

South Lakeland District Council
Council
Tuesday, 23 March 2021
Corporate Financial Update March 2021

Portfolio:	Finance and Resources Portfolio Holder
Report from:	Section 151 Officer
Report Author:	Helen Smith – Finance Lead Specialist (Section 151 Officer)
Wards:	(All Wards);
Forward Plan:	Key Decisions included in the Forward Plan as published on: <ul style="list-style-type: none">• 18th December 2020 (Financial Support for the Leisure Services Contract),• 16th February 2021 (Contract awards for construction works and project management of construction works to Grange Lido and Promenade and Refurbishment works to Abbot Hall, lease and contract award)

1.0 Expected Outcome

- 1.1 To approve allocation of financial resources to enable the delivery of projects and services to deliver the Council Plan including leisure services, the refurbishment of Grange Lido and Grange Promenade and the refurbishment of Abbot Hall, Kendal. Further updates will be provided verbally as required.

2.0 Recommendation

2.1 It is recommended that Council:-

- (1) Subject to Cabinet approval that Council approves the receipt of monies from the National Leisure Recovery Fund to a value £174,237 and to make payment of this money to the Council's leisure delivery partner for support from 1st December to 31st March 2021, as noted in the report to Cabinet on 17th March 2021;**
- (2) Subject to Cabinet approval that Council approves the amendment of the Capital Programme to include £615,000 for capital works and associated professional fees relating to refurbishment works to Abbot Hall, offset by grants due of the same value;**
- (3) Subject to Cabinet approval that Council approves amendment of the Capital Programme to include an additional £867,000 for capital works relating to construction works to Grange Lido and Grange Promenade and to approve the use of New Homes Bonus, the Local Project Reserve, the NNDR Business Rate Pool and Locally Important Projects funding as set on in paragraph 3.10 below; and**
- (4) Approves the Capital Programme set out in Appendix 1**

3.0 Background and Proposals

Financial Support for the Leisure Services Contract

- 3.1 Cabinet will at its meeting on the 17th March 2021 consider a further request from the Council's leisure delivery partner, which has closed on 3 occasions during the 2020/21 financial year in line with Government guidelines. Little financial support has been forthcoming to the Leisure industry until more recently where the Government has opened the National Leisure Recovery Fund to support the Leisure industry from 1st December 2020 to 31st March 2021. No support has been offered from the 1st April 2020 to 30th November and Government expects that Local Authorities are to support contracts through existing grants given to Local Authorities although this is not explicitly set out in any government funding provided to date.
- 3.2 Leisure Services additional funding. It should be noted that the additional funding detailed below is to cover all culture and leisure related expenditure, including any other potential requests for funding from bodies within South Lakeland other than the leisure delivery partner.

The Council has paid its leisure delivery partner a management fee for the year under the original contract and in line with the original budget for management fee as approved by Council in February 2020. Additional budget of £120,000 was approved as part of the Covid-19 budget amendments approved by Council on 30th June 2020. During 2020/21 it has been recognised that there were expected to be further additional costs relating to leisure services during 2020/21 as a result of the Covid-19 pandemic and a further £360,000 has been added to the budget, bringing the total additional funding for leisure services as a result of Covid-19 to £480,000. These monies are subject to the satisfaction of providers complying with strict change control procedures under the existing contracts and payments will be made on a without prejudice basis. Legal Services will be providing advice in this regard.

- 3.3 While the proposal to make payment to the leisure delivery partner and other Leisure requests for additional Covid-19 costs can be met within the Covid-19 budget there is no budget for the receipt and payment of the grant from the National Leisure Recovery Fund. This is a net-zero budget amendment as the grant will offset the payment but under the Finance Procedure Rules Cabinet can only approve such virements up to £100,000: requests above £100,000 can only be approved by Council.

Refurbishment works to Abbot Hall

- 3.4 Cabinet on 17th March 2021 will be considering and is being asked to approve a project to deliver a minor Capital refurbishment scheme at Abbot Hall Gallery which will allow Lakeland Arts to re-open to the public. SLDC alongside Lakeland Arts and Cumbria LEP have been in discussions regarding capital schemes at Abbot Hall and have secured funding circa £495k from the Northern Cultural Regeneration Fund (NCRF) to undertake the necessary works to allow the site to re-open. As part of the works, Lakeland Arts have committed £120k to the project to provide a total of £615k to undertake the work. Cumbria LEP as part of ongoing discussions between all three parties have asked SLDC to deliver the scheme on behalf of Lakeland Arts.
- 3.4 To deliver the scheme, SLDC will be required to enter into a grant agreement to receive the NCRF funding and enter into partnership agreement with Lakeland Arts for their funding contribution.
- 3.5 Cabinet can approve the refurbishment scheme, give permission for entering into a grant agreement and related agreement's, approve the appointment of project managers, approve the scheme to proceed to contract award following tender, approve the grant of a new lease to provide a minimum term of 99 years to support Lakeland Arts in seeking future Capital monies to support with the longer term

Capital investment for the site and approve the entering into of related licences to enter and alter in order to carry out works in Abbot Hall.

Due to the nature of the works this expenditure and income should be included within the Council's capital programme. Under the Finance Procedure Rules the Cabinet can approve amendments to the Capital Programme for up to £100k, any requests over £100k need to be approved by Council.

Contract Award for Grange-over-Sands Lido and Promenade

3.6 Cabinet on 17th March 2021 will also be considering a report to invest in Grange Lido and Promenade to:

- To open up the Lido site to the public and for it to be used by the public after being closed for 27 years.
- Re-purpose the site and undertake essential structural repair works to stop further structural decay which will only lead to increase in costs for future administrations.
- To upgrade the Grange Promenade and improve connectivity from the Promenade to Town centre
- To secure the Coastal Community Fund (CCF) investment of £1.1million for Grange and secure wider investment for the Morecambe Bay area.
- Undertake essential structural repairs to sea defences along Grange promenade.
- To upgrade the Children's play area sited on the Grange promenade, consulting with local residents and families.
- To re-surface the promenade which is showing signs of disrepair.
- To encourage greater tourism to the Grange area and wider Morecambe Bay area.
- To regenerate the site but not preclude the site being used as a Lido in the future.

3.7 Cabinet are being asked to approve the scheme in order to move forward with contract award to the preferred bidder for the contract to refurbish the Grange Lido/ Promenade subject to grant of planning permission. They are also being asked to approve the appointment of IBI Group and sub consultants through the Bloom procurement framework to undertake RIBA Stages 5 & 6 for the project, approved the design changes for the Value Engineered scheme and to delegate authority for officers to seek amendment to the current planning permission.

3.8 A formal and compliant tender was returned to SLDC and outlined the following options for both the Lido and Promenade:

Option 1: Carry out all tendered work to the sea defence wall and Connectivity scheme, detailed below. Street lighting to the promenade was omitted, but costs included the necessary infrastructure for future applications. No proposed works to the Lido of any kind, with only the construction of new hoardings separating the Lido from the Promenade.

Option 2: Carry out structural repairs to the sea defence wall and Connectivity scheme. Street lighting to the promenade was omitted, but costs included the necessary infrastructure for future applications. New hoarding to be erected around the Lido, with only essential and minimal structural repairs to be undertaken.

Option 3a: Carry out structural repairs to Sea Defence Wall and Connectivity scheme. Street lighting has been removed from the costs but infrastructure will be installed for future installation if needed. Value engineered scheme to Lido to include for main pavilion, diving board structure, central circulation space, infill of pool and terracing etc. The proposal **included** a central water feature.

Option 3b: Carry out structural repairs to Sea Defence Wall and Connectivity scheme. Street lighting has been removed from the costs, but infrastructure will be installed for future installation. Value engineered scheme to Lido to include for main pavilion, diving board structure, central circulation space, infill of pool and terracing etc. The proposal **excluded** a central water feature.

3.9 Considering the options, the preferred Design Option is 3b. This proposal for the redevelopment of the Lido focuses on: executing a series of well-considered stabilisation measures to preserve the building and structural elements at greatest risk of degradation; an upgrade of the pavilion building; creation of an accessible entrance design from the promenade; and the insertion of a removable landscape intervention within the former pool area. At present, male and female changing accommodation will be mothballed for refurbishment at a future date, although secure decorative hoardings will separate these buildings from those areas of the Lido that will be fully accessible to the general public.

3.10 Currently the Council have budgeted the following for Grange Promenade and Lido:

Grange Promenade	£1,097,000
Coastal Communities Fund (CCF) Bid for Grange Promenade	£1,100,000
Grange Lido	£1,960,000
Grange Re-generation	£157,000
	<u>Total £4,314,000</u>

A further £867,000 will be required to complete works on the preferred value engineering option. After careful consideration of alternative funding options it is proposed to use the following resources to fund this additional cost:

New Homes Bonus: uncommitted	£158,000
Local Project Reserve	£300,000
NNDR Business Rate Pool	£300,000
Locally Important Projects funding	£109,000
Total	<u>£867,000</u>

Using these reserves, for the most part created from accumulated grants over several years, will limit the flexibility within the capital programme to fund new or unexpected demands over the next 2 years.

Under the Council's Finance Procedure Rules the Cabinet is permitted to increase the capital programme by only up to £100,000. Any requests above £100,000 are required to be approved by Council.

3.11 Cross a Moor – a verbal update will be provided, if necessary, to the meeting on progress regarding the Cross-a-Moor highways scheme.

4.0 Consultation

4.1 Consultation has been carried out on each individual proposal and is summarised in the report setting out details of each proposal on the agenda for the meeting of Cabinet on 17th March 2021.

5.0 Alternative Options

5.1 Alternative options for each individual proposal were set out in each report on the agenda for the meeting of Cabinet on 17th March 2021. This report only considers the budget amendments required to enable the decisions to be delivered. If the funding is rejected then Cabinet would be required to consider alternatives to the approved actions.

6.0 Links to Council Priorities

6.1 The links to Council priorities for each individual proposal were set out in each report on the agenda for the meeting of Cabinet on 17th March 2021. The proposals in this report are consistent with the Council's Budget, Capital Strategy and Reserves Strategy as approved on 23rd February 2021 and within the Medium Term Financial Plan approved on 28th July 2020.

7.0 Implications

Financial, Resources and Procurement

7.1 This report is requesting amendment to both revenue and capital budgets for 2020/21 and 2021/22:

Revenue:	
GLE: Leisure Services	2020/21
Increase Third Party Payments	£174,237
Increase Grants and Contributions	-£174,237
Net Impact	£0
Capital:	
KLH08: Abbot Hall redevelopment	2021/22
Insert: Payments to Contractors	£615,000
Insert: Grants and Contributions	-£615,000
Net Impact	£0
KRE66/67: Grange Lido and Promenade	2021/22
Increase Payments to Contractors	£867,000
Net Impact	£867,000
Funded from:	
New Homes Bonus: uncommitted	£158,000
Local Project Reserve	£300,000
NNDR Business Rate Pool	£300,000
Locally Important Projects funding	£109,000

The latest Capital Programme including these amendments and the reprofiling of budgets from 2020/21 to 2021/22 and beyond is attached at Appendix 1.

Human Resources

7.2 There are no direct human resource implications of this report.

Legal

7.3 Detailed Legal advice has been provided within the confidential Cabinet report relating to the leisure delivery contract. Legal Services are providing Subsidy advice as required on all schemes, drafting related contracts, providing legal property advice (land transfers and leases) and advising on related funding agreements. This report ensures that officers have the appropriate budget approvals to take the schemes forward in the event that Cabinet approve the schemes on the 17th March 2021.

Health, Social, Economic and Environmental

- 7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No
- 7.5 If you have not completed an Impact Assessment, please explain your reasons: A HSSA has been prepared for each individual proposal and were considered by Cabinet on 17th March 2021 when each individual request was approved. This report is only to approve the funding of the decisions already made.

Equality and Diversity

- 7.6 Have you completed an Equality Impact Analysis? No
- 7.7 If you have not completed an Impact Assessment, please explain your reasons: Where required, the equality impact was considered by Cabinet on 17th March 2021 when each individual request was approved. This report is only to approve the funding of the decisions already made.

Risk

Risk	Consequence	Controls required
Leisure Services:		
Leisure provider unable to continue in business if no contract payments or grant funding given.	Contract terminated and all leisure facilities and financial burden put back onto the Council.	Legal Services have provided advice on the requirements under the contract. Any payments will be the subject of compliance with the legal advice including but not limited to the open book approach, Change control procedures and previous decisions of Cabinet and Council to consider any additional support.
To pay the leisure provider contract payments for reduced or no service.	Council pays for reduced or no service and unable to claim this money back if the leisure provider goes into administration.	Obtain guarantees on how the leisure delivery partner will manage risk on the Council's behalf. Agree to open book approach with the leisure delivery partner for how finances are being managed
Abbot Hall:		
To not undertake the works and refuse to lead on the project.	Abbot Hall to remain closed and possible loss of grant funding.	SLDC to lead on the project and ensure that funding is spent.
Construction work to take place within Abbot Hall and around an expensive collection.	Risk of claim against the Council.	Ensure that insurances are in place, that any collections are removed to storage by Lake Arts prior to works commencing.

Risk	Consequence	Controls required
Abbot Hall no longer viable in its current form.	Site will close in the future.	Specialist officer for Culture and Partnership to work closely with Lakeland Arts on the offer.
Subsidy may be deemed to be unlawful.	Financial claim on the Council.	Legal to review proposed subsidy and to advise controls required.
Grange Lido:		
Contract Sum is exceeded during contract.	Potential that other Capital schemes will not go forward if this scheme is over budget.	Designated Client lead for the Places programme as Client. Client to appoint Quantity Surveyor (cost consultant) to the design team to monitor the cost throughout the scheme. A Contingency sum of 6% has been included within the costings.
Programme of Works not met and the work is delayed.	Disruption to the public and business on Grange promenade.	Designated lead for Client. Client to appoint Contract Administrator to be appointed within the Design Team to manage programme of work and appropriate building contract to be used for phased completion. Phased programme has been carefully mapped out to provide as much assurance as possible.
Do nothing and maintain status quo.	Council to suffer reputational damage.	Approve the proposed investment in Grange Lido.
Do nothing and maintain status quo.	Maintenance costs will continue to rise. The building will continue to deteriorate requiring greater investment in the future.	Approve the proposed investment in Grange Lido.
No demand for the space created for rent.	Buildings and site remains vacant.	Discussions to be started with local businesses and local community groups to push the space for rent.
Capital Programme:		
Council has insufficient resources to meet future demand for capital expenditure to deliver Council priorities	Potential additional costs if unable to carry out effective maintenance programmes	Careful balance of priorities and demand for funding

Risk	Consequence	Controls required
	Potential lost opportunity to improve services	Capital strategy identifies future funding requirements Medium Term Financial Plan considers balance between affordability, sustainability and value for money.

Contact Officers

Helen Smith, Finance Lead Specialist and Section 151 Officer 01539 793147,
h.smith@southlakeland.gov.uk

Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Capital Programme 2020/21 – 2025/26

Background Documents Available

Name of Background document	Where it is available
Cabinet Agenda 17 th March 2021	https://democracy.southlakeland.gov.uk/ieListDocuments.aspx?CId=121&MId=5070&Ver=4
2021/22 to 2025/26 Draft Budget: Council 23 rd February 2021	https://tinyurl.com/hsvtx9ss

Tracking Information

Signed off by	Date sent	Date Signed off
Legal Services	05/03/2021	15/03/2021
Section 151 Officer	05/03/2021	Report of the S151 Officer
Monitoring Officer	05/03/2021	15/03/2021
CMT	05/03/2021 by email	08/03/2021

Circulated to	Date sent
Lead Specialist	N/A
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	05/03/2021
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	17/03/2021
Council	23/03/2021