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Lichfield, Staffordshire WS136YU

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Monday, 27 November 2023

Dear Sir/Madam

CABINET

A meeting of the Cabinet has been arranged to take place on **TUESDAY, 5TH DECEMBER, 2023 at 6.00 PM IN THE COMMITTEE ROOM** District Council House, Lichfield to consider the following business.

Yours faithfully

A handwritten signature in cursive script that reads 'Kerry Dove'.

Kerry Dove
Chief Operating Officer

To: Members of Cabinet

Councillors Pullen (Chair), Cox, Farrell, Silvester-Hall, A Smith, Strachan and M Wilcox



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AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Money Matters: Calculation of Business Rates 2024/25, Council Tax Base for 2024/25 and the projected Collection Funded Surplus / Deficit for 2023/24 3 - 12
4. Money Matters: 2023/24 Financial Monitoring 13 - 38
5. Interim Policy NR3: Biodiversity, Protected Species & their Habitats 39 - 44
6. Future of HR Function 45 - 50
7. A Cinema For Lichfield District - Update 51 - 62
8. **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

9. Confidential Appendix - A Cinema for Lichfield District - Update 63 - 66



Money Matters : Calculation of Business Rates 2024/25, Council Tax Base for 2024/25 and the projected Collection Fund Surplus / Deficit for 2023/24



Cabinet Member for Finance and Commissioning

Date:	5 December 2023
Agenda Item:	3
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	YES
Local Ward Members	Full Council

Cabinet

1. Executive Summary

- 1.1 To approve the calculation of the Council Taxbase (Band D residential properties) for Lichfield District, as required under Section 67 of the Local Government Finance Act (LGFA) 1992.
- 1.2 In accordance with the LGFA 1992, the Council is required to estimate the surplus/deficit on the Collection Fund for both Council Tax and Business Rates. The dates these estimates must be made are:
 - Council Tax – **15 January** (or in the event this a Saturday, Sunday or Bank Holiday, the next working day). In 2023/24 the relevant date will be **15 January 2024**.
 - Business Rates (NNDR) – **31 January** using the NNDR1 Form.
- 1.3 The Council as the Billing Authority must then notify each relevant major Precepting Authority of their share of any estimated surplus or deficit within seven days of making the estimate.
- 1.4 The Council must submit its estimates for Business Rates to the Department for Levelling Up, Housing and Communities (DLUHC) using the NNDR1 form. This form includes:
 - An estimate of the Business Rates Collection Fund surplus/deficit for the current year.
 - Estimates of the level of Business Rates to be collected for the forthcoming financial year.
- 1.5 The timing of the NNDR1 form is uncertain. To enable completion by the statutory deadline, a delegation to the Cabinet Member for Finance & Commissioning and the Chief Financial Officer is recommended.

2. Recommendations

- 2.1 Cabinet approves in accordance with the relevant legislation and regulations, the Council Taxbase (Band D residential properties) for Lichfield District for the financial year 2024/25 of **41,115.8**.
- 2.2 To note the estimated Council Tax Collection Fund Surplus of **(£846,000)** (LDC Share £99,000) and the estimated Business Rates Collection Fund Surplus of **(£2,826,000)** (LDC Share £1,130,000) for 2023/24.
- 2.3 To delegate authority to the Cabinet Member for Finance & Commissioning and the Chief Financial Officer (Section 151) to:
 - Complete and certify the NNDR1 for 2024/25 on behalf of the Council.
 - Update the Council Taxbase for 2024/25 and Collection Fund projections for 2023/24 in the event of changes to guidance or the need for significant changes to underlying assumptions.

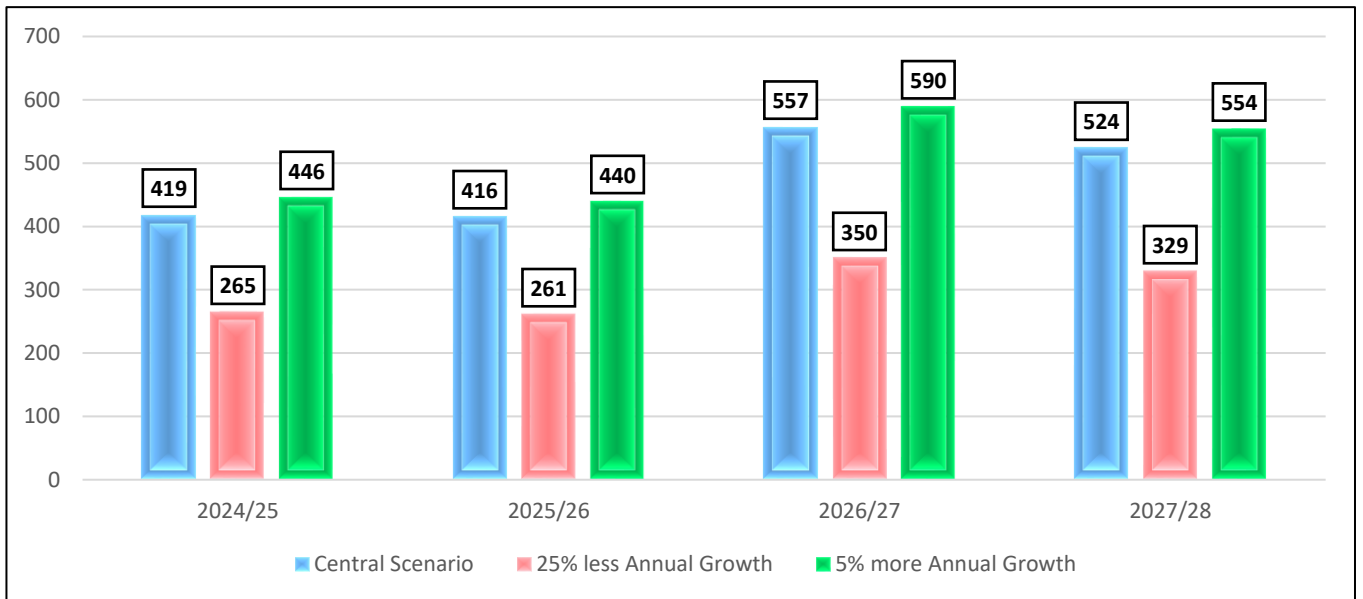
3. Background

Council Taxbase

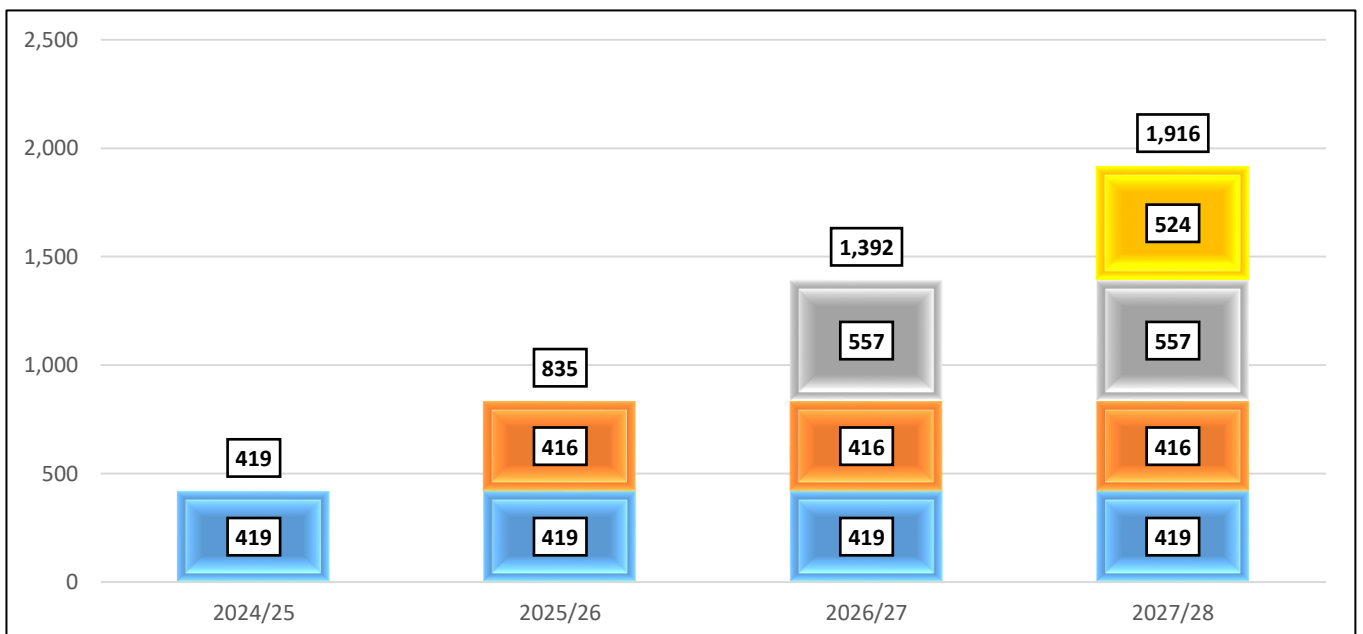
- 3.1 The Council Taxbase represents Band D residential properties within the District for Council Tax purposes.
- 3.2 The calculation includes an allowance for property growth. The starting point is the Five Year Housing Supply and this is adjusted by factors for risks such as delays or non-delivery and to convert growth to Band D equivalents.

Property Growth

- 3.3 The property growth (Band D Equivalents) estimated for the period of the Medium Term Financial Strategy based on the Mid-Point or central scenario of **75%** of planned property growth (shown as leftmost column for each year) being delivered plus two alternatives (50% and 80% of planned property growth), is shown in detail at **APPENDIX A** and in summary below:



- 3.4 The central scenario is also shown on a cumulative basis in the graph below. These growth projections will also potentially be used as part of the calculation of New Homes Bonus income (or its replacement).



Council Taxbase Calculation

3.5 The Council Taxbase is calculated as follows:

- The Band D equivalent dwellings (the dwellings in each Council Tax Band multiplied by the Band D ratio).
- The Band D equivalent dwellings are reduced by discounts such as single person discount or Local Council Tax Support and exemptions.
- An allowance is made for contributions in lieu of Council Tax for Ministry of Defence Properties.
- An estimate is made for property growth during 2024/25.
- A projection is made for non-collection/in year change of **0.75%**. This reflects the risks and opportunities related to in year changes in properties, exemptions, and discounts together with the collection rate (all year’s collection performance was **95.70%** in 2021/22 and **95.27%** in 2022/23. In year collection performance was **98.25%** in 2021/22 and **98.10%** in 2022/23).

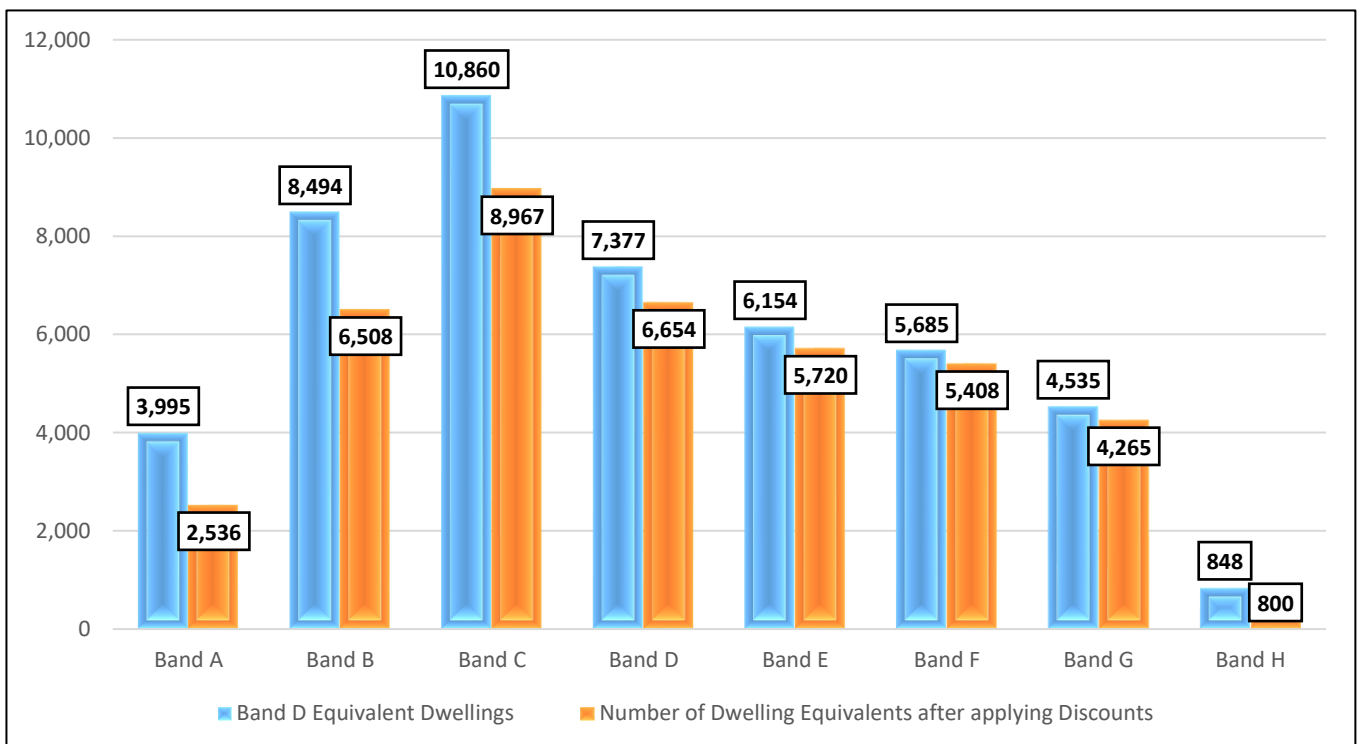
3.6 The Draft Budget Council Taxbase for 2024/25 at **41,115.8** is **99.8 (0.24%)** Band D Equivalent properties higher than the projection of **41,016.0** contained in the Approved MTFs.

3.7 The reasons for this projected increase are:

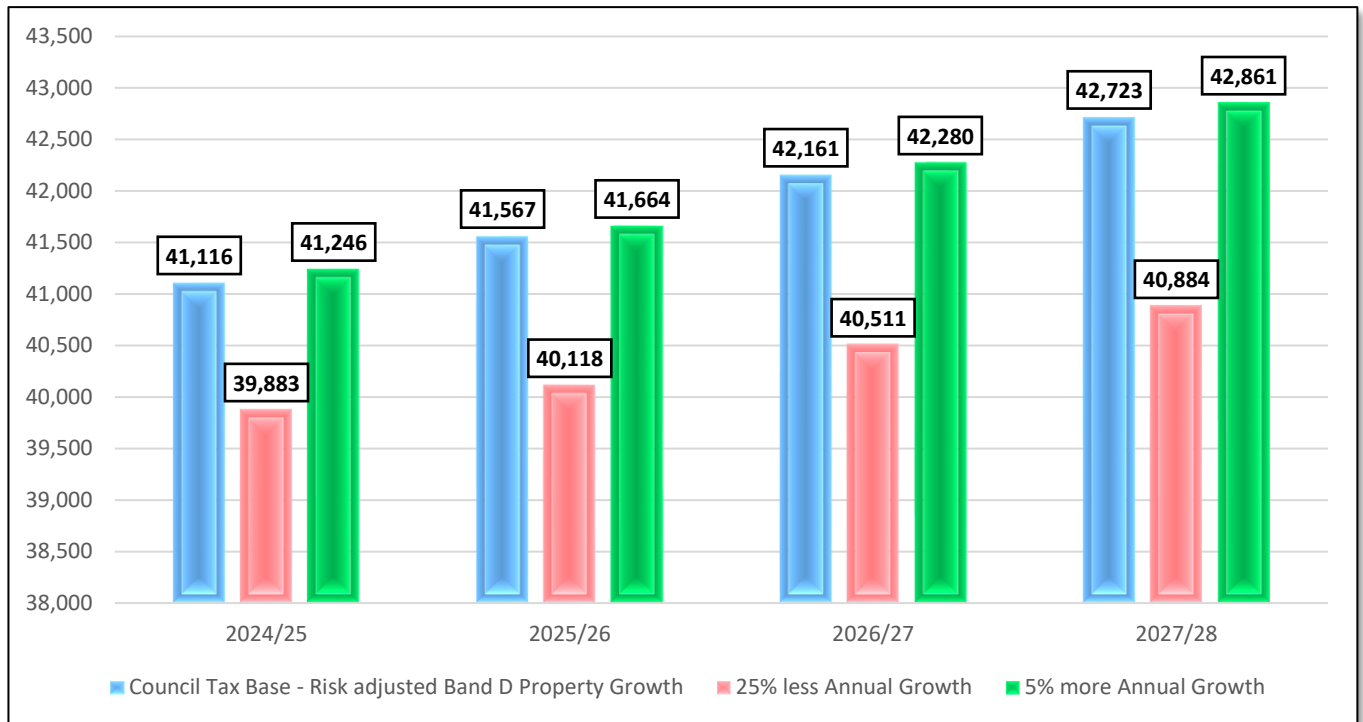
	2024/25			Comments
	Draft Budget	Approved Budget	Variance	
Band D equivalent dwellings	48,517.1	48,233.6	283.5	Projected higher property growth
Discounts and exemptions	(7,091.7)	(6,908.8)	(182.9)	Projected higher discounts and exemptions that will correlate with dwelling numbers
Allowance for non -collection	(309.6)	(308.8)	(0.8)	
Total	41,115.8	41,016.0	99.8	

3.8 This increase in the Council Taxbase would result in **(£18,750)** higher Council Tax per annum based on the approved Band D Council Tax for 2023/24 of **£187.85**.

3.9 The Council Taxbase (Band D equivalents) by Council Tax band for the district in 2024/25 prior to and after discounts and exemptions is shown in the graph below and in detail at **APPENDIX B**:



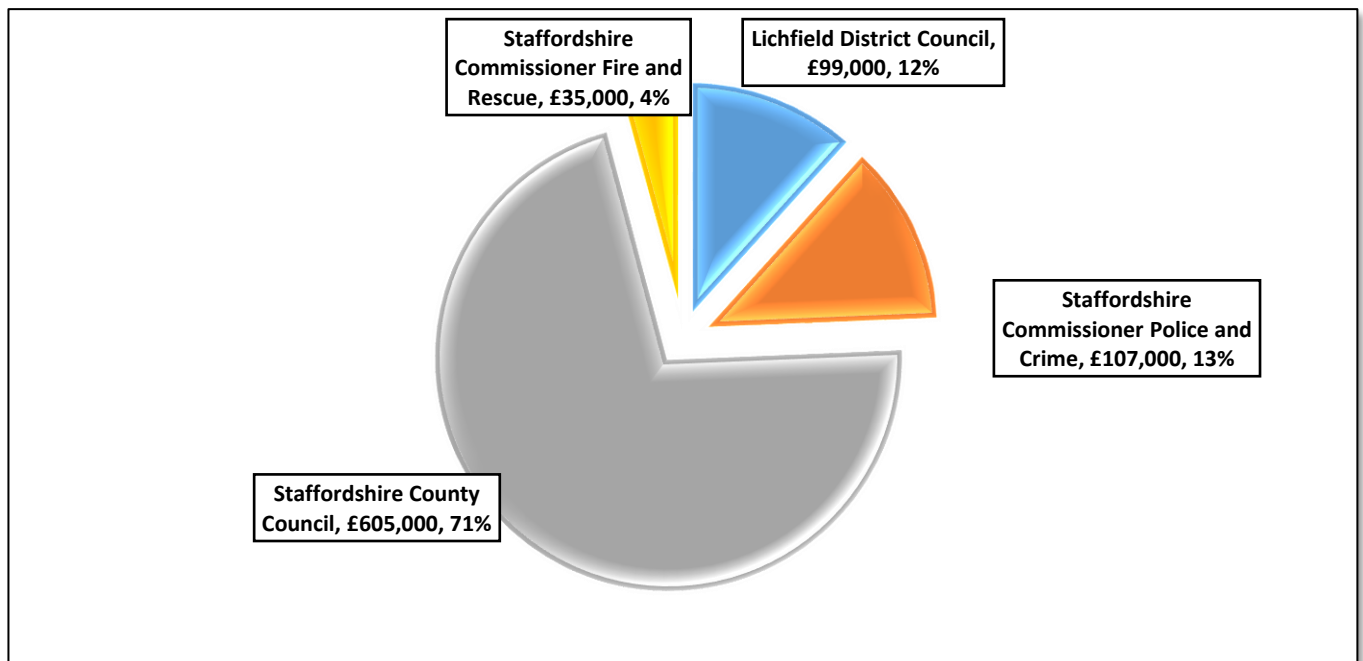
- 3.10 The Council Taxbase will be used by this Council, Parish Councils, Staffordshire County Council, the Staffordshire Commissioner for Police and Crime and the Staffordshire Commissioner for Fire and Rescue to calculate their element of the Council Tax for 2024/25.
- 3.11 In addition, to the Council Taxbase for 2024/25, the graph below shows the Council Taxbase for 2025/26 to 2027/28. This information will be used in the Medium Term Financial Strategy for the projection of Council Tax income.



- 3.12 The Council Taxbase for 2024/25 by Parish area is shown at **APPENDIX C**.

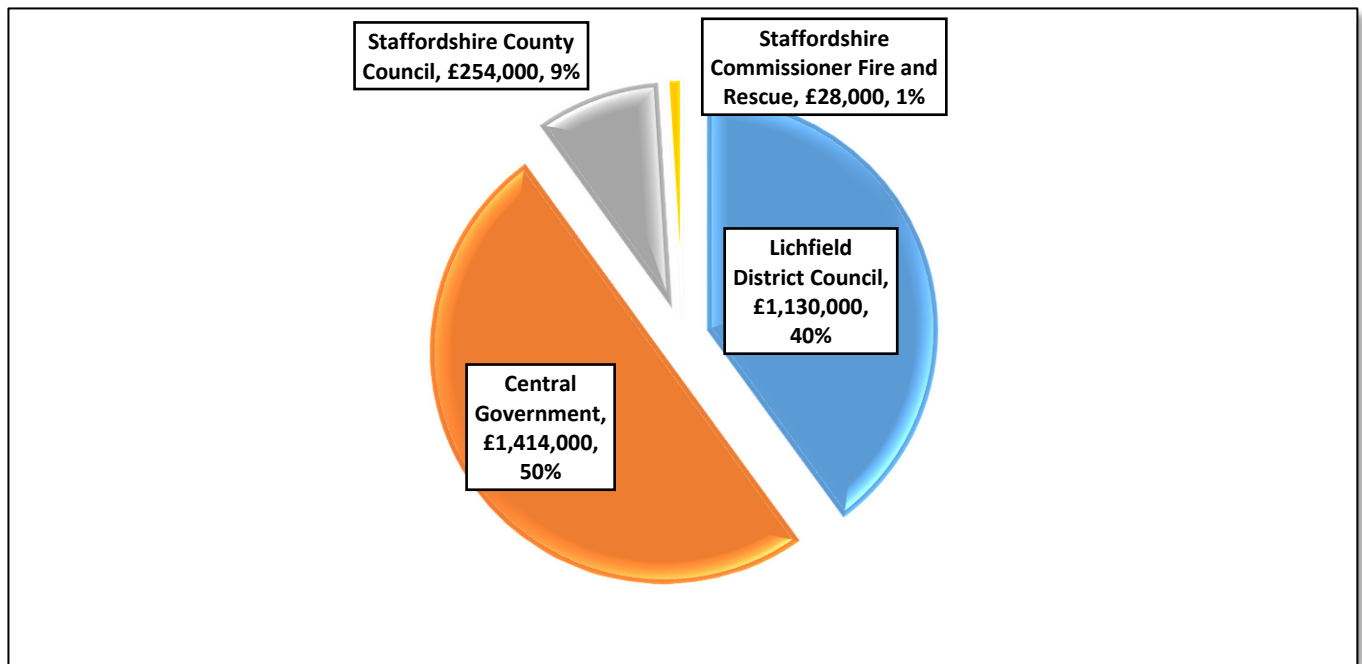
The Projected Council Tax Collection Fund Surplus for 2023/24

- 3.13 The six months projected Council Tax Collection Fund Surplus for 2023/24 of (£846,000) is shown below (Lichfield’s share of 12% includes Parish Councils):



The Projected Business Rates Collection Fund Surplus for 2023/24

3.14 The six months projected Business Rates Collection Fund surplus for 2023/24 of (£2,826,000) is shown below (Lichfield's share of 40%):



Alternative Options	The calculation of the Council Taxbase and Collection Fund surpluses and deficits must be undertaken in line with statutory requirements and therefore there are no alternative options.
Consultation	There has been no consultation specifically about this Report due to the statutory nature of calculations.
Financial Implications	These are detailed in the background section of the Report.
Approved by Section 151 Officer	Yes
Legal Implications	No specific legal implications. The recommended changes to the Medium Term Financial Strategy not part of the approved Budget Framework will require the approval of Full Council.
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	The Medium Term Financial Strategy (MTFS) underpins the delivery of the Strategic Plan.
Equality, Diversity and Human Rights Implications	None identified in this report.

Crime & Safety Issues	None identified in this report.
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Data assessment	<p>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. The MTFs identifies the level of resources available and spend necessary to deliver the outcomes across the entire District.</p> <p>However, the application of relevant data and the Social Progress Index can be considered for new budget pressures, savings and income proposals as they are developed.</p>
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Environmental Impact (including Climate Change and Biodiversity).	None identified in this report.
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GDPR/Privacy Impact Assessment	None identified in this report.
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	Risk Description	Original Score (RYG)	How We Manage It	Severity of Risk (RYG)
Strategic Risk SR1 – Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the Strategic Plan.				
A	Decrease in the Collection rates for Business Rates (NNDR) and Council Tax.	Likelihood – Yellow Impact - Yellow Severity of Risk - Yellow	<p>The periodic Money Matters Reports to Cabinet and Overview and Scrutiny Committee provide information on collection rates.</p> <p>A revised LCTS scheme was approved last financial year and provides additional support to those in greatest need.</p>	Likelihood – Green Impact - Yellow Severity of Risk - Yellow
B	The assumed level of growth included in the calculation of the Council Taxbase is not achieved.	Likelihood – Yellow Impact - Yellow Severity of Risk - Yellow	<p>The periodic Money Matters Reports to Cabinet and Overview and Scrutiny Committee provide information on housing growth.</p> <p>The MTFs assumes 75% of projected housing growth is delivered.</p>	Likelihood – Green Impact - Yellow Severity of Risk - Yellow
C	The assumed level of discounts and exemptions increases.	Likelihood – Yellow Impact - Yellow Severity of Risk - Yellow	<p>The periodic Money Matters Reports to Cabinet and (Overview and Scrutiny Committee provide information on the projected surplus or deficit in the Council Tax Collection Fund.</p> <p>The projections assume correlation with dwelling numbers.</p>	Likelihood – Green Impact - Green Severity of Risk - Green
D	Failure to calculate the Council Taxbase and Collection Fund Surplus or Deficit	Likelihood – Green Impact - Yellow Severity of Risk - Yellow	These are calculated in accordance with the Local Government Finance Act 1992 and relevant regulations.	Likelihood – Green Impact - Yellow Severity of Risk - Yellow

Background documents

- Local Government Finance Act 1988
- Local Government Finance Act 1992
- Local Authorities (Calculation of Council Taxbase) Regulations 1992 (as amended)
- Local Government Act 2003
- Council Taxbase (CTB) Return at October 2023
- Money Matters : Calculation of Business Rates 2023/24, Council Tax Base for 2023/24 and the projected Collection Fund Surplus / Deficit for 2022/23 - Cabinet 7 December 2022
- Medium Term Financial Strategy (Revenue and Capital) 2023-27 – Council 28 February 2023
- Money Matters 2022/23: Review of Financial Performance – Cabinet 27 June 2023
- Medium Term Financial Strategy (MTFS) – Cabinet 27 June 2023
- Money Matters 2023/24: Review of Financial Performance – Cabinet 5 September 2023
- Medium Term Financial Strategy (MTFS) – Cabinet 10 October 2023
- Money Matters 2023/24: Review of Financial Performance – Cabinet 5 December 2023

Relevant web link	
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Provision for Housing Growth

Actual Delivery Performance compared to the Projections

	2020/21	2021/22	2022/23
Provision for Growth			
Housing Completions per Strategic Housing Land Availability Assessment (SHLAA)	725	737	669
Risk Allowance for Non-Completions and timing differences	50%	50%	75%
Housing Completions Projection	363	369	501
Band D Ratio	0.95	0.98	1.00
Band D Equivalents	344	361	501

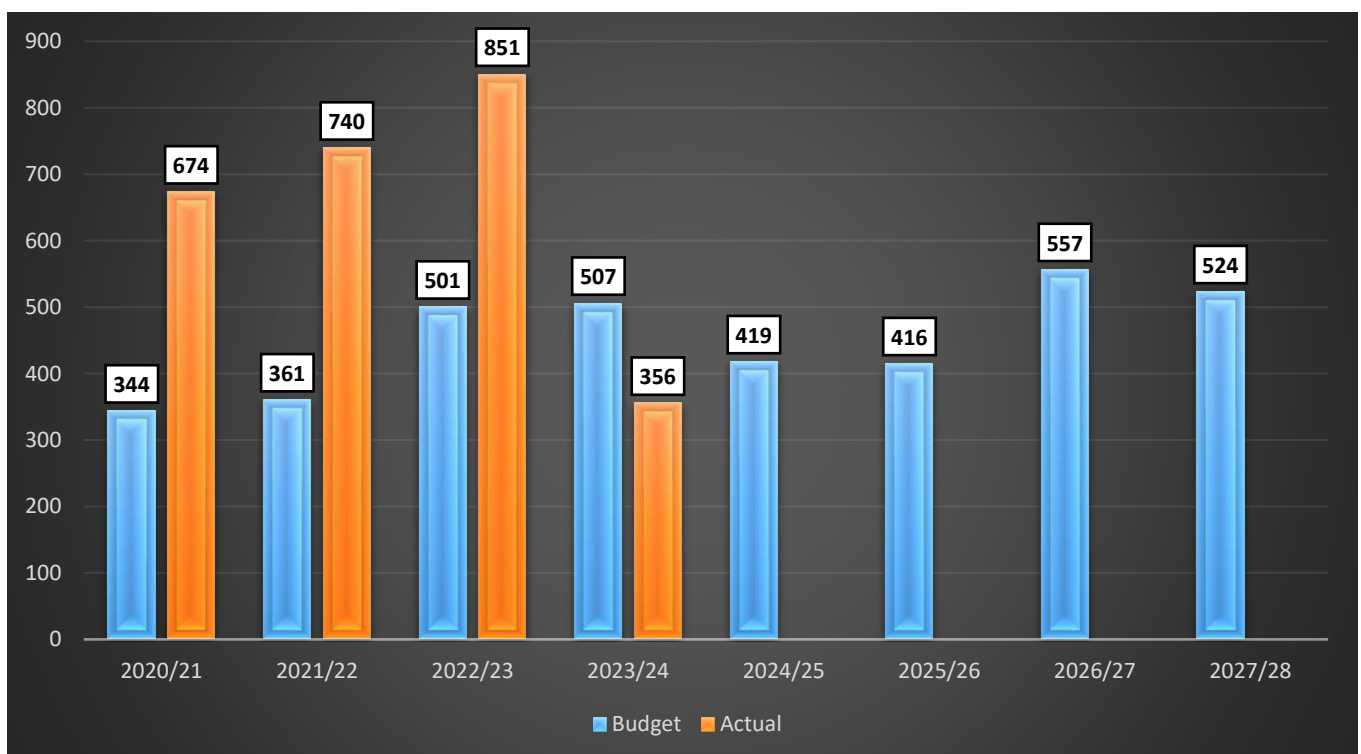
Actual Band D Equivalent Housing Completions	674	740	851
Actual Band D Equivalent Housing Completions compared to SHLAA	188%		

Housing Growth Projections

	Medium Term Financial Strategy				
	2023/24	2024/25	2025/26	2026/27	2027/28
Provision for Growth					
Projected housing completions	712	558	550	737	693
Risk allowance for non-completions and timing differences	75%	75%	75%	75%	75%
Housing completions projection	534	419	413	553	520
Band D ratio	0.95	1.00	1.01	1.01	1.01
Band D equivalents	507	419	416	557	524

25% less Annual Growth
5% more Annual Growth

265	261	350	329
446	440	590	554



The Council Taxbase Return and the Council Taxbase for the purposes of setting the Council Tax in 2024/25

	Band A Disabled Relief	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	2024/25	2023/24	2022/23
Total Number of Dwellings on the Valuation List	0.0	5,993.0	10,921.0	12,217.0	7,377.0	5,035.0	3,936.0	2,721.0	424.0	48,624.0	47,776.0	46,982.0
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9			
Band D Equivalent Dwellings	0.0	3,995.3	8,494.1	10,859.6	7,377.0	6,153.9	5,685.3	4,535.0	848.0	47,948.2	47,092.4	46,298.1
<u>Discounts and Exemptions</u>												
Exempt Dwellings and Demolitions	0.0	(124.0)	(142.3)	(233.8)	(121.0)	(74.6)	(46.2)	(75.0)	(10.0)	(826.9)	(771.0)	(672.6)
Disabled Relief	11.1	30.7	14.0	(44.4)	4.0	(6.1)	(1.4)	(36.7)	(20.0)	(48.8)	(48.8)	(50.5)
Single Person Discount - 25%	(1.3)	(558.5)	(854.8)	(960.4)	(482.5)	(316.3)	(214.9)	(171.3)	(22.0)	(3,582.0)	(3,448.8)	(3,319.4)
Discount - 50%	0.0	(6.0)	(5.1)	(2.7)	(2.5)	(3.1)	(1.4)	(10.0)	(5.0)	(35.8)	(30.9)	(29.3)
Local Council Tax Support Discount	(3.2)	(830.9)	(1,033.5)	(675.8)	(141.3)	(59.2)	(31.2)	(24.2)	(1.4)	(2,800.7)	(2,517.0)	(2,938.7)
Other Discounts	(0.3)	22.7	35.9	24.5	20.6	25.1	17.3	46.7	10.0	202.5	198.4	159.7
Sub Total - Discounts and Exemptions	6.3	(1,466.0)	(1,985.8)	(1,892.6)	(722.7)	(434.2)	(277.8)	(270.5)	(48.4)	(7,091.7)	(6,618.1)	(6,850.8)
Number of Dwelling Equivalents after applying Discounts	6.3	2,529.3	6,508.3	8,967.0	6,654.3	5,719.7	5,407.5	4,264.5	799.6	40,856.5	40,474.3	39,447.3
Contributions in Lieu (MOD Properties)										149.9	145.4	146.2
Council Taxbase Return (CTB) Taxbase										41,006.4	40,619.7	39,593.5
Other Local Council Tax Support adjustments										Included Above	(287.5)	Included Above
Provision for Growth										419.0	507.1	501.0
Provision for Non-Collection										(309.6)	(304.9)	(399.5)
Total Council Taxbase for Council Tax Setting Purposes										41,115.8	40,534.4	39,695.1

Council Taxbase for the purposes of setting the Council Tax in 2024/25 by Parish Area

	2024/25 Apportioned Taxbase	2023/24 Apportioned Taxbase	2022/23 Apportioned Taxbase
Alrewas	1,342.6	1,330.6	1,298.7
Armitage with Handsacre	2,188.8	2,183.8	2,136.1
Burntwood	8,489.3	8,467.2	8,367.8
Clifton Campville with Thorpe Constantine	388.6	380.1	379.1
Colton	344.1	337.4	337.1
Curborough and Elmhurst and Farewell and Chorley	269.7	269.7	257.5
Drayton Bassett	466.9	464.7	464.9
Edingale	280.5	279.1	278.9
Elford	322.6	307.6	301.8
Fazeley	1,489.1	1,445.8	1,435.1
Fradley with Streethay ***	0.0	0.0	2,451.3
Fradley ***	1,770.7	1,626.9	0.0
Hammerwich	1,390.5	1,387.0	1,376.1
Hamstall Ridware	164.1	165.1	164.0
Harlaston	208.4	209.7	211.4
Hints and Canwell	198.5	200.9	192.2
King's Bromley	590.4	590.1	585.6
Lichfield	12,742.6	12,516.9	12,150.2
Longdon	784.9	788.1	785.7
Mavesyn Ridware	536.4	528.9	529.2
Shenstone	3,657.3	3,677.4	3,658.0
Streethay ***	1,018.1	1,006.6	0.0
Swinfen and Packington	171.2	165.4	160.1
Wall	207.2	203.7	203.9
Weeford	104.7	111.7	103.5
Whittington and Fisherwick	1,217.3	1,210.4	1,193.7
Wigginton and Hopwas	771.3	679.6	673.1
Total Council Taxbase for Council Tax Setting Purposes	41,115.8	40,534.4	39,695.1

*** = split into two separate Parish Councils for 2023/24

Money Matters: 2023/24 Financial Monitoring

Agenda Item 4

Cabinet Member for Finance and Commissioning

Date: 5 December 2023
Agenda Item: 4
Contact Officer: Anthony Thomas
Tel Number: 01543 308012
Email: Anthony.thomas@lichfielddc.gov.uk
Key Decision? YES
Local Ward Members Full Council

Lichfield
district council

Cabinet

1. Executive Summary

- 1.1 The report covers the financial performance from April to September (Quarter Two) for 2023/24.
- 1.2 The Medium Term Financial Strategy projected general reserves at 31 March 2024 would be **£6,075,329**. At this stage, general reserves are forecast to be **£5,835,224**, a decrease of **(£240,105)** related to:
 - A lower than budgeted contribution in 2022/23 of **(£90,665)**.
 - Projected use in 2023/24 of **(£149,440)** as summarised in **APPENDIX A**. This is an improvement of **£326,640** compared to the 3 month projection of **(£476,080)**.
- 1.3 Leisure centres and their income are projected to be **£82,580** lower than the budget and this shortfall will be funded from the earmarked reserve. The budget performance will need to be kept under review given the level of financial risk related to leisure centre income.
- 1.4 At the six month's stage, there are no significant financial risks that need to be highlighted to the Council as shareholder in relation to LWMTS financial performance.
- 1.5 The Capital Programme is projected to be **£9,984,000** which is **(£9,339,000)** less than the Approved Budget. This is due to the reprofiling of major projects such as the new leisure centre and the cinema development.
- 1.6 Capital Receipts are projected to be **(£945,000)** which is the same as the Approved Budget.
- 1.7 In terms of Council Tax, Business Rates, Sundry Debtors and Supplier Performance:
 - **Council Tax collection** in year performance was **56.60%** (57.10% in 2022/23) and total arrears were **£4,876,570** and the Council's share is **£572,815** (£4,240,673 and £551,287 in 2022/23).
 - The **Council Tax Collection Fund** is projected to be in surplus, with the Council's c12% share being **(£99,000)** compared to the Approved Budget of **£0**. This additional income of **(£99,000)** will be included in the 2024/25 budget.
 - Sundry Debt for income to be collected in 2023/24 has increased by **£1,391,531** or **83%** compared to 2022/23, and the value outstanding at 30 September 2023 has increased by **£232,829** or **11%**.
 - **Retained Business Rate Income** is projected to be **(£3,464,100)** in line with the Approved Budget.
 - The **Business Rates Collection Fund** is projected to be in surplus, with the Council's 40% share being **(£1,130,000)** compared to the Approved Budget of **£0**. This additional income of **(£1,130,000)** will be included in the 2024/25 budget.
 - **Business Rates collection** in year performance was **58.60%** (61.10% in 2022/23) and total arrears were **£795,645** and the Council's share is **£318,258** (£930,135 and £372,054 in 2022/23).
 - The payment of suppliers within 30 days was **91.39%**, which is above our **90%** target.
- 1.8 The Council's investments achieved a risk status of **AA-** that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.

2. Recommendations

- 2.1. To note the report and issues raised within and that Leadership Team with Cabinet Members will continue to closely monitor and manage the Medium Term Financial Strategy.
- 2.2. To note the additional funding received from the Better Care Fund of (£97,000) that has been used to increase the Disabled Facilities Grant Budget by £97,000 in 2023/24. This increase in budget (and any further changes) will form part of the refreshed Medium Term Financial Strategy that will be recommended for approval by Council on 27 February 2024.

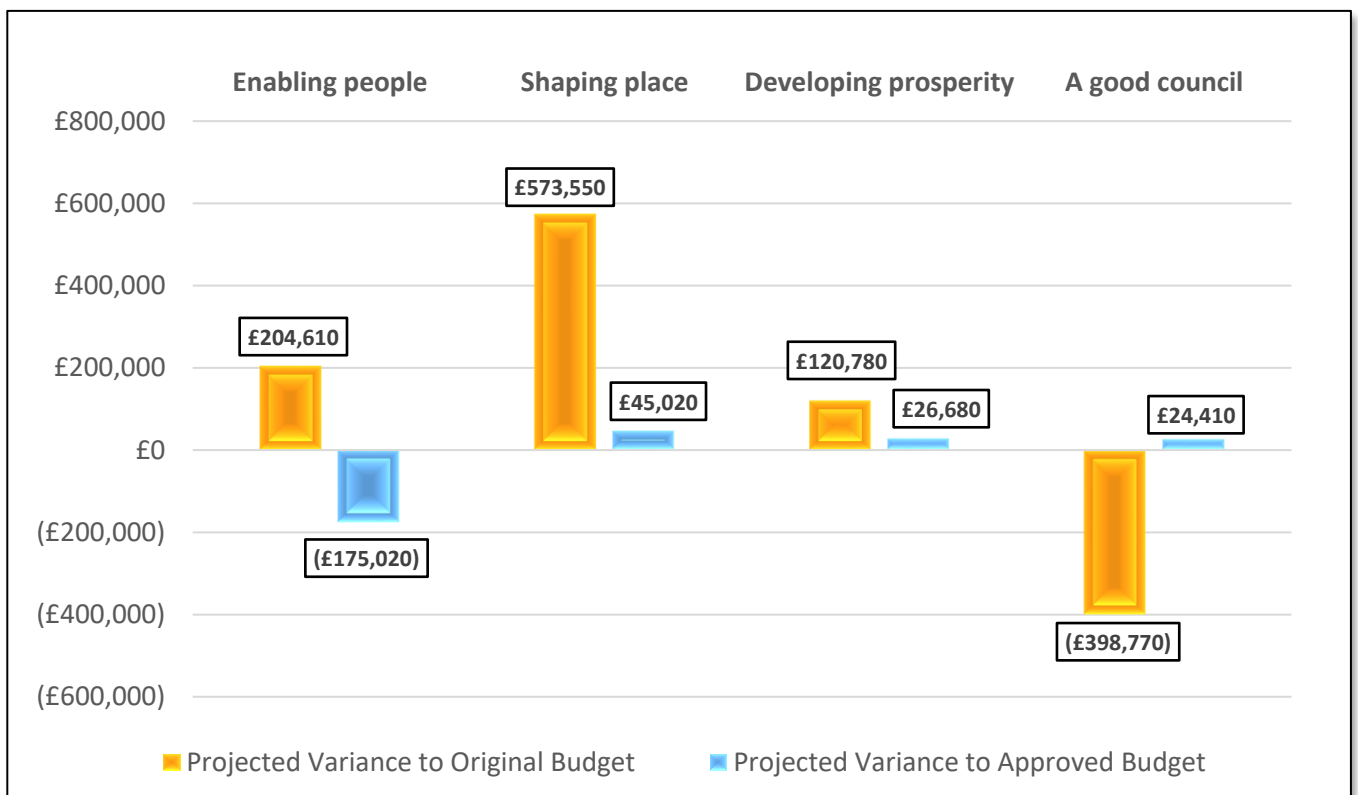
3. Background

Budget Management

- 3.1. The MTFS 2022-27, approved by Council on 28 February 2023, included the Original Budget for 2023/24 and set out the allocation of resources and the policies and parameters within which managers are required to operate.
- 3.2. Throughout the financial year, Money Matters reports and Briefing Notes are provided to both Cabinet and Overview and Scrutiny Committee at three, six and eight month intervals to monitor performance.
- 3.3. The Money Matters reports update the Approved Budget for latest projections and the eight month report will form the basis of the Revised Approved Budget for 2023/24 and will be approved by Council on 27 February 2024.

The Revenue Budget

- 3.4. Financial performance is shown in detail at **APPENDIX A** and in summary below:



Performance compared to the Approved Budget

3.5. The overall projected variance is shown in summary below:

	Projected Variance		
	Virement	Vacancy Savings	Other Variances
Enabling People			
● Additional Rental Income			(5,000)
● Additional Drawdown from Homelessness Reserve			(15,000)
● Recognition of Additional Contribution Towards the Housing Register			(15,000)
● Increase in Cost of CCTV Monitoring Contract	42,370		
● Transfers	(182,390)		
Shaping place			
● Vacancy Savings - Various Posts		(27,440)	
● Minor Balance			(2,910)
● Procurement Savings - Tree Survey Works	(5,250)		
● Transfers	80,620		
Developing prosperity			
● Reduction of Budget to Cover Increase in CCTV Contract	(24,000)		
● Additional Costs for Cleaning of Toilet at Bus Station	20,360		
● Non achievement of saving in LED Lighting in Car Parks – now funded from an existing budget			(5,000)
● No charging for departure Charges for Bus Companies – now funded from an existing budget			(21,000)
● Transfers	56,320		
A good council			
● Vacancy Savings - Various Posts		(69,550)	
● Achievement of the Vacancy Savings Target - Annual Target £180,000		96,990	
● Additional Costs for IT Licences	45,000		
● Reduction in Reserve Transfer to Fund Additional IT Licence Costs	(45,000)		
● Additional Salary Costs for Customer Services due to Maternity			
● Leave	24,000		
● Additional Income for Court Fee in Revenues and Benefits	(24,000)		
● Additional Drawdown from New Burdens Funding to Cover Agency			
● Staff			(15,000)
● Transfer of Savings to Part Fund Employee Benefits Budget	45,000		
● Achievement of Procurement Target	20,250		
● Procurement Savings - Insurance Premiums	(15,000)		
● Reallocation of Inflation Budget	(38,730)		
● Transfers	450		
Total - Net Cost of Services	0	0	(78,910)
		(78,910)	
Net Treasury - Increased Interest Receipts			(853,440)
Transfer to Strategic Investment Volatility Reserve			605,710
Transfer (to)/from General Reserves			(£326,640)

3.7. The current progress on delivering savings/additional income proposals (shown in the table above in blue) included within the MTFS is also provided at **APPENDIX A**.

Leisure Centres

- 3.8. Cabinet on 14 February 2023 approved, following a mutually agreed termination of the Leisure Operating Contract with Freedom Leisure, the transfer of the management, budget, and operation of the council's leisure centres to the Council's wholly owned company / new organisational structure as appropriate with the Company assuming responsibility for paying the contract commercial bid and contracted indexing to the Council from 1 April 2023.
- 3.9. The budgeted income that will be retained by the Council, management fee, costs and Leisure Centres budget is provided in detail at **APPENDIX A** and in summary below:

	2023/24	2024/25	2025/26	2026/27	2027/28
Income Retained by the Council	(£2,727,740)	(£2,734,290)	(£2,978,130)	(£3,434,020)	(£3,673,950)
Management Fee and Costs	£2,641,500	£2,648,050	£2,942,130	£3,152,020	£3,317,950
Leisure Centres Budget	(£86,240)	(£86,240)	(£36,000)	(£282,000)	(£356,000)

- 3.10. In terms of activity, Leisure services are performing well, with net **765** more gym members and **354** more learn to swim members than in April when LWMTS took over the operation of the leisure centres.
- 3.11. However, in terms of income, compared to a linearly profiled budget, there is a shortfall of **£310,000**. This is currently projected to reduce to **£82,580** with higher income projected in the second half of the financial year together with a planned reduction in the management fee to reflect savings targets in LWMTS.
- 3.12. An earmarked reserve was established using the compensation sum and underspends in two capital projects were repurposed to provide funding for implementation and transition.
- 3.13. The current position is shown below:

Detail	Implementation/ Transition
Earmarked Reserve	(£750,000)
Underspend BABC	(£88,000)
Sinking fund BLC	(£69,000)
Total Available Funding	(£907,000)
Actual/committed spend	£313,930
Projected income shortfall	£82,580
Total Projected Spend	£396,510
Available Balance	(£510,490)
Impact on General Reserves	£0

- 3.14. These financial projections will continue to be refined during the financial year and any income shortfall more than the available funding will need to be funded from general reserves.
- 3.15. Budget performance will need to be kept under review given the level of financial risk related to leisure centre income.

Lichfield West Midlands Traded Services (LWMTS) Financial Performance

- 3.16. On 18 July 2023, the Cabinet Members for Finance and Commissioning and Leisure, Parks and Major Projects agreed the revised LWMTS Business Plan approved by the Company Board in June 2023.
- 3.17. As the Company develops, and the Business Plan is refreshed, material changes will require further approval by the Council.
- 3.18. It is therefore important given the Council is the sole shareholder, and the significant increase in the level of financial risk that oversight is maintained on financial performance. This will enable Council to have an early indication of any areas of underperformance that could subsequently impact on the Council's Medium Term Financial Strategy.

3.19. In terms of LWMTS quarter 2 financial performance the key highlights are:

- Income was **(£1,803,000)** compared to budgeted income of **(£1,918,000)**.
- Operating profit of **(£126,000)** versus the budgeted profit of **(£93,000)** – higher than budgeted profit of **(£33,000)**.
- The main reasons for the higher than budgeted profit is related to:
 - Lower income of **£115,000**.
 - Lower staffing of **(£92,000)**.
 - Lower light, heat, and power of **(£97,000)**.
 - Higher legal and professional of **£80,000**.
 - Lower general expenditure of **(£35,000)**.
 - Other areas of **(£4,000)**.

3.20. In terms of Disabled Facilities Grants, the team are working through the significant backlog inherited from the previous provider but are now awarding approximately **£100,000** in grants per month.

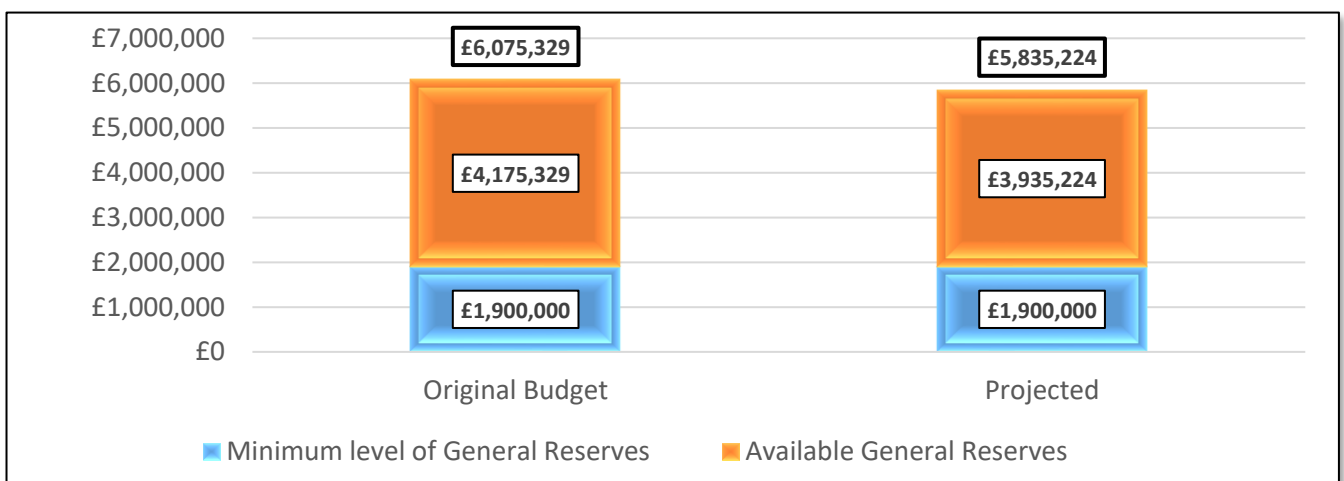
Fees and Charges

3.21. The gross fees and charges budgets for 2023/24, together with actual income achieved over the last eight years, are shown in detail at **APPENDIX B**. The projected variances (with positive figures relating to shortfalls in performance compared to budget) for those with the highest value are:



Revenue General Reserves

3.22. The Original Budget estimated general reserves of **£6,075,329** at 31 March 2024. The current projected level is **£5,835,224**, a decrease of **(£240,105)** (£90,665 related to last year, £476,080 was reported at the three month stage and £326,640 is contained in this report) as shown below:

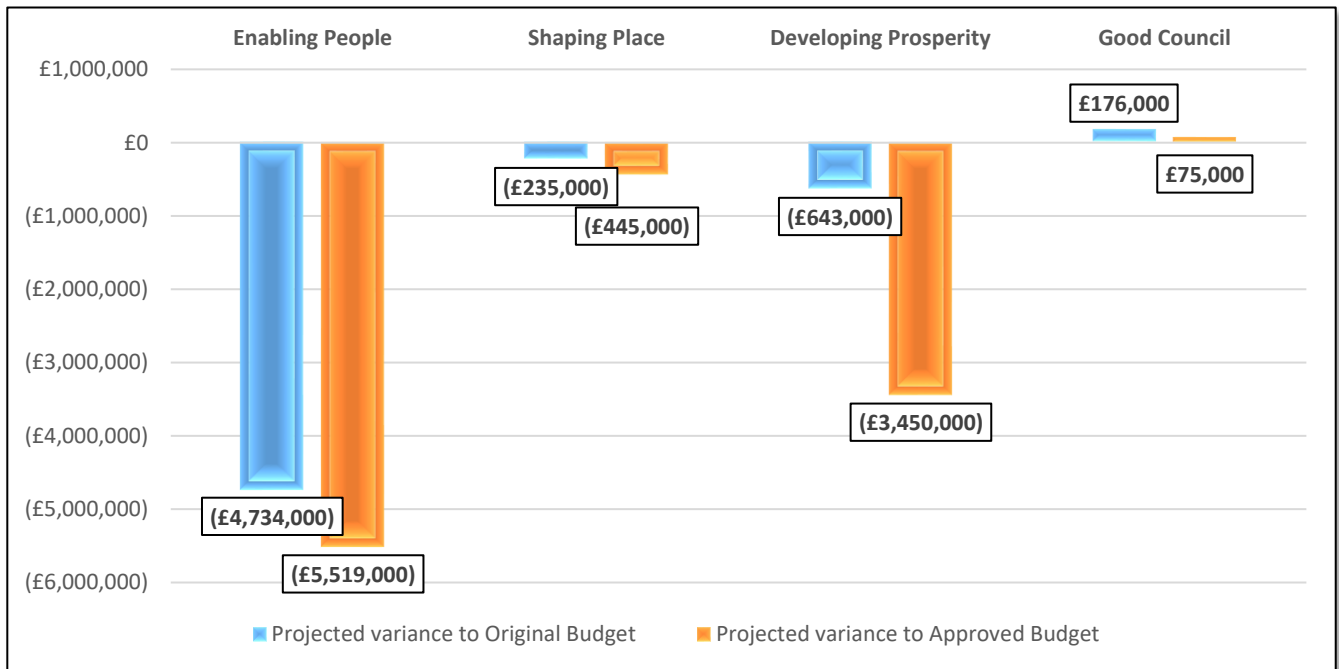


¹ The minimum level of General Reserves has been increased from £1.6m to £1.9m. It is important to note that the level for 2023/24 has increased because of the economic climate and this will be reviewed as part of the refreshment of the Medium Term Financial Strategy.

The Capital Programme

Performance compared to the Approved Budget

3.23. The changes to the Original Budget and projected budget performance compared to both the Original and the Approved Budgets, is shown by Strategic Plan's Priority below and in detail at **APPENDIX C**:

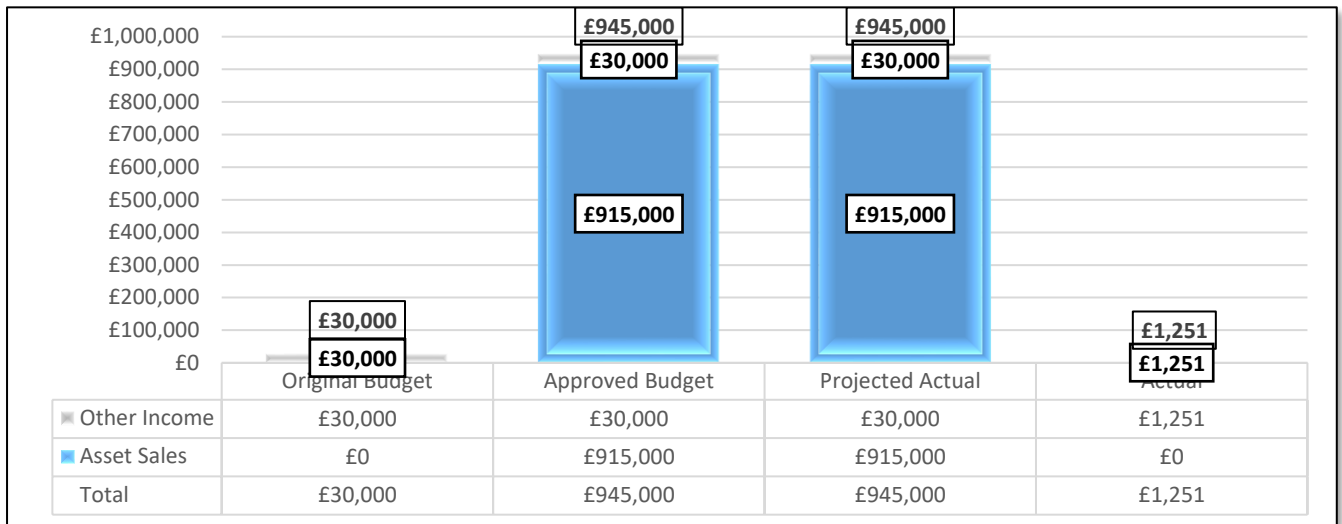


3.24. There are projected variances compared to the Approved Budget relating to:

	Projected Variances	
	Profiling	Other
• New Build Parish Office/Community Hub	(£92,000)	
• Burntwood Leisure Centre – Decarbonisation spend funded by Grant and revenue		£29,000
• Disabled Facilities Grants – additional grant funding from the Better Care Fund	(£1,223,000)	£97,000
• Fradley BMX Pumptrack	(£33,000)	
• Replacement Leisure Centre	(£4,297,000)	
Enabling People Total	(£5,645,000)	£126,000
• Loan to Council Development Company	(£150,000)	
• Lichfield St. Johns Community Link	(£35,000)	
• Falkland Road Fosseyway Canal Walk	(£260,000)	
Shaping Place Total	(£445,000)	
• Rural Business - small scale investment in micro and small enterprises	(£50,000)	
• Rural Business - development and promotion of the visitor economy	(£25,000)	
• Rural Communities – active travel enhancements in the local area	(£25,000)	
• Birmingham Road Site Enabling Works	(£802,000)	
• Cinema Development	(£907,000)	
• 32-44 Bakers Lane	(£1,582,000)	
• Pay on Exit System at Friary Multi Storey – Transferred to Variable Message Signing		(£2,000)
• Car Parks Variable Message Signing – Increased funding from Car Parking Strategy reserve		£18,000
• Coach Park – Transferred to Council House Car Park Extension project		(£75,000)
Developing Prosperity Total	(£3,391,000)	(£59,000)
• Council House Car Park Extension		£75,000
A Good Council Total	£0	£75,000
Total Projected Variance	(£9,481,000)	£142,000
	(£9,339,000)	

Capital Receipts

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



3.26. The asset sale relates to Venture House and currently this is projected to be sold in 2023/24 for the budget level.

Council Tax, Housing Supply, Sundry Debtors, Business Rates and Supplier Payments

3.27. The detailed information is provided at **APPENDIX D** and a summary for each area is provided below.

Council Tax

3.28. Council Tax collection in year performance was **56.60%** (57.10% in 2022/23) and total arrears were **£4,876,570** and the Council's share is **£572,815** (£4,240,673 and £551,287 in 2022/23).

3.29. In terms of Council Tax, the Collection Fund is projected to be in surplus by **(£846,000)** and the Council's share is **(£99,000)** based on Lichfield's (including Parishes) current share of Council Tax of **c12%**.

3.30. The main reasons for the projected surplus of **(£846,000)** are:

- A higher surplus than budgeted in 2022/23 of **(£866,437)** (Council share (£103,972)).
- A higher provision for bad debts of **£78,000** to reflect arrears (Council share £9,360).
- A higher Council Tax income of **(£57,563)** (Council share (£6,908)).

Housing Supply

3.31. In terms of Housing Supply at 30 September 2023:

- There have been **353** new properties (356 Band D equivalents) added to the Council Tax Register compared to the Budget of **534** (507 Band D equivalents).
- There were **848** new properties (856 Band D equivalents) in scope for New Homes Bonus compared to the Budget of **534** (533 Band D equivalents).
- There was an increase of **2** long term empty properties compared to the Budget of **0**.
- **85** affordable homes were delivered compared to the Budget of **107**.

Sundry Debtors (including Community Infrastructure Levy and Section 106)

3.32. In terms of Sundry Debtor Income trends:

- Total income raised in the second quarter of 2023/24 is **£1,391,531** or **83%** higher than for the same period in 2022/23. This increase is due mainly to two large Section 106 Demands.
- Invoices outstanding has increased by **£232,829** or **11%** mainly related to the increased income raised.

Business Rates

- 3.33. The Retained Business Rate income is projected to be the same as the Approved Budget of **(£3,464,100)**.
- 3.34. Business Rates collection in year performance was **58.60%** (61.10% in 2022/23) and total arrears were **£795,645** and the Council's share is **£318,258** (£930,135 and £372,054 in 2022/23).
- 3.35. The Business Rates Collection Fund is projected to be in surplus by **(£2,825,000)**.
- 3.36. The main reasons for the projected surplus of **(£2,825,000)** are:
- A higher surplus than budgeted in 2022/23 of **(£1,144,790)** (Council share (£458,000)).
 - A lower allowance for bad debts of **(£593,000)** to reflect arrears (Council share (£237,000)).
 - Other changes in income including the actual increased impact of the Business Rates revaluation from 1 April 2023 of **(£1,087,210)** (Council share (£435,000)).

Supplier Payment Performance

- 3.37. The payment of suppliers within 30 days was **91.39%**, which is above our **90%** target.
- 3.38. To provide additional capacity in this priority area, a further post in the Procure to Pay Team has been identified with funding from existing budgets and recruitment has commenced.

Investment Strategy

- 3.39. The Council undertakes investments for three broad purposes:
- It approves the support of public services by lending or buying shares in other organisations – **Service Investments**.
 - To earn investment income – **Commercial Investments**.
 - It has surplus cash, as a result of its day to day activities, when income is received in advance of expenditure or where it holds cash on behalf of another body ready for payment in the future – **Treasury Management Investments**.
- 3.40. The Government has recognised in recent Department of Levelling Up, Housing and Communities (DLUHC) guidance, because of increased commercial activity, that the principles included in Statutory Guidance requiring that all investments should prioritise security and liquidity over yield must also be applied to service and commercial investments.
- 3.41. The DLUHC Guidance requires the approval by Council of an Investment Strategy Report to increase the transparency around service and commercial investment activity. The Council approved its Investment Strategy Report on **28 February 2023**.

Service Investments

- 3.42. There are two significant approved investments of a service nature and the investment and net return included in the Approved Budget are detailed below:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Approved Loan to the LWMTS	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000
Actual/Projected use of the Facility	£0	£0	£150,000	£150,000	£150,000	£150,000
Actual/Projected use of the Facility	£0	£0	£0	£0	£0	£0
Net Income	£0	£0	£2,263	£2,263	£2,263	£2,263
Net Return	0.00%	0.00%	4.00%	4.00%	4.00%	4.00%
Approved Loan to the Joint Venture	£64,000	£3,795,000	£5,788,000	£5,788,000	£5,788,000	£5,788,000
Actual/Projected use of the Facility	£64,000	£2,888,000	£5,788,000	£5,788,000	£5,788,000	£5,788,000
Net Income (revenue budget neutral)	0	0	0	0	0	0
Net Return	0	0	0	0	0	0

Commercial Investments

- 3.43. No commercial investments are currently planned.

Treasury Management Investments

3.44. The security, liquidity and yield for the investment portfolio is shown at **APPENDIX E** and in summary:

- **Security** – total investments **£52.29m** with a risk status **AA-** compared to the target of **A-**.
- **Security** – a ‘book loss’ more than the volatility reserve on strategic investments of **£53,227**.
- **Liquidity** – **48%** available within 100 days compared to Arlingclose clients of **59%** or **70%**.
- **Yield** – yield of **5.11%** compared to Arlingclose clients of **4.71%** or **4.79%**.

Alternative Options	These are considered as part of the ongoing development of the Strategic Plan and the Medium Term Financial Strategy.
Consultation	Consultation is undertaken as part of the Strategic Plan and with Leadership Team.
Financial Implications	<p>The MTFS projected general reserves at 31 March 2024 would be £6,075,329.</p> <p>At this three month stage, general reserves are forecast to be £5,835,224. This is a decrease of (£240,105) and is related to:</p> <ul style="list-style-type: none"> • A lower than budgeted contribution in 2022/23 of (£90,665). • Approved updates in 2023/24, summarised in APPENDIX A, decreasing the contribution by (£476,080). • A projected increase contained in this report for 2023/24 of £326,640.
Approved by Section 151 Officer	Yes
Legal Implications	<p>No specific legal implications.</p> <p>The recommended changes to the Medium Term Financial Strategy not part of the approved Budget Framework will be required the approval of Full Council.</p>
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	The MTFS underpins the delivery of the Strategic Plan.
Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
Crime & Safety Issues	There are no additional Crime and Safety Issues.

Data assessment	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. The MTFS identifies the level of resources available and spend necessary to deliver the outcomes across the entire District. However, the application of relevant data and the Social Progress Index can be considered for new budget pressures, savings and income proposals as they are developed.
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Environmental Impact (including Climate Change and Biodiversity).	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.
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GDPR/Privacy Impact Assessment	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of Finance				
A	Council Tax is not set by the Statutory Date of 11 March 2024	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: Green Impact: Green Severity of Risk: Green
C	The review of the New Homes Bonus regime	Likelihood: Red Impact: Red Severity of Risk: Red	The Council responded to the consultation. In the MTFS, no income is assumed beyond 2024/25.	Likelihood: Red Impact: Yellow Severity of Risk: Yellow
D	The increased Localisation of Business Rates, Business Rate Reset 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	A property team has been recruited via the Company 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 / adapt the new strategic plan to the emerging landscape				
G	The Council cannot achieve its approved Delivery Plan	Likelihood: Yellow Impact: Red Severity of Risk: Red	There will need to be consideration of additional resourcing and/or reprioritisation.	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) 2023-27 and the addendum – Cabinet 14 February 2023
- Insourcing Leisure Provision – Cabinet 14 February 2023
- New Leisure Facility at Stychbrook Park – Cabinet 14 February 2023
- Community Infrastructure Levy (CIL) Allocation – Cabinet 14 February 2023
- Medium Term Financial Strategy (Revenue and Capital) 2023-27 – Council 28 February 2023
- Money Matters 2022/23: Review of Financial Performance – Cabinet 27 June 2023
- Medium Term Financial Strategy (MTFS) – Cabinet 27 June 2023
- Medium Term Financial Strategy (MTFS) – Cabinet 10 October 2023.
- Money Matters : Calculation of Business Rates 2024/25, Council Tax Base for 2024/25 and the projected Collection Fund Surplus / Deficit for 2023/24 – Cabinet 5 December 2023.

Relevant web link	
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Revenue Financial Performance – Variance to Budget 2023/24

Area	2023/24					2023/24 Target (+/-) £
	Original Budget £	Approved Budget £	Projected Outturn £	Projected Variance £	Variance to Original Budget £	
Enabling people	1,479,870	1,859,500	1,684,480	(175,020)	204,610	
Shaping place	4,004,340	4,532,870	4,577,890	45,020	573,550	
Developing prosperity	(721,040)	(626,940)	(600,260)	26,680	120,780	
A good council	9,984,160	9,560,980	9,585,390	24,410	(398,770)	
Net Cost of Services	14,747,330	15,326,410	15,247,500	(78,910)	500,170	250,000
Net Treasury Position	(1,170,230)	(1,208,230)	(1,455,960)	(247,730)		
Revenue Contributions to the Capital Programme	238,000	173,000	173,000	-		
Net Operating Cost	13,815,100	14,291,180	13,964,540	(326,640)		
Transfer (from) / to General Reserve	0	(476,080)	(149,440)	326,640		
Transfer (from) / to Earmarked Reserves	0	0	0	-		
Net Revenue Expenditure	13,815,100	13,815,100	13,815,100	0		
Financed by:						
Retained Business Rates	(3,464,100)	(3,464,100)	(3,464,100)	-		
Business Rates Cap	(680,000)	(680,000)	(680,000)	-		
Revenue Support Grant	(106,000)	(106,000)	(106,000)	-		
Funding Guarantee Grant	(561,000)	(561,000)	(561,000)	-		
Services Grant	(82,000)	(82,000)	(82,000)	-		
New Homes Bonus	(992,000)	(992,000)	(992,000)	-		
Business Rates Collection Fund (Surplus)/Deficit	(242,000)	(242,000)	(242,000)	-		
Council Tax Collection Fund (Surplus)/Deficit	(74,000)	(74,000)	(74,000)	-		
Council Tax	(7,614,000)	(7,614,000)	(7,614,000)	-		

General Reserves

	Original	Approved	Projected
Start of year	£6,075,329	£5,984,664	£5,984,664
Approved Updates	£0	(£476,080)	(£476,080)
This Report	£0	£0	£326,640
Sub Total In Year	£0	(£476,080)	(£149,440)
End of year	£6,075,329	£5,508,584	£5,835,224
Change to Original		(£566,745)	(£240,105)

Savings and Additional Income Proposals Monitoring

Targets			Progress on Achievement			
No	Saving	MTFS Target 2023/24	Green - achieved or likely to be achieved	Amber - risk to full achievement	Red - risk to achievement or achieved in later years	Comments on Amber and Red items
	Achieved Savings	1,704,000	1,704,000			
21	Vacancy savings	150,000		150,000		Monitored during the year
26	Garden Waste Price increase	84,000		21,000	63,000	Agreed from 01/01/2024
30	Car Parking Charges	355,000		147,920	207,080	Agreed for implementation in 2024
4	LED lighting / Car park	5,000	5,000			Alternative identified
17	Golf course	80,000			80,000	Not yet implemented
23	IT savings	100,000			100,000	Not yet implemented
32	Introduce a departure charge to all bus companies using Lichfield Bus Station.	21,000	21,000			Alternative identified
	Total	2,499,000	1,730,000	318,920	450,080	

Total Green and Amber Progress	2,048,920
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Shortfall to MTFS Target	450,080
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Quarter 1	476,080
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Change to Quarter 1	(26,000)
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Leisure Centres Financial Performance and Budgets

Budget Projection Assumptions:	2023/24			
	MTFS Budget	Actual Ytd	Projected Actual	Projected Variance
Inflation Projection				
Human Resources				
ICT				
Insurance				
Operating Expenditure - LWMTS + inflation	£2,299,290	£1,149,645	£2,099,290	(£200,000)
Burntwood Leisure Centre Business Rates	£196,000	£195,840	£195,840	(£160)
Human Resources	£60,500	£30,250	£60,500	£0
ICT	£60,500	£30,250	£60,500	£0
Insurance	£25,210	£12,605	£25,210	£0
Less: Friary Grange Leisure Centre (Freedom Bid)	£0	£0	£0	£0
Add: New Leisure Centre (Max Associates)	£0	£0	£0	£0
Add: Projected Corporation Tax (25% of surplus)	£0	£0	£0	£0
Total Expenditure	£2,641,500	£1,418,590	£2,441,340	(£200,160)
Income - implied level to achieve Cabinet Report Budget	(£2,727,740)	(£1,011,450)	(£2,445,000)	£282,740
Less: Friary Grange Leisure Centre (Freedom Bid)	£0	£0	£0	£0
Add: New Leisure Centre (Max Associates)	£0	£0	£0	£0
Income retained by the Council	(£2,727,740)	(£1,011,450)	(£2,445,000)	£282,740
Leisure Centres Budget	(£86,240)	£407,140	(£3,660)	£82,580

2024/25	2025/26	2026/27	2027/28
Budget Projections			
2%	2%	2%	2%
75%	75%	75%	75%
50%	50%	50%	50%
100%	100%	100%	100%
£2,345,280	£2,392,190	£2,440,030	£2,488,830
£199,920	£203,920	£208,000	£212,160
£46,280	£47,210	£48,150	£49,110
£30,860	£31,480	£32,110	£32,750
£25,710	£26,220	£26,740	£27,270
£0	(£840,640)	(£841,280)	(£841,920)
£0	£1,081,750	£1,234,270	£1,321,750
£0	£0	£4,000	£28,000
£2,648,050	£2,942,130	£3,152,020	£3,317,950
(£2,734,290)	(£2,912,120)	(£3,020,190)	(£3,130,040)
£0	£780,660	£785,650	£790,670
£0	(£846,670)	(£1,199,480)	(£1,334,580)
(£2,734,290)	(£2,978,130)	(£3,434,020)	(£3,673,950)
(£86,240)	(£36,000)	(£282,000)	(£356,000)

Fees and Charges

Income Type	Annual Budget £000	Actual £000	Year End Variance £000	Annual Trend							
				2015/16 Actual £000	2016/17 Actual £000	2017/18 Actual £000	2018/19 Actual £000	2019/20 Actual £000	2020/21 Actual £000	2021/22 Actual £000	2022/23 Actual £000
Planning Applications	781	501	0	629	1,030	824	797	744	695	974	649
Car Parks	1,889	932	0	1,748	1,986	2,078	2,198	2,105	752	1,515	1,814
Garden Waste	1,649	1,374	0	0	0	231	1,495	1,478	1,618	1,609	1,601
Trade Waste	489	596	0	390	407	415	443	469	485	522	560
Land Charges	325	110	0	297	312	279	286	253	272	341	258
Building Control	1,113	525	0	507	557	547	553	896	1,032	948	935
Property Rental	971	244	(5)	681	687	729	839	744	680	674	598
Total of Highest Value Fees & Charges	7,217	4,282	(5)	4,251	4,980	5,102	6,611	6,689	5,535	6,583	6,414
Other Income											
Licensing				185	236	224	241	245	160	184	195
Leisure Centres				1,819	1,879	1,629	183	0	0	0	0
VAT Claim				0	0	0	1,103	0	0	0	0
Court Costs				233	218	198	214	222	154	247	249
Recycling				347	439	463	331	283	280	560	654
Grounds Maintenance				161	168	195	217	264	273	234	220
Other				1,139	1,319	1,124	1,057	1,063	908	1,166	1,112
Total Income				8,136	9,239	8,936	9,957	8,766	7,310	8,974	8,845

Capital Programme Performance in 2023/24

The Original Budget of **£15,420,000** was approved by Council on 28 February 2023. There have been several updates to this budget during 2023/24:

- Slippage from 2022/23 of **£1,566,000** approved by Cabinet on 27 June 2023.
- Allocation of Section 106 Monies of **£42,000** approved by Cabinet Member decision on 24 February 2023.
- An increase Burntwood Leisure Centre project by **£85,000** approved by Cabinet on 27 June 2023 and Council.
- A fence at Chasetown Memorial Bowling Green of **£10,000** approved by Cabinet Member Briefing Note on 27 March 2023.
- A Cinema for Lichfield District budget increase of **£1,875,000** approved by Cabinet on 27 June 2023 and Council.
- **£100,000** has been allocated from the Rural England Prosperity Fund and was approved by Cabinet on 27 June 2023 and Council.
- Money Matters Quarter 1 included an increase of **£250,000** related to Streethay Community Centre and was approved by Cabinet on 5 September 2023.
- Changes from the Medium Term Financial Strategy report of **(£25,000)** which was approved by Cabinet on 10 October 2023.

The Approved Budget is therefore **£19,323,000**.

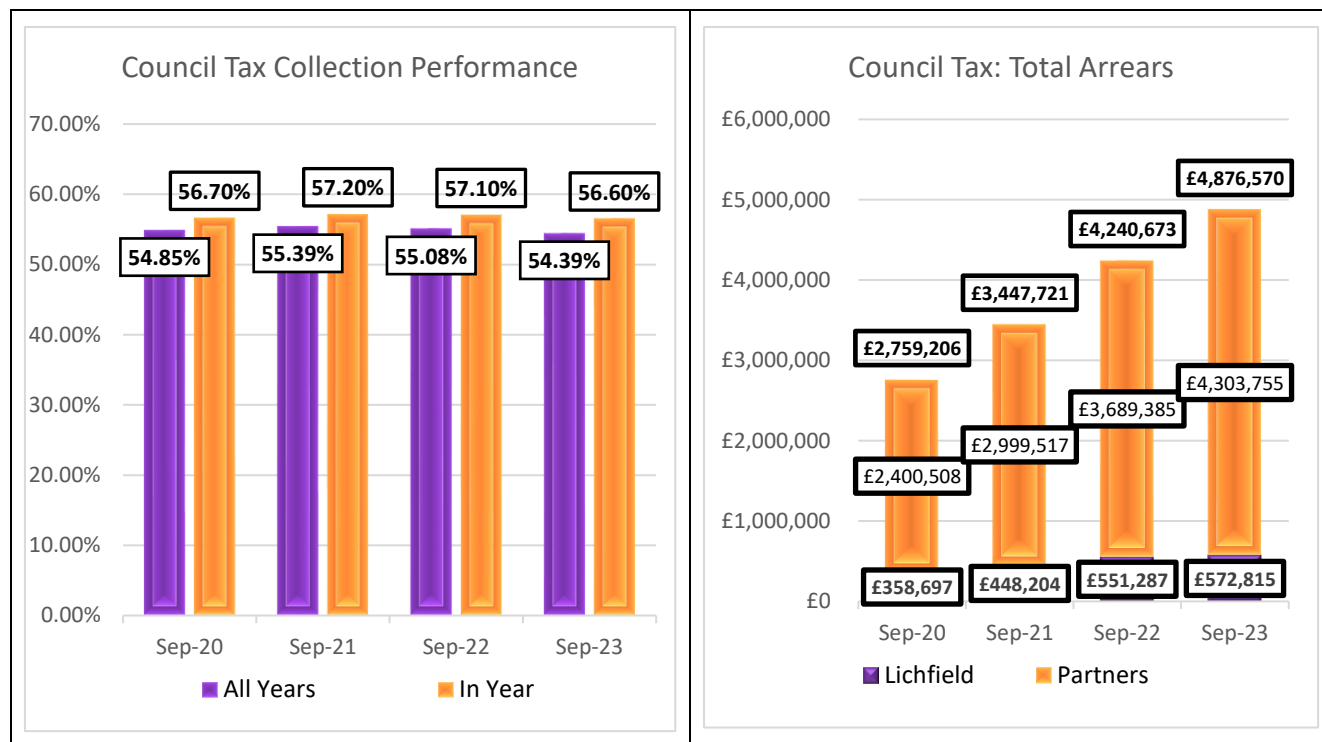
APPENDIX C

Project	Original Budget	Approved Budget	Actual to Date	Projected Actual	Variance
New Build Parish Office/Community Hub	30,000	92,000	0	0	(92,000)
Burntwood Leisure Centre Sinking Fund Projects	69,000	144,000	45,543	144,000	0
Friary Grange - Short Term Refurbishment	0	134,000	27,130	134,000	0
Replacement Leisure Centre	5,087,000	5,123,000	263,641	826,000	(4,297,000)
Burntwood Leisure Centre - Decarbonisation Scheme	0	0	29,196	29,000	29,000
Accessible Homes (Disabled Facilities Grants)	1,615,000	1,796,000	805,239	670,000	(1,126,000)
Decent Homes Standard	97,000	72,000	0	72,000	0
Energy Insulation Programme	22,000	22,000	0	22,000	0
Unallocated S106 Affordable Housing Monies	260,000	264,000	0	264,000	0
Conversion of 36a Bore Street	542,000	492,000	0	492,000	0
Streethay Community Centre	600,000	850,000	11,713	850,000	0
Changing Places Fund	0	36,000	36,809	36,000	0
Zip Wire in Burntwood	0	30,000	0	30,000	0
Burntwood Community Hub	250,000	250,000	0	250,000	0
Climbing Wall at Burntwood Leisure Centre	50,000	50,000	0	50,000	0
Soft play facility at Burntwood Leisure Centre	50,000	50,000	0	50,000	0
Adventure Golf at Beacon Park	150,000	150,000	0	150,000	0
Paddle Tennis courts	200,000	200,000	1,575	200,000	0
New 3G Pitch in Lichfield	200,000	200,000	0	200,000	0
Mavesyn Ridware Village Hall Play Area	0	5,000	0	5,000	0
Fradley BMX Pumptrack	0	33,000	0	0	(33,000)
Upgrading electrical heating in St Stephens Church	0	4,000	4,380	4,000	0
Fence at Chasetown Memorial Bowling Green	0	10,000	0	10,000	0
Enabling People Total	9,222,000	10,007,000	1,225,225	4,488,000	(5,519,000)
Loan to Council Dev Co.	93,000	150,000	0	0	(150,000)
Lichfield St Johns Community Link (CIL)	35,000	35,000	0	0	(35,000)
Public Conveniences	0	85,000	0	85,000	0
Bin Purchase	150,000	150,000	0	150,000	0
Vehicle Replacement Programme (Other)	281,000	318,000	77,950	318,000	0
Dual Stream Recycling	0	31,000	16,006	31,000	0
Falkland Road Fosseyway Canal Walk	260,000	260,000	0	0	(260,000)
Shaping Place Total	819,000	1,029,000	93,956	584,000	(445,000)
Coach Park	300,000	349,000	0	274,000	(75,000)
Car Parks Variable Message Signing	0	130,000	1,155	148,000	18,000
Pay on Exit System at Friary Multi Storey	0	2,000	0	0	(2,000)
Pay on Exit System at Lombard Street	150,000	150,000	0	150,000	0
Electric Vehicle Charge Points	70,000	80,000	0	80,000	0
BRS Enabling Works	685,000	1,070,000	0	268,000	(802,000)
Cinema Development	3,326,000	3,795,000	0	2,888,000	(907,000)
New 3G Pitch at Chasetown Football Club	100,000	100,000	0	100,000	0
Incubator Phase 3	300,000	380,000	419,858	380,000	0
Rural Business Grant: micro & small enterprises	0	50,000	0	0	(50,000)
Rural Business Grant: visitor economy	0	25,000	0	0	(25,000)
Rural Communities Grant: travel enhancements	0	25,000	0	0	(25,000)
32-44 Bakers Lane	0	1,582,000	0	0	(1,582,000)
Developing Prosperity Total	4,931,000	7,738,000	421,013	4,288,000	(3,450,000)
Property Planned Maintenance	213,000	133,000	73,814	133,000	0
IT Infrastructure	235,000	254,000	29,230	254,000	0
Building a Better Council	0	77,000	25,000	77,000	0
Committee Audio-Visual Hybrid Meeting Platform	0	85,000	0	85,000	0
Council Car Park Extension	0	0	0	75,000	75,000
Good Council Total	448,000	549,000	128,044	624,000	75,000
Approved Budget	15,420,000	19,323,000	1,868,237	9,984,000	(9,339,000)
Funding Source	Original Budget	Approved Budget		Projected Actual	Variance
Capital Receipts	1,660,000	3,659,000		1,178,000	(2,481,000)
Corporate Revenue	238,000	173,000		173,000	0
Borrowing Need - Borrowing and Finance Leases	2,333,000	2,359,000		0	(2,359,000)
Capital Grants and Contributions	4,522,000	5,151,000		3,534,000	(1,617,000)
Reserves, Existing Revenue and Sinking Funds	6,667,000	7,981,000		5,099,000	(2,882,000)
Capital Programme Total	15,420,000	19,323,000		9,984,000	(9,339,000)

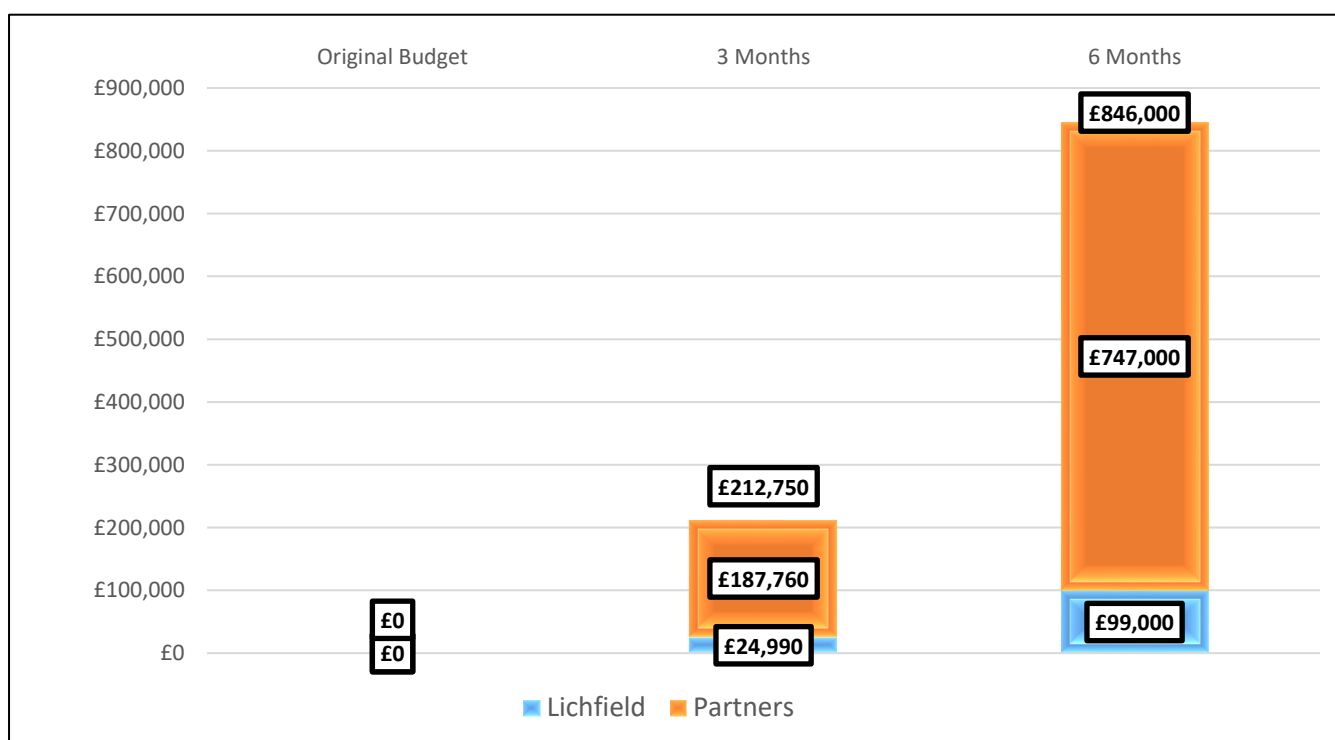
Council Tax, Housing Supply, Sundry Debtors, Business Rates and Supplier Payment Performance

Council Tax

The collection performance for Council Tax debt is shown below:

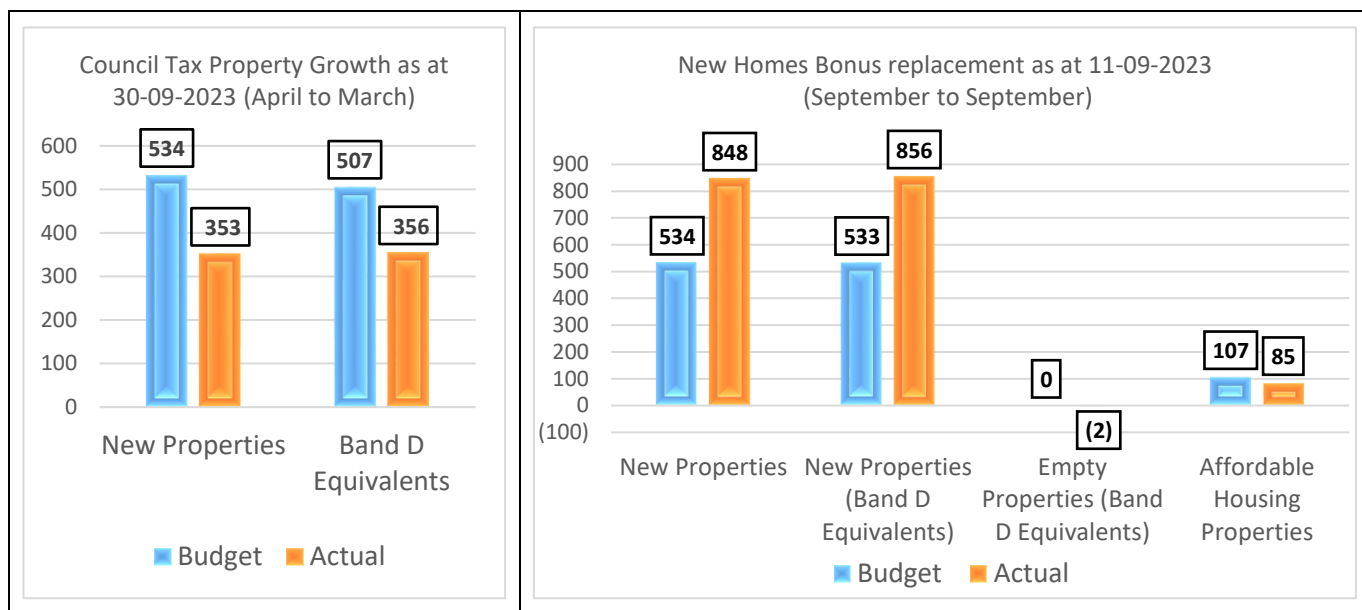


The Council Tax Collection Fund is projected to be in surplus by (£846,000) and the Council's share is (£99,000) based on Lichfield's (including Parishes) current share of Council Tax of c12% (surpluses are shown as positive values in the chart):



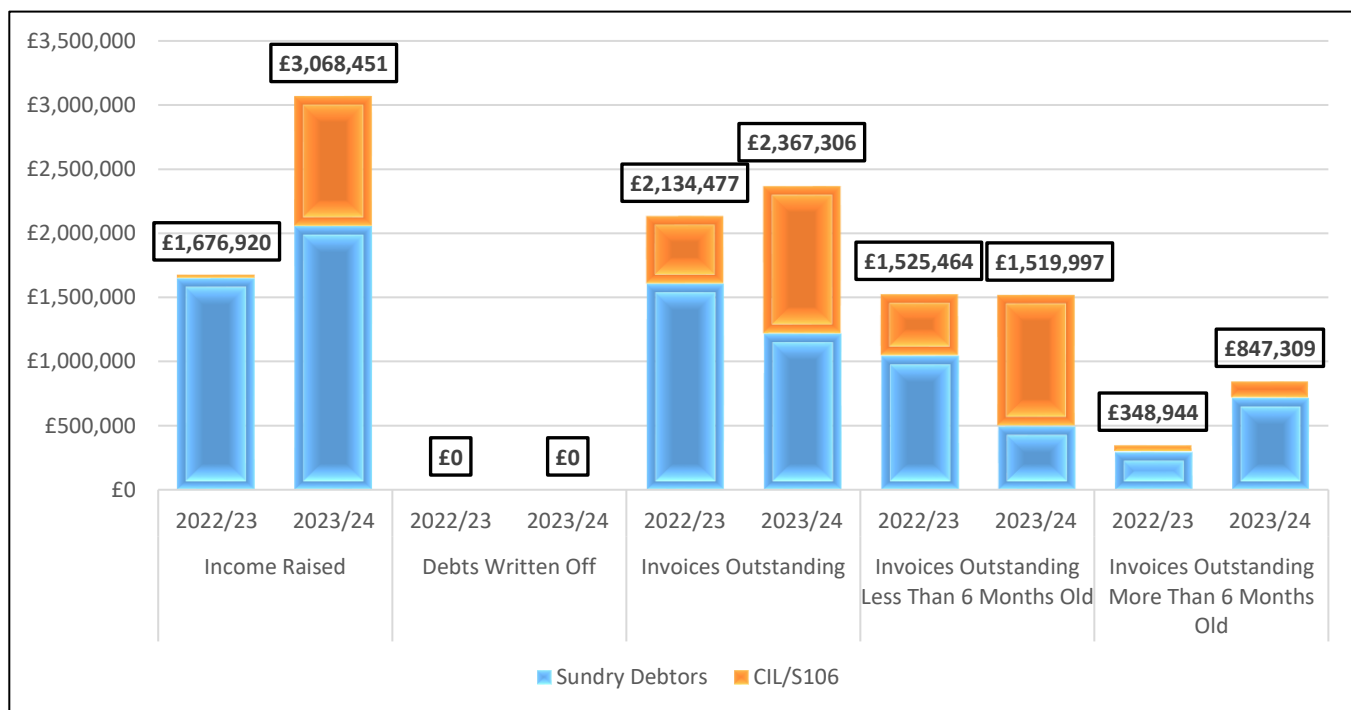
Housing Supply

The completions for Council Tax (left hand chart) from April 2023 to September 2023 and any possible New Homes Bonus replacement (right hand chart) from September 2022 to September 2023 are shown below:



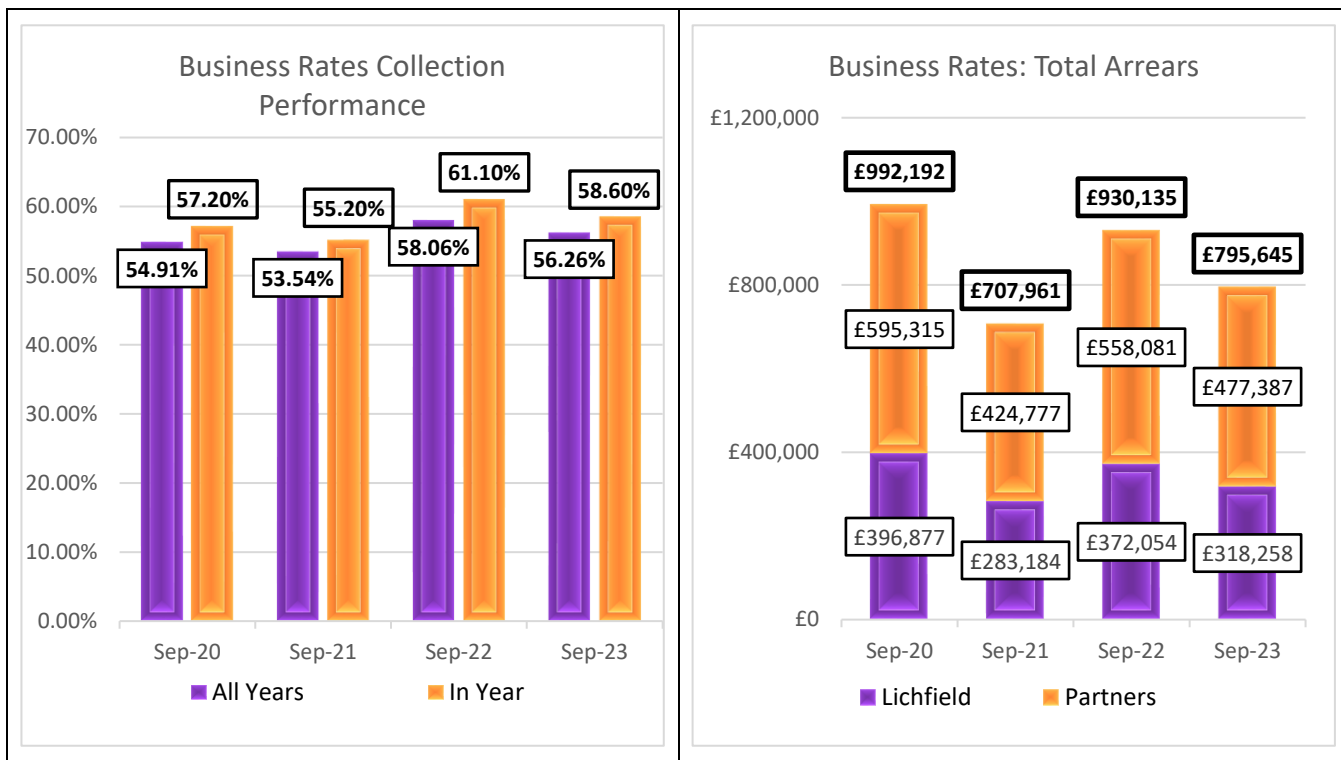
Sundry Debtors (including Community Infrastructure Levy (CIL) and Section 106 (S106))

The transaction levels and collection performance in 2023/24 compared to 2022/23 is shown below:

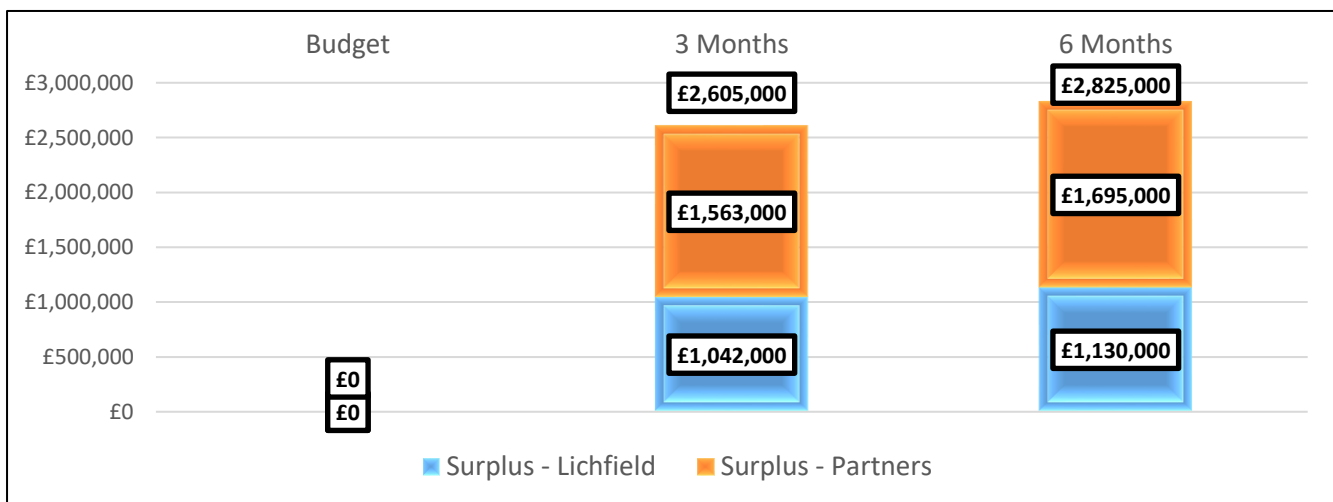


Business Rates

The collection performance for Business Rates is shown below:

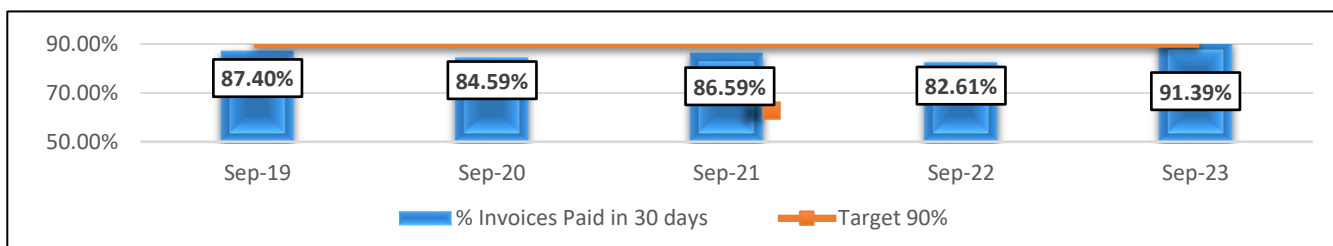


The Business Rates Collection Fund is projected to be in surplus by (£2,825,000) (surpluses are shown as positive values in the chart):



Supplier Payment Performance

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



Treasury Management Investments in the 2023/24 Financial Year

The table below shows a breakdown of our investments at the 30 September 2023:

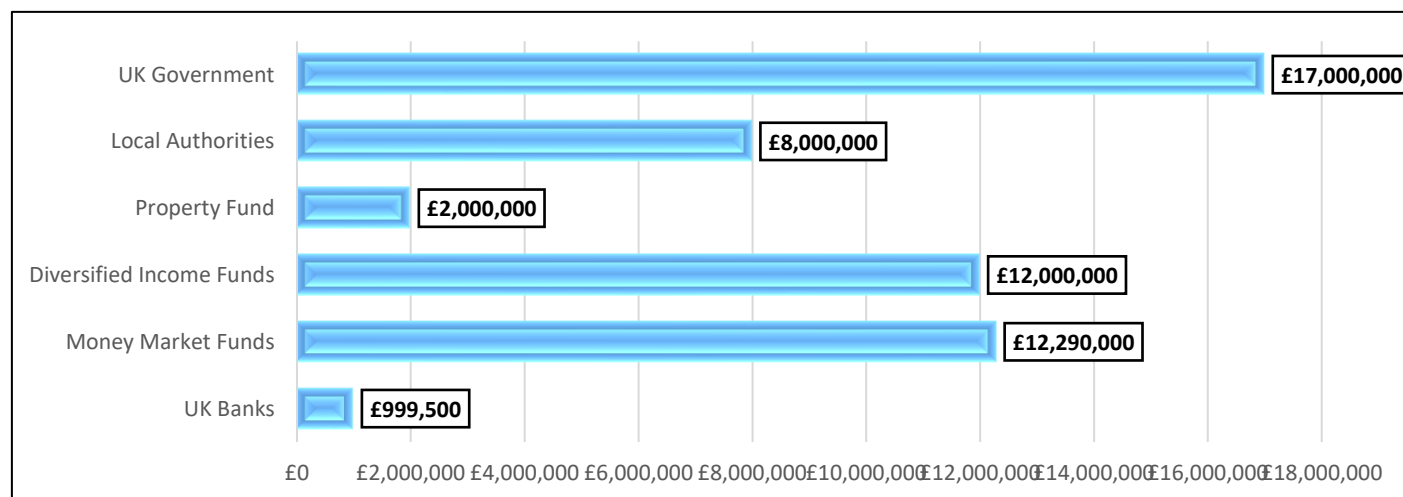
Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Non-UK Organisation
Money Market Funds						
Legal & General	£2,290,000	01-Oct-23	Instant Access	5.30%	0	N/A
Federated	£5,000,000	01-Oct-23	Instant Access	5.30%	0	N/A
CCLA MMF	£5,000,000	01-Oct-23	Instant Access	4.98%	0	N/A
Strategic Funds						
CCLA Property Fund	£2,000,000	N/A	N/A	4.34%	N/A	No
Ninety-One Diversified Income Fund	£5,000,000	N/A	N/A	4.21%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	4.02%	N/A	No
Aegon Diversified Income Fund	£5,000,000	N/A	N/A	5.68%	N/A	No
Fixed Term Investments						
Brentwood Borough Council	£2,000,000	01-Mar-24	153	4.40%	LOCAL	
Folkestone and Hythe District Council	£2,000,000	07-Mar-24	159	4.40%	LOCAL	
Debt Management Office	£5,000,000	19-Dec-23	80	5.41%	UK Government	
North Lanarkshire Council	£2,000,000	17-Sep-24	353	5.80%	LOCAL	
Debt Management Office	£6,000,000	22-Jan-24	114	5.36%	UK Government	
Debt Management Office	£6,000,000	20-Nov-23	51	5.31%	UK Government	
West Dunbartonshire	£2,000,000	04-Mar-24	156	5.60%	LOCAL	
Call Accounts with Notice Period						
HSBC	£999,500	31-Oct-23	31	5.35%	A+	
Total Investments	£52,289,500					

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

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

The Security of Our Investments

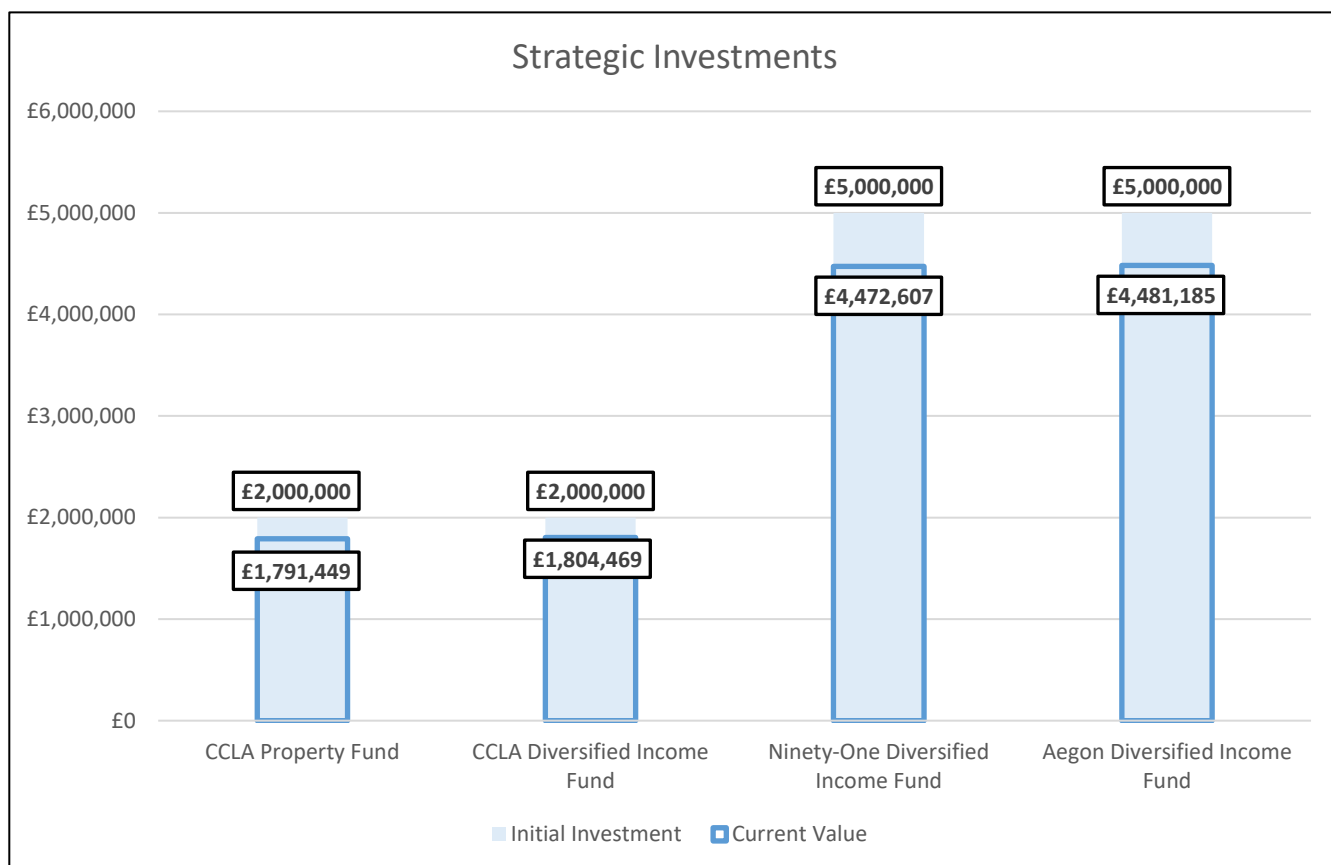
The investments the Council had at the 30 September 2023 of **£52,289,500** (with the Property and Diversified Income Funds valued at original investment for each) by type and Country are summarised below.



The Council’s portfolio size (with the Property and Diversified Income Funds valued at its current value of **£12.5m**), average credit score, diversification and exposure to ‘Bail in’ risk compared to Arlingclose Clients is shown below



The current value of the Property Fund and the Diversified Income Funds are:

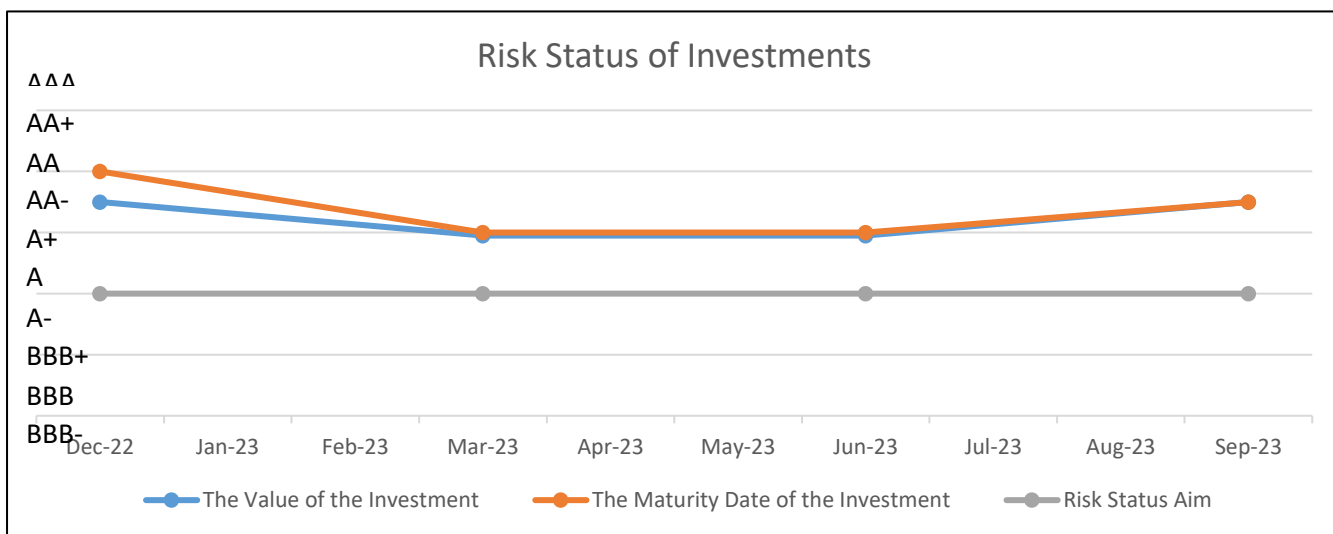


Overall, in terms of strategic investments there is a ‘book loss’ of **(£1,453,227)** and the earmarked reserve to manage volatility risk is projected to be **£1,400,000**.

Strategic Investments Volatility Reserve	
Opening Balance 01/04/2023	£720,290
Approved Transfers 2023/24	£74,000
Projected Transfers Qtr 2	£605,710
Projected Closing Balance 31/03/2024	£1,400,000
Fund Book Gains/(Losses)	
CCLA Property Fund	(£211,488)
CCLA Diversified Income Fund	(£195,531)
Ninety-One Diversified Income Fund	(£527,393)
Aegon Diversified Income Fund	(£518,815)
Net Book Loss as at 30/09/2023	(£1,453,227)
Projected Shortfall	(£53,227)

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority’s medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years, but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

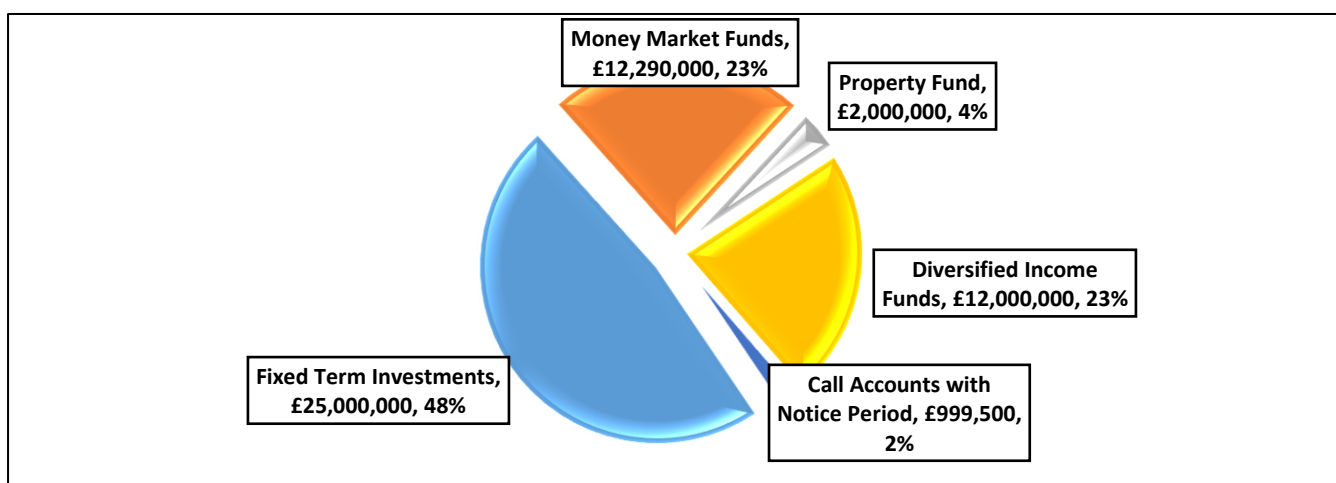
Our aim for the risk status of our investments was **A-** or higher. The risk status based on the length of the investment and the value for a 10 month period is summarised in the graph below:



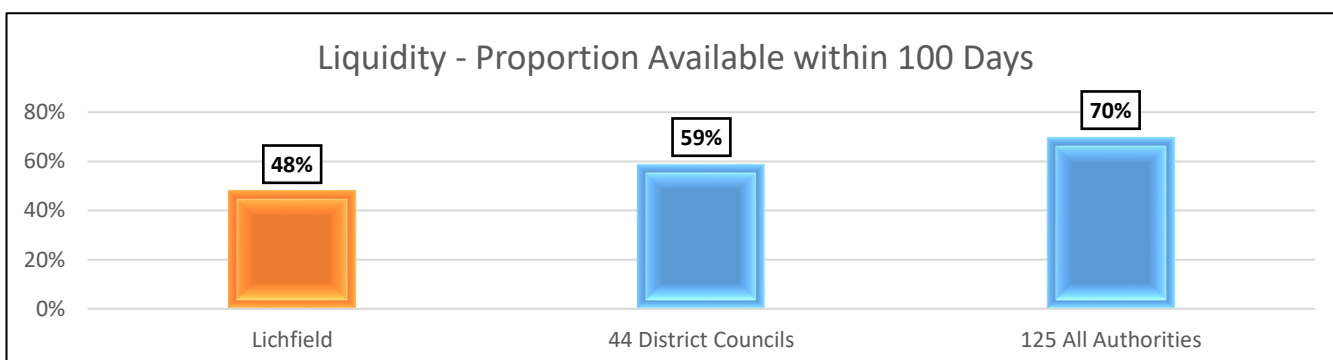
The Liquidity of our Investments

The Council has not had to temporarily borrow during 2023/24.

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

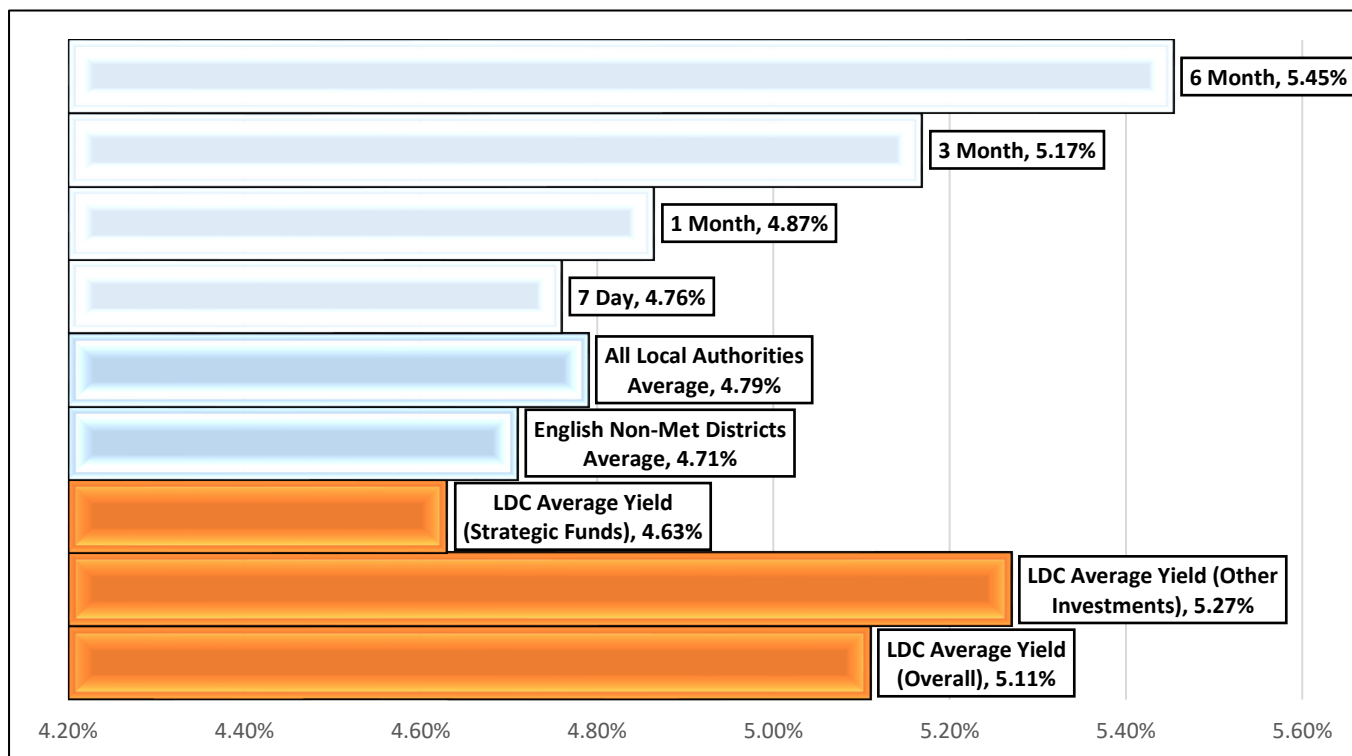


The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown below:



The Return or Yield of our Investments

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



The investment activity during the financial year is projected to generate (£2,213,080) of gross investment income compared to a budget of (£1,357,370). The majority of this extra income (£605,710) is being transferred to the Strategic Investments Volatility reserve.

The External Borrowing Portfolio

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

	Principal	Average Rate	Years to Final Maturity	(Premium) /Discount
PWLB Fixed Equal Instalment of Principal (EIP)	£1,004,520	2.59%	16.5	£123,905
TOTAL BORROWING	£1,004,520	2.59%	16.5	£123,905

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Interim Policy NR3: Biodiversity, Protected Species & their Habitats



Cabinet Member for Waste, Recycling, Ecology and Climate Change, with oversight from Cabinet Member for Housing & Local Plan

Date:	5 December 2023
Agenda Item:	5
Contact Officer:	Kristie Charlesworth
Tel Number:	07816 084921
Email:	Kristie.Charlesworth@lichfielddc.gov.uk
Key Decision?	YES
Local Ward Members	N/A

CABINET

1. Executive Summary

- 1.1 Under the Environment Act (2021), all planning permissions granted in England (with a few exemptions) will have to deliver at least 10% Biodiversity Net Gain (BNG) from January 2024. BNG will be required for small sites from April 2024.
- 1.2 With the new national mandatory requirements, local government are releasing secondary legislation and standardising the process, of which the full details are expected to have been released by November 2023. Councils will need to be ready to meet the new legal requirements.
- 1.3 Lichfield District Council have successfully been implementing Biodiversity Net Gain as an early adopter since 2015 Policy NR3 of the adopted Lichfield District Local Plan mandates all development delivers a net gain for biodiversity, though this current NR3 policy was finalised in 2017 and requires updating.
- 1.4 Due to the withdrawal of the proposed local plan, Policy NR3 should be updated through an interim policy to reflect what Lichfield District Council has been delivering locally, and the new national requirements and legislation.

2. Recommendations

- 2.1 The Cabinet notes the progress made by Lichfield District Council regarding Biodiversity Net Gain since 2015.
- 2.2 Cabinet recommend to Full Council the new interim policy for NR3 is approved with a view it replaces the current version, as set out in Appendix A of this Cabinet Report.

3. Background

- 3.1 **The Environment Act (2021)** requires development achieve a minimum 10% Biodiversity Net Gain (BNG) meaning developers will need to demonstrate their ability to deliver measurable improvement in biodiversity by creating or enhancing habitats. You will need to understand the requirements of BNG if you're a land manager, developer or local authority. The new regulations were expected to come into effect in November 2023, with mandatory BNG for small sites commencing from April 2024. They have been delayed until January 2024, but many local planning authorities have adapted planning policies to reflect the new law.
- 3.2 **Policy NR3 of the Lichfield District Local Plan** combined with the Biodiversity and Development Supplementary Planning Document assures that development results in 'no net loss' to biodiversity and further makes biodiversity 'net gains' a requirement across the District in line with national policy and

legislation. Net gains to habitat of no less than 20% have been achieved on all major developments since adoption. Successful implementation is resulting in the creation of significant new areas of habitat across the District, which achieves national targets of bigger, better and more joined up habitats. This has now been recognised as a national case study of best practice and other authorities are seeking to adopt this approach. The current Policy NR3 was finalised in 2017 and requires updating to reflect what we have been delivering locally, reflect the new national requirements and legislation, and to make it clear to development what obligations are required from them regarding ecological considerations in the planning system.

3.3 **The proposed local plan 2040 has been withdrawn** as agreed by Full Council on 17 October 2023. A new adopted local plan will take time to develop, and it is not favourable to wait for this process to be completed to update policy NR3.

3.4 **A key additional detail the interim policy seeks to set out is concerning Biodiversity Offsetting Schemes.** Development should seek to achieve Biodiversity Net Gain on site. If, after all reasonable efforts to avoid, mitigate and compensate loss to ecology onsite, the applicant is still unable to attain a net gain in biodiversity value, then a Biodiversity Offsetting Scheme will need to be incorporated as part of the development proposal to account for any outstanding Biodiversity Units. This provides opportunities for landowners within the District. In the event a Biodiversity Offsetting Scheme is required, it will be permitted in the following priority order: in the same ward as the development scheme, within the wider Lichfield District, or from the National market.

3.5 **Another key additional detail the interim policy seeks to set out is regarding the minimum amount of Biodiversity Net Gain required.** The Environment Act (2021) requires development achieve a minimum of 10% Biodiversity Net Gain (BNG) on top of the entire sites value. Lichfield District Council require 20% above the biodiversity unit value of habitats lost; the ‘replacement percentage’. This provides an incentive for developers to retain the best habitats. This is further detailed in paragraphs 6.30 and 6.33 of the Lichfield District Council Biodiversity and Development SPD.

3.6 **It is important to note** not all secondary legislation relating to Biodiversity Net Gain has been released from central government. Policy NR3 may need to be revisited and updated again soon following the publication of further guidance on BNG and Local Nature Recovery Strategies (LNRS) in the planning system post- Levelling-up and Regeneration Bill (LURB) to be provided by DLUHC/DEFRA. There is a requirement in the Environment Act 2021 S102 (5) (2B) for the Secretary of State to issue guidance to local planning authorities as to how they must have regard to LNRS.

Alternative Options	<ol style="list-style-type: none"> Policy NR3 is not reviewed, remains as is, and will be updated during the Local Plan process. It is expected it will take some time for Lichfield District Council to have a new adopted Local Plan. Meanwhile, this will leave the council with an outdated policy that does not reflect the new law, and with less influence to make clear and require obligations from development.
Consultation	<ol style="list-style-type: none"> Consultation with Cabinet Member for Waste, Recycling, Ecology and Climate Change, Cabinet Member for Housing and Local Plan Consultation with Leadership Team Consultation with Shadow Cabinet Members
Financial Implications	<ol style="list-style-type: none"> Not applicable. No financial implications expected. No funding or expenditure is required in relation to the proposals.
Approved by Section 151 Officer	Yes
Legal Implications	<ol style="list-style-type: none"> The policy should be reviewed to comply with the requirements of the Environment Act (2021). No rules of procedure actions were undertaken in

	developing the recommendations for the report.
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	<ol style="list-style-type: none"> Shape place to: Keep it clean, green, and safe. Preserve the characteristics. Make sure sustainability and infrastructure needs are balanced. Develop prosperity to: Encourage economic growth. Enhance the district for all. Invest in the future.
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Equality, Diversity and Human Rights Implications	<ol style="list-style-type: none"> Not applicable. It is not expected there will be implications on equality, diversity, and human rights. An equality impact assessment has not been undertaken with no impact on people with protected characteristics expected.
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EIA logged by Equalities Officer	No
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Crime & Safety Issues	<ol style="list-style-type: none"> Not applicable. It is not expected the recommendation(s) will impact (positively or negatively) on our duty to prevent crime and disorder within the District (Section 17 of the Crime and Disorder Act, 1988).
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Data assessment	<ol style="list-style-type: none"> Not applicable. There is not any relevant data within the social progress index/service data dashboard/or other data the service holds this proposal will influence.
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Environmental Impact (including Climate Change and Biodiversity).	<ol style="list-style-type: none"> Successful implementation results in the creation of significant new areas of habitat creation across the District, which achieves national targets of bigger, better and more joined up habitats. Habitat creation and enhancement provides many cost-effective benefits that combat the impacts of Climate Change. Some healthy habitats, such as heathland and woodland, have the potential to become carbon sinks.
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GDPR / Privacy Impact Assessment	<ol style="list-style-type: none"> A Privacy Impact Assessment has not been undertaken. There are no expected GDPR implications.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Current Policy does not reflect new legislation and requirements placed upon local authority and development.	Likelihood: Red Impact: Yellow Risk: Yellow	Ensure the current adopted policy NR3 is kept updated by an interim policy which reflects new legislation, and local priorities and strategies.	Likelihood: Green Impact: Green Risk: Green
B	The council are unable to clearly set out what is required from development regarding ecological obligations and considerations, stalling the planning process.	Likelihood: Red Impact: Yellow Risk: Yellow	Ensure the current adopted policy NR3 is updated with an interim policy which makes clear the council's position on development proposals and when they will only be permitted, and what they should seek to contribute regarding Biodiversity, Protected Species and their Habitats.	Likelihood: Yellow Impact: Green Risk: Green
E	Ecology lost from development within Lichfield District is offset out of district or in less favourable areas.	Likelihood: Red Impact: Yellow Risk: Red	Ensure the current adopted policy NR3 is updated with an interim policy which outlines how Biodiversity Offsetting schemes will be permitted.	Likelihood: Yellow Impact: Green Risk: Yellow

Background documents

Any previous reports or decisions linked to this item:

Appendix A: Policy NR3: Biodiversity, Protected Species & their Habitats (updated version, to be used as interim policy)

Relevant web links

Any links for background information which may be useful to understand the context of the report:

<https://www.gov.uk/government/collections/biodiversity-net-gain>

<https://www.legislation.gov.uk/ukpga/2021/30/schedule/14/enacted>

Policy NR3: Biodiversity, Protected Species & their Habitats (Interim)

Tracked changes are highlighted in yellow showing changes to the original policy.

Development will only be permitted where it:

- Protects, enhances, restores, replaces and implements appropriate conservation management of the biodiversity and/or geodiversity value of the land and buildings;
- Minimises fragmentation and maximises opportunities for restoration, enhancements, and connection of natural habitats (including links to habitats outside Lichfield District); and- Incorporates beneficial biodiversity and/or geodiversity conservation features, including features that will help wildlife to adapt to climate change where appropriate;
- Delivers a net gain for biodiversity, a minimum of 20% above the biodiversity unit value of habitats lost; the 'replacement percentage';
- Delivers a net gain for geodiversity in the district.

Proposals should particularly seek to contribute towards the Lichfield District Nature Recovery Network map, the United Kingdom Biodiversity Action Plan (UK BAP) priority habitats and species in Lichfield District, and any additional Staffordshire or National Forest Biodiversity Action Plan species.

-

If, after all reasonable efforts to avoid, mitigate and compensate onsite the applicant is still unable to attain a net gain in biodiversity value then a Biodiversity Offsetting Scheme will need to be incorporated as part of the development proposal to account for any outstanding Biodiversity Units.

In the event a Biodiversity Offsetting Scheme is required, it will be permitted in the following priority order: in the same ward as the development scheme, within the wider Lichfield District, or from the National market.

While priority is given to offset biodiversity loss from within Lichfield District, the purchase of Biodiversity Units to offset development outwith the district is permitted.

All habitats being enhanced, restored, and created both on and off site should complement the Habitat Connectivity Opportunity Areas within the Lichfield District Nature Recovery Network.

-

Development proposals that would have a direct or indirect adverse effect on local designated sites, non-protected sites and priority protected species that are considered to have geological and biodiversity value, will not be permitted unless:

- They cannot be located on alternative sites that would cause less or no harm;

- The benefits of the development clearly outweigh the impacts on the features of the site and the wider network of wider habitats; and
- Prevention, mitigation, and compensation (biodiversity offsetting) measures are provided which ensure there is no net loss of such sites.

-

Development proposals where the principal objective is to conserve or enhance biodiversity or geodiversity and deliver a net gain for such objectives will be supported in principle where this accords with other policies in the Local Plan.

This Policy must be read in conjunction with Policy BE1: High Quality Development.

-

Explanation

11.17 There is a wealth of biodiversity within Lichfield District; there are sites which have international and national protection and there is a duty to protect and enhance these assets. In addition to policies, national guidance proposals should particularly seek to contribute towards UK priority habitats and species in Lichfield District and any additional Staffordshire or National Forest BAP species. Development proposals should be accompanied by sufficient information to assess the effects of development on protected sites, species, biodiversity, or geology. This should take into consideration indirect effects including climate change. Lowland heathland is identified as a priority for certain areas of the district, and especially between Sutton Park and Cannock Chase.

FUTURE OF HR FUNCTION

Cabinet Member for Finance and Commissioning

Date: 5th December 2023

Agenda Item: 6

Contact Officer: Kerry Dove

Tel Number: 01543 308068

Email: kerry.dove@lichfielddc.gov.uk

Key Decision? **NO**

Local Ward N/A

Members



CABINET

1. Executive Summary

- 1.1 Our workforce is our greatest resource and the Council's Human Resources (HR) function should be at the heart of developing our organisational culture, improving belonging and increasing organisational performance. A high-performing HR function is key to us Being A Better Council and delivering on our ambitions for the district.
- 1.2 This paper reflects on how our HR function currently performs and proposes that we seek a new arrangement for our HR function moving forward.

2. Recommendations

- 2.1 That Cabinet approves the proposal set out in section 4 to seek agreement from the LWMTS Board to transfer the HR function to it.
- 2.2 That Cabinet delegates implementation of the proposal to the Cabinet Member for Finance and Commissioning, and the Chief Operating Officer subject to this remaining within Approved Budgets.

3. Background

- 3.1 In recent years our HR function has focused on delivering the basic, fundamental HR services, such as payroll, time management (including sickness and holidays), and overseeing the implementation of key HR policies such as grievance, disciplinary and performance management. The following paragraphs identify some of the key challenges and issues currently facing the HR function.
- 3.2 The Council's payroll is currently outsourced to Stoke City Council, and through this contract they also provide access to MyView which we currently utilise as our only HR system. The contract was put in place in June 2019 when we were a very different Council. The current service provided does not align with our ambitions as a Council.
 - Despite payroll being outsourced, the HR function spend a considerable amount of time, every month checking and actioning payroll, meaning resources are diverted from other strategic HR priorities. Despite this, staff and Councillors often report payment issues. Being able to accurately pay our staff and Councillors is a minimum service standard that we currently don't consistently meet.
 - The functionality we have available to us in MyView is extremely limited, focused predominately on payroll information offering limited ability to proactively manage the workforce and support organisational development. The ability to extract management information and reports is having a negative impact both on the HR function and line managers.

- 3.3 The HR function is currently heavily reliant on the knowledge and expertise of the Assistant Director for Operations, Regulation and Enforcement, who has a background in HR and currently line manages the service. This is not sustainable with the Assistant Director having a substantive role to deliver.
- 3.4 There has been a lack of transformation within the function for a number of years. There is a need to review current ways of working to increase efficiency, improve self-service and rationalise systems. This will create additional capacity to focus on added value strategic priorities. Whilst there has been some limited progress to shift the culture between HR and line managers, we need to move further and faster to enable line managers to self-serve.
- 3.5 The HR function has had limited capacity to deliver strategic HR activities, such as employee wellbeing and belonging, organisational development, learning and development, staff benefits and employee engagement. This work has been picked up by the Chief Executive and Chief Operating Officer for the last two years, with very limited support from HR.
- 3.6 We have struggled to recruit to vacancies in HR. In the last six months we have gone out to recruit for a HR Officer on three occasions and been unsuccessful.

4. Proposal

- 4.1 Given the current context of the HR function set out in sections 3, it is proposed that the best way to transform the service is to seek approval for it to be transferred to LWMTS. The following paragraphs outline the key benefits of transferring the function.
- 4.2 LWMTS has already heavily invested in its own HR function to support the approximately 150 staff who now work for the council's wholly owned company. LWMTS completed the successful TUPE of approximately 130 leisure staff in April 2023 within challenging timescales (approx. 6 weeks). As a growing company, the HR systems and processes are being designed now, fit for purpose for a modern organisation.
- 4.3 There are significant efficiencies to be had from having a combined HR function that covers both Lichfield District Council and LWMTS. Having a shared resource, will also enable a smoother transition for any agreed future transfer of staff and functions, with 'one team' leading the process. It will also offer up flexibilities in terms of staffing and trading arrangements, whilst ensuring LWMTS remains TECKAL compliant.
- 4.4 There are existing relationships, processes and data sharing agreements in place between the two HR functions. This means the LWMTS has a good understanding of the HR challenges in the Council and key existing procedures. Through the Talent Acquisition service, LWMTS already interacts with the LDC HR function on a regular basis concerning recruitment, pre-employment checks and the issuing of contracts. LWMTS has also built-up relationships with line managers within the Council through the Talent Acquisition service.
- 4.5 By transferring the function to LWMTS there is an opportunity to realise economies of scale. Both organisations are currently outsourcing their payroll to two separate payroll providers. There are other differing HR systems and platforms currently in operation. Whilst each organisation will have different offerings, there is an opportunity to rationalise system costs.
- 4.6 LWMTS is already successfully undertaking 'dual role' functions for both the Council and the Company, for example the Communications Team provides services to the Council and the Company. LWMTS would draw on this experience to support the transition and transformation of HR.
- 4.7 If the proposal is supported, LWMTS would be asked to deliver the following key transformation objectives as well as delivering effective day-to-day HR services:

- Review and transform payroll, improving the service and reducing the amount of capacity required to administer. Capital investment may be required, depending on the review findings.
- Scope out and deliver an improved HR system for LDC, that allows staff and line managers to self-serve, alongside improved management information.
- Transform our HR processes, embracing digital solutions, to allow greater self-service for staff and managers, and efficiencies.
- Support the Leadership Team to develop and deliver an ambitious People Strategy, with a focus on belonging and wellbeing, and learning and development.

4.8 A Service Level Agreement would be put in place with LWMTS, reflecting the above transformation priorities, and with mutually agreed performance measures. A key performance measure will be satisfaction with the HR function. This is not currently measured by the in-house service. The long-term trend of this measure will need to be monitored and tracked, accepting that a shift to greater self-serve and changing the relationship between HR and line managers may cause a short-term dip in satisfaction.

4.9 The Service Level Agreement will also cover data sharing agreements and stipulations regarding confidentiality. The fiduciary relationship between employees and the Council will be protected, LWMTS will be delivering a HR service on behalf of the Council.

Alternative Options	<ol style="list-style-type: none"> 1. Retain and develop the service in-house – this would lead to a missed opportunity to deliver efficiencies, with one shared service supporting both LDC and LWMTS. LDC has experienced repeated unsuccessful attempts to recruit HR professionals. This option is not recommended. 2. Outsource to a private sector provider – whilst there are other private sector providers that could offer a wide-range of HR administrative functions, strategic functions are generally not available within standard offers. If LDC pursued this option, it is highly likely we would become one of many customers and this would be reflected in the level of service received. This option would also lead to a missed opportunity to realise economies of scale with a shared service. This option is not recommended. 3. Shared service with another local authority – this has been explored, many councils are facing similar recruitment challenges with HR professionals, and entering into a shared service agreement would likely lead to LDC having to compromise on the level of service we received. This option is not recommended.
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Consultation	<ol style="list-style-type: none"> 1. Shared with Shadow Cabinet Members prior to Cabinet 2. Paper is seeking agreement to consult and engage with LWMTS 3. ELG and effected staff will be consulted with, if LWMTS agree to transfer the service
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Financial Implications	<ol style="list-style-type: none"> 1. Revenue budget for the HR function are shown below: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #d9e1f2;"> <th style="text-align: left;">HR Budgets</th> <th style="text-align: right;">2023/24</th> <th style="text-align: right;">2024/25</th> <th style="text-align: right;">2025/26</th> <th style="text-align: right;">2026/27</th> <th style="text-align: right;">2027/28</th> </tr> </thead> <tbody> <tr> <td>Employees</td> <td style="text-align: right;">218,220</td> <td style="text-align: right;">224,770</td> <td style="text-align: right;">230,010</td> <td style="text-align: right;">235,410</td> <td style="text-align: right;">240,920</td> </tr> <tr> <td>Transport</td> <td style="text-align: right;">1,950</td> <td style="text-align: right;">1,950</td> <td style="text-align: right;">1,950</td> <td style="text-align: right;">1,950</td> <td style="text-align: right;">1,950</td> </tr> <tr> <td>Supplies and Services</td> <td style="text-align: right;">1,530</td> <td style="text-align: right;">1,530</td> <td style="text-align: right;">1,530</td> <td style="text-align: right;">1,530</td> <td style="text-align: right;">1,530</td> </tr> <tr> <td>Income</td> <td style="text-align: right;">(500)</td> <td style="text-align: right;">(500)</td> <td style="text-align: right;">(500)</td> <td style="text-align: right;">(500)</td> <td style="text-align: right;">(500)</td> </tr> <tr> <td>Third Party Payments</td> <td style="text-align: right;">33,000</td> <td style="text-align: right;">33,000</td> <td style="text-align: right;">33,000</td> <td style="text-align: right;">33,000</td> <td style="text-align: right;">33,000</td> </tr> <tr style="background-color: #d9e1f2;"> <td>Total</td> <td style="text-align: right;">254,200</td> <td style="text-align: right;">260,750</td> <td style="text-align: right;">265,990</td> <td style="text-align: right;">271,390</td> <td style="text-align: right;">276,900</td> </tr> </tbody> </table>	HR Budgets	2023/24	2024/25	2025/26	2026/27	2027/28	Employees	218,220	224,770	230,010	235,410	240,920	Transport	1,950	1,950	1,950	1,950	1,950	Supplies and Services	1,530	1,530	1,530	1,530	1,530	Income	(500)	(500)	(500)	(500)	(500)	Third Party Payments	33,000	33,000	33,000	33,000	33,000	Total	254,200	260,750	265,990	271,390	276,900
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	<ol style="list-style-type: none"> 2. Dependent on the review of the payroll system, capital investment may be required 3. Any additional costs that cannot be managed within Approved Budgets will require further approvals in line with the MTFS Framework.
Approved by Section 151 Officer	Yes

Legal Implications	<ol style="list-style-type: none"> 1. Certain employment law provisions will apply relevant to Employment Rights Act, including formal consultation and TUPE. TUPE regulations govern the transfer of employees from one company to another. 2. ELG and effected staff will be consulted with, if LWMTS agree to transfer the service
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	<ol style="list-style-type: none"> 1. Be a good council that is: responsive and customer focussed 2. The proposals support the delivery of the Being A Better Council Programme.
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Equality, Diversity and Human Rights Implications	<ol style="list-style-type: none"> 1. To be considered as part of transfer arrangements
EIA logged by Equalities Officer	No - Equalities Officer confirmed not required.

Crime & Safety Issues	<ol style="list-style-type: none"> 1. Not applicable
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Data assessment	<ol style="list-style-type: none"> 1. Not applicable
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Environmental Impact (including Climate Change and Biodiversity).	<ol style="list-style-type: none"> 1. Not applicable
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GDPR / Privacy Impact Assessment	<ol style="list-style-type: none"> 1. A Privacy Impact Assessment has not been undertaken, however if a transfer is agreed, LDC will work with LWMTS to ensure the transfer allows both parties to remain GDPR compliant. 2. The Service Level Agreement will include stipulations for and reference to agreed processes for data sharing.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Ability to attract and retain high-quality HR staff	Likelihood: Yellow Impact: Red: Score: Red	Transferring the function will allow more flexibility in negotiating employment packages and will create a more attractive offer, in terms of working across two organisations	Likelihood: Green Impact: Green Score: Green

B	Capacity within the function to deliver strategic HR activities	Likelihood: Red Impact: Red: Score: Red	Transferring the function will create efficiencies through shared resources and transformation of processes, which will free up capacity to support strategic HR activities	Likelihood: Green Impact: Green Score: Green
C	Ability to deliver an accurate and value for money payroll	Likelihood: Yellow Impact: Yellow Score: Yellow	A key priority for the transfer will be to transform how payroll currently operates, with a view to significantly decreasing the internal resources required to manage payroll	Likelihood: Green Impact: Green Score: Green
D	Responsibilities for statutory returns and Internal and External Audit liaison are not clearly identified and create regulatory/legal issues	Likelihood: Yellow Impact: Red Score: Yellow	The Service Level Agreement will clearly identify responsibilities and provide access to Internal Audit and External Audit and other regulatory bodies. There must be full co-operation and provision of all required information by LWMTS in line with legal and organisational deadlines. LWMTS will be required to action internal and external audit findings.	Likelihood: Yellow Impact: Yellow Score: Yellow

Background documents

Any previous reports or decisions linked to this item

Relevant web links

Any links for background information which may be useful to understand the context of the report

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A Cinema for Lichfield District – Update

Deputy Leader of the Council and Cabinet Member for Leisure, Parks and Major Projects

Date: 5 December 2023

Agenda Item: 7

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

Members



CABINET

1. Executive Summary

- 1.1 This paper provides Cabinet with a further update (since the last update on 27 June 2023) on progress with the creation of a new joint venture partnership, a Limited Liability Partnership (LLP), with Evolve Estates, through which a new cinema and associated food and beverage (F&B) units will be developed in the former Debenhams unit in the Three Spires shopping centre.
- 1.2 It provides a final update for Cabinet on the outcome of negotiations with Evolve Estates over the structure and detail of the LLP.
- 1.3 The paper proposes and recommends the introduction of a new clause, requested by Evolve Estates, to commit the council to ‘buy-out’ their shareholding in the LLP, two years after completion of the development.

2. Recommendations

- 2.1 Cabinet agrees and recommends to Full Council to agree to the ‘Buy Out’ of Evolve Estates interest in the Joint Venture Limited Liability Partnership, two years after completion of the development, and the inclusion of the new ‘Buy Out’ clause outlined in the background section. The clause is subject to confirmation from the Council’s legal team and independent valuer that the valuation approach is in line with Best Practice and the ‘price’ can be substantiated from a legal Best Value perspective.
- 2.2 Cabinet delegate authority to the Leader and Chief Executive in consultation with the Monitoring Officer and the Section 151 Officer to:
 - i. Complete all contracts related to the ‘Buy out’ of Evolve Estates interest in the Joint Venture Limited Liability Partnership.
 - ii. Determine and implement the most appropriate ownership model.

Subject to financial implications of all contracts and the most appropriate ownership model being within Approved Budgets.

- 2.3 Cabinet agrees and recommends to Full Council to update the Medium-Term Financial Strategy:

- i. To increase the budget in the Capital Programme by **£3,999,000** to reflect the central scenario cost of the 'buy out' with funding initially based on the central scenario included in the financial implications section. The plan is for any borrowing need to be funded through internal borrowing.
- ii. To continue the approach that the MTFS is based on a neutral (no surplus or deficit or capital receipts are included) budget position until more informed financial projections are provided through the Business Plan. Any future changes following receipt of the Business Plan will be reported in line with the Council's budget monitoring and any budget approvals will be in line with the budget framework.

2.4 Cabinet agrees a further report is provided to it and Overview and Scrutiny Committee once the Business Plan has been agreed to enable Members to fully understand the strategic, operational, and financial implications of the Council becoming the sole owner of the cinema development and the impact on the MTFS.

3. Background

3.1 On 11 October 2022, Cabinet agreed and recommended to Full Council that Lichfield District Council enter a joint venture Limited Liability Partnership (LLP) with Evolve Estates 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. Full Council subsequently agreed the same, on 20 October 2022. Delegated authority was granted to the Leader and Chief Executive 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.

3.2 On 23 June 2023, an update was brought to Cabinet showing progress of ongoing negotiations and setting out adaptations to the proposed LLP structure and commercial assumptions, for Cabinet to approve and recommend to Full Council. These adaptations were agreed and subsequently approved by Full Council on 11 July 2023 and included:

- *Cabinet agreeing and recommending to Full Council that Lichfield District Council's freehold ownership of the Three Spires Shopping Centre site, excluding the Debenham's building, and six retail units (no's 32 – 44 Baker Street) be exchanged for the leasehold of the same six retail properties.*
- *Cabinet approving the Leader, Chief Executive and another Member of Leadership Team being the Council's three representatives on the LLP Board.*
- *Cabinet approving delegated authority to the Cabinet Member for Finance and Commissioning in consultation with the Assistant Director – Finance and Commissioning (S151) and Monitoring officer (as non-LLP Board Members) to approve the Business Plan and any other documents pertinent to the operation of the LLP on behalf of the Council subject to financial implications remaining within the approved budget framework.*
- *Cabinet delegating authority to the Leader and Chief Executive in consultation with the Monitoring Officer and the Section 151 Officer to complete all contracts and demolition related to enabling works on the Birmingham Road Site subject to the financial implications being within Approved Budgets.*
- *Cabinet recommends to Council to update the Medium-Term Financial Strategy:*
 - iii. *To reflect the financial and accounting implications related to the land exchange, the projected payment of Stamp Duty Land Tax for the leasehold units of **£85,000** and to fund this cost from the former car park reserve approved to deliver the Lichfield City Masterplan.*
 - iv. *To increase the budget in the Capital Programme for the Joint Venture loan advance to reflect additional cost inflation by **£439,000** from **£5,349,000** to **£5,788,000** and to*

fund this additional capital investment from the former car park reserve approved to deliver the Lichfield City Masterplan.

- v. *To continue with the approach that the revenue budget is based on a budget neutral (no surplus or deficit is included) position. In addition, capital receipts related to the loan repayment will at this stage not be included in projections until more informed financial projections are provided through the Business Plan. Any future changes following receipt of the Business Plan will be reported in line with the Council's budget monitoring and any budget approvals will be in line with the budget framework.*

- 3.3 Since Full Council on 11 July 2023, the Chief Executive, with support from the S151 Officer, and through continuous engagement with the Leader and Deputy Leader of the Council, has sought to conclude negotiations with Evolve Estates over the final details of the LLP.
- 3.4 Towards the end of this summer as negotiations were concluding, the Council was approached by Evolve Estates about one amended and two new clauses they sought to include into the agreement:
- **Amended** - That the Council's independent valuation of the freehold for the former Debenhams building (46 Bakers Lane) was incorrect and should be revalued.
 - **New** - That all elements of the cinema scheme must be pre-let before the LLP was concluded.
 - **New** – That the council commits to a buy-out of Evolve Estates shareholding two years after completion of the scheme.
- 3.5 The first two of these issues have been resolved through negotiation. Evolve Estates accepts the Council's valuation of the freehold to 46 Bakers Lane, and we have agreed a need to constitute the LLP before we finalise leases and pre-lets, as many of the potential tenants require this themselves.
- 3.6 The issue of the Council agreeing to buy-out Evolve Estates shareholding requires Cabinet and ultimately Full Council's support.

Why does Evolve Estates want a buy-out clause?

- 3.7 Evolve Estates purchase (through Rookman holdings) of the Three Spires shopping centre has been a positive for the city and district. They are a very present landlord, aligned with the Council's ambition to ensure a vibrant city centre shopping experience for residents and visitors. In the last twelve months we have seen long term vacant units on the site populated with brands such as Starbucks, Edinburgh Wool Mill and latterly KFC.
- 3.8 In October 2022, Full Council supported entering a joint venture (LLP) with Evolve Estates to bring forward an ambitious place shaping ambition for the district, to introduce a high-quality cinema operator and complementary food and beverage outlets to add to the already well-established independents the city enjoys.
- 3.9 Due diligence undertaken from October 2022 to June 2023 proved for Full Council that Evolve Estates was the right commercial partner, with an aligned ambition for the site and understanding of the greater benefits the development would bring to the remainder of the city centre regeneration aspirations of the Council.
- 3.10 None of the above points has changed. Evolve Estates remain a committed partner, determined to deliver the cinema complex at the heart of their Three Spires estate – and this report seeks final sign off from Cabinet, and a recommendation to Full Council, that we do the same.
- 3.11 See confidential appendix.
- 3.12 See confidential appendix.
- 3.13 See confidential appendix.

- 3.14 See confidential appendix.
- 3.15 This sale of shareholding is already accounted for in the structure of the LLP contract, which currently states both parties will hold their shareholding for a minimum of two years. At that point, if one party would like to divest themselves of the investment, the remaining party has what is known as ‘first refusal rights’, the right to buy-out the partner shareholding.
- 3.16 Through their request for the introduction of a strengthened clause to this part of the LLP agreement, Evolve Estates is making clear its intention to sell its shareholding – specifically - two years following completion of the development. Evolve Estates is simply requesting a firmer commitment from the Council now that it will buy-out their shareholding at that point.

What the new clause means

- 3.17 If agreed by Cabinet and Full Council, signing up to the new clause will result in one of two outcomes, two-years after completion of the development:
- a) The Council will purchase Evolve Estates shareholding in full, for a pre-agreed price initially estimated at £3.5m. This £3.5m is made up of two parts (see confidential appendix).
Evolve Estates is **not** seeking payment for the value of the asset (the Debenhams building) it is putting into the LLP.
 - b) If the Council decides not to purchase Evolve Estates shareholding, then Evolve Estates will be entitled to sell its holding on the open market. In the event it did not achieve the pre-agreed price of £3.5m on the open market, then the Council would fund any gap between its sale price and £3.5m.

What this means for the Council.

- 3.18 If Cabinet and Full Council agree to the inclusion of the new clause, negotiations over the LLP can be concluded and the development of the cinema complex can commence.
- 3.19 Several months of work by our partners in Evolve Estates has now concluded the deal for a 25-year lease for a cinema operator to move to Lichfield. The ability to exchange contracts with that cinema operator awaits only the conclusion of the LLP now. Alongside the cinema operator, Evolve Estates has successfully pre-let all but one of the food and beverage / leisure units that will be created within the centre. Again, exchange of contracts for these leases awaits only the conclusion of this LLP deal.
- 3.20 If the LLP amendment set out in this paper is approved, by Cabinet and Full Council, then these contractual negotiations can be concluded and then work on site can commence to complete the development. Once completed, and associated obligations on Evolve Estates as development lead achieved, the development would ‘go live’ and the clock would start on the buy-out clause.
- 3.21 At that stage, and assuming Cabinet and Full Council decide to buy out Evolve’s shareholding, then the Council will become the 100% owner of the development, its risks and financial benefits.
- 3.22 At that point, the Council will have options of its own:

Option 1 **Retain 100% ownership of the development**, alongside 100% of the return. A profitable development of this nature offers significant additional annual revenue to the council to support provision of its services or delivery of its priorities.

Option 2 **Seek to sell on part / all of its ownership** of the development. There may be an argument, once the development is up and running that the Council has achieved its place shaping ambition and should divest itself of the investment to reinvest in other activities in the district.

Financial Implications of buying out Evolve Estates shareholding

- 3.23 The Council’s independent valuer is currently reviewing the valuation approach and value of the ‘Buy Out’ to determine if it is in accordance with Best Practice and Best Value to the Council can be substantiated.
- 3.24 The outcome of this review will demonstrate if the ‘Buy Out’ value provides Best Value to the Council given the Council will acquire the freehold of the asset valued by the Council’s external valuer (see confidential appendix for details).

Implications for the LLP of a buy-out

- 3.25 A Limited Liability Partnerships (LLP) is by its very nature intended to be a partnership between two or more organisations. The partnership structure allows for each partner's liabilities to be limited to the amount they put into the business. Clearly, if the Council buys Evolve Estates shareholding, then the partnership will only have one party, and as such an LLP structure would not work without changes.
- 3.26 The Council could transfer the asset and its operation to the Council, seek to change the nature of the company (for example to a Limited Company) or connect the LLP to its existing wholly owned company, Lichfield West Midlands Traded Services, and maintain the LLP as is.
- 3.27 Alternatively, if the council was minded to sell part of its shareholding at this stage, then it could either retain the LLP and welcome a new partner to it, or indeed sell its entire interest.

Consultation	The Overview and Scrutiny Committee will consider the issue on 30 November 2023. The views of the Committee will be reported at the meeting.
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Financial Implications	<p><u>The Approved Medium Term Financial Strategy</u></p> <p>Council on 11 July 2023 approved updates to the MTFS detailed and these are summarised below:</p> <ul style="list-style-type: none"> • A Capital Programme Loan Advance budget of £5,788,000 (a project budget of £4,905,000 and client contingency of £883,000 (18%) based on the advice of an independent Quantity Surveyor and PWC) – APPENDIX A. • Capital funding of (£5,788,000) provided by United Kingdom Shared Prosperity Fund (UKSPF), capital receipts and earmarked reserves – APPENDIX A. • No borrowing need and therefore no Minimum Revenue Provision (MRP). • No projections were provided by Evolve Estates although the Council did prepare three scenarios to inform Payback and Investment appraisal information and the budgetary approach to be adopted. • However, the lack of projections provided by Evolve Estates resulted in the Revenue Budget being based on a budget neutral (no surplus or deficit is included) position. In addition, capital receipts related to the repayment of the capital loan are also not included in projections. This aim was that this approach would be updated when more informed financial projections are provided through the Business Plan. Any future changes following receipt of the Business Plan will be reported in line with the Council’s budget monitoring and any budget approvals (such as this one) will be in line with the budget framework.
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The Projected cost of the 'Buy Out' to the Council

The value of the 'Buy Out' is initially estimated by Evolve Estates to be **£3,500,000** and is based on two components (see confidential appendix).

PWC's advice has been sought on any indirect tax implications and it is not possible to fully quantify the potential Stamp Duty Land Tax (SDLT) implications without information from Evolve Estates. However, to the extent the transfer of Evolve Estate's share is within the scope of the tax, the potential rate of tax is up to 5% of the "chargeable consideration". This is on the basis that the underlying land is commercial. For a Limited Liability Partnership (LLP) based transfer, the chargeable consideration is limited to:

- The % of partnership interest acquired x the market value of the land/property in the Joint Venture.

The above excludes any SDLT which may arise on the initial contribution/purchase of the land by the LLP. Further advice on managing the tax implications will be sought from PWC.

A projection of the full cost of the 'Buy Out' based on three different scenarios is provided in the confidential appendix.

Potential Options to fund the Projected Cost of the 'Buy Out'

The Projected Cost of the 'Buy Out' is not included in the Medium Term Financial Strategy. Therefore, either funding will need to be identified or a borrowing need will be created that will result in an additional cost to the Revenue Budget for capital financing costs.

Potential External Funding

The Council was a member of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP). There is £20m of funding related to the 8 District/Borough Councils that were members of GBSLEP. This funding is split into two tranches:

- A tranche of £12m that has been equally allocated to each authority resulting in funding of **(£1,500,000)**.
- A further tranche of £8m that was initially set aside for a competitive process for all 8 local authorities to bid against each other for funds to deliver projects on a case by case basis. However, the project administrators are considering removing the £8million pot and allocating the monies equally to the 8 LAs instead. This would result in a further funding of **(£925,000)** (after the deduction of an administration fee of 3%).
- Therefore, total projected funding over a three year period 2024/25 to 2026/27 would be **(£2,425,000)**. This funding could be allocated to fund the Cinema for Lichfield District project.

Potential Funding from Council Sources

The Capital Programme has been reviewed to identify funding from capital receipts and earmarked reserves that could be reallocated to this project. In addition, the element of the projected Collection Fund surplus in 2023/24 more than the level of **(£474,000)** included in the draft MTFs could be utilised to fund the projected full cost of the 'Buy Out'. The three scenarios above together with funding options are shown below:

	Scenario		
	Optimistic	Central	Pessimistic

	£	£	£
Projected Full Cost of the 'Buy Out'	£3,775,000	£3,999,000	£4,382,000
External Funding			
Potential Funding from GBSLEP	(£2,425,000)	(£2,425,000)	(£1,500,000)
Potential Funding from Council Sources			
Loan to the Company	(£150,000)	(£150,000)	(£150,000)
Coach Park	(£274,000)	(£174,000)	
Public Conveniences in Lichfield & Burntwood	(£85,000)		
Zip Wire in Burntwood	(£30,000)		
Projected Collection Fund Surplus > (£474,000)	(£755,000)	(£755,000)	
Projected Borrowing Need	£56,000	£495,000	£2,732,000

In addition, the funding can be revisited following the receipt of the Local Government Finance Settlement for 2024/25 as part of the new MTFS to reduce the Borrowing Need and the consequent capital financing costs potentially further.

Where a Borrowing Need results, this would involve capital financing costs in relation to:

- **Minimum Revenue Provision (MRP)** – the Council's approved policy is based on asset life.
- **Cost of finance** – for internal borrowing this would be the loss of investment income and for external borrowing it would be the cost of the loan.

The capital financing costs for the period 2025/26 to 2029/30 is provided for scenarios where there is a projected borrowing need based on an asset life of **25 years, internal borrowing**, and an investment return of **3.50%**:

Capital Financing Costs	Borrowing Need	2025/26	2026/27	2027/28	2028/29	2029/30
		£	£	£	£	£
Optimistic	£56,000	£4,200	£4,120	£4,040	£3,960	£3,890
Central	£495,000	£37,130	£36,430	£35,740	£35,050	£34,350
Pessimistic	£2,732,000	£204,900	£201,080	£197,250	£193,430	£189,600

An increase in Capital Expenditure and Borrowing Need (Capital Financing Requirement) will also mean that several Prudential and Local Indicators related to replacement of Debt Finance or MRP, the Liability Benchmark, Treasury Management Investments and Internal Borrowing will be updated in the new MTFS.

Projected Revenue Budget Implications

Evolve Estates have only provided rental income projections and in the absence of a Business Plan, an illustrative set of Revenue Budget projections has been prepared. The key assumptions in each scenario are shown below:

	Optimistic	Central	Pessimistic
Full Year rental income	(£600,000)	(£600,000)	(£600,000)
Running Void	0%	5%	10%
Asset Manager Cost Per Annum	£50,000	£75,000	£100,000
Asset Manager Annual Inflation assumption	2%	2%	2%
Desired Sinking Fund Total	£4,236,100	£6,354,150	£7,413,175
Annual Sinking Fund contribution over 25 years	£169,000	£254,000	£297,000
Capital Financing Costs	Report Calculations		

These illustrative Revenue Budget projections from 2025/26 are shown in summary below and in detail at **APPENDIX A** together with a payback period and return on investment:

Revenue Budget Implications (Net Income is enclosed in brackets)						
	2025/26	2026/27	2027/28	2027/28	Payback	Return on
	£	£	£	£	(Years)	Investment
Optimistic	(£376,800)	(£375,880)	(£374,960)	(£374,040)	25	4%
Central	(£203,870)	(£202,570)	(£201,260)	(£199,950)	48	2%
Pessimistic	£61,900	£60,080	£58,250	£56,430	0	0%

It is important to note that these illustrative projections will be revised when the Business Plan is developed. Therefore, until the development is complete, and the Business Plan has been approved it remains prudent to retain the approach that the Revenue Budget is based on a budget neutral (no surplus or deficit is included) position.

The original plan was the acquisition and demolition of the six retail units as part of the land exchange. However, whilst all six units will be acquired, the current plan is for only four to be demolished immediately with the remaining two remaining occupied until their leases end. This will result in the Council retaining rental income (see confidential appendix) although lease obligations could reduce the sum retained.

Service Charge Budgets

Service charges deal with the costs of servicing and operating a property, to comply with the landlord lease obligations for the provision of services. The key elements are:

- The service charge arrangement is set down in the lease(s) and the aim is to entitle the owner to recover their charges and any associated administrative costs incurred in the operational management of the property. This will include reasonable costs of maintenance, repair, and replacement (usually where beyond economic repair) of the fabric, plant, equipment, and materials necessary for the property's operation, plus any other works and services the parties agree are to be provided by the owner, but subject to reimbursement by the occupier.
- If the property is fully let, the owner will normally be able to recover all expenditure on services through the service charge, except any concessionary discounts or 'caps' the owner may have given.
- Usually, there will be a manager who administers those services, for which they will receive a fee.
- The Council as owner will inherit or will need to develop Service Charge Budgets that will be recharged to occupiers.

Approved by Section 151 Officer	Yes
Legal Implications	Throughout the cinema project the council has retained legal advisors who have been actively engaged with creating the LLP and providing advice where needed, in particular the consideration of the recent buyout clause.
Approved by Monitoring Officer	Yes
Contribution to the Delivery of	<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.

the Strategic Plan	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	1. There are no equality, diversity or human right implications associated with the proposals at this stage.
Crime & Safety Issues	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.
Data assessment	1. To be added.
Environmental Impact (including Climate Change and Biodiversity).	2. Repurposing the former Anchor Store unit as a cinema will give the building an expected additional lifespan of 25 years. 3. The design of the development will incorporate sustainable elements in line with Council policies.
GDPR / Privacy Impact Assessment	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. Client Contingency increased based on PWC/QS further review of projected cost inflation to Dec 24.	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 and subject to approval of Joint Venture Business Plan.	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
D	NEW The Stamp Duty Land Tax rate or regime changes increasing the cost	Likelihood: Yellow Impact: Yellow Score: Yellow	Projections has been developed and included in the scenarios based on the current regime. Client contingency budget.	Likelihood: Yellow Impact: Green Score: Yellow
E	NEW Service charges do not fully recover costs due to 'caps'	Likelihood: Yellow Impact: Yellow Score: Yellow	The revenue budget is prepared on a 'budget neutral' basis and this provides an element of 'headroom' for operating expenditure increases.	Likelihood: Yellow Impact: Yellow Score: Yellow
F	NEW The cost of the 'Buy Out' exceeds the Budget	Likelihood: Yellow Impact: Yellow Score: Yellow	Projections have been developed using different scenarios. Client contingency budget.	Likelihood: Yellow Impact: Yellow Score: Yellow

G	NEW The funding from GBSLEP is not fully provided	Likelihood: Yellow Impact: Yellow Score: Yellow	Views from the 8 authorities on preferred approach being sought. Projections have been developed using different scenarios. Client contingency budget.	Likelihood: Green Impact: Yellow Score: Yellow
Corporate entity and structure				
H	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				
I	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
J	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				
K	The scheme does not attract occupiers.	Likelihood: Yellow Impact: Yellow Score: Yellow	Evolve Estates has now concluded the deal for a 25-year lease for a cinema operator. Evolve Estates has successfully pre-let all but one of the food and beverage / leisure units	Likelihood: Green Impact: Yellow Score: Yellow
L	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

Background documents

A Cinema for Lichfield District – Report to Cabinet 27 June 2023.
A Cinema for Lichfield District - Report to Cabinet 11 October 2022.
PWC Report
Aspinall Verdi Report
Medium Term Financial Strategy – Report to Council 28 February 2023.

Relevant web links

Approved Capital Programme Budget

Investment Profile							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£	£	£	£	£	£	£
Capital Budget	£64,000	£2,443,000	£2,398,000				£4,905,000
Client Contingency		£446,000	£437,000				£883,000
Total Approved Budget	£64,000	£2,889,000	£2,835,000	£0	£0	£0	£5,788,000

UKSPF			(£400,000)				(£400,000)
Capital Receipts	(£22,000)	(£850,000)					(£872,000)
Earmarked Reserves	(£42,000)	(£2,039,000)	(£2,435,000)				(£4,516,000)
Total Approved Funding	(£64,000)	(£2,889,000)	(£2,835,000)	£0	£0	£0	(£5,788,000)

Borrowing Need	£0	£0	£0	£0	£0	£0	£0
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Illustrative Revenue Budget Implications

Optimistic							
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
	£	£	£	£	£	£	£
Rental Income	£0	£0	(£600,000)	(£600,000)	(£600,000)	(£600,000)	(£600,000)
Running Void @ 0%	£0	£0	£0	£0	£0	£0	£0
Asset Manager	£0	£0	£50,000	£51,000	£52,000	£53,000	£53,000
Asset Owner Sinking Fund	£0	£0	£132,000	£132,000	£132,000	£132,000	£132,000
Capital Financing Costs	£0	£0	£4,200	£4,120	£4,040	£3,960	£3,960
Revenue Budget Implications	£0	£0	(£413,800)	(£412,880)	(£411,960)	(£411,040)	(£411,040)

Central							
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
	£	£	£	£	£	£	£
Rental Income	£0	£0	(£600,000)	(£600,000)	(£600,000)	(£600,000)	(£600,000)
Running Void @ 5%	£0	£0	£30,000	£30,000	£30,000	£30,000	£30,000
Asset Manager	£0	£0	£75,000	£77,000	£79,000	£81,000	£81,000
Asset Owner Sinking Fund	£0	£0	£198,000	£198,000	£198,000	£198,000	£198,000
Capital Financing Costs	£0	£0	£37,130	£36,430	£35,740	£35,050	£35,050
Revenue Budget Implications	£0	£0	(£259,870)	(£258,570)	(£257,260)	(£255,950)	(£255,950)

Pessimistic							
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
	£	£	£	£	£	£	£
Rental Income	£0	£0	(£600,000)	(£600,000)	(£600,000)	(£600,000)	(£600,000)
Running Void @ 10%	£0	£0	£60,000	£60,000	£60,000	£60,000	£60,000
Asset Manager	£0	£0	£100,000	£102,000	£104,000	£106,000	£106,000
Asset Owner Sinking Fund	£0	£0	£231,000	£231,000	£231,000	£231,000	£231,000
Capital Financing Costs	£0	£0	£204,900	£201,080	£197,250	£193,430	£193,430
Revenue Budget Implications	£0	£0	(£4,100)	(£5,920)	(£7,750)	(£9,570)	(£9,570)

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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