A Cinema for Lichfield District

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

Lichfield district council

Date:	27 June 2023
Agenda Item:	6
Contact Officer:	Simon Fletcher, Chief Executive, Anthony Thomas, Assistant Director Finance & Commissioning and S151 Officer, and John Smith, Performance & Programmes Manager
Tel Number:	07961 202055 (SF)
Email:	simon.fletcher@lichfielddc.gov.uk anthony.thomas@lichfielddc.gov.uk john.smith@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members	All

CABINET

1. Executive Summary

1.1 This paper provides Cabinet with an update on progress with the creation of a new joint venture partnership, a Limited Liability Partnership (LLP), with Evolve Estates, through which a new cinema and associated food and beverage (F&B) units will be developed in the former Debenhams unit in the Three Spires shopping centre.

1.2 It updates Cabinet on the outcome of negotiations with Evolve Estates over the structure and detail of the LLP and introduces a proposal for the exchange of the Council's freeholding of the site, for six retail units, to be included in the final structure of the deal.

1.3 It provides Cabinet with an update on the financial standing of Evolve Estates, and independent valuations of the full site, the Debenham's building, the retail units proposed for exchange.

1.4 It also provides recommendations to manage the ongoing relationship and potential conflicts of interest between the Joint Venture and the Council.

2. Recommendations

2.1 That Cabinet notes:

a) The progress made on the creation of a joint venture partnership with Evolve Estates, to bring forward a new cinema and associated food and beverage (F&B) units in the old Debenhams unit in the retail centre.

b) The detailed information provided on the financial standing of Evolve Estates, and independent valuations of the full site, the Debenham's building, and the retail units proposed for exchange.

2.2 That Cabinet agrees and recommends to Full Council that Lichfield District Council's freehold ownership of the Three Spires Shopping Centre site, excluding the Debenham's building, and six retail units (no's 32 – 44 Baker Street) be exchanged for the leasehold of the same six retail properties.

2.3 That Cabinet approves the Leader, Chief Executive and another Member of Leadership Team being the Council's three representatives on the LLP Board.

2.4 That Cabinet approves delegated authority to the Cabinet Member for Finance and Commissioning in consultation with the Assistant Director – Finance and Commissioning (S151) and Monitoring officer (as non-LLP Board Members) to approve the Business Plan and any other documents pertinent to the operation of the LLP on behalf of the Council subject to financial implications remaining within the approved budget framework.

2.5 That 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 demolition related to enabling works on the Birmingham Road Site subject to the financial implications being within Approved Budgets.

2.6 That Cabinet recommends to Council to update the Medium-Term Financial Strategy:

- To reflect the financial and accounting implications related to the land exchange, the projected payment of Stamp Duty Land Tax for the leasehold units of **£104,000** and to fund this cost from the former car park reserve approved to deliver the Lichfield City Masterplan.
- To increase the budget in the Capital Programme for the Joint Venture loan advance to reflect additional cost inflation by **£439,000** from **£5,349,000** to **£5,788,000** and to fund this additional capital investment from the former car park reserve approved to deliver the Lichfield City Masterplan.
- To continue with the approach that the revenue budget is based on a budget neutral (no surplus or deficit is included) position. In addition, capital receipts related to the loan repayment will at this stage not be included in projections until more informed financial projections are provided through the Business Plan. Any future changes following receipt of the Business Plan will be reported in line with the Council's budget monitoring and any budget approvals will be in line with the budget framework.

3. Background

1.1. On 11 October 2022, Cabinet agreed and recommended to Full Council that Lichfield District Council enter a joint venture Limited Liability Partnership (LLP) with Evolve Estates for the purposes of developing a new cinema and associated food and beverage units in the former Debenhams store on the Three Spires retail site. Full Council subsequently agreed the same, on 20 October 2022. Delegated authority was granted to the Leader and Chief Executive to finalise the details of the LLP, in consultation with the Monitoring Officer and S151 Officer, subject to financial implications remaining within the budget framework recommended for approval below.

1.2. Since Full Council, the Chief Executive, with support from the S151 Officer, has continued negotiations with Evolve Estates over the final details of the LLP, along with ensuring the associated activities identified as required by Cabinet and Council (e.g., independent valuations) are completed. This report provides Cabinet with the outcome of those activities.

Adaptations to proposed LLP structure / commercial assumptions.

1.3. The following table identifies any changes from our original assumptions about the structure of the LLP arising from negotiations since October 2022.

Original assumptions	Adaptation
Full Council in October 2022 approved the proposal for a joint venture LLP to be created, funded through loans provided by both organisations, the refurbishment of the previous Debenhams store to create a multi-screen cinema and multiple F&B units.	**No change**
A well-known, small but high-quality cinema operator has been identified and will enter a 25-	**No change**. Though the original planned layout of the internal portions of the old Debenhams

year lease for the cinema space and fund 50% of the cost of refitting that space to create the multi-screen (up to 5) offering - a mixture of small (up to 48 seats) and large (up to 120 seats) screens.	building have altered, to optimise space for the cinema operator and F&B units, there is no change to the proposed operator of the cinema or screen sizes. Negotiations over lease terms with the preferred operator are now at advanced stages.
Alongside the cinema, a range of F&B units (5 – 6 in total) will be created. Discussions have commenced with 20 - 30 F&B providers, from which the joint venture will select those which add most value to the cinema operation **and** our existing, well-established independent restaurants in the city.	**No change**. The intent, to attract F&B provision, which is complementary to existing, well-established independent restaurants in the city remains the same. Evolve Estates are in advanced stages of negotiations with a series of regional, well-known, and national brands to achieve this outcome.
Due diligence has been undertaken by both parties (LDC and Evolve Estates) to establish whether there is a fit from an ambition, skills, and cultural perspective.	**No change.** Significant investment has been made by both parties to ensure our ambitions are aligned and that we are able to add value to each other. Evolve Estates market expertise has been key to the LLP securing the high-quality operators and commercially competitive contracts needed for the arrangement to be a success. While a perceived delay in announcing operators has understandably caused some negative comments in the local press, the need to conclude negotiations in private has been paramount.
The parties to the joint venture have discussed two potential phases to their activity: 1. Phase 1a – this includes the redevelopment of the former Debenhams store into a cinema with associated F&B units. Detailed financial costs have been developed for Phase 1a. 2. Phase 1b – is a shared ambition to extend the span of activity to deliver more regeneration on the BRS. This would start with providing a small (up to 50 spaces) replacement car park in the location of the existing multi-storey car park. A further stage, subject to a full business case, could see the joint venture bringing forward additional F&B and high-quality office accommodation alongside the new, replacement car park. Phase 1b's full footprint, were it to go ahead, would include the site of the current multi-storey car park and a number of the adjacent retail units on Three Spires. **This report deals only with Phase 1a**.	**Adapted / New proposal.** Through the negotiations, it became clear there was an opportunity, and benefit for both parties, to include part of the Phase 1b proposal in the structure of the deal. Both parties agreed a need to constrict major disruption on the site overall to the period of redevelopment of the old Debenhams building itself. To conclude and open a new cinema and F&B venue, and then commence the next phase of major regeneration, removal of the Multi-Storey Car Park (MSCP) and a limited number of retail units, as outlined in the master planning for the site, would extend disruption on the site and detract from the impact of the new venue. Both parties have therefore agreed – subject to Cabinet and Full Council support – to include the land exchange of retail units 32 – 44 Bakers Lane for the Council's freehold of the Three Spires Shopping Centre site as part of this deal. The freehold of the Debenhams building itself will move to the LLP as agreed previously. Please see detail below.

<table>
<tr>
<td>The proposal is for the full cost of this initial phase to be funded on a 50%/50% basis by the two parties. EE will sell the Debenhams site to the joint venture with full rights to its management. EE will also loan an amount of cash to the joint venture partnership to fund the cinema and F&B units fit out. The council will match the EE investment with the loan an equivalent amount of cash to the joint venture for the same purposes.</td>
<td>No change. The initial investment by both parties remains on a 50%/50% basis.

The leasehold / freehold valuations, undertaken independently, has altered the initial values proposed, but not materially, and initial input has been adjusted to ensure the 50%/50% basis is protected.</td>
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<tr>
<td>Key principles (summarised) for the joint venture.

The joint venture will be held on a 50/50 basis between LDC and EE.
The joint venture will be a limited liability partnership (LLP).
Each party will have the same number of directors on the board.
The Board will be Chaired by an LDC representative.
Each party will be restricted from transferring their interests in the joint venture without the prior consent of the other.
Each party will be able to exit the joint venture after a minimum period. The other party will have a ‘first option’ to purchase the other’s shares where this happens.
The cinema and F&B units will be pre-let / agreed to ensure minimal delay in income to the joint venture.
Rental / operational income (i.e., net income after operating costs) from the operation of the cinema and F&B units will be shared between the two parties to the joint venture.
The council agrees that EE will ‘draw down’ repayment of its investment faster from operational income than its own loan. That is, the split of operational income will be set to enable that to happen. Once EE has recouped its repayment, the income split will then adjust in favour of LDC to enable it to achieve repayment of its loan. Once both parties have achieved repayment of their initial investment, then the split of income generated will revert to 50%/50% ongoing.
</td>
<td>One change only - to the final bullet point. Through negotiation, both parties agree the following change:

Original -

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

Revised –

The council and EE will ‘draw down’ repayment of their investment on an equal 50%/50% basis from operational income. That is, the split of operational income will now be equal.
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Asset Valuation

1.4. The Council are the freeholder in the Three Spires shopping centre and Evolve Estates (the Leaseholder) are the Leaseholder for the Three Spires Shopping Centre with an unexpired term of 123 years. Under the terms of the lease, the Council receive 11% of the net rent per annum achieved across the shopping centre.

1.5. See confidential information.

1.6. See confidential information.

1.7. The purpose of the exercise was to examine the value of the Council's interest in the above premises for Best Consideration purposes to facilitate a comprehensive redevelopment of the former Debenhams building and the adjoining council owned sites, in conjunction with adjoining interests held by Evolve Estates Limited.

1.8. Therefore, an assessment was required to justify, or otherwise, that the price/exchange potentially payable for the freehold ownership of this property still meets Best Value principles, governed under Section 123 of The Local Government Act 1972.

The Former Debenham's Building, 46 Bakers Lane

1.9. In the previous Cabinet report, Evolve Estates valued their leasehold interest at **£3,000,000**, a matching contribution from the Council of **£3,000,000** and then a further financial contribution from each party of **£1,998,500** making a total investment (excluding Council contingency) of **£9,997,000**.

1.10. See confidential information.

1.11. See confidential information.

1.12. See confidential information.

1.13. The Council need to ensure that a 50/50 equity split is applicable. If the Council are unable to secure further negotiations based on a reduction in their capital to ensure an equitable transfer, to progress the JV, the Council could consider disposing of their Leasehold Interest into the JV for a sum lower than the Best Consideration and meet the principles of Powers assigned to Local Authorities under the Local Government Act 1972 Section 123 on the following basis:

- The current negotiated position is the only achievable position, which would enable several key regeneration requirements to be met.
- The transaction would ensure that the risk associated with the redevelopment of the Cinema is shared 50/50 between both the Council and the Leaseholder.
- If a JV is not obtainable and ultimately any purchase by the Council is required to be progressed by CPO.

1.14. It is also noted that there is a risk of the CPO process being unsuccessful which would result in significant costs incurred by the Council through the acquisition of either of the above freehold interests and associated costs, as well as the relocation of occupiers and would ultimately not progress the freehold acquisition. Additionally, a CPO of this scale might extend over a period of say 18-24 months.

1.15. See confidential information.

Land Exchange

1.16. See confidential information.

1.17. See confidential information.

1.18. See confidential information.

1.19. See confidential information.

1.20. See confidential information.

An Independent Review

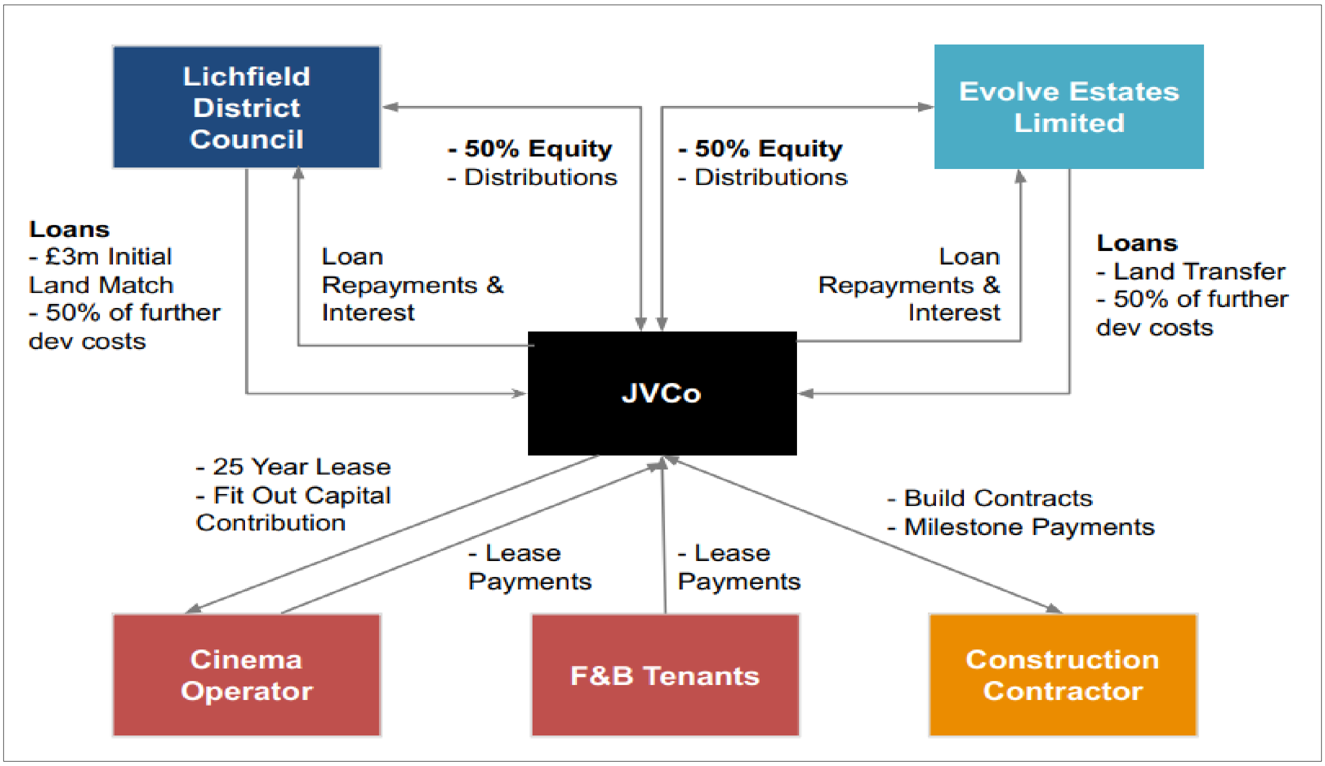
1.21. As part of the engagement and approval process for the Cinema Development, several questions were raised by Members regarding the financial standing of Evolve Estates. Therefore, a commitment was made in the previous Cabinet Report to undertake a review of the financial standing and integrity of the proposed counterparty to the transaction Evolve Estates.

1.22. The specialist nature of this work resulted in the Council commissioning PWC to:

- Review the commercial structure and terms of the proposed JV to comment on the reasonableness of the proposed structure, the key risks to which it may be exposed and the mitigations the Council may put in place, making relevant recommendations.
- Review and comment on the reputation and financial standing of Evolve as the Council's proposed JV partner; and
- Review and comment on the expected, high-level corporation tax, VAT and SDLT implications for the Council in relation to the proposed JV structure.

The commercial structure and terms of the proposed Joint Venture

1.23. The structure of the Joint Venture initially approved by Cabinet and Council is shown below:



1.24. The review by PWC considered several areas of the proposed commercial structure and these are detailed further in the following paragraphs.

1.25. Those related to **cost and delivery** are explained below:

- **Cost Budget** – the overall approach adopted by the Council appears sensible and reasonable for this stage of the project, having appointed its own Quantity Surveyor to review costs.
- **Cost Inflation** – the price base used in the cost estimates is Q3 2022. Current inflation to Q4 2024 would indicate that the cost budget could be understated by at least 10%. The Council should consider with its technical advisors whether an appropriate allowance for cost inflation has been included. This risk extends to the contribution towards the fit out of the cinema and it should be ensured the lease and lessee accept the risk of cost increases (**the budget is recommended to increase to reflect the projected cost inflation see below**).

- **Contracting Strategy** – The Council should seek to enter a fixed price contract and ensure a robust competition to procure and appoint a contractor for the works is conducted by the Joint Venture to ensure value for money is delivered.
- **Demand Analysis** – The Council should seek to understand demand analysis in relation to the scale of the proposed development.
- **Provision of Services to the JV** – as part of the legal documentation a full set of services to be provided by Evolve and the Council (including any KPIs) should be agreed. Fee proposals from Evolve should be required to demonstrate best value for the Council.
- **Lease Incentives** – The treatment of lease incentives in the financial modelling will need to be considered by the Council.

1.26. Those related to **financing** are explained below:

- **Evolve Land Transfer Valuation** – The council should obtain comfort that the proposed transfer valuation is reasonable through an independent valuation of the site (see confidential information).
- **Priority of Shareholder Loan** – The priority repayment of the Evolve shareholder loans is not considered consistent with the balance of risk being adopted by the partners. The Council should seek to obtain repayment of its investment on a Pari Passu basis with Evolve. This preferential treatment may result in subsidy control issues that need to be clarified with legal advisors (**this has been achieved see renegotiated terms detailed above**). Clarity is also required on the treatment of interest before applying remaining cashflow to outstanding loans.
- **Interest Rate on Shareholder Loans** – The rate of interest to be applied to shareholder loans requires agreement with Evolve.
- **Security for Shareholder Loans** – Security for loans, and the ranking of security, should be agreed as part of the Joint Venture negotiation – such as a charge over the assets of the Joint Venture.
- **Financial modelling** – more detailed cash flow modelling is undertaken on the Joint Venture prior to any decisions to formally commit or invest. The modelling and analysis should also ne regularly updated to reflect revisions and improvements to assumptions to ensure decision making uses the most appropriate and up to date information. This would include a data book of assumptions to document the sources and relative level of confidence in inputs and assumptions which underpin the analysis.

1.27. There are also several **further Joint Venture Considerations**:

- **Business Plan** – a detailed Business Plan should be prepared and agreed by both parties, prior to finalisation of the legal agreements and formal execution of the Joint Venture (to be developed).
- **Distribution Policy** – The principle of distribution being paid on a 50:50 basis is reasonable in relation to investment and risks (see above).
- **Exit Arrangements and Termination** – the Council should continue to consider the reasonableness of the lock in period. The inclusion of pre-emption rights would be a common and sensible approach. The Council will also need to consider the nature of termination provisions once these are drafted.
- **Joint Venture Directors** – the Council will need to consider who fills Director posts if these should be Members alongside Officer appointees. There is a considerable risk of conflict of interest in the appointment of Members to the Board (see below).

- **Council Scrutiny and Management** – the Council should begin to consider and design appropriate mechanisms for the ongoing review and monitoring of the Joint Venture. This may include the establishment of a shareholder/ member body to provide strategic direction and decision making to the nominated Company directors (to be developed).
- **Council Sources of Finance** – The Council is in a good sensible position having identified resources to meet the contribution – we would recommend further contingency resources given the risk of cost inflation and overrun (see below).

Evolve Estates Financial Standing

1.28. See confidential information.

Taxation of a Limited Liability Partnership

1.29. The key potential tax implications arising from the structure are detailed below:

- **Corporation Tax** – As long as the business is being carried out with a view to profit and can be evidenced, then LLPS are not subject to Corporation Tax in their own right. However instead transactions are taxed on individual partners. As the Council is a partner in the LLP and is not subject to Corporation Tax then any gains or profits attributed to the Council would then be exempt.
- **Value Added Tax** – An LLP is treated in the same way as a Company, for VAT purposes and must therefore register for VAT although it will not benefit from the same preferential regime as the Council. The loan by the Council to the LLP should have minimal VAT implications. However, Phase 1B will mean the Council will incur more significant costs related to the development of the surrounding area. As these plans become clearer, further consideration to VAT implications will be required. VAT registration of the LLP should take place as soon as possible to allow for VAT incurred on development costs to be fully recovered.
- **Stamp Duty Land Tax** – SDLT is payable on land acquisitions by the purchaser. The land exchange is likely to mean the Council will be liable for SDLT on the acquisition of the leasehold interest in 32 to 44 Bakers Lane (see below).

1.30. More detailed tax advice from PWC is currently being procured in relation to phase 1B including the land exchange and the development costs such as demolitions that will be incurred by the Council.

Managing the ongoing relationship between the Council and the Joint Venture

1.31. The Cabinet and Council Reports previously approved the Leader and the Chief Executive being the Council's representatives on the LLP Board.

1.32. The development and finalisation of the legal agreements has identified that each partner will be required to provide three representatives to the LLP Board. Therefore, it is recommended that these representatives be one Member appointment (The Leader) and two officer appointments (The Chief Executive and one other member of Leadership Team).

1.33. The Council will need to retain oversight of the Joint Venture operations and direct control over the most important governance aspects of decision making such as partnership agreements and business plans.

1.34. It is recommended that a delegation to approve these agreements on behalf of the Council is approved. In addition, to manage any potential conflicts of interest given the strategic and financial significance of the relationship, it is recommended a different set of Member (Cabinet member for Finance and Commissioning) and Officers (Section 151 and Monitoring Officers) to those represented on the LLP Board are assigned responsibility.

1.35. In line with the Council's Constitution, key decisions related to the Joint Venture including future potential investment will continue to be approved by Cabinet and Council with oversight provided by the Overview and Scrutiny and Audit and Member Standards Committees.

Consultation	1. Bringing a cinema to Lichfield is a long-term, clearly stated and supported ambition of LDC. 2. There will be public engagement and consultation on the redevelopment plans as part of any planning application process.

Financial Implications

See confidential information.

The Level and Nature of Investment in the Joint Venture LLP and its Funding

The Approved and the Projected Budget assuming the PWC recommendation to increase the client contingency budget is approved would be:

Investment Profile (assumes opening Dec 2024)				
	2022/23	2023/24	2024/25	Total
	£	£	£	£
Capital Budget	£834,000	£2,499,000	£1,665,500	£4,998,500
Client Contingency @ 10%	£58,000	£175,000	£117,500	£350,500
Approved Budget	**£892,000**	**£2,674,000**	**£1,783,000**	**£5,349,000**
Reduction in Initial Financial Contribution	(£16,000)	(£47,000)	(£31,500)	(£94,500)
PWC further contingency @ 10%	£89,000	£267,000	£177,500	£533,500
Projected Budget	**£965,000**	**£2,894,000**	**£1,929,000**	**£5,788,000**

UKSPF			(£400,000)	(£400,000)
Sale of Venture House	(£850,000)			(£850,000)
Repurposed Reserves	(£42,000)	(£2,674,000)	(£1,383,000)	(£4,099,000)
Total Approved Funding	**(£892,000)**	**(£2,674,000)**	**(£1,783,000)**	**(£5,349,000)**
Former Car Park Reserve - Masterplan	(£73,000)	(£220,000)	(£146,000)	(£439,000)
Total Projected Funding	**(£965,000)**	**(£2,894,000)**	**(£1,929,000)**	**(£5,788,000)**

It is recommended the further contingency of **£439,000** (£533,500 less £94,500) is recommended to be funded from the uncommitted element of the former car park reserve approved to deliver the Lichfield City Masterplan.

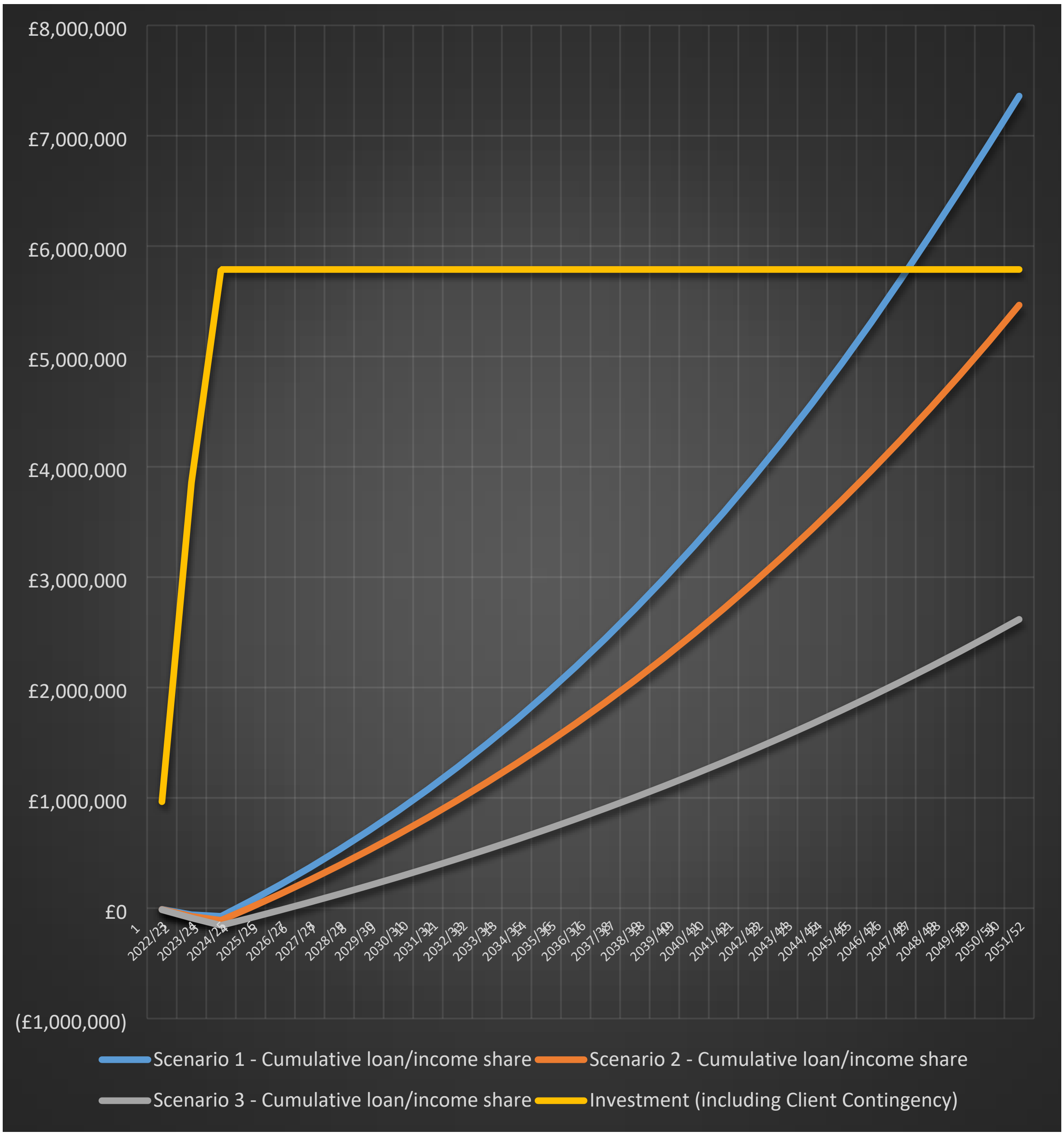
Payback and Investment Appraisal information for the Investment

Currently, no projections have been provided by EE however to inform the decision-making process a set of financial projections based on the best available information has been prepared. These projections will need to be validated as part of the Joint Venture Business Planning process. Therefore, the Revenue Budget will continue to be based on a budget neutral (no surplus or deficit is included) position. In addition, capital receipts related to the loan repayment will at this stage not be included in projections until more informed information is available. Any future changes following the completion of a Business Plan will be reported in line with the Council's budget monitoring and any budget approvals will be in line with the budget framework.

The renegotiation of the priority of loan repayment to be 50:50 will mean that the Council receives a higher level of loan repayment in the earlier years. This will mean even with the additional contingency, the Council's loan is repaid earlier than previously forecast, and in some scenarios the Net Present Value and Accounting Rate of Return will also improve:

Previous			
Scenario (including Client Contingency)	**1**	**2**	**3**
Rental Share @ year 5	30%	30%	30%
Rental Share @ year 20	70%	70%	30%
Rental Share @ year 30	50%	70%	30%
Payback Period in years	27	31	48
Net Present Value (Nil residual value, 6% & over 30 years)	£2,546,771	£2,651,397	£2,802,376
Accounting Rate of Return over 30 years	4.39%	3.73%	2.90%
Updated			
Scenario (including PWC increased Client Contingency)	**1**	**2**	**3**
Rental Share @ year 5	50%	50%	50%
Rental Share @ year 20	50%	50%	50%
Rental Share @ year 30	50%	50%	50%
Payback Period in years	25	29	40
Net Present Value (Nil residual value, 6% & over 30 years)	£2,424,960	£2,539,169	£2,827,109
Accounting Rate of Return over 30 years	4.46%	3.97%	3.29%

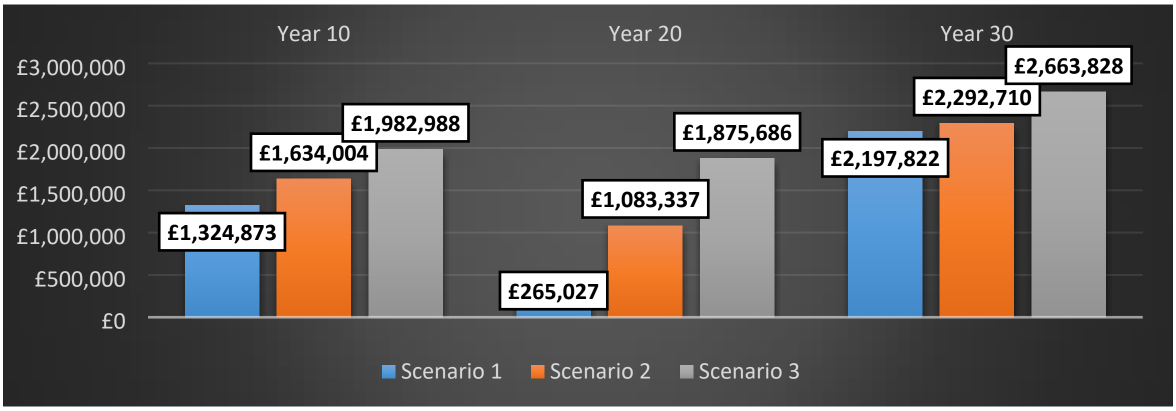
The updated projected capital investment and repayment profile is shown below:



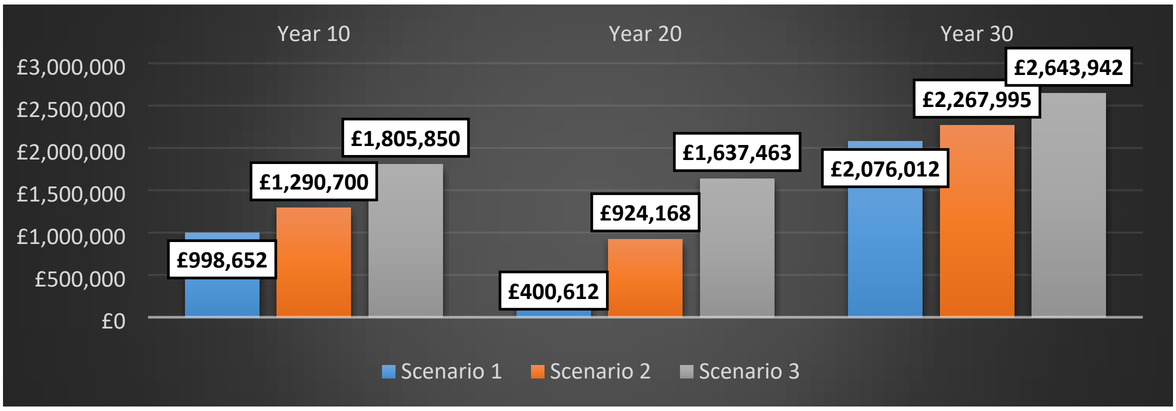
Exit or 'Cash Out' from the Joint Venture

The Joint Venture agreement will allow either party to exit the agreement after a set period. The calculation of an exit or 'cash out' payment is very difficult to determine because it will be impacted by a range of wider economic conditions. Therefore, to provide an illustration of the projected level of gains or (losses), a net present value-based calculation has been undertaken using a discount rate of **6%.** However, it is important to note this is not a formal or definitive valuation. The additional contingency and the renegotiation of the priority of loan repayment will also impact on the illustrative exit valuations. A summary (for illustrative purposes, losses are shown as positive values) is shown in the chart below compared to the previous calculation:

Previous



Updated



The uncommitted balance on the former car park reserve approved to deliver the Lichfield City Masterplan as of 1 April 2023 was **(£721,000)**. The two recommendations contained in this Report related to Stamp Duty Land Tax of **£104,000** and funding additional expenditure of **£439,000** total **£543,000.** Therefore, if the recommendations are approved, the remaining uncommitted balance would be **(£182,000).**

Phase 1B Capital Investment

A Budget of **£1,070,000** is included in the approved Capital Programme to fund enabling works on the Birmingham Road Site.

Approved by Section 151 Officer	Yes
Legal Implications	1. Since the previous report to council in October 2022, the council has carried out due diligence by commissioning PWC to:

	• Review the commercial structure and terms of the proposed JV to comment on the reasonableness of the proposed structure, the key risks to which it may be exposed and the mitigations the Council may put in place, making relevant recommendations. • Review and comment on the reputation and financial standing of Evolve as the Council's proposed JV partner; and • Review and comment on the expected, high-level corporation tax, VAT and SDLT implications for the Council in relation to the proposed JV structure. These are detailed in the report from 3.21 onwards.
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	1. This will particularly support and deliver the Council's strategic objectives of **shaping place** and **developing prosperity** and will enhance the district to visitors. 2. Having a cinema situated within the district supports our **enabling people** to live healthy and active lives. 3. Through the JV approach, it shows that we're **a good council** that is financially sound, transparent and accountable, including further collaborative working with key partners.

Equality, Diversity and Human Rights Implications	1. There are no equality, diversity or human right implications associated with the proposals at this stage.

Crime & Safety Issues	1. As the project moves through the planning and redevelopment phases these elements will be considered further to ensure the proposed development plays a positive role in the reduction of crime and safety.
Environmental Impact	1. Repurposing the former Anchor Store unit as a cinema will give the building an expected additional lifespan of 25 years. 2. The design of the development will incorporate sustainable elements in line with Council policies.

GDPR / Privacy Impact Assessment	1. Data processing arrangements will be addressed as part of the LLP Partnership Agreement.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
	Finance			
A	The capital cost of the development exceeds the Approved Budget	Likelihood: Yellow Impact: Red Score: Yellow	Inclusion of Developer contingency, 50:50 cost sharing arrangement and specialist asset management partner. Review by independent Quantity Surveyor and inclusion of Client Contingency. Client Contingency increased based on PWC/QS further review of projected cost inflation to Dec 24.	Likelihood: Green Impact: Yellow Score: Yellow
B	The financial projections including taxation implications are inaccurate or too optimistic leading to budget pressures	Likelihood: Yellow Impact: Yellow Score: Yellow	Three scenarios prepared using different assumptions and recommendation is to initially adopt a budget neutral position with the MTFS. Review by independent set of advisors and subject to approval of Joint Venture Business Plan.	Likelihood: Green Impact: Yellow Score: Yellow
C	The partner in the Joint Venture cannot meet obligations or gets into financial difficulty	Likelihood: Yellow Impact: Yellow Score: Yellow	Financial standing review by independent set of advisors.	Likelihood: Green Impact: Yellow Score: Yellow
	Corporate entity and structure			
D	Legal Challenge from another developer.	Likelihood: Yellow Impact: Red Score: Yellow	Legal advice suggests that legal challenge is unlikely when entering a JV through an LLP for the purposes of place shaping.	Likelihood: Green Impact: Yellow Score: Yellow
	Governance			
E	The council need to ensure that once the company is set up it is run day to day in an acceptable manner.	Likelihood: Yellow Impact: Yellow Score: Yellow	Governance arrangements to be agreed with by both partners and implemented as part of the corporate structure.	Likelihood: Green Impact: Yellow Score: Yellow
F	There will be times when decisions being taken by the joint venture will need to revert to primary organisations.	Likelihood: Yellow Impact: Yellow Score: Yellow	Parameters for decision making set out in the governance arrangements including when there's a need to revert.	Likelihood: Green Impact: Yellow Score: Yellow
	Development failure			
G	The scheme does not attract occupiers.	Likelihood: Yellow Impact: Yellow Score: Yellow	Pre agreements in place with a preferred cinema operator and over 30 F&B operators are interested in the 5 available F&B outlets.	Likelihood: Green Impact: Yellow Score: Yellow
H	Developer does not perform.	Likelihood: Yellow Impact: Yellow Score: Yellow	Monitoring of milestones. The developer forms part of the JV and shares the same risks as the council in terms of under performance.	Likelihood: Green Impact: Yellow Score: Yellow

Background documents

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

Relevant web links