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Tuesday, 31 January 2023

Dear Sir/Madam

OVERVIEW & SCRUTINY COMMITTEE

A meeting of the Overview & Scrutiny Committee has been arranged to take place **WEDNESDAY, 8TH FEBRUARY, 2023 at 6.00 PM IN THE COMMITTEE ROOM** District Council House, Lichfield to consider the following business.

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

The meeting will be live streamed on the Council's [YouTube channel](#)

Yours faithfully

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

Kerry Dove
Chief Operating Officer

To: Members of Overview & Scrutiny Committee

Councillors M Wilcox (Chair), Norman (Vice-Chair), Cross, Eagland, Evans, Grange, Leytham, Ho, A Little, Ray, Robertson, Silvester-Hall, Mrs Tranter and A Yeates



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AGENDA

1. Apologies for Absence
2. Declarations of Interests
3. Minutes of the Previous Meeting 3 - 10
4. **Future of the Communications Function** 11 - 18
The Committee are asked to give their views on the attached Cabinet report
5. **Community Infrastructure Levy (CIL) Allocation 2022** 19 - 26
The Committee are asked to give their views on the attached Cabinet report.
6. **New Leisure Facility - Stychbrook Park** 27 - 36
The Committee are asked to give their views on the attached Cabinet report. A full version including confidential information can be found for Members at the end of the agenda.
7. **In-sourcing Leisure Provision** 37 - 46
The Committee are asked to give their views on the attached Cabinet report. A full version including confidential information can be found for Members at the end of the agenda.
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. New Leisure Facility - Stychbrook Park - Full Report 47 - 66
10. In-sourcing Leisure Provision - Full Report 67 - 76



OVERVIEW & SCRUTINY COMMITTEE

19 JANUARY 2023

PRESENT:

Councillors M Wilcox (Chair), Norman (Vice-Chair), Cross, Eagland, Evans, Grange, Leytham, Ho, A Little, Robertson, Silvester-Hall, Mrs Tranter and A Yeates

(In accordance with Council Procedure Rule No.17 Councillors Pullen and Strachan attended the meeting).

29 APOLOGIES FOR ABSENCE

There were no apologies for absence. Councillor Eagland arrived late at 7pm.

30 DECLARATIONS OF INTERESTS

There were no declarations of interests.

31 MINUTES OF THE PREVIOUS MEETING

The Minutes of the previous meeting held on 15 December 2022 were agreed as a correct record.

32 HEALTH MATTERS

The Chair, Councillor Wilcox, emphasised the notes following the previous Staffordshire County Council's Health & Care Overview and Scrutiny Committee meeting on 28 November 2022 in the agenda pack. It was also noted that the next meeting on Monday 13 February did have agenda items – Draft Mental Health Strategy and Mental Health Support Teams in Schools Update which this committee had pushed to see on their agenda. He said he would ask the Chair beforehand for specific data on the Lichfield district and report back. Members were extremely glad that this item was, at last, being heard as it was very important for all ages now not just children.

It was noted that looking ahead at the Work Programme for 2023/24 an agenda item had been suggested on Social Prescribing. It was known that a couple of groups in the district were receiving referrals for social prescribing but with no funding. The Chair was asked if he could achieve more detail at the necessary time to see if there was any way the funding options could be explored.

The Chair, Councillor Wilcox, advised members that he had also attended the Corporate Overview & Scrutiny County Council meeting recently on behalf of this committee where a presentation from the Stoke and Staffordshire LEP had been received together with their annual report. He said it was quite apparent from that meeting that there was an emphasis on the north of Staffordshire projects being funded so those on the south had asked whether the SSLEP would consider doing a presentation to members of Local Authorities in the south of the area (Stafford, Cannock, East Staffs, Lichfield & Tamworth) which they have said they would be happy to do. He said he would arrange this for after the Elections in May as following the LEP review by Government, those Authorities who are presently in two LEP's will need to move into one single LEP in the spring which in our case will be Staffordshire, and therefore we will remain in Stoke & Staffordshire LEP.

RESOLVED: That the information given be noted.

33 MEDIUM TERM FINANCIAL STRATEGY

Councillor Strachan, Cabinet Member for Finance & Commissioning advised the committee that following the health matters notes previously discussed on health benefits and planning for healthy communities carried out at shire district level, this element had been alluded to in our consultation response to the provisional government finance settlement as it supplements the direct provision made by Staffordshire County Council. It had been highlighted what good work we at shire district level do and that the Council could do more if there was a little bit more provision, funding, and a little more space to work in that sector.

He introduced the Medium Term Financial Strategy report and appendices for the final time to overview and scrutiny before Cabinet and Full Council (substantive document) and Audit & Member Standards (treasury management) next.

The Assistant Director - Finance & Commissioning, Mr Thomas, gave a presentation on the provisional local government settlement key points as there was quite a change in approach on a positive side. He said the Government now recognised the pressures local government were facing and wanted to provide stability and increase funding to provide services in communities and had therefore introduced a new Funding Guarantee which ensured every local authority would see a minimum 3% increase in their core spending power in 2023/24 before taking any decisions to increase council tax rates.

The government priorities, the change in core spending power, the change in settlement funding assessment and band d increases were illustrated and it was agreed to forward the presentation to all members for further examination.

In summary Mr Thomas advised:-

- Better-than-expected settlement (big increases in funding announced in the Autumn Statement 2022);
- Increases focused on social care (both grant increases and Adult Social Care precept);
- Some attempt to balance grant allocations for non-social care authorities (3% Funding Guarantee, £5 fire authority increase);
- Distribution is still very short term (no numbers for 2024-25, cliff-edge in 2025-26).

Councillor Strachan agreed that having to plan a 4 year MTFS with only very short-term certainty for 2023/24 and the principles only known for 2024/25 was not helpful for financial planning purposes. The remaining 2 years of MTFS after the guideline figures will remain uncertain until central government can come up with a multi-year settlement which we have constantly been asking for. However, the provisional settlement had some considerable benefits for Lichfield District Council, particularly re: the windfalls/retained business rate income as there was £2.1m unforeseen income for 2023&24 and projected £1.8m the following year. It was noted that it was proposed to use this for the wider strategic projects and place in the strategic priority reserve pending approval for its allocations.

Councillor Strachan advised members that Lichfield District Council will freeze its element of Council Tax in the forthcoming financial year recognising the unprecedented financial difficulty for our residents and due to our own better than expected situation. This was welcomed by members that cabinet have listened and was the caring thing to do.

It was noted under the capital programme that we had been unsuccessful with the second Levelling up funding bid, which was disappointing but not entirely unexpected as even £5m from central government would have assisted. Councillor Strachan advised there were still sources of funding that can be accessed, and Lichfield District could fund it from our own

resources. The Leader of the Council had also announced today that this council will still deliver the replacement leisure centre so many residents wanted at an 8-figure sum.

It was noted that Mr Thomas had reviewed what minimum reserves were required and these had been increased from £1.6m to £1.9m which had been driven by the current economic climate and the specific risks, but this would be regularly reviewed and amended if necessary.

Members made the following comments/observations:-

- Why was our settlement less than the average shire district?
The Cabinet member could not confirm this as a central government decision.
- The Budget Consultation was responded to by over 1130 people – a reduction in council tax was suggested, why was this not an option?
The Cabinet member said the consultation had come so close to the MTFs that some things may be implemented this year, and some may be in future years. A reduction in council tax had never been stated as there was still a funding gap for this council and so to freeze council tax this year and consider subsequent years is the correct thing to do.
- What was the cost of developing and presenting the LUF bid to government?
The Cabinet member confirmed that the bid was resourced by internal officers and using feedback from the first round bid so no additional capital costs only officer time; figures for revenue costs not known. The outcome is extremely disappointing, and we were given to understand that our bid was a strong one but there was a large number of bids and only a certain amount of money. It was felt the comments recorded externally were not factually correct. A formal response outlining the rejection reasons will be forthcoming.
- The demographics of the budget consultation respondents should be requested as this response rate is not representative of the Lichfield district. It is still less than 1% of the population so is this still valuable – qualitative consultation needed to give us themes rather than a quantitative approach. More engagement is a good start moving forward. Perhaps the first four digits of post codes would help?
The Cabinet member agreed and defended the value of the consultation as it had increased so much since last time and agreed with a qualitative approach and agreed to speak to the Cabinet Member for Community Engagement and improve this for next year.
- Inconsistency between two years approaches – last year and this year to council tax rates – why?
The Cabinet member said a detailed review of monies had been carried out to create the strategic reserves and gave us more confidence together with the windfall settlement which are the key drivers for the change in approaches.
- Funding gap – can we start to nurture a culture of innovation/entrepreneurship and change to a more commercial mind but thinking of public sector ethos?
The Cabinet Member said the recent recruitment of new commercially minded officers under the Chief Executive had given him and cabinet more confidence in the executive arm of the council now to aid this culture.
- Moving forward, can we do a heavy lobby campaign for multi-year financing, can we write to MP Michael Fabricant and ask him to speak to Harriet Baldwin (Chair of local governments finance committee) or the Minister who is looking for ideas for reform of local governments?
The Cabinet Member confirmed that the district council network and LGA are already lobbying but he agreed to seek further contact as stated.
- As interest rates only going one way, how does the change to fund a new leisure centre affect the projected funding gap and can any comments be made on current figures or is future clarity needed.
The Cabinet member confirmed that the detailed planning of what the cost will be are not yet available, but Mr Thomas had details which would be forwarded for scrutiny as soon as possible. Internal borrowing is an option as will be at a lower cost and can be repaid if future windfalls received.

- Cost of Living contingency budget is good but are the figures appropriate?
The Cabinet Member said yes, he felt so given the modelling and the pressures from the local council tax support scheme – money to be taken from the unexpected windfall monies.
- What is the lifespan of a new Leisure Centre likely to be?
*The Cabinet member could not answer but the Leader said it would be at least 25 years and the loan would not exceed the lifetime of the building.
(Cllr Norman said the LGA suggested the average lifespan was 38 years).*

It was agreed that a multi-year settlement would give us more certainty and that the budget principles were sound and overall, we are well run, and thanks were given to the Cabinet Member and Anthony Thomas and his team for all their hard work.

RESOLVED:

The Committee scrutinised the MTFs and provided feedback to Cabinet in relation to:

- The 2023/24 Revenue Budget of **£13,815,000**, the Council Tax Requirement of **£7,614,000** and a District Council proposed Band D equivalent level of Council Tax for 2023/24 of **£187.85** (no increase on 2022/23).
- The MTFs 2022-27 Revenue Budgets set out in **APPENDIX A**.
- The MTFs 2022-27 Capital Strategy including the 25 year capital investment model and the Capital Programme shown in **APPENDICES B & C**.
- The recommended increase in the Minimum Level of General Reserves from **£1,600,000** to **£1,900,000** based on the current economic climate.
- The recommended inclusion of a cost of living contingency budget of **£50,000** in 2023/24 and also provisionally for 2024/25.
- The recommended inclusion of an in-year growth/contingency budget of **£100,000** in 2023/24 and also provisionally for 2024/25.
- The recommended transfer of 'windfall' income from the Provisional Finance Settlement estimated at **£2,433,000** for 2023/24 and projected at **£1,889,000** for 2024/25 to the strategic priorities reserve.
- The 25 year revenue financial planning model shown at **APPENDIX E**.
- The results of the Budget Consultation summarised at **APPENDIX F**.

The Committee noted:

- The requirements and duties that the Local Government Act 2003 places on the Authority on how it sets and monitors its Budgets, including the CFO's report on the robustness of the Budget and adequacy of Reserves shown in **APPENDIX A**.
- Members agreed to set up a MTFs Task Group from the new Council who could work alongside the Cabinet Member and Finance so members can have more of an understanding of the development of the MTFs and the Leader asked if the scope could be widened to include the continuing improvement of engagement with members of the public. This was fully supported with a suggestion of bimonthly meetings and quarterly reports being provided to the Overview & Scrutiny Committee.

34 ELECTIONS ACT INCLUDING VOTER IDENTITY

Christie Tims, Assistant Director of Operations, Regulation & Enforcement and Deputy Returning Officer delivered a presentation further to the recent briefing note delivered to members on the changes to the Elections Act including Voter Identity. She said that information and updated guidance was being received daily from the Government Change team, the Association of Electoral Administrators and the Electoral Commission and processes were being written and updated on a regular basis. Ms Tims explained that there were a number of actions within the Elections Act to be undertaken in the next 18 months but

the most immediate activity concerns the District and Parish Election on 4 May 2023 which required all voters to show photo ID at polling stations before a ballot paper can be issued and to extend election accessibility to support voters with a disability in the polling stations. The acceptable forms of ID were discussed and if the voter does not have a photo ID that looks like them, they could apply for a free voter identification document from the government portal which went live on Monday 16 January. She confirmed that postal vote handling was not included in this phase and had been delayed after the May elections, until August 2023. She said even a proxy voter must provide a photo ID of themselves even though they were voting for another.

The process of getting the voter identification document from the government portal was explained and it was noted it did need to include an up to date photograph as well as a NI number. Ms Tims explained that if residents did not have a NI number and/or photograph, they could come into the council office and the customer services team would be able to assist with the process and take a suitable photograph on their service I-pads. It was clarified that all applications had to be made by 25 April 2023 as this would allow for the government office to post it on in time for the election day. Specimens were illustrated and the presentation would be forwarded on to all with the deadline dates and links within for information purposes.

Ms Tims said the national campaign had begun with television adverts and so had our local awareness campaign from today. She said there were scheduled posts to be delivered on social media/through newsletters and posters and all the poll cards would be marked very clearly with the need for photo ID when attending to vote. Concerns were made about getting the message out to older people and those who did not have computers and Ms Tims appealed for any ideas to increase the publicity. An idea of a tag on the bin had already been received which would be explored and members were asked to assist in any way at all. The local communications plan was in compliment with the national campaign and would be ongoing now until late April. It was confirmed that all Elections staff would be fully trained to observe the documents and do the appropriate checks on polling day with additional Polling Supervisors being put in place to support anyone wanting to vote. Ms Tims, the Governance team and Elections Manager had attended training to date and would be attending more in February as updates were received. It was noted that it was a requirement of the act to also record how many voters are turned away on the polling day.

It was agreed that it was paramount that everyone who wants to vote has an opportunity to do so. Members said it was good to see the disabled support and suggested contact be made to voluntary groups and organisations so that no one would be disadvantaged in any way. Ms Tims advised that some mobiles would have to be used but these had been reviewed over the past few years to ensure they are at a minimum. She said we would be engaging with groups so they can be accommodated and listening to the experience of presiding officers and members said they would also be able to offer support if alternative venues were sought in key locations across the district.

Members asked the following questions and made the following observations:-

- How many voter ID applications had been received to date?
The Deputy Returning Officer advised that the Voter ID applications were steadily coming in as the national campaign had only just begun – 3 or 4 a day at the moment being received on the portal. Testing in other areas had illustrated that the expectation was likely to be 2-3% of the electorate. LDC's current electorate being 81,000.
- How has £20k been calculated to cover the burden of the extra duties and is it felt to be enough?
The Deputy Returning Officer confirmed that this had been done on a national calculation but advised that we do have the opportunity each April to make further requests for any additional costs incurred. As we do not have a separate elections team it would mean we will need to ask for additional short-term resources to cover the governance team and customer services and to help run the elections, so it is felt we do have a strong business case for this.

- If this new system leads to a fall in numbers voting, what figure would worry officers if this council had not reached it?
The Deputy Returning Officer could not comment as this would be a matter for the Electoral Commission.
- Will there be a mechanism at polling stations to record how many voters get turned away?
The Deputy Returning Officer advised that this is a requirement of the Act, and the full details were not yet known but the training for this aspect would be in February and those attending will need to train when recruiting to presiding officer posts and poll clerks who will need to help with this. It was envisaged additional support from polling station supervisors would be required. Ms Tims said it was known that this will be subject to a review at the end of the process as there were some staged reviews to see how the system of Voter ID had impacted at these local elections so lessons can be learnt.
- It is known there is a national shortage of accessible mobiles, can we pre-order now?
The Deputy Returning Officer confirmed that over the last number of years a review of mobiles had been done and checks were being done in line with the project plan about the accessible mobiles now. She confirmed the venues would be risk-assessed and consultation with presiding officers and supervisors will take place as they have the local knowledge of the areas within which they have worked before.
- Is there an officer to signpost residents to who may have difficulty with the Voter ID process?
All the Customer Services team can assist residents in-house or on the telephone.
- Are there enough resources to accommodate this challenge? Is team flexible and multi-functional? To ensure delivery, governance team must get what they want as election must not fail and no one to lose their right to vote in May.
The Deputy Returning Officer said a lot of planning and cross-working on previous bi-elections had been done by the governance team and with additional temporary resources it was achievable.
- We must connect with everyone wanting to vote, can we liaise with Nursing Homes and Care Homes/Mosques/worship groups in addition to the usual communications plan? The geography for people in rural areas also needs to be given attention.
- Have the additional materials in poll stations been ordered if residents need to remove facial coverings?
The Deputy Returning Officer said, yes, the preparatory orders had been done and will be delivered in time. She confirmed there had been some moderation in what is expected as initially we had been told everything must be removed meaning a privacy screen would be required at all stations, but this has since changed meaning only the removal of facial coverings is required. Luckily, a lot of the polling station environments had privacy spaces within them.
- Have we had any engagement with neighbouring authorities to share good practice?
The Deputy Returning Officer said, yes, all the project team had attended the National Conference when the findings had first been presented and a lot of work done had been done with our neighbours especially in Tamworth and the Electoral manager meets neighbouring authorities regularly to ensure things are being done similarly.
- Simon Fletcher, as Returning Officer for the district elections was asked directly if he would ensure that resources, finance and staff, would be provided to ensure the voters were not deterred to vote.
Mr Fletcher assured members that this would be provided.
- Thanks were given for delivering briefing and presentation in such a short turnaround time and member support was offered to assist.

RESOLVED: That the views of the Committee be noted and a verbal update be given at the next meeting in March.

35 WORK PROGRAMME

The Committee asked that the Work Programme be updated as some Officer Leads specified had now left Lichfield District Council. This was noted and would be amended.

Additional items for discussion in March were:-

Update on Election changes;
Outcomes of the Procurement process;
Communications – how does this Council engage and how could it be improved?;
LEP membership discussion.

RESOLVED: That the work programme be noted. The Chair advised that the next meeting for this committee was 16 March 2023 before the Elections were held in May.

36 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

37 NOTES FROM TASK GROUPS

The Chair from the Masterplan Task Group, Councillor Ball, and the Chair from the New Leisure Centre Task Group, Councillor Baker, updated the committee on the progress made to date.

RESOLVED: That the notes be received.

(The Meeting closed at 8.05 pm)

CHAIR

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Future of the Communications Function

LEADER OF THE COUNCIL

Date: 14 February 2023
 Agenda Item:
 Contact Officer: Simon Fletcher, Chief Executive
 Tel Number: 07961202055
 Email: Simon.fletcher@lichfielddc.gov.uk
 Key Decision? YES
 Local Ward Members If any Wards are particularly affected insert the name of the Ward Members and their Ward. Ensure that the Ward Members have been consulted.



CABINET

1. Executive Summary

- 1.1 How well or otherwise we communicate and engage with our residents, businesses, and partners over both how they can successfully transact with our services, and over our priorities for the district is key to our improving as a council and to what residents think about us.
- 1.2 This paper reflects on how well we currently communicate, what our residents currently think of us and proposes a new arrangement for our communications activities over the next five years.




2. Recommendations

- 2.1 That Cabinet approve transfer of the provision of communications functions to the Council’s wholly owned trading company (Lichfield West Midlands Traded Services) for the period 2023 – 2028.
- 2.2 That Cabinet delegate to the Chief Operating Officer the ability to make minor changes to the scope of Communications services provided by the Company subject to any changes being funded from Approved Budgets.

3. Background

- 3.1 Lichfield District Council is no different to the rest of local government in that it faces the same challenges of managing demand for services alongside increasing pressure on costs and needing to forge a different relationship with its residents and communities.
- 3.2 A strong communications function, engaging with communities in ways they wish to, openly, regularly, and consistently is key to addressing these challenges. Our internal communications function has under-performed for several years and this is evidenced, in part, by the levels of overall satisfaction and trust in the council, along with residents’ perceptions of how the council keeps them well informed about our services. While communications is not entirely responsible for these resident views, how we are perceived and how well we explain our story contributes to these overall views.

Measure	2021 Results	2022 Results	Direction of Travel
Overall satisfaction	60% of respondents stated they were either very (9%) or fairly (51%) satisfied with our performance	49% of respondents stated they were either very (6%) or fairly (43%) satisfied with our performance	

Keeping residents informed	54% of respondents indicated they felt very (8%) or fairly (46%) well informed about our services	48% of respondents indicated they felt very (6%) or fairly (42%) well informed about our services	
Value for money	34% of respondents agreed the council provides value for money (4% strongly agreed / 30% tend to agree)	24% of respondents agreed the council provides value for money (4% strongly agreed / 20% tend to agree)	
Trust in the council	62% of respondents expressed either a great deal (7%) or fair amount (55%) of trust in us	41% of respondents expressed either a great deal (5%) or fair amount (36%) of trust in us	

3.3 A Local Government Peer Review, conducted in November 2021 further identified there are opportunities for the council to better engage on major projects / service changes with communities and communicate the rationale more clearly. How projects are communicated and the narrative behind them is critical, and the Peer Team heard from residents and partners that this is something that is not always consistently done well by the council.

3.4 In January 2022, the Council introduced a change programme called Being A Better Council to start to address these views from our residents and is determined to be a council, by December 2024 that is:

- **Resident centric** – Our focus will have shifted to dealing with needs as well as wants, providing consistently outstanding customer services to drive improved satisfaction and trust. Our officers will see the world from our residents’ point of view in all our interactions. We will empower them to act on that understanding, to recognise and value the importance of keeping residents informed, and pro-actively engaging with them over service requests.
- **Commercially minded** – We will have reset structures, processes and working arrangements and shifted to a commercially minded, business focussed organisation. Our ethos will be getting things right, first time; being focussed on doing the things we need to do well, and not doing the things that we do not need to do or that add no value.
- **Data driven** – We will be solving problems and making strategic decisions based on data analysis and interpretation. We will gather, use, and examine data more effectively to better understand the wellbeing of our residents. This will help us in making informed decisions, identifying priorities for the district and planning, structuring, and managing our services to serve our residents.
- **Performance driven** – Our officers will understand how their roles impact the council and our residents. They will be committed to and accountable for a well-articulated common purpose and a clear set of performance goals. Engagement will be a habit, with information shared openly and transparently to aid alignment with our goals and objectives.

3.3 On the issue of how we communicate with our district, we have struggled to attract and retain staff with the appropriate skills and experience to build a modern and future-proofed communications function. The team, and its structure, have not developed or introduced new technologies and ways of engaging residents appropriately to meet the needs and provide best value for money or the required levels of service. In response to the resignation of both the previous manager and press officers earlier this year, the Chief Executive, with the authority of the Leader of the Council, introduced interim externalised support for the service in March 2022, which has resulted in significant improvements and a more proactive, agile, and focussed service.

What have we done differently with communications since March 2022

3.4 Significant progress has been made since the introduction of the interim external support. Whereas previously our communications had centred on written press releases, many reactive / after the event

and then summarised in the Resident's Bulletin, the team today is proactive and willing to market what the council is doing. The team now meets in a daily 'Buzz session' to ensure appropriate prioritisation of work and allocation of resource and skills. An off-the-shelf project management platform has been introduced and is ensuring all tasks are delivered on time and the relevant approvals sought and a triage system used to ensure that key messages are prioritised, non-essential requests are rejected, and appropriate resources are allocated.

- 3.5 Audience profiling and demographic research has been undertaken to ensure that we reach representative groups across the district through appropriate platforms including owned and earned social, digital newsletter, media relations, partnership engagement, printed collateral, and website updates.
- 3.6 We have increased digital engagement through the development of interactive blogs, podcasts, and the use of video to build audiences in new platforms including YouTube, TikTok and Instagram to reach a wider audience.
- 3.7 Engagement rates have improved dramatically, with surveys delivered through targeted communications meaning we have more data to support council decision making. An example of this is the recent Lichfield District 2050 (Together We...) consultation which received more than 7000 responses.

Proposal

- 3.8 Experience shows us a retained service 'in house' does not have the flexibility and capability to change and adapt, introduce new technologies and engage successfully with our communities. Conversely, the interim externalised support introduced in March has started to make a positive impact, as set out above. We are beginning to develop an effective communications strategy, to 'market' the Council and build a stronger council brand. Through this support we can continue to prioritise and direct the outputs of the communications function, whilst at the same time being more well-resourced, motivated, growing and technically well-equipped.
- 3.9 This current improved performance will need to be maintained and further built upon. We also need to engender an environment where commercial opportunities can be explored, to release some of the financial pressures on the council and where we can offer roles and personal development opportunities which can attract and retain skilled staff. It is understood there are several income opportunities for the service which are already successfully exploited by other councils which will assist to both reduce the financial cost of the service to the council and to generate additional income for the investment in the service going forward.
- 3.10 It is therefore proposed the best way for the communications function to continue to improve is for it to become the fourth activity to be transferred to the Council's wholly owned trading company (LWM Traded Services Ltd) and for the company to be commissioned to provide it to the council going forward. The services currently provided by the Council's company are 1) Talent Acquisition, 2) Corporate Landlord Services and 3) Project Management, Capital Works.
- 3.11 LWM Traded Services (previously Lichfield Housing Company) was refreshed this year as part of the Being A Better Council programme with the aim of it providing greater flexibility and freedom for the council to develop services and trade them, while still being overseen and governed effectively by the council.
- 3.12 The service can be transferred to the company without the need to tender under the 'Teckal' exemption. Whilst the company operates under an arm's length relationship with the Council as the only shareholder it is still able to exert influence over its activities and manage in a light touch manner. The arrangement provides a hybrid model between in and out-sourced services and being an arm's length independent company can be more flexible in its arrangements, having a greater flexibility in terms of staffing and trading arrangements which is an aid to staff retention, attraction, and

investment. The transfer of the service into the Council’s trading company will provide an opportunity for it to grow and develop to meet the needs of the council and demands and expectations of residents in a digital age.

3.13 If the proposal is supported, the company will be tasked with providing this service to the council, through an appropriate contractual arrangement to:

- Deliver timely, professional reactive and proactive marketing and communications across the council portfolio of activities. This will mean doing more of the things that add value to our residents, and stopping doing others, as set out in the table here.

Stop / Do less	Do more
Expensive printed design	Digital design to drive engagement
Promotion for individual businesses	Promotion of the whole district
No value / limited interest press releases	Educating residents about the work of the council
Reaching limited audiences	Tailored messaging to targeted audiences
Responding to external press stories wanting evidence to feed their own narratives	Digital engagement using other platforms such as Instagram and TikTok
Reactive communications to third party requests with little value added	Reaching younger audiences 18 - 45
	Engaging with influencers and referring platforms to extend the reach of Lichfield District stories
	Surveys and resident feedback
	Use of video and exploit new audiences to be found in YouTube
	Strategic positioning of the voice of the council
	Proactive research and requests for content to support trending subjects of interest to residents

- Achieve the following Key Performance Indicators to demonstrate efficacy of the service.

Measure	2022 Baseline	2023/24 Target	2024/25 Target	Comment
Overall resident satisfaction	49%	75%	>80%	Contributing to. Surveyed twice annually
Keeping residents informed	48%	65%	>70%	Contributing to. Surveyed twice annually
Value for money	24%	60%	>70%	Contributing to. Surveyed twice annually
Trust in the council	41%	75%	>80%	Contributing to. Surveyed twice annually
Internal satisfaction with the service	>80%	>85%	>90%	Measured monthly
Reactive press releases per month	>15	>15	>15	Measured monthly
Proactive engagement / campaigns success	TBC Baseline	TBC Baseline +	TBC Baseline +	Set and measured monthly dependent on priorities
Uptake of Residents’ Bulletin	c. 30,000	>35,000	>40,000	Measured quarterly
Use of Council website as a tool for information by residents	TBC Baseline	TBC Baseline +	TBC Baseline +	Visits to website / Measured annually

Speed of response (internal support requests)	<1 working day	<1 working day	<1 working day	Measured monthly
Income generated / Savings to Council	-	>£50K	>£50K	Measured quarterly

Note: First four targets are taken from the Being A Better Council Strategy.

Alternative Options	<ol style="list-style-type: none"> 1. Retain and Develop the Service in house – there is a risk that key staff will not be attracted to or retained by the Council. The Communications function is not a ‘core ‘council service and the Council does not have the flexibility and focus to develop commercial opportunities and to invest in, develop and grow the Service. This option is not recommended. 2. Outsource to a Private Sector Provider – the service will need to be specified, tendered, and contracted requiring significant resource and time to complete. In addition, staff will be required to oversee and manage the relationship and the Council will exert little influence over the trading relationship and running of the company. This option is not recommended. 																																																
Consultation	<ol style="list-style-type: none"> 1. Formal consultation with employees on the proposed TUPE transfer has been undertaken and will be overseen by the Employment Committee. 																																																
Financial Implications	<p>The Approved Net Direct Budgets (excluding support services and recharges) for the Communications and Visitor Economy Team are shown below:</p> <table border="1"> <thead> <tr> <th>Description</th> <th>2022/23</th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> </tr> </thead> <tbody> <tr> <td>Salaries based on the Target Operating Model</td> <td>230,060</td> <td>238,180</td> <td>241,680</td> <td>245,320</td> <td>249,010</td> </tr> <tr> <td>Savings assumed in Being a Better Council</td> <td>(30,000)</td> <td>(89,000)</td> <td>(89,000)</td> <td>(89,000)</td> <td>(89,000)</td> </tr> <tr> <td>Sub Total - Salary based Budgets</td> <td>200,060</td> <td>149,180</td> <td>152,680</td> <td>156,320</td> <td>160,010</td> </tr> <tr> <td>Transport</td> <td>430</td> <td>430</td> <td>430</td> <td>430</td> <td>430</td> </tr> <tr> <td>Supplies and Services</td> <td>83,130</td> <td>71,160</td> <td>71,190</td> <td>71,220</td> <td>71,250</td> </tr> <tr> <td>External Income</td> <td>0</td> <td>(6,870)</td> <td>(7,030)</td> <td>(7,190)</td> <td>(7,190)</td> </tr> <tr> <td>Total Net Direct Budgets</td> <td>283,620</td> <td>213,900</td> <td>217,270</td> <td>220,780</td> <td>224,500</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • The Approved Budgets have been updated to reflect the Target Operating Model. • The Approved Budgets include savings targets assumed from the restructure of the communications/visitor economy team included in the Being a Better Council project. • It is intended that the Company will only receive reimbursement from the Council for services provided. However, the Council must be mindful of transfer pricing requirements and therefore the actual approach to pricing to be adopted will need to be developed in consultation with the Council’s Tax advisors • There are pension implications for both the Council and LWMTS. As a company wholly owned by the Council LWMTS will be classed as a designated body and would be admitted into the scheme following a Company resolution to join. • This involves TUPE transfers of staff from the letting employer to the designated body. The designated body becomes a new participating Fund employer for and transferring employees remain eligible for LGPS membership and contributions under the Best Value Guarantee. • Liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs, costs have been requested from the actuary for this. The designated body will be allocated an asset share equal to the value of the 	Description	2022/23	2023/24	2024/25	2025/26	2026/27	Salaries based on the Target Operating Model	230,060	238,180	241,680	245,320	249,010	Savings assumed in Being a Better Council	(30,000)	(89,000)	(89,000)	(89,000)	(89,000)	Sub Total - Salary based Budgets	200,060	149,180	152,680	156,320	160,010	Transport	430	430	430	430	430	Supplies and Services	83,130	71,160	71,190	71,220	71,250	External Income	0	(6,870)	(7,030)	(7,190)	(7,190)	Total Net Direct Budgets	283,620	213,900	217,270	220,780	224,500
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	<p>transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.</p> <ul style="list-style-type: none"> • There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the designated body. One option which may be agreed between a letting employer and a new contractor is participation via a “pass through” arrangement. Under this option the designated body pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit nor receive an exit credit. In other words, the pensions risks “pass through” to the letting employer. • The contribution rate payable by the designated body over the period of participation will be set equal to the total contribution rate payable by the letting authority (at the time of the contract award) and will not change for the duration of the new employer’s contract. Where the letting authority’s contribution rate is expressed as a percentage of payroll plus a monetary amount, the monetary amount will be converted to a percentage of payroll to determine the total contribution rate. • In 2022/23 the total contribution rate is 30.1% although this could change under the new Local Government Pension valuation from 1 April 2023. • The Company’s Business Plan is subject to approval by the Council on an annual basis or if material changes are proposed during the financial year to ensure proposed activity is transparent and has shareholder approval.
Approved by Section 151 Officer	Yes
Legal Implications	<ol style="list-style-type: none"> 1. The transfer of the Communications function to LWM Traded Services will be considered a TUPE transfer and as such certain employment law provisions will apply. 2. Consultation with HR and the Employment Committee has been undertaken to understand the necessary processes and procedures required.
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	<ol style="list-style-type: none"> 1. Developing and investing in a more effective Communications Team capable of providing an enhanced level of service to the Council will support the ‘enabling people’ strategic theme and in particular the design and delivery of an effective communications and engagement strategy.
Equality, Diversity and Human Rights Implications	<ol style="list-style-type: none"> 1. None as any staff transferring will be protected as part of any TUPE transfer.
Crime & Safety Issues	<ol style="list-style-type: none"> 1. Not Applicable
Environmental Impact (including Climate Change and Biodiversity).	<ol style="list-style-type: none"> 1. Not Applicable
GDPR / Privacy Impact Assessment	<ol style="list-style-type: none"> 1. A Privacy Impact Assessment has not been undertaken but as part of the transfer of the undertaking employee data will need to be disclosed. In accordance with the TUPE the transferor (current employer) is required to

provide the transferee (new employer) with certain Employer Liability Information including personal data. In these circumstances the GDPR condition for the lawful processing of personal data will be satisfied as it is necessary to comply with a legal obligation. In order to avoid any data protection breach issues all employee data will be anonymised at the outset.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Attracting Staff	Likelihood – Yellow Impact – Red Risk - Red	Transferring the function into the trading company will allow more flexibility in negotiating employment packages	Likelihood – Green Impact - Green Risk - Green
B	Retaining Staff	Likelihood – Yellow Impact – Red Risk - Red	Transferring the function will allow more flexibly in terms of employment packages. This together with providing a more focused unit with the opportunity to grow and develop other opportunities will create a more dynamic and attractive environment	Likelihood – Green Impact - Green Risk - Green
C	Technological Change	Likelihood – Yellow Impact – Red Risk - Red	The Council’s communications are currently still heavily focused on print and the transfer of the function will allow it to fully embrace the digital age by attracting new skilled resource and investing more in web services and digital technologies	Likelihood – Green Impact - Green Risk - Green
D	Service	Likelihood – Yellow Impact – Red Risk - Red	Transferring the function into a stand-alone business unit will provide a competitive tension and competitive edge by which business is won and retained through not only being competitive but delivering excellent service. Whilst the service has been outsourced the Council given it has been transferred to an arm’s length Council owned company still has some oversight/control as shareholder to ensure that as its primary customer the Council’s priorities are met and delivered.	Likelihood – Green Impact - Green Risk - Green
E	Pension implications related to TUPE staff are not fully understood and managed	Likelihood – Yellow Impact - Yellow Risk - Yellow	To commission relevant Actuarial assessments to understand costs and implications for LWMTS and Council	Likelihood – Green Impact - Yellow Risk - Yellow
F	The requirements for Civil Contingencies Act and multi-agency working are not adopted by the Company	Likelihood – Yellow Impact - Yellow Risk - Yellow	An on-call officer will be adopted by the Company to deal with such emergency issues	Likelihood – Green Impact - Green Risk - Green
G	Transfer pricing requirements are not considered when setting charges	Likelihood – Yellow Impact - Yellow Risk - Yellow	Advice will be sought from tax advisors	Likelihood – Green Impact - Yellow Risk - Yellow
H	The requirements for politically restricted communications posts are not adopted by the Company	Likelihood – Yellow Impact - Yellow Risk - Yellow	The same approach taken by the Council for politically restricted posts will be adopted by the Company	Likelihood – Green Impact - Green Risk - Green

	Background documents Any previous reports or decisions linked to this item None
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	Relevant web links Any links for background information which may be useful to understand the context of the report None
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Community Infrastructure Levy (CIL) Allocation 2022

Report of the Deputy Leader and Cabinet Member for Economic Growth and Development Councillor Iain Eadie



Date: 14th February 2023
 Agenda Item:
 Contact Officer: Simon Fletcher/Lucy Robinson
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Cabinet

Key Decision? YES
 Local Ward All wards affected
 Members

1. Executive Summary

- 1.1 This report introduces a proposal for the allocation of this round (2nd of 2022) of Community Infrastructure Levy (CIL) funding. It sets out the CIL process and amount of funding available as well as introducing the bids received from community groups and other organisations through the latest call for submissions in September 2022. It recommends awarding the funding available to the council's strategic priorities and specifically to projects that support delivery of a new leisure centre at Stychbrook Park in Lichfield city and additional 3/4G pitches in the district.

2. Recommendations

- 2.1 That Cabinet approves the allocation of up to **£1.45m** of the Community Infrastructure Levy (CIL) funds to the highest scoring bid from Lichfield District Council to develop 7 projects, identified through community engagement, to extend sport and leisure activities and facilities across the district.
- 2.2 That Cabinet approves the allocation of **£100,000** of the CIL funds to Chasetown Football Club for the development of a 3/4G football Turf Pitch, in line with the findings of the Sport England's Strategic Outcome Planning Model.
- 2.3 That Cabinet agrees to retain the remaining CIL monies for a future bidding round.
- 2.4 That Cabinet recommend to Council an update to the Medium-Term Financial Strategy (MTFS) based on the capital and revenue implications included within the financial implications section of this report.

3. Background

- 3.1 The Community Infrastructure Levy (the levy) allows local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The money can be used to fund a wide range of infrastructure that is needed because of development. This includes new or safer road schemes, flood defences, schools, hospitals and other health and social care facilities, park improvements, green spaces, and leisure centres.
- 3.2 The process for allocating and spending CIL is essentially broken into four stages:

- Stage 1 – Approve the criteria and governance process and confirm CIL pot available
- Stage 2 – Call for bids / submissions
- Stage 3 – Evaluate bids received against the approved criteria and make recommendations to Cabinet
- Stage 4 – Award funding and monitor progress and spend

3.3 The governance procedure for awarding CIL was last revised in July 2021¹. The assessment criteria are regularly reviewed and amended, most recently in February 2022² as part of the last allocation of funds when £860,000 was awarded and £740,000 was retained for future rounds. In October 2021 Council approved that the award of CIL is delegated to the Cabinet Member, however on this occasion as there are implications for the MTFS we are bringing the decision to Cabinet rather than seeking to gain approval via that route.

3.4 The CIL strategic pot has accrued monies of approximately **£1.558 million**. On the 26 September 2022 the bidding process for applications for CIL funding opened and expressions of interest were invited to spend this funding on strategic infrastructure projects. A total of 12 bids were received; a summary of these is in **Appendix 1**.

3.5 While the submissions received for the large part have great merit, the scheme is once again significantly over-subscribed and therefore require a prioritisation approach to be adopted. All submitted bids have been scored by officers of the Strategic Infrastructure Group (SIG) and the resulting score and rank is shown in **Table 1** below.

3.6 The highest scoring bid was submitted by the council and is a project to support of the development of 7 new or extended sport and leisure facilities across the district, and 2 bids (Chasetown FC and Staffordshire County Council(SCC)) scored equally to rank 2nd. If funding is allocated to the top scoring bid it will only leave enough fund the Chasetown FC bid; it is therefore proposed to allocate £100,000 of CIL to this second ranked bid rather than the SCC bid based on the remaining funds available.

Table 1

No	Bid	Score	%	Rank	No	Bid	Score	%	Rank
1	Chasetown FC – Toilet Block	11	12.94	11	2	Chasetown FC – 3G pitch	44.5	52.35	2
3	Fradley & Streethay Parish Council	35.5	41.76	5	4	Integrated Care Board (NHS) - Brereton	37	43.53	4
5	Integrated Care Board (NHS) - Samuel Johnson	32	37.65	6	6	LDC Sport & Leisure Activities	46.5	54.71	1
7	Lichfield Sports Club	29.5	34.71	8	8	Lichfield Waterworks Trust	5	5.88	12
9	Staffs CC - Burntwood Improvements Scheme	44.5	52.35	2	10	Swim Foundation (Star Foundation)	31	36.47	7
11	Burntwood Town Council - Oak Community Pub	21	24.71	9	12	Whittington & Fisherwick PC	21	24.71	9

¹ Report to [Cabinet 8 June 2021](#)

² Report to [Cabinet 8 February 2022](#)

- 3.7 Awarding CIL to both projects will greatly enhance the sport and leisure facilities we have in the district and present the opportunity to improve the health and wellbeing of our residents. The council project will fund 7 activities as set out in **Table 2** that were identified by residents of the district in an online survey in December 2023.
- 3.8 The table below shows residents preferred new sport and leisure activities and their priority order along with a location identified by officers.

Table 2

Priority	Option	Description	Location
Priority 1	Aqua Park	Water based activities to include, outdoor swimming, paddle boarding, aqua scramble, and café.	Stowe Pool, Lichfield
Priority 2	Climbing Wall	Mixed ability climbing wall (Sports Hall or Squash Court).	Burntwood Leisure Centre
Priority 3	Soft Play	Pre-school soft play facility	Burntwood Leisure Centre
Priority 4	Adventure Golf	Replace mini golf with adventure golf	Beacon Park, Lichfield
Priority 5	Obstacle Course	Introduce competitive obstacle course racing for running, cycling clubs / Develop clubs, training, target timings and	Beacon Park, Lichfield
Priority 6	Paddle / Tennis	Resurface Burntwood courts / Introduce 3 x Paddle Tennis courts in Lichfield	Beacon Park, Lichfield
Priority 7	3/4G Pitch*	Create 1 x 3G pitch for rent by community / sports groups	Lichfield City

* Note - Sport England's Strategic Outcome Planning Model identified a need for 2 x 3G pitch facilities

- 3.9 Cabinet is therefore asked to recommend to Council to award CIL of **£1.45 million** to the council to develop a range of sports and leisure activities and **£100,000** to Chasetown Football Club for the development of a 3/4G football Turf Pitch. It is also recommended to retain remaining funds of £8000 to the next CIL bidding round, which will provide additional time for the Strategic CIL pot to accrue further funds.
- 3.10 The remaining applicants will receive formal confirmation following the decision making of Cabinet. Applicants will be encouraged to submit a bid to the next funding round in 2023 and will also be given advice on other potential funding solutions for their project.

Alternative Options	<ol style="list-style-type: none"> 1. To not allocate the funding to the two top scoring projects and instead allocate the funding to other projects that have submitted bids. This means that we will be unable to have the essential sport and leisure facilities that have been identified for the district. 2. To not allocate any funding and continue to accrue monies to create a larger pot that can be used for delivery of some of the projects that currently have not fully secured match funding or new projects in a further bidding round.
Consultation	Residents were asked for their views on preferred leisure facilities through an online survey in mid-December 2022. This received 1464 responses. The views of Overview and Scrutiny Committee on 8 February 2023 were (to be added).

Financial Implications

The detailed financial implications related to the recommended projects are shown below:

Capital Investment						
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Aqua Park	-	-	-	-	-	0
Climbing Wall	50	50				100
Soft Play	50	50				100
Adventure Golf	150	150				300
Obstacle Course		150				150
Paddle Tennis	200	200				400
3G Pitch - Lichfield	200	200				400
Sub Total Council Projects	650	800	0	0	0	1,450
3G Pitch - Chasetown	100					100
Total Budget	750	800	0	0	0	1,550

Operating Budget – at this stage, this modelling assumes operation by LWMTS						
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Aqua Park	(15)	(25)	(45)	(45)	(45)	(175)
Climbing Wall		(30)	(60)	(60)	(60)	(210)
Soft Play		(35)	(70)	(70)	(70)	(245)
Adventure Golf		(50)	(100)	(100)	(100)	(350)
Obstacle Course		(20)	(45)	(45)	(45)	(155)
Paddle Tennis		(35)	(75)	(75)	(75)	(260)
3G Pitch - Lichfield		(35)	(75)	(75)	(75)	(260)
Sub Total Income	(15)	(230)	(470)	(470)	(470)	(1,655)
Operating Costs			130	130	130	390
Operating Surplus	(15)	(230)	(340)	(340)	(340)	(1,265)
Potential Corporation Tax @ 25%	4	58	85	85	85	316
Sinking Fund			155	155	155	465
Total Distributable Income	(11)	(173)	(100)	(100)	(100)	(484)

What if Income is 10% lower & operating costs are 10% higher	(10)	(155)	(55)	(55)	(55)	(330)
What if Income is 20% lower & operating costs are 20% higher	(9)	(138)	(10)	(10)	(10)	(177)
What if Income is 10% higher & operating costs are 10% lower	(12)	(190)	(145)	(145)	(145)	(637)
What if Income is 20% higher & operating costs are 20% lower	(14)	(207)	(190)	(190)	(190)	(791)

The operation of these activities could be by the Council, the Company (assumed in the modelling above) or third-party operators and the income and expenditure budgets will be based on the optimum delivery option.

Approved by Section 151 Officer

Yes

Legal Implications

The criteria and guidance for the allocation of funds has regard to the Community Infrastructure Legislation regulations as amended 2019.

Approved by Monitoring Officer

Yes

Contribution to the Delivery of the Strategic Plan	<ol style="list-style-type: none"> 1. Supports the priority of 'Enabling People' through provision of facilities so they can live healthy and active lives. 2. Supports the priority of 'Shaping Place' through delivery of projects consistent with the adopted & emerging Local Plans and supporting IDP & IFS. 3. Supports the priority of 'Developing Prosperity' through, enhancing the district and providing certainty for investment. 4. Supports the priority of being a 'Good Council' by accountability, transparency, and responsiveness by allocating funds for bids received and which are readily deliverable.
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Equality, Diversity and Human Rights Implications	The projects have been assessed against the council's equality objectives and comply with legislation.
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Crime & Safety Issues	The leisure centre and projects identified will increase physical activity among residents, which is important in building a cohesive community. The leisure centre and improved leisure facilities will provide diversionary activities that should reduce crime and build resilience in the community, particularly among younger adults.
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Environmental Impact	The projects and new leisure centre will be required to conform to up-to-date Building Control regulations and conditions attached to any planning consent required.
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GDPR / Privacy Impact Assessment	A Privacy Impact Assessment indicates commercial sensitivity is contained within some of the bids, whilst due diligence checks will potentially use confidential information known to the Council. This information is exempt from publishing in the public domain.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Reputational risk to the Council if decisions of Cabinet are challenged by the bid applicants	Likelihood – Yellow Impact - yellow Risk - yellow	Communication with bid applicants to explain our approach and rationale. Advice provided on future bid rounds and potential other funding sources for their projects.	Likelihood – Green Impact – yellow Risk - Green
B	The monies allocated do not deliver the projects submitted / the project is delayed.	Likelihood – Yellow Impact -yellow Risk - yellow	Careful project management to ensure delivery of the projects.	Likelihood – Green Impact – yellow Risk - Green
C	The cost of delivering the projects increases due to inflation or changes in specification	Likelihood – Yellow Impact -yellow Risk - yellow	A project contingency budget has been included in the project budget.	Likelihood – Green Impact – yellow Risk - Green
D	The projects have an adverse impact on the Climate Change pledge approved by Council	Likelihood – Yellow Impact -yellow Risk - yellow	Proposals will need planning permission and will need to be considered having regard to policies in the adopted Local Plan, up to date building regulations and terms of conditions of the grant agreement contract.	Likelihood – Green Impact – yellow Risk - Green
E	The Company breaches the 20% TEKKAL exemption due to the	Likelihood – Red	Financial modelling based on the approved Business Plan and known plans has been undertaken. The 20%	Likelihood – Green

	external income of (£425k) per annum	Impact -Red Risk - Red	level would be breached if the income and expenditure was accounted for by the Company. The optimum delivery option will continue to be evaluated based on legal and tax advice.	Impact – Green Risk - Green
F	The Council breaches its partial exemption limit and is unable to reclaim VAT of c£100k per annum related to exempt activities	Likelihood – Red Impact -Red Risk - Red	Financial modelling will need to be undertaken based around the level of exempt income such as football pitch hires utilising the series of lets exemption etc. The optimum delivery option will continue to be evaluated based on legal and tax advice.	Likelihood – Yellow Impact - Yellow Risk - Yellow
G	Operation of the activities results in an additional Corporation Tax Liability for LWMTS therefore reducing the level of income that could be distributed to the Council through dividends.	Likelihood – Red Impact -Red Risk - Red	The financial modelling provided above assumes operation of these activities through the Company with a Corporation Tax payment at a rate of 25% from 1 April 2023. The payment of Corporation Tax will reduce the level of distributable profit available to the Council. The optimum delivery option will continue to be evaluated based on legal and tax advice.	Likelihood – Yellow Impact - Yellow Risk - Yellow

	<p>Background documents</p> <p>Cabinet report 8 June 2021 Report to Full Council 12 October 2021 Report to Overview & Scrutiny 20 January 2022 Report to Cabinet 8 February 2022</p>
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	<p>Relevant web links</p> <p>Cabinet report 8 June 2021 Report to Full Council 12 October 2021 Report to Overview & Scrutiny 20 January 2022 Report to Cabinet 8 February 2022</p>
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Summary of bids submitted

Infrastructure Provider	Project	Project description	Funding requested
Burntwood Town Council	Oak Community Pub	Conversion of vacant building into a community space providing potential office accommodation, open space, and community pub.	£100,000
Chasetown Football Club	New Gentlemen's Toilet Development	Upgrade of men's toilet block to provide new facilities.	£14,000
Chasetown Football Club	3G Football Turf Pitch	Conversion of main grass pitch to 3G artificial surface.	£100,000
Fradley and Streethay Parish Council	Community Sports Hub and BMX Pump Track	Improvements to MUGA including roofing and floodlights and BMX track for the local community.	£300,000
Integrated Care Board (NHS)	Extension at Brereton Surgery	Expansion to deliver additional clinical space to mitigate capacity issues from the Rugeley Power Station redevelopment.	£551,746
Integrated Care Board (NHS)	Creation of 4 clinical rooms at Samuel Johnson Hospital	Conversion of vacant space into 4 clinical rooms, waiting area and reception desk to provide additional GP capacity.	£70,000
Lichfield District Council Major Development Projects Team	New Leisure Facilities	Developing additional leisure facilities in Lichfield District including 3G football pitch, golf village, aqua park, climbing wall and soft play facilities.	£1,450,000
Lichfield Sports Club	Improvements to Lichfield Sports Club	Improvements include extending the existing clubhouse to support community activities, resurface existing hockey pitch and install a 3G football and rugby pitch.	£2,285,000
Lichfield Waterworks Trust	Refurbishment of Substation at Sandfields Pumping Station	Refurbishment and insulation of an internal switch room to allow for rental of the space to local businesses.	£3,831
Staffordshire County Council	Cannock Road, Burntwood – traffic calming, traffic management, sustainable transport, signing and public realm enhancements	Provide enhancements prioritising pedestrians and cyclists focussed around the Cannock Road corridor and provide connectivity enhancements for residents through the main movement corridor.	£268,000
Swim Foundation	Installation of two swimming pools	Installation of 2 swimming pools in a vacant retail store including viewing gallery, café, restaurant, changing rooms and a fitness studio.	£516,000
Whittington and Fisherwick Parish Council	Decarbonisation Feasibility Study Stage 2	Undertake a feasibility study to understand and explore options for decarbonising heating within the Parish.	£50,000
Total			£5,708,577

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New Leisure Facility – Stychbrook Park

Cabinet Member for leisure and Parks

Date: 14th February 2023

Agenda Item:

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



Tel Number:

Email: Simon.Fletcher@lichfielddc.gov.uk
Anthony.Thomas@lichfielddc.gov.uk
John.Smith@lichfielddc.gov.uk

Cabinet

Key Decision?

Local Ward

Members

1. Executive Summary

- 1.1 This report proposes a second significant investment this financial year by the council, in line with its recently reviewed reserves policy and in its role as place-shaper for our district, following the December 2022 decision to support investment in a new cinema.
- 1.2 It seeks Cabinet support to fund a new, purpose-built leisure centre at Stychbrook Park, in Lichfield. The new centre will replace the current facility at the Friary Grange. This investment, alongside a proposed investment in additional sport and leisure activities (see CIL paper on this agenda), will help encourage more people in the district to live healthy and active lives.

2. Recommendations

- 2.1 Cabinet approves the principle of funding a new, purpose-built leisure centre at Stychbrook Park, in Lichfield based on **£10m** of funding provided by the Council.
- 2.2 Cabinet recommends to Council to approve the Capital Financing Requirement (Borrowing Need) of **£5m** being initially funded by Internal Borrowing.
- 2.3 Cabinet recommends to Council an update to the Medium-Term Financial Strategy based on the financial implications section of this report. In the event increases in Approved Budgets become necessary then the changes will be subject to further approval by Council prior to contracts being completed in line with Contract and Financial Procedure Rules.
- 2.4 Cabinet delegates authority to the Leader and Chief Executive in consultation with the Monitoring Officer and the Section 151 Officer to complete all contracts and funding agreements necessary to successfully deliver the new leisure centre subject to the financial implications being within Approved Budgets.

3. Background

- 3.1 In October 2019 and following several meetings and consultations regarding Friary Grange Leisure Centre, Full Council decided a replacement facility would be built and to maintain and keep the Friary centre open until then.

- 3.2 A condition survey identified £2.38m of works needed to keep the building safe, watertight, and weatherproof and keep mechanical and electrical functions working, with a minimum of £503,000 investment needed to make the building safe, watertight, weatherproof, and operational alone. £694,658.62 was assigned with £560,930.17 being used to date, leaving a remaining budget of £130,243.75. Despite this remedial investment, the Friary Centre is still nearing end of useful life with significant further investment required to maintain it in its current poor condition and so a decision on its replacement is now imperative.
- 3.3 Since October 2019, in addition to ensuring the current site remains open, the council's Major Programmes Team has developed a project to investigate the location, mix and funding of a replacement centre.

Why Stychbrook Park

- 3.4 A review of suitably sized, undeveloped sites in and around Lichfield City identified eight potential sites for the proposed new Lichfield Leisure Centre. They were:

Stychbrook Park	Stowe Fields	Shortbutts Park
Saddlers Wood	Leamonsley Park	Birmingham Road Site
Darnford Park	Beacon Park	

- 3.5 Of the eight sites, Stychbrook Park was identified as the preferred site for the new leisure centre. The selection of Stychbrook Park as the preferred site was approved by the Leisure Centre Task Group at its meeting on 14 September 2020 and by the Leisure, Parks, and Waste Management (Overview and Scrutiny) Committee at their meeting 23 September 2020, who supported the proposal based on:

- It being close to the current Friary Grange Leisure Centre – aiding the transfer of usage from the old site to the new and providing continuity of provision for local neighbourhoods, some of the more deprived in the district – supporting work to reduce health inequalities.
- It having a history of use as a sports / recreational site.
- At 3.47 Hectares, it is a large site – lessening the impact on surrounding housing.
- The new centre would have synergy with existing outdoor pitch provision, giving the potential for a “sports campus” style offer.
- It's location adjacent to A5129, aiding access.
- Relatively good public transport links.
- Ecological impacts being assessed as lower than for other open-space options.
- Public open space impact being assessed as lower than for other open-space options.
- A low risk of current or future opportunity costs – as public open space incorporating playing pitches, planning constraints makes it extremely unlikely the site could ever be redeveloped for non-sports / non-recreational purposes.
- It being the only site for which the analysis did not identify a significant strategic impediment or planning risk to the development of a leisure centre.

- 3.7 Following the selection process, several site surveys and investigations were commissioned to ensure viability and to help prepare any mitigation plans where required:

- Topographical survey
- Underground services survey
- Utilities searches
- Archaeology Report
- Geo Environmental Survey
- Highways & Traffic Assessment

- 3.8 In October 2022, the Council engaged with ReCreation to discuss our project needs. ReCreation, a provider of modular swimming pool solutions, are a recognised market leader in supporting local authorities to deliver affordable leisure facilities through innovative design and build.
- 3.9 ReCreation provide an innovative way to build pools above ground. This avoids the costs and lengthy build time of a traditional pool. The unique above-ground design is a proven, effective solution to providing swimming facilities at a fraction of the cost of traditional construction.
- 3.10 Traditionally, swimming pools have been built in-ground. This is done by excavating the site and filling the hole with reinforced concrete, which is later waterproofed and then tiled. In recent years, however, above-ground pools have become more common. This is due to the significant savings made on time, cost and environmental impact compared to a traditional in-ground, concrete pool.
- 3.11 Typically, above-ground facilities are constructed in 14 months, being at least 20 per cent quicker than an in-ground build. Above-ground swimming pools are designed to last the life of a building when maintained correctly. Ease of maintenance means repairs can be made without large-scale, structural changes. That means an above-ground pool would last at least 50 years if the building itself is kept running and is well managed.
- 3.12 Due to the stainless-steel structure of an above-ground pool, maintenance is predictable and costs less than what it would take to repair an in-ground pool.
- 3.13 The council's Major Programmes team and Leisure Task Force Chair visited a ReCreation build site (Rainham, Essex) in December 2022. This build is on behalf of Havering Borough Council, and the site facilities compare greatly to Lichfield's needs, with a new state-of-the-art facility offering a range of facilities including a dance and spinning studio, 72-station fitness suite and six-lane swimming pool. ReCreation was then appointed later in December 2022 as our special advisors to undertake an initial strategic brief and conceptual ideation in line with the Royal Institute of British Architecture (RIBA) stage 0, this work has commenced and will include high level site analysis, internal/external drawings and RIBA Stage 0 report which will be used to aid with decisions on the future of this project.

Assessment of Need

- 3.14 An assessment of the sport and leisure needs of district residents up to 2040 has been completed in accordance with Sport England's Strategic Outcomes Planning Model guidance. As part of this assessment, primary research was commissioned including online face-to-face surveys and targeted focus groups including people with disabilities, young people, and older adults. A key finding from the assessment highlighted that the age and condition of the current facilities was a barrier to participation.

Mix / Facilities proposed

- 3.15 The Leisure Centre Task Group and Leisure, Parks, and Waste Management (Overview and Scrutiny) Committee also agreed the new centre should ideally include the following mix of facilities:

25m x 6 lane pool	Changing village	80 station gym
Fitness/dance studio	Spin studio	Lobby/reception area with café
4G pitch	Car parking	

- 3.16 When considering the facility mix for the new leisure centre, we have considered Recommendation 4 from the Built Facility Strategy. This recommendation indicates the facility mix requirements for a new

leisure centre. In addition to the recommendation, consultation with local people, focus groups and key stakeholders has identified facility needs for a new centre. The council’s ambition, in proposing the modular approach to developing a new leisure centre, is for there to be an ability / flexibility to add to those facilities, with for example a sports hall and learner swimming pool, as further funding becomes available in the future.

Affordability (capital and revenue)

- 3.17 Approval to develop a new leisure centre requires confidence that both the initial capital costs and ongoing revenue costs of the centre can be met.
- 3.18 The council has worked closely with ReCreation to develop an understanding of the cost of building a leisure centre with the mix of facilities set out in para 3.15 on Stychbrook Park in Lichfield, based on an understanding of the site following the surveys undertaken as identified in para 3.7. The proposal is to develop a centre identical to the one visited in Rainham, Essex.
- 3.19 Careful financial planning and a favourable financial settlement in 2023/24 and 2024/25 has enabled the council to identify £10m of capital funding for the new centre, from a mixture of cash and internal borrowing – as set out in the financial implications section of this report.
- 3.20 A detailed Revenue Business Plan has been developed for the new leisure centre in collaboration with specialist leisure consultants, Max Associates. Max Associates has been operating for over 20 years across the sport, leisure, and cultural sectors. They are a market leader in Sport England’s strategic outcome planning models (and assisted the council to prepare our strategic model), feasibility studies, alternative management options and sport and leisure procurement, delivering both consultancy and project management advice. They have worked for both local authorities and private sector operators and therefore have a unique knowledge of all aspects of sport and leisure services.
- 3.21 The Revenue Business Plan sets out total income and expenditure projected in the first 5 years of the new leisure centre business. Further details of this can be found in the confidential version of the report.

Alternative Options	<ol style="list-style-type: none"> 1. To continue to maintain Friary Grange Leisure Centre, however this facility is coming to the end of its economic life. 2. To reconsider the alternative sites, however all have significant planning policy or feasibility problems and have been ruled out previously. They would all require some form of site investigation survey process and potentially the need for Appropriation, where they are Public Open Space, prior to any planning work taking place so would also add at least 12 months to any delivery programme.
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Consultation	<ol style="list-style-type: none"> 1. ReCreation 2. Prior to and during the build of a new leisure facility for Lichfield City Centre, the council will communicate with residents and stakeholders to ensure they are aware of progress and any potential changes.
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Financial Implications	<p>The Approved Budgets included in the Medium Term Financial Strategy are shown below:</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr style="background-color: #00a0e3; color: white;"> <th colspan="8">Capital Programme</th> </tr> <tr style="background-color: #d9e1f2;"> <th></th> <th>Actual £000</th> <th>2022/23 £000</th> <th>2023/24 £000</th> <th>2024/25 £000</th> <th>2025/26 £000</th> <th>2026/27 £000</th> <th>Total £000</th> </tr> </thead> <tbody> <tr> <td>Replacement Leisure Centre</td> <td>216</td> <td>50</td> <td>2,474</td> <td>2,260</td> <td></td> <td></td> <td>5,000</td> </tr> </tbody> </table>	Capital Programme									Actual £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	Replacement Leisure Centre	216	50	2,474	2,260			5,000
Capital Programme																									
	Actual £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000																		
Replacement Leisure Centre	216	50	2,474	2,260			5,000																		

Construction Inflation Contingency		100	100	100	100		400
Total Expenditure	216	150	2,574	2,360	100	0	5,400

Funding:							
Internal Borrowing	(216)	(50)	(2,474)	(2,260)	5,000		0
External Borrowing					(5,000)		(5,000)
Council Funding		(100)	(100)	(100)	(100)		(400)
Total Funding	(216)	(150)	(2,574)	(2,360)	(100)	0	(5,400)

Revenue Budget									
Assumptions	2022/ 23 £000	2023/ 24 £000	2024/ 25 £000	2025/ 26 £000	2026/ 27 £000	2027/ 28 £000	2028/ 29 £000	2029/ 30 £000	
Budgeted Commercial Bid	(171)	(86)	(86)	(171)	(171)	(171)	(171)	(171)	
Operating Cost				0	0	0	0	0	
Minimum Revenue Provision	25 yrs			200	200	200	200	200	
Cost of Finance	4.98%			247	237	227	217	207	
Total Revenue Impact		(171)	(86)	(86)	276	266	256	246	

The high-level capital cost of the facility provided by Recreation group is shown in detail at **APPENDIX A** and in summary below:

Capital Cost Item	£	Assumptions
Construction Costs	7,150,000	December 2023 costed
Design Development Contingency	550,000	
Total Construction Costs	7,700,000	
Professional Fees	770,000	10%
Developers Management Fee	847,000	10%
Project Contingency	577,500	7.50%
Total Capital Costs	9,894,500	

Exclusions:	
Fixtures, fittings and equipment	
Sprinkler installations and automated smoke ventilation	
BREEAM requirements	
Offsite reinforcement of services	
VAT	
Works to existing structures	
Contamination removal	

A more detailed assessment of the capital cost of the planned facility is currently being completed using RIBA 0 standards. The Council has employed its own retained Quantity Surveyor to ensure these costs are robust and to provide professional advice to the Council during the project.

The recommended Capital Programme and its funding based on the high-level capital cost of the facility is shown below:

Capital Programme							
	Actual £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Replacement Leisure Centre	216 ¹	50	5,087	4,647			10,000
Total Expenditure	216	50	5,087	4,647	0	0	10,000

Funding:

¹ To remain within the recommended £10m budget, these development based costs will need to be funded by earmarked reserves and existing budgets.

Internal Borrowing	(216) ²	(26)	(2,333)	(2,425)	0	0	(5,000)
Earmarked Reserve		(17)					(17)
Section 106		(7)	(121)	(133)			(261)
Council Funding - construction inflation contingency			(200)	(200)			(400)
Council Funding - Strategic Priorities Reserve			(2,433)	(1,889)			(4,322)
Total Funding	(216)	(50)	(5,087)	(4,647)	0	0	(10,000)
Change to Approved Budget	0	(100)	2,513	2,287	(100)	0	4,600

The Business Plan Assumptions have been provided by Max Associates for the new facility. The central scenario together with projections based on more optimistic and pessimistic assumptions shown in detail at **APPENDIX B** of the confidential version of the report.

Approved by Section 151 Officer	Yes
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Legal Implications	<p>Appropriation</p> <ol style="list-style-type: none"> On 23 June 2021 Kings Chambers advised the council that because Stychbrook Park is considered as public open space, S.122 (2A) of the Local Government Act would apply and there will be a need to carry out publicity and consultation, specifying the land in question to be advertised in two consecutive weeks in a local newspaper in which the land is situated and to consider any objections to the proposed appropriation which may be made. The Notice and consultation took place for just over six weeks, between September and October 2021. During this time the council placed the requisite two adverts in the Lichfield Chronicle local newspaper. To broaden the consultation the Council also engaged through social media, wrote to all those signed up to the councils e-news, some 19,000 people, wrote to 200 properties neighbouring the park making them aware of the advert and launched a microsite specific to the project. In May 2022, following consideration of the responses, the Council formally Appropriated the public open space at Stychbrook Park for the purposes of building the new Leisure Centre.
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Approved by Monitoring Officer	Yes
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Contribution to the Delivery of the Strategic Plan	<ol style="list-style-type: none"> Sustainable leisure centre provision in support of active lifestyles contributes to: <ol style="list-style-type: none"> Enabling people – to live healthy and active lives. Developing prosperity – to enhance the district for visitors. A good council that – is financially sound, transparent and accountable.
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² To remain within the recommended £10m budget, these development based costs will need to be funded by earmarked reserves and existing budgets.

Equality, Diversity and Human Rights Implications	<ol style="list-style-type: none"> 1. There are no equality, diversity and human right implications associated with the proposals. 2. A full equality impact assessment will be conducted on the building's design and an access statement will accompany any future planning application.
Crime & Safety Issues	<ol style="list-style-type: none"> 1. None at this time.
Environmental Impact	<ol style="list-style-type: none"> 1. The proposed site is currently public open space. 2. The environmental impact of any development will be explored in detail as part of subsequent site investigations and any planning application. 3. Mitigation measures will be identified and agreed as appropriate.
GDPR / Privacy Impact Assessment	Not applicable

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	The capital cost of a replacement leisure centre increases in the current economic climate	Likelihood – Red Impact -Red Risk - Red	Contingency included in the capital budget. Rigorous project and change management approach based on Best Practice is implemented.	Likelihood – Yellow Impact - Yellow Risk - Yellow
B	The Company breaches the 20% TEKKAL exemption due to the level of external income	Likelihood – Red Impact -Red Risk - Red	Financial modelling based on the approved Business Plan and known plans has been undertaken. The 20% level would be breached if the income and expenditure is accounted for by the Company. The optimum delivery option will continue to be evaluated based on legal and tax advice.	Likelihood – Green Impact – Green Risk - Green
C	The Council breaches its partial exemption limit and is unable to reclaim VAT of c£100k per annum related to exempt activities when taking into account leisure insourcing and CIL investment	Likelihood – Red Impact -Red Risk - Red	Financial modelling will need to be undertaken based around the level of exempt income such as football pitch hires utilising the series of lets exemption etc. The optimum delivery option will continue to be evaluated based on legal and tax advice.	Likelihood – Yellow Impact - Yellow Risk - Yellow
D	Operating cost is higher than modelled	Likelihood – Red Impact -Red Risk - Red	Operating cost scenario modelling has been undertaken to understand the scale of financial risk. A specific in year risk allowance for adverse leisure centre performance is included in the minimum level of general reserves.	Likelihood – Yellow Impact - Yellow Risk - Yellow
E	Operation of the activities results in an additional Corporation Tax Liability for LWMTS therefore reducing the level of income that could be distributed to the Council through dividends	Likelihood – Red Impact -Red Risk - Red	The financial modelling provided above assumes operation of these activities through the Company with a Corporation Tax payment at a rate of 25% from 1 April 2023. The payment of Corporation Tax will reduce the level of distributable profit available to the Council. The optimum delivery option will continue to be evaluated based on legal and tax advice.	Likelihood – Yellow Impact - Yellow Risk - Yellow

Background documents

Any previous reports or decisions linked to this item

Stages of RIBA work:

- 0 – Strategic Definition
- 1 – Preparation and Briefing
- 2 – Concept Design
- 3 – Spatial Coordination
- 4 – Technical Design
- 5 – Manufacturing and Construction
- 6 – Handover
- 7 – Use

Relevant web links

Leisure Centre Task Group agreed the preferred site 14 September 2020:

<https://democracy.lichfielddc.gov.uk/documents/s9048/Task%20Group%20Meeting%20Notes%2014%20Sept%202020%20v1.pdf>

A report was taken to an Overview and Scrutiny Committee detailing the new leisure centres' preferred site on 23 September 2020; seeking support for a recommendation to Cabinet that Stychbrook Park be identified as the preferred site for the new Lichfield Leisure Centre.

<https://democracy.lichfielddc.gov.uk/documents/s9050/Preferred%20LC%20site%20OOS%20FINAL.pdf>

The preferred site was then endorsed by Cabinet at its meeting on 6 October 2020 - Item 4 – New Lichfield leisure centre preferred site:

<https://democracy.lichfielddc.gov.uk/ieListDocuments.aspx?Cid=138&Mid=1641&Ver=4>

The council Appropriated Stychbrook Park under S122 of the Local Government Act 1972 on 17 May 2022 – Item 11 Appropriation of Stychbrook Park:

[Agenda for Council on Tuesday, 17th May, 2022, 6.00 pm \(lichfielddc.gov.uk\)](#)

High Level Capital Cost Budget Summary



High Level Capital Cost Budget Summary - Lichfield Leisure Centre

CAPITAL COST ITEM	SUB-TOTAL	TOTAL AMOUNT	COMMENTS
A. Construction Cost			
Swimming/ Gym Facility Construction Costs		£7,150,000	Based on building size 2,200m ² @ £3,250 per m ²
Design Development Contingency		£550,000	Based on building size 2,200m ² @ £250 per m ²
Total Construction Costs		£7,700,000	
B. Furniture and Equipment			
Total Furniture and Equipment - Excluded		Exc.	
C. Professional Fees			
Professional Fees (Excl. Novated Fees) - 10%		£770,000.00	
Developers Management Fee - 10%		£847,000.00	
Total Professional Fees		£1,617,000	
D. Project Contingency			
Project Contingency - 7.5%		£577,500	
E. TOTAL CAPITAL COSTS			
		£9,894,500	

Notes and Clarifications

Site characteristics will dictate specific costs

VAT is excluded

Inflation projected to December 2023

Works to existing structures are excluded

Fixture, fittings and equipment are excluded

Excludes contamination removal

Excludes for the removal of relic structures from the ground

Sprinkler installations and automated smoke ventilation is excluded

Additional costs associated with BREEAM requirements are excluded

Off site reinforcement of services is excluded

IN-SOURCING LEISURE PROVISION**Cabinet Member for Leisure and Parks**

Date: 14 February 2023

Agenda Item:

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

Tel Number: 07961202055

Email: Simon.fletcher@lichfielddc.gov.uk,
Anthony.Thomas@lichfielddc.gov.uk,
John.Smith@lichfielddc.gov.uk
Sarah.Sleigh@lichfielddc.gov.ukKey Decision? **YES**

Local Ward All Wards.

Members


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

- 1.1 The council has been approached by Freedom Leisure to agree a termination of the Leisure Operating Contract with them on 1 April 2023. The request follows several months of ongoing discussion and negotiation about the future of the contract in response to Freedom's requests for further financial support over the coming two financial years, as a result of the energy price increases.
- 1.2 The paper proposes a mutually agreed termination of the Leisure Operating Contract with Freedom Leisure and, subsequently, the transfer of the management and operation of the council's leisure portfolio (comprising Burntwood Leisure Centre and Friary Grange Leisure Centre) to Lichfield West Midlands Traded Services (LWMTS), the Council's wholly owned company.

2. Recommendations

- 2.1 Cabinet approve and recommend to full Council a mutually agreed termination of the Leisure Operating Contract with Freedom Leisure.
- 2.2 Cabinet approve the transfer of the management, budget, and operation of the council's leisure portfolio (comprising Burntwood Leisure Centre and Friary Grange Leisure Centre) 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 to 31 December 2027 as detailed in the financial implications section.
- 2.3 Cabinet approve and recommend to full Council that the payment received from Freedom Leisure (as set out in paragraph 2.3 of the confidential report) be set aside in an earmarked reserve held by the Council to cover additional costs of energy supply in 2023/24 and 2024/25 within the wholly owned company / new organisational structure and thereafter revert to General Reserves.
- 2.4 Cabinet delegate authority to the Cabinet Member for Parks and Leisure and the Chief Executive in consultation with the Monitoring Officer to negotiate and agree any agreements necessary to complete the transfer subject to them being within Approved Budgets.

3. Background

- 3.1 In July 2015, the council commissioned FMG Consulting to undertake an options appraisal for the management of the council's leisure centres and services. As well as ensuring that the council has a leisure service that is fit for the future, the review was also tasked to deliver a budget reduction of at least £200,000 per year.
- 3.2 In March 2016, Cabinet agreed to the principle of outsourcing the management and operation of Burntwood and Friary Grange leisure centres, as a means to ensuring both a fit for the future service and the necessary budget savings, and to seek proposals to appoint a project manager to progress this work.
- 3.3 In July 2016 and following a formal tendering process for the project manager, a contract was awarded to Max Associates Ltd, to progress with the outsourcing of the council's leisure centres. Following a further competitive process, the Council appointed Freedom Leisure to manage and operate its leisure portfolio comprising Burntwood Leisure Centre and Friary Grange Leisure Centre, pursuant to a Leisure Operating Contract dated 1 February 2018. The contract period is for 10 years with an option to extend by a period of 5 years.
- 3.4 Clause 29 of the Contract recognised the long-term future of Friary Grange Leisure Centre was subject to ongoing discussions between Staffordshire County Council and Friary School. The Contract therefore provided for partial termination in relation to Friary Grange Leisure Centre.
- 3.5 Despite ongoing discussions between the parties, Staffordshire County Council and Friary School were unable to commit to the long-term future of Friary Grange Leisure Centre. The Council, therefore, exercised its rights, pursuant to Clause 30.1(a) of the Contract to partially terminate the Contract in relation to Friary Grange Leisure Centre, when it made its decision to close the facility in March 2019.
- 3.6 After the Notice to Terminate was served, there was a huge community response to the news. Members, customers and clubs raised the issue through social media, a community meeting, a petition and through contact with the council, showing how strongly they felt about having access to a leisure centre and swimming pool in Lichfield city. As a result, partners, including the county council and school, committed to explore a range of potential options to address the immediate threat of closure, as well as looking at future options for more sustainable leisure provision in the district. A special cabinet meeting on the 7 October 2019 was held at the Garrick Theatre. A cabinet debate took place following the public speaking session, where it voted to recommend (to Full Council) keeping the leisure centre open and investing £695,000 in repairs and maintenance. Cabinet also recommended amending the council's financial plan to add £5million into the capital programme to help future leisure facilities in Lichfield. An interim position was agreed for Freedom Leisure to continue to manage and operate Friary Grange Leisure Centre, subject to adjustments to the contract set out in a Deed of Variation dated 22 June 2020.
- 3.7 This Deed of Variation deals only with the agreed variations relating to the management and operation of Friary Grange Leisure Centre arising from the new arrangements between Staffordshire County Council, Friary School and the Council and specifically the exclusion of the sports hall, all weather pitches and dance studio from community use for the remainder of the Contract Period (as defined in the Contract). It also set out that the annual payment payable by the Council to Freedom Leisure be adjusted on an annual basis by an increase of £63,750 for the financial year 1 and by £85,000 for each subsequent financial year commencing on 1 April, in compensation for the loss of revenue arising directly from the removal of these facilities.
- 3.8 The contract with Freedom Leisure has now been in place for five years. During this period Freedom has successfully delivered a £1.1m capital programme (funded by LDC through borrowing) for Burntwood leisure centre, in 2019. This included a refurbishment of the ground floor consisting of a new reception/café area and new aerobics studio. The first floor area was redesigned to increase the size of the gym provision, including a functional training zone and designated spin room.

3.9 From the initiation of the contract the council developed a partnership approach with Freedom Leisure to deliver leisure services. Further details of this can be found in the confidential version of this report.

Covid

- 3.10 In response to the Health Protection (Business Closure – Coronavirus) (England) Regulations 2020, Freedom Leisure closed the leisure centres to prevent the spread of Covid-19 in March 2020. This closure had a significant and immediate impact upon the revenue generated by the facilities and meant Freedom Leisure were unable to both meet the costs of running the centres or pay the Council their contractual annual payment.
- 3.11 Following Government guidance PPN 02/20 and PPN 04/20 and sector specific guidance, on 3 April 2020, the Council agreed a package of financial and other support measures to help mitigate the impact of Covid-19 on Freedom Leisure. The Council agreed a short-term package of financial and other support measures, time limited, until 30 June 2020.
- 3.12 As the Covid Pandemic continued it was evident a temporary closure of leisure facilities was not sufficient, and the Government began to introduce UK wide and sector wide lockdowns. Which meant that leisure centres would remain closed for an extended period. The Council agreed a further package of financial and other support measures, to support Freedom Leisure in August 2020. This, again, was time limited until the end of March 2021. The financial package and other support measures set out in the second Deed of Variation were subject to Open Book Interim Data provided by Freedom Leisure.
- 3.13 As the country exited Covid, Government issued a 'Road Map' for the easing of Covid-19 Restrictions and the re-opening of leisure facilities. In accordance with the Road Map, Freedom Leisure was permitted to open all Indoor Facilities on 12 April 2021 and Outdoor Facilities on 17 May 2021, with some social distancing measures remaining in place until 21 June 2021. The Council and Freedom Leisure agreed a 're-opening schedule' to ensure that all facilities were fully opened. We also agreed a further package of financial and other support measures. This was time limited and expired on 30 June 2021. The Council confirmed its intention to withdraw all reliefs from all third-party contractors, including Freedom Leisure after 1 July 2021. Freedom Leisure acknowledged that any support measures were entirely at the discretion of the Council and that there would be no extension to the third and final support measures.
- 3.14 In return for the Council making this funding available, Freedom Leisure agreed to comply with the provisions and obligations of the funding agreement as if it were a party to it in place of the Council, including the obligations for repayment of the funding. This was completed by way of a Deed of Indemnity Agreement.
- 3.15 Freedom Leisure acknowledged the principles set out in PPN 02/20 and PPN 04/20 which required them to act in good faith with regards to requests for support measures and to take all reasonable steps to exit from such measures and resume full service delivery in accordance with the Contract including resumption of payment of the Annual Payment to the Council.
- 3.17 Since the Covid Lockdowns, both leisure centres have recovered reasonably well, although some income generating activities have not reached pre covid levels, including casual swimming and fitness memberships, which are currently operating at around 80% when compared to active memberships in early 2020. In other areas such as learn to swim and fitness classes the demand has increased at both facilities.

Cost of living crisis

- 3.17 Nationally, almost half of adults say that they have less disposable income today compared to a year ago.

- 2 in 5 (40%) people said the cost of living increase was having a ‘negative impact’ on their ability to be active in August 2022, up from a third of people in March 2022 (an increase of 6.7%)
- Almost half of people (48%) think the cost-of living is likely to have a negative impact on their ability to be physically active in the future.

3.18 In July 2022, Freedom Leisure provided a report outlining the challenges being faced by the Leisure Partnership Contract. This included wage inflation, increased cost of supplies, equipment, goods and services and energy price rises. The report requested the Council provide full financial support to meet the impact of the energy price increase. (As set out in the confidential report)

3.19 The council sought legal advice from Winckworth Sherwood as set out in paragraph 3.18 of the confidential report.

3.20 In September 2022, Freedom Leisure provided a report containing their latest local energy price increase predictions. The report also contained an options appraisal (set out in paragraph 3.19 of the confidential report together with other considerations).

Proposal

3.21 The Chief Executive, in consultation with the Cabinet Lead for Leisure, and the Leader of the Council, has led subsequent discussions and negotiations with Freedom Leisure since late 2022. Both Councillors’ steer was clear; the Council cannot support Freedom Leisure financially any further than has already been provided, but also will not countenance a closure of any part of either the Lichfield or Burntwood facilities.

3.22 In December 2022, following repeated requests for the Council to reconsider its position on financial support and the part / full closure of some of the facilities in the district, and recognition the Council would not concede on either of these points and instead expected Freedom Leisure to fulfil its contractual obligations, both parties agreed to begin (without prejudice) negotiations over a mutual termination of the contract.

3.23 The outcome of those negotiations is that:

- Both parties agree a mutual termination of the remaining period of the contract
- Freedom Leisure will pay the council an early exit fee (detailed in the confidential report)
- Freedom Leisure’s payment will be made in two instalments with two thirds paid on termination (1 April) and the remainder six months later (1 October)
- Both parties agree a communications strategy to support the announcement of a termination of the contract.

3.24 Cabinet is requested to consider, approve and recommend to Full Council this proposal and the negotiated terms of exit for Freedom Leisure with effect from 1 April 2023 (or as soon as possible thereafter).

Alternative Options	<ol style="list-style-type: none"> 1. Cabinet could decide not to transfer the leisure operating contract into the LWMTS and to continue to hold Freedom Leisure to account in respect to the existing leisure outsource contract. Freedom Leisure have continued to implement cost cutting options, despite the council's objections and this is likely to continue leaving the facilities with higher charges, fewer staff, less health and wellbeing activities, smaller timetables, reduced opening times and the potential removal of higher cost facilities such as the health suite. This impairs the council's ability to support its community and we could end up with facilities that are open less frequently and become less affordable to those in most need in our community.
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2. The council revisit the leisure market and seek tenders from leisure operators to take over the contract. This could take between 12-18 months and is unlikely to provide any betterment to the existing leisure contract due to it being based on financial performance. The leisure market is slowly recovering from the effects of the COVID 19 pandemic and are facing challenges such as the cost of living crisis and high fuel costs meaning that appetite from the market to take on new commercial contracts is slim unless the financial risks are either shared, or more likely fully sit with the local authority.

Consultation

1. There will be public engagement and communication process as part of any changes to the operational management of the leisure centres. Overview & Scrutiny Committee was consulted at their Special meeting on the 8th February 2023 and their views will be reported directly at the Cabinet meeting.

Financial Implications

The Commercial Bid from Freedom Leisure assumed payments from the Council in the first three years of the 10 year contract (2017/18 to 2019/20) and then income to the Council from 2020/21 onwards.

However during COVID-19, financial support was provided to Freedom Leisure including foregoing some or all of the commercial bid income due to the Council in 2020/21 and 2021/22:

Commercial Bid Foregone	£142,778
Financial Support	£425,005
Business Rates & Grants	£63,486
Total Support	£631,269
National Leisure Recovery Fund	(£224,418)
Public Sector Support	£406,851

To inform the negotiations with Freedom Leisure a range of financial projections were modelled using different assumptions from the budgeted Council commercial Bid to the Freedom's Commercial Bid plus Total COVID-19 support plus the projected costs of transition.

The Budgets included in the Approved Medium Term Financial Strategy related to the Freedom Leisure Commercial Bid are shown in detail at **APPENDIX A** of the confidential report (and in summary in the financial implications of the confidential report).

The commercial bid figures provided by Freedom Leisure as part of the procurement in 2017/18 will have been negatively impacted by events over the last three years. Therefore the current operating costs and income projections have been requested from Freedom Leisure as part of the due diligence process. However it is likely that energy costs and income will not be performing in line with budgets.

There are also a number of other financial implications for the Council and LWMTS that will need to be considered as the project progresses:

- In terms of any charges for services to or from the Council, the Council and Company must be mindful of transfer pricing requirements and therefore the actual approach to pricing to be adopted will need to be developed in consultation with the Council's Tax advisors
- There are pension implications for both the Council and wholly owned company / new organisational structure. The wholly owned company / new organisational structure will be classed as a designated body and would be admitted into the scheme following a Company resolution to join. This involves TUPE transfers of staff from Freedom Leisure and the wholly owned company / new organisational structure becomes a new participating Fund employer for and transferring employees remain eligible for LGPS

	<p>membership and contributions under the Best Value Guarantee. The arrangement with Freedom leisure utilises a “pass through” arrangement. Under this option the wholly owned company / new organisational structure would pay a fixed contribution rate (Freedom Leisure pay 26.5%) throughout its participation in the Fund and on cessation does not pay any deficit nor receive an exit credit. In other words, the pensions risks “pass through” to the Council and an earmarked reserve has been established to mitigate the risk. In 2022/23 the total contribution rate is 30.1% although this could change under the new Local Government Pension valuation from 1 April 2023.</p> <ul style="list-style-type: none"> The Company’s Business Plan is subject to approval by the Council on an annual basis or if material changes are proposed during the financial year to ensure proposed activity is transparent and has shareholder approval.
Approved by Section 151 Officer	Yes
Legal Implications	1. Solicitors have been appointed to ensure that the council has the most appropriate legal advice as part of this proposal and to ensure that’s its protected contractually throughout any transition process.
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	1. The transition of the operating contract from one operator to another will contribute to our strategic objective of creating a healthy and safe community . By retaining these services, it will increase the number of people within the district who are physically active.
Equality, Diversity and Human Rights Implications	1. Providing accessible local leisure facilities can help encourage those that would most benefit, to be more active, more often. Such individuals may have protected characteristics including age, gender and disability or ill-health. The key driver to changing the facilities operator is to ensure that there’s no reduction in the timetabling of health and wellbeing activities, opening times, and facilities within the centres.
Crime & Safety Issues	1. As the project moves through the operator transition phase, these elements will be considered further to ensure the new operator is aware of any community safety and crime challenges at both sites and to ensure that they play a positive role in the reduction of crime and improvement of safety.
Environmental Impact	<p>1. The operational transition from one organisation to another should see no negative environmental impact.</p> <p>2. There is an opportunity to ensure that any new contracts procured through the LWMTS are more locally sourced and that organisations providing these new services are also signed up to carbon offsetting promises.</p>
GDPR / Privacy Impact Assessment	1. Data processing arrangements will be addressed as part of any transition from one operator to another.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	There's likely to be several operational risks associated with the transition from one operator to another such as the provision of goods and services, IT networks and routine management and maintenance contracts.	Likelihood: Yellow Impact: Red Score: Yellow	A detailed Risk Log linked to the operational transition will be developed in collaboration between LDC, Freedom Leisure and the LWMTS to ensure these are mitigated.	Likelihood: Green Impact: Yellow Score: Yellow
B	Freedom Leisure don't cooperate with the 'transfer of operations' to the LWMTS	Likelihood: Yellow Impact: Yellow Score: Yellow	Financial agreements and legal documents agreed and signed beforehand to ensure that there's a collaborative approach. The current Leisure Operating Contract makes a provision for this.	Likelihood: Green Impact: Yellow Score: Yellow
C	Legal requirements need to be in place for contract termination with Freedom Leisure and any new contract with LWMTS.	Likelihood: Yellow Impact: Yellow Score: Yellow	DWF solicitors have been appointed to ensure that all legals are dealt with appropriately.	Likelihood: Green Impact: Yellow Score: Yellow
D	LDC and the LWMTS having the appropriate resource to manage the transfer and ensuring service delivery.	Likelihood: Yellow Impact: Yellow Score: Yellow	Provision is being made for sufficient support from HR/Legal/Finance/ Communications during the management of the transfer into the LWMTS and bedding in of a new leisure contract.	Likelihood: Green Impact: Yellow Score: Yellow
E	Negative reaction from employees and customers to the transition.	Likelihood: Yellow Impact: Red Score: Yellow	Ensure that an effective communications plan is prepared and implemented.	Likelihood: Green Impact: Yellow Score: Yellow
F	The LWMTS not delivering on the proposals within any new operating contract.	Likelihood: Yellow Impact: Red Score: Yellow	A detailed contract and service specification will be drafted which the LWMTS will have to agree to.	Likelihood: Green Impact: Yellow Score: Yellow
G	The requirement to ensure value for money and associated service delivery.	Likelihood: Yellow Impact: Yellow Score: Yellow	To ensure that the LWMTS is given a substantial contract period to enable them to operate the facility.	Likelihood: Green Impact: Yellow Score: Yellow
H	Data Protection challenges, data sets between organisations being shared.	Likelihood: Yellow Impact: Yellow Score: Yellow	GDPR processes in place to ensure that any data sets that can be shared are, and those which can't to remain the property of the primary organisation.	Likelihood: Green Impact: Yellow Score: Yellow
I	Staff unaware of the transition or challenge the process.	Likelihood: Yellow Impact: Yellow Score: Yellow	Ensure that a strong consultation and engagement process is in place specifically for employees and that a robust TUPE process is followed	Likelihood: Green Impact: Yellow Score: Yellow
J	The council need to ensure that once the LWMTS takes over the operations of the Leisure facilities, they are 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 future monitoring and management arrangements.	Likelihood: Green Impact: Yellow Score: Yellow
K	Pension risks including admitted body status	Likelihood: Yellow Impact: Red Score: Red	Legal and Pension Fund advice in relation to TUPE and admission requirements.	Likelihood: Yellow Impact: Yellow Score: Yellow
L	The Council breaches its partial exemption limit and is unable to reclaim VAT of c£100k per annum related to exempt activities in relation to this option together with the new	Likelihood – Red Impact -Red Risk - Red	Financial modelling will need to be undertaken based around the level of exempt income such as football pitchchires utilising the series of lets exemption etc. and advice sought from the Council's VAT advisor on the level of risk and options to manage any risk.	Likelihood – Yellow Impact - Yellow Risk - Yellow

	leisure centre and the CIL investment			
M	The Company breaches the 20% TEKKAL exemption due to the external income of (£425k) per annum	Likelihood – Red Impact -Red Risk - Red	Legal advice will be procured and financial modelling based on the approved Business Plan and known plans has been undertaken.	Likelihood – Yellow Impact - Yellow Risk - Yellow
N	The commercial bid contribution is not paid to the Council or financial support is required due to adverse financial performance	Likelihood – Red Impact -Yellow Risk - Red	An allowance is included in the Minimum Level of Reserves for adverse leisure centres contract performance.	Likelihood – Yellow Impact -Yellow Risk - Yellow
O	The new insurance contract does not include cover for leisure centre management	Likelihood – Red Impact -Red Risk - Red	Early engagement with the new insurance provider to determine insurance requirements and potential cover.	Likelihood – Yellow Impact - Yellow Risk - Yellow

	Background documents
	The Medium Term Financial Strategy – Council 22 February 2022

	Relevant web links
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