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Monday, 3 October 2022

Dear Sir/Madam

CABINET

A meeting of the Cabinet has been arranged to take place on **TUESDAY, 11TH OCTOBER, 2022 at 6.00 PM IN THE COMMITTEE ROOM** District Council House, Lichfield to consider the following business.

Access to The Committee Room is via the Members' Entrance.

Yours faithfully

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

Christie Tims
Chief Operating Officer

To: Members of Cabinet

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



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AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Medium Term Financial Strategy (Revenue and Capital) 2023-27 3 - 18
4. Delivery of Disabled Facilities Grants 19 - 30
5. Staffordshire Leaders Board - Update to the Terms of Reference 31 - 44
6. Joint Venture - A Cinema for Lichfield District 45 - 78
7. **Exclusion of Press and Public**

RESOLVED: "That as publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be transacted, the public and press be excluded from the meeting for the following items of business, which would involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972"

IN PRIVATE

8. Confidential Appendices (B, D, E, F & G) to Agenda Item 6 79 - 110



Medium Term Financial Strategy (MTFS)

Cabinet Member for Finance and Commissioning

Date: 11 October 2022

Agenda Item:

Contact Officer: Anthony Thomas

Tel Number: 01543 308012

Email: Anthony.thomas@lichfelddc.gov.uk

Key Decision? YES

Local Ward All Wards

Members



Cabinet

1. Executive Summary

- 1.1 The ability to deliver the outcomes set out in the **Lichfield District Council Strategic Plan**, and beyond, is dependent on the resources available in the MTFS.
- 1.2 The MTFS was approved by Council on 22 February 2022 and this is refreshed each year to:
 - Remove the previous financial year and in this MTFS this is 2021/22
 - Formally add the new financial year and in this MTFS this is 2026/27 and;
 - Refresh and update assumptions to reflect the latest information available.
- 1.3 The MTFS is the overall budget framework and consists of the Revenue Budget, Capital Strategy and Capital Programme, Earmarked Reserves and General Reserves.
- 1.4 There have been reports to Cabinet and Council that have updated the MTFS since its initial approval.
- 1.5 The Treasury Management Strategy Statement and Annual Investment Strategy are also important components of the MTFS. These components, under the Constitution are the responsibility of the Audit and Member Standards Committee and, therefore, will be considered by that Committee as part of the development of the Draft MTFS.
- 1.6 The timetable for the MTFS development is summarised below:

| Date | Meeting | Topics | |
|--|------------|--------------------------------------|--|
| Budget Consultation (June to December) | 05/07/2022 | Cabinet | Budget timetable, Budget principles, MTFS update, Budget consultation and Budget assumptions for 2023/24 |
| | 04/10/2022 | Overview and Scrutiny Committee | To review the Draft Medium Term Financial Strategy |
| | 11/10/2022 | Cabinet | An update on the Draft Medium Term Financial Strategy |
| | 17/11/2022 | Overview and Scrutiny Committee | To review the Draft Medium Term Financial Strategy |
| | 06/12/2022 | Cabinet | Set the Council Taxbase for 2023/24 |
| | 19/01/2023 | Overview and Scrutiny Committee | To review the Draft Medium Term Financial Strategy |
| | 02/02/2023 | Audit and Member Standards Committee | To review the Treasury Management Strategy Statement |
| | 14/02/2023 | Cabinet | To recommend the Medium Term Financial Strategy and Council Tax increase to Council |
| | 28/02/2023 | Council | Approve the Medium Term Financial Strategy, updated Local Council Tax Support Scheme and set the Council Tax |

- 1.7 There remains an inherently high level of uncertainty surrounding the Local Government Finance regime with the residual impact of the COVID-19 pandemic, the cost of living crisis and other potential Government Policy changes.
- 1.8 The Council has a statutory duty to undertake budget consultation, set a balanced budget and to calculate the level of Council Tax for its area.

- 1.9 The Approved Capital Programme together with a projection for 2026/27 from the longer term capital investment model, is also included for consideration.

2. Recommendations

- 2.1. To note the current position on the development of the Medium Term Financial Strategy and the next steps.
- 2.2. To note the feedback from the Overview and Scrutiny Committee meeting on 4 October 2022.

3. Background

The Medium Term Financial Strategy (MTFS)

- 3.1. Council approved the MTFS (Revenue and Capital) 2021-26 on 22 February 2022 which covers the financial years 2021/22 to 2025/26 (with a further projection for 2026/27 prepared by Finance for forward planning purposes).
- 3.2. The MTFS includes:
- **The Revenue Budget** related to the day to day delivery of the Council's services such as waste collection
 - **General Reserves** related to the amount of money available to balance the budget in the short term or fund short term initiatives
 - **The Capital Programme** and its financing for longer term expenditure in relation to the Council's assets, such as property
- 3.3. The Revenue Budget and Capital Programme are connected by:
- Any financing of the Capital Programme from the Revenue Budget
 - The repayment of borrowing and the receipt of income from investments
 - Expenditure, income and savings resulting from capital investment
- 3.4. The Council updates its Budget forecasts at 3, 6 and 8 month intervals.
- 3.5. To assist in understanding the level of uncertainty or risk present, in relation to the Local Government Funding Regime, we allocate each financial year a risk rating:
- **Low** – all significant components of the Local Government Funding Regime are known and understood
 - **Medium** – all significant components of the Local Government Funding Regime are known although there is some uncertainty around how specific elements will operate
 - **High** – there is uncertainty around all significant components of the Local Government Funding Regime

MTFS Budget Principles

- 3.6. To assist in preparing the MTFS, in common with a number of Councils, a set of principles were established to guide the preparation and management of the MTFS.
- 3.7. Council, on 15 October 2019, approved the budget principles identified below:
- Council will consider the medium term outlook when setting the level of Council Tax to ensure that a sustainable budget position is maintained
 - Council will prioritise funding for statutory and regulatory responsibilities to ensure these are delivered in a way that meets our legal requirements and customer needs
 - Council will continue to seek continuous improvement to enable further savings, efficiencies and income gains and provide budgets that are appropriate to service needs
 - Council will ensure that all growth in the staffing establishment will be fully understood through robust business cases in order to ensure our resources match service and customer needs. Growth will usually be allowed where costs are offset by external funding, savings or additional income
 - Council will not add to other ongoing revenue budgets unless these are unavoidable costs or corresponding savings are identified elsewhere
 - Council will use robust business cases to prioritise capital funding so that we have a sustainable Capital Programme that meets statutory responsibilities, benefits the Council's overall revenue budget position, and ensures that existing assets are properly maintained
 - Council will maintain an overall level of revenue reserves that are appropriate for the overall level of risks that the organisation faces, in order to overcome any foreseeable financial impact

MTFS Budget Assumptions

- 3.8. There are a number of Cost and Demand Drivers at a corporate level that are likely to influence the level and cost of services provided and therefore the budgets contained in the MTFS.
- 3.9. The updated Cost and Demand Drivers (with negative changes from the current MTFS shaded in red and positive changes shaded in green) initially identified for development of the MTFS are shown below:

| Cost Drivers | | | | | | |
|------------------------------------|------------|------------|-----------|-----------|-------------------|-----------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| Full Time Equivalents ¹ | 321 | 321 | 321 | 321 | 321 | 321 |
| Pay Award | 1.75% | 4.00% | 4.00% | 2.00% | 2.00% | 2.00% |
| Employers National Insurance | 8.76% | 8.87% | 8.97% | 9.07% | 9.16% | 9.16% |
| Employers Pension (%) | 16.20% | 16.20% | 22.00% | 22.00% | 22.00% | 22.00% |
| Employers Pension (Past Service) | £1,102,060 | £1,206,520 | £746,000 | £767,000 | £788,000 | £809,000 |
| Employers Pension (Other) | £109,180 | £109,260 | £112,540 | £115,920 | £119,400 | £121,790 |
| Non Contractual Inflation (CPI) | 3.88% | 8.01% | 2.36% | 1.65% | 1.96% | 2.00% |
| Non Contractual Inflation (RPI) | 5.71% | 10.27% | 3.62% | 2.38% | 2.60% | 2.73% |
| Applicable Fees and Charges | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Council Tax Increase | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |
| Base Rate | 0.20% | 1.43% | 1.85% | 1.63% | 1.39% | 1.25% |
| Demand Drivers | | | | | | |
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| Population Projections | 105,293 | 105,709 | 106,073 | 106,432 | 106,749 | 107,070 |
| Residential Properties | 47,437 | 47,939 | 48,488 | 49,183 | 49,918 | 50,420 |
| Business Properties | 3,053 | 3,053 | 3,053 | 3,053 | 3,053 | 3,053 |
| Number of visitors to the District | 2,000,000 | 2,200,000 | 2,500,000 | 2,600,000 | 2,700,000 | 2,800,000 |
| | | | | | % Increase | |
| Population Projections | | | | | 1.69% | |
| Residential Properties | | | | | 6.29% | |
| Business Properties | | | | | 0.00% | |
| Number of visitors to the District | | | | | 40.00% | |

¹ Excluding the impact of the Voluntary Severance Policy.

The Approved and Projected Revenue Budget

- 3.10. A balanced revenue budget for 2022/23 was approved by Council based on the delivery of (£2,087,000) of savings and additional income proposals.
- 3.11. The cost drivers above show projections for inflation using both CPI and RPI indexes, the table below shows the current inflation projections being using to develop the MTFs at a more granular level:

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---------------------|---------|---------|---------|---------|---------|
| Salaries & Wages | 4.00% | 4.00% | 2.00% | 2.00% | 2.00% |
| Electricity | 95.00% | 20.00% | 10.00% | 10.00% | 10.00% |
| Gas | 176.00% | 9.00% | 10.00% | 10.00% | 10.00% |
| Water | 10.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Fuel | 39.00% | 9.40% | 5.00% | 5.00% | 5.00% |
| Telephone & Mobiles | 10.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Business Rates | 3.00% | 3.96% | 4.12% | 4.27% | 4.44% |
| Postage | 10.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Insurances | 10.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Investment Income | 1.74% | 2.78% | 2.89% | 2.77% | 2.85% |

- 3.12. These budget and inflation pressures included in the projections are explained further below:

| | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Shortfall in savings/additional income proposals | 618 | | | | |
| Other | 69 | | | | |
| Budget Pressures | 687 | 0 | 0 | 0 | 0 |
| Payroll (higher pay award in 2022/23 and 2023/24) | 238 | 503 | 520 | 535 | 553 |
| Utilities | 157 | 173 | 174 | 173 | 170 |
| Fuel | 124 | 155 | 164 | 173 | 182 |
| Telephone & Mobiles | 6 | 6 | 6 | 6 | 6 |
| Postage | 5 | 6 | 7 | 7 | 8 |
| Insurances | 18 | 17 | 15 | 13 | 9 |
| Investment Income | (185) | (535) | (536) | (302) | (324) |
| Inflation Pressures | 363 | 325 | 350 | 605 | 603 |

- 3.13. The approved and projected Revenue Budget (including approved changes and a forward projection for 2026/27 from the 25 year model) is shown in detail at **APPENDIX A** and in summary below:

| | 2022/23 | | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|-------------------------|-------------------------|--------------|--------------|--------------|--------------|
| | Original Budget £000 | Approved Budget £000 | | | | |
| LEVEL OF UNCERTAINTY / RISK | MEDIUM | MEDIUM | HIGH | HIGH | HIGH | HIGH |
| Revenue Expenditure | 12,551 | 12,551 | 10,676 | 11,030 | 11,278 | 12,003 |
| Revenue Funding | (12,551) | (12,551) | (9,982) | (10,415) | (10,818) | (11,088) |
| Approved Budget Funding Gap | 0 | 0 | 694 | 615 | 460 | 915 |
| Money Matters 3 months budget pressures | 0 | 687 | 0 | 0 | (25) | 183 |
| Money Matters 3 months inflation pressures | 0 | 363 | 325 | 350 | 605 | 603 |
| Lichfield Youth Council Policy Proposal | 0 | 10 | 20 | 30 | 0 | 0 |
| Projected Budget Funding Gap | 0 | 1,060 | 1,039 | 995 | 1,040 | 1,701 |
| More Optimistic Scenario | 0 | 1,060 | 35 | (6) | 63 | 697 |
| More Pessimistic Scenario | 0 | 1,060 | 1,767 | 1,864 | 2,275 | 2,936 |

- 3.14. The table above also shows alternative scenarios where the funding gap varies based on different assumptions utilised primarily in relation to the impact of finance reviews from 2023/24 onwards.
- 3.15. In the absence of savings or additional income being identified, funding gaps would be funded by available general reserves.

The Approved and Projected Revenue Budget in 2023/24

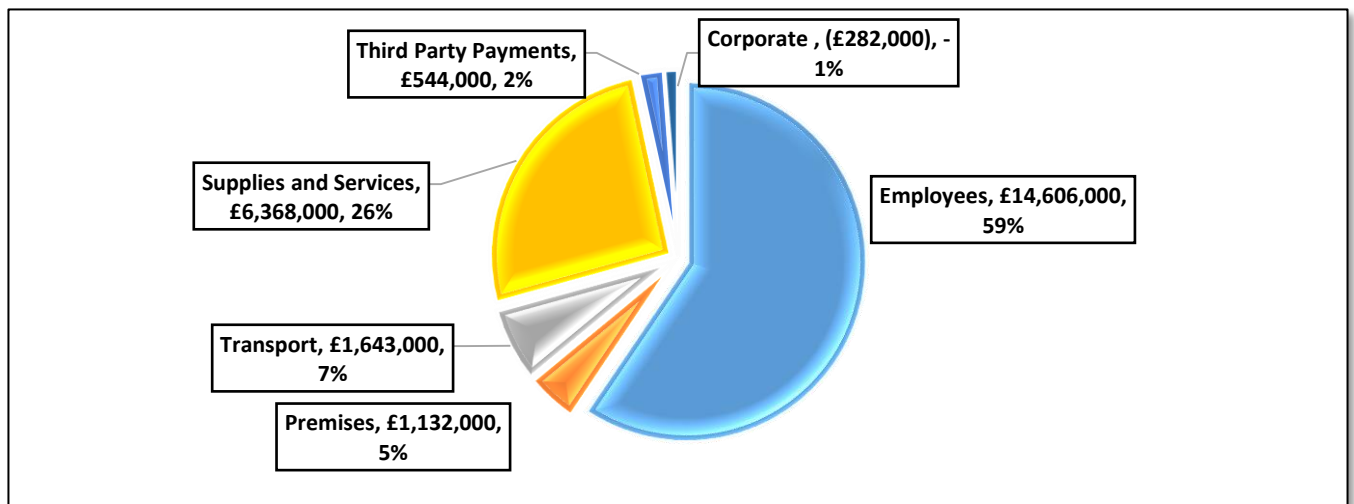
3.16. The Approved and Projected Revenue Expenditure Budget for 2023/24 is further analysed below:

| | 2023/24 £000 |
|---|-----------------|
| Gross Expenditure (Exc. Housing Benefits) | 24,011 |
| External Income (Exc. Housing Benefits) | (13,335) |
| Net Revenue Expenditure | 10,676 |
| Revenue Funding | (9,982) |
| Approved Budget Funding Gap | 694 |

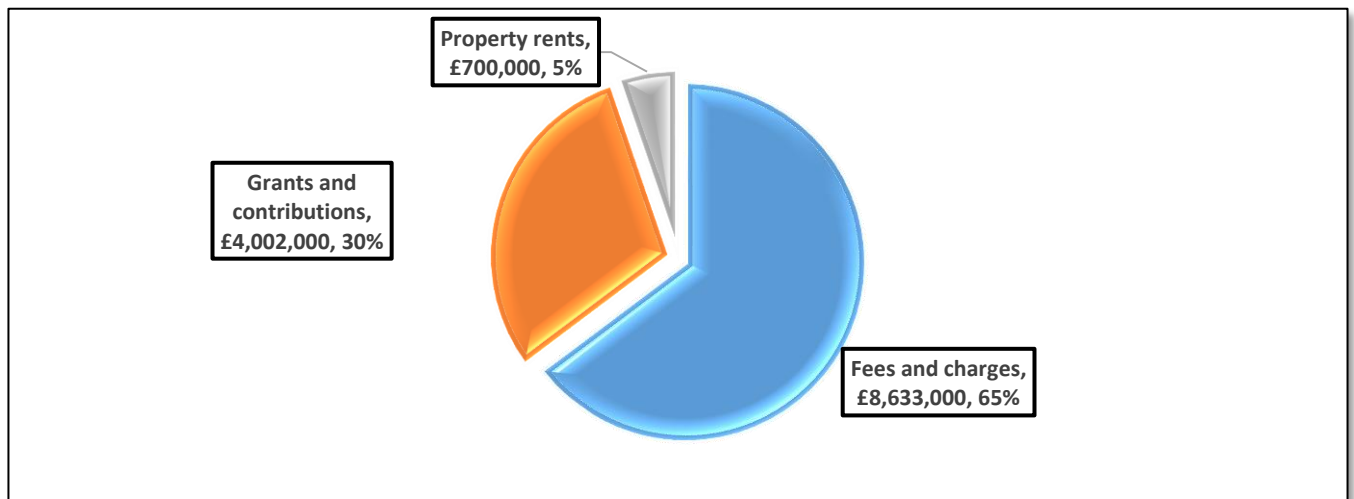
| | |
|--|------------|
| Payroll | 503 |
| Utilities | 173 |
| Fuel | 155 |
| Telephone & Mobiles | 6 |
| Postage | 6 |
| Insurances | 17 |
| Investment Income | (535) |
| Sub Total Projected Inflation Pressures | 325 |

| | |
|---|--------------|
| Lichfield Youth Council Policy proposal | 20 |
| Projected Funding Gap | 1,039 |

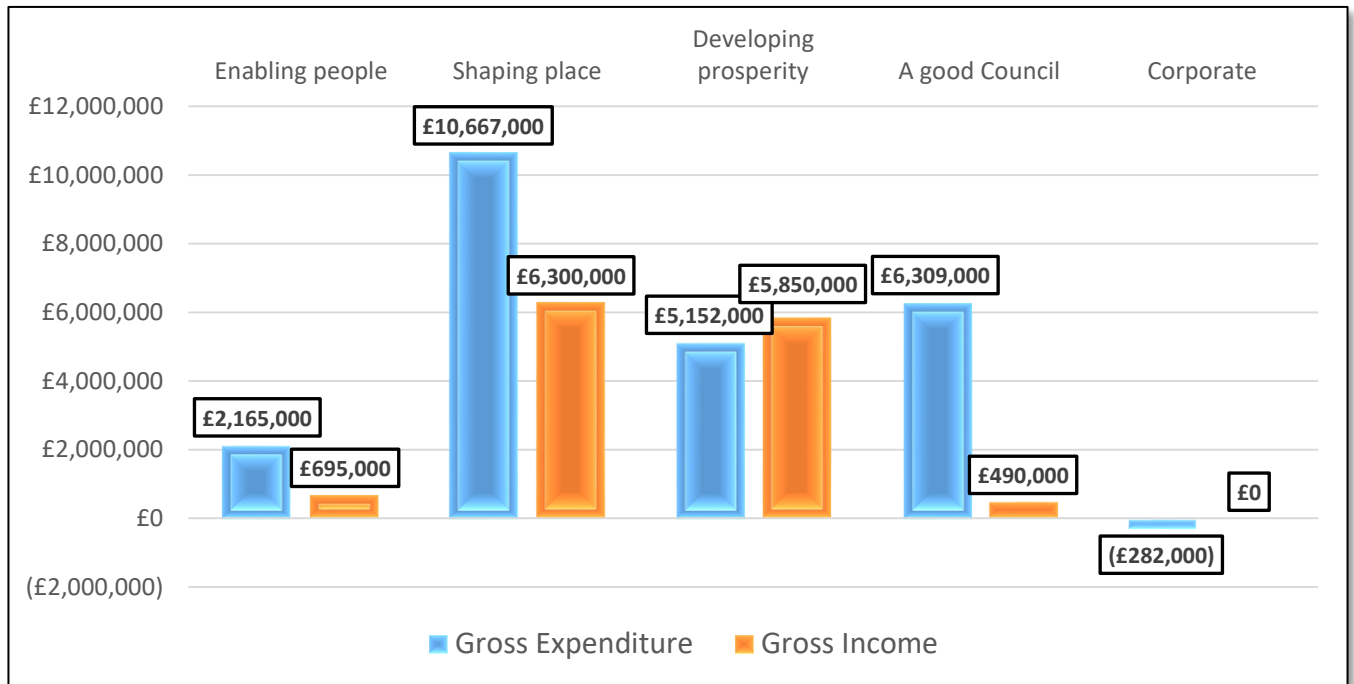
3.17. The gross revenue expenditure for 2023/24 of **£24,011,000** is analysed by type of expenditure below:



3.18. The External Income Budget from grants, contributions, sales, fees and charges for 2023/24 of **(£13,335,000)** is analysed below:



- 3.19. The detailed schedule of fees and charges Approved Budgets for 2023/24 is shown at **APPENDIX B**.
- 3.20. An analysis of the gross expenditure and gross income in 2023/24 that constitutes the net expenditure of **£10,676,000** by Strategic Priority is shown below:



- 3.21. An analysis of revenue funding excluding fees and charges of (**£9,982,000**) and including fees and charges of (**£18,615,000**) is shown in detail at **APPENDIX B** and in summary below:



The Approved and Projected MTFS and General Reserves

3.22. The current projected funding gaps are shown in the table below:

| | 2022/23 | | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|-------------------------|-------------------------|--------------|-------------|--------------|--------------|
| | Original Budget £000 | Approved Budget £000 | | | | |
| LEVEL OF UNCERTAINTY / RISK | MEDIUM | MEDIUM | HIGH | HIGH | HIGH | HIGH |
| Original Funding Gap | 0 | 0 | 726 | 765 | 732 | 905 |
| Approved Updates | | | | | | |
| Pension Contributions - Cabinet 05/04/2022 | 0 | 0 | (32) | (151) | (272) | 10 |
| Approved Funding Gap | 0 | 0 | 694 | 614 | 460 | 915 |
| Budget Monitoring in 2022/23 | | | | | | |
| Other pressures | 0 | 69 | 0 | 0 | (25) | 183 |
| Inflation pressures | 0 | 363 | 325 | 350 | 605 | 603 |
| Under achievement of savings/additional income proposals | 0 | 618 | 0 | 0 | 0 | 0 |
| Lichfield District Youth Council Policy Proposal | 0 | 10 | 20 | 30 | 0 | 0 |
| Projected Funding Gap | 0 | 1,060 | 1,039 | 994 | 1,040 | 1,701 |

| | | | | | | |
|--|--------------|------------|------------|------------|------------|--------------|
| Revenue funding to the Capital Programme | 100 | 100 | 313 | 100 | 515 | 183 |
| Underlying Funding Gap | (100) | 960 | 726 | 894 | 525 | 1,518 |

3.23. The Council has total general reserves available based on the central scenario, to manage the impact of Local Government Finance Reform and other risks such as the inflationary economic environment:

| | 2022/23 | | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|-------------------------|-------------------------|--------------|--------------|--------------|--------------|
| | Original Budget £000 | Approved Budget £000 | | | | |
| LEVEL OF UNCERTAINTY / RISK | MEDIUM | MEDIUM | HIGH | HIGH | HIGH | HIGH |
| Available General Reserves Year Start | 5,246 | 5,246 | 4,466 | 3,719 | 2,725 | 1,685 |
| (Funding Gap) / transfer to General Reserves | 0 | (1,060) | (1,039) | (994) | (1,040) | (1,701) |
| Share of Projected Collection Fund Surplus | 0 | 0 | 292 | 0 | 0 | 0 |
| New Homes Bonus in excess of the 'Cap' | 280 | 280 | 0 | 0 | 0 | 0 |
| Available General Reserves Year End | 5,526 | 4,466 | 3,719 | 2,725 | 1,685 | (16) |
| Minimum Level | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 |
| Total Projected General Reserves | 7,126 | 6,066 | 5,319 | 4,325 | 3,285 | 1,584 |

| | | | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|----------------|
| More Optimistic Scenario | 7,126 | 6,066 | 6,323 | 6,329 | 6,266 | 5,569 |
| More Pessimistic Scenario | 7,126 | 6,066 | 4,591 | 2,727 | 452 | (2,484) |

3.24. The minimum level of reserves currently set at **£1,600,000** will be reviewed as part of the development of the Medium Term Financial Strategy. The minimum level will need to take into account the current inflationary environment and the impact this is likely to have on the cost and demand for Council services and the level of income that is received.

3.25. The level of uncertainty together with the level of total general reserves available, mean that the Council will be able to implement a sustainable approach to balancing the budget. The approach can be adapted as more information on Local Government Finance Reform and its impact on the Council becomes available, including any transitional funding.

The Projected Capital Programme

3.26. The Projected Capital Programme (plus a projection for 2026/27) is shown at **APPENDIX C** and below:

| Strategic Priority | Projected Capital Programme | | | | | |
|------------------------------------|-----------------------------|-------------------------|----------------|----------------|----------------|--------------------|
| | 2022/23 | | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| | Original Budget £000 | Approved Budget £000 | Budget £000 | Budget £000 | Budget £000 | Projection £000 |
| LEVEL OF UNCERTAINTY / RISK | HIGH | MEDIUM | HIGH | HIGH | HIGH | HIGH |
| Enabling People | 4,792 | 6,061 | 3,846 | 1,315 | 939 | 939 |
| Shaping Place | 421 | 1,230 | 3,127 | 280 | 300 | 315 |
| Developing Prosperity | 1,676 | 2,700 | 1,493 | 946 | 0 | 0 |
| Good Council | 1,064 | 1,356 | 363 | 340 | 465 | 405 |
| Projected Capital Programme | 7,953 | 11,347 | 8,829 | 2,881 | 1,704 | 1,659 |
| Capital Funding | 5,604 | 8,823 | 6,569 | 2,881 | 1,704 | 1,659 |
| Borrowing Need | 2,349 | 2,524 | 2,260 | 0 | 0 | 0 |

3.27. The Capital Strategy approved by Council on 22 February 2022 included a risk assessment by the Chief Finance Officer.

3.28. This risk assessment identified a significant risk that the Capital Programme did not include investment to realise all of the Council's Strategic aims including the provision of a new Leisure Centre in Lichfield City and planned redevelopment of the Birmingham Road Site.

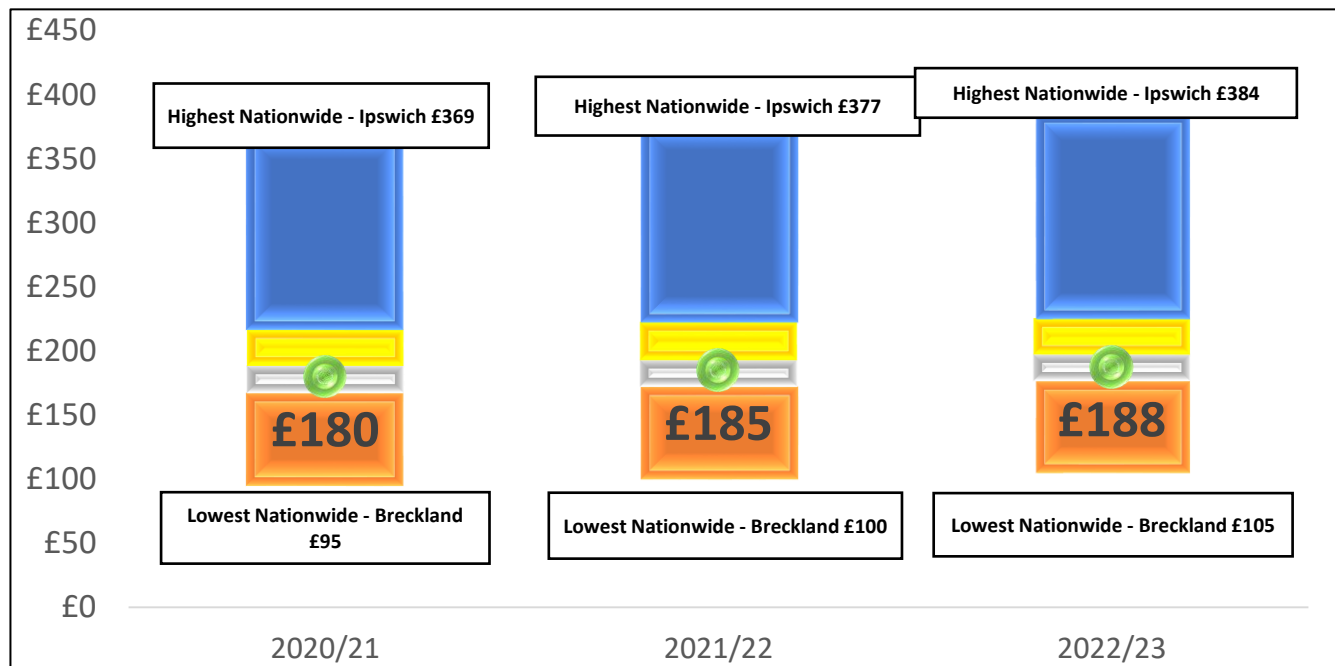
3.29. A number of options have been identified for potential additional capital investment including:

- **The New Community Leisure Centre** – additional investment by the Council in addition to the approved £5m should the bid of £15.8m to the Levelling Up Fund prove to be unsuccessful.
- **The Birmingham Road Site** – investment to enable the regeneration of the Birmingham Road Site potentially with a cinema delivered using a joint venture with Evolve in line with the Lichfield City Masterplan.
- **Burntwood Town Centre** – investment to enable regeneration.
- **A New Depot** – a new depot to support an enhanced waste collection service in line with the aims of the National Waste Strategy.
- **Bird Street Regeneration** – investment to enable the regeneration of this site.
- **Climate Change** – investment to support the Council's Climate Change Pledge.
- **Greenway** – investment to enable the enhancement of the former railway line between Lichfield and Burntwood.
- **CCTV** – investment to upgrade and enhance the current Closed Circuit Television system.
- **ICT** – investment to upgrade and enhance the current ICT infrastructure and service.

3.30. Any capital investment that cannot be funded by capital receipts, revenue, grants, contributions or reserves will result in a borrowing need. Any borrowing need will need to be financed through borrowing and this will result in additional capital financing costs together with any costs of operation being incurred in the revenue budget.

Council Tax

3.31. The Council's Band D Council Tax compared to all District Councils over the last three years is:



3.32. The Approved MTFs modelled that Council Tax would increase annually by **1.50%**.

3.33. There are, however, alternative approaches available and a selection of options have been identified for consideration (projections are based on the Approved Council Taxbase and additional income is enclosed by brackets):

| | 2022/23 Budget £000 | 2023/24 Budget £000 | 2024/25 Budget £000 | 2025/26 Budget £000 | 2026/27 Projection £000 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------------|
| Approved / Modelled Increase | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |
| Council Tax Band D | £187.85 | £190.66 | £193.52 | £196.43 | £199.37 |
| Approved Council Taxbase (subject to review) | 39,695 | 40,350 | 41,004 | 41,695 | 42,167 |
| Approved MTFs Council Tax Income | (£7,456) | (£7,693) | (£7,935) | (£8,190) | (£8,407) |

| A selection of options available and the impact on Council Tax income is shown below: | |
|---|-------|
| £5 increase in all years | (£88) |
| 1.5% increase in 2023/24 and 2024/25 and then £5 | £0 |
| 1.5% increase in 2023/24 and 2024/25 and then 1.99% | £0 |
| 1.0% increase in all years | £37 |
| Freeze in all years | £113 |

| | | | |
|-------|--------|--------|--------|
| (£88) | (£178) | (£268) | (£357) |
| £0 | £0 | (£88) | (£175) |
| £0 | £0 | (£40) | (£82) |
| £37 | £78 | £120 | £164 |
| £113 | £232 | £358 | £486 |

3.34. In determining the level of Council Tax increase for 2023/24 and beyond, Cabinet will need to take into consideration the following key factors:

- The relevant budget principles approved by Council
- The projected funding gap from 2023/24 onwards, the significant level of uncertainty related to Local Government Finance Reform and the legal requirement to set a balanced budget (taking into account the level of general reserves)
- The Council's Band D Council Tax and comparisons to other similar authorities
- The assumptions the Government utilises to calculate Core Spending Power in the Finance Settlement and Council Tax Referendum Principles for 2023/24

| | |
|--|--|
| Alternative Options | In the main, the options are focused on the strategy to be utilised to achieve a balanced budget and the level of Council Tax increase. These options are considered in the Report. |
| Consultation | <p>The budget consultation using a new interactive approach will commence on 19 September 2022 and will end on 16 December 2022.</p> <p>The views of the Overview and Scrutiny Committee were requested at the meeting on 4 October 2022 on the following areas:</p> <ul style="list-style-type: none"> • The policy related to any ‘windfalls’ or additional resources from further delays in Local Government Finance Reform • The review of reserves • Capital investment priorities • The Review of the Local Council Tax Support Scheme • The potential level of the District’s Council Tax increase for 2023/24 <p>Any views will be reported to Cabinet following the Overview and Scrutiny Committee meeting on 4 October 2022.</p> |
| Financial Implications | These are included in the background section of the report. |
| 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 report directly links to overall performance and especially the delivery of the Strategic Plan. |
| Equality, Diversity and Human Rights Implications | These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan. |
| Crime & Safety Issues | These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan. |
| Environmental Impact | These areas are addressed as part of the specific areas of activity prior to being included in the Strategic Plan. |
| GDPR/Privacy Impact Assessment | There are no specific implications related to the Medium Term Financial Strategy. |

| | 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 | | | | |
| A | Council Tax is not set by the Statutory Date of 11 March 2023 | 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 | 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 / strategic plan to the emerging landscape | | | | |
| G | The Council cannot achieve its approved Delivery Plan for 2022/23 | Likelihood : Yellow Impact : Red Severity of Risk : Red | There will need to be consideration of additional resourcing and/or reprioritisation to reflect the ongoing impact of the pandemic. | Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow |
| H | 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 |
| I | 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) 2021-2026 (MTFS) – Cabinet 8 February 2022
- Money Matters: 2021/22 Review of Financial Performance against the Financial Strategy – Cabinet 7 June 2022
- Local Council Tax Support Scheme Review – Cabinet 5 April 2022
- Medium Term Financial Strategy (MTFS) – Cabinet 11 July 2022
- Local Council Tax Support Scheme Permission to Consult – Cabinet 11 July 2022
- Money Matters: 2022/23 Review of Financial Performance against the Financial Strategy – Cabinet 6 September 2022
- Money Matters: Review of Reserves – Cabinet 6 September 2022
- Lichfield District Youth Council Policy proposal – Cabinet 6 September 2022

Relevant web links

Approved and Projected Revenue Budget (plus a projection for 2026/27)

| | 2022/23 Original Budget £000 | 2022/23 Approved Budget £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 |
|--|---------------------------------------|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| LEVEL OF UNCERTAINTY / RISK | MEDIUM | MEDIUM | HIGH | HIGH | HIGH | HIGH |
| Enabling people | 1,527 | 1,411 | 1,471 | 1,466 | 1,423 | 1,453 |
| Shaping place | 4,083 | 4,070 | 4,367 | 4,506 | 4,605 | 4,733 |
| Developing prosperity | (436) | (283) | (697) | (717) | (707) | (614) |
| A good council | 6,919 | 7,583 | 5,819 | 5,988 | 6,190 | 6,739 |
| COVID-19 ² | 377 | 0 | 0 | 0 | 0 | 0 |
| Net Cost of Services | 12,470 | 12,781 | 10,960 | 11,243 | 11,511 | 12,311 |
| Corporate expenditure | (198) | (511) | (282) | (213) | (232) | (307) |
| Net Operating Cost | 12,272 | 12,270 | 10,678 | 11,030 | 11,279 | 12,004 |
| Retained Business Rates Baseline Funding | (2,306) | (2,306) | (1,714) | (1,857) | (2,055) | (2,181) |
| Retained Business Rates Growth Allowance | (1,005) | (1,005) | (627) | (624) | (573) | (500) |
| Business Rates Cap | (174) | (174) | 0 | 0 | 0 | 0 |
| Lower Tier Services Grant | (95) | (95) | 0 | 0 | 0 | 0 |
| Services Grant | (146) | (146) | 0 | 0 | 0 | 0 |
| New Homes Bonus - Contingency Budget | (721) | (721) | 0 | 0 | 0 | 0 |
| New Homes Bonus - Base Budget | (400) | (400) | 0 | 0 | 0 | 0 |
| New Homes Bonus - to General Reserve | (280) | (280) | 0 | 0 | 0 | 0 |
| Collection Fund (Surplus)/Deficit | 32 | 32 | 52 | 0 | 0 | 0 |
| Council Tax | (7,456) | (7,456) | (7,693) | (7,935) | (8,190) | (8,407) |
| Total Funding | (12,551) | (12,551) | (9,982) | (10,416) | (10,818) | (11,088) |
| Transfer to or (from) general reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| New Homes Bonus (Transfer to general reserves) | 280 | 280 | 0 | 0 | 0 | 0 |
| Approved Funding Gap | 0 | 0 | 694 | 614 | 460 | 915 |

Reconciliation of the Original Budget Funding Gap to the Projected Funding Gap

| | Cabinet or Decision Date | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 |
|---|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Original Budget Council 22/02/2022 | | 0 | 726 | 765 | 732 | 905 |
| Approved Changes | | | | | | |
| Pension Contributions | 05/04/2022 | 0 | (32) | (151) | (272) | 10 |
| Approved Budget | | 0 | 694 | 614 | 460 | 915 |
| Budget Monitoring in 2022/23 | | | | | | |
| Money Matters | 06/09/2022 | 1,050 | 325 | 350 | 605 | 603 |
| Other projected changes | | | | | (25) | 183 |
| Lichfield District Youth Council Policy Proposal ³ | 06/09/2022 | 10 | 20 | 30 | 0 | 0 |
| Projected Budget | | 1,060 | 1,039 | 994 | 1,040 | 1,701 |

² Allocated to car parking income in the Approved Budget.

³ Subject to Full Council Approval.

Sales, Fees and Charges Approved Budgets for 2023/24

| Cost Centre | Fees & Charges Income Budget |
|---|---------------------------------|
| A good council | |
| Corporate Debt Recovery | 216,300 |
| Electoral Registration | 1,760 |
| Corporate Management | 2,020 |
| Civic Services | 3,100 |
| Health & Safety | 190 |
| E-Business & Information Strategy | 4,500 |
| A good council total | 227,870 |
| Developing prosperity | |
| Lichfield Car Parks (an element is payable to partners) | 2,003,360 |
| Building Regulations (all partners) | 970,210 |
| Planning Applications | 946,350 |
| Trade Waste Collection | 403,260 |
| Local Land Charges | 310,740 |
| Trade Waste Collection –Recycling element | 85,250 |
| Civil Parking Enforcement | 84,260 |
| Promotion of District | 6,870 |
| Guided Tours | 5,370 |
| Plant Lane Depot | 6,900 |
| Lichfield Tourism Information | 14,180 |
| Bus Station | 43,000 |
| Other Land and Property | 20,380 |
| Property Company | 100,000 |
| Local Land Charges-LDC EIR | 14,510 |
| Developing prosperity total | 5,014,640 |
| Enabling people | |
| Licensing | 211,920 |
| Leisure Centre Management (including contract fee) | 171,240 |
| Operational Services - Invest to Save | 61,940 |
| Environmental Protection Act Consents | 19,510 |
| Housing Enforcement & Licensing | 6,500 |
| Sports Development | 1,080 |
| Burntwood Leisure Centre | 10,890 |
| Housing Register | 63,500 |
| Homelessness Service | 9,000 |
| Food Safety | 17,210 |
| Closed Circuit Television | 1,000 |
| Enabling people total | 573,790 |
| Shaping place | |
| Waste Shared Service (includes garden waste and Tamworth BC income) | 2,195,210 |
| Grounds Maintenance | 291,660 |
| Street Cleansing | 122,130 |
| Beacon Park | 107,130 |
| Community Infrastructure Levy Administration | 39,060 |
| Street Naming and Numbering | 37,100 |
| Burntwood Parks | 4,770 |
| Lichfield Parks | 3,140 |
| Public Conveniences | 2,190 |
| Stowe & Minster Pools | 920 |
| Abandoned Vehicles | 500 |
| Spatial Policy and Delivery Service | 12,090 |
| Shaping place total | 2,815,900 |
| Total | 8,632,200 |

Projected Capital Programme (includes a projection for 2026/27 and assumes approval by Council of recent Cabinet Recommendations)

| Project | Projected Capital Programme (R=>500k, A=250k to 500k and G=<250k) | | | | | | |
|---|--|-----------------|-----------------|-----------------|-----------------|---------------|--------------|
| | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | Total £000 | Corporate |
| New Build Parish Office/Community Hub | 92 | 0 | 0 | 0 | 0 | 92 | 0 |
| Canopy and installation of artificial grass | 3 | 0 | 0 | 0 | 0 | 3 | 0 |
| Burntwood Leisure Centre Sinking Fund Projects | 69 | 0 | 0 | 0 | 0 | 69 | 0 |
| Friary Grange - Short Term Refurbishment | 158 | 0 | 0 | 0 | 0 | 158 | 0 |
| Replacement Leisure Centre | 2,524 | 2,260 | 0 | 0 | 0 | 4,784 | 0 |
| Burntwood Leisure Centre - Decarbonisation | 18 | 0 | 0 | 0 | 0 | 18 | 0 |
| Accessible Homes (Disabled Facilities Grants) | 1,343 | 1,272 | 1,272 | 914 | 914 | 5,715 | 0 |
| Decent Homes Standard | 97 | 0 | 0 | 0 | 0 | 97 | 0 |
| Energy Insulation Programme | 0 | 22 | 22 | 25 | 25 | 94 | 0 |
| Unallocated S106 Affordable Housing Monies | 382 | 22 | 21 | 0 | 0 | 425 | 0 |
| Burntwood Community Hub | 0 | 250 | 0 | 0 | 0 | 250 | 0 |
| Conversion of 36a Bore Street | 576 | 0 | 0 | 0 | 0 | 576 | 360 |
| Vehicle Replacement Programme - Env Health | 0 | 20 | 0 | 0 | 0 | 20 | 0 |
| Streethay Community Centre | 600 | 0 | 0 | 0 | 0 | 600 | 0 |
| Changing Places Fund | 94 | 0 | 0 | 0 | 0 | 94 | 0 |
| Burntwood Park Play Equipment | 75 | 0 | 0 | 0 | 0 | 75 | 0 |
| Zip Wire in Burntwood | 30 | 0 | 0 | 0 | 0 | 30 | 0 |
| Enabling People Total | 6,061 | 3,846 | 1,315 | 939 | 939 | 13,100 | 360 |
| Loan to Council Dev Co. | 150 | 0 | 0 | 0 | 0 | 150 | 0 |
| Lichfield St Johns Community Link | 35 | 0 | 0 | 0 | 0 | 35 | 0 |
| Staffordshire Countryside Explorer | 44 | 0 | 0 | 0 | 0 | 44 | 0 |
| Lichfield Public Conveniences | 40 | 0 | 0 | 0 | 0 | 40 | 40 |
| Vehicle Replacement Programme (Waste) | 0 | 2,818 | 0 | 0 | 0 | 2,818 | 0 |
| Bin Purchase | 150 | 150 | 150 | 150 | 150 | 750 | 0 |
| Dual Stream Recycling | 267 | 0 | 0 | 0 | 0 | 267 | 0 |
| Vehicle Replacement Programme (Other) | 229 | 159 | 130 | 150 | 165 | 833 | 315 |
| Upper St John St & Birmingham Road | 7 | 0 | 0 | 0 | 0 | 7 | 0 |
| The Leomansley Area Improvement Project | 3 | 0 | 0 | 0 | 0 | 3 | 0 |
| Falkland Road Fosseyway Canal Walk | 260 | 0 | 0 | 0 | 0 | 260 | 0 |
| Burntwood Public Conveniences | 45 | 0 | 0 | 0 | 0 | 45 | 0 |
| Shaping Place Total | 1,230 | 3,127 | 280 | 300 | 315 | 5,252 | 355 |
| Vehicle Replacement Programme (Car Parks) | 10 | 0 | 0 | 0 | 0 | 10 | 0 |
| Coach Park | 807 | 43 | 0 | 0 | 0 | 850 | 194 |
| BRS Enabling Works | 1,000 | 1,000 | 0 | 0 | 0 | 2,000 | 650 |
| Car Parks Variable Message Signing | 150 | 0 | 0 | 0 | 0 | 150 | 0 |
| Old Mining College - Refurbish access and signs | 13 | 0 | 0 | 0 | 0 | 13 | 0 |
| Cinema Development | 0 | 0 | 400 | 0 | 0 | 400 | 0 |
| Incubator Space | 354 | 300 | 546 | 0 | 0 | 1,200 | 0 |
| Pay on Exit System at Friary Multi Storey | 150 | 0 | 0 | 0 | 0 | 150 | 0 |
| Card Payment in All Car Parks | 100 | 0 | 0 | 0 | 0 | 100 | 0 |
| Pay on Exit System at Lombard Street | 0 | 150 | 0 | 0 | 0 | 150 | 0 |
| Electric Vehicle Charge Points | 80 | 0 | 0 | 0 | 0 | 80 | 0 |
| Car Park Barriers | 36 | 0 | 0 | 0 | 0 | 36 | 36 |
| Developing Prosperity Total | 2,700 | 1,493 | 946 | 0 | 0 | 5,139 | 880 |
| Property Planned Maintenance | 206 | 213 | 190 | 190 | 230 | 1,029 | 1029 |
| IT Infrastructure | 300 | 50 | 50 | 0 | 175 | 575 | 475 |
| ICT Hardware | 0 | 0 | 0 | 175 | 0 | 175 | 175 |
| Building a Better Council | 665 | 0 | 0 | 0 | 0 | 665 | 665 |
| Committee Audio-Visual Hybrid Meeting Platform | 85 | 0 | 0 | 0 | 0 | 85 | 85 |
| Construction Inflation Contingency | 100 | 100 | 100 | 100 | 0 | 400 | 400 |
| Good Council Total | 1,356 | 363 | 340 | 465 | 405 | 2,929 | 2,829 |
| Projected Capital Programme | 11,347 | 8,829 | 2,881 | 1,704 | 1,659 | 26,420 | 4,424 |

| Funding Source | Projected Capital Programme | | | | | |
|------------------------------------|-----------------------------|-----------------|-----------------|-----------------|-----------------|---------------|
| | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | Total £000 |
| Capital Receipts | 1,483 | 693 | 190 | 50 | 387 | 2,803 |
| Capital Receipts - Housing | 360 | 0 | 0 | 0 | 0 | 360 |
| Revenue - Corporate | 100 | 313 | 100 | 565 | 183 | 1,261 |
| Corporate Council Funding | 1,943 | 1,006 | 290 | 615 | 570 | 4,424 |
| Grant | 2,846 | 1,866 | 2,261 | 939 | 939 | 8,851 |
| Section 106 | 308 | 0 | 0 | 0 | 0 | 308 |
| CIL | 939 | 0 | 0 | 0 | 0 | 939 |
| Reserves | 2,568 | 729 | 180 | 0 | 0 | 3,477 |
| Revenue - Existing Budgets | 150 | 150 | 150 | 150 | 150 | 750 |
| Sinking Fund | 69 | 0 | 0 | 0 | 0 | 69 |
| Leases | 0 | 2,818 | 0 | 0 | 0 | 2,818 |
| Internal Borrowing | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 8,823 | 6,569 | 2,881 | 1,704 | 1,659 | 21,636 |
| External Borrowing | 2,524 | 2,260 | 0 | 0 | 0 | 4,784 |
| Projected Capital Programme | 11,347 | 8,829 | 2,881 | 1,704 | 1,659 | 26,420 |

Reconciliation of Original Capital Programme to this Projected Capital Programme

| | Cabinet or Decision Date | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | Total £000 |
|---|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| Original Budget Council 22/02/2022 | | 7,953 | 7,247 | 1,926 | 1,745 | 0 | 18,871 |
| Approved Changes | | | | | | | |
| Slippage from 2021/22 | 07/06/2022 | 1,650 | | | | | 1,650 |
| Allocation of CIL Monies | 08/02/2022 | 860 | | | | | 860 |
| 36A Bore Street Briefing note | 20/12/2021 | 360 | | | | | 360 |
| MTFS | 05/07/2022 | (37) | 50 | 50 | | | 63 |
| Burntwood Zip Line | 25/07/2022 | 30 | | | | | 30 |
| Money Matters Qtr 1 | 06/09/2022 | 548 | 532 | 905 | (41) | | 1,944 |
| Updated Projections | | (94) | | | | | (94) |
| Money Matters Review of Reserves | 06/09/2022 | 77 | 1,000 | | | | 1,077 |
| Projections for 2026/27 | | | | | | | |
| Long Term Model | 22/02/2022 | | | | | 1,659 | 1,659 |
| Projected Capital Programme | | 11,347 | 8,829 | 2,881 | 1,704 | 1,659 | 26,420 |

Delivery of Disabled Facilities Grants

Cabinet Member for Housing, Ecology and Climate Change

Date: 11th October 2022
 Agenda Item: 4
 Contact Officer: Simon Fletcher/Lucy Robinson/ Andrew Rowbotham
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CABINET

Key Decision? **YES**
 Local Ward **All**
 Members

1. Executive Summary

- 1.1 The purpose of this report is to provide an update on the future delivery of Disabled Facilities Grants (DFGs) and associated works/services from 1st April 2023 following the report to Cabinet on 8th February 2022.
- 1.2 Following lengthy discussions with Tamworth Borough Council (TBC) a shared service with them is no longer an option and approval is sought to deliver the service for our residents through a team to be established in our Local Authority Trading Company - Lichfield West Midlands Trading services (LWMTS).
- 1.3 A detailed project plan is in place and actions are in progress to establish the service before the financial year end.

2. Recommendations

- 2.1 To approve that Lichfield District Council award a contract to LWMTS to deliver DFGs and associated works/services from 1st April 2023 without undertaking a competitive tender process in reliance of the 'Teckal'¹ exemption.
- 2.2 To delegate authority to the Cabinet Member for Housing, Ecology and Climate Change in consultation with the Chief Executive and Monitoring Officer to agree the final arrangements/ service structure and governance with LWMTS.
- 2.3 To carry out a formal review of the service once launched after 6 months, 12 months and then annually thereafter with a performance report being considered by Overview & Scrutiny Committee and Cabinet.

¹ Regulation 12(1) of the Public Contract Regulations 2015 confirms that a public contract falls outside the scope of the procurement rules requiring a competitive tender process prior to contract award where all of the following conditions are met:

- (a) the contracting authority (e.g., the Council) exercises over the legal person concerned (e.g. a wholly owned subsidiary to whom the Council seeks to award a contract) a control which is similar to that which it exercises over its own departments;
- (b) more than 80% of the activities (by revenue) of the controlled legal person are carried out in the performance of tasks entrusted to it by the controlling contracting authority (this is commonly known as the Activities Test); and
- (c) there is no direct private capital participation in the controlled legal person (commonly referred to as the 'Teckal' exemption).

3. Background

- 3.1 The Council has a statutory duty to provide DFGs, which are currently delivered on our behalf by Millbrook Healthcare Ltd². Following an options appraisal during summer 2021, all the SILIS partners agreed not to extend the Millbrook contract when it expires in 2023. In February Cabinet³ approved to set up an in-house service to deliver DFGs and associated works/services and to continue discussions with TBC on developing this as a shared service hosted by us to deliver DFGs from 1st April 2023.
- 3.2 Following lengthy discussions with TBC and recent internal structural changes, a shared service with TBC is no longer felt to be the best option. Delivery of DFGs by a team within our wholly owned company, LWMTS, is now considered the most suitable solution for the provision of DFGs and associated works/services.
- 3.3 The main advantages of delivery through LWMTS are:
- Greater flexibility with employment contracts to try and attract and retain skilled staff in line with market expectations.
 - A stronger governance structure and local accountability for just one local authority.
 - The Council retains a high degree of control over LWMTS that would not be possible by outsourcing the service again.
 - Despite certain restrictions on the type and level of commercial activities, LWMTS possesses greater freedom than an in-house service to provide services, including the development and delivery of new non-statutory services, which could generate additional income. This could include the future potential to generate income by supporting 'self-funders' that are not eligible for a mandatory DFG.⁴
 - There will be a clearer staff reporting mechanism than would be possible in the new Council structure (Target Operating Model), with all parts of the service under one manager. Greater resilience will be available as some staff with surveying/technical expertise are already employed by LWMTS.
 - Due to the 'Teckal exemption', no competitive procurement exercise is required to enable LWMTS to deliver the DFG support and delivery service.
 - A clear commissioner/provider split will exist, meaning that the Council can incentivise LWMTS to realise efficiencies and develop service offerings.
 - Staff will be able to perform more efficiently by focussing on just Lichfield District residents and having a single housing assistance policy to follow.
- 3.4 The original project plan that was developed to deliver the new service has now been modified to reflect the change in workflows in setting up the service through the company. The project plan covers the key work streams needed to drive forward the development of the service: governance, HR (including TUPE) and the service structure, finance, office requirements, ICT, operational processes, key performance indicators (KPIs), contractors, Occupational Therapy (OT) service, legal, legacy work in progress, risk management, communication and health and safety.

² We participate in a Staffordshire County Council contract along with five other local authorities in the 'Support for Independent Living in Staffordshire' (SILIS) partnership - Newcastle under Lyme, South Staffordshire, Stafford, Staffordshire Moorlands and Tamworth.

³ LDC decision was approved at the Cabinet meeting on 8th February 2022.

⁴ This would need to be less than 20% of overall income to comply with the Teckal exemption (see risks section).

Key milestones are in place to ensure that a cohesive DFG service is ready to commence delivery during March 2023.

- 3.5 We will continue to use Cherrywhite specialist DFG consultancy services to provide external project management support in setting up the new service, as well as continuing to support us to monitor the current contract with Millbrook Ltd to try to minimise potential issues with applications and work in progress that will need to be transferred over. Although we are trying to minimise this, the new service will inherit a backlog of cases which will potentially be more resource intensive to administer than those coming in as new enquiries. Due to a recent influx of new enquiries and the current provider not being able to progress applications, the backlog is unfortunately increasing and at the 1st September c 200 residents were being supported by the current provider to apply for and complete works funded by a DFG. Our ambition for the new service is to improve the overall service for our residents and increase performance in terms of level of spend, customer satisfaction and reduce the time taken from grant application to completion. However, we recognise that the backlog of cases will hinder performance for at least the first 12 months whilst the new service embeds itself and becomes established.
- 3.6 The recruitment of appropriately experienced staff is key to the successful delivery of the new service. Being employed by LWMTS will provide greater flexibilities over our ability to offer pay and terms and conditions in order to attract high calibre staff in the competitive labour market. Staff with excellent DFG knowledge will be needed to ensure that grants are approved appropriately.
- 3.7 TUPE will apply for some staff employed by the current provider; we have contacted their HR team about this but are waiting to have confirmation of how many staff and what positions they hold that will be TUPE'd to us. It is our intention to undertake meaningful engagement and consultation as soon as the current provider allows.
- 3.8 Our aim continues to be to provide a seamless customer journey to disabled residents that qualify for a DFG. Access to the service will continue to be through the county council 'Front door' and clinical needs assessments provided by qualified staff, including occupational therapists (OTs) or Trusted Assessors under the supervision of a qualified OT. However, as the current adult OT service procured by the County Council for adults does not support the DFG process we will be using a framework for OT services that is being procured by Stafford Borough Council and is being made available to all councils in Staffordshire. We have been advised that this will be out for advert later in the autumn with providers in place before April 2023. Most SILIS partners have confirmed that this is the route they will be using to procure OT DFG assessments which will ensure parity of commissioned services through a single specification⁵. In addition to this LWMTS is also exploring employing its own OT qualified staff and using caseworkers as trusted assessors for lower-level adaptations. The cost of OT assessments is eligible for capital expenditure out of the grant funding we receive.
- 3.9 Procurement of contractors is progressing and we have signed up to join the Independence Community Interest Company (Plymouth) Dynamic Purchasing System(DPS) that will allow us access to accredited and competent tradespeople in a co-ordinated manner with minimal 'competition' between areas for contractors. The 'Teckal' exemption will not apply to any contracts awarded by LWMTS to its sub-contractors who deliver DFG works/services.

⁵ Although it will be a single specification it may not be a single provider as the contract has different lots based on types of assessment and geographical areas to enable smaller organisations to bid. There is no up-front cost to joining the DPS to us and the other Staffordshire authorities.

Accordingly, the DPS will be used to ensure that any DFG sub-contracts are awarded by LWMTS in accordance with the requirements of the Public Contracts Regulations 2015

3.10 The procurement of the same software system used by the current provider has also been agreed; this will be hugely beneficial as it will allow data to be transferred over and testing of systems to be done in advance of full-service commencement.

3.11 Legal advice has been obtained from Trowers & Hamlins solicitors and the main considerations are covered in the legal section below. We will ensure that appropriate delegations are in place for LWMTS fulfilment of the Council's statutory duties in allocating DFG funding and its exercise of works on behalf of the Council. We will also review our constitution to ensure that the governance required for delivery of DFGs is in place in advance of the service commencing.

3.12 As this is a new service to the Council, there will be insurance implications that we will need to disclose as part of the current insurance tender exercise. It is likely that the addition of this service will require an increased insurance premium but it is not possible to quantify the likely value of the additional cover at present, and this will not be available until tenders are received towards the end of February 2023. A detailed description of the service and governance arrangements will need to be included in LWMTS Business Plan in order to increase the scope of the current insurance.

| | |
|-----------------------------------|--|
| <p>Alternative Options</p> | <ol style="list-style-type: none"> 1. To try and procure another external provider. This is not a realistic option due to the timescale, and from knowledge of consultants of similar tenders there are a lack of providers in the market. Also, a smaller contract for LDC alone would not be attractive enough for a private provider. 2. To set up an in house service. This would not be as suitable an option as the one proposed due to the advantages outlined in section 3.3 above. 3. To try to set up another shared service. This would not be as suitable an option as the one proposed due to the advantages outlined in section 3.3 above. 4. The following options have been considered for delivery of DFG services by way of a Council owned trading company: <ul style="list-style-type: none"> • through a team to be established in our existing Local Authority Trading Company Lichfield West Midlands Trading services (LWMTS); • the incorporation of subsidiary of LWMTS dedicated to the delivery of DFG services; or • the incorporation of a new and separate local authority trading company dedicated to the delivery of DFG services. <p>Utilising the existing trading company of the Council, LWMTS, is the favoured option on the basis that it results in minimal administrative burden to the Council.</p> |
|-----------------------------------|--|

| | |
|----------------------------|--|
| <p>Consultation</p> | <p>The views of Overview and Scrutiny Committee were originally sought on 20th January 2022 and members of the committee received a briefing paper on this revised proposal in advance of their meeting on 4th October.</p> <p>Pursuant to the Local Government Act 1999, we must make arrangements to secure continuous improvement in the way our functions are exercised, having regard to a combination of economy, efficiency and effectiveness. We need to</p> |
|----------------------------|--|

consult for the purpose of deciding how to secure continuous improvements and so we are drawing up a consultation plan to cover the award of contracts to LWMTS.

We await TUPE lists from the current provider and will undertake full and meaningful consultation with the staff within scope in line with employment law and relevant best practice.

Financial Implications

1. District and borough councils receive capital grant funding for DFGs from the Better Care Fund allocated to us via SCC. A service delivered by LWMTS would still be funded from this grant and would therefore not represent a growth to the Councils' general fund.
2. The 2021 Social Care White Paper included a commitment to retain current levels of DFG funding, however it also contained a commitment to review the allocation formula which could lead to a reduction or increase in funding. We will not know the outcome of this review until 2023 at the earliest.
3. The draft Capital Programme from 2023/24 to 2027/28 is shown in the table below with funding provided by the Better Care Fund:

| | Approved Budget | | | Projections | | Total |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-------|
| | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 | £000 |
| Disabled Facilities Grants - 100% funded by Better Care Fund | 1,272 | 1,272 | 914 | 914 | 926 | 5,298 |

4. The Council has sought advice from its tax advisor and there are two key areas that need to be considered:
 - **Administration** – HMRC will generally expect the supply of administration of the DFGs to be separate to the works and therefore VAT will be chargeable at the prevailing rate. The Council will therefore need to charge and account for VAT at the prevailing rate, deducting the gross value from the Better Care Fund Grant.
 - **Works** – The supplies of DFG works will be a mixture of zero rated and standard rated. Where the works are zero rated, the Council will not be required to account for any VAT. Where the works are standard rated, the Council will need to charge and account for VAT at the prevailing rate, deducting the gross amount from the Better Care Fund Grant.
5. In addition, the cost of Occupational Therapists would continue to be funded through the DFG. At this stage, the central scenario financial modelling assumes an annual budget of £34,000 plus VAT and it is assumed the gross amount is deducted from the Grant.
6. The accounting for the Disabled Facilities Grant service will be through a separate set of cost codes within LWMTS. Therefore, any DFG services provided within the Company will need to be managed transparently for example through the use of an internal 'Service Level Agreement'.
7. It is intended that the Company will only receive reimbursement from the Council for actual or committed costs incurred during the financial year in order that no surplus or deficit occurs. However the Council must be mindful of transfer pricing requirements and therefore the actual approach to be adopted will be developed in consultation with the Council's Tax advisors.

8. A projection (excluding inflationary increases) of how the DFG budget will be allocated based on the approved Capital Programme (it was assumed the grant level would reduce in later years with the review of the grant allocation formula) is provided below:

| | Approved Budget | | | Projections | | Total |
|---|-----------------|---------|---------|-------------|---------|---------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Disabled Facilities Grants - 100% funded by Better Care Fund | (1,272) | (1,272) | (914) | (914) | (926) | (5,298) |

| | | | | | | |
|--------------------------------|-----|-----|-----|-----|-----|-------|
| Cost of delivering the service | 336 | 316 | 316 | 316 | 316 | 1,601 |
| Adaptations budget | 936 | 956 | 598 | 598 | 610 | 3,697 |

9. There are a number of uncertainties related to these projections in relation to:

- A review of the grant allocation formula;
- The cost of Occupational Therapists.
- The level of backlog works and unspent grant that will be transferred.

10. Therefore two illustrative scenarios are provided based on:

- The level of grant being at the 2023/24 level and;
- The level of grant being 20% higher than the 2023/24 level and the cost of delivering the service by LWMTS also proportionally increases.

11. The financial projections (excluding any inflationary increases) based on these alternative assumptions are shown below:

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | £000 |
|--|---------|---------|---------|---------|---------|---------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| What if: | | | | | | |
| Future years Disabled Facilities Grant Budget is at 2023/24 level | (1,272) | (1,272) | (1,272) | (1,272) | (1,272) | (6,360) |
| Backlog' unspent Grant | (450) | (450) | 0 | 0 | 0 | (900) |
| Cost of Delivering the Service | 336 | 316 | 316 | 316 | 316 | 1,601 |
| Adaptations Budget | 1,386 | 1,406 | 956 | 956 | 956 | 5,659 |

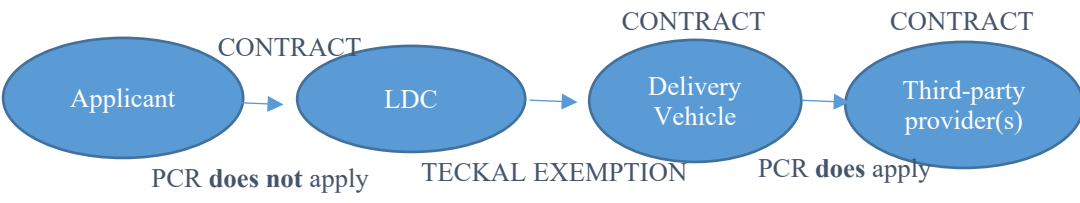
| | | | | | | |
|---|---------|---------|---------|---------|---------|---------|
| What if: | | | | | | |
| Future years Disabled Facilities Grant Budget is 20% above 2023/24 level | (1,272) | (1,526) | (1,526) | (1,526) | (1,526) | (7,378) |
| Backlog' unspent Grant | (450) | (450) | 0 | 0 | 0 | (900) |
| Cost of Delivering the Service | 336 | 379 | 379 | 379 | 379 | 1,854 |
| Adaptations Budget | 1,386 | 1,597 | 1,147 | 1,147 | 1,147 | 6,423 |

12. The Company's Business Plan is subject to approval by the Council on an annual basis or if material changes are proposed during the financial year to ensure proposed activity is transparent and has shareholder approval.

13. The requirement that Better Care Funding is only spent on the delivery of disabled adaptations will require all financial transactions to be transparently 'ring fenced' in LWMTS Business Plan and Accounts.

14. The allocation and use of Better Care Funding in relation to DFGs is subject to extensive oversight through reporting and grant claims that need to be audited and signed off by key officers within the Council. Therefore the Company must provide

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| | <p>all of the necessary information within the agreed deadlines to ensure compliance with legal and reporting requirements. This will be confirmed in the contract entered into by the Council and LWMTS for delivery of DFG related works/services.</p> <p>15. In addition the Company will be required to provide access to all internal audit and external audit teams together with any other government bodies that form part of the regulatory or internal control framework. The Company will also be required to complete any funding returns and submit these to the Council for inspection as and when requested. The government Delta return and any other returns will also need to be completed as required.</p> |
| <p>Approved by Section 151 Officer</p> | <p>Yes</p> |

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| <p>Legal Implications</p> | <p>Trowers & Hamblins solicitors have provided in depth legal advice on the delivery of DFGs and associated works/services via LWMTS or a new local authority owned company.</p> <p>The recommended legal structure for the delivery of DFG works/services is as follows:</p>  <pre> graph LR A([Applicant]) -- CONTRACT --> B([LDC]) B -- CONTRACT --> C([Delivery Vehicle]) C -- CONTRACT --> D([Third-party provider(s)]) A -.-> PCR does not apply B B -.-> TECKAL EXEMPTION C C -.-> PCR does apply D </pre> <p>The legal advice covered how a Council controlled company could be awarded a contract by the Council to deliver DFGs and associated works/services without the Council undertaking a competitive tender process in accordance with the 'Teckal' exemption (Regulation 12(1) of the Public Contract Regulations 2015).</p> <p>The Council would therefore not need to carry out a competitive procurement process or advertisement in awarding a contract for DFG services/works to LWMTS. The 'Teckal' exemption recognises that where a contracting authority contracts with a company that it controls and owns, the position is effectively not that different from the services being provided in-house.</p> <p>The 'Teckal' exemption will apply in relation to contracts awarded by the Council to LWMTS, provided that, the requirements of Regulation 12 (including the 'activities test' as defined above) continue to be satisfied. The activity of LWMTS should be continuously monitored to measure the proportion of LWMTS activity undertaken for the Council against activity undertaken for third parties. The activity of LWMTS to be considered for the purposes of the 'activities test' (defined above) is all activity of LWMTS (including its property related services) not just DFG related activity.</p> <p>The fact that separate departments within LWMTS (with different cost centres) will undertake property services and DFG services, has no bearing on the</p> |
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| | <p>procurement law advice above including the applicability of the 'Teckal' exemption to contracts awarded from the Council to LWMTS for DFG services. Regulation 12(2) of the Public Contract Rules (PCR) confirms that, where the Teckal exemption applies, contracts awarded by the Teckal company LWMTS back to its controlling authority (the Council) do not require a competitive procurement process, even though the Teckal Company (LWMTS) itself will be subject to the PCR.</p> <p>Trowers & Hamlins have recommended that for the Council to outsource its DFG activities as proposed to LWMTS a contract will need to be entered into for the provision of:</p> <ul style="list-style-type: none"> • DFG application processing and funding allocation; and • undertaking of DFG works at applicants properties. <p>LWMTS can then subsequently enter into sub-contracts with third-party providers (contractors) for the delivery of adaptation works. It should be noted that the 'Teckal' exemption will not apply to the award of any sub-contract by LWMTS to its third-party sub-contractors. It is the Council's intention to utilise a Dynamic Purchasing System to procure services from sub-contractors.</p> <p>As a public body exercising public functions, any decision made by the Council in relation to the legal structure for delivery of the DFGs and associated works/services is potentially capable of challenge by way of Judicial Review. The primary legal risk is that an interested party seeks to challenge the decision by way of Judicial Review. This report has therefore been subject to a legal review to assess the risk of any ground of challenge arising from the content.</p> <p>The service being proposed exceeds the statutory minimum service and there are no other identified legal issues.</p> |
| Approved by Monitoring Officer | Yes |

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| <p>Contribution to the Delivery of the Strategic Plan</p> | <ol style="list-style-type: none"> 1. The service will support people to remain living independently at home for as long as it is safe for them to do so which will support the objectives of “Enable people to help themselves and others and also to live healthy and active lives” by reducing the barriers they face in their homes. 2. The service will be able to support local businesses through the contractor supply chain which will ‘encourage economic growth’. 3. Through specifying the works and working with newer technologies as they are developed in adaptations, the service will be able to support the Council to ‘keep it clean, green and safe’ as well as ensuring that the historic characteristics of the district are retained. 4. The new service will be ‘responsive and customer focussed’ which is another objective of the strategic plan and will enable us to support our most vulnerable residents effectively. |
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| Equality, Diversity and Human Rights Implications | The client group of this service are adults and children with a disability. The use of a means test directs grant funding to residents on a low income who are otherwise unable to afford to adapt their home. Completion of an equalities impact assessment is in the project plan. |
| Crime & Safety Issues | There are not anticipated to be any impacts. |
| Environmental Impact | Through the development of the service we will have control regarding the supply chain and will also be able to review the specifications for work to enable the works completed to be cognisant of our carbon commitments. |
| GDPR / Privacy Impact Assessment | Delivery of the DFG service will involve the processing of personal and special category data. A full Data Protection and Privacy Impact Assessment will be undertaken prior to commencement of the service. |

| | Risk Description & Risk Owner | Original Score (RYG) | How We Manage It | Current Score (RYG) |
|---|---|---|--|---|
| A | If the new service is not approved and established in time residents could be left without any support for applying for a DFG from 1 st April 2023. Some adaptation work will also be on site and need managing. | Likelihood : Yellow Impact : Red Severity of Risk : Red | The previous project and implementation plan has been revised and a new project group established. Actions are in place for the new service to be finalised over the next 6 months ready for 'Go Live' in advance of April 2023. If we do not achieve this deadline the contingency plan will be in the short term to provide the statutory service of approving and paying grants only. | Likelihood: Green Impact : Green Severity of Risk : Yellow |
| B | Inability to spend the DFG allocation if the service is not set up in time. | Likelihood : Red Impact : Red Severity of Risk : Red | The project plan is in place and actions in progress for the new service to be finalised over the next 6 months ready for 'Go Live' in advance of April 2023. Any underspent allocations may only be utilised for DFG purposes and separate accounts and reserves will be set up for any potential underspends. | Likelihood : Green Impact : Yellow Severity of Risk : Yellow |
| C | Recruitment of experienced staff. It will be critical to recruit staff with relevant experience and DFG knowledge. | Likelihood : Red Impact : Red Severity of Risk : Red | To ensure that job descriptions, person specifications and terms and conditions are appropriate. Advertise for vacant posts as soon as possible once the outcome of TUPE discussions is known. | Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow |
| D | Lack of specialist knowledge and capacity to deal with TUPE in the HR team. | Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow | Specialist knowledge will be available from the external HR consultant employed by LWMTS. | Likelihood : Green Impact : Green Severity of Risk : Green |

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|---|--|--|---|---|
| E | There is a risk of unsatisfactory performance from staff who join the new service. | Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow | We do not know which staff may TUPE over into the new service until discussions commence with the current provider. Careful performance management and recruitment of a suitably qualified service manager should minimise this risk. | Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow |
| F | Risk of applications not being progressed resulting in the new service inheriting a backlog of cases. Legacy cases/ a backlog may hinder performance for at least the first 12 months. | Likelihood : Red Impact : Red Severity of Risk : Red | We are continuing to monitor the contract as best as we can with regular cases meetings with the current provider and continuing with auditing applications to highlight any issues early on. Through meetings of the SILIS steering group and Strategic Project Board we will also monitor and manage performance. Cherrywhite's DFG consultancy specialist support for monitoring will continue into 2022/23. | Likelihood : Red Impact : Red Severity of Risk : Red |
| G | Applicants opt for an alternative contractor to the Council | Likelihood : Green Impact : Green Severity of Risk : Green | To date most applicants opt for the Council to arrange delivery of DFG works via the current provider. Therefore it seems most likely that most applicants will opt for the Council to provide DFG works through the Council's sub-contractor LWMTS. A communication plan will be in place to ensure that residents are informed of the changes to smooth the transition. | Likelihood : Green Impact : Green Severity of Risk : Green |
| H | IT is not in place to transfer over the cases where work is on site and applications have been made but not yet progressed or completed. | Likelihood : Yellow Impact : Red Severity of Risk : Red | Discussions are taking place with the provider of the preferred software system and they have allocated us a slot in their system build programme this month. Process maps have been revised to enable the system build to commence. The IT system is scheduled to be in place by March 2023 to enable data to be easily transferred over and testing to be done in advance of the new service commencing. | Likelihood : Green Impact : Green Severity of Risk : Green |
| I | In accordance with Department of Health and Social Care guidance ⁶ , the contract for DFG funded works must be between the Council and the applicant. Accordingly, there is the risk that applicants come to the Council to fix broken items a long time after the warranty period. | Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow | Contracts will be in place with applicants and Council sub-contractors to cover any future risks and have adequate indemnity and warranty periods to cover issues with any works on site etc. Subcontracts will contain robust KPI's and ensure close performance monitoring. | Likelihood : Green Impact : Green Severity of Risk : Green |
| J | Non- compliance with the Teckal exemption as wider trading exceeds the 20% limit. | Likelihood : Yellow Impact : Red | Legal advice has been sought and contracts will be drafted to ensure compliance. The Company will need to monitor its level of 'non-Council' activity through its periodic | Likelihood : Green Impact : Green |

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1065574/DFG_Guidance.pdf

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|---|--|--|--|--|
| | | Severity of Risk : Red | review of the Business Plan and actual activity. In the event level of 'non-Council' activity exceeds 20% of the New LATCo's overall activity (by revenue), all services currently provided to the Council would need to be subject to a procurement exercise. | Severity of Risk : Green |
| K | Reputational risk if we fail to achieve the deadline for the start of the service by 1 st April 2023. | Likelihood : Yellow Impact : Red Severity of Risk : Red | A robust project plan is in place and a project team set up to ensure delivery on time. Actions are in place for the new service to be finalised over the next 6 months ready for 'Go Live' in advance of April 2023. | Likelihood : Green Impact : Green Severity of Risk : Green |
| | | <p>Background documents:</p> <p>Cabinet Confidential Report 8th February 2022 https://democracy.lichfielddc.gov.uk/ieListDocuments.aspx?CId=138&MId=1742&Ver=4</p> <p>Overview & Scrutiny Committee Confidential report 20th January 2022- https://democracy.lichfielddc.gov.uk/ieListDocuments.aspx?CId=268&MId=1806</p> <p>Housing Assistance Policy approved by Cabinet 13th April 2021 https://democracy.lichfielddc.gov.uk/documents/s10510/Housing%20Assistance%20Policy%20Review.pdf</p> | | |
| | | <p>Relevant web links:</p> <p>Better Care Fund https://www.england.nhs.uk/ourwork/part-rel/transformation-fund/better-care-fund/about-the-better-care-fund/</p> <p>Social Care White paper 2021. https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper</p> | | |

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STAFFORDSHIRE LEADERS' BOARD

Report of the Leader of the Council

Date: 11 October 2022

Agenda Item: 5

Contact Officer: Mark Hooper

Tel Number: 01543 308064

Email: mark.hooper@lichfielddc.gov.uk

Key Decision? **NO**

Local Ward N/A

Members


 Lichfield
district council
CABINET**1. Executive Summary**

- 1.1 Revised Terms of Reference have been agreed by the Staffordshire Leaders' Board and are submitted for endorsement.

2. Recommendations

- 2.1 That the revised Terms of Reference for the Staffordshire Leaders' Board (as attached at Appendix A) be endorsed.

3. Background

- 3.1 On 8 February 2022 Cabinet approved participation in the Staffordshire Leaders' Board, and approved the Leader of the Council as the representative and the Deputy Leader as the substitute Member.
- 3.2 The Board has now met formally and agreed a small number of updates to the terms of reference (attached at Appendix A).
- 3.3 For transparency the Board recommended that the updated terms of reference be endorsed by the executives of all board members.
- 3.4 The remit of the Board, as set out in the Terms of Reference, is summarised below:
- a) To lead and oversee the development of a county devolution deal for Staffordshire with HM Government.
 - b) To lead and oversee the alignment of relevant local authority action on Climate Change, Waste and Sustainability.
 - c) To lead and oversee the alignment of relevant local authority plans for Enterprise and Government Funding and Investment streams.
 - d) To lead and oversee the alignment of local authority interaction with the Health sector in Staffordshire.
 - e) To lead and oversee the alignment of relevant local authority plans for future Infrastructure.
 - f) To lead and oversee the alignment of relevant local authority plans in relation to Housing and Homelessness.
 - g) To initiate, lead and oversee Staffordshire-wide joint initiatives to enhance local government efficiency and effectiveness.

- h) To act as a local public sector decision-making body for strategic economic growth.
- i) To act as a conduit to other sub-regional and regional bodies such as the Local Enterprise Partnerships and the Midlands Engine.
- j) Where appropriate, to agree shared priorities and bids for funding to existing and new funding sources such as Local Growth Funds and the Shared Prosperity Fund.
- k) To monitor and evaluate projects and programmes of activity commissioned directly by the Committee.
- l) To communicate and, where unanimously agreed, to align activity across Staffordshire on a range of other key public priorities that affect citizens.
- m) To prioritise and make decisions on the use of the funding that the Committee may influence or control.

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| Alternative Options | 1. Not to agree the amended terms of reference. |
| Consultation | 1. Members have previously been advised of potential joint working opportunities. |
| Financial Implications | 1. There are no significant financial implications. |
| Approved by Section 151 Officer | |
| Legal Implications | 1. The Joint Committee will act as a Joint Committee under Section 9EB of the Local Government Act 2000 and pursuant to Regulation 11 of the Local Authorities (Arrangement for the Discharge of Functions) (England) Regulations 2012. The establishment of joint arrangements in respect of executive functions rests with the Cabinet. The appointment of representatives to executive positions rests with the Leader of the Council. |
| Approved by Monitoring Officer | Yes |
| Contribution to the Delivery of the Strategic Plan | 1. Projects and areas covered by this board make significant contributions to our strategic plan, including further collaborative working with key partners. |
| Equality, Diversity and Human Rights Implications | 1. None arising from this report |
| Crime & Safety Issues | 1. None arising from this report |
| Environmental Impact | 1. None arising from this report |
| GDPR / Privacy Impact Assessment | 1. None arising from this report |

| | Risk Description & Risk Owner | Original Score (RYG) | How We Manage It | Current Score (RYG) |
|---|-------------------------------------|----------------------|--|---------------------|
| A | Limited joint working opportunities | Yellow | This board provides a clear framework and equal participation in issues affect all of Staffordshire. Membership ensures Lichfield District needs are included. | Green |

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| | <p>Background documents</p> <p>Establishment of the Staffordshire Leaders Board: https://democracy.lichfielddc.gov.uk/ieListDocuments.aspx?CIId=138&MIId=1742&Ver=4</p> |
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Staffordshire

The Staffordshire Leaders' Board

Constitution for the Joint Committee

1. Purpose

- 1.1 To establish a Joint Committee of the local authorities in Staffordshire to explore opportunities for improved joint working and to develop and implement plans for devolution from Government through a County Deal.

2. Governance

- 2.1 The Joint Committee will act as a Joint Committee under Section 9EB of the Local Government Act 2000 and pursuant to Regulation 11 of the Local Authorities (Arrangement for the Discharge of Functions) (England) Regulations 2012.
- 2.2 The Joint Committee will be known as the Staffordshire Leaders' Board ("the Leaders' Board").
- 2.3 The Leaders' Board will comprise the local authorities within the Staffordshire area: Cannock Chase District Council, East Staffordshire Borough Council, Lichfield District Council, Newcastle-under-Lyme Borough Council, South Staffordshire District Council, Stafford Borough Council, Staffordshire County Council, Staffordshire Moorlands District Council, and Tamworth Borough Council ("the constituent authorities").
- 2.4 The Leaders' Board may admit Stoke-on-Trent City Council to membership at a later date and therefrom they will become a constituent authority with all the same rights and obligations as the other constituent authorities.
- 2.5 Political Proportionality rules will not apply to the Leaders' Board as constituted.
- 2.6 The Leaders' Board will be a legally constituted body with powers delegated to it by the constituent authorities in the following areas:
 - a) to prioritise and make decisions on the use of the funding that the Leaders' Board may influence or control.
 - b) to review future governance requirements and delivery arrangements and how these can be best achieved in Staffordshire.



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c) to have direct oversight of the projects and initiatives which the Leaders' Board has initiated or over which it has influence or control of the funding.

d) to have strategic oversight of other key projects and initiatives within its remit as set out herein.

- 2.7 The Leaders' Board will not hold funds or monies on behalf of the constituent authorities.
- 2.8 Should the Leaders' Board work plan necessitate a change in the delegated powers and terms of reference of the Leaders' Board any such change would require the approval of all the constituent authorities.
- 2.9 These terms of reference will be reviewed on a biennial basis or sooner if necessary.

3. Remit

- 3.1 The remit of the Leaders' Board will be:
 - i. To lead and oversee the development of a county devolution deal for Staffordshire with HM Government.
 - ii. To lead and oversee the alignment of relevant local authority action on Climate Change, Waste and Sustainability.
 - iii. To lead and oversee the alignment of relevant local authority plans for Enterprise and Government Funding and Investment streams.
 - iv. To lead and oversee the alignment of local authority interaction with the Health sector in Staffordshire.
 - v. To lead and oversee the alignment of relevant local authority plans for future Infrastructure.
 - vi. To lead and oversee the alignment of relevant local authority plans in relation to Housing and Homelessness.
 - vii. To initiate, lead and oversee Staffordshire-wide joint initiatives to enhance local government efficiency and effectiveness.
 - viii. To act as a local public sector decision-making body for strategic economic growth.



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- ix. To act as a conduit to other sub-regional and regional bodies such as the Local Enterprise Partnerships and the Midlands Engine.
- x. Where appropriate, to agree shared priorities and bids for funding to existing and new funding sources such as Local Growth Funds and the Shared Prosperity Fund.
- xi. To monitor and evaluate projects and programmes of activity commissioned directly by the Committee.
- xii. To communicate and, where unanimously agreed, to align activity across Staffordshire on a range of other key public priorities that affect citizens.
- xiii. To prioritise and make decisions on the use of the funding that the Committee may influence or control.

4. Membership

- 4.1 One member from each constituent authority (such member to be the Leader from each constituent authority) and for the purposes of these terms of reference this member will be known as the principal member.
- 4.2 Each constituent authority to have a named substitute member who must be an executive member.
- 4.3 Where both the principal member and the substitute member attend a meeting of the Leaders' Board the principal member shall be deemed as representing their authority by the Chair or Vice Chair.
- 4.4 In the event of any voting member of the Leaders' Board ceasing to be a member of the constituent authority which appointed him/her, the relevant constituent authority shall as soon as reasonably practicable appoint another voting member in their place.
- 4.5 Where a member of the Leaders' Board ceases to be a Leader of the constituent authority which appointed him/her or ceases to be a member of the Executive of the constituent authority which appointed him/her, he/she shall also cease to be a member of the Leaders' Board and the relevant constituent authority shall as soon as reasonably practicable appoint another voting member in their place.



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- 4.6 Each constituent authority may remove its principal member or substitute member and appoint a different member or substitute as per that authority's rules of substitution, and by providing twenty-four hours' notice to the Chair or the Secretary.
- 4.7 The Leaders' Board may from time to time, following a unanimous vote of those present and voting, co-opt additional non-voting members ("co-opted members") at its discretion but such co-opted members will not be members or officers of the constituent authorities.
- 4.8 Each constituent authority may individually terminate its membership of the Leaders' Board by giving twelve months written notice of its intent to leave the Leaders' Board to the Chair or the Secretary. At the end of these twelve months, but not before, the authority will be deemed to no longer be a member of the Leaders' Board.
- 4.9 Where an authority has previously terminated its membership of the Leaders' Board it may rejoin the Leaders' Board with immediate effect on the same terms as existed prior to its departure.

5. Quorum

- 5.1 The quorum shall be 5 members. No business will be transacted at a meeting unless a quorum exists at the beginning of a meeting. If at the beginning of any meeting, the Chair or Secretary after counting the members present declares that a quorum is not present, the meeting shall stand adjourned.

6. Chair and Vice Chair

- 6.1 The Chair of the Leaders' Board will be the principal member of Staffordshire County Council (subject to para 6.2 below)
- 6.2 The Leaders' Board will vote annually at its first meeting after all the constituent authorities' annual meetings as to whether the Chair should continue to be the principal member of the County Council or should be the principal member of one of the other constituent authorities.
- 6.3 The position of Vice Chair shall be filled by the principal member of one of the other constituent authorities of the Leaders' Board and



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this role will rotate annually between those other constituent authorities.

- 6.4 The Chair or in their absence the Vice Chair or in their absence the member of the Leaders' Board elected for this purpose, shall preside at any meeting of the Leaders' Board.
- 6.5 Appointments will be made in May of each year.
- 6.6 Where, at any meeting or part of a meeting of the Leaders' Board both the Chair and Vice Chair are either absent or unable to act as Chair or Vice Chair, the Leaders' Board shall elect one of the members of the Leaders' Board present at the meeting to preside for the balance of that meeting or part of the meeting, as appropriate. For the avoidance of doubt, the role of Chair and Vice Chair vests in the principal member concerned and in their absence the role of Chair or Vice Chair will not automatically fall to the relevant constituent authority's substitute member.

7. Voting

- 7.1 One member, one vote for each constituent authority.
- 7.2 All questions shall be decided by a majority of the votes of the members present, the Chair having the casting vote in addition to their vote as a member of the Committee. Voting at meetings shall be by show of hands.
- 7.3 On the requisition of any two Members, made before the vote is taken, the voting on any matter shall be recorded by the Secretary so as to show how each Member voted and there shall also be recorded the name of any Member present who abstained from voting.

8. Sub-Committees and Advisory Groups

- 8.1 The Leaders' Board may appoint sub-committees from its membership as required to enable it to execute its responsibilities effectively and may delegate tasks and powers to the sub-committee as it sees fit.
- 8.2 The Leaders' Board may set up advisory groups as required to enable it to execute its responsibilities effectively and may delegate tasks as it sees fit to these bodies, which may be formed of officers



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or members of the constituent authorities or such third parties as the Leaders' Board considers appropriate.

9. Hosting and Administration

- 9.1 The Leaders' Board will at their first meeting decide which of the constituent authorities will be the host authority, and the Head of Democratic Services (or equivalent post) from that authority shall be Secretary to the Committee ("the Secretary").
- 9.2 The Leaders' Board will at their first meeting decide which of the constituent authorities will provide the s151 Officer role
- 9.3 The Leaders' Board will at their first meeting decide which of the constituent authorities will provide the Monitoring Officer & Legal Adviser to the Leaders' Board.
- 9.4 The administrative costs of supporting the committee will be met equally by the constituent authorities, with each authority being responsible for receiving and paying any travel or subsistence claims from its own members.
- 9.5 The functions of the Secretary shall be:
 - a) to maintain a record of membership of the Leaders' Board and any sub-committees or advisory groups appointed
 - b) to publish and notify the proper officers of each constituent authority of any anticipated "key decisions" to be taken by the Leaders' Board to enable the requirements as to formal notice of key decisions as given under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 to be met;
 - c) to carry out such notification to and consultation with members of any appointing constituent authority as may be necessary to enable the Leaders' Board to take urgent "key decisions" in accordance with the requirements of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012;
 - d) to summon meetings of the Leaders' Board or any sub-committees or advisory groups;
 - e) to prepare and send out the agenda for meetings of the Leaders' Board or any sub-committees or advisory groups; in consultation



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with the Chair and the Vice Chair of the Committee (or sub-committee/ advisory group);

- f) to keep a record of the proceedings of the Leaders' Board or any sub-committees or advisory groups, including those in attendance, declarations of interests, and to publish the minutes;
- g) to take such administrative action as may be necessary to give effect to decisions of the Leaders' Board or any sub-committees or advisory groups;
- h) to perform such other functions as may be determined by the Leaders' Board from time to time

10. Meetings

- 10.1 The Leaders' Board will meet no less than every four months and meetings will be aligned where necessary with deadlines for decisions on resources and investment plans.
- 10.2 Meetings will be held at such times, dates and places as may be notified to the members of the Leaders' Board by the Secretary, being such time, place and location as the Leaders' Board shall from time to time resolve.
- 10.3 Meeting papers will be circulated five clear working days in advance of any meeting. The Chair may choose to accept or reject urgent items that are tabled at any meeting.
- 10.4 Additional ad hoc meetings may be called by the Secretary, in consultation, where practicable, with the Chair and Vice Chair of the Committee, in response to receipt of a request in writing, which request sets out an urgent item of business within the functions of the Leaders' Board, addressed to the Secretary:
 - (a) from and signed by two members of the Leaders' Board, or
 - (b) from the Chief Executive of any of the constituent authorities.
- 10.5 The Secretary shall settle the agenda for any meeting of the Leaders' Board after consulting, where practicable, the Chair or in their absence the Vice Chair; and shall incorporate in the agenda any items of business and any reports submitted by:
 - (a) the Chief Executive of any of the constituent authorities;
 - (b) the Chief Finance Officer to any of the constituent authorities;



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- (c) the Monitoring Officer to any of the constituent authorities; or
- (d) any two Members of the Leaders' Board.

10.6 The Leaders' Board shall, unless the person presiding at the meeting or the Leaders' Board determines otherwise in respect of that meeting, conduct its business in accordance with the procedure rules set out in paragraph 13 below.

11. Access to Information

- 11.1 Meetings of the Leaders' Board will be held in public except where confidential or exempt information, as defined in the Local Government Act 1972, is being discussed.
- 11.2 These rules do not affect any more specific rights to information contained elsewhere under the law.
- 11.3 The Secretary will ensure that the relevant legislation relating to access to information is complied with. Each constituent authority is to co-operate with the Secretary in fulfilling any requirements.
- 11.4 Any Freedom of Information or Subject Access Requests received by the Leaders' Board should be directed to the relevant constituent authority(s) for that authority to deal with in the usual way, taking account of the relevant legislation. Where the request relates to information held by two or more constituent authorities, they will liaise with each other before replying to the request.

12. Attendance at meetings

- 12.1 The Chair may invite any person, whether a member or officer of one of the constituent authorities or a third party, to attend the meeting and speak on any matter before the Leaders' Board.
- 12.2 Third parties may be invited to attend the Leaders' Board on a standing basis following a unanimous vote of those present and voting.
- 12.3 Where agenda items require independent experts or speakers, the Officer or authority proposing the agenda item should indicate this to the Secretary and provide the Secretary with details of who is required to attend and in what capacity. The participation of independent experts or speakers in Leaders' Board meetings will be subject to the discretion of the Chair.



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13. Procedure Rules

13.1 Attendance

- 13.1.1 At every meeting, it shall be the responsibility of each member to enter their name on an attendance record provided by the Secretary from which attendance at the meeting will be recorded.

13.2 Order of Business

- 13.2.1 Subject to paragraph 13.2.2, the order of business at each meeting of the Leaders' Board will be:
- i. Apologies for absence
 - ii. Declarations of interests
 - iii. Approve as a correct record and sign the minutes of the last meeting
 - iv. Matters set out in the agenda for the meeting which will clearly indicate which are key decisions and which are not
 - v. Matters on the agenda for the meeting which, in the opinion of the Secretary are likely to be considered in the absence of the press and public
- 13.2.2 The person presiding at the meeting may vary the order of business at the meeting.

13.3 Disclosable Pecuniary Interests

- 13.3.1 If a Member is aware that he/she has a disclosable pecuniary interest in any matter to be considered at the meeting, the Member must withdraw from the room where the meeting considering the business is being held:
- (a) in the case where paragraph 13.3.2 below applies, immediately after making representations, answering questions or giving evidence;
 - (b) in any other case, wherever it becomes apparent that the business is being considered at that meeting;
 - (c) unless the Member has obtained a dispensation from their own authority's Standards Committee or Monitoring Officer. Such



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dispensation to be notified to the Secretary prior to the commencement of the meeting.

- 13.3.2 Where a member has a disclosable pecuniary interest in any business of the Leaders' Board, the Member may attend the meeting (or a sub-committee or advisory group of the committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

13.4 Minutes

- 13.4.1 There will be no discussion or motion made in respect of the minutes other than except as to their accuracy. If no such question is raised or if it is raised then as soon as it has been disposed of, the Chair shall sign the minutes.

13.5 Rules of Debate

- 13.5.1 A Member wishing to speak shall address the Chair and direct their comments to the question being discussed. The Chair shall decide the order in which to take representations from members wishing to speak and shall decide all questions of order. Their ruling upon all such questions or upon matters arising in debate shall be final and shall not be open to discussion.
- 13.5.2 A motion or amendment shall not be discussed unless it has been proposed and seconded. When a motion is under debate no other motion shall be moved except the following:
- i. To amend the motion
 - ii. To adjourn the meeting
 - iii. To adjourn the debate or consideration of the item
 - iv. To proceed to the next business
 - v. That the question now be put
 - vi. That a member be not further heard or do leave the meeting
 - vii. To exclude the press and public under Section 100A of the Local Government Act 1972



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13.6 Conduct of Members

13.6.1 Members of the Leaders' Board will be subject to their own authority's Code of Conduct.

14. Application to Sub-Committees

14.1 The procedure rules and also the Access to Information provisions set out at paragraph 11 shall apply to meetings of any sub-committees of the Leaders' Board.

15. Scrutiny of decisions

15.1 Each constituent authority which operates executive arrangements will be able to scrutinise the decisions of the Leaders' Board in accordance with that constituent authority's overview and scrutiny arrangements.

16. Winding up of the Leaders' Board

16.1 The Leaders' Board may be wound up immediately by a unanimous vote of all constituent authorities.

17. Amendment of this Constitution

17.1 This Constitution can only be amended by resolution of each of the constituent authorities.

A CINEMA FOR LICHFIELD DISTRICT

Leader of the Council

Date: 11 October 2022

Agenda Item: 6

Contact Officer: Simon Fletcher, Chief Executive, Anthony Thomas, Assistant Director Finance & Commissioning and S151 Officer, and John Smith, Performance & Programmes Manager

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Key Decision? YES

Local Ward All Wards.



CABINET

1. Executive Summary

- 1.1 This paper proposes a significant financial investment by the council in its role as place-shaper for our district, to spark the regeneration of the site known as 'Birmingham Road', adjacent to the district council house in the centre of Lichfield city.
- 1.2 It seeks Cabinet support for the creation of a joint venture partnership with Evolve Estates (owners of the Three Spires Shopping Centre) through which a new cinema and associated food and beverage (F&B) units will be developed.

2. Recommendations

- 2.1 That Cabinet agree and recommend to full Council that:
 - a) Lichfield District Council enter a joint venture Limited Liability Partnership (LLP) with Evolve Estates (subject to any issues identified in relation to financial standing and independent valuation of the Debenham's building being satisfactorily addressed) for the purposes of developing a new cinema and associated food and beverage units in the former Debenhams store on the Three Spires retail site.
 - b) Delegated authority be granted to the Leader and Chief Executive Officer to finalise the details of the LLP in consultation with the Monitoring Officer and S151 Officer subject to financial implications remaining within the budget framework recommended for approval below.
 - c) To approve the Leader and Chief Executive being the Council's representatives on the LLP board.
 - d) The Medium-Term Financial Strategy is updated to include:
 - A budget in the Capital Programme for the Joint Venture loan advance totalling **£5,349,000** (including £400,000 being funded by the UKSPF).
 - To fund the capital investment through UKSPF funding of **(£400,000)**, the capital receipt from the sale of Venture House of **(£850,000)** (an increase from the Review of Reserves Report recommendation of (£650,000) and the strategic priorities earmarked reserve of **(£4,099,000)**.
 - A BRS enabling works budget of **£1,070,000** (a reduction from the Review of Reserves Report recommendation of £2,000,000) funded by the strategic priorities earmarked reserve of **(£1,070,000)**.
 - At this stage, the Revenue Budget will be based on a budget neutral (no surplus or deficit is included) position until the projections included in this report have been reviewed. Any

future changes following independent review will be reported in line with the Council's budget monitoring and any budget approvals will be in line with the budget framework.

3. Background

- 3.1 The importance of local government as 'place shapers' has been understood for decades but was most recently underlined and articulated by Sir Michael Lyons in his inquiry into the sector in 2007 where he addressed our role, function, and funding. He called for us to help improve satisfaction and prosperity of local areas through 'the creative use of powers and influence to promote the general well-being of a community and its citizens'.
- 3.2 In the context of this paper, delivering 'place shaping' responsibilities requires the council to shift away from a focus purely on delivering our day-to-day services, which of course remain important, to become an organisation that understands its role and relationships within our local communities – becoming a partner and enabler and working alongside other public and private institutions and organisations, using resources (including money) judiciously to make things happen for our communities where they otherwise would not.
- 3.3 This paper introduces a proposal for the council to enter a commercial arrangement with a private sector organisation to deliver a long-standing 'place shaping' aspiration, identified in the city centre Masterplan and Zoning Plan, to develop and operate a cinema and associated F&B activities for the benefit of the entire district.
- 3.4 The councils' Lichfield City Centre Masterplan 2020 is an important document that aims to shape the future growth of the city centre, set out opportunities for enhancing the quality of environment, the range of different uses on offer, and provide a prospectus for investment in Lichfield. While the council believes elements of it have evolved since its inception, the Masterplan is still considered to be a key means of enhancing what is already a strong and vibrant city centre, and its adoption demonstrates the importance of the city centre as an asset for residents, visitors, those who work in the city and residents across the district.
- 3.5 The Masterplan states that the Birmingham Road Gateway Site (BRS) is the most significant development opportunity in the city centre aimed at supporting & providing a vibrant mix of uses. With the intention for it to be reconfigured to provide a new city centre quarter, one that enhances the experience of arrival into the city centre by all modes of transport and introduces a new mix of leisure (a new cinema together with restaurant uses), residential, and commercial development opportunities to Lichfield.
- 3.6 The Debenhams building sits adjacent to BRS and provides an opportunity to deliver on these ambitions, especially the recommendation for a cinema with associated food and beverage units.
- 3.7 Three options have been considered to ignite regeneration on this important site:
- | Option | Description |
|----------|---|
| Option 1 | Leave to the market – i.e., do not directly intervene but do what we can to encourage the market to invest the district. |
| Option 2 | Intervene in place of the market and directly fund the full cost of the development – i.e., identify a site and raise investment required to develop a scheme and operator |
| Option 3 | Intervene with the market and jointly fund the development – i.e., identify a partner and jointly locate a site, raise investment, and develop a scheme. |
- 3.8 Option 1 is the 'do nothing' option. Options 2 and 3 are similar, in that the council is required to intervene to make a cinema a realistic prospect. However, jointly developing a cinema – through a joint

venture company – with a commercial partner significantly reduces risk, cost to the public purse and uncertainty. Working with a commercial party provides access not only to funding but also to the key skills required to deliver the cinema and associated activities which the council does not have in-house.

- 3.9 The place shaping opportunity this offers cannot be understated. As set out above, the council has a clearly stated and strong desire to bring forward the regeneration of the BRS site after a number of previous attempts. The council's plan for the regeneration of this part of the city centre includes the development of a cinema and food and beverage units. It also begins to improve access to the Three Spires retail centre by 'punching through' from the BRS site to the former Debenhams store site (phase 1b), to increase footfall to/from Three Spires and link its more directly to additional food and beverage outlets, high quality office and residential accommodation, increasing the attraction of this part of the city.

The Proposal

- 3.10 The proposal is based on option 3 above, to enter a joint venture between Lichfield District Council (LDC) and Evolve Estates (EE), the owners of Three Spires shopping centre. The joint venture will fund, through loans provided by both organisations, the refurbishment of the previous Debenhams store to create a multi-screen cinema and multiple F&B units.
- 3.11 This opportunity has arisen principally because of the change of ownership of the Three Spires Shopping Centre and early engagement with the new owners, EE, over theirs and the council's ambition for the city centre. Engagement led to a conversation about the old Debenhams store, and the difficulty in letting the store as a single unit, alongside our desire to enable a cinema. We agreed to investigate the potential to jointly invest in converting the retail unit into a cinema, through shared ownership of the entity that would bring it forward.
- 3.12 This option learns lessons from the previous attempts to regenerate this site where the council has sought a single developer, capable of delivering all elements of the regeneration – albeit with a balance which favours achieving maximum return on their investment over the place shaping ambitions of the council. Our preferred approach now is to bring forward regeneration of the site in zones, with potentially multiple developers rather than one. For this proposal, in this first zone of activity, the council in partnership with EE becomes the developer. EE is an organisation we have identified which has shared objectives and common aims – to help ensure a vibrant city and increased footfall which will benefit the rest of the city.
- 3.13 A well-known, small but high-quality cinema operator has been identified and will enter a 25-year lease for the cinema space and fund 50% of the cost of refitting that space to create the multi-screen (upto 5) offering - a mixture of small (up to 48 seats) and large (up to 120 seats) screens.
- 3.14 Alongside the cinema, a range of F&B units (5 – 6 in total) will be created. Discussions have commenced with 20 - 30 F&B providers, from which the joint venture will select those which add most value to the cinema operation **and** our existing, well-established independent restaurants in the city. Both parties in the joint venture are clear, key to this proposal is that new F&B outlets complement the existing offer in the city.
- 3.15 Due diligence has been undertaken by both parties to establish whether there is a fit from an ambition, skills, and cultural perspective. EE purchased Three Spires earlier this year with an ambition to ensure the shopping centre remains a viable and thriving part of the district economy. It is essential to the success of Three Spires that the council's regeneration ambitions are brought to life. This very clearly matches with the council's ambition for the area. Evolve also bring key skills to the table, as a partner, which the council would otherwise have to procure separately. They have delivered several similar schemes in the past, have a solid understanding of the cinema and F&B markets and are able to apply strong commercial nous to the arrangements with potential commercial leases.

- 3.16 The council is seeking to be a more commercially minded organisation. It recognises the strengths it can bring to the proposed arrangement and believes EE fits in terms of providing the skills we lack to achieve our place shaping ambition.
- 3.17 The parties to the joint venture have discussed two potential phases to their activity:
1. Phase 1a – this includes the redevelopment of the former Debenhams store into a cinema with associated F&B units. Detailed financial costs have been developed for Phase 1a.
 2. Phase 1b – is a shared ambition to extend the span of activity to deliver more regeneration on the BRS. This would start with providing a small (up to 50 spaces) replacement car park in the location of the existing multi-storey car park. A further stage, subject to a full business case, could see the joint venture bringing forward additional F&B and high-quality office accommodation alongside the new, replacement car park. Phase 1b's full footprint, were it to go ahead, would include the site of the current multi-storey car park and a number of the adjacent retail units on Three Spires.
- 3.18 **This report deals only with Phase 1a.** The proposal is for the full cost of this initial phase to be funded on a 50%/50% basis by the two parties. EE will sell the Debenhams site to the joint venture with full rights to its management. EE will also loan an amount of cash to the joint venture partnership to fund the cinema and F&B units fit out. The council will match the EE investment with the loan an equivalent amount of cash to the joint venture for the same purposes.
- 3.19 Phase 1b plans will be further developed and costed through a comprehensive business case for Cabinet and full Council to consider in the first half of 2023.

Commercial terms of the joint venture

- 3.20 Key principles for the joint venture have been agreed between the Council and EE, subject to both Cabinet and full Council's agreement:
- The joint venture will be held on a 50/50 basis between LDC and EE.
 - The joint venture will be a limited liability partnership (LLP).
 - Each party will have the same rights attaching to their shares or interest (income, capital, and voting).
 - Each party will have the same number of directors on the board.
 - To ensure that all decisions are made by both parties, quorum will require at least one LDC and one EE director at meetings.
 - Decisions of the company will require unanimity of all directors present at a board meeting.
 - The Board will be Chaired by an LDC representative.
 - Roles and responsibilities for each party to the joint venture (HR, accounting etc) will be mutually agreed.
 - Some matters will be too significant for the Board representatives to approve so will be escalated for Shareholder/Partner resolution – these arrangements will be defined.
 - Deadlock arrangements will be confirmed for dispute management
 - Each party will be restricted from transferring their interests in the joint venture without the prior consent of the other.
 - Each party will be able to exit the joint venture after a minimum period. The other party will have a 'first option' to purchase the other's shares where this happens.
 - The refit of the former Debenhams store will be achieved as swiftly as possible.
 - The cinema and F&B units will be pre-let / agreed to ensure minimal delay in income to the joint venture.
 - Rental / operational income (i.e., net income after operating costs) from the operation of the cinema and F&B units will be shared between the two parties to the joint venture.

- The council agrees that EE will ‘draw down’ repayment of its investment faster from operational income than its own loan. That is, the split of operational income will be set to enable that to happen. Once EE has recouped its repayment, the income split will then adjust in favour of LDC to enable it to achieve repayment of its loan. Once both parties have achieved repayment of their initial investment, then the split of income generated will revert to 50%/50% ongoing.

Who are Evolve Estates Ltd

- 3.21 Evolve Estates are part of the M Core group of businesses. A brochure setting out the background, structure and value of M Core is attached at Appendix A. M Core is an established, highly profitable family business of property investment and management companies. Its interests include:
- Retail – local convenience, high street shops, retail parks and shopping centres.
 - Industrial and warehouse units.
 - Residential – high quality, refurbished and new build units.
 - Offices – high specification, multi-occupancy, small, serviced offices, including on upper floors of retail developments.
- 3.22 EE specialises in strategic planning, regeneration, and active management of centres across the UK and works in partnership with Sheet Anchor Properties Limited, one of the other group of businesses under the M Core group. The partnership company is called Sheet Anchor Evolve Limited (purchasing vehicle). Sheet Anchor is a private company owned by the MacDonald-Hall family with investment assets of £765m. The MacDonald-Hall family are also ‘co owners’ of London and Cambridge Properties which is one of the largest privately owned property companies in the UK and France, owning £4,600m of assets across the UK, France, Germany, and Poland.
- 3.23 For their part, EE has a portfolio value exceeding £300m. Some recent Evolve Estates transactions are listed below:

| | |
|-------------------------------|---------|
| Swanley, Town Centre | £10.9m |
| Killingworth, Shopping Centre | £8.7m |
| Halifax, Woolshops Centre | £13.4 |
| Tonbridge Wells, Calverley Rd | £21.65m |
| Dorking, St Martin’s Walk | £14m |
| Derby, Park Farm | £10.45m |
| Maghull, Central Sq. | £11.8m |

Why a Limited Liability Partnership (LLP)

- 3.24 In deciding to enter the joint venture with EE, the council must ensure it has taken due consideration of the reasons why it is choosing to do so and must have followed a process of due diligence. To support achievement of these objectives, the council appointed Trowers and Hamlins (T&H) to provide legal advice, Price Waterhouse Coopers (PWC) for taxation advice and Townsend and Renaudon (T&R) for quantity surveyor and asset valuation advice.
- 3.25 T&H set out the legal implications of using a Limited Liability Partnership (LLP) – instead of a limited company as the joint venture vehicle. They recommended this would be the most appropriate entity for the council to utilise (Appendix B - Confidential). An LLP is a corporate entity in which two or more partners agree to go into partnership with a view to making a profit or for place shaping purposes.
- 3.26 LLPs are incorporated under the Limited Liability Partnership Act 2000. Essentially, an LLP is a business entity that combines limited liability for partners with the relaxed internal regulation of a traditional partnership. LLPs are regulated by legislation in the same way as a company and must file accounts and

details of membership with Companies House. To create the LLP, it will be necessary to enter into a binding partnership agreement with EE. This commits both parties to obligations in terms of establishing appropriate management and decision-making structures. The management and decision-making structures are set out below under governance arrangements.

Governance arrangements

- 3.27 The council must satisfy itself the new corporate structure, the joint venture, meets its governance requirements. Appendix C sets out the governance considerations we must consider, and next stages subject to approval being given to establish the joint venture as an LLP. The next stages are likely to involve; due diligence, consideration and draft legal documents including the Partnership Agreement, incorporation of the LLP, inaugural meeting of Partnership Board and initiation of projects.

Financing the Joint Venture

- 3.28 The Joint Venture is based on the principle of a 50:50 sharing of costs, income, risk, and benefits. This principle is therefore applied to the financing mechanism for the joint venture negotiated between the Council and EE. The financing mechanism is explained further below:

- The ownership of the former Anchor Store asset is transferred to the Joint Venture.
- The assessed value of the asset is matched by an initial financial contribution from the Council.
- The capital investment budget to convert the asset is agreed by both parties.
- Capital investment in excess of the initial financial contribution from the Council will be shared on a 50:50 basis.

- 3.29 The level of investment required by the Council based on the latest budget and utilising this financing mechanism is included in the financial implications section.

- 3.30 The Council's financial contribution will be for capital investment by the Joint Venture and therefore it will need to be included in the Capital Programme as a capital loan advance.

- 3.31 The capital loan advance to the Joint Venture will need to comply with subsidy control requirements.

- 3.32 The Council's Balance Sheet will also need to account for the Council's investment in the Joint Venture.

Tax advice and implications

- 3.33 The council commissioned tax advice from T&H with the primary consideration being whether the council should invest into a Limited Liability Partnership joint venture with EE or invest in a Limited Company joint venture with EE.

- 3.34 Their advice is provided in full at Appendix D – Confidential.

Construction cost evaluation

- 3.35 The council has appointed Townsend and Renaudon who are Chartered Surveyors to advise on this activity. They carried out independent evaluations for the cost proposals provided by EE. This includes an evaluation of the construction and fit out costs for a cinema in the Debenhams site, a valuation of the capital asset (Debenhams building) to be incorporated into the joint venture and a valuation comparator (index linked) for a previous cinema scheme that was being proposed on the BRS site.

Construction and fit out cost –

3.36 Building Cost Information Service (BCIS) for Construction Data, as set out at Appendix E –Confidential.

Asset valuation

3.39 EE has proposed an asset value for the Debenhams building (see financial implications section), calculated using the most up to date rental income figures multiplied by the number of years of the joint venture agreement, which is industry standard and highly likely to be accurate.

3.40 The council, through its required due diligence process, has appointed T&R to complete an independent valuation process to validate this value. This is fundamentally important to the partnership proposal because the asset value is being used as part of EE’s contribution into the joint venture as opposed to a cash equivalent. A verbal update on the outcome of this independent review will be provided to Cabinet.

Comparison with previous cinema options

3.41 The original Master Plan and Zoning Plan assumed a cinema would be developed on the BRS site, as a new build. The alternative to jointly developing a cinema / F&B unit in the former Debenhams store is to go back to that new build, either at the same location, or on the BRS site proper, at the multi-storey car park site. Both options would involve the demolition of one of those properties to make way for the new build.

3.42 Initial investigations, using BCIS construction cost data (Q32022), suggest an indicative price for a new build cinema with F&B units of between £9.05m and £10.03m. This cost does not include incentive packages tenants require or the £2.50m cinema fit out. A full assessment of the likely up to date, and like for like, costs has been commissioned.

3.43 In terms of offer, the previous scheme was slightly different with a new build cinema and surrounding separate F&B buildings as opposed to the integrated offer being proposed at the Debenhams site. The previous BRS cinema scheme was set out at 10,549 sq ft, was for 2-3 screens with 250 to 270 seats and showed separate buildings for 7 F&B units at approximately 29,601 sq ft - 30,892 sq ft. A total space of circa 40,150 sq ft – 41,441 sq ft. The proposal for converting the Debenhams store has 5 F&B outlets within it and has 4 screens with 306 seats in total at approximately 42,725 sq ft.

| | |
|------------------------|---|
| Alternative Options | <ol style="list-style-type: none"> 1. Cabinet could decide not to enter into a Joint Venture with Evolve Estates to redevelop the Debenhams site as a cinema and leave the market to invest in the district. This impairs the council's ability to place shape and we could end up with a facility that we don't want. 2. Cabinet could intervene in place of the market and directly fund the full cost of the development – i.e., identify a site and raise investment required to develop a scheme and operator. This places all risk on the council and we know we don't currently have the necessary skills to deliver it. |
| Consultation | <ol style="list-style-type: none"> 1. Bringing a cinema to Lichfield is a long-term, clearly stated and supported ambition of LDC. 2. There will be public engagement and consultation on the redevelopment plans as part of any planning application process. |
| Financial Implications | <p>There are a number of elements to the financial implications, and these are explained in the paragraphs below.</p> <p><u>The Level and Nature of Investment in the Joint Venture LLP</u></p> |

The latest project budget for the development is **£6,997,000** and is shown in detail at **APPENDIX F**.

Taking account of the Council's initial financial contribution of **£3,000,000** to match the assessed value of the asset, this means that the remaining cost of **£3,997,000** will be shared on a 50:50 basis between the two partners.

This cost sharing arrangement will result in each partner making a further financial contribution of **£1,998,500**.

Therefore, the Council's project budget contribution will be **£4,998,500**.

However, a further client contingency of **10%** identified by the Council's Quantity Surveyor is recommended and this equates to **£350,500** (being the Council's 50% share).

Therefore, the total financial contribution and Capital Programme Budget is recommended to be **£5,349,000**.

An indicative investment profile, that will need to be refined as the project develops, based on a start date of November 2022 and practical completion in November 2024, is shown in detail at **APPENDIX F** and in summary below:

| Investment Profile (assumes start Nov 2022 & opening Nov 2024) | | | | |
|---|-----------------|-------------------|-------------------|-------------------|
| | 2022/23 | 2023/24 | 2024/25 | Total |
| | £ | £ | £ | £ |
| Capital Budget | £834,000 | £2,499,000 | £1,665,500 | £4,998,500 |
| Client Contingency @ 10% | £58,000 | £175,000 | £117,500 | £350,500 |
| Profiled Total Budget | £892,000 | £2,674,000 | £1,783,000 | £5,349,000 |

This financial contribution will be through a long term capital loan advance to the Joint Venture. The presence of a private sector partner will mean the terms of the loan will need to be in compliance with subsidy control requirements.

The Funding of the Investment

The Review of Reserves Report to Cabinet on 6 September 2022 recommended to Council to:

- Repurpose earmarked reserves of **(£5,169,000)**.
- Dispose of Venture House and include a budgeted capital receipt of **(£650,000)**.
- To include a budget for BRS enabling works of **£2,000,000** that will be funded the repurposed earmarked reserves and the capital receipt.
- Latest information indicates the capital receipt related to the disposal of Venture House (after taking into account disposal costs) is projected to be **(£850,000)**.

Therefore, the recommended funding for the investment of **£5,349,000** and updated BRS enabling works budget that takes account of this recommended revised investment level would be:

| | 2022/23 | 2023/24 | 2024/25 | Total |
|---|-------------------|---------------------|---------------------|---------------------|
| | £ | £ | £ | £ |
| UKSPF | | | (£400,000) | (£400,000) |
| Sale of Venture House - Original | (£650,000) | | | (£650,000) |
| Sale of Venture House - Current | (£200,000) | | | (£200,000) |
| Repurposed Reserves | (£42,000) | (£2,674,000) | (£1,383,000) | (£4,099,000) |
| Total Funding | (£892,000) | (£2,674,000) | (£1,783,000) | (£5,349,000) |
| Latest BRS Enabling Works Budget | £535,000 | £535,000 | | £1,070,000 |

Financial Implications resulting from the Investment

The investment through a long term capital loan advance will result in income to the Council from the repayment of the loan (capital receipts until the loan has been repaid).

Other financial implications relate to:

- Loan interest (revenue income).
- The use of earmarked reserves to partly fund the investment will also result in a loss of investment income (revenue cost).
- Additional business rates from the enhanced 'footprint' of the development.
- The loss of 11% of net income from the former anchor store because the joint venture will be outside of the shopping centre lease.

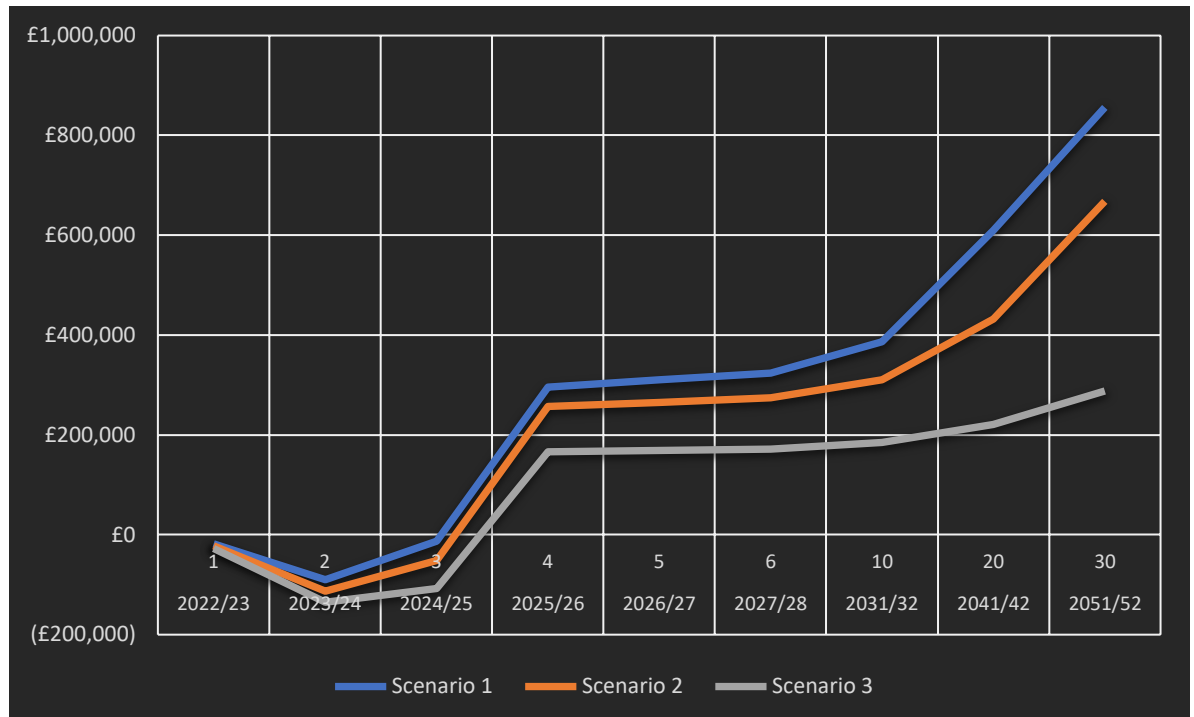
The Projected Net Income of the Joint Venture

The starting point to assess the financial implications relates to the projected net income and expenditure for the Joint Venture.

At this stage, no projections have been provided by EE however to inform the decision making process at the Council, three illustrative scenarios have been developed based around the following assumptions:

| Scenario | 1 | 2 | 3 |
|----------------------------------|-------------------|-------------------|-------------------|
| Annual Inflation | 2% | 1% | 0% |
| Running Void | 0% | 5% | 10% |
| LDC Loan Rate | 4% | 5% | 6% |
| Year 4 Rental Income | (£612,000) | (£606,000) | (£600,000) |
| Year 4 Operational Costs | £316,000 | £349,300 | £434,000 |
| Year 4 2025/26 Net Income | (£296,000) | (£256,700) | (£166,000) |

Projected net income (for illustrative purposes, income is shown as positive) has been estimated over a 30 year horizon and is shown in detail at **APPENDIX G** and in summary below:

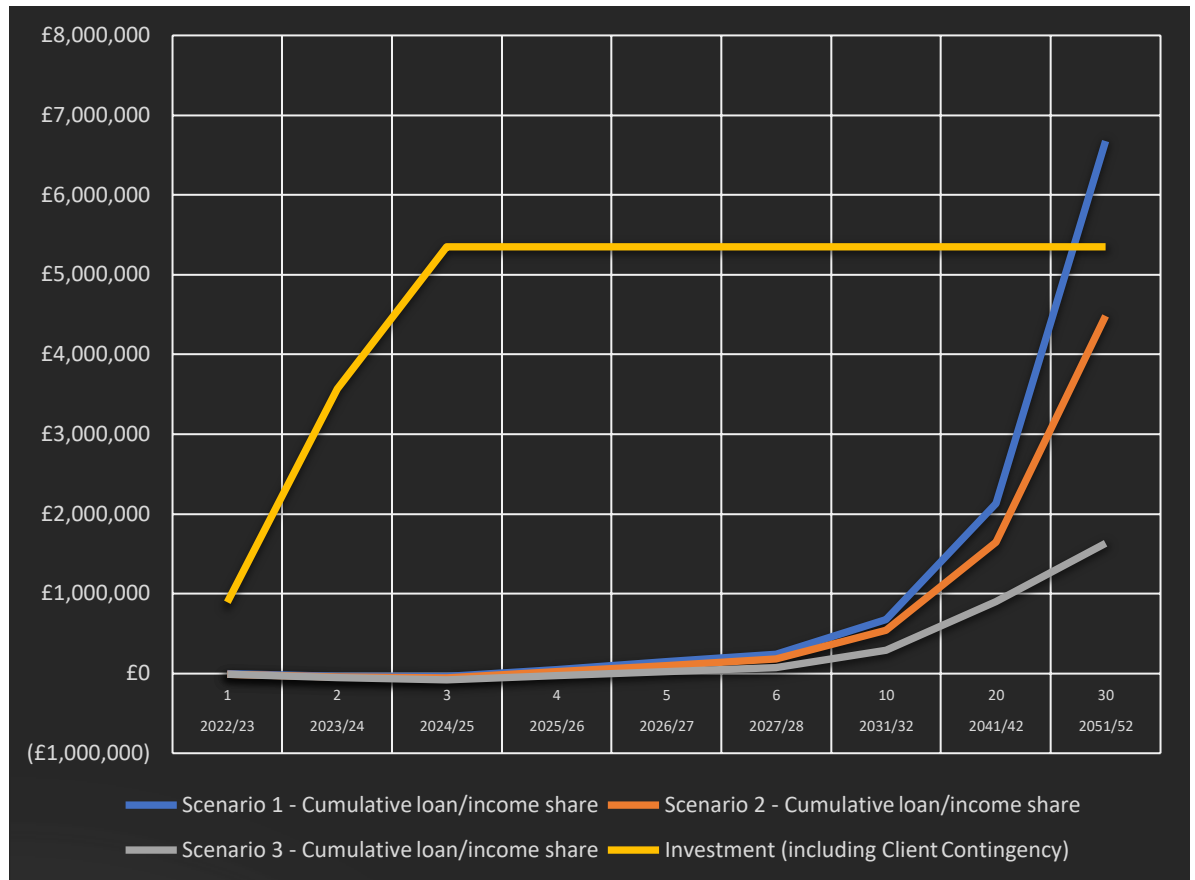


It is important to note that these projections will need to be agreed with EE and will be subject to review by an independent set of advisors.

Payback of the Investment

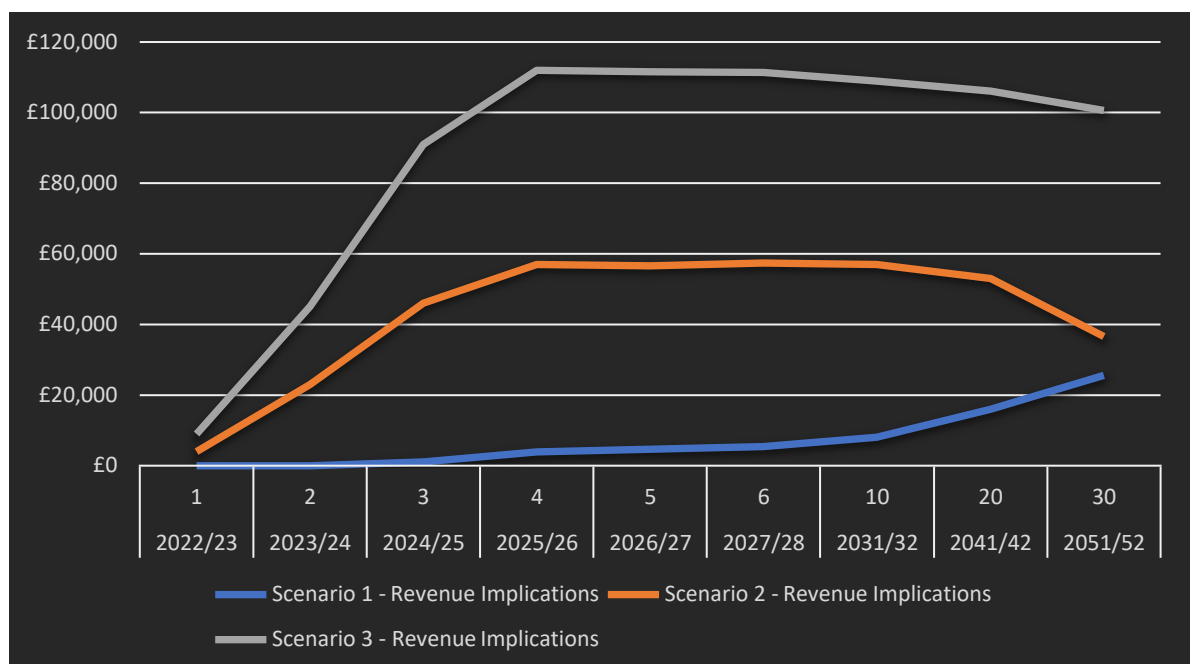
These projections have also been used to estimate the payback period for the capital loan advance over a 30 year horizon (once the loan has been repaid, the income could then become revenue income).

This is shown for the three scenarios above (for illustrative purposes, income is shown as positive) in detail at **APPENDIX H** and in summary below:



Other Financial Implications

Annual projections for the other financial implications are also provided over a 30 year horizon and this is shown (for illustrative purposes, income is shown as positive) for the three scenarios above in detail at **APPENDIX I** and in summary below:



Investment Appraisal

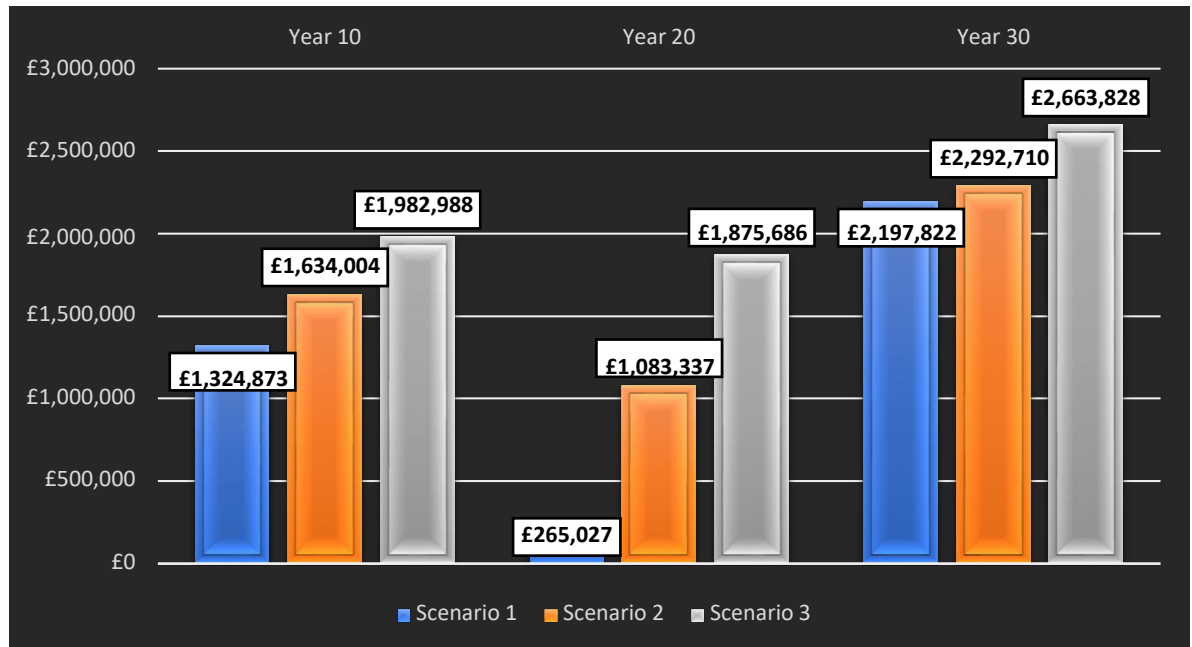
Investment appraisal information has been provided for each of the three scenarios:

| Scenario (including Client Contingency) | 1 | 2 | 3 |
|--|------------|------------|------------|
| Rental Share @ year 5 | 30% | 30% | 30% |
| Rental Share @ year 20 | 70% | 70% | 30% |
| Rental Share @ year 30 | 50% | 70% | 30% |
| Payback Period in years | 27 | 31 | 48 |
| Net Present Value (nil residual value, 6% & over 30years) negative value because investment exceeds net present value of income | £2,546,771 | £2,651,397 | £2,802,376 |
| Accounting Rate of Return over 30 years | 4.39% | 3.73% | 2.90% |

Exit or 'Cash Out' from the Joint Venture

The Joint Venture agreement will allow either party to exit the agreement after a set period of time. The calculation of an exit or 'cash out' payment is very difficult to determine because it will be impacted by a range of wider economic conditions. Therefore to provide an illustration of the projected level of gains or (losses), a net present value-based calculation has been undertaken using a discount rate of **6%**. However it is important to note this is not a formal or definitive valuation.

The detailed calculations are provided at **APPENDIX J** with a summary (for illustrative purposes, losses are shown as positive values) in the chart below:



Areas where further Information is still Required or Independent Review will take Place

- Further information on the approach to Service Charges by the Joint Venture.
- Further information on the net income projections for the Joint Venture from EE.
- A review of the commercial, indirect taxation and financial arrangements (draft Heads of Terms) of the proposed JV, identify and quantify the key commercial and financial risks throughout the life of the JV, identify mitigations and recommendations to address same, and considers the overall balance of risk and return between the two parties as currently presented, and

A review of the financial standing and integrity of the proposed counterparty to the transaction.

Approved by
Section 151
Officer

Yes

| | |
|--|--|
| Legal Implications | <ul style="list-style-type: none"> • A LLP is a corporate entity in which two or more partners agree to go into partnership. LLPs are incorporated under the Limited Liability Partnership Act 2000 and must file accounts and details of membership with CompaniesHouse. • Assets and liabilities belong to the LLP. Capital can be increased or reduced at the will of the partners. • In a LLP the members have the benefit of limited liability providing they act within the powers of the constitution of the LLP. • The relationship between the partners is governed by the terms of a Partnership Agreement. This commits both parties to obligations in terms of establishing management and decision-making structures. • Local authorities have relied on powers in section 11 of the Local Government Act for the establishment of corporate entities. The general power of competence by section 1 of the Localism Act 2011 is generally accepted as providing further power subject to conditions and limitations. In order to overcome any potential legal issues a clear record should be kept of the decisions made in determining the purpose of the LLP. • From a legal perspective, the next stages would include due diligence, consideration of draft legal documents including the Partnership Agreement and the incorporation of the LLP. |
| Approved by Monitoring Officer | Yes |
| Contribution to the Delivery of the Strategic Plan | <ol style="list-style-type: none"> 1. This will particularly support and deliver the Council’s strategic objectives of shaping place and developing prosperity and will enhance the district to visitors. 2. Having a cinema situated within the district supports our enabling people to live healthy and active lives. 3. Through the JV approach, it shows that we’re a good council that is financially sound, transparent and accountable, including further collaborative working with key partners. |
| Equality, Diversity and Human Rights Implications | <ol style="list-style-type: none"> 1. There are no equality, diversity or human right implications associated with the proposals at this stage. 2. A full Equality Impact Assessment will be conducted on the buildings redesign and an access statement will accompany any planning application. |
| Crime & Safety Issues | <ol style="list-style-type: none"> 1. As the project moves through the planning and redevelopment phases these elements will be considered further to ensure the proposed development plays a positive role in the reduction of crime and safety. |
| Environmental Impact | <ol style="list-style-type: none"> 1. Repurposing the former Anchor Store unit as a cinema will give the building an expected additional lifespan of 25 years. 2. The design of the development will incorporate sustainable elements in line with Council policies. |
| GDPR / Privacy Impact Assessment | <ol style="list-style-type: none"> 1. Data processing arrangements will be addressed as part of the LLP Partnership Agreement. |

| | Risk Description & Risk Owner | Original Score (RYG) | How We Manage It | Current Score (RYG) |
|---|--|---|---|--|
| | Finance | | | |
| A | The capital cost of the development exceeds the Approved Budget | Likelihood: Yellow Impact: Red Score: Yellow | Inclusion of Developer contingency, 50:50 cost sharing arrangement and specialist asset management partner. Review by independent Quantity Surveyor and inclusion of Client Contingency. | Likelihood: Green Impact: Yellow Score: Yellow |
| B | The financial projections including taxation implications are inaccurate or too optimistic leading to budget pressures | Likelihood: Yellow Impact: Yellow Score: Yellow | Three scenarios prepared using different assumptions and recommendation is to initially adopt a budget neutral position with the MTFS. Review by independent set of advisors. | Likelihood: Green Impact: Yellow Score: Yellow |
| C | The partner in the Joint Venture cannot meet obligations or gets into financial difficulty | Likelihood: Yellow Impact: Yellow Score: Yellow | Financial standing review by independent set of advisors. | Likelihood: Green Impact: Yellow Score: Yellow |
| | Corporate entity and structure | | | |
| D | Ensuring that the council enters the most advantageous Joint Venture vehicle, whether this is through an LLP, CLG, Trust or other. | Likelihood: Yellow Impact: Yellow Score: Yellow | Legal advice suggests that an LLP is likely to be the most advantageous route for a JV for Corporation Tax, VAT and Governance purposes. | Likelihood: Green Impact: Yellow Score: Yellow |
| E | The council needs to establish whether the proposal is for Place Shaping or Profit Making. | Likelihood: Yellow Impact: Red Score: Yellow | The council is clear that whilst it needs to protect its investment and see a financial return, the primary objective of the proposal is the place shaping of Lichfield city. | Likelihood: Green Impact: Yellow Score: Yellow |
| F | Legal Challenge from another developer. | Likelihood: Yellow Impact: Red Score: Yellow | Legal advice suggests that legal challenge is unlikely when entering a JV through an LLP for the purposes of place shaping. | Likelihood: Green Impact: Yellow Score: Yellow |
| | Governance | | | |
| G | The council need to ensure that once the company is set up it is run day to day in an acceptable manner. | Likelihood: Yellow Impact: Yellow Score: Yellow | Governance arrangements to be agreed with by both partners and implemented as part of the corporate structure. | Likelihood: Green Impact: Yellow Score: Yellow |
| H | There will be times when decisions being taken by the joint venture will need to revert to primary organisations. | Likelihood: Yellow Impact: Yellow Score: Yellow | Parameters for decision making set out in the governance arrangements including when there's a need to revert. | Likelihood: Green Impact: Yellow Score: Yellow |
| | Development failure | | | |
| I | The scheme does not attract occupiers. | Likelihood: Yellow Impact: Yellow Score: Yellow | Pre agreements in place with a preferred cinema operator and over 30 F&B operators are interested in the 5 available F&B outlets. | Likelihood: Green Impact: Yellow Score: Yellow |
| J | Developer does not perform. | Likelihood: Yellow Impact: Yellow Score: Yellow | Monitoring of milestones. The developer forms part of the JV and shares the same risks as the council in terms of under performance. | Likelihood: Green Impact: Yellow Score: Yellow |

| | |
|--|---|
| | <p>Background documents</p> <p>Money Matters: Review of Reserves – Report to Cabinet 6 September 2022</p> <p>Appendix A. M Core Group Business</p> <p>Appendix B. Confidential - Legal advice in relation to a joint venture structure - LLP</p> <p>Appendix C. LDC - Evolve - LLP - Governance Arrangements</p> <p>Appendix D. Confidential - Tax report in relation to the Joint Venture</p> <p>Appendix E. Confidential - Feasibility Report - Cinema construction and fit out</p> <p>Appendix F. Confidential - The Latest Joint Venture Project Budget</p> <p>Appendix G. Confidential - Projected Joint Venture Net Annual Income Scenarios</p> <p>Appendix H. Repayment of Loan/Income Share</p> <p>Appendix I. Lichfield District Council Financial Implications</p> <p>Appendix J. Illustrative Exit or 'Cash Out' Projections</p> |
|--|---|

| | |
|--|----------------------------------|
| | <p>Relevant web links</p> |
|--|----------------------------------|



**Connecting business
and property.**



INTRODUCTION

M Core is an established, highly profitable family of property investment and management companies. UK, France, Poland, Germany - wherever we operate, we're committed to three things: our investment partners, our tenants and our team. Considered, thoughtful, long-term, growth and stability, for our business and everyone we work with.

Page 60

Pan European
Property
Collective.
Portfolio size
of £4.6bn.

Performance

Committed to improving asset growth, through intensive management of a mixed use property portfolio.

Gross annual rental income

£331m

Core maintainable
/underlying annual profits

£189m

Properties

1,216

Portfolio value

£4.6bn

Occupancy

93%



PHILOSOPHY

M Core carefully assess and evaluate each investment opportunity

Charting our own success since 1987

Page 61

1987
£0.05bn
Property Value

1998
France
- First investment
property acquired

2002
Asset portfolio
£325m

2005
First access to
capital markets,
£600m

2005
Poland
- First investment
property acquired

2007
Germany
- First investment
property acquired

2022
Forecast
£4.6bn Property
Value

Continuous expansion in countries and sectors where the potential for the application of the core philosophy enables us to generate significant returns over the long term.

Granularity of tenant exposure with no single tenant representing more than 1.4%.

8,250 tenants relationships. Top 10 tenants represent <10% of rent roll.

Core philosophy:

- Intensive management of property assets to maximise income value
- Generation of repeatable, reliable cashflows
- Efficiently control financing and operating costs
- Minimising commercial risks





PRESENCE

Hiring the best people and giving them space to grow

We have 300+ talented employees working across Europe

Page 62

The Companies employ over 300 employees based in offices at Kingswinford, London, Bristol, Glasgow, Düsseldorf, Warsaw, Paris, Lille, Nantes and Strasbourg.

The offices cover all facets of portfolio asset management including:

- Acquisitions and disposals
- Lettings, lease renewals and rent reviews
- Property maintenance
- Development and refurbishment project management
- Financial operational management, reporting and controls

Number of employees

UK

France

Poland

Germany

6

10





INDUSTRIES

We take the long term view

Page 63

Retail

Local convenience parades, high street shops, retail parks and shopping centres, accommodating a wide range of independent and national operators.

Industrial

Wide range of industrial and warehouse units, on well-maintained estates, located in key business locations.

Residential

High quality, refurbished and new build units throughout the UK.

Offices

High specification, multi-occupancy, small serviced offices on flexible terms and ancillary office accommodation on upper floors of retail developments.

Covid 19

During the pandemic, the combined companies have increased emphasis on cash collections and management of tenants to maximise recoveries while protecting occupancy levels going forward. Cash collections in excess of 95% during the period. Occupancy levels have been maintained.

No single tenant represent more than 1.4% of rent roll

8,549 tenants relationships. Top 10 tenants represent <10% of rent roll.





COMPANIES

Long term positive growth

Page 64

Net Asset Value is £2.2bn

UK £1.3bn

Continental Europe £0.9bn

LCP

Leading asset management of blended portfolios across UK, Poland and Germany

Proudreed

Asset management across France with substantial investments within industrial and retail sectors

Sheet Anchor

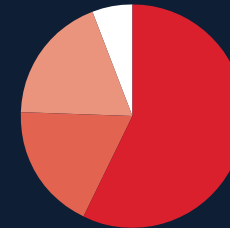
A strategic investment vehicle providing funding through multiple subsidiaries

Evolve Estates

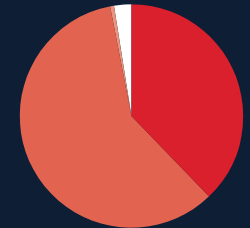
Specialising in strategic planning, regeneration and active management across the UK

Gross Property Values by Country and Sector

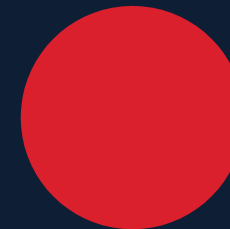
| | |
|----------|---------|
| Combined | £4,564m |
| UK | £2,025m |
| France | £2,004m |
| Poland | £380m |
| Germany | £155m |



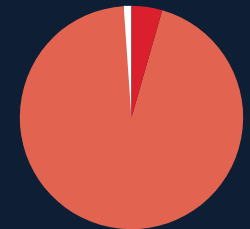
Retail
 ● UK £1,156m
 ● France £311m
 ● Poland £345m
 ● Germany £104m



Industrial UK
 ● £808m
 ● France £1,378m
 ● Poland £32m
 ● Germany £51m



Residential
 ● UK £45m



Offices
 ● UK £16m
 ● France £315m
 ● Poland £3m

10 Year Financial Performance

▲
Investment Property

| | |
|------|---------|
| 2022 | £4,564m |
| 2012 | £2,562m |
| 2000 | £679m |

| | | | | | | | | |
|---|------|---------|---|------|-------|---|------|-------|
| ▲ | 2022 | £2,210m | ▲ | 2022 | £331m | ▲ | 2022 | £189m |
| | 2012 | £833m | | 2012 | £189m | | 2012 | £76m |
| | 2000 | £281m | | 2000 | £69m | | 2000 | £23m |

Underlying Profit

£ ms

200

189

174

162

146

129

110

90

75

63

76

79

150

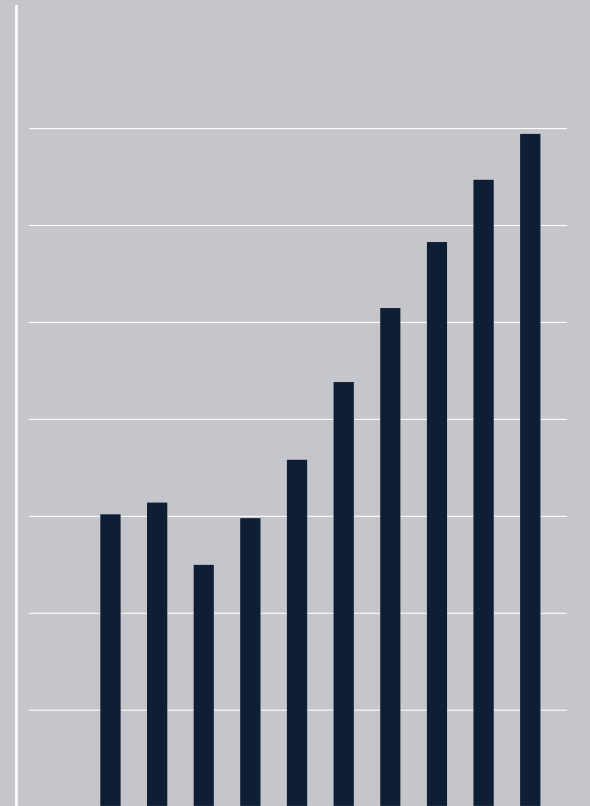
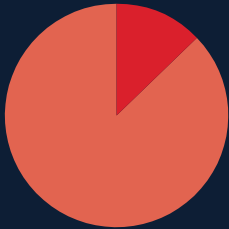
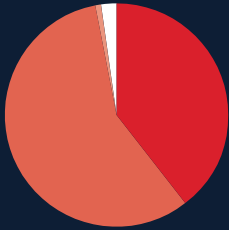
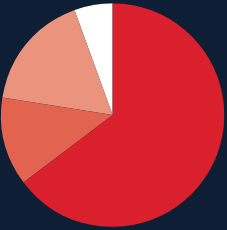
100

50

| | |
|-------------|-------------|
| UK £110m | UK £56m |
| France £20m | France £80m |
| Poland £24m | Poland £1m |
| Germany £8m | Germany £3m |

UK £4m

UK £3m
France £2.2m

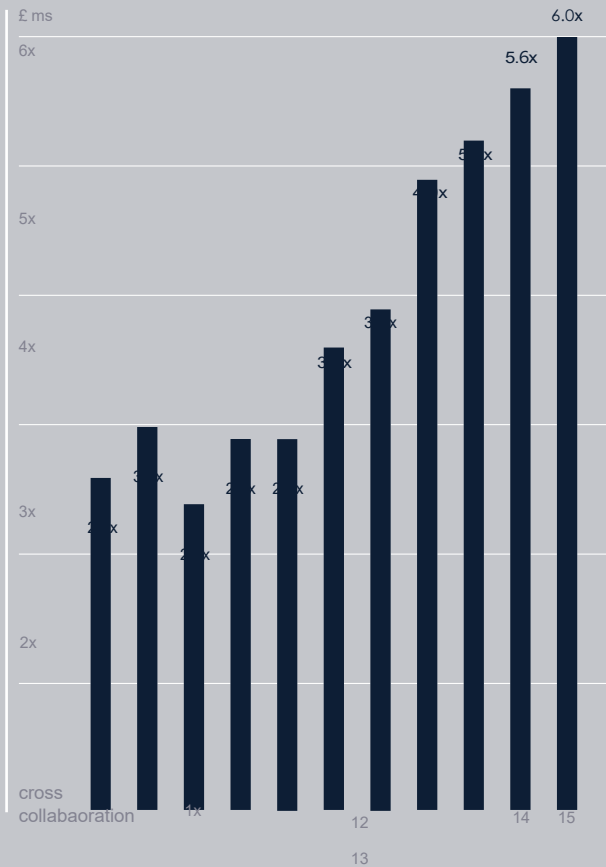


Financing Highlights

Since 1987 M Core has been fully compliant with all banking covenants

- £2bn of debt across 24 lenders
- LTV under 43%
- Average cost of debt 2.46%
- ICR at 5.6x
- Conservative hedging policy - 81% hedged
- Relationships exceeding 20 years relating to over 70% of the debt

ICR 10 Year History



All companies are financed entirely independently, without

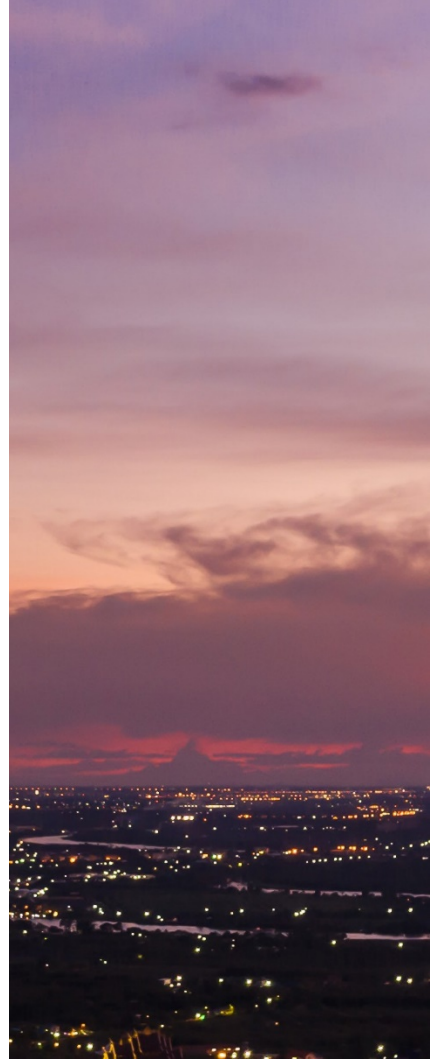
Debt Analysis on all Companies

| | | Percentage of hedged debt | Debt maturity |
|----------|---------|---------------------------|---------------|
| Combined | £2,012m | 81% | 3.4 years |
| UK | £836m | 74% | 3.5 years |
| France | £917m | 89% | 3.2 years |
| Poland | £1,69m | 73% | 3.2 years |
| Germany | £90m | 72% | 4.3 years |

NOTES/DISCLAIMER. This brochure is promotional material for M Core Property. It is not a legal document and does not purport to show legal relationships or corporate structures. All valuation figures used are the respective Company's own book valuations as at the relevant date. The usage of Group is in a collective ethos context and not that of cross collateralisation between companies. References in this brochure to "Companies" refer to: Proudreed Limited (1981) London and Cambridge Properties Limited (1987) Ringmeit Limited (2000) Evolve Estates (2009) Sheet Anchor Properties Limited (2015)

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c/o LCP Management Ltd
LCP House
The Pensnett Estate
Kingswinford West Midlands
DY6 7NA

Tel. +44 1384 400123
info@mcoreproperty.com
www.mcoreproperty.com



Appendix C. LDC - Evolve - LLP - Governance Arrangements

Lichfield District Council & Evolve LLP

Partnership Agreement Checklist

Introduction

- A LLP is a corporate entity in which two or more partners agree to go into partnership with a view to making a profit.
- LLPs are regulated by legislation in the same way as a company and must file accounts and details of membership with Companies House.
- In a LLP the members have the benefit of limited liability – i.e. protection from personal liability for any debts or claims made against the LLP providing they act within the powers of the constitution of the LLP (see detailed advice from Trowers & Hamblins)
- To enter into the LLP it would be necessary to enter into a binding partnership agreement with Evolve. This commits both parties to obligations in terms of establishing management and decision making structures.

Subject to approval being given to establish a LLP the next step are likely to involve:

- due diligence.
- consideration of draft legal documents including the Partnership Agreement.
- incorporation of the LLP.
- inaugural meeting of Partnership Board.
- initiation of projects.

Partnership Agreement

The relationship between Partners in the LLP is governed by the terms of a partnership agreement. This covers:

- how profits are shared among members
- who needs to agree decisions
- members' responsibilities
- how members can join or leave the LLP

The framework of a previous LLP agreement is set out below. Agreements drawn up by solicitors will vary but it provides a (non-exhaustive) checklist. There are a number of standard clauses but some areas for consideration are outlined in blue.

Partnership Agreement – Framework and Checklist

1. Introduction

Sets out that

- The Partnership is incorporated as a limited liability Partnership Under the Limited Liability Partnerships Act 2000.
- The Partnership is incorporated for the purpose of carrying out the Partnership Business (to be set out in the Agreement).
- The Agreement sets out mutual rights and duties of the Partners

2. Commencement, Term and Effect

- Effective date.
- Term of Agreement e.g. 10 years unless terminated in accordance with a termination clause.
- Set out the aims and objectives of the Partnership.
- Commitment to comply with the relevant legislative and administrative requirements.

3. Capital and Partners Interests

- Statement of responsibilities – no liability to accrue to the Council.
- Statement of initial financial contribution of both parties (this may be a token £1 from each).
- The Partners may from time to time agree to make further financial contributions – of such amounts and in such proportions as they shall agree.
- No obligations clause (to commit further capital)
- The Capital Account to comprise – the sum of 'Member's Capital' and other reserves.
- Set out arrangements for the Capital Account – e.g. Partners may from time to time reduce the Capital Account by such amount and in such proportions as they agree.
- Save as expressly provided in the Members Agreement or agreed between the partners, no partner may draw out or receive back any part of the amount credited to them as Member's Capital.

4. Profit Shares and Losses

- Unless expressly provided in the Agreement profits to be shared between the Partners after the recovery of costs, fees and charges.
- Set out the provision for the repayment of Members' Capital e.g. Evolve 50%, LDC 50%. Or in such other proportions as may be from time to time agreed (note: there may be supplemental agreements for each project undertaken).

- Profits calculated after deduction of any credit on loans, management fees etc.

5. Assets & Liabilities

- [Set out the ownership of any property and assets](#) e.g. all property used by the Partnership to be the property of the Partnership.
- The Partnership name etc. to be the property of the Partnership.

6. Contracts and Commercial Arrangements

- Contracts and agreements entered into will be for the benefit of and binding on the partnership
- The Partnership shall not enter into any contract or agreement unless:
 - (i) Provided for in accordance with a project budget
 - (ii) approved by the Partnership Board.

7. Bank Account and Banking Arrangements

Clauses about establishing a bank account

- The Partnership shall not enter into any debt facility or security arrangements unless approved by the Partners.

8. Accounts

Clauses about the keeping of accounts and records.

- Each partner and its appointed representatives and auditors shall have access to the Partnerships books of account and records at all times.

9. Costs

- Costs shall be born and reimbursed as provided for in the agreement
- Partnership shall not be responsible for Partners taking independent advice on their individual interests

10. Management of the Partnership and Decision Making

[The agreement should set out how each of the Partners shall participate in the day to day management and control of the Partnership and the Partnership Business.](#)

- No decision or action shall be taken unless in accordance with this clause of the agreement
- Matters agreed by the partners to be determined by a resolution at a Partnership Meeting or a written resolution.

- Matters provided for in a schedule to the agreement shall require **unanimous** approval

11. Corporate Representatives

- Each partner shall be entitled to **appoint up to X** representatives who shall be officers, Members, employees, consultants or agents of that Partner – to attend and vote on its behalf or to sign resolutions in writing.
- Partners are appointed in writing (submitted by the Partner) and can be removed in the same manner.
- A clause on any entitlement for Partners to be reimbursed for out of pocket expenses incurred in the performance of duties under the Agreement.

12. Partnership Meetings

- **Set out frequency of meetings** – e.g. at least twice a year and more frequently as necessary at such time and place the Partners think fit.
- Clause on convening meetings and notice periods – e.g. can be convened by either partner not giving less than 5 working days written notice and by providing a written agenda of the business to be conducted.
- Clause on emergency meetings – e.g. not less than 24 hours oral notice if the interests of the Partnership or its business are likely to be materially prejudiced.
- No business unless a quorum is present – define quorum.
- Provisions for adjournment.
- Provision for appointing a representative to act as Chairman of the Partnership meetings.
- No casting vote for the Chairman
- Each partner to have one vote – which may be cast by their representatives.
- A resolution is carried if the two votes are cast in favour.
- Minutes to be prepared for all Partnership meetings.

13. Written Resolutions

Provision for written resolutions signed by the Partners.

14. Duties and Indemnities

Each Partner to be a 'Designated Member' for the purpose of Section 8 of the Limited Liability Partnerships Act 2000.

Set out the duties of the Partners e.g. act in good faith, act only within the scope of authorisation etc.

15. Deadlock

Provisions for where Partners cannot agree.

16. Termination and Dissolution

[Provisions for termination](#) e.g. to continue on the terms of the Members Agreement (as may be amended by unanimous consent) until wound up or dissolved.

- Can be dissolved by either partner
- Period of notice for dissolution
- Provision for winding up and default.

17. Transfer of Interests

Partners agree not to mortgage, sell or transfer any part of their interest etc.

18. Exclusions and Variations

Exclusion of legal rights and default regulations as deemed necessary on legal advice.

19. Freedom of Information and Data Processing

[Acknowledgement that the Council is subject to Freedom of Information and Environmental Information and GDPR Regulations. Undertaking to ensure these are complied with.](#)

- [Council shall be responsible for determining at its discretion whether commercially sensitive information is exempt from disclosure.](#)

Appendix H. Repayment of Loan/Income Share

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2031/32 | 2041/42 | 2051/52 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 10 | 20 | 30 |
| Scenario 1 - Cumulative loan/income share | (£5,400) | (£32,400) | (£36,400) | £52,400 | £145,400 | £242,600 | £677,000 | £3,267,500 | £7,799,900 |
| Scenario 2 - Cumulative loan/income share | (£6,600) | (£40,500) | (£56,000) | £21,010 | £100,630 | £182,860 | £538,480 | £1,983,830 | £5,773,245 |
| Scenario 3 - Cumulative loan/income share | (£8,100) | (£48,600) | (£80,900) | (£31,100) | £19,600 | £71,200 | £286,900 | £898,900 | £2,080,600 |
| Investment (including Client Contingency) | £5,349,000 | £5,349,000 | £5,349,000 | £5,349,000 | £5,349,000 | £5,349,000 | £5,349,000 | £5,349,000 | £5,349,000 |

Appendix I. Lichfield District Council Financial Implications

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2031/32 | 2041/42 | 2051/52 |
|--|-----------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 10 | 20 | 30 |
| Scenario 1 | | | | | | | | | |
| Capital Loan Advance Repayments | £5,400 | £27,000 | £4,000 | (£88,800) | (£93,000) | (£97,200) | (£115,800) | (£427,000) | (£428,000) |
| Loan Interest Receivable | (£18,000) | (£90,000) | (£180,000) | (£214,000) | (£210,000) | (£206,000) | (£189,000) | (£92,000) | £0 |
| Loss of Investment Income | £18,000 | £90,000 | £180,000 | £214,000 | £210,000 | £206,000 | £189,000 | £92,000 | £0 |
| Business Rates Impact | | | (£13,000) | (£32,000) | (£32,600) | (£33,400) | (£36,000) | (£44,000) | (£53,600) |
| Rental Share Impact | | | £12,000 | £28,000 | £28,000 | £28,000 | £28,000 | £28,000 | £28,000 |
| Sub Total Revenue Implications | £0 | £0 | (£1,000) | (£4,000) | (£4,600) | (£5,400) | (£8,000) | (£16,000) | (£25,600) |
| Total Income | £5,400 | £27,000 | £3,000 | (£92,800) | (£97,600) | (£102,600) | (£123,800) | (£443,000) | (£453,600) |
| Scenario 2 | | | | | | | | | |
| Capital Loan Advance Repayments | £6,600 | £33,900 | £15,500 | (£77,010) | (£79,620) | (£82,230) | (£92,970) | (£302,050) | (£333,900) |
| Loan Interest Receivable | (£22,000) | (£113,000) | (£225,000) | (£268,000) | (£264,000) | (£260,000) | (£243,000) | (£176,000) | £0 |
| Loss of Investment Income | £18,000 | £90,000 | £180,000 | £215,000 | £212,000 | £208,000 | £194,000 | £141,000 | £0 |
| Business Rates Impact | | | (£13,000) | (£32,000) | (£32,600) | (£33,400) | (£36,000) | (£44,000) | (£53,600) |
| Rental Share Impact | | | £12,000 | £28,000 | £28,000 | £28,000 | £28,000 | £28,000 | £28,000 |
| Sub Total Revenue Implications | (£4,000) | (£23,000) | (£46,000) | (£57,000) | (£56,600) | (£57,400) | (£57,000) | (£51,000) | (£25,600) |
| Total Income | £2,600 | £10,900 | (£30,500) | (£134,010) | (£136,220) | (£139,630) | (£149,970) | (£353,050) | (£359,500) |
| Scenario 3 | | | | | | | | | |
| Capital Loan Advance Repayments | £8,100 | £40,500 | £32,300 | (£49,800) | (£50,700) | (£51,600) | (£55,500) | (£66,300) | (£201,600) |
| Loan Interest Receivable | (£27,000) | (£135,000) | (£271,000) | (£324,000) | (£321,000) | (£318,000) | (£305,000) | (£269,000) | (£202,000) |
| Loss of Investment Income | £18,000 | £90,000 | £181,000 | £216,000 | £214,000 | £212,000 | £204,000 | £179,000 | £135,000 |
| Business Rates Impact | | | (£13,000) | (£32,000) | (£32,600) | (£33,400) | (£36,000) | (£44,000) | (£53,600) |
| Rental Share Impact | | | £12,000 | £28,000 | £28,000 | £28,000 | £28,000 | £28,000 | £28,000 |
| Sub Total Revenue Implications | (£9,000) | (£45,000) | (£91,000) | (£112,000) | (£111,600) | (£111,400) | (£109,000) | (£106,000) | (£92,600) |
| Total Income | (£900) | (£4,500) | (£58,700) | (£161,800) | (£162,300) | (£163,000) | (£164,500) | (£172,300) | (£294,200) |

Appendix J. Illustrative Exit or 'Cash Out' Projections

| | Scenario 1 | | | | | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Sale Year | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Year 30 |
| Initial Investment | £4,718,401 | £4,718,401 | £4,718,401 | £4,718,401 | £4,718,401 | £4,718,401 |
| Income receivable | (£41,863) | (£399,427) | (£735,606) | (£1,045,177) | (£1,531,926) | (£2,092,654) |
| Initial Investment outstanding | £4,676,538 | £4,318,975 | £3,982,795 | £3,673,224 | £3,186,475 | £2,625,747 |
| Future cash flows | (£2,688,782) | (£2,994,101) | (£3,246,713) | (£3,408,198) | (£2,590,121) | (£427,925) |
| (Gain) or Loss | £1,987,756 | £1,324,873 | £736,082 | £265,027 | £596,354 | £2,197,822 |

| | Scenario 2 | | | | | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Sale Year | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Year 30 |
| Initial Investment | £4,718,401 | £4,718,401 | £4,718,401 | £4,718,401 | £4,718,401 | £4,718,401 |
| Income receivable | (£119,603) | (£591,406) | (£976,763) | (£1,292,882) | (£1,550,990) | (£1,985,823) |
| Initial Investment outstanding | £4,598,798 | £4,126,995 | £3,741,638 | £3,425,519 | £3,167,412 | £2,732,578 |
| Future cash flows | (£2,458,548) | (£2,492,992) | (£2,464,930) | (£2,342,181) | (£2,089,308) | (£439,868) |
| (Gain) or Loss | £2,140,250 | £1,634,004 | £1,276,708 | £1,083,337 | £1,078,104 | £2,292,710 |

| | Scenario 3 | | | | | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Sale Year | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Year 30 |
| Initial Investment | £4,718,401 | £4,718,401 | £4,718,401 | £4,718,401 | £4,718,401 | £4,718,401 |
| Income receivable | (£182,300) | (£727,607) | (£1,142,598) | (£1,458,535) | (£1,700,167) | (£1,884,667) |
| Initial Investment outstanding | £4,536,101 | £3,990,794 | £3,575,803 | £3,259,866 | £3,018,234 | £2,833,734 |
| Future cash flows | (£2,188,787) | (£2,007,806) | (£1,748,643) | (£1,384,180) | (£873,993) | (£169,906) |
| (Gain) or Loss | £2,347,314 | £1,982,988 | £1,827,160 | £1,875,686 | £2,144,241 | £2,663,828 |

Please note –beyond year 20, the investment shortfall would increase in later years because the future income in a 30 year horizon would be lower and because the further into the future income is due, the lower the net present value.

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