

# A Cinema for Lichfield District

**Deputy Leader and Cabinet Member for Leisure, Parks and Major Projects**

**Date:** 11 July 2023

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**Key Decision?** YES

**Local Ward Members** All Wards

*Lichfield*  
district council

**Council**

## 1. Executive Summary

- 1.1 Cabinet received a report at their meeting on the 27<sup>th</sup> June 2023 giving them 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. This report is included with this item.
- 1.2 The report included detailed financial information which is included as a confidential appendix.
- 1.3 There are a number of recommendations that require council consideration. These are listed in this covering report.

## 2. Recommendations

- 1.1. Council approve 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.
- 2.2 Council approve the Medium-Term Financial Strategy be updated :
  - 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

3.1 Since the cabinet paper there are a couple of matters of clarification for council to be aware of. These are detailed below.

- That para 2.2 of the cabinet report means that the leasehold of the service area at the rear of the 6 units is also being transferred to Lichfield District Council
- That the land swap will not be completed until the JV documentation has been completed and the operator and the construction contractor for the cinema is legally signed up.

Alternative Options	Listed in the attached cabinet report.
Consultation	Leadership Team and Cabinet
Financial Implications	Listed in the attached cabinet report.
Approved by Section 151 Officer	Yes
Legal Implications	Listed in the attached cabinet report.
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	<ol style="list-style-type: none"> <li>1. This will particularly support and deliver the Council’s strategic objectives of <b>shaping place</b> and <b>developing prosperity</b> and will enhance the district to visitors.</li> <li>2. Having a cinema situated within the district supports our <b>enabling people</b> to live healthy and active lives.</li> <li>3. Through the JV approach, it shows that we’re <b>a good council</b> that is financially sound, transparent and accountable, including further collaborative working with key partners.</li> </ol>
Equality, Diversity and Human Rights Implications	<ol style="list-style-type: none"> <li>1. There are no equality, diversity or human right implications associated with the proposals at this stage.</li> </ol>
Crime & Safety Issues	<ol style="list-style-type: none"> <li>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.</li> </ol>
Environmental Impact (including Climate Change and Biodiversity).	<ol style="list-style-type: none"> <li>1. Repurposing the former Anchor Store unit as a cinema will give the building an expected additional lifespan of 25 years.</li> <li>2. The design of the development will incorporate sustainable elements in line with Council policies.</li> </ol>
GDPR/Privacy Impact Assessment	<ol style="list-style-type: none"> <li>1. Data processing arrangements will be addressed as part of the LLP Partnership Agreement.</li> </ol>

Risk Description & Risk Owner	Original Score	How We Manage It	Current Score
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		(RYG)		(RYG)
	<b>Finance</b>			
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
	<b>Corporate entity and structure</b>			
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
	<b>Governance</b>			
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
	<b>Development failure</b>			
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.  
A Cinema for Lichfield District - Report to Cabinet 27 June 2023.

### Relevant web links