

SHEFFIELD CITY COUNCIL

**Economic and Environmental Wellbeing Scrutiny and Policy Development
Committee**

Meeting held 22 February 2017

PRESENT: Councillors Steve Wilson (Chair), Ian Auckland (Deputy Chair), Penny Baker, Lisa Banes, Neale Gibson, Dianne Hurst, Talib Hussain, Abdul Khayum, Helen Mirfin-Boukouris, Robert Murphy, Andy Nash, Chris Peace, Martin Smith and Paul Wood

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Ben Miskell.

2. EXCLUSION OF PUBLIC AND PRESS

2.1 The Chair reported that the appendix to the Cabinet report at Item 7 – ‘Call-in of the Cabinet Decision on Waste Services Review – Consideration of Delivery Solutions for Waste Services’ was not available to the public and press because it contained exempt information described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended, relating to the financial or business affairs of any particular person.

2.2 RESOLVED: That prior to a discussion on the above appendix, the press and public would be asked to leave the meeting to allow the Committee to discuss the confidential information.

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meeting of the Committee held on 25th January 2017, were approved as a correct record, with the exception of Item 4 – ‘Implications for Sheffield of the Decision to Leave the European Union’, which was amended by the substitution of the words ‘it was considered that businesses being more engaged with schools, at an early stage, would be more beneficial’ for the words ‘it was not considered that commencing apprenticeships any earlier in a young person’s life would be any more beneficial’.

5. PUBLIC QUESTIONS AND PETITIONS

5.1 There were no petitions submitted or questions raised by members of the public.

6. CALL-IN OF THE CABINET DECISION ON WASTE SERVICES REVIEW - CONSIDERATION OF DELIVERY SOLUTIONS FOR WASTE SERVICES

6.1 The Committee considered the decision of the Cabinet made at its meeting held on 18th January 2017, regarding the Waste Services Review – Consideration of Delivery Solutions for Waste Services.

6.2 Signatories

The lead signatory was Councillor Neale Gibson, and the other signatories were Councillors Abdul Khayum, Dianne Hurst, Lisa Banes and Peter Rippon.

6.3 Reasons for the Call-in

Councillor Neale Gibson stated that they wished to allow further scrutiny of this issue on the basis that it was something that affected all citizens of Sheffield.

6.4 Attendees

- Councillor Bryan Lodge (Cabinet Member for Environment)
- Councillor Tony Downing (Cabinet Advisor, Environment)
- Gillian Charters (Head of Waste Management)
- Jed Turner (Waste Project Manager)

6.5 Questions from Members of the Committee

Members raised questions and the following responses were provided:-

- The primary aim of the review had been to try to identify the required savings of around £4 million a year under the Waste Management Contract. As the current Integrated Waste Management Contract with Veolia, which runs from 2001 to 2036, was extensive and complex, it had proved very difficult to identify savings across the Contract. It had been considered whether separating different service elements of the contract, and going out to re-tender in respect of the individual elements, would provide a better opportunity to reduce the cost of waste services.
- The Council, working with organisations such as the Waste and Resources Action Programme (WRAP), and also reviewing Veolia's accounts, was able to benchmark service costs and potential opportunities for savings. The Council had also looked at the potential saving from the Council providing public sector borrowing in order to take advantage of the historically low interest rates.
- There was uncertainty over the condition of the District Energy Network (DEN), and this was a potential risk. However, the DEN is an asset for the City (low carbon heat, energy security, tackling fuel poverty), and if the Council wished to expand it, and make it more efficient, it would need to take strategic ownership and control. A short term organisation and management

contract would manage the day to day functioning of the DEN, but the Council would take on responsibility for the life-cycle and development costs. A contractor would not be able to take on liability of life-cycle and maintenance costs without adding a significant premium. Although costs of maintaining the DEN were uncertain, income from existing customers (circa £4.5m p.a) and opportunity to capitalise major works would go some way to mitigating this risk in the short term, whilst the Council established a longer term view on its future. This risk best sits with the Council, and the Council would undertake a full assessment of the condition of the DEN over the next two years, and an opportunity to strategically develop it. The Council would establish a project to develop a business plan for the future growth and an expansion of the DEN, which would include:-

- invest to improve efficiency and performance of DEN, expand the customer base and introduce low-carbon heat sources.
 - allow the Council to take a long-term investment view that is appropriate for DENs, and match that with low cost financing.
 - use DEN expansion to tackle fuel poverty and reduce carbon footprint.
 - generate heat sales income, and
 - assess the true condition and commercial viability of the DEN.
- Reference would be made in the tender documents to the possibility of linking up with other similar networks, including EON.
 - Sheffield was rare in that it had an Integrated Waste Management Contract, and although there had been a number of changes to services over the years, having the integrated Contract had made it difficult to make changes in terms of service delivery and savings.
 - The reason the Council was not insourcing the Collection service at this point in time was that it would require significant operational and management change in order to drive through service improvement and efficiency changes. Pensions and equal pay would be a risk to the Council if insourced, and therefore officers were recommending a seven year contract (to match life cycle of vehicles) and a requirement for the successful contractor to introduce new ways of working which should bring greater efficiencies and safer working practices and, at the same time, enable the Council to consider insourcing the service following expiry of the contract (similar to the way the Council insourced the Kier contract).
 - There would be no major issues if the contract in terms of the Waste and Recycling Collection Service was extended for up to three years, past the original seven-year contract period, on the basis that the collection vehicles could operate for a period of 10 years.
 - In terms of re-tendering for the Waste and Recycling Collection Service, it must be made very clear to prospective tenderers in terms of what they needed to do with regard to employees' employment terms and conditions. It

was expected that this process would take from 9 to 12 months.

- TUPE (Transfer of Undertakings [Transfer of Employment] Regulations) (Preserving employees' terms and conditions when a business or undertaking, or part of one, is transferred to a new employer) would have to be taken into consideration as a matter of law.
- As part of the review, it had been proposed that the Call Centre and Communications Service management systems should be brought back in-house. Due diligence would obviously have to be given in terms of the employees' terms and conditions, but it wasn't envisaged that there would be any major problems in terms of such transfer of staff. There could, however, be some element of risk associated with the transfer of staff at management level, in terms of such staff being in receipt of any bonuses or private health care allowances.
- It was accepted that there could be a number of issues in terms of the requirement to monitor a number of different contracts, but the Council was prepared for this.
- Officers would have to work very closely with any new employer, drawing on the experience of the recent insourcing of the Housing Service, in terms of the alignment of the employees' terms and conditions, including any subsequent equal pay claims.
- The current additional resources in terms of full-time equivalent staff working on the process to deliver the change programme was four. As they had been identified as additional staff, there was little risk in terms of them having to drop other activities. There are also additional external resources for legal and technical support.
- In terms of whether the market would respond to the opportunity to tender for the services, the waste collection market was currently very buoyant, with contractors experienced in bidding for services where there was an incumbent contractor.
- The PFI market in respect of the energy recovery had ended following the withdrawal of Government funding, meaning that companies would now have to fund any infrastructure required. As Sheffield already had the required infrastructure, this put the City in a good position in terms of attracting companies. The commercial technical risk of filling the Energy Recovery Facility capacity with third party waste, together with the technical expertise required to manage the Facility, and the ability to secure long-term electricity and heat sales contracts, meant the option of insourcing this specific service would result in too much risk for the Council. It was easier and more cost-effective for the Council for an external contractor to bring waste into the City. There was a limit of 65,000 tonnes of waste that an external contractor could bring into an area.

- 6.6 RESOLVED: That the public and press be excluded from the meeting before discussion takes place on the appendix to the report on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended.
- 6.7 Officers in attendance responded to a number of questions raised by Members of the Committee on the contents of Appendix 1 to the report now submitted.
- 6.8 At this stage in the proceedings, the meeting was re-opened to the public and press.
- 6.9 RESOLVED: That the Committee:-
- (a) notes the contents of the report now submitted, together with the comments now made and the responses to the questions raised; and
 - (b) agrees to take no action in relation to the called-in decision, but asks that the Cabinet Member for Environment (Councillor Bryan Lodge) ensures that (i) the financial risks to the Council of bringing the District Energy Network back in-house and (ii) other risks and costs, including TUPE, of a future insourcing of the Collection Service, following the expiry of the seven-year contract, are taken into account.

The votes on the above resolution were ordered to be recorded and were as follows:-

For the resolution (13) - Councillors Ian Auckland, Penny Baker, Lisa Banes, Neale Gibson, Dianne Hurst, Talib Hussain, Abdul Khayum, Helen Mirfin-Boukouris, Andy Nash, Chris Peace, Martin Smith, Steve Wilson and Paul Wood

Against the resolution (0) - Nil

Abstained (1) - Councillor Robert Murphy

7. ECONOMIC LANDSCAPE - EVIDENCE SESSION NO. 1

7.1 The Committee considered information reported by Richard Wright, Executive Director, Sheffield Chamber of Commerce and Industry, based on the following three questions:-

7.1.1 *Is Sheffield Serving the Needs of Businesses/Developers?*

Mr Wright stated that, whilst he believed Sheffield was serving the needs of businesses and developers in a much better way than in the past, there was still considerable room for improvement. Whilst promotion of the City was getting better to inward investors, there was a common view that Sheffield needed to lose

its 'world's largest village' label, on the basis that it gave the impression that the City was lacking in opportunity and wealth. He referred to the common view held by a number of businesses and developers regarding the negativity of the Planning Service, particularly how long it took for planning issues to be resolved. He believed that the pre-application meetings should provide an opportunity for the Planning Service to sell the City, and how they can help and facilitate development, as opposed to informing prospective developers what was wrong with the application, and what would not be accepted. Connected to this issue, Mr Wright considered that the entrance to Howden House needed re-designing as the current layout did not provide a particularly good impression for investors when attending to meet Council officers. Mr Wright also believed that there was a need for more open discussion in terms of what was going on in the City, and the reasons for decisions being made.

7.1.2 Are There Any Lessons for the Future?

Mr Wright believed that developers, some of whom had invested considerable amounts of money in expert planning and design teams to deliver proposals, should be afforded a better opportunity by the Council's Planning and Urban Design Teams, and more senior Council officers, in terms of their development proposals. It was also believed that, whilst the valuation of Council assets was important, a wider view was needed to be taken on these assets as often, the potential development of these sites, as well as the value that could be delivered, mainly in terms of new jobs, investment and homes, should easily outweigh the determination to achieve the absolute land value, which often prohibits sites coming forward.

7.1.3 How Do We Compare with Other Cities and Core Cities?

Mr Wright stated that there was still a general belief in the business community that Sheffield did not shout about itself enough and, although things had improved in this area, he believed that this work should be led by the business community, who had the necessary knowledge and ability to have a more positive effect on inward investors. Other large cities, including Core Cities, had a better reputation for being open for business, and often this stemmed from the planning system. He stated that more effort was needed to welcome and accommodate developers, as opposed to finding issues with proposals, as was still the case regarding some schemes. There was a need to drive the positives as much as possible, and the New Retail Quarter (NRQ) needed to be driven at pace, being the most important regeneration project in the City. There was also a need to attract some of the high-end or quality retailers, such as Reiss, Jigsaw and White Company, as part of the NRQ, which could be found in many other major towns or cities across the country, in order to increase the City's retail income.

7.2 Members of the Committee asked questions of Richard Wright, and the following responses were provided:-

- Whilst a number of developers had faced problems in terms of dealing with the Planning Service in connection with construction proposals, there were

some sectors which had been successful, including health and wellbeing and gaming software. A detailed review of the planning application process was needed to enable a proper, responsive system to be put in place.

- There was a need to achieve a correct balance between large businesses and small and medium enterprises (SME). With respect to SME, there was a need to ensure that the setting up of one business did not result in another one failing. Support should be linked to a proven capacity and demand in the City, and to achieving strategic objectives, like growth in certain sectors or capabilities in a future economy. In terms of larger businesses, it was considered that there was a lack of original equipment manufacturers (OEM) (companies whose products were used as components in the products of another company). Creative Sheffield was doing an excellent job, and was now more focused than it had been in the past, in terms of attracting and retaining businesses in the City.

7.3 RESOLVED: That the Committee:-

- (a) notes the information now reported, the comments now made and the responses to the questions raised;
- (b) thanks Richard Wright for attending the meeting, and responding to the questions raised;
- (c) requests the Cabinet Member for Infrastructure and Transport (Councillor Mazher Iqbal) to feed back to Members on current approaches regarding how they are made aware of planning applications in their wards; and
- (d) in line with the outline scope of the Economic Landscape Task Group, requests that Creative Sheffield, the Executive Director, Place and other appropriate stakeholders, be invited to the Evidence Session No.2.

8. WORK PROGRAMME 2016/17

8.1 The Policy and Improvement Officer (Alice Nicholson) submitted a report attaching the Committee's draft Work Programme for 2016/17.

8.2 RESOLVED: That the Committee notes the contents of the report now submitted and approves the draft Work Programme for 2016/17.

9. DATE OF NEXT MEETING

9.1 It was noted that the next meeting of the Committee would be held on Wednesday, 26th April 2017, at 5.00 pm, in the Town Hall.