	When appropriate Contracts Finders will be used to advertise opportunities
	All procurements with a value of over £10,000 are agreed with Procurement Team	Regular monitoring process	2021/22	Started	On-Going	Informed Managers Forum of this new requirement
	Ensure that the procurement elements of the CPRs remain fit for purpose	To review the procurement elements of the CPRs	2021/22	Started	On-Going	Drafting of new CPRs underway
	Procurement information Transparency Code 2015 requirements are met	Regular monitoring process	2021/22	Pending	Started	Working through Transparency requirements and identifying any missing publications
Collaboration		Completion of all relevant surveys from buying organisations	2020/21	Started	On-Going	As and when received
	Ensure opportunities for collaboration are explored	Representation at heads of procurement networks	2020/21	Pending	Started	Member of West Midlands Social Value Taskforce; liaising with West Midlands Heads of Procurement Group
		Host or attend knowledge transfer meetings with neighbouring authorities to share forward looking work plans	Later Years	Pending	Pending	Ad-hoc chats taking place as needed

	What we plan to achieve	What we plan to do	Target Year	2020/21 Status	2021/22 Status to date	Comments
		Approach local authorities when a new procurement is initiated to understand scope for collaboration	2021/22	Pending	Pending	Sought contact details for local authorities to enable communications when appropriate; will progress further when Forward Plan is published
Contract Management	Improve post contract award and commercial outcomes	Development of a contract management guide for officers	Later Years	Pending	Pending	Ad-hoc support being given when needed
		Support key officers in commercial negotiations and continuous improvement activities	2020/21	Started	On-Going	Ad-hoc when requested

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Review of Development Management Service Structure

Councillor Angela Lax, Cabinet Member for Regulatory, Housing & Health

Date:	7 th September 2021
Agenda Item:	8
Contact Officer:	Claire Billings
Tel Number:	01543 308171
Email:	Claire.billings@lichfielddc.gov.uk
Key Decision?	YES
Local Ward Members	N/A



CABINET

1. Executive Summary

1.1 The Council's role as Local Planning Authority is high profile particularly in regard to the determination of planning proposals. Lichfield District is an attractive area which brings significant development opportunities, and with them pressures and challenges to the Development Management (DM) Service. A review undertaken at the end of 2020, prompted in part by concerns over the ability of the service to meet customer needs and expectations, identified several issues impacting on the performance of the service, which can be summarised as:

- High turnover of staff and inability to fill vacancies;
- In some areas, staff lacking skills and experience and requiring training and development;
- Significant reliance on use of interims on temporary basis to fill vacancies including in senior roles;
- Lack of continuity in management and caseloads due to turnover of staff (including of interims);
- Working from home arrangements due to Cv19 restrictions impacting on staff induction and development and overall team working;
- Increasing workloads and demands on service irrespective of Cv19 challenges, often linked to the complexity of matters but also the high expectations of customers;
- Pressures on staff leading to problems of staff morale;
- Expectations and behaviour of Members and vexatious customers impacting on staff confidence.

1.2 An action plan was drawn up in response to these issues, in consultation with the Cabinet member for Regulatory, Housing and Health Services. The plan focuses on:

- Developing better relationships between Members and the service;
- Providing the necessary training and development opportunities for staff;
- Clearly defining the roles and responsibilities of officers in management positions including the key role of the Planning Development Manager;
- Benchmarking salary levels as part of consideration of recruitment and retention matters; and, crucially
- Seeing where structural changes can be made to bring in additional capacity and capability.

1.3 Implementation of the action plan has commenced over the last 9 months with positive results. The level of complaints has decreased, customer relations have improved and more streamlined and enhanced internal processes and procedures have helped ensure applications are properly validated

and more speedily. In addition, there has been a review of the Technical Support team (TST) implemented, whereby administration level posts have been removed from the structure in favour of more technical support staff, and additional training provided for that team to enhance the validation process and quality and consequently to take some work from planning officers. This structure within the TST has just become fully staffed from the beginning of August and positive changes are already being seen as a result.

- 1.4 However, the service is still subject to high workloads, with a 26% increase in the last 12 months compared to the previous year, alongside a number of strategic major projects pending and expected later this year. Alongside this increased volume and complexity of work we recognise a very demanding customer base (including, individuals, residents' groups and elected members) and continuing concerns over our ability to investigate alleged breaches of planning control. Whilst service improvements have been made and continue, many of the problems identified above remain with retention of experienced staff within the service, ability to recruit to vacant posts and a significant dependency on interim/agency workers to fill roles and maintain service delivery. The continual high churn of staff coupled and extensive use of temporary staff is not conducive to stabilising the service and ensuring it performs to the levels expected of it, nor does it ease the pressures on individual team members, who have high workloads and high demands placed on them.
- 1.5 This paper proposes a revised structure, increasing capacity in the service, funded by a budget increase of £1.13million over the next five years. With this investment, the service will stabilise over the period with a return to performance targets being achieved across the set of indicators for the service.

2. Recommendations

- 2.1 That Cabinet approves the proposed Development Management Service revised structure and agrees to the principle of the addition of market supplements for the senior/team leaders' posts.
- 2.2 Cabinet recommends to Council to approve an increase in the Revenue Base Budget (totalling £1.13m for the period 2021/22 to 2025/26) detailed in the financial implications section.

3. Background

- 3.1 The planning Development Management service (DM) carries out the statutory function of processing and determining all applications submitted under the Town and Country Planning Act (as amended) and defends any planning appeals related to the decisions made. The service also provides for the Council's planning enforcement function concerning alleged and proven breaches of planning control, as well as high hedge complaints.
- 3.2 DM is a front-facing service that has high levels of engagement with a very broad range of people and organisations including applicants, agents, developers and housebuilders, solicitors, Parish and Town Councils, Ward Members, statutory and non-statutory consultees; general public including neighbours of development proposals; MPs and local interest groups. It attracts a high level of public interest and the planning development management process and planning enforcement, by its nature, can be controversial as one party (i.e. objectors or the applicant) are often unhappy about the decisions made if these do not align with their own views.
- 3.3 The DM team currently comprises 18.3 FTE officers, including planning case officers (assistant level through to principal officer level); planning enforcement officers; technical support officers; and line managers, led by a Planning Development Manager who reports to the Head of Service.

3.4 The Service deals annually with approximately 1200 planning applications of which c50 are major applications. In 2020, 200 formal pre-application enquiries were handled and 220 enforcement cases with 1020 decisions issued. Also, daily levels of correspondence received by the service relating to applicants and/or general enquiries is extremely high. In the last 12 months (June 2020 to June 2021) the number of planning applications increased by 26% despite the national pandemic. Whilst historically performance has generally always been good when measured against the national indicators, this has dipped over the last quarter.

Current performance

3.5 Whilst the service has performed well against National Performance Indicators over many years, recently there has been a growing need to rely heavily on agreed extension of times to meet one of these indicators - performance targets for speed of determination - and furthermore whilst additional interim support has been brought in to seek to maintain service delivery this too has impacted and created challenges at times with a distinct variation in the quality of consultants/agency workers. As a result, the performance of the service has started to dip as shown in the table below:

KPI / NI	2020/21	2020/21	2021/22	2021/22
	Full Yr Target	Full Yr Actual	Q1 Target	Q1 Actual
NI – Speed of determination of non-major applications	70%	72.2%	70%	68.5%
NI – Speed of determination of non-major applications per 2 year rolling period	70%	N/A	70%	76.4%
NI – Speed of determination of major applications	60%	78.3%	60%	76.9%
NI – Speed of determination of major applications per 2 year rolling period	60%	N/A	60%	81.7%

Service issues affecting / impact of current performance

3.6 As of mid-August 2021 the service is carrying 4.5 full time equivalent (FTE) vacancies; including 2 at principal level (including 1 longstanding enforcement vacancy that has been unsuccessfully filled following 3 rounds of recruitment); 1.5 senior planning officer posts, and a Planning Assistant officer post (with an appointed new post holder due to join the team in mid-September however). The service currently has 5 interim/agency workers engaged covering vacancies including the principal officer enforcement role, and one senior officer who is due to leave early September, due to gaining a permanent post elsewhere. In the last 12 months approximately £190,000 has been expended on agency workers, with a projected spend to the end of 2021 of some £174,000 already (funded by vacancies and an earmarked reserve established to manage this risk).

3.7 Alongside responding to those seeking planning permission, the planning enforcement team has a high number of complicated and/or high-profile planning enforcement cases on hand that demand a lot of resource to investigate and progress. This in part reflects the importance residents place on protecting and maintaining a good quality environment.

3.8 There are also a number of high profile/strategic projects the service feeds into and/or is involved with directly, including HS2 (phases 1 and 2a); Council priority projects, such as the City Centre Master Plan and Birmingham Road site; Rugeley Power Station redevelopment and a number of large residential Strategic Development Allocation sites arising from the Local Plan. The DM service is an important

contributor to the successful delivery of these projects and delivering the Council's strategic priorities to create a strong local economy and attractive environment.

- 3.9 Whilst reasons for people leaving the Authority differ, a common issue raised is the level and pressure of workloads and demands being made upon post-holders. In some but not all cases, there is also the issue of salary levels compared with other local planning authorities. Whilst recognising the improvements that have been made to the service over the last 6 - 9 months, there is a clear need to address the problems of retaining and recruiting staff, but also ensuring the DM Service structure is right in terms of capacity, enabling staff to be adequately supported with manageable workload levels to do their jobs to the required standard and hence the ability to grow and develop the service as a whole.
- 3.8 In addition to the impact on performance, the pressures placed on officers within the service, as a result of high workloads and high demands and negativity at times from customers, has and is impacting significantly on the well-being and morale of individuals, with a number feeling overwhelmed by the levels of work undertaken and the subsequent need to undertake extra hours to meet the work demands placed upon them leading to stress and exhaustion. This has proven to be some of the reasons why members of the service have recently left the authority to work elsewhere.
- 3.10 Without action there is a danger further staff will leave due to the pressures being experienced, performance will continue to decline and the problems that have been voiced, that the service lacks customer responsiveness, will continue despite the positive improvement that has been made to seek to address this particular area.
- 3.11 Building on the aforementioned action plan, work has been carried out to review the current structure of the service (including in terms of management/team leader roles) and identify pressure points. This has led to a proposal being formulated for the creation of additional posts to support the enforcement, major projects and technical support functions of the service and a realigned team leader management structure. The opportunity has also been taken to assess salary levels for posts based on an independent benchmarking exercise undertaken for the service.

Proposal

- 3.12 To address the challenges of workload levels, meet the increasing customer demand placed on the service and return the service to an acceptable level of performance, it is proposed to:
- a) Increase the level of resource from 18.3 FTE to 22.3 FTE. This increase will include additional capacity for the enforcement and senior level planning officer resource in the service. (See **Appendix A and B** respectively for the existing and proposed structures).
 - b) Enhance the principal/team leader post salaries via a market supplement in order to attract and retain staff. Market supplements proposed follow a recent salary benchmarking exercise which identified a gap in local rates of pay compared to other nearby local authorities.
- 3.13 The revised proposed structure will deliver the following benefits:
- Enhance the capacity of the enforcement team,
 - Enhance capacity within the service to deal with the larger and more complex major applications; including projected HS2 and Council-led applications,
 - Provide enhanced dedicated technical (rather than administrative) support to the enforcement team and planning officers,

- Create a line management structure that allows for principal officers to better lead and support their respective team members,
- With the filling of existing and new posts further stabilise the service and build morale and reduce impact on officer wellbeing,
- Ensure less reliance on costly (and sometimes ineffective) agency workers.

3.14 The most notable changes suggested in the proposed structure are:

1. A dedicated team leader over planning enforcement and the planning assistants/householder officers (separate new team), to address the balance of number of reportees to any team leader/PPO.
2. Creation of 2 senior enforcement officer posts; each can deal with a comparable workload and concentrate on day to day enforcement case work, rather than be involved in any team leader/management matters. This will build better resilience for the enforcement function.
3. All 'technical support' for enforcement officers, including the logging of complaints etc. would be moved into the Technical Support Team; enforcement officers can concentrate solely on enforcement case management rather than have technical or administrative tasks.
4. Resource within the technical support team, as a result of this and other demands, will be increased by 1 FTE Technical Support Officer post (the apprentice post).
5. A further senior officer post introduced support and work with the Principal Major Projects Officer. This is in recognition of the level of major applications the Council receives, has in-hand and is projected to have, particularly with the emerging Local Plan; the Council's own projects and strategic projects, such as HS2, there is notable pressure placed on the current principal major projects officer and other senior officers.
6. Market Supplements are introduced to bolster recruitment and retention. Following the findings of an independent benchmarking exercise undertaken, it is recommended that the PPO/team leader posts, have a market supplement (MS) to encourage recruitment and retention in these roles. A MS of £2,000 per role as advised is recommended. The cost associated with additional MS is included in the costs set out in the table below at para. 3.15.
7. Career grades are amended for certain posts. The career grade for the Planning Assistant posts will omit the band D and have narrower career progression to bands E & F. It is to be noted that this suggested change to the assistant posts has already been implemented, as there were no budget or HR issues in this regard.

Funding the proposal

3.15 Implementing the proposed revised structure would result in a budget increase for the service in the order of £220,000 for 2021/22 rising to £231,000 2025/26. A total additional cost of £1.13 million over the 5-year period.

Alternative Options	<p>1. Stop Service- as it is a statutory function of Council to determine applications submitted under the Planning Acts this cannot be done.</p> <p>2. Shared service or staffing - opportunities to share staff have been previously explored on a county-wide basis but overall lack of capacity and appetite from many Council's. Problems of recruiting are affecting other neighbouring authorities so sharing staff unlikely to be workable or viable.</p> <p>3. Continue to engage consultants - not a cost-effective option plus this does not ensure consistency of approach nor service/team development, significant resource required to train interims, interims are less reliable and can cause instability in teams.</p> <p>4. Reduce performance & quality of work – an option, however not one to be recommended as this could mean the Council is designated as non-performing and potentially have decision making powers removed from it. Also, important Council projects could be delayed and there would be reduced income and loss of reputation.</p>																																																												
Consultation	<ol style="list-style-type: none"> 1. Internal parties including HR & Finance Officers 2. Leadership Team 3. Cabinet Members 																																																												
Financial Implications	<p>Note: 20% refers to posts currently funded by the 20% uplift of planning application fees that have to be ring-fenced for planning purposes, therefore this funding is dependent upon income levels generated from application fees.</p> <table border="1" data-bbox="408 1093 1318 1496"> <thead> <tr> <th></th> <th>2021/22</th> <th>2022/23</th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> </tr> </thead> <tbody> <tr> <td>Current</td> <td>609,650</td> <td>624,510</td> <td>639,740</td> <td>654,130</td> <td>668,880</td> </tr> <tr> <td>Current 20</td> <td>63,950</td> <td>65,230</td> <td>66,550</td> <td>67,880</td> <td>69,250</td> </tr> <tr> <td>20% Funding</td> <td>(63,950)</td> <td>(65,230)</td> <td>(66,550)</td> <td>(67,880)</td> <td>(69,250)</td> </tr> <tr> <td></td> <td>609,650</td> <td>624,510</td> <td>639,740</td> <td>654,130</td> <td>668,880</td> </tr> <tr> <td>Proposed</td> <td>830,660</td> <td>847,490</td> <td>864,630</td> <td>882,120</td> <td>899,960</td> </tr> <tr> <td>Proposed 20</td> <td>66,100</td> <td>67,450</td> <td>68,830</td> <td>70,230</td> <td>71,670</td> </tr> <tr> <td>20% Funding</td> <td>(66,100)</td> <td>(67,450)</td> <td>(68,830)</td> <td>(70,230)</td> <td>(71,670)</td> </tr> <tr> <td></td> <td>830,660</td> <td>847,490</td> <td>864,630</td> <td>882,120</td> <td>899,960</td> </tr> <tr> <td>Additional Funding</td> <td>221,010</td> <td>222,980</td> <td>224,980</td> <td>227,990</td> <td>231,080</td> </tr> </tbody> </table> <p>Notes:</p> <ol style="list-style-type: none"> i. Assumes the potential apprentice role would be funded through a corporate budget as part of on-going discussions regarding apprenticeship appointments to the Authority. ii. The 20% refers to posts currently funded by the 20% uplift of planning application fees that have to be ring-fenced for planning purposes. Funding is therefore dependent upon income levels generated from application fees. <p>This additional financial investment will increase the annual funding gap and in the absence of additional income or savings being identified, will need to be funded by general reserves. The use of general reserves on an ongoing basis is not good practice and is not a sustainable approach. It will also mean that there would be less funding available to manage financial risks or invest in strategic priorities.</p>		2021/22	2022/23	2023/24	2024/25	2025/26	Current	609,650	624,510	639,740	654,130	668,880	Current 20	63,950	65,230	66,550	67,880	69,250	20% Funding	(63,950)	(65,230)	(66,550)	(67,880)	(69,250)		609,650	624,510	639,740	654,130	668,880	Proposed	830,660	847,490	864,630	882,120	899,960	Proposed 20	66,100	67,450	68,830	70,230	71,670	20% Funding	(66,100)	(67,450)	(68,830)	(70,230)	(71,670)		830,660	847,490	864,630	882,120	899,960	Additional Funding	221,010	222,980	224,980	227,990	231,080
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Approved by Section 151 Officer	Yes																																																												

Legal Implications	1. There are no specific legal implications however as a statutory service the proposals if accepted would assist the Council in meeting its obligations as local planning authority.
Approved by Monitoring Officer	
Contribution to the Delivery of the Strategic Plan	1. In terms of District Council's Strategic Plan 2020 to 2024 the proposals would contribute to shaping the place/District, in determining applications that support developments that preserve the districts characteristics and ensure sustainable development; encourage and support economic growth and promote the ability to be more customer responsive.
Equality, Diversity and Human Rights Implications	1. There are no equality, diversity and human rights implications associated with implementing the recommendations.
Crime & Safety Issues	1. There are no crime and safety issues associated with implementing the recommendations.
Environmental Impact	1. The proposals if accepted would enable the Development Management Service to oversee the implementation of agreed spatial policies as they impact upon the development and use of land in the district and associated with this the protection and enhancement of environmental assets.
GDPR / Privacy Impact Assessment	1. No Privacy Impact Assessment has been undertaken as there are no GDPR implications relevant to the recommendation.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	More staff leave the authority due to strain of high workloads and poor morale.	Likelihood: Red Impact: Red Severity of Risk: Red	Commit to delivering service improvements and proposals set out in this paper.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
B	Sickness levels rise within the team	Likelihood: Red Impact: Red Severity of Risk: Red	Provide internal support from manager/HR/Counselling	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
C	Not meeting NIs and subsequent designation as non-performing authority & loss of local decision-making	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	Outsource work and/or bring in more consultants to support the team to help meet targets. Increase use of EoT agreement with applicants, if they are willing to enter into such.	Likelihood: Green Impact: Yellow Severity of Risk: Green
D	Need to return application fees if applications not progressed in timely manner	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	Refuse applications without negotiating and encourage resubmissions; but likely to impact on appeal work.	Likelihood: Green Impact: Yellow Severity of Risk: Green
E	Delivery of Important and strategic projects delayed including Council priority projects and housing delivery	Likelihood: Yellow Impact: Yellow Severity of	Bring in interim support to lead on projects- although will increase budget spend and bring risks.	Likelihood: Green Impact: Yellow Severity of

		Risk: Yellow		Risk: Yellow
F	Increase in complaints including to LG Ombudsman.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	Bring in interim support to lead on projects- more budget spend.	Likelihood: Green Impact: Yellow Severity of Risk: Green
G	Increase use and costs of interim support	Likelihood: Red Impact: Yellow Severity of Risk: Yellow	Fee levels negotiated to ensure best value where possible.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
H	Impact on Council reputation as a result of negative feedback and inability to meet customer demands	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	Seek to manage customer expectations and prioritise work areas where demands are high or are felt of greater importance.	Likelihood: Green Impact: Yellow Severity of Risk: Yellow
I	Lack of qualified and skilled staff and poor decisions made increasing appeals and legal challenges	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	Support and training provided to officers by managers and recruitment process	Likelihood: Green Impact: Yellow Severity of Risk: Yellow
J	Proposed market supplement levels are insufficient to address the recruitment and retention issues	Likelihood: Yellow Impact: Red Severity of Risk: Yellow	Understand nature of market and consider all factors that influence staff and potential staff in respect of employment with the Council.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow

Background documents

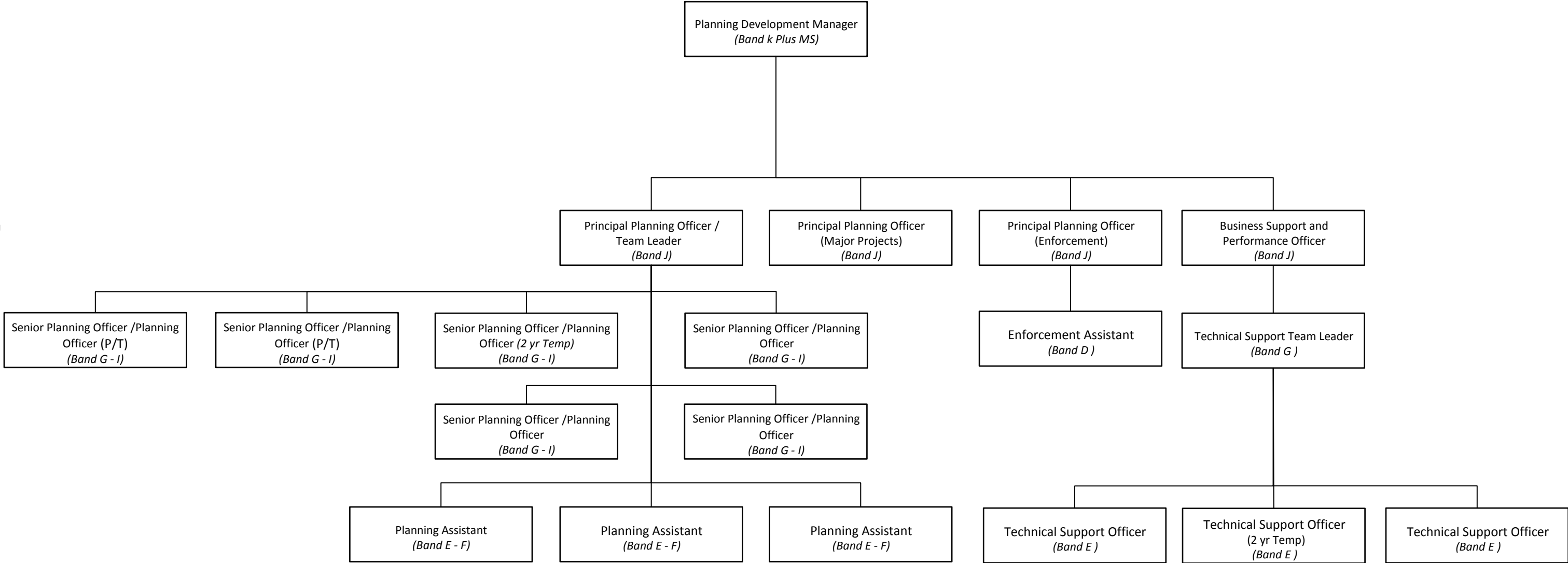
None

Relevant web links

None

APPENDIX A- Existing DM Team Structure

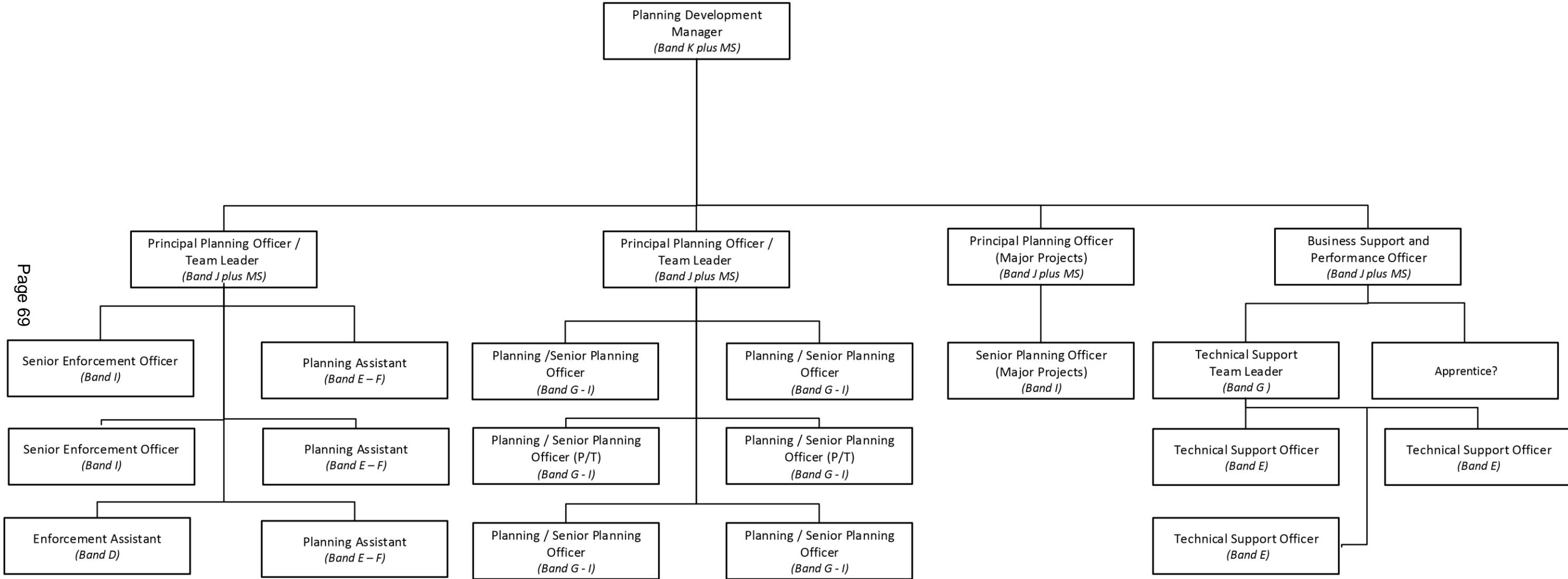
Development Management



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APPENDIX B- Proposed DM Team Structure

Development Management



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